ABENOMICS

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

“I will break down any and all walls looming ahead of the Japanese economy and map out a new trajectory for growth. This is precisely the mission of Abenomics.”

- Prime Minister Shinzo Abe

Published in June 2018

https://www.japan.go.jp/abenomics
### About Abenomics

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 centerpieces of Abenomics have been the three “policy arrows,” aggressive monetary policy, flexible fiscal policy and growth strategy including structural reform.

### Abenomics keeps boosting Japan’s economy

Setting the economy on course to overcome deflation and continue steady growth

<table>
<thead>
<tr>
<th></th>
<th>BEFORE ABENOMICS</th>
<th>AFTER ABENOMICS</th>
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</thead>
<tbody>
<tr>
<td><strong>Nominal GDP</strong></td>
<td>494 JPY tn</td>
<td>536 JPY tn</td>
</tr>
<tr>
<td><strong>Corporate Ordinary Profit</strong></td>
<td>48.5 JPY tn</td>
<td>75.0 JPY tn</td>
</tr>
<tr>
<td><strong>Private Non-Resi. Investment</strong></td>
<td>71.9 JPY tn</td>
<td>86.8 JPY tn</td>
</tr>
<tr>
<td><strong>Number of Employed Persons (female)</strong></td>
<td>62.7 mn (26.6 mn)</td>
<td>65.2 mn (28.6 mn)</td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td>4.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Tax Revenue</strong></td>
<td>42.3 JPY tn</td>
<td>59.1 JPY tn</td>
</tr>
</tbody>
</table>

* Average exchange rate for March 2018: USD = JPY 106
** The Japanese fiscal year starts in April and concludes in March of the following year.

1 Pre-Abenomics vs. Post-Abenomics; nominal GDP = FY2012 vs. FY2017; corporate ordinary profits = FY2012 vs. FY2016; private non-resi. investment = FY2012 vs. FY2017; number of employed persons (detailed tabulation) = 2012 avg. vs. 2017 avg.; unemployment rate = January 2012 vs. March 2018; tax revenue = FY2012 vs. FY2018

Source: Cabinet Office “National Accounts,” “Fiscal 2018 Economic Outlook and Basic Stance for Economic and Fiscal Management”

**NEW**

The largest yearly increase in Compensation of Employees in the last 21 years (4Q FY2016 vs. 4Q FY2017)
CORPORATE PERFORMANCE

Corporate ordinary profits

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<tr>
<td>45.3</td>
<td>48.5</td>
<td>59.6</td>
<td>64.6</td>
<td>68.2</td>
<td>75.0</td>
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Number of employed persons

<table>
<thead>
<tr>
<th>(mn pers.)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Total</td>
<td>42.8</td>
<td>45.2</td>
<td>47.0</td>
<td>48.5</td>
<td>49.6</td>
<td>50.0</td>
<td>50.9</td>
</tr>
<tr>
<td>Female</td>
<td>26.4</td>
<td>29.0</td>
<td>30.7</td>
<td>31.2</td>
<td>31.4</td>
<td>31.7</td>
<td>32.0</td>
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Private non-res. investment

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<tr>
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<tr>
<td>70.4</td>
<td>71.9</td>
<td>77.5</td>
<td>81.1</td>
<td>83.2</td>
<td>83.7</td>
<td>86.8</td>
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JOB MARKET

Ratio of effective job offers and unemployment rate

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<tbody>
<tr>
<td>Total</td>
<td>4.5</td>
<td>0.74</td>
<td>0.74</td>
<td>1.08</td>
<td>1.59</td>
<td>1.59</td>
<td>1.69</td>
</tr>
<tr>
<td>Female</td>
<td>0.44</td>
<td>0.44</td>
<td>0.44</td>
<td>0.44</td>
<td>0.44</td>
<td>0.44</td>
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FISCAL CONDITION

Tax revenue

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<tr>
<td>40.9</td>
<td>42.3</td>
<td>43.1</td>
<td>50.0</td>
<td>54.5</td>
<td>57.7</td>
<td>59.1</td>
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Dependency ratio on Japanese government bonds

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</thead>
<tbody>
<tr>
<td>47.9</td>
<td>47.8</td>
<td>46.3</td>
<td>43.0</td>
<td>38.3</td>
<td>35.3</td>
<td>34.5</td>
<td>33.7</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance "Financial Statements Statistics of Corporations by Industry," all industries, all (firm) sizes, seasonally adjusted figures
Source: Cabinet Office "National Accounts," private non-residential investment
Source: Ministry of International Affairs and Communications "Labour Force Survey," seasonally adjusted figures
Source: Ministry of Finance "Public Finance Statistics Book," initial budget

3 Source: Ministry of Finance "Financial Statements Statistics of Corporations by Industry," all industries, all (firm) sizes, seasonally adjusted figures
4 Source: Cabinet Office “National Accounts,” private non-residential investment
5 Source: Ministry of International Affairs and Communications "Labour Force Survey," seasonally adjusted figures
7 Source: Ministry of Finance "Public Finance Statistics Book," initial budget
How Abenomics Works

The greatest structural issue facing the Japanese economy is the rapidly progressing aging society and a shrinking population, yet we see this challenge as an opportunity.

Demographic change is actually a social challenge that will soon be shared by most developed countries. Japan will commit to become a pioneer in establishing a social model for other countries that will inevitably experience similar social situations in the coming years.

Boosting productivity through “Supply System Innovation” and “Human Resources Development Revolution” are the keys to keeping the virtuous economic cycle going.

Rigorously implement comprehensive reforms to achieve sustainable growth and reach a nominal GDP of 600 trillion yen.

Aim to reach 600 trillion yen GDP
Japan has earnestly continued to take actions in order to reform its economic structure from the ground up, executing one by one without fail the items on the long list of reforms under Abenomics.

The newest addition to this list of commitments are Supply System Innovation and Human Resources Development Revolution, which are pillars in the New Economic Policy Package decided by the cabinet on December 8, 2017.

We will accelerate efforts for
A. Supply System Innovation
   - double labor productivity to CAGR 2%
   - increase capital investment by 10% by FY2020
   - increase wage by 3% after FY2018
B. Human Resources Development Revolution
   - drastically enhance human resources development by investing an additional 2 trillion yen every year, mainly in education and in supporting child-rearing

1. **Boost productivity**
   - A: Supply System Innovation
   - B: Human Resources Development Revolution

2. **Pursue regulatory reforms**

3. **Build on international opportunities**

4. **Improve business environment to drive inward FDI**
1 Boost productivity

A: Supply System Innovation

Increasing productivity through work-style reform is the biggest challenge we need to tackle.

In addition, it is crucial to take full advantage of the innovations created through the fourth industrial revolution such as Internet of Things, big data, AI and robotics. Applying these innovations to all across various industries and in all aspects of daily life, will surely increase productivity and generate new demand. Such a society is referred to as “Society 5.0”, and realization of this society will dramatically transform our productivity.

Reform our work-style

**REFORMS TO THE EMPLOYMENT SYSTEM**

- 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
- Promote flexible work style: Promote teleworking, side jobs and multiple jobs with a variety of policy measures, including the renewal of guidelines

See more on P.07

☑ Bills have been submitted to the current Diet session

Providing grounds to drive innovation and to realize Society 5.0

**REGULATORY SANDBOX**

- Launch a mechanism for carrying out trials for new businesses for a certain period of time, without conforming to existing regulations
  - Law passed the Diet in May 2018

**OPEN DATA**

- Open up government data to promote innovative products and services, particularly in eight selected areas that include healthcare, agriculture and mobility

**ECOSYSTEM FOR STARTUPS**

- Supply the proving grounds for people brimming with a venture spirit by creating an agile environment where startups can continuously create and drive innovation

**INDUSTRY ACADEMIA COLLABORATION**

- Set up an operating system in universities to accept private investments, and set up an incentive system to encourage universities to collaborate with the industry

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1 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.
Integrate and store personal medical information using big data by 2020 to provide customized medical care (e.g.) medical checkup records, treatment records, nursing care records.

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).

Use AI and robots at long term care facilities to maintain/improve users’ quality of life and reduce care givers’ burden.

Starting with mountainous regions, introduce drone delivery services in urban regions by the 2020s.

Introduce driverless transportation services with an aim of commercialization by 2020.

*Road tests ongoing in - the capital region on urban roads and highways - 13 mountainous regions sequentially across the country

Autonomous truck platoons for mass transportation to address the shortage of truck drivers (road tests on ShinTomei Highway by 2020 and commercialization by 2022) (e.g.) single driver cargo truck in a convoy using unmanned-following-vehicle system.

Drive FinTech innovation by facilitating experimentation with blockchain technology.

*Technology that allows faster and deeper online transactions while assuring the security 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.

Install open application programming interface (API) systems in more than 80 banks by 2020 to further drive innovation.

*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.

Achieve a 40% cashless payment rate by 2027.

Utilize technologies developed during the fourth industrial revolution and data accumulated through those technologies to overcome labor shortages in areas such as distribution, construction, agriculture, manufacturing and nursing.

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.
Develop human resources to create an inclusive society

**HUMAN RESOURCES DEVELOPMENT**

- **Make higher education effectively free for children from low-income households**: Introduce new benefit scholarship programs and expand tuition reduction and waiver measures.

- **Accelerate the provision of early childhood education for free**: Work to provide free pre-school education and childcare for all children between age three and five and also for all children in low-income households from birth to age two.

- **Enhance recurrent education and support 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.

- **Advance reform of universities and other higher education institutions curriculum in order to meet the demand for practical education**: Address the diverse needs of working professionals and provide education required, such as for IT personnel.

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**SOCIAL SYSTEM**

- **Eliminate the wait to enter childcare facilities**: Expand the capacity of childcare facilities by 320,000 children by the end of FY2020.

- **Secure the caregiving personnel needed to reduce the number of people who leave employment because of caregiving to zero**: Improve employment conditions so as to eliminate the gap in wages with other industries.

- **Diversify the hiring process**: Change the traditional hiring process of simultaneous recruiting of new graduates to a more flexible process to capture greater talent.

The Council for Designing 100-Year Life Society, launched in September 2017, will compile a basic design for Human Resource Development Revolution by next summer.

The Council will work to secure the opportunity for young people to receive higher education, to enhance the opportunity of recurrent education, to reform universities, to reassess recruiting systems to diversify the workforce, and to create social security for people across all generations.
Embrace diversity

WOMEN

- Increase childcare leave benefits from 50% to 67%, applied to the first six months of leave
- Further encourage recurrent education for women away on maternity leave
- Provide female candidates with executive leadership training programs from the world’s leading business scholars
- Through collaboration with the Tokyo Stock Exchange, select and promote enterprises that encourage women’s success in the workplace as “Nadeshiko Brands”

Achievements

- From 2012 to 2017, the number of women joining the workforce increased by about 2.0 million
  Source: Ministry of Internal Affairs and Communications “Labour Force Survey”
- Women in management positions in the private sector approaches 10%

SENIORS

- 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

Achievements

- From 2012 to 2017, employment rates of people over the age 65 increased by 3.5%
  Source: Ministry of Internal Affairs and Communications “Labour Force Survey”
- 71% of seniors report that they would like to continue to work past retirement age
  Source: Cabinet Office “Research on daily life of seniors”.2014

EXPATRIATES

- Provide incentives and grants for expatriate entrepreneurship in National Strategic Special Zones
- Expand job categories for statuses of residence (e.g.) Nursing care
- Increase expatriate housekeeping support workers in National Strategic Special Special Zones

Achievements

- The number of workers from abroad reached 1.3 million (Approx.)

Pursue regulatory reforms

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

Our battle for reform is far from over. For instance, the Diet recently enacted a law that allows us to launch a regulatory sandbox system, a mechanism for carrying out business trials and error on new businesses for a certain period of time without conforming to existing regulations.

Drilling into bedrock regulations

HEALTHCARE

Adopt 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 innovative medicine
  - Revise the Pharmaceutical Affairs Law to optimize the adaptive licensing approval system to bring regenerative medicines to market quicker
    ✓ Law took effect in 2014
  - Implement faster approval system for pharmaceuticals, medical devices and regenerative medicines
  - Facilitate the process of aggregating personal medical records and analyze them anonymously to advance medical research

- 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

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 to encourage entrepreneurialism
  ✓ Law took effect in 2016
- Decrease production costs and promote structural reform in distribution / processing business by restructuring the business flow
  ✓ Law took effect in August 2017
- Increase exports to one trillion yen by 2019
  - Strengthen export promotion through the Japan Food Product Overseas Promotion Center (JFOODO)

Achievements

- World’s fastest approval process in regenerative medicine

  Before 2014
  - Clinical Study
  - Clinical Trial
  After 2014
  - Clinical Study
  - Clinical Trial
  ✓ SHORTER PERIOD FOR APPROVAL

- 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

Achievements

- Young people steadily joining the industry - 22,000 people under the age of 49 entered the agriculture industry in 2016
- Reached 807 billion yen agricultural, forestry, fishery products and foods exports in 2017, breaking the record for the fifth consecutive year!
Undertake 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

Increase competitiveness in the electricity and gas market

**Timeline**

- **2016**
  - Full liberalization of the retail market
  - Establishment of a Negawatt trading market
  - Legal unbundling in the transmission/distribution sector

- **2017**
  - Full liberalization of the retail market

- **2018**
  - Full liberalization of the retail market
  - Legal unbundling in the pipeline sector

**ENERGY**

**Set up National Strategic Special Zones to encourage creations of new services**

The selected regions will have the privilege of advanced structural reform initiatives in the hopes of turning successful cases into touchstones for nationwide implementation

- **10 areas have been selected since 2013**
- **283 reforms were undertaken** (as of April 2018)

**Achievements**

- **1st automated bus driving test** to be conducted on a public road in Semboku city (November 2016)
- **Accept work-support non-Japanese citizen workers** who have certain level of skills to turn agriculture into a growth industry in Kyoto pref., Niigata city and Aichi pref.
  - Law took effect in April 2018

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**Market size (JPY)**

- **Electricity**: 8 trillion
- **Gas**: 2.4 trillion

**New market entry**

- **Electricity**: 469 companies
- **Gas**: 1,422 companies

**Users switched to a different retailer**

- **Electricity**: 5.68 million
- **Gas**: 0.93 million

**Establishment of a Negawatt trading market**

- **Electricity**: 16W

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**Source:** Ministry of Finance "Trade statistics of Japan"
Build on international opportunities

Actively incorporating growth from around the world is the key to Japan’s economic growth.

Japan will use every means available to extend free, fair, rule-based markets across the world. Japan will continue to demonstrate leadership to this end.

Meeting expanding global infrastructure needs with Japan’s quality infrastructure will contribute to not only Japan’s economic growth, but also to economic development of partner countries, constructing win-win relationships.

FREE TRADE

- Make efforts to bring free trade agreements into force
  - Comprehensive and Progressive Agreement for Trans-Pacific Partnership by 11 nations (TPP11)
  - Japan-EU Economic Partnership Agreement (Japan-EU EPA)
- Promote negotiations of other EPAs such as RCEP and Japan-China-ROK FTA

Achievements

- FTA coverage ratio has reached 40%
  *Trade value base. In force or signed
  Source: Calculated by Ministry of Economy, Trade and Industry, based on Ministry of Finance “Trade Statistics of Japan” (January 2017- December 2017, Fixed numbers)

- 70% target by 2018
- 40.3% in force or signed
- 34.2% under negotiation
- 11.3% negotiation finalized

- Finalized the negotiations in January 2018 and signed TPP 11 in March 2018
- Finalized the negotiations of the Japan-EU EPA in December 2017

EXPORT OF QUALITY INFRASTRUCTURE

- More information: https://www.japan.go.jp/infrastructure
- Provide financing to infrastructure projects across the world of approximately USD 200 billion for the next five years
- Encourage private companies to invest and finance in infrastructure projects
- Strengthen the institutional capacity and financial grounds of Japan’s relevant organizations*
  *including JICA, JBIC, NEXI and JOGMEC

Achievements

- Decided with Prime Minister Modi of India to develop the Mumbai-Ahmedabad High Speed Rail (MAHRSR) based on the Japanese Shinkansen system, aiming to start operation in 2023
  - A groundbreaking ceremony was held on September 14, 2017
- Infrastructure project orders received
  - 30 trillion* yen by 2020

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

- 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
- Pursue planning of the “Integrated Resorts” promotion
  ☑ Law took effect in 2016
- Promote private lodging services under certified procedures

SMEs

- Support the international expansion of SMEs, particularly Japan’s numerous “hidden champions” especially in the regional areas

Modernize SMEs to comply with global standards
- Encourage financial institutions to engage in the profitability enhancement of companies and revise the Credit Guarantee System
- Accelerate the establishment of data utilization platforms and provide IT support to increase productivity
- Promote development and manufacturing in innovative products and service by supporting capital equipment

Achievements

- Ordinary profits of SMEs have a record high
  18.3 trillion yen

- Inbound tourists and expenditure
  29 million tourists with an expenditure of 4.4 trillion yen in 2017

- Regions with a high growth rate of inbound tourists: (Growth from 2012 to 2016)
  - 150% growth or more
  - 120–149% growth

Source: Ministry of Finance “Financial Statements Statistics of Corporations by Industry,” all industries, enterprises with capital of at least 10 JPY mn but less than 100 JPY mn, seasonally adjusted figures

Source: Japan Tourism Agency “Consumption Trend Survey for Foreigners Visiting Japan”, “Overnight Travel Statistics Survey”
Building a truly business-friendly environment to achieve sustainable growth

**CORPORATE GOVERNANCE**

**Strengthen investor confidence through transparency**
- **Drew up a Corporate Governance Code**, to promote transparent, fair, timely and decisive decision-making by listed companies
- **Formulated a Stewardship Code**, to promote constructive engagement, or purposeful dialogue between institutional investors and investee companies
- **Eliminate overlaps in the disclosure rules and expedite provision of information** (relevant documents) to shareholders by electronic transfer

**Achievements**
- Corporate Governance Code
  - Applied to more than 2,000 companies
  - Percentage of listed companies with two or more independent outside directors rose from 17% to 88%
- Stewardship Code
  - Accepted by more than 200 institutional investors

**CORPORATE TAX REDUCTION**

**Reform corporate tax to be growth-oriented**
- Reduce corporate tax rate below 30% mark in 2016
- Effective corporate tax burden rate to be reduced to as low as 25%, for companies proactively engaging in wage increases and capital investment
- Companies also proactively engaging in advanced IT investment will be eligible for further tax reductions, bringing the effective corporate tax burden rate down to as low as 20%

**Achievements**
- Annual corporate tax revenue increased by close to 7 trillion yen compared to the previous administration, despite the reduced corporate tax rate
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 48 cities, Haneda is now offering a wider choice of international routes.

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

ACCOMMODATION FOR LESS

The Hotels.com Hotel Price Index (2016) shows that Tokyo has a lower average price point compared to other iconic cities.

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 36th out of 57 countries. (January 2018) (USD)

TOP DESTINATION FOR FINE DINING

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

BUSINESS SUPPORT


- Optimize administration process
  - Reduce administrative costs by 20% from 2017 by 2020 in areas that are considered to have the heaviest burdens such as “business approvals and licenses” and “social insurance”
  - Consolidate scattered registration outlets for different documents into one convenient outlet (e.g.) Tokyo One-Stop Business Establishment Center
- Host FDI seminars to disseminate FDI information
- Support the matching of foreign companies with domestic SMEs by utilizing the J-GoodTech website: http://jgoodtech.smrj.go.jp

LIFESTYLE SUPPORT

More information: https://www.japan.go.jp/livinginjapan

- Conduct “fast track visa screenings” for highly skilled professionals within 10 days
- Expedite permanent residency after a year of arriving, under certain conditions - “Japanese Green Card for Highly Skilled Foreign Professionals”
- Increase bilingual healthcare professionals and educational support

Achievements

- The number of highly-skilled foreign professionals increased 12 times
  (As of December 2017)
  Source: Ministry of Justice, Ministry of Economy, Trade and Industry: “Number of Recognitions of Highly Skilled Professionals”

- Roughly 20,000 cases completed at the Tokyo One-Stop Business Establishment Center (as of April 2018)

- Net amount of inward foreign direct investment (FDI) in 2016 marked a record high of 27.8 trillion yen

Source: Ministry of Finance “International Investment Position of Japan” As of March 2018

Achievements

- Reached 2020 target of 10,000

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<tr>
<th>Year</th>
<th>2013</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>2,453</td>
<td>4,347</td>
<td>6,669</td>
<td>10,572</td>
<td>20,000</td>
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2016 USD yearly average currency exchange rate: 1GBP = 1.28USD, 1EUR = 1.13USD, 1JPY = 0.0089USD

1 Source: “Japan’s Corporate Governance Code” Tokyo Stock Exchange; June 1, 2015
Invest in Japan, the Land of Rising Opportunities.

Japan is quickly transforming to become the most business-friendly nation in the world. Japan welcomes your investment.

Market Potential
Thanks to Abenomics, the world’s third largest economy keeps booming by increasing productivity and embracing highly skilled, diverse human resources.

Evolving Innovation
Backed by regulatory reforms, R&D activities are accelerating innovation, and creating new business opportunities e.g. in digital and medical/healthcare industries.

Quality Business Environment
Sophisticated transportation network, expanding FTAs and growth-oriented policy measures are creating favorable environment for global business.

\ Check out our new website! /

https://www.japan.go.jp/investment/