ABENOMICS

For future growth, for future generations, and for a future Japan that is robust.

We should look to the future, rather than worry about the present. Japan may be aging. Japan may be losing its population. But, these are incentives for us.

— Prime Minister Shinzo Abe
INTRODUCTION

Setting the economy on course to overcome deflation and make a steady recovery with the Three Arrows

In early 2013, after two decades of economic stagnation, Prime Minister Shinzo Abe unveiled a comprehensive economic policy package to sustainably revive the Japanese economy while maintaining fiscal discipline.

This program became known as Abenomics.

The centerpiece of Abenomics has been the three “policy arrows” targeted at aggressive monetary policy, flexible fiscal policy and growth strategy including structural reform.

Since then, Abenomics has achieved remarkable progress.

For example:

• Nominal GDP grew from 495 to 532 trillion yen\(^1\) between the fiscal years of 2012 and 2015\(^2\)
• Annual corporate ordinary profits increased by 20 trillion yen between the fiscal years of 2012 and 2015\(^3\)
• Unemployment rate declined from 4.3% to 3.1% between 2012 and 2016\(^4\)
• Core CPI improved by 3.0% between 2012 and 2016\(^5\)

And now it is gaining speed. This document offers the latest on the reforms being implemented to reach a GDP of 600 trillion yen, including work style reform to raise productivity and increase the workforce in the midst of demographic changes.

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\(^1\) Average exchange rate for March 2017: USD = JPY 113

\(^2\) Source: Cabinet Office “National Accounts”; “Fiscal 2017 Economic Outlook and Basic Stance for Economic and Fiscal Management”; The Japanese fiscal year starts in April and concludes in March of the following year

\(^3\) Source: Ministry of Finance “Financial Statements Statistics of Corporations by Industry,” all industries, all (firm) sizes, seasonally adjusted figures


\(^5\) Source: Statistics Bureau, Consumer Price Index. 1.3%, excluding the consumption tax rate change in April 2014. Core CPI = All items, less food (less alcoholic beverages) and energy

\(^6\) Source: Ministry of Finance “Public Finance Statistics Book”
Engines that keep the positive economic cycle spinning

1. Boost Productivity
   - p. 3–4
   - Boost productivity by changing work style and diversifying the labor force to cope with the demographic change
     - Leads to wage increase and employment, resulting in higher income and a rise in consumption

2. Drive Innovation and Trade
   - p. 5–8
   - Implement structural reforms such as deregulation in the agricultural sector and other areas with growth potential, as well as expand international trade
     - Leads to the creation of new demand and increased capital investment

3. Energize Corporate Activities
   - p. 9–10
   - Continue to create a business-friendly environment and promote inward FDI through robust corporate governance and further corporate tax reduction
     - Leads to rise in corporate performance

Opening the path to the future:

The budget to achieve economic growth while maintaining fiscal discipline was passed on March 27. The focuses for this fiscal year are:

**FURTHER STIMULATING THE ECONOMY**
- Promote Industry 4.0 by encouraging private investment in R&D in science and technology
- Promote inbound tourism

**CREATING A POSITIVE ECONOMIC CYCLE OF GROWTH AND RE-DISTRIBUTION**
- Increase disposable income by lowering the employment insurance premium by 0.2%
- Expand childcare support by increasing the number of:
  - childcare workers with improved labor conditions
  - available childcare options
- Extend the childcare leave benefit from 1.5 years to 2 years for those on the waiting list

**CREATING OPPORTUNITIES FOR CHILDREN**
- Provide higher education for students from challenging economic circumstances by:
  - Introducing a grant-type scholarship with a base of 30,000 yen per month
  - Eliminating virtually all academic requirements of interest-free scholarship loans for students from low-income families

**REFORM WORK STYLE TO INCREASE PRODUCTIVITY**
- Encourage companies that are:
  - Reforming their evaluation scheme
  - Introducing equal pay for equal work
  - Small and medium-sized enterprises (SMEs) introducing a minimum interval system for working hours

1 Artificial intelligence (AI), robots, Internet of Things (IoT), automated driving and cybersecurity
2 For three years
Improving productivity and labor participation are keys to sustaining economic growth under the demographic change that Japan is experiencing. In realizing this, work-style reform is the biggest challenge we need to tackle.

On March 28, 2017, under Prime Minister Abe’s strong initiative as chair, the Council for the Realization of Work Style Reform has formed a promising plan to realize a society where everyone can choose various and flexible work styles.

Based on this plan, the Administration will implement structural and legislative transformations.

**Legislative rules and guidelines of “equal pay for equal work”:** Eliminate the irrational gaps in the working conditions between regular and non-regular workers in order to enable non-regular workers to be fairly evaluated and to work with higher motivations.

**Regulatory limit on overtime work with penal regulations:** Define the maximum hours of overtime work and revise legislation that will concretely establish a limit that cannot be exceeded even in temporary and special situations.

**Human resource cultivation and supporting reemployment:** Support relearning of individuals, such as by enabling women, who once take child-rearing leave, to receive recurrent education for skill improvement and re-employment.

**Promoting flexible work styles:** Promote teleworking, side jobs and multiple jobs with a variety of policy measures, including the renewal of guidelines.

**Introducing new scholarship programs for children:** Establish new systems that will ease economic burdens to encourage children to attend higher education regardless of economic status.
Embrace diversity

Given the declining work population Japan faces today, we need to include more people in the workforce.

That is why our work and business customs are in the process of being reassessed, and a wide range of working opportunities is becoming accessible to women, senior citizens and expatriates whose chances were limited before.

WOMEN

Lessen the burden of working parents and accelerate women’s promotion

More information: http://www.japan.go.jp/women

- Secure additional childcare capacity for approximately 500,000 children by the end of FY2017
- Increase childcare leave benefits from 50% to 67%, applied to the first six months of leave
- Mandate businesses to disclose information on the employment status of women and their future targets
- Through collaboration with the Tokyo Stock Exchange, select and promote enterprises that encourage women’s success in the workplace as “Nadeshiko Brands”
- Provide female candidates with executive leadership training programs from the world’s leading business scholars
- Further encourage recurrent education for women away on maternity leave

SENIORS

Facilitate change through engagement with businesses

- Provide a choice to extend retirement age for those who want to work, as well as support companies that extend the limit
- Provide support in matching job openings and applications

EXPATRIATES

Leverage legislative reforms to promote and expand opportunities

- Expedite permanent residency by introducing “Japanese Green Card for Highly Skilled Foreign Professionals” to obtain visas after a year of arriving, under certain conditions
- Promote expatriate entrepreneurship in Tokyo, Niigata City, Fukuoka City, Sendai City, Aichi Prefecture and Hiroshima Prefecture
- Increase expatriate housekeeping support workers in Tokyo, Kanagawa and Osaka by leveraging National Strategic Special Zones
- Expand job categories, increase admission quotas and extend training periods from three to five years by revising the current Technical Intern Training Program

1 Law took effect in April 2014
2 Law took effect in September 2015
3 Law will take effect by November 27, 2017

From 2012 to 2016, the number of women joining the workforce increased by about 1.5 million

Source: Ministry of Internal Affairs and Communications: “Labor Force Survey”

Women in management positions in the private sector approaches 10%


71% of seniors report that they would like to continue to work past retirement age

Source: Cabinet Office, Annual Report on the Aging society

Since May 2015, the number of “highly-skilled foreign professionals” increased by 97%

(As of December 2016)
Source: Ministry of Justice: “Number of Recognitions of Highly Skilled Professionals”
Japan is a country renowned for its technology and skilled workers. We are rapidly moving towards Society 5.0, adding a fifth chapter to the four major stages of human development: (1) hunter-gatherer, (2) agricultural, (3) industrial and (4) information.

In this new ultra-smart society, Japan will further expand networking and Internet of Things (IoT) capabilities from advanced innovations in manufacturing to every corner of society, dramatically improving quality of life and accelerating economic growth.

**Realize Society 5.0**

**TECHNOLOGY**

Continue to maintain worldwide leadership in the technology industry

- Make it a government initiative to generate 30 trillion yen of added value by supporting growth in the areas of the IoT, big data, artificial intelligence (AI), robotics, etc.
- Identify necessary regulatory reforms under leadership of the Council*¹
- Support SMEs in adopting new technology such as robotics to improve efficiency
- Accelerate data utilization to foster areas such as autonomous driving and drones
- Provide programming education at elementary and secondary schools to foster information literacy


**STARTUP BUSINESSES**

Encourage entrepreneurialism nationwide through deregulation and support

- Facilitate business partnerships between startups and universities
- Establish special incentive measures to promote venture investment
- Support talent development through exchange programs with Silicon Valley


**EXAMPLE IN TOKYO AREA: BUSINESS ESTABLISHMENT**

Consolidate scattered registration outlets for different documents into one convenient outlet

Tokyo One-Stop Business Establishment Center (as of December 2016)

- Centralizes all application services in Tokyo
- Increased capabilities regarding the handling of the Certification of Eligibility for visa applications

4,393 cases completed (As of March 2017)

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* Growth Strategy Council (Chairman: PM Abe)

¹ In February 2017, a subcommittee dedicated to the development of automated driving (technology, legislative systems, etc.) through the formulation of a Regulatory Sandbox System was set up in Tokyo.
Leverage structural reforms

**HEALTHCARE**

Expand the market from 16 trillion to 26 trillion yen by 2020
- Create a framework for private firms to provide medical-related services not covered by public insurance in cooperation with insured medical services for integrated care
- Alleviate nursing care burden by utilizing robots and sensors
- Provide customized healthcare services based on personal data collected by wearable devices
- Further promote Japanese medical services and devices overseas

**ENERGY**

Increase investments from 18 trillion to 28 trillion yen by FY2030, addressing global warming
- Extend the “Energy Efficiency Benchmark Program” to cover 70% of annual energy consumption of all industries
- Maximize introduction of renewable energy while minimizing the national burden under the revised Feed-in Tariff (FIT)
- Realize a “hydrogen society” by supporting R&D and implementation of fuel cells and hydrogen refueling stations
- Strengthen Natural Resource Security in the area of marine resources and recycling

**AGRICULTURE**

Double the integrated market value\(^1\) from 5.1 trillion to 10 trillion yen by 2020
- Accelerate restructurings in the material production business (e.g. fertilizer, feed) and also in the distribution business (e.g. wholesale)
- Encourage cross-industry collaboration to spur smart farming
- Aim to achieve 1 trillion yen in overall exports by 2019\(^*\)

\(^*\) Agriculture, forestry, fishery and food exports have reached 750.2 billion yen in 2016, breaking the record four years in a row

\(^1\) Includes production, processing, retail and distribution

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**EXAMPLE IN YABU (HYOGO PREF.): AGRICULTURE**

1st time for 3 private companies to be allowed to buy farmland to produce garlic, rice, flowers, etc.

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**EXAMPLE IN SEMBOKU (AKITA PREF.): TECHNOLOGY**

1st automated bus driving test to be conducted on a public road (November 2016)

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Pilot Initiatives in National Strategic Special Zones\(^2\)

Turning successful cases of motivated regions into touchstones for nationwide implementation

233 reforms undertaken

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2 Amended the Law on National Strategic Special Zones in May 2016 to extend and further advance reforms in focus areas by the end of FY2017

3 The Cabinet Office established a joint bureau with the Tokyo Metropolitan Government (October 2016), and also separately with Yabu City (December 2016) to promote and accelerate the extensive use of the Special Zone
To this day, Japan’s economic growth has been based on free trade. Japan has shown its commitment to lead and promote free trade by swiftly approving the Trans-Pacific Partnership (TPP) agreement.

The promotion of the export of Japan’s high-quality infrastructure to meet expanding global infrastructure needs is crucial to Japan’s economic growth, and helps to construct win-win relationships that contribute to the economic development of partner countries.

FREE TRADE
Leverage free trade and other economic agreements
- Encourage the early entry into force and the expansion of TPP
- Promote negotiations on other economic partnership agreements, such as Japan-EU EPA, RCEP and Japan-China-ROK FTA
- Provide assistance for SMEs to expand their businesses overseas

INFRASTRUCTURE EXPORT
Promote quality infrastructure investment
- Provide financing to infrastructure projects worldwide of approximately USD 200 billion as a target for the next five years
- Accelerate Japan’s assistance, and encourage investment / financing by private companies
- Strengthen the institutional capacity and financial grounds of Japan’s aid organizations*
* Including JICA, JBIC, NEXI and JOGMEC

FTA COVERAGE RATIO

<table>
<thead>
<tr>
<th>Year</th>
<th>Under Negotiation</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>45.5%</td>
<td>39.5%</td>
</tr>
<tr>
<td>2018 target</td>
<td>70%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Source: Ministry of Foreign Affairs, *“Japan’s EPA Activities”*

INFRASTRUCTURE PROJECT ORDERS RECEIVED

- The Japanese Diet approved the TPP and its related bills in December 2016
- Agreed with Prime Minister Modi of India on the development of the bullet train between Mumbai and Ahmedabad by 2023
- Source: Cabinet Office, 24th meeting of the Management Council for Infrastructure Strategy
* Approximate figures
Circulate growth to regional economies

Japan’s business resources don’t just lie in Tokyo. In fact, the regional areas are kaleidoscopes of many energetic SMEs and players in the service industry. Each and every one of them are part of a combined effort to make the regional economy shine. In addition, the number of inbound tourists being attracted by the regions is soaring.

That is why we are determined to accommodate an environment in which the international community can travel to every corner of Japan conveniently.

**SMEs**

Modernize SMEs to comply with global standards
- Encourage financial institutions to engage in the profitability enhancement of companies and review the credit-guarantee system
- Accelerate the establishment of data utilization platforms and provide IT support to increase productivity
- Support the international expansion of SMEs, particularly Japan’s numerous “hidden champions”

**SERVICE INDUSTRY**

Double labor productivity growth to 2% in an industry that accounts for 70% of GDP
- Customize plans for intensive legal restructuring, tax reductions or financial support in seven key sectors*
  * Accommodation, Truck transportation, Restaurants, Medical, Nursing care, Childcare, Wholesale and Retail

**TOURISM**

Reinforce tourism as the centerpiece of regional revitalization
- Form world-class DMOs* and train tourism management specialists
- Promote branding of national parks, usage of cultural properties, and create globally attractive travel routes
- Improve tourist experience with additional free Wi-Fi spots and 3,000 ATMs equipped for international transactions
- The “Integrated Resorts” Promotion Bill was enacted in December 2016

**EXAMPLE IN TOKYO AND KANSAI AREAS: TOURISM**

Deregulate private room rentals for lodging in Tokyo, Osaka and Kitakyushu City

*Increase capacity and variety of accommodations for tourists—least number of stays were decreased from six to two nights

**222 rooms** authorized as of March 2017, marking **827 guests**

**REGIONS WITH A HIGH GROWTH RATE OF INBOUND TOURISTS**

(Growth from 2012 to 2015)

- **150% growth or more**
- **120–149% growth**

**INBOUND TOURISTS AND EXPENDITURE**

- **60 million tourists** with an expenditure of **15 trillion yen** by 2030

**2012**

- **8 (mn)**
- **1.1 (tril)**

**2016**

- **24 (mn)**
- **3.7 (tril)**

**2020**

- **40 (mn)**
- **8 (tril)**

**2030**

- **60 (mn)**
- **15 (tril)**

Source: Japan National Tourism Organization “White Paper on Tourism in Japan”; “Annual Statistics on Overnight Travelers”

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1. DMO = Destination Management / Marketing Organization
2. Excluding day trip travelers

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ABENOMICS 8
Encourage business and investment

Continuity makes a difference. Corporate tax reduction has been one of the key reforms that have progressed since the early stages of Abenomics, and one which will continue to advance.

Corporate governance and the stewardship code urge companies to improve dialogue with investors for continued growth and investment, thus making the economy more robust.

**Stimulate growth through business-friendly reforms**

- **Effective corporate tax rate reductions**
  Reduced the effective corporate tax rate below the 30% mark in FY2016

- **Property tax reduction for SMEs**
  Halve the property tax for facilities improving productivity invested by SMEs from FY2016 to FY2018

**Strengthen investor confidence through transparency**

- **Japan’s Stewardship Code**
  Accepted by 214 institutional investors¹

- **Japan’s Corporate Governance Code**
  Applied to more than 2,000 companies and as a result²:
  - Half of major companies reduced cross-shareholdings in FY2015³
  - Percentage of listed companies⁴ with external directors rose to nearly 100%⁵

- **Effective/Efficient disclosure and provision of information**
  Eliminate overlaps in the disclosure rules⁶ and expedite provision of information (relevant documents) to shareholders by electronic transfer

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1 Since December 2016
2 Since June 2015
3 Source: Nikkei Research
4 Companies listed on the First Section of the Tokyo Stock Exchange
5 Tokyo Stock Exchange: “Appointment of Independent Directors by TSE-listed Companies”
6 Provided by the Companies Act, the Financial Instruments and Exchange Act, and stock exchange listing rules, etc.
Drive inward FDI

Openness is an integral factor to maintain looking forward. And our vision to become the most business-friendly country in the world extends to both a business and societal level, as seen in the Policy Package for Promoting FDI into Japan to Make Japan a Global Hub, which was announced in May 2016. The overview is shown on this page.

Net amount of inward foreign direct investment (FDI) in 2015 marked a record high of 24.4 trillion yen.

1. PR ACTIVITIES ENHANCEMENT
   Attract foreign companies through promotional activities
   - Disseminate information through approximately 50 FDI seminars during FY2016
   - Support domestic SMEs to engage in business matching opportunities with foreign counterparts, by utilizing a designated website, J-GoodTech: http://jgoodtech.smrj.go.jp
   - Promote large-scale hub establishments in regional areas, with supplemental training for regional government officials and financial support for industry-academia collaboration

2. BUSINESS AND LIFESTYLE SUPPORT
   Resolve issues hindering foreign companies’ entry into Japan
   - Attract and foster globally competitive human resources with the “Japanese Green Card for Highly Skilled Foreign Professionals”
   - Relax regulations and improve administrative procedures as seen in the case of the Tokyo One-Stop Business Establishment Center
   - Improve the living environment for foreign nationals, through such measures as the increase of bilingual healthcare professionals and educational support

3. EXAMPLE IN TOKYO AND KANSAI AREAS:
   SIX PATRIOTIC OPPORTUNITIES
   Enable certified private companies to hire expatriates in the field of housekeeping services in major cities in Tokyo, Kanagawa and Osaka
   Six companies certified to accept expatriate housekeepers as of February 2017

4. A Sophisticated Market
   Japan’s market is both large and sophisticated, ranking third in the world for GDP, and provides huge opportunities and potential for business

5. A Comfortable Life
   A well-developed health industry and social stability make Japan a world-class livable city

Five reasons to invest in Japan

An Ever-Growing Economy
Through the implementation of Abenomics, the Japanese economy is recovering and opening up

A Sophisticated Market
Japan’s market is both large and sophisticated, ranking third in the world for GDP, and provides huge opportunities and potential for business

An Innovation Hub
An abundant talent pool, good track record in patents and an outstanding research environment enable Japan to stay ahead in the technology industry and scientific research

A Business-Friendly Infrastructure
Convenient transportation, low-cost office rents and access to quality suppliers positions Japan as one of the most sophisticated business environments

A Comfortable Life
A well-developed health industry and social stability make Japan a world-class livable city

www.investjapan.org
**ACCOMMODATION FOR LESS**

New York: 254
London: 199
Paris: 158
Tokyo: 135
Madrid: 109

The Hotels.com Hotel Price Index (2015) shows that Tokyo has a lower average price point compared to other iconic cities.

2015 USD Yearly average currency exchange rate: 1GBP = 0.681USD; 1EUR = 0.937USD; 1JPY = 125.911USD

**SHOP FOR LESS**

Japan is not that expensive anymore. In fact, The Economist’s Big Mac Index—a broad indicator of price points—ranks Japan 34th out of 56 countries. (Jan 2017) (USD)

1st + 6.35 Switzerland
2nd 5.67 Norway
3rd 5.26 Sweden
34th 3.26 Japan

**TOP DESTINATION FOR FINE DINING**

According to The Michelin Guide (2017), Tokyo has the most Michelin-starred restaurants globally.

Tokyo: 227
Paris: 97
Kyoto: 96
Osaka: 91

The Hong Kong-based company restored a traditional Japanese-style inn. More internationalized and modernized, the inn is attracting both Japan and overseas visitors.

The France-based company supplies innovative automotive components and systems to automotive manufacturers worldwide from its testing center.

The Germany-based manufacturer conducts research on automated driving in Japan, as the nation aims to implement the system by 2020.

The Canada-based regenerative medicine company chose to work with a Japanese firm to develop practical applications for its hair regeneration treatment.

The U.S.-based manufacturer of automatic test equipment built its new R&D and manufacturing facility as a central business hub for the Asia-Pacific region.

**SHORTER TRAVEL TIME TO DOWNTOWN TOKYO**

In addition to Narita International Airport, Tokyo is served by the more centrally located Haneda International Airport. Providing domestic connections to 50 cities, Haneda is now offering a wider choice of international routes.

Haneda International Airport

30 minutes by car

Tokyo Station

**COME AND INVEST IN JAPAN**

www.japan.go.jp/abenomics twitter.com/JapanGov facebook.com/JapanGov youtube.com/user/pmojapan

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