

ABENOMICS

**For future growth, for future generations,
and for a future Japan.**

“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 ABE Shinzo



Published in March 2020



JAPAN GOV THE GOVERNMENT OF JAPAN

About Abenomics

Since coming to power in late 2012, Prime Minister ABE Shinzo and his government unveiled a comprehensive policy package to revive the Japanese economy from two decades of deflation, all while maintaining fiscal discipline. This program became known as Abenomics.

Abenomics strives for boosting Japan's economy¹

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

2012 vs Latest

Nominal GDP

493 JPY tn ▶ 552 JPY tn
(4509 USD bn) (5044 USD bn)

↑ **58.5 JPY tn**
(535 USD bn)

Number of Employed Persons (Female)

62.8 mn (26.6 mn) ▶ 67.2 mn (29.9 mn)
Record high

↑ **4.4 mn (3.3 mn)**

Corporate Pre-Tax Profit

39.7 JPY tn ▶ 81.8 JPY tn
(363 USD bn) (748 USD bn)

↑ **42.1 JPY tn**
(385 USD bn)

Unemployment Rate

4.3 % ▶ 2.4 %

↓ **2.4 %**

Private Non-Residential Investment

71.9 JPY tn ▶ 88.0 JPY tn
(657 USD bn) (805 USD bn)

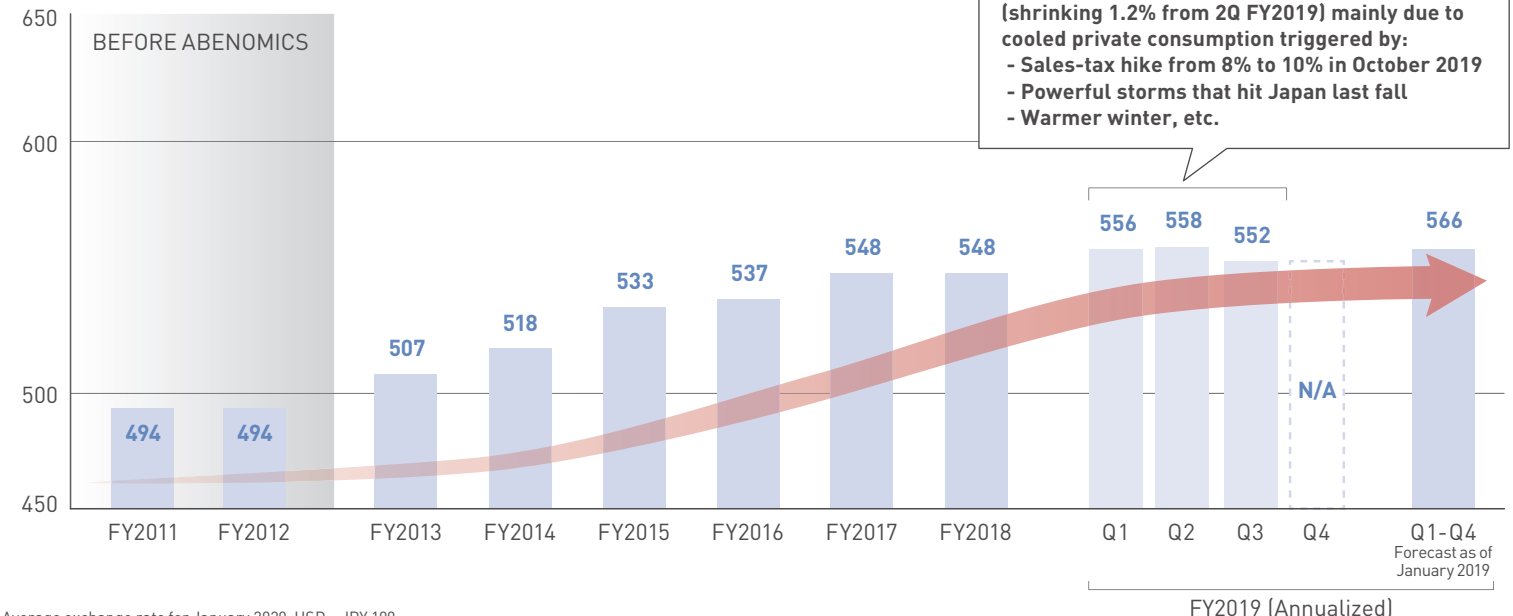
↑ **16.2 JPY tn**
(148 USD bn)

Tax Revenue

43.9 JPY tn ▶ 60.2 JPY tn
(402 USD bn) (550 USD bn)

↑ **16.2 JPY tn**
(149 USD bn)

(JPY tn) Nominal GDP²



* Average exchange rate for January 2020: USD = JPY 109

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

1. Pre-Abenomics vs. Post-Abenomics

Nominal GDP = 3Q FY2012 vs. 3Q FY2019, seasonally adjusted series [annualized]

Corporate Pre-Tax Profit = FY2012 vs. FY2018

Private Non-Residential Investment = FY2012 vs. FY2018

Number of Employed Persons (Female) [basic tabulation] = 2012 avg. vs. 2019 avg.

Unemployment Rate = 2012 avg. vs. 2019 avg.

Tax Revenue = FY2012 (Settlement basis) vs. FY2019 (Supplementary basis)

2. Source: Cabinet Office "National Accounts," "Fiscal 2019 Economic Outlook and Basic Stance for Economic and Fiscal Management"

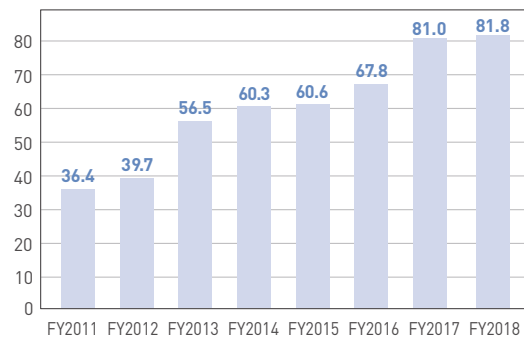
Aggressive monetary policy

Flexible fiscal policy

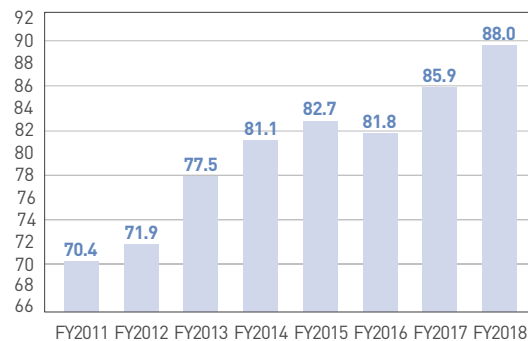
Growth strategy

CORPORATE PERFORMANCE

(JPY tn) **Corporate pre-tax profit³**

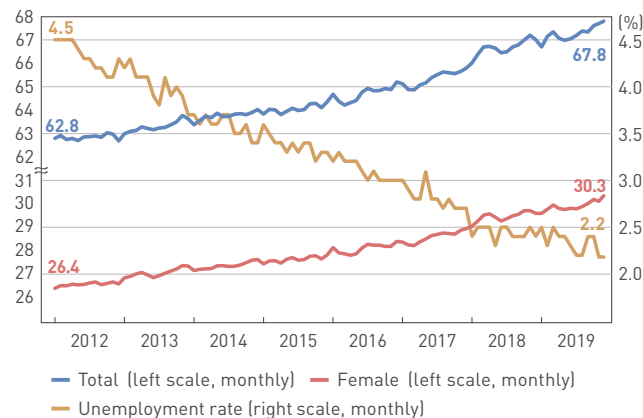


(JPY tn) **Private non-residential investment⁴**

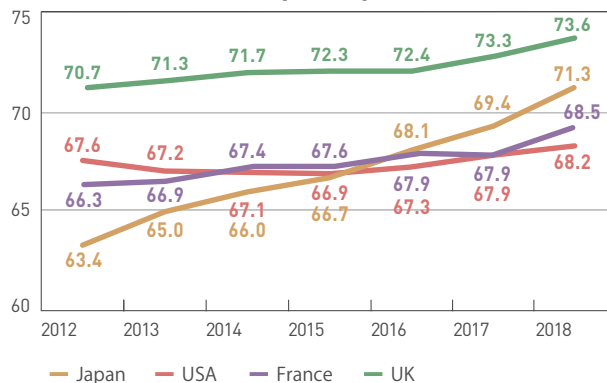


JOB MARKET

(mn pers.) **Number of employed persons and unemployment rate⁵**

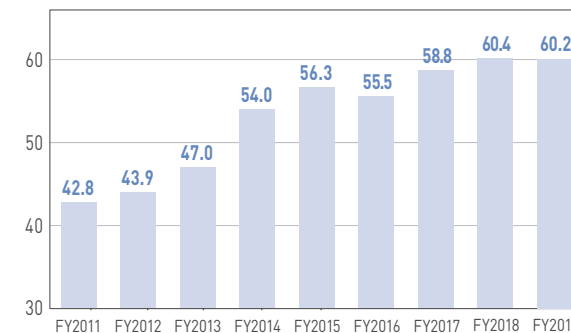


(%) **Female labor force participation rate⁶ (age 15-64)**



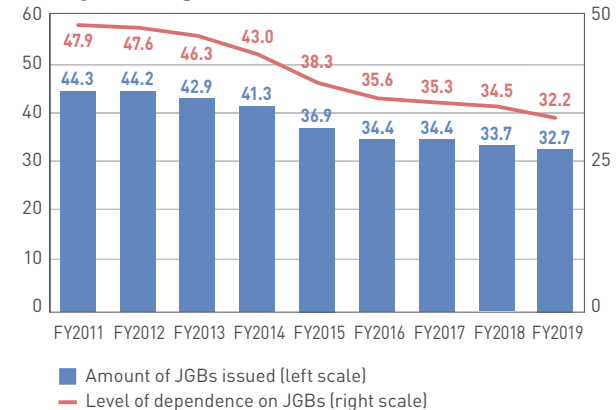
FISCAL CONDITION

(JPY tn) **Tax revenue*⁷**



* FY2011 - FY2018: Settlement basis
FY2019: Supplementary basis

(JPY tn) **Dependency ratio on Japanese government bonds⁷**



3. Source: Ministry of Finance "Financial Statements Statistics of Corporations by Industry," all industries, all [firm] sizes

4. Source: Cabinet Office "National Accounts," private non-residential investment

5. Source: Ministry of Internal Affairs and Communications "Labour Force Survey," seasonally adjusted figures

6. Source: OECD. stats

7. Source: Ministry of Finance "Highlights of the Draft FY2019 Budget"

What Abenomics Strives For

Context

The greatest structural issue facing the Japanese economy is the **aging of society and shrinking of the population**. However, we see this challenge as an **opportunity**.

Demographic change is a social challenge that will soon be shared by most developed countries.

Japan is committed to **achieving sustainable growth and becoming a pioneer in the establishment of a new social model**. We call this **Society 5.0**, Japan's vision for the next step in human evolution.

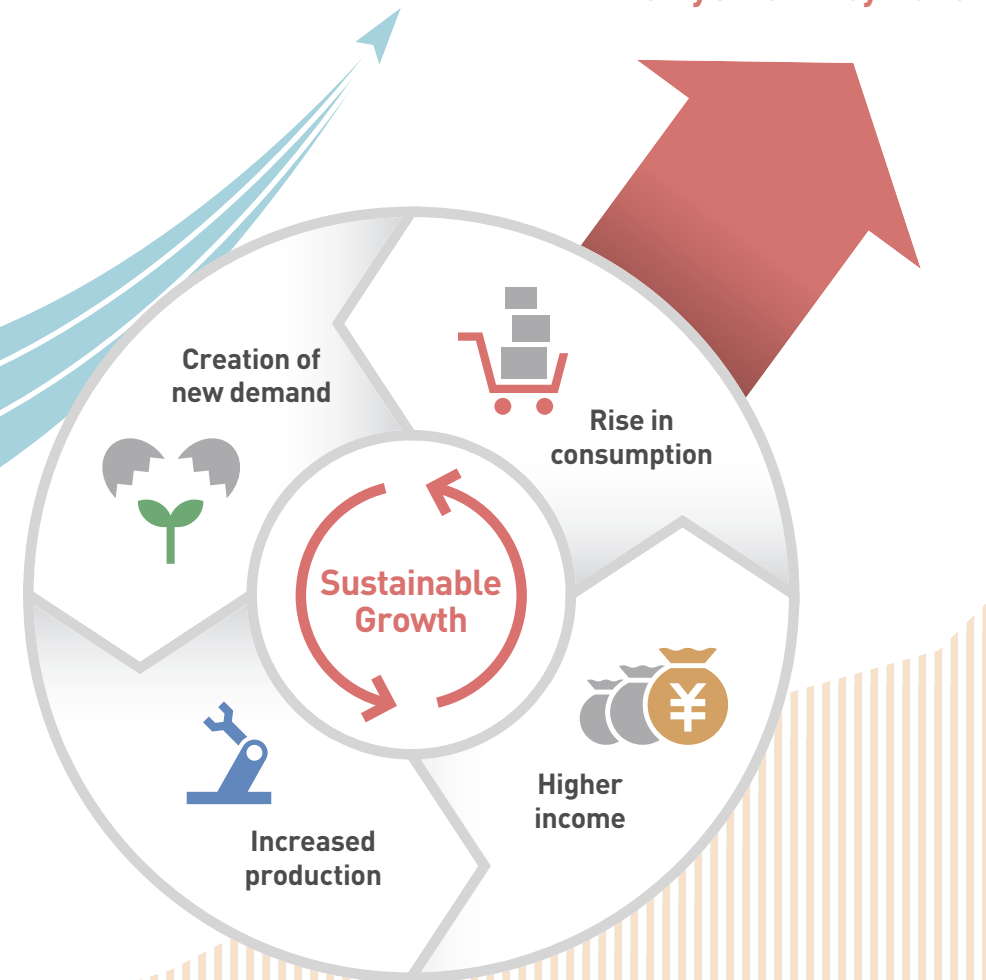


Shrinking & Aging Population

Goal 1: Achieving Sustainable Growth

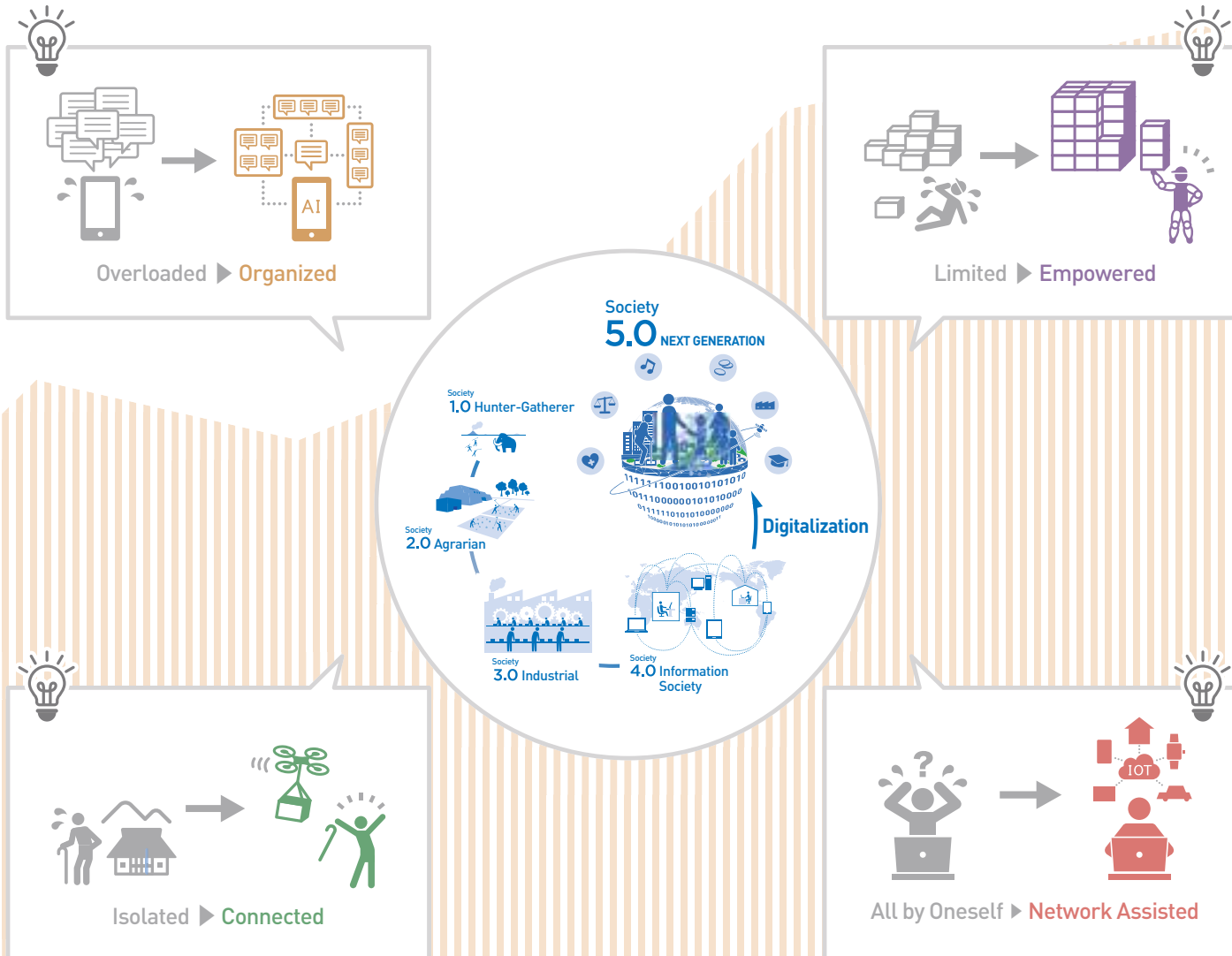
Implement comprehensive reform to accelerate an economic virtuous cycle, which will help grow GDP to 600 trillion yen by 2020.

Abenomics



Goal 2: Realizing Society 5.0

Society 5.0 is a national vision aimed at realizing a data-driven, human-centric society for our future generations. It is a vision in which economic development, digitalization, and solutions for social issues are aligned.



Solutions in Progress

1 Innovation in Societal Structures

2 Diversity & Empowerment of People

3 Smart Regulations & Laws

4 Attractive International Opportunities

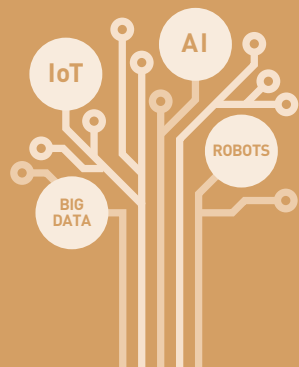
5 More Competitive Business

Innovation in Societal Structures

1



We promote a society that is smarter and which innovates to raise productivity, problem solving across issues such as a decline in population.



FINTECH/FINANCE

- **Improve productivity in finance and commercial transaction area** by utilizing new technologies to provide more stable and efficient financial services.

- **Install open API (Application Programming Interface) systems** in more than 80 banks by 2020 to further drive innovation

*API is a software interface within which an application and other operations provide separate applications with a common function.

- **Achieve a 40% cashless payment rate** by 2025



MOBILITY

- Starting with mountainous regions, **introduce drone delivery services** to include urban regions by the 2020s

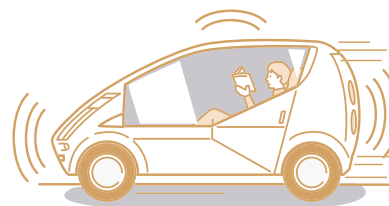
- **Introduce remote control transportation services** with the aim of making them commercial by 2020

*Road tests ongoing in the capital and in rural areas

- **Truck platooning without drivers in the follower trucks:** a mass transportation solution to address the shortage of truck drivers (commercialization by 2022)

- City planning will include new mobility options so that model cities incorporate **autonomous driving, shopping support and MaaS (Mobility as a Service)** from the start

- **Promote open data for public transport** to improve information sharing by diverse content providers via Apps



SMART CITY

- National and city governments to join forces to **encourage municipalities and local businesses to embark on smart-city model projects**

- **Integrate town-planning with new mobility services and private data capacities** to develop the “Compact · Plus · Network,” ensuring that urban areas have efficient and clean transport that meets aging population needs

- **Collaborate with international partners** to discuss new architectures for sustainable urban development

NEXT-GENERATION INFRASTRUCTURE

- **Use robotics and sensors to repair and improve productivity of infrastructure, and cut costs**

- Introduce data-driven operations to improve precision of construction, renewal and maintenance processes

PPP & PFI

- **Bring in private business to boost public utilities** as part of transformation into Smart City

- Consider ways to **leverage private initiative at utilities to generate long-term revenue and better cost-performance**



HEALTHCARE

- Promote self-managed healthcare and regular checkups via utilization of their health data starting in FY 2020
- Enhance remote medical care services and combine them with face-to-face examinations (enabled in part due to 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 burden on caregivers
- Introduce the world's fastest approval process for regenerative medicine and grow Japan's market for the same to 26 trillion yen by 2020
- Nominate specific geographies as hubs for cardiac, neurologic and ophthalmic treatment
- Create a faster R&D process to motivate innovation in pharmaceuticals and medical devices



▶ Achievements

- ▶ Rapid development in advanced heart failure treatments such as myoblast cell-sheet transplants
- ▶ World's first successful iPS origin retinal cell transplant operation for age-related macular degeneration



AND MORE

DIGITAL GOVERNMENT



- Change administration by making all services and procedures digital
 - Eliminate attachments required in various procedures, and modernize personal identification procedures

SMART AGRICULTURE



- Agriculture, forestry and fisheries of tomorrow means utilizing robots, big data analysis and AI to help farmers integrate into the modern supply chain from production site to retail at minimal cost.

NATIONWIDE 5G, LOCAL 5G



- Start commercial 5G* services across the country in 2020 to cope with increasing data volumes, while ensuring cyber security
 - Government to support the development of mobile phone base stations or superfast optical fiber bases in commercially challenging areas.

*5th Generation Mobile Communications System

- Promote and support business models that go beyond traditional services in various fields, especially by taking advantage of local 5G systems

OPEN DATA

- Open up government data to promote innovative products and services, particularly in eight selected areas that include healthcare, agriculture, energy and mobility
- Provide open access to geospatial information to promote new business ideas (the G-Spatial Society initiative)



Diversity & Empowerment of People 2



Our goal is a society that welcomes diverse ways of working and empowers all equally, including seniors, women, and international professionals.



WORK-STYLE REFORM

- **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 a flexible work style:** Promote teleworking, side jobs and those who wish to take on multiple jobs with a variety of policy measures, including the renewal of guidelines

☑ Law passed in June 2018



HUMAN RESOURCES DEVELOPMENT

- **Move toward free education** for infants (from low income households), all pre-school children, and higher-education (university) students (from low income households). Furthermore, **greatly increase the volume of grant-type scholarships** that do not require repayment.
- **Support further education and mid-life career change for**
 - Individuals who seek to advance their skills
 - Those wishing to switch jobs
 - Mothers returning to work after child-care leave, who wish to boost skills or change employment
- **Make education more practical**
 - Reform higher education curriculum and facilities **to better meet the needs of today's professions**, such as those in the areas of IT and AI (e.g., creating a model curriculum and teaching materials for mathematics, data science, and AI education, and deploying them nationally)
 - **Introduce programming as a mandatory** study from elementary school to boost the information literacy of society in the future





WOMEN

- Bolster health support for women at various life stages
- Offer greater assistance to single parents, irrespective of gender
- Make available further and recurrent education for women returning to work after child-care leave
- Provide female candidates with executive leadership training programs from the world's leading business scholars
- Eliminate all forms of violence against women including spousal violence, sex crimes, prostitution, human trafficking, sexual harassment, and stalking
- Promote men taking child-care leave and being more active with domestic tasks

Achievements

- ▶ From 2012 to 2019, the number of women joining the workforce increased by about

3.3 million



Source: Ministry of Internal Affairs and Communications "Labour Force Survey"

- ▶ Women in management positions in the private sector approaches

10%



Source: Ministry of Health, Labour and Welfare "Basic Survey on Wage Structure"



SENIORS

- Provide a choice to work beyond the official retirement age for those who want to do so, as well as support companies that retain retiree-age staff (Consider obliging companies to make efforts to secure employment opportunities for people up to the age of 70)
- Provide support in matching job openings and applications
- Consider raising the retirement age of civil servants gradually from 60 to 65 years old

Achievements

- ▶ From 2012 to 2019, employment rate of people over the age of 65 increased by

5.4%

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



INTERNATIONAL TALENT

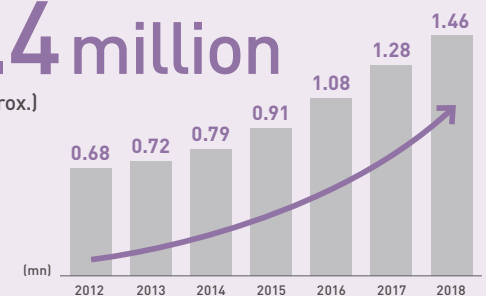
- Actively attract overseas professionals who have expertise or experience in certain areas through easier visa procedures
 - Fast-track visa screenings to 10 days
 - Set up the world's fastest Japanese Green Card program for Highly-Skilled Foreign Professionals in select fields
- Established a new status of residence for foreign human resources who have a certain level of professional and technical skill, and Japanese language proficiency
- Online applications accepted from 2019
- Ease quality-of-life with more non-Japanese signage, international schools, English-speaking hospitals
- Support more international students and entrepreneurs

Achievements

- ▶ The number of workers from abroad reached

1.4 million

(Approx.)



Source: Ministry of Health, Labour and Welfare "Report on the Employment Situations of Foreigners"

Smart Regulations & Laws

3



As markets evolve to reflect changing social needs, we should move quickly, and with an open mind, to help create new businesses and new demand.



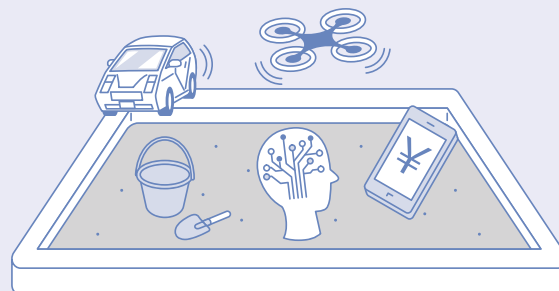
REGULATORY SANDBOX

Cutting-edge technologies or businesses sometimes seem unrealistic to implement. It takes support and flexibility to nurture them. Japan provides a sandbox approach, which allows new ideas to be tested and improved in real-life situations without existing restrictions.

- Early stage business models or technologies are proposed to the government and evaluated on their merit
 - Rules are relaxed to test these innovations within a certain contained "sandbox" in an approved project.
 - The testing environment allows businesses to conduct pilot projects quickly
 - If pilot demonstrations of new technologies/business models are successful, the government aims to further implement the regulatory reforms
 - A dedicated office for this is set up to ease the application process
- ☑ Law took effect in June 2018

▶ Achievements

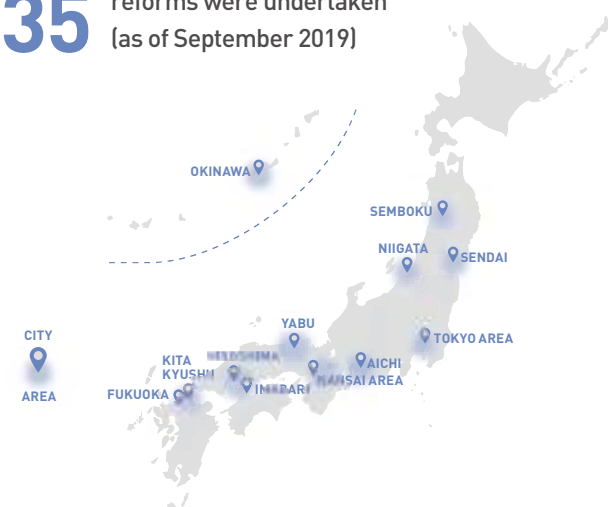
- ▶ **13 projects/125 applications** in the field of **IoT, online medical consultation, fintech and mobility** have been approved (as of December 2019)



NATIONAL STRATEGIC SPECIAL ZONES

Selected regions have the privilege of carrying out advanced structural reform in the hope of turning successful test cases into touchstones for nationwide implementation.

- ▶ **10** areas have been selected since 2013
- ▶ **335** reforms were undertaken (as of September 2019)



▶ Achievements

- ▶ **1st automated bus driving test** conducted on a public road in Semboku City (November 2016)





RULES FOR DIGITAL MARKET

- Given the importance of data handling and security, Japan plans to create **a task force to both regulate and stimulate best practices in the digital market arena**
- Rules will be prepared **to ensure transparency and fairness in transactions** between digital platform companies and users
- In order to promote digital market competition, **data portability and API disclosure policies are being considered and reviewed**

DATA FREE FLOW WITH TRUST (D.F.F.T.)

- ▶ The basis of this concept is to **ensure privacy, data protection, intellectual property rights, and security in order to facilitate the free flow of data, which will harness the full potential of data and the digital economy**
- ▶ Under this concept, the “Osaka Track” was launched on the sidelines of the Osaka Summit, which added momentum to international rule-making on the digital economy, and accelerated negotiations on electronic commerce at the WTO



DECARBONIZED SOCIETY

- **Take measures towards the reduction of GHG emissions by 80% by 2050 to realize a decarbonized society**
 - Achieve a business-led virtuous cycle of protecting the environment while stimulating economic growth by accelerating innovations in environmentally friendly technologies
 - ☑ The Long-term Strategy under the Paris Agreement
[Cabinet decision, June 11, 2019]
- **Promote zero-carbon mobility** knowing that by 2030 more than half of new autos will use electric, fuel cell or other non-gasoline engines
- **Promote a hydrogen society that ushers in carbon-free technology**
 - Establish 160 operating hydrogen stations by 2020 and double that number by 2025
 - Set a target of reducing hydrogen production costs to one-tenth of current levels by 2050
- **Stimulate green finance** by promoting disclosure and transparency to drive ESG funds, which are increasing worldwide
- **Utilize AI and IoT for energy use management** with the commercialization of VPP (Virtual Power Plant) systems by 2021 that offer more efficient resource distribution
- **Increase competitiveness in the power and gas market** through a comprehensive overhaul of the industry, spurring development of new energy sources and more focus on environmental impact



Attractive International Opportunities 4



Core issues, like growing sustainably, are faced by all nations. We believe in innovating together, opening our markets and offering our best products and services abroad.



TRADE AGREEMENTS

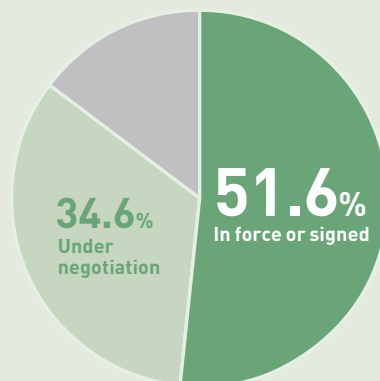
- **TPP11** (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) entered into force in December 2018
- **Japan-EU EPA** (Japan-EU Economic Partnership Agreement) entered into force in February 2019
 - One of the world's largest bilateral free trade deals
 - Will eliminate nearly all customs duties between the two sides
 - A model for 21st century economic order, based on tariff-free trade and fair rules
- Promote negotiations of **other EPAs** (Economic Partnership Agreements) **such as RCEP** (Regional Comprehensive Economic Partnership)
- Japan-U.S. Trade Agreement entered into force in January 2020

▶ Achievements

▶ **FTA (Free Trade Agreement) coverage ratio has reached over 50%**

-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 2018–December 2018, Fixed numbers)



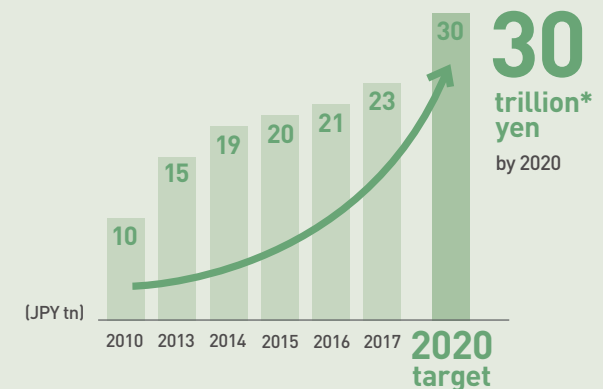
EXPORT OF QUALITY INFRASTRUCTURE

For more information: <https://www.japan.go.jp/infrastructure>

- **Provide financing to infrastructure projects across the world** of approximately USD 200 billion by 2021
- **Strengthen competitiveness through public-private cooperation and collaboration with partner countries**
- Promote participation in project operation and its management to expand market opportunities
- **Expand quality infrastructure investment** based on the "G20 Principles for Quality Infrastructure Investment," **taking advantage of Japanese technologies and expertise**
- **Strengthen economic cooperation projects with Bangladesh**, including the Matarbari Port and Dhaka Metro developments under the initiative of the Bay of Bengal Industrial Growth Belt (BIG-B)

▶ Achievements

▶ Infrastructure project orders received



Source: Cabinet Office "43rd Meeting of the Management Council for Infrastructure Strategy"

*Approximate figure



TOURISM

- **Develop the DMOs,*** which manage the local resources and coordinate the local tourism development, and train tourism management specialists.
- **Promote branding of national parks and usage of cultural properties**, as well as encourage foreign tourists to visit various parts of Japan by enhancing the quality and variety of experiences during their stay
- **Improve the tourist experience** with additional free Wi-Fi spots and cashless payment options, etc.; promote private lodging services under certified procedures

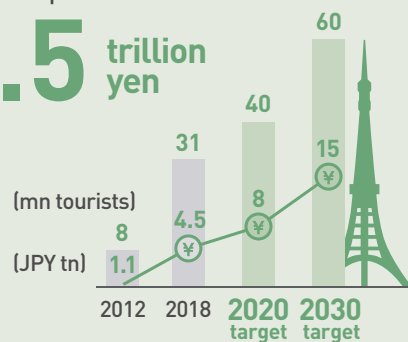
▶ Achievements

▶ Inbound tourists in 2018

31 million tourists

with an expenditure of

4.5 trillion yen



Source: Japan National Tourism Organization, Japan Tourism Agency
"International Visitor Survey"

* Destination Management/Marketing Organizations



JAPANESE FOOD / AGRICULTURE

- **Support further the growing popularity of Japanese food around the world** to meet rising consumer demand for more health-conscious cuisine
- **Boost export potential to one trillion yen by 2019**
 - Strengthen export promotion through the Japan Food Product Overseas Promotion Center (JFOODO)
- Accelerate the accumulation and consolidation of farmland for agricultural businesses via Farmland Banks
- Introduce similar approaches to modernize forestry and fishery industries

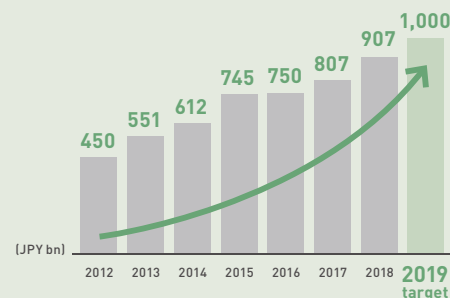
▶ Good food for good life



- ▶ **Ratio of obesity in the Japanese population (aged 15-)** is **3.7%**, the world's lowest standard (versus a 19.4% average for OECD 34 nations)
- ▶ **Life expectancy in Japan** is **83.9 years**, the world's highest standard (versus 80.6 years for OECD 35 nations)

▶ Achievements

▶ Exports of agricultural, forestry, and fishery products



Source: OECD Health Statistics 2017, Ministry of Finance "Trade Statistics of Japan"



REGIONAL REVITALIZATION

Ensure Japan's economic recovery reaches all corners of the country to create a more sustainable and self-reliant society

- **Welcome foreign business and investment** to areas outside of the major cities
- Remove geographical constraints when living in regional areas through new technologies, such as IoT
- **Pave the way for the creation of IR (Integrated Resort) facilities** that "integrate" hospitality with entertainment and conference spaces, as well as cultural and casino options
 - Create world's first comprehensive legal framework for the IR industry
 - Reinstate Japan as the premium Asia hub for corporate travel and conventions (i.e., MICE*)
 - Use up to 3 IR licenses to revitalize various regions of Japan with a new business sector
 - Closely regulate casino activities to address gambling addiction

*MICE: Meetings, Incentives, Conventions, and Exhibitions

More Competitive Business

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Unlocking economic opportunities means opening up all of our potential, from strength in local regions and the SME sector, to creating an ever more friendly business environment.



SMEs PRODUCTIVITY IMPROVEMENT

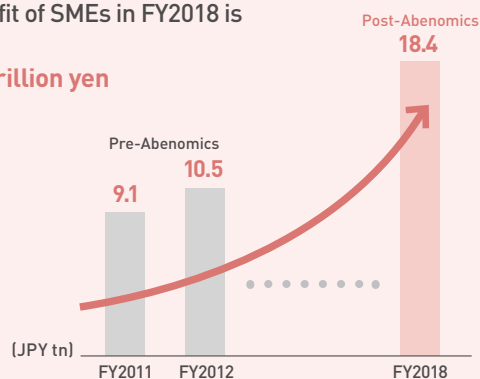
SMEs (Small and Medium Enterprises) provide 70% of all employment and more than 50% of all added value in Japan. As such, the potential to boost the economy by raising SME productivity is enormous.

- Promote through subsidies **broader use of latest IT devices at SMEs**
- **Reduce property tax as for SMEs** that make certain capital investments in ICT, robotics and cloud tools
☒ Law took effect in May 2018
- **Support ownership and business transitions** for SMEs to enhance productivity
- **Further encourage SMEs' overseas expansion** through providing them with necessary information

Achievements

- Pre-tax profit of SMEs in FY2018 is

18.4 trillion yen



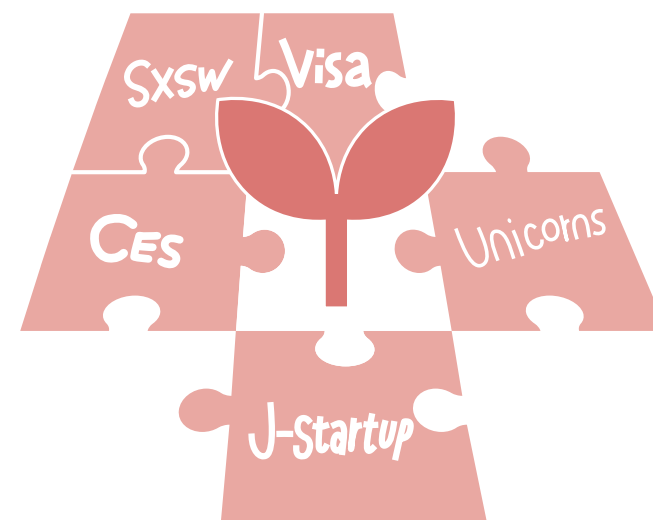
Source: Ministry of Finance "Financial Statements Statistics of Corporations by Industry"; all industries, enterprises with capital of at least JPY 10 mn but less than JPY 100 mn, seasonally adjusted figures



ECOSYSTEM FOR NEW STARTUPS

Create a rewarding and agile environment for those who have passion for creating their own startups, encouraging grass-roots innovation.

- Create as many as 20 unicorns by 2023 by using private-public initiatives such as "J-Startup"
- Bring outstanding startups to top international industry conferences and make Japan's startup ecosystem even more attractive for those overseas





CORPORATE GOVERNANCE

Realize sustainable corporate growth through strong governance

- Published guidelines for group companies **to enhance their overall value in 2019**
- **Drew up a Corporate Governance Code**, to promote transparent, fair, timely and decisive decision-making by listed companies
☒ Revised in 2018
- **Formulated a Stewardship Code**, to promote constructive engagement and a purposeful dialogue between institutional investors and investee companies
☒ Revised in 2017
- Plan to update requirement for listed companies **to enhance corporate governance by appointing independent outside directors**



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 **93%****

Source: Tokyo Stock Exchange
 *First Section **From 2012 to 2019

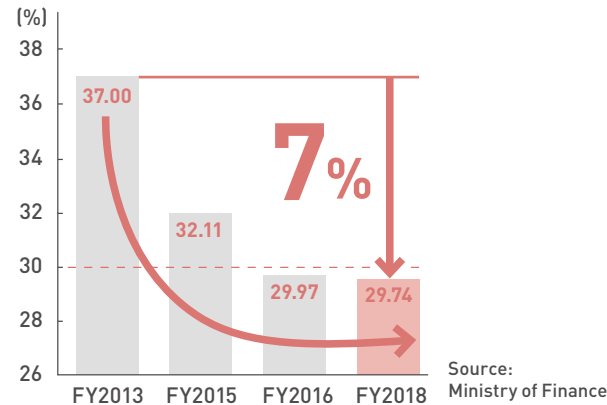
- ▶ Stewardship Code
 - Accepted by **more than 270 institutional investors**
- Source: Financial Services Agency



CORPORATE TAX REDUCTION

Reform corporate tax to be growth-oriented

- Reduce corporate tax rate below 30% mark in 2016



- **Substantial tax burden on corporate profits will 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 substantial tax burden on corporate profits 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



FOREIGN BUSINESS PARTNERSHIPS

For more information: <https://www.jetro.go.jp/en/invest>

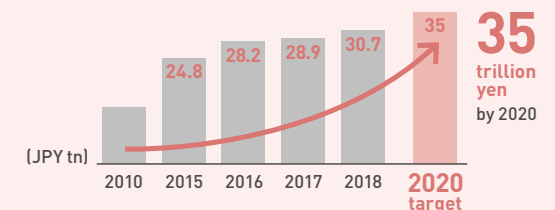
- **Optimize administrative processes**
 - **Reduce administrative costs by 20% by 2020** from 2017 levels in areas that are considered to have the heaviest burden, e.g., for “business approvals and licenses” and “social insurance”
 - **Consolidate scattered registration outlets** for different documents into one convenient outlet, e.g., Tokyo One-Stop Business Establishment Center
- Host FDI (Foreign Direct Investment) 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>

Achievements

▶ **12,580**

cases processed at the Tokyo One-Stop Business Establishment Center (as of April 2019)

- ▶ **Net amount of inward FDI** in 2018 marked a record high of **30.7 trillion yen**





Visit Japan in 2020 for Olympic and Paralympic Games Tokyo 2020!

Games Schedule

● The Olympic Games

Official Name: Games of the XXXII Olympiad

Period of the Games: Friday, 24 July – Sunday, 9 August 2020

Number of Sports: 33

● The Paralympic Games

Official Name: Tokyo 2020 Paralympic Games

Period of the Games: Tuesday, 25 August – Sunday, 6 September 2020

Number of Sports: 22

Information about Tokyo 2020 <https://tokyo2020.org/en> <https://tokyo2020.org/en/paralympics>

