

On the Formulation of Japan's Growth Strategy Implementation Plan

1. Background and Significance

- For many years, Japan has been trapped in a deflationary, cost-cutting economy, experiencing an era in which wages remained stubbornly low despite people working hard. Meanwhile, driven by anxiety about the future, both businesses and households have adopted a defensive stance that has become the norm. Businesses refrained from future-oriented investment and hesitated to pass on costs, while households curbed consumption.
- Previous economic policies and companies' efforts to raise wages are beginning to bear fruit. In the spring labor-management negotiations, wage increases in the 5% range were achieved for the third consecutive year, and capital investment by private companies in fiscal year 2025 has reached a record high of 128 trillion yen annually.
- The Japanese economy now stands at a crossroads: will we allow these signs of change to be merely temporary, or will we turn them into a sustainable virtuous cycle and achieve a transition to a growth-oriented economy?
- Furthermore, amid large-scale and long-term fiscal spending in countries around the world, if Japan fails to move forward, businesses, jobs, and investment will flow overseas, and the domestic economy risks slipping back into a period of stagnation.
- Now is the time to stimulate domestic investment, raise Japan's potential growth rate (supply capacity), increase high-quality jobs and income, improve consumer sentiment, boost business profits, and ensure that tax revenue grows naturally. In short, we must realize a virtuous cycle driven by GDP expansion.
- Accordingly, Japan's Growth Strategy Implementation Plan will be formulated by the end of the year and will include:
 - ① the details and investment amounts of domestic investment, primarily by the private sector, over the next five years through around 2030 (the Investment Project Plan), for areas among the 17 strategic fields and 62 key products and technologies that are to be prioritized from the perspectives of current profit drivers, future growth engines, and strengthening economic security; and
 - ② multi-year budget-funded programs for major policy measures regarding the 17 strategic fields and the eight cross-sectoral challenges utilizing the Strong and Prosperous Japan Investment Framework.

- Furthermore, sustained real wage growth will take time to take hold. Since taking office, the Takaichi Cabinet has therefore implemented seamless measures to address rising prices. These include the abolition of provisional tax rates on gasoline and diesel fuel, so-called “free high school education,” as well as fuel oil subsidies and support for electricity and gas bills in response to the situation in the Middle East.
- Thanks in part to these policies, the inflation rate is at the lowest level among G7 nations, and the real wage growth rate has remained positive for eight consecutive months, standing at the highest level among G7 nations.
- Furthermore, as part of our seamless measures against rising prices, we are moving forward with preparations for the Consumption Tax and Support Payment Bill to directly ease the burden on low- and middle-income households.
- We will increase the take-home pay of the public and enrich their lives while ensuring fiscal sustainability. We will advance economic and fiscal management under the concept of responsible and proactive public finances that achieves both of these goals.

2. Overview and Schedule of the Growth Strategy Implementation Plan

- We will designate the next five years as a period of concentrated investment and formulate a plan that primarily covers this period. We will present measures that go beyond the extension of existing policies and overcome existing constraints, along with the vision we aim to achieve through them.

The 62 public-private investment roadmaps constitute a portfolio, with varying economic ripple effects and differing timelines depending on the technology and business phase. To make the plan as easy to understand as possible, we will clearly identify items such as (1) those that serve as current profit drivers; (2) those that will be next growth engines with significant ripple effects; and (3) those with particularly significant ripple effects from the perspective of economic security.

- As a first step, within the Council for Japan’s Growth Strategy, including the Strategic Fields Subcommittee, we will proceed with identifying key measures to be included in the implementation plan. These will be projects that induce private investment based on a clear winning strategy or a narrative leading to monetization or securing autonomy and indispensability, as well as projects that are highly effective in significantly raising the potential growth rate. We will determine the details in parallel with the budget

formulation process and formulate the implementation plan when the government budget proposal is finalized.