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
About Abenomics

**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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicators</th>
<th>Units</th>
<th>Pre-Abenomics</th>
<th>Post-Abenomics</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>Nominal GDP</td>
<td>JPY</td>
<td>495 tn</td>
<td>537 tn</td>
<td></td>
</tr>
<tr>
<td>Corporate performances</td>
<td>Nikkei stock average</td>
<td>JPY</td>
<td>8,803</td>
<td>19,687</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate ordinary profits</td>
<td>JPY</td>
<td>48.5 tn</td>
<td>68.2 tn</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital investment</td>
<td>JPY</td>
<td>71.8 tn</td>
<td>82.6 tn</td>
<td></td>
</tr>
<tr>
<td>Job market</td>
<td>Number of employed persons (female)</td>
<td>Persons</td>
<td>62.7 mn (26.6 mn)</td>
<td>64.7 mn (28.1 mn)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jobs to applicants ratio (regular)</td>
<td>%</td>
<td>0.74 (0.44)</td>
<td>1.48 (0.97)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unemployment rate</td>
<td>%</td>
<td>4.5</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Fiscal condition</td>
<td>Tax revenue</td>
<td>JPY</td>
<td>42.3 tn</td>
<td>57.7 tn</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of JGB(^1) issued</td>
<td>JPY</td>
<td>44.2 tn</td>
<td>34.4 tn</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Level of dependency on JGB</td>
<td>%</td>
<td>38.1</td>
<td>35.6</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Pre-Abenomics vs. Post-Abenomics; FY2012 vs. FY2016 = nominal GDP, corporate ordinary profits, capital investment, amount of JGB issued, level of dependency on JGB; FY2012 vs. FY2017E = tax revenue; Jan 2012 vs. May 2017 = Nikkei stock average; 2012 avg. vs. 2016 avg. = number of employed persons; Jan 2012 vs. April 2017 = jobs to applicants ratio, unemployment rate

\(^2\) Source: Nikkei Inc “Nikkei Indexes”, monthly average, closing price

\(^3\) Japanese Government Bonds

\(^4\) Source: Cabinet Office “National Accounts”; “Fiscal 2017 Economic Outlook and Basic Stance for Economic and Fiscal Management”

* Average exchange rate for May 2017: USD = JPY 112

** The Japanese fiscal year starts in April and concludes in March of the following year.
### Corporate Performance

#### Corporate Ordinary Profits

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>JPY trn</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>45.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>FY2012</td>
<td>48.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>59.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2014</td>
<td>64.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>FY2015</td>
<td>68.2</td>
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</table>

#### Capital Investment

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>JPY trn</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>70.4</td>
</tr>
<tr>
<td>FY2012</td>
<td>71.8</td>
</tr>
<tr>
<td>FY2013</td>
<td>77.4</td>
</tr>
<tr>
<td>FY2014</td>
<td>80.3</td>
</tr>
<tr>
<td>FY2015</td>
<td>81.2</td>
</tr>
<tr>
<td>FY2016</td>
<td>82.6</td>
</tr>
</tbody>
</table>

### Job Market

#### Number of Employed Persons

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>62.8</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>28.5</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>63.5</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>64.5</td>
<td></td>
</tr>
</tbody>
</table>

#### Jobs to Applicants Ratio and Unemployment Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>1.75</td>
</tr>
<tr>
<td>2013</td>
<td>1.48</td>
</tr>
<tr>
<td>2014</td>
<td>1.25</td>
</tr>
<tr>
<td>2015</td>
<td>0.97</td>
</tr>
<tr>
<td>2016</td>
<td>0.74</td>
</tr>
<tr>
<td>2017</td>
<td>0.44</td>
</tr>
</tbody>
</table>

### Fiscal Condition

#### Tax Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>JPY trn</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>40.9</td>
</tr>
<tr>
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<td>42.3</td>
</tr>
<tr>
<td>FY2013</td>
<td>43.1</td>
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<tr>
<td>FY2014</td>
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<td>FY2015</td>
<td>54.5</td>
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<td>FY2016</td>
<td>57.6</td>
</tr>
<tr>
<td>FY2017</td>
<td>59.7</td>
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</tbody>
</table>

#### Amount of JGBs Issued and Level of Dependence on JGBs

<table>
<thead>
<tr>
<th>Year</th>
<th>JPY trn</th>
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<tbody>
<tr>
<td>FY2011</td>
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<td>FY2016</td>
<td>35.6</td>
</tr>
<tr>
<td>FY2017</td>
<td>35.3</td>
</tr>
</tbody>
</table>

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5 Source: Ministry of Finance “Financial Statements Statistics of Corporations by Industry,” all industries, all (firm) sizes, seasonally adjusted figures
6 Source: Cabinet Office, “National Accounts;” private non-residential investment
7 Source: Ministry of International Affairs and Communications “Labour Force Survey,” seasonally adjusted figures
8 Source: Ministry of Health, Labour and Welfare “Statistics on Employment Referrals for General Workers;” seasonally adjusted figures; Ministry of Internal Affairs and Communications “Labour force survey”
9 Source: Ministry of Finance “Public Finance Statistics Book”
The third arrow, structural reform, is the core policy within Abenomics.

We have cut into bedrock regulations in areas such as healthcare, energy and agriculture that were considered impossible to tap into.

These series of structural reforms have led to countless positive actions, such as new market entries, increased investment, increased productivity and the introduction of various new services.

Our battle for reform is far from over. For instance, we have passed eight agricultural reform laws this Diet session—and we will continue to spur on these initiatives.

Drilling into bedrock regulations

HEALTHCARE

Adapt flexible regulatory frameworks to make Japan the central hub for regenerative medicine and grow the market to 26 trillion yen by 2020

Create a faster R&D process in regenerative medicine

- Optimize the adaptive licensing approval system so as to bring regenerative medicines to market more quickly

» Rapid development in Advanced Heart Failure treatments, such as myoblast cell-sheet transplantation therapy and cardiomyocyte sheet transplantation therapy

» World’s first successful iPS origin retinal cell transplant operation for age-related macular degeneration

Create a global hub for regenerative medicine

- Make National Strategic Special Zones into hubs for cardiac, neurologic and ophthalmic treatments

- Promote market entries from overseas

» The United States (Sunbio), Switzerland (Ronza) and Israel (Pluristem)

Facilitate the process of aggregating personal medical records and analyze them anonymously to advance medical research

Law enacted during the current Diet session

AGRICULTURE

First major structural reform and deregulation in 60 years to turn agriculture into a growth industry by increasing competitiveness

Reform the Agricultural Cooperative System

- Regulations reviewed to encourage entrepreneurialism

» In 2015, 23,000 people under the age of 49 have newly joined the agriculture industry

» New business creation and market entry to provide an agricultural solution business

Decrease production costs and promote structural reform in distribution / processing business

» Encourage restructuring in the production material and distribution / processing business

» ZEN-NOH1 is carrying out reforms to maximize the merits of group-purchasing

Increase exports

- Aiming to achieve one trillion yen by 2019

- Strengthen export promotion through the Japan Food Product Overseas Promotion Center (JFOODO)

» Agricultural, forestry, fishery products and foods exports reached 750.2 billion yen in 2016, breaking the record for the fourth consecutive year

1 ZEN-NOH = National Federation of Agricultural Corporate Associations
2 Source: Ministry of Finance, “Trade statistics of Japan”
Pilot Initiatives in National Strategic Special Zones

Proactively pilot structural reform initiatives within the selected regions of National Strategic Special Zones to turn successful cases into touchstones for nationwide implementation.

Increase competitiveness in the electricity and gas market

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<tr>
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<tbody>
<tr>
<td>ELECTRICITY</td>
<td>Full liberalization of the retail market</td>
<td>Establishment of a Negawatt trading market</td>
<td>Legal unbundling in the transmission / distribution sector</td>
<td></td>
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<tr>
<td>GAS</td>
<td>Full liberalization of the retail market</td>
<td>Legal unbundling in the pipeline sector</td>
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Achievements

<table>
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<td>2.4 trillion</td>
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<td>Users switched to a different retailer</td>
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<td>0.24 million</td>
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<tr>
<td>Establishment of a Negawatt trading market</td>
<td>Successful bid quantity</td>
<td>1 GW</td>
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</table>

Realize a Hydrogen Society

- Commercial fuel cell vehicles have been on the market since December 2014
- 90 hydrogen refueling stations—more than any other country—were deployed since May 2017
- Currently, the government is supporting R&D for the production and transportation of hydrogen
- Kobe City to become the first city in the world to supply electricity and heat through hydrogen power generation

Example

IN TOKYO AREA: BUSINESS ESTABLISHMENT

Consolidate scattered registration outlets for different documents into one convenient outlet

Tokyo One-Stop Business Establishment Center (Established in April 2015)
- Centralizes all application services in Tokyo
- Increased capabilities regarding the handling of the Certification of Eligibility for visa applications

IN SEMBOKU (AKITA PREF.): TECHNOLOGY

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

IN TOKYO AND KANSAI AREAS: EXPATRIATE OPPORTUNITIES

Enable certified private companies to hire expatriates in the field of housekeeping services in the major cities of Tokyo, Kanagawa and Osaka

15 companies certified to accept expatriate housekeepers (nannies) as of May 2017

Energise

Undertake a comprehensive reform, for the first time in 60 years, to increase competitiveness for current energy sources while exploring new energy sources to create an eco-friendly and growing industry.

Electricity

Full liberalization of the retail market

Establishment of a Negawatt trading market

Legal unbundling in the transmission / distribution sector

GAS

Full liberalization of the retail market

Legal unbundling in the pipeline sector

Achievements

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<td>1 GW</td>
</tr>
</tbody>
</table>

In addition, reforms undertaken included:

- Full liberalization of the retail market
- Legal unbundling in the transmission / distribution sector
- Legal unbundling in the pipeline sector
- Establishing a Negawatt trading market

Examples of successful cases include:

IN TOKYO AREA: BUSINESS ESTABLISHMENT

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Energise
How Abenomics 2.0 works

In order to achieve sustainable growth and reach a nominal GDP of 600 trillion yen, we will accelerate our efforts towards comprehensive reforms in three vital areas: 1) boosting productivity, 2) driving innovation and trade, and 3) energizing corporate activities. Through these efforts, we will strive to create a positive environment for the private sector to boost their creativity and speed in economic activities, and to keep the virtuous economic cycle going.

GROWTH STRATEGY 2017

Abenomics has created a solid and virtuous economic cycle. Nevertheless, the economic activities of the private sector, such as investment and consumption, are not strong enough yet.

This is because the private sector has been struggling to increase productivity, while also struggling to generate new demand. This secular stagnation is a social challenge shared by most developed countries. Japan, in addition, faces rapid demographic change.

However, we see this challenge as an opportunity to become a pioneer in establishing a social model for other countries that will inevitably experience similar social situations in the coming years.

A plan to establish this new social model—the Growth Strategy 2017—was approved by the Cabinet on June 9, 2017, and realizing Society 5.0 (page 9) will play a pivotal part in this.
Boost productivity to increase income and encourage further consumption by:
- Reforming the traditional work style we have been used to
- Investing in human resource development
- Embracing diversity in the labor force by providing various working opportunities for women, seniors and expatriates

Drive innovation and trade to create new demand and increase capital investment by:
- Applying the innovations created through the Fourth Industrial Revolution across all industries and all aspects of daily life (realizing Society 5.0)
- Promoting free trade and quality infrastructure around the globe

Energize corporate activities to improve corporate performance and encourage increased employment and wages by:
- Improving the business environment through measures such as corporate tax cuts
- Attracting more inward FDI
Increasing 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 motivation.

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 by individuals, such as by enabling women who once took 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 working 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 are 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


- 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

**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, Hiroshima Prefecture and Imabari City by leveraging National Strategic Special Zones
- 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

**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

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”

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

Source: Ministry of Internal Affairs and Communications: “Labour 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

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

ABENOMICS 8
On June 9, 2017, the Investments for the Future Strategy 2017 (also known as the Growth Strategy 2017) was approved by the Cabinet. The realization of Society 5.0 is stated as the core of the Growth Strategy.

Society 5.0 is the fifth chapter after the four major stages of human development: (1) hunter-gatherer, (2) agricultural, (3) industrial and (4) information.

In Society 5.0, we will take advantage of the innovations created through the Fourth Industrial Revolution, such as Internet of Things, big data, AI and robotics, and apply them across all industries and in all aspects of daily life.

Realization of Society 5.0 will allow us to resolve social challenges, such as a decrease in the working population, which Japan is facing ahead of other countries. At the same time, Society 5.0 is expected to improve productivity and generate new demand.

More information:
http://www.japan.go.jp/innovation
Taking advantage of the fact that we will be facing an aging society ahead of other countries, we will utilize data aggregated from the National Health Insurance System and nursing care insurance system to ...

- Provide personalized medical care (including preventive care) whenever and wherever necessary
- Extend people’s healthy life expectancy

**TARGET**

» Integrate and store personal medical information using big data by 2020 to provide customized medical care
» Enhance remote medical care services and face-to-face medical examinations (effective care to be evaluated based on a FY2018 revision of medical service fees)

**INFRASTRUCTURE**

Increase productivity in the infrastructure business by leveraging the Tokyo 2020 Olympic and Paralympic Games to ...

- Better predict when and what maintenance is necessary
- Provide faster and safer recovery from natural disasters

**TARGET**

» Further promote i-construction, an approach to construction in which every aspect—from research to design, and inspection to maintenance—will be connected through information and communication technology (ICT) by 2019

**MOBILITY**

Build on the nation’s strengths in design and hardware manufacturing, and combine these with AI and big data, thereby revolutionizing the transportation / distribution sector so as to ...

- Provide faster and safer distribution for businesses (e.g. e-commerce) with drones and automated driving and shipping
- Connect regions with automated buses to provide safer transportation for elderly people

**TARGET**

» Starting with mountainous regions, introduce drone delivery services in urban regions by the 2020s
» Driverless transportation services in local areas (road tests in more than 10 areas across the country are ongoing, with an aim of commercialization by 2020)
» Autonomous truck platoons for mass transportation to address the shortage of truck drivers (road tests on Shin Tomei Highway by 2020 and commercialization by 2022)

**FINTECH**

Promote FinTech development in Japan by creating a FinTech-friendly environment to ...

- Encourage open innovation between FinTech startups and banks by introducing open application programming interfaces (API)¹
- Make transactions faster and safer by expanding the use of cashless payments
- Drive FinTech innovation by facilitating experimentation with blockchain technology²

**TARGET**

» Install open API systems in more than 80 banks by 2020 to further drive innovation
» Achieve a 40% cashless payment rate by 2027

¹ An API is a software interface by which an application and other operations provide separate applications with a common function. In software development, a function provided by an API does not require further programming, which makes the process more efficient.
² Technology that allows easier and more secure online transactions by recording transaction histories in chronological order within a chain of encrypted, interlocking blocks. After creation, falsification of any part of the chain is extremely difficult, creating a trusted and secure record of information.
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 the TPP
- Promote negotiations on other economic partnership agreements, such as the 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**

- **45.5%** Under Negotiation
- **40.0%** 2018 target
- **70%** 2020 target

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

**INFRASTRUCTURE PROJECT ORDERS RECEIVED**

- 2010: 10
- 2013: 16
- 2014: 19
- 2015: 20
- 2020 target: 30 trillion* yen

Source: Cabinet Office, 30th meeting of the Management Council for Infrastructure Strategy
* Approximate figures

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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
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”

TOURISM

Reinforce tourism as the centerpiece of regional revitalization

- Form 100 world-class DMOs1 and train tourism management specialists by 2020
- Promote branding of national parks, usage of cultural properties and create globally attractive travel routes
- Improve the 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
- Promote temporary accommodations by renting private dwellings under certified procedures

Law passed in June 2017

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

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

REPOS AND EXPENDITURE

INBOUND TOURISTS AND EXPENDITURE

150% growth or more
120–149% growth

ABENOMICS 12
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.

**Corporate Tax Reduction**

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

**Corporate Governance**

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:
  - Cross-shareholdings in FY2015 have been reduced to 15% of all companies³
  - Percentage of listed companies⁴ with external directors rose to nearly 100%⁵

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

¹ Since December 2016
² Since June 2015
³ Source: Nomura Securities 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 going forward. And our vision to become the most business-friendly country in the world extends to both business and societal levels, as seen in the Policy Package for Promoting FDI into Japan to Make Japan a Global Hub, which was announced in May 2016.

Five reasons to invest in Japan

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

2. 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.

3. 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.

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

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

Net amount of inward foreign direct investment (FDI) in 2016 marked a record high of **27.8 trillion yen** by 2020.

[www.investjapan.org](http://www.investjapan.org)
• 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

• ACCOMMODATION FOR LESS

[Table]

<table>
<thead>
<tr>
<th>City</th>
<th>Price (2015 USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>254</td>
</tr>
<tr>
<td>London</td>
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<td>Tokyo</td>
<td>135</td>
</tr>
<tr>
<td>Madrid</td>
<td>109</td>
</tr>
</tbody>
</table>

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.

227 Tokyo
97 Paris
96 Kyoto
91 Osaka

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

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