

**Remarks by Minister KATAYAMA Satsuki**

Minister of Finance and Minister of State for Financial Services

**“Japan’s Turn”**

**of the 56th Annual Meeting of the World Economic Forum**

Davos, Switzerland, January 20, 2026

**<Introduction>**

Good morning, everyone. It is a great honor to join you today at this “Japan’s Turn” session.

Since the Takaichi Cabinet took office last October, the government has worked together to build a “strong Japanese economy” through “responsible and proactive public finances”. Optimism toward these changes is growing. In a recent survey of young adults, confidence in politics jumped from about 20 percent to over 50 percent, and almost 50 percent viewed Japan’s future as bright, citing political change and expectations for the new administration.

Japan’s nominal GDP has surpassed 4 trillion US dollars (600 trillion yen). Capital investment is at record highs, and wages have risen over 5 percent for two consecutive years. The Nikkei Average is now about five times its 2012 level. These results show that Japan is shifting from a deflationary, cost-cutting economy to a dynamic, growth-oriented one driven by bold investment and productivity gains.

Today, I would like to outline the three key pillars of our growth strategy to turn this momentum into sustainable progress.

**<Strategic investment in priority areas>**

The first pillar is strategic investment in priority areas. In a country facing future population decline, achieving a “strong Japanese economy” requires strategic fiscal action based on responsible and proactive public finances. By strengthening Japan’s supply structure and raising growth, we aim to lift incomes, restore consumer confidence, and create a virtuous cycle of improving corporate profitability.

We are advancing bold and strategic investments that enhance growth and resilience against potential crises to strengthen Japan’s supply capacity. More concretely, we will provide proactive public-private investments to address risks such as economic, food, energy and resource security. Through delivering products, services, and infrastructure that help solve the global challenges, we will drive Japan’s further economic growth.

For example, we are strengthening the semiconductor supply chain through initiatives such as the “Rapidus Project”, which would enable domestic production of cutting-edge 2-nanometer chips. We are also advancing “Physical AI,” which would enable autonomous robotic assistance and unmanned plant operation by aggregating and training high-quality data.

We aim to achieve more than 330 billion US dollars of public and private sector investments in the AI and semiconductor sectors by improving predictability for the private sector through over 66 billion US dollars of public support.

These key measures for building a “strong Japanese economy” are also reflected in the 2026 tax reform. Specifically, we will introduce tax incentive measures for promoting domestic investment in high-value-added assets.

In addition, we will establish a new category under the R&D tax system, designed to incentivize corporate R&D in national strategic technology domains such as AI, quantum, and biotechnology.

**<Unleashing Japan’s economic potential by leveraging the power of finance>**

The second pillar is to unleash Japan’s economic potential by leveraging the power of finance. To this end, we will develop a comprehensive financial services strategy by the summer of 2026 and put the strategy

into action in close collaboration with the private sector. To create a virtuous cycle of capital that supports economic growth and raises household incomes, the government has been advancing an initiative to “Promote Japan as a Leading Asset Management Center”.

For households, we implemented a fundamental revision of the NISA —Japan’s tax-exempt investment scheme for retail investors, in January 2024. The new NISA is now a permanent scheme on tax-exempt holdings, and the annual investment limit has been expanded. As a result, the number of NISA accounts has increased to about 27 million, meaning one in four Japanese adults holds a NISA account. Participation is growing across all generations, including younger people. Going forward, we will further enhance NISA.

Japan’s household financial assets now exceed 15 trillion US dollars (2,200 trillion yen), but nearly half of these assets remain in cash and deposits. This proportion is significantly higher than in the United States. Furthermore, there is a substantial gap in the investment returns on household financial assets between Japan and the United States. If the proportion of equities and investment trusts in household portfolios were to increase, greater portion of the fruit of economic growth would be returned to households in the form of investment income.

We are already seeing positive signs. The balance of household risk assets has reached an all-time high. Capital investment by corporates is also at record levels in nominal terms. Going forward, strategic public-sector initiatives is expected to catalyze private investment. In addition, more than 90 percent of the companies listed on the Prime Market have disclosed their business plans that reflect capital cost and share price considerations. This signals a clear shift in corporate mindset.

With respect to listed companies, Japan has steadily advanced corporate governance reform. The market capitalization of the Tokyo Stock Exchange now stands at about 8 trillion US dollars (1,200 trillion yen)—about four times its level at the end of 2012. The reform has been well received by investors and market participants both in Japan and abroad. At the same time, rising corporate cash holdings has raised concerns about suboptimal allocation of management resources. In response, the FSA and the Tokyo Stock Exchange are preparing to revise the Corporate Governance Code by the summer of 2026. Furthermore, we developed a comprehensive plan last month to ensure that Japan’s regional financial institutions can play a greater role in supporting local economies amid the aging and declining population.

#### **<Responsible and proactive public finances>**

The third pillar is responsible and proactive public finances. We must analyze Japan’s fiscal situation from multiple perspectives and with objectivity, and take it seriously. The concept of “responsible and proactive public finances” represents a forward-looking and proactive approach to fiscal policy — and it is by no means an indiscriminate pursuit of expansion for its own sake.

We are determined to achieve both the building of a “strong Japanese economy” and the “sustainability of public finances” in a well-balanced manner, thereby fulfilling our responsibility to the people living today and to future generations.

The 2026 budget is designed to align with the medium-term economic and fiscal framework, while taking into account economic and price trends, as we aim to transition the Japanese economy to a new stage. Specifically, the overall budget appropriately reflects economic and price trends. At the same time, we have increased budgets for key initiatives such as strengthening defense capabilities and implementing measures like tuition-free education, while securing the necessary financial resources.

Furthermore, we have maintained fiscal discipline, holding down the Bond Dependency Ratio at 24.2 percent — the lowest level in nearly 30 years. In addition, Japan’s fiscal balance as a percentage of GDP has shown an improving trend in recent years. It is estimated that in 2025, the general government fiscal balance-to-GDP ratio of Japan (minus 0.6%) will be the best among the G7 countries.

It is essential to transform the fiscal structure to underpin a strong Japanese economy on both the expenditure and revenue sides. By ensuring wise spending and implementing strategic fiscal measures to enhance growth potential, we will curb the rate of growth of Japan’s outstanding debt balance so as not to exceed the rate of economic growth and lower Japan’s ratio of outstanding government debt to GDP. This will bring about the sustainability of public finances and ensure trust from the markets.

#### **<Conclusion>**

Today, the free and open international order we have been used to is wavering, as the world undergoes profound change with rising political and economic uncertainty driven by such as geopolitical tensions. To

meet the expectations of young people who believe Japan's future is bright, we must take bold action. It is our responsibility to make Japan strong and prosperous and pass it on to the next generation.

As Japan's first female Finance Minister, I am committed to building a strong Japanese economy in a time of profound global change, under Japan's first female Prime Minister, Sanae Takaichi.

Together, we will create today we can be proud of tomorrow. Thank you for your attention.