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Finance minister: 2026 outlook for economy, markets

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SATSUKI KATAYAMA
FINANCE MINISTER

I would like to offer my heartfelt New Year's greetings to the readers of The Japan Times.

I was appointed minister of finance and minister of state for financial services last October. Since then, I have addressed various important domestic and international matters, including formulating comprehensive economic measures, preparing supplementary and initial budgets, expanding the NISA program, formulating a Regional Financial Power Enhancement Plan, meeting with U.S. Treasury Secretary Scott Bessent and other people, and attending a G7 finance ministers meeting.

Economic recovery outlook

Japan's economy has shown signs of improvement, including nominal GDP exceeding ¥600 trillion to approach ¥700 trillion and wage increases exceeding 5% for the second consecutive year. However, its potential growth remains sluggish. Wage growth has not kept pace with price rises, and consumer spending and private demand have been lacking in strength amid rising prices, particularly for foodstuffs.

Last Nov. 21, amid the transition from a deflationary, cost-cutting economy to a

growth-oriented economy characterized by increased investment and improved productivity, the government formulated "comprehensive economic measures to build a 'strong Japanese economy.'" We are now implementing measures to address rising prices to protect the livelihoods of the people as our top priority.

Strategic growth investment

In order to realize a strong Japanese economy, it is important to implement fiscal stimulus strategically under the concept of "responsible and proactive public finances," strengthen Japan's supply structure and increase economic growth in order to realize a virtuous cycle in which income levels rise, consumer sentiment improves and business profits increase.

In 2026, we aim to promote bold and strategic investments that enhance growth and resilience against potential crises to strengthen Japan's supply capacity. Furthermore, by promoting active investment through public-private partnerships, especially in strategic areas that will contribute to strengthening economic security, we will strive to resolve Japan's problems, support the growth of advanced industries and powerfully drive the growth of the Japanese economy.

We are currently working to incorporate these measures, which are necessary for addressing rising prices and realizing a strong Japanese economy, into the fiscal



Finance Minister Satsuki Katayama with U.S. Treasury Secretary Scott Bessent MINISTRY OF FINANCE

2026 budget and tax reforms.

Fiscal sustainability challenge

At the same time, Japan's fiscal situation needs to be objectively analyzed from multiple perspectives and considered seriously. To realize a strong Japanese economy, it is important to transform the fiscal structure in terms of both expenditures and revenue. Under the concept of responsible and proactive public finances, the government aims to fulfill its responsibility to the people living today and to those who will live in the future while ensuring fiscal sustainability and maintaining market confidence.

I note that the Cabinet Office's economic and fiscal projections for medium- to long-term analysis, which factor in the supplementary budget for fiscal 2025 and the draft budget for fiscal 2026, show steady improvement ahead for government finances. For example, the debt-to-GDP ratio is expected to decline steadily through the current and next fiscal year and beyond. Furthermore, the primary balance for the central and local governments is expected to continue to improve, making, in fiscal 2026, the greatest improvement since fiscal 2001, when the

primary balance's target was set, with revenues and expenditures largely brought into balance. A certain level of surplus in the primary balance is projected to continue from fiscal 2027 onward.

Mobilizing financial power

To accelerate our growth strategy, the power of finance is essential. For this reason, late last year we set up a subcommittee that I chair as minister of state for financial services under the Council for Japan's Growth Strategy. We will develop a comprehensive financial services strategy by this summer to unleash the latent potential of both the Japanese economy as a whole and local economies by channeling the necessary capital, talent and expertise to Japanese companies and regions through leveraging the power of finance, and put the strategy into action in close collaboration with the private sector. When we look at the flow of funds in our country, we find that Japan's household financial assets have long totaled more than ¥2.2 quadrillion, mostly in the form of cash and deposits.

Aiming to create a virtuous cycle of capital that supports economic growth and raises household incomes, the gov-

ernment has been advancing initiatives to promote Japan as a leading asset management center. These have included corporate governance reform, support for steady asset building by households, the enhancement of asset management services and the improvement of the capabilities of asset owners.

For example, in terms of policy for households, we drastically expanded the NISA tax-exemption system for small investments, broadening the investment base. The number of NISA accounts has reached about 27 million, meaning that 1 in 4 people age 18 or older have an account. The shift toward channeling household savings into productive investments, which has long been a challenge, has been progressing steadily, including among young people. This change reflects growing public awareness of the importance of long-term asset formation and financial literacy in an era of increased longevity and economic uncertainty.

The government plans to further enhance NISA by expanding eligibility for installment-type NISA to those under age 18 and increasing the range of eligible investment products, incorporating the changes in the fiscal 2026 tax reform outline. We will continue to build on our achievements in encouraging initiatives to channel household savings to productive investments and further advance our initiatives to promote Japan as a leading asset management center.

The government has also been focusing efforts on communicating with domestic and overseas investors to advance these reforms in line with the needs of market participants and further improve the investment environment. Japan Weeks, a series of events that have been held since 2023 to widely promote the attractiveness of Japan's financial and capital markets, has been expanding annually with the participation of foreign investors. This year, the week of Oct. 26 is planned as the core week. By strengthening dialogue with global



Satsuki Katayama MINISTRY OF FINANCE

investors, we aim to enhance Japan's visibility as a reliable and attractive destination for long-term investment.

Global economic cooperation

Lastly, the global economy is facing considerable uncertainty, affected by the impacts of trade policies and geopolitical tensions. The situation calls for promoting international cooperation. For its part, the Japanese government aims to address various issues — including support for Ukraine and sanctions against Russia, debt problems of developing countries, global health and enhancing supply chain resilience — through discussions at G7 and G20 meetings, as well as in talks with finance ministers of other countries and heads of international organizations.

In closing, I wish you, the readers of The Japan Times, a wonderful year ahead.

Ministry of Finance, JAPAN

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Satsuki Katayama attends a budget committee meeting MINISTRY OF FINANCE

CEO Paul Christie helped pioneer sustainable approach to travel

Revitalizing rural Japan, one step at a time

Name: Paul Christie
Title: CEO, Walk Japan
URL: <https://walkjapan.com/>
Hometown: Whitstable, England
Years in Japan: 38

Leaders & Readers

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In an era of "perfect" Instagram shots and curated "must-see" lists, Walk Japan takes a distinctly different approach to tourism. Built on the premise that the best way to understand Japan is to walk through it, slowly and with purpose, its tours lead guests on immersive journeys along historic trails and through rural landscapes.

At the helm is Paul Christie, who has called Japan home for almost four decades. In the early years of his career, split between London and Tokyo, he worked in an eclectic range of roles ranging from analyst for the Nihon Keizai Shimbun to freelance documentary production for NHK and TBS. However, he stepped away from the corporate world in 2002 to take over Walk Japan — and hasn't looked back.

The road to Japan

Christie was born and raised in the sleepy seaside town of Whitstable on the coast of Kent. Like many such places, the real estate market is now booming, and he quipped that "you can't buy property there for love or money." He went on to major in economics at university in London, where he lived in one of the international halls of residence. Forming close ties with his fellow residents, he decided to pursue graduate studies in another language after mingling with all the polyglots in the halls. "All I could do was English, but they could speak two, three or four languages — one Swedish guy spoke six!" he recalled. "I chose Japanese, mainly because the economy was doing so well."

Christie came to Japan for the first time in 1987 to further his language studies and

ended up staying for two years. He was fortunate to experience a homestay in Kawagoe, Saitama Prefecture, with a family who welcomed him as one of their own, offering total immersion in Japanese daily life.

A turning point came a few years later in the form of a phone call from a fellow Brit in Tokyo, who was looking for someone to take over his role at the Japanese subsidiary of a printing firm specializing in legal documentation. Christie came on board and assumed the leadership role when his boss repatriated a year later.

Christie credits the experience with giving him a crash course in how to do business in Japan. "I was probably a bit young for it, but the lessons I learned in that position have paid off: how to deal with people, how to do things the proper way, branching out into new areas," he said.

Forging a new path

While Christie's name is now synonymous with Walk Japan, the company's roots began with two Hong Kong university professors who wanted to create study tours for their geography and history students. They started bringing groups over in 1992 to walk the Nakasendo Way, an ancient inland route that once connected Edo (present-day Tokyo) and Kyoto, passing through post towns and rural communities across central Japan.

The students' families and friends began asking to come along, and the project took on a life of its own. The academic duo ran the tours as a side venture for some time before Christie, who had been doing some part-time guiding for them, took over the business in 2002. Around the same time, he visited the Kunisaki Peninsula on the northeastern side of Kyushu's Oita Prefecture for the first time. He quickly decided that this remote, nature-rich area was where he wanted to spend his life.

Building on the established tours on the Nakasendo, Christie developed the first Kunisaki trek in 2003, and the company steadily grew from there. Today, a network of more than 160 team members coordinate walking tours in Hokkaido, the Izu Peninsula,

Ishikawa, Nagano, Kyoto, Wakayama and Kyushu.

"Wherever we walk in Japan, we can explain things from direct experience. Not all of our tour leaders are farmers, but through our work in Japan we understand farming more deeply than most," he said. "In Kunisaki, in particular, we take people through the areas where we work, so we can explain things from a very intimate, firsthand perspective."

The term "overtourism" is heard at every turn these days in Japan. Christie, however, is careful not to criticize first-time visitors who focus on mainstream destinations such as Tokyo and Kyoto, many of whom come on package trips and probably have a perfectly good time. He likens trying to counterbalance concentration in tourism to "trying to stop a massive oil tanker."

"It doesn't happen easily, because everything has become organized around a particular flow. However, that doesn't mean change is impossible," he pointed out. "It's not just about relieving overtourism; it's also about spreading the benefits that inbound tourism brings to as many regions of Japan as possible. That largesse can help in many other ways as well."

Learning the lay of the land

Christie points to the Nakasendo Way as a solid example of how a sustainable approach to tourism can benefit the local economy. "It's become a major tourism resource, and that all started with us. Somebody would have done it eventually; we were maybe 16 or 17 years ahead of everybody else."

According to Christie, the key lies in successfully combining agriculture and tourism — making it work in practice, not just on paper — so that it becomes a viable activity that can actually generate income. Through Walk Japan, Christie is immersed in a multifaceted undertaking for regional revitalization known as the Community Project, which encompasses "everything we do."

"Our regenerative initiatives through agriculture — such as reviving and repurposing



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akiya (vacant homes), providing employment and encouraging immigration to underpopulated regions — all embody this," he explained. "All these, in turn, also help us grow and enrich our business, which enables us to further invest in our initiatives."

An important part of the Community Project is taking over local farmland as aging owners step back. Christie cited the example of one farmer who told them he could no longer continue in 2024. The man had been pushed to his limits economically and physically, with severe flooding delivering the final blow.

This farmer was a linchpin in the community, owning the combine harvester, drying equipment and rice-processing machines used by everyone else. Losing his expertise and the resources he provided would have been devastating.

"Then a thought occurred to me: What if we took over his operation? When I suggested it, he was taken aback at first, but when he realized we were serious, the smile

returned to his face," Christie said. "Now he's a consultant for us."

New life for akiya

Walk Japan is also renovating vacant homes to create offices, visitor accommodations and cafe-gallery spaces that can be shared with local communities. Christie sees such efforts as providing a model for what can be achieved.

"When people see a concrete example — someone who has actually done it — it becomes much easier to imagine themselves doing the same thing," he said. "Reading about it in a book or watching a TV program can be encouraging, but seeing it in real life makes it feel achievable. That's when people start to think, 'Yes, I could do that!'"

That said, Christie cautions that buying rural property in Japan involves many considerations, from legal complexities to location. "There's a lot of things that may not be obvious. So, while you might have a cheap property, you could be in for a shock because

Multifaceted roles in rural Japan

Paul Christie earned a B.Sc. in economics at University College London and went on to pursue graduate studies in the Japanese language at the School of Oriental and African Studies, also in London.

He came to Japan for the first time in 1987 to further develop his Japanese skills. In 2002, he moved to the Kunisaki Peninsula and assumed leadership of Walk Japan, expanding the company's reach around Japan and starting the Community Project to help mitigate decline in rural areas.

He has served as an adviser for the Ministry of the Environment and as a visiting professor at Ritsumeikan University Business School in Osaka, among other roles. He enjoys spending time with his family and exploring in his classic British sports car.

they can be very cold and drafty, and making them comfortable can cost a lot of money," he noted.

He advises checking property deeds carefully, as records may not have been updated for decades, and paying close attention to where a building sits. Many rural homes were constructed to conserve farmland rather than maximize comfort, which can mean limited sunlight or higher flood risk if located near a river.

When things do align, the results can be a win-win for everyone. At the family's request, Walk Japan has recently taken over stewardship of a magnificent 200-year-old property in Nakatsugawa, Gifu Prefecture, which once served as the residence of the village head. Japan-based British community consultant Adam Fulford has been helping to delve into the background of the building and the family, who have lived in the region for four centuries.

"It's quite an honor. We don't just want to take on this beautiful building and preserve it for the future, but also to share its history and the story of the family who have cared for it," said Christie, adding that it will be restored to provide accommodation for Walk Japan tours.

Christie is grateful for where he finds himself, but doesn't take anything for granted. "I'm lucky in that I thoroughly enjoy what I do. I feel extremely privileged to be leading this life. Japan provided me with the opportunity to achieve far more than I think I could have in the U.K.," he said.