

Implementation of the “Medium- to Long-Term Economic and Fiscal Plan” Based on Responsible and Proactive Public Finances

— Flexible Economic and Fiscal Management Based on Multifaceted Analysis and Verification —

October 9, 2026

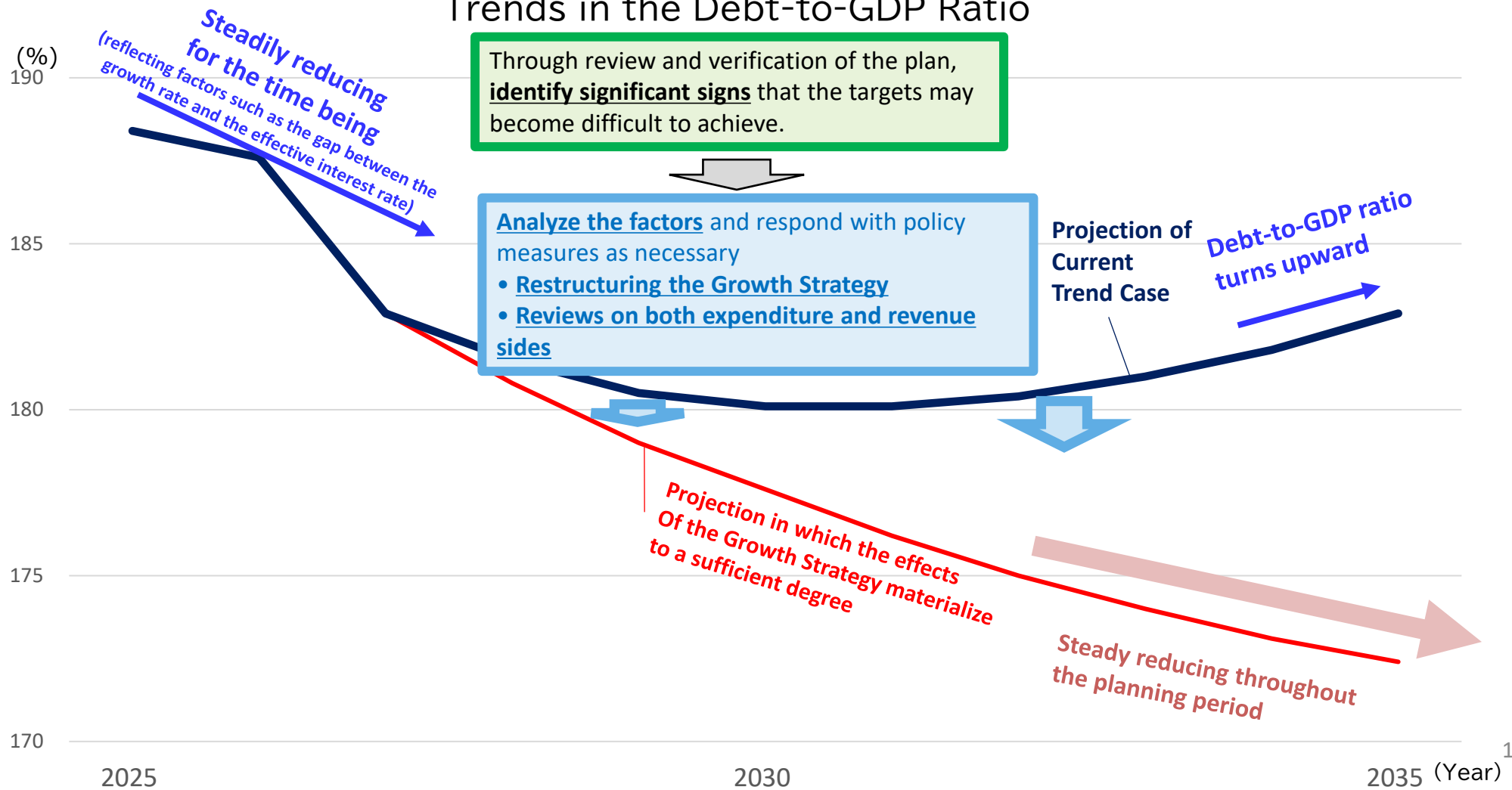
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*※This document provides a summary of policy proposals submitted for discussion
by the expert members to the Council on Economic and Fiscal Policy.*

Review and Verification of the Plan

- It is important to avoid being forced into abrupt adjustments later as a result of waiting until the debt-to-GDP ratio rises before reviewing policies. Where **significant signs emerge indicating that the targets may become difficult to achieve** in the future, **the underlying factors should be analyzed** and, as necessary, linked to **policy responses such as restructuring the Growth Strategy and reviews on both expenditure and revenue sides**.
- Policies will be flexibly reviewed in response to changing circumstances in order to strengthen economic growth potential and ensure a steady decline in the debt-to-GDP ratio.

Trends in the Debt-to-GDP Ratio



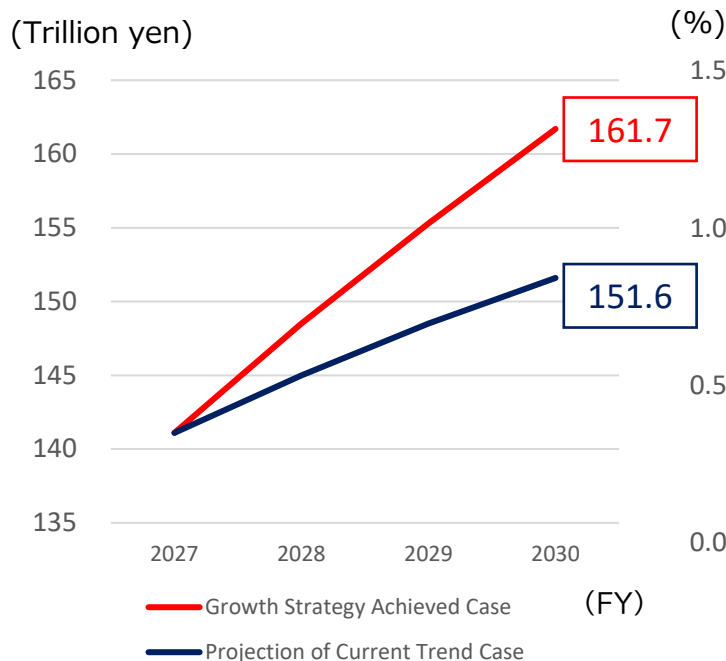
Monitoring Progress through FY2030 and Multifaceted Analysis

(Continuous implementation and management of the plan through comprehensive verification, in principle every five years)

○The comprehensive verification and review of the “Medium- to Long-Term Economic and Fiscal Plan” will, in principle, review and verify conditions through the end of FY2030. Each fiscal year, it is important to monitor progress in investment, productivity, growth rates, the debt-to-GDP ratio and other indicators, **to conduct a multifaceted analysis of changes in actual outcomes and medium- to long-term outlooks and the factors behind them, also referring to multiple cases based on different assumptions in the Medium- to Long-Term Projections**, and to link the results to necessary policy revisions.

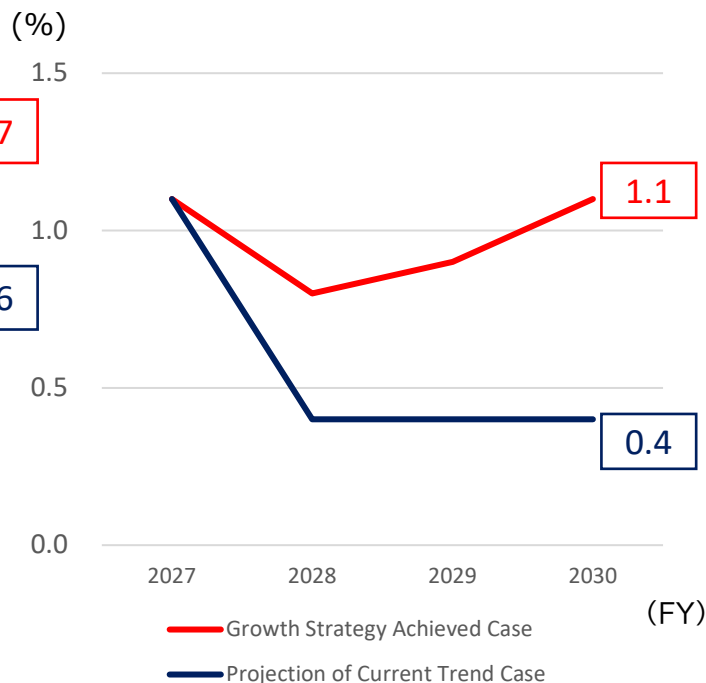
Domestic Private Non-Residential Investment (Nominal)

*Public-private target: 250 trillion yen in FY2040



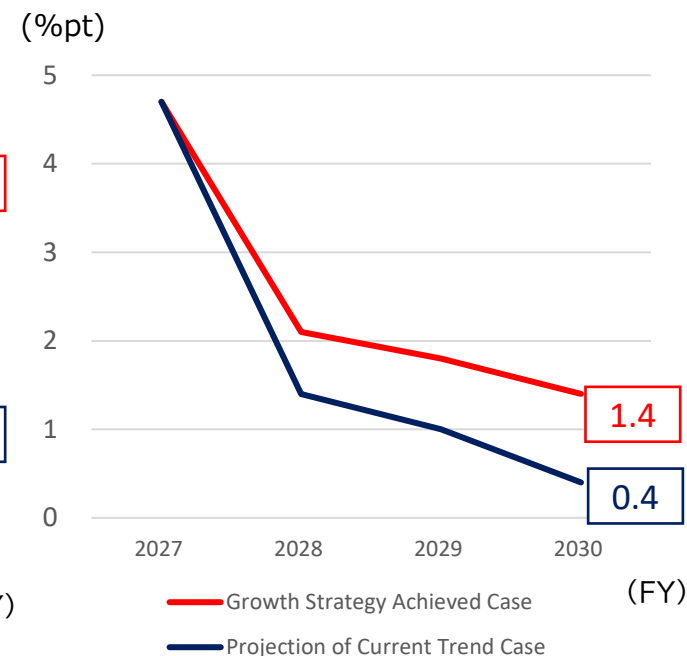
Real GDP Growth Rate

*Target: establish growth exceeding 1% as early as possible



Annual Improvement in the Debt-to-GDP Ratio (Change from the end of the previous FY to the end of the current FY)

*Target: steadily reduce the debt-to-GDP ratio



Economic and Fiscal Management Responsive to Circumstances, Based on Multifaceted Analysis and Verification (International Examples)

○Internationally, emphasis is also placed on **achieving both economic growth and fiscal sustainability** through economic and fiscal management responsive to circumstances, based on **medium-term economic and fiscal outlooks and risks**, while conducting **multifaceted analysis and verification**.

Point 1

Multifaceted Analysis and Verification of Current Economic and Fiscal Conditions

[Many countries] Economic and fiscal performance is analyzed and verified using a wide range of indicators.

[New Zealand] Carefully analyzes and verifies not only government debt but also **trends in government assets**.

Point 2

Forward-Looking Analysis of Multiple Cases Based on Different Assumptions

[Many countries] Develop **multiple scenarios** and conduct various **sensitivity analyses** on assumptions such as growth rates and interest rates.

[Germany] Analysis showing that an increase in **female labor** (employment rate and working hours) would **reduce the long-term fiscal adjustment needed**.

Point 3

Analysis of the Factors Behind Observed Changes (Linked to Policy Decisions as Necessary)

[Many countries] Analyze **how economic and fiscal outcomes and outlooks have changed since previous estimates**, and the factors behind those changes.

[United Kingdom] Quantitative analysis of the impact of changes in the economic outlook on **the feasibility of achieving fiscal management targets** (used to inform policy decisions).

Point 4

Ensuring Flexibility to Respond to Various Shocks

[Many countries] Many countries have mechanisms for responding flexibly to major economic shocks and other events (**allowing temporary deviations from fiscal management rules**).

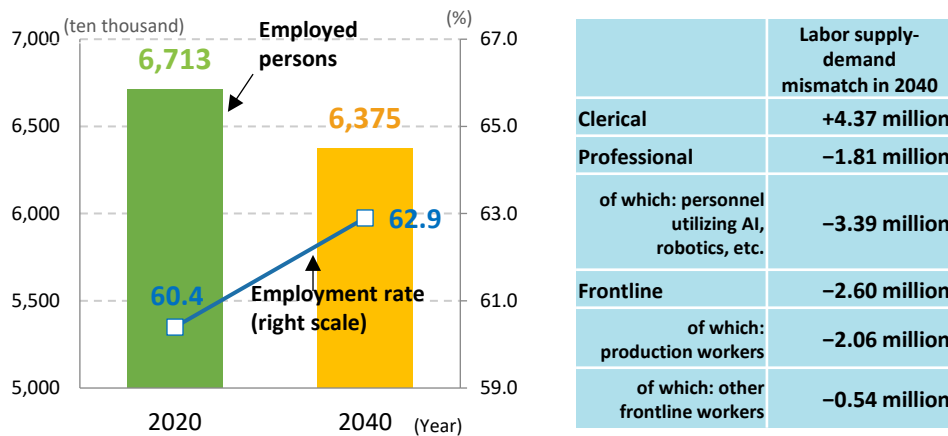
Medium- to Long-Term Challenges: Population Decline and Labor Supply and Demand

(Examples of Challenges in Implementing the Medium- to Long-Term Economic and Fiscal Plan)

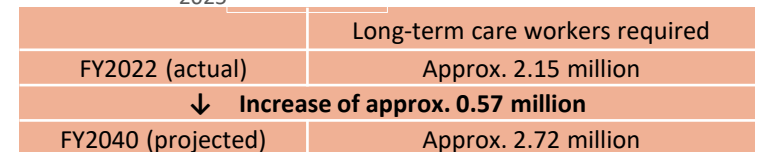
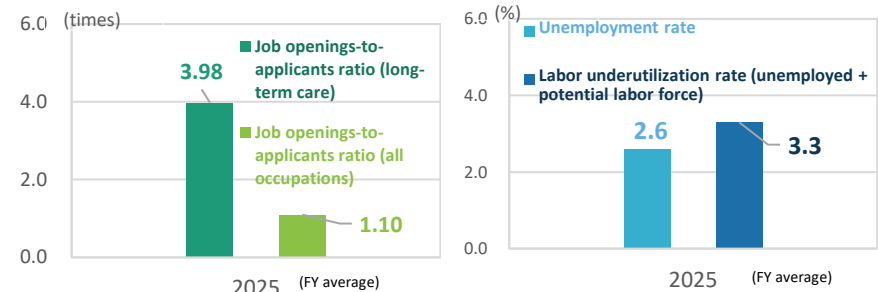
○While the number of employed persons is projected to decline, a breakdown by occupation shows that **clerical occupations may see a surplus, whereas personnel utilizing AI, robotics and related technologies may be in short supply**. In particular, in **long-term care occupations, where the job openings-to-applicants ratio is high and labor shortages are severe**, the number of workers required is projected to increase further.

○As the 18-year-old population declines and universities face enrollment shortfalls, **the number of university entrants is projected to decline further**. **Local governments see challenges in securing professional and technical staff**.

① Outlook for the Number of Employed Persons

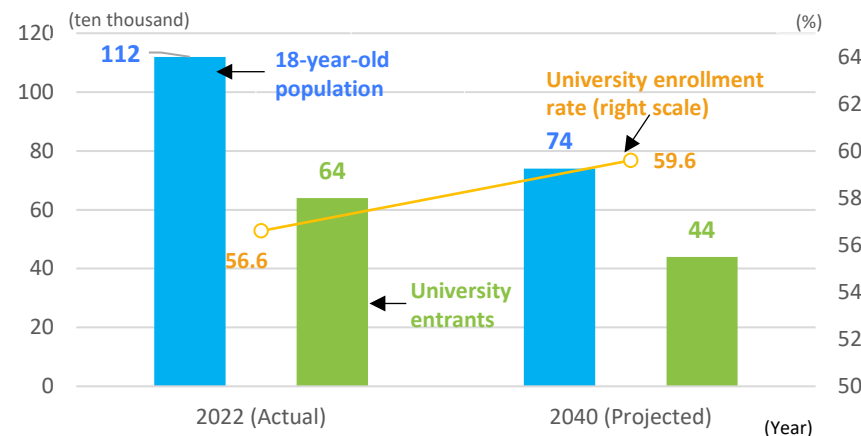


② Outlook for Long-Term Care Workers



(*) Potential labor force: persons who are not seeking work but are available for work, etc.

③ Trends in 18-Year-Olds and University Entrants

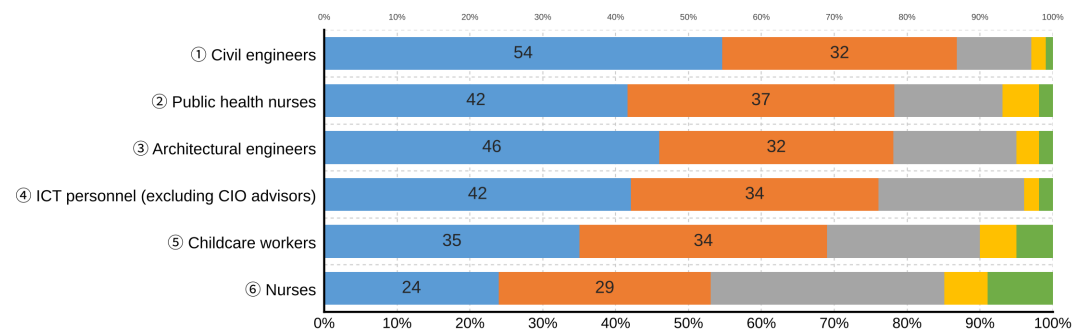


④ Securing Personnel in Local Governments

(*) 2021 survey. Responses from 1,011 local governments nationwide (47 prefectures, 20 designated cities, 944 municipalities).

■ Results of a Questionnaire Survey of Local Governments on Local Public Employee Administration

Q. For each of the following professional and technical positions, do you consider there to be major challenges in securing personnel and staffing?



(Note) Prepared based on materials from: top left, METI "Industrial Structure Council"; top right, MHLW "Social Security Council"; bottom left, MEXT "FY2024 Council on the Management of School Corporations"; bottom right, MIC "4th Study Group on the Role of Local Public Employees in the Post-COVID-19 Era," etc.

Agree Somewhat agree Neither agree nor disagree Somewhat disagree Disagree

Rebuilding the Framework to Implement the Medium- to Long-Term Economic and Fiscal Plan

○The Medium- to Long-Term Economic and Fiscal Plan set out in the Basic Policy 2026 will be given concrete form not merely as a future outlook, but as a government-wide management framework for regularly and continuously implementing, reviewing and projecting policies. To this end, the functions of managing and reviewing reform progress performed to date by the Committee for Promoting the Integrated Economic and Fiscal Reforms will be further developed and restructured into a framework for promoting the Medium- to Long-Term Economic and Fiscal Plan.

[Progress Management and Review: Integrated the Committee for Promoting the Integrated Economic and Fiscal Reforms]

Current Situation 1

Insufficient mechanisms for overseeing and verifying key medium- to long-term policies from a macro perspective



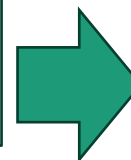
Current Situation2

Insufficient mechanisms for verifying the relationship between the macroeconomic outlook and the progress of reforms in each field



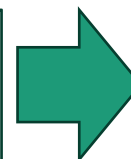
Current Situation 3

KPIs and reform roadmap are comprehensive, but their relationship to macro targets is unclear



Current Situation 4

Reflection of EBPM (evidence-based policymaking) in budgets and policies is still in progress



[Progress Management and Review: New Framework]

Direction of Restructuring 1

Ensure consistency between various strategies—such as Japan's Growth Strategy, Strategy for the Future of Regions, the fundamental review of budget formulation, integrated reforms of our social security and taxation systems, and the Population Strategy—and the target macroeconomic and fiscal vision

Direction of Restructuring 2

Verify the effects of policies and growth investments in each field in inducing private investment and their economic and fiscal impacts, and link the results to the review of policies and budgets

Direction of Restructuring 3

From the perspective of “growth-oriented sustainability,” prioritize the issues to be addressed (analysis and verification from macro and semi-macro perspectives)

Direction of Restructuring 4

Establish a cycle for reflecting the results of analysis and verification in each fiscal year's budget and in the basic plans and basic policies of each field.
Also leverage EBPM outcomes and best practices