

Abenomics: We Are Accelerating the Implementation of Our Committed Reforms



**Highlights of the Growth Strategy to date and measures for
accelerating reforms**

September 2014

Abenomics Continues to Progress and Develop

- I. Is the “third arrow” of Abenomics – the Growth Strategy – being effectively implemented so as to have significant impacts?
- II. Is the consumption tax hike stifling the economy?
- III. Is Japanese economic growth sustainable amid the declining birthrate and aging population?

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Implementation and acceleration of the Growth Strategy (The “Third Arrow”)

Many measures have been implemented over the past year to facilitate economic growth. In June 2014, the growth strategy was revised with expanded and strengthened measures. The measures can be classified in the following three main pillars .

Restoring Japan’s “earning power”	Restore Japan’s earning power, including <u>enhancing corporate ROE</u> , <u>to realize sustainable economic growth</u> .
Cultivating human resources	Ensure productivity and production, amid a declining birthrate and aging population, through such measures as <u>greater participation of women and utilization of foreign talent</u> .
Reviving long-idle industries and promote entry of new participants	Implement deregulation and structural reforms to <u>encourage new participation, both from Japan and from overseas</u> .

10 Key Reforms

Enhancing corporate governance	Enhance the medium-term profitability and productivity of companies, for sustained growth in corporate value.
Reforms for management of public and quasi-public funds	Revise management policy of assets, in the context of an exit from deflation, in order to invest in growth, contribute to the Japanese economy, and realize a virtuous economic circle.
Promotion of venture businesses	Create an entrepreneur-friendly environment and generate world-leading venture companies.
Corporate tax reform	Embark on corporate tax reform to strengthen Japan’s locational attractiveness and enhance competitiveness of Japanese companies. Aim to reduce the percentage level of the effective corporate tax rate down to the twenties (%) in several years and start the first phase reduction from FY2015.
Stimulating innovation through science, technology and a “Robotics Revolution”	Maintain productivity and production capacity amid a declining birthrate and aging society by stimulating innovation and a “robotics revolution,” promoting the economic participation of women, and utilizing overseas talent.
Enhancing women’s participation and advancement	
Attracting talent from overseas	
Reforming ways of working	Further support the promotion of foreign direct investment in Japan, and respond to the problem that Japanese employment practices are less transparent for foreign countries, in order to establish a highly predictable labor dispute resolution system.
Proactive agricultural policy	Implement structural reforms for an agricultural sector for the first time in decades, including revisions to rice production adjustment programs and reform of agricultural committees and cooperatives, and promote diversity of participation.
Healthcare industry and high-quality healthcare services	Expand healthcare and preventive healthcare services, and stimulate investment in the field of regenerative medicine.

Growth to create a ripple effect across the nation

Local revitalization and innovation of SMEs

Structural reforms in regional economies

Implementation and acceleration of the Growth Strategy (The “Third Arrow”) *Raising Japan’s “Earning Power” (1)*

Reduction of the effective corporate tax rate

Government initiatives to date

- The effective corporate tax rate was reduced by 2.4% in April 2014.

Private sector activity

- 1) Recovery in capital investment
 - FY2013: USD 670 billion (+3.5% year on year base) *FY2015 target: USD 700 billion
 - Apr-Jun 2014: + 7.07% (year on year base)
- 2) Around 30,000 applications for capital investment tax reduction in just over six months (as of the end of July).
- 3) Announcement of renovation and expansion of domestic production facilities by private companies

New measures adopted in the revised Strategy 2014

- Aim to reduce the effective corporate tax rate to the twenties in several years.
- Reduction will start from FY2015.

Implementation and acceleration of the Growth Strategy (The “Third Arrow”)

Raising Japan’s “Earning Power” (2)

Improve productivity and profitability of private companies by strengthening corporate governance and other measures

Government initiatives to date

Improve productivity and profitability of private companies by strengthening corporate governance,

- 1) Japan’s Stewardship Code was formulated in February 2014. A total of 160 institutional investors, including Government Pension Investment Fund (GPIF), have indicated acceptance of the code (as Sep 3, 2014).
- 2) Companies have been encouraged to introduce outside directors. Companies that do not appoint outside directors are required to provide an explanation as to why they have not complied (Revision to the Companies Act passed in June 2014).
- 3) Tax system was established to promote business reorganization (Industrial Competitiveness Enhancement Act took effect in Jan 2014).

Private sector activity

- 1) **Significant increase in companies appointing outside directors**
 - Proportion of listed companies (1st section of the TSE) with outside directors: 2013: 62% → 2014: **74%**
 - Proportion of listed companies (1st section of the TSE) with independent outside directors: 2013: 47% → 2014: **61%**
 - Outside directors introduced for the first time in such companies as Toyota, Canon, Toray, and Nippon Steel & Sumitomo Metal (NSSMC)
- 2) **“JPX-Nikkei Index 400,”** a new index comprising companies highly attractive to investors, was established by Japan Exchange Group, Inc. in partnership with Nikkei, Inc. (January 2014)
- 3) **Large-scale business realignments have been realized** under the Industrial Competitiveness Enhancement Act. (ex. Mitsubishi Hitachi Power Systems established in February 2014 by integrating the thermal power plant divisions of Mitsubishi Heavy Industries and Hitachi)

New measures adopted in the revised Strategy 2014

- Draft the Corporate Governance Code.
 - Companies that do not implement this code will be required to explain the reasons.
- Enhance financial institutions’ functions for supporting businesses.

Implementation and acceleration of the Growth Strategy (The “Third Arrow”) Raising Japan’s “Earning Power” (3)

Stimulate financial and capital markets:
Promote increase in corporate value, leading to improvement of corporate ROE etc.

Government initiatives to date

- **Recommendations on the management of Public/Quasi-public funds** was adopted in the Expert Committee in November 2013.
 - Measures have been taken also to **promote investment by private corporations**.
 - Established a tax system to promote venture funding from private enterprise (Industrial Competitiveness Enhancement Act took effect in January 2014).
 - Established a system to promote use of security-based crowdfunding* (Law amendment in May 2014).
- *A scheme in which emerging and growing companies and investors are connected via the Internet so that funds are collected from a large number of fund providers who each contribute a small amount.

Private sector activity

- 1) **Reforms being enacted for the management of Government Pension Investment Fund (GPIF), the largest such fund in the world with approx. USD 1.3 trillion AUM (as of March 31, 2014)**
 - Decision to co-invest in infrastructure projects in partnership with the Development Bank of Japan and a Canadian pension fund (Feb 2014)
 - Adoption of new equity indices (such as the JPX-Nikkei Index 400) in passive investments (Apr 2014)
 - Acceptance of Japan’s Stewardship Code (May 2014)
- 2) **Local governments have begun supporting entrepreneurs using crowd funding**
 - Osaka government is conducting promotional activities, uncovering promising projects, and providing support for formulating business plan.
 - Since the launch of the project in July 2013, approx. **USD 0.9 million in capital has been invested** from more than 2,000 investors.

- Nippon Individual Savings Accounts (NISA) program launched, channeling considerable private assets into the equities market.

Private sector activity

Market has grown to 6.5 million accounts.
(investment scale : USD 10 billion in total) (as of March 31, 2014)

New measures adopted in the revised Strategy 2014

- Revise the policy asset mix of GPIF.
- Reinforce GPIF’s governance structures.

Implementation and acceleration of the Growth Strategy (The “Third Arrow”)

Reviving industries for the first time in decades through structural reforms and encouraging new entrants (1)

Encourage and welcome diverse forms of new entrants, in sectors that have had few new entrants, such as energy, agriculture/forestry/fisheries, and healthcare.

Government initiatives to date

Primary industries

- **Rice production adjustment programs that had lasted for more than 40 years were revised**. From 2018 producers can grow crops, based on market demand and their own management decisions.
- **Regional government supported institutions for farmland consolidation were established** (in all prefectures except for one, as of July 1). Scattered small-scale farmlands will be consolidated. In addition, corporate farming and participation of youth in agriculture are promoted.
- **Seed money is provided through dedicated fund** to those who intend to expand their business into food processing, distribution or sales activities. Investments into the fund are welcomed.

Private sector activity

- Companies from different industries are successively entering the agricultural sector.
- **Record high for export** of agriculture/forestry/fisheries products and foods (2013: **USD 5.5 billion, +22.4% YoY**).

Healthcare

- Reforms were enacted to establish an adaptive licensing approval system and to make possible the outsourcing of culturing and processing of cells, **which leads to acceleration of the commercialization of regenerative medicine** (Laws enacted Nov 2013, took effect in Nov 2014).
- Services such as exercise instruction for the prevention of life-style related diseases, were clarified under the new law (Jan 2014) as business which can be launched without medical license. **This helps encourage new market entrants, including overseas companies, in healthcare areas.**

Private sector activity

- Active investments in the field of regenerative medicine.
- Expansion of healthcare and preventive-healthcare services.

Electric Power

- **Fundamental reforms of the Electricity System Reform for the first time in 60 years**, have begun, including complete liberalization of entry into the retail electricity sector. Foreign companies also can enter the retail electricity market (Law enacted June 2014, to be implemented from 2016).

Private sector activity

- Activation of the retail market across regions and industries.

Implementation and acceleration of the Growth Strategy (The “Third Arrow”)

Reviving industries for the first time in decades through structural reforms and encouraging new entrants (2)

Welcome new entrants into energy, agriculture/forestry/fisheries, and healthcare sectors.

New measures adopted in the revised Strategy 2014

Primary industries

- Implement **comprehensive reforms** on Agriculture Committees (such as review of the method of selecting members, nomination of person in charge of farmland consolidation etc.), Agricultural Production Corporations (such as relaxing requirements for board members), and Agricultural Cooperatives (such as providing greater independence for local cooperatives) (Related bills to be submitted to the ordinary Diet in 2015). **These measures will have effects to enhance the potential of agriculture.**
- Establish **category-specific export organizations** to promote exports of specific products such as beef, tea, and fishery products (To be established from FY2015).

Healthcare

- Create a “nonprofit holding company system” (provisional name), based on the model of the U.S. Mayo Clinic,** to allow consolidated and integrated management of multiple medical corporations and so on. **This will facilitate the comprehensive provision of efficient and high-quality medical and nursing care services in regional areas** (Measures planned for 2015).
- Create a new system for combining insured and uninsured medical services (“patient-requested cure system” as tentatively called), which allows, upon requests from patients, the utilization of non-approved medicines.

Electric Power

- Complete the Electricity System Reform by 2020 at the latest (legal unbundling of the transmission and distribution sectors, and full liberalization of retail electricity rates).

Implementation and acceleration of the Growth Strategy (The “Third Arrow”)

Nurture industries that will be Japan’s new growth engines and support regional areas through special measures for deregulations

Expedited reforms : National Strategic Special Zones

- **To establish National Strategic Special Zones as a breakthrough regulatory reform**, the Act on National Strategic Special Zones was established in December 2013, including specific regulatory reforms. **The first six special zones** were designated in May 2014 (covering 6 areas, which are healthcare, employment, education, urban revitalization, agriculture, and utilization of historical buildings).
- **In each of the 6 designated zones, initiatives accompanying regulatory reforms will be put into implementation in this autumn.**
- **A request for proposal for ideas of regulatory reforms was released during July to August 2014, and there were 206 applications from 157 organizations.**
- Further regulatory reforms, **including creation of one-stop center for start-ups and acceptance of foreign home support workers or foreign entrepreneurs**, will be examined. Measures to be taken in National Strategic Special Zone will be put into action quickly, including submission of bills to the next ordinary Diet.

Examples of regulatory reforms within National Strategic Special Zones

6 Special Zone Project

International business and innovation hub (Tokyo metropolitan area)

Center for innovation in medical care, entrepreneurial support (Kansai area)

Center for employment system reform for business creation (Fukuoka city)

Center for agricultural reform in large-scale farming (Niigata city)

Center for agricultural reform in hilly and mountainous areas (Yabu, Hyogo Pref.)

Center for international sightseeing (Okinawa prefecture)

Examples of Planned Regulatory Reforms

Relax regulations concerning zoning restrictions and urban development:
(Relaxation of floor area ratio restrictions, streamlining of approval processes for urban planning projects and other permits)

Clarification of employment conditions
(Assist in providing advice at “Employment and Labor Advisory Centers”, using “Employment Guidelines” so that global companies and others accurately understand employment rules in Japan)

Restrictions lifted to allow foreign doctors and nurses to practice medical activities at international medical hubs

Approve construction and installation of additional beds by granting exemptions on current bed space restrictions

Review of roles for agricultural committees and local municipalities
(Municipalities implement transfer of the rights for farmland)

Relax requirements on agricultural production corporations
(Relaxed requirements for board members)

Expedited immigration procedures, and relaxation of visa requirements

I. Is the “third arrow” of Abenomics – the Growth Strategy – being effectively implemented so as to have significant impacts?

II. Is the consumption tax hike stifling the economy?

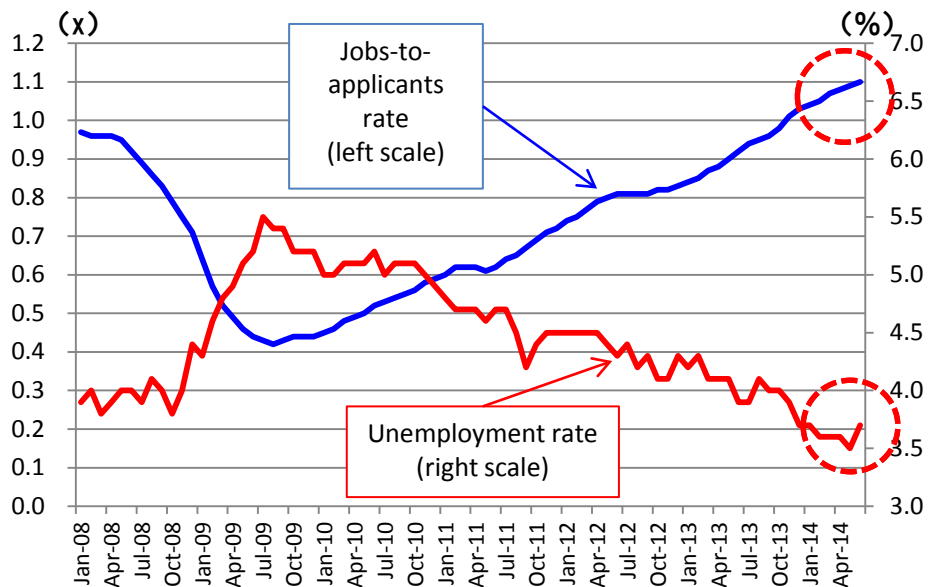
III. Is Japanese economic growth sustainable amid the declining birthrate and aging population?

Will the consumption tax increase stifle the economy?

The reaction after a last-minute rise in demand before a consumption tax increase is easing. Housing construction is decreasing at a slower tempo recently. The decline in new car sales are starting to level off, home appliance sales, sales at department stores and other sales show movements of picking up. Employment situation is also improving steadily, and the annual spring wage negotiations ended with wage increases (year-on-year base).

Improved employment conditions

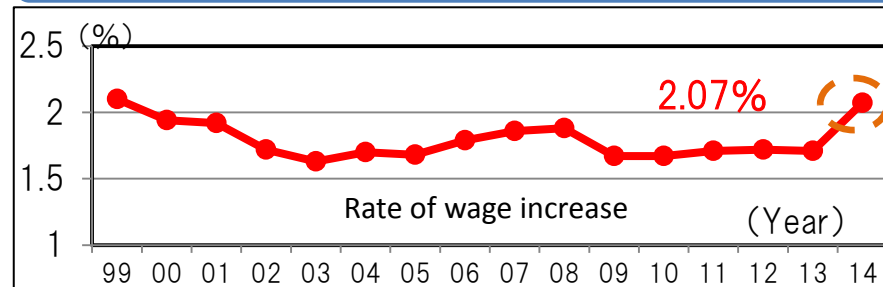
- The ratio of jobs offers-to-applicants has risen to 1.10 (June 2014), **the highest level in 22 years**.
- The unemployment rate has declined to **the 3% range for the first time since October 2008**.



Notes

- Prepared from the Ministry of Health, Labor and Welfare's "Report on Employment Service," and the Ministry of Internal Affairs and Communications' "Labor Force Survey."
- Data seasonally adjusted

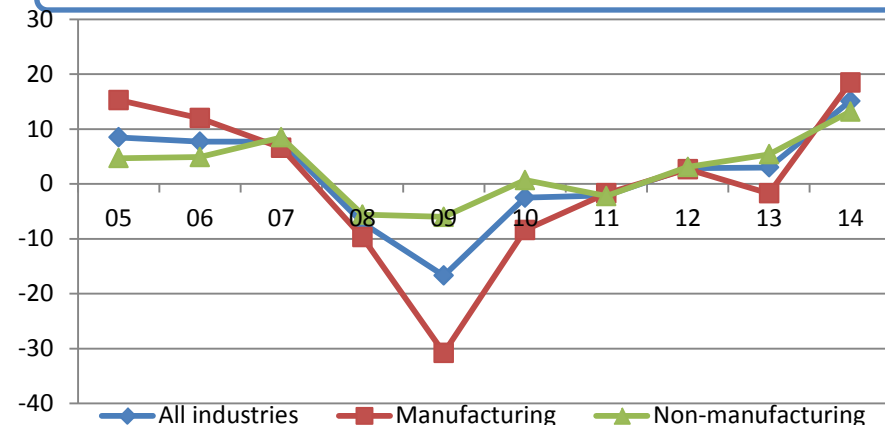
Wage increases over 2% for the first time in 15 years



Notes

- Prepared from documents published by the Japanese Trade Union Confederation. Figure for 2014 is a compilation of responses from the 2014 "spring offensive" (as of July 1, 2014).
- Data is compared to the aggregate date nearest the 2014 data (July 1, 2014) in each year.
- Note that the subject union for data collection differs each year.

Double-Digit Growth in Business Investment in FY2014



Notes Prepared from the Development Bank of Japan's "Nationwide Survey on Planned Capital Spending (Large Corporations), FY2013, FY2014, FY2015 Capital Spending Plan Survey (June 2014)"

Total import value last year reached a record high, exceeding USD800 billion, which is a result of the recovery in the Japanese economy.

Japan's economic revival is also contributing to the revitalization of the global economy through the increase of imports.

Q. Has real income among consumers declined as a result of the consumption tax increase? Won't that negatively affect the Japanese economy?

Nominal total wage amount (= nominal wage per capita x number of workers) has maintained an upward trend (year-on-year base) since April 2013, and real total wage amount has recorded positive change in July 2014 (preliminary figures) for the first time since July 2013.

The total number of companies listed in the First Section of Tokyo Stock Exchange which raised the basic wage has increased to 6 times more than last year, and the wage increase was carried out also among the SMEs (65% of the SMEs increased the wage (according to METI survey)). Also, the increase rate of national minimum wage in 2014 is expected to be more than 2%. National minimum wage hike, which means an increase of income for those whose propensity to consume is high, will lead to an expansion of domestic consumption. Adding the increase in bonus payments, the trend in pay increase can be said to be stronger than it has been in recent years.

In addition, the labor market is currently tight, with the unemployment rate in May falling to its lowest level since December 1997 (3.5%). **Employment and wages can be expected to continue to steadily improve.**

Increases in revenue from the consumption tax increase will be required institutionally to be entirely allocated to social security, which means that **the increases in the consumption tax will be returned in the end to the people**. This could be considered as an additional increase in payment, and this cycle will contribute to generate new consumption. **Bolstering social security also has the effect of contributing to enhancing people's sense of security about the future**, which further drives expansion in consumption.

Regarding the outlook for the economy, considering the visible improvements in several economic indicators as well as consumer sentiment and business investment plans, the economy is expected to recover moderately.

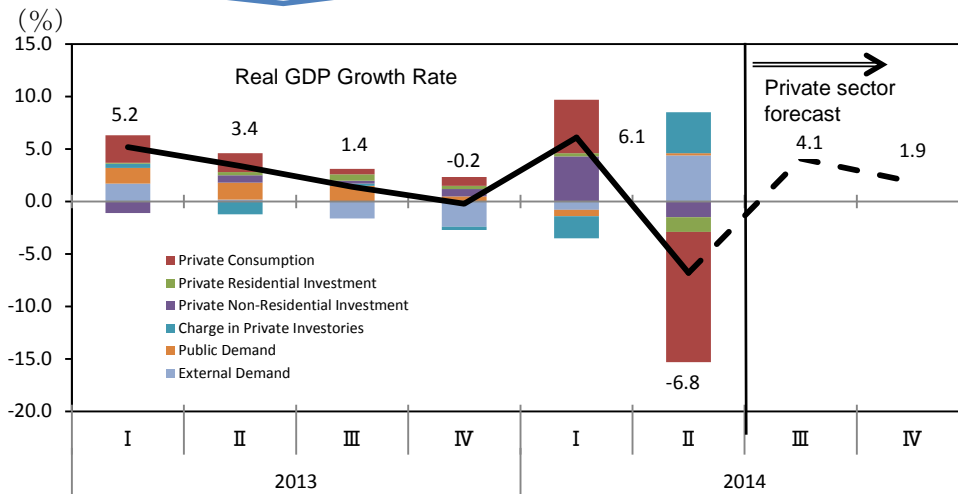
Effects of Abenomics Emerging in the Real Economy

Upward Trends Visible Across Principal Economic Indicators

Recovery of Real GDP Growth Rate

The economy is expected to continue its moderate recovery.

- Real GDP has been on a recovery track since the start of the Abe administration. The growth was ▲6.8% for the April-June quarter of 2014, mainly because of a reaction after a last-minute rise in demand before a consumption tax increase. According to average figure of January-March period and April-June period, it exceeds for the same period of the previous year.
- Home appliance sales, sales at department stores and other sales show movements of picking up, employment situation is improving steadily, and private sector capital investment plans are expected to show double-digit growth in 2014 (machinery orders, a leading indicator of capital investment, were up by 8.8% in June). Trends in business conditions are healthy.

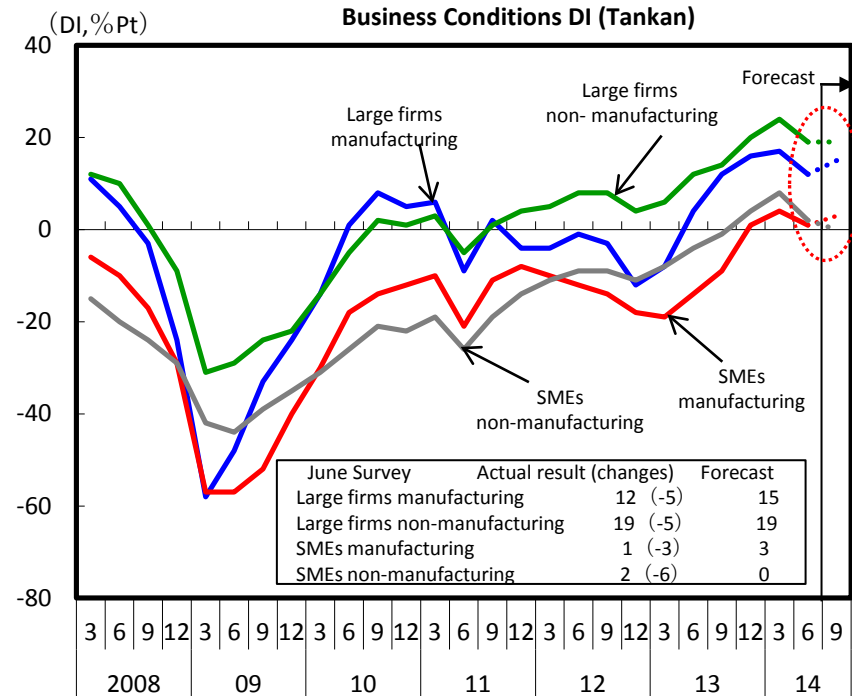


Note: Prepared based on "National Accounts Statistics" from the Cabinet Office, and the "ESP Forecast" from the Japan Center for Economic Research (August 12, 2014)

Improving Business Sentiment

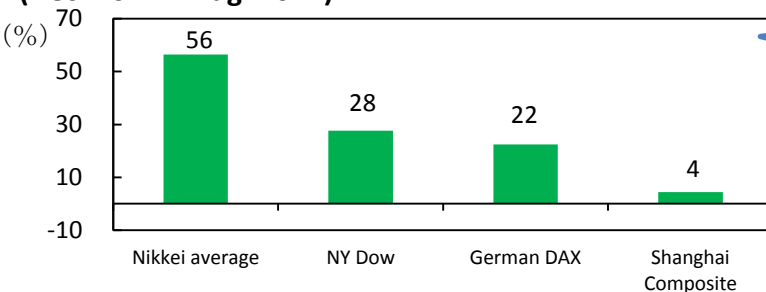
Business sentiment is at levels last seen prior to the financial crisis, even after the consumption tax increase.

- Current business sentiment is positive at both large companies and SMEs, reaching the highest level in six years for manufacturers, and in 22 years for non-manufacturers (as of March 2014).



Note: Prepared based on the Bank of Japan's "National Short-Term Economic Survey of Enterprises in Japan" ("Tankan").

Stock price increase has been strong compared to major markets (Dec. 2012 – Aug. 2014)



Note: Prepared based on Bloomberg, average of month.

The Nikkei stock average has risen sharply as the effects of Abenomics steadily emerge in the real economy. With the enhancement of ROE, the PBR of Nikkei Stock can be higher.

Q. Stock prices may be increasing, but isn't it only shareholders who are benefitting?

A. Rising stock prices benefit everyone. For example, the national pension funds hold equities among its assets, so the rise in prices means people benefits through the growth of the assets under management. Rising stock prices thus make people feel at ease, which would lead to greater consumption.

I. Is the “third arrow” of Abenomics – the Growth Strategy – being effectively implemented so as to have significant impacts?

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III. Is Japanese economic growth sustainable amid the declining birthrate and aging population?

Is sustainable economic growth possible amid the declining birthrate and aging population?

Achieve sustainable growth, by securing human resources through greater participation of women and introduction of foreign talent.

Policies in the Growth Strategy

Enhance Women's Participation and Advancement

Stimulate innovation through science, technology and a
"Robotics Revolution"

Attract talent from overseas

Ensure Sustainable Growth Amid the Declining Birthrate and Aging Population

Enhance women's participation and advancement

Government initiatives to date

- 1) Secure additional childcare capacity for approximately 400,000 children by the end of FY2017 (including filling latent needs). ("Plan to Accelerate the Elimination of Childcare Waiting Lists" formulated in April 2013).
- 2) Expanded childcare leave benefits: 50% → **67%** of salary prior to start of leave for the initial 6 months (Law took effect in April 2014).
- 3) Make public progress for the promotion and advancement of women in companies (Data from 1,154 companies (around 1/3 of listed firms)) presented on the Cabinet Office website).

Private sector activity

- Increase in the number of women working (820,000 more female workers since the start of the Abe administration)
- Steady emergence of female executives in companies
Proportion of women in management positions: 6.9% (June 2012) → **7.5%** (June 2013)
- Listed companies pledge to appoint at least one female director.
- Female executives in the Japanese government with a position equivalent to chief of bureau or higher:
8 women (before the personnel reshuffling of this summer) → 15 women (after the reshuffle) *As of August 2014

New measures adopted in the revised Strategy 2014

- Create an environment in which women can work while raising children.
- Create an environment to encourage the promotion and advancement of women.
 - Oblige listed companies to specify the proportion of women in executive posts in Annual Securities Report (Takes effect in FY2014).
 - Request that financial instruments exchanges require Report Concerning Corporate Governance to contain details on the status of women in director and other management positions, and measures to encourage such promotions (Takes effect in FY2014).
 - Create a new legal framework for the participation and advancement of women (submission of a bill to the Diet in autumn 2014).
- Revise tax and social security system to be neutral with regard to how women choose to work.

Increase the proportion of women in management positions to **30% by 2020.**

The new Abe Cabinet includes a record number of women, setting an example for the goal of having 30% of women in leadership roles by 2020

Women Ministers in the Second Abe Cabinet

The second Abe Cabinet, announced following reshuffle on September 3, 2014, **includes a record* five women, equivalent to 30% of the state ministers.** (*Comparable to the First Koizumi Cabinet launched in April 2001)

Women are serving for the first time as Minister for Internal Affairs and Communications, Minister for Economy, Trade and Industry, and Minister of State for Disaster Management.



The Reshuffled Second Abe Cabinet



Sanae TAKAICHI
Minister for Internal Affairs and Communications



Midori MATSUSHIMA
Minister of Justice



Yuko OBUCHI
Minister of Economy, Trade and Industry
Minister in charge of Industrial Competitiveness
Minister in charge of the Response to the Economic Impact caused by the Nuclear Accident
Minister of State for the Nuclear Damage Compensation and Decommissioning Facilitation Corporation



Eriko YAMATANI
Chairperson of the National Public Safety Commission
Minister in charge of the Abduction Issue
Minister in charge of Ocean Policy and Territorial Issues
Minister in charge of Building National Resilience
Minister of State for Disaster Management



Haruko ARIMURA
Minister in charge of Promoting Women's Active Participation
Minister in charge of Administrative Reform
Minister in charge of Civil Service Reform
Minister of State for Consumer Affairs & Food Safety
Minister of State for Regulatory Reform
Minister of State for Measures for Declining Birthrate
Minister of State for Gender Equality

Secure Sustainable Growth Amid the Declining Birthrate and Aging Population

Stimulate innovation through science, technology and a “Robotics Revolution”

Government initiatives to date

- Established the high risk, high impact research and development program **“ImPACT”** (Impulsing **PA**radigm **C**hange through disruptive **T**echnologies).

Private sector activity

- Twelve program managers appointed under ImPACT to pursue innovative themes.
- Increase in corporate R&D investment.
 - Japanese automakers are increasing investment in new fields such as fuel-cell vehicles and smart cars, with R&D spending reaching record high levels. (FY2014: Approximately USD 25 billion – plan)

- Established cross-ministerial **Strategic Innovation Promotion Program (SIP)**, by which seamless research and development programs from basic research to application or commercialization will be promoted.

Private sector activity

- Ten Program Directors(PDs) appointed under SIP, representing academia and industry specialized in each selected theme.
- Contribute to create new markets (enhancement of industrial competitiveness and economic recovery) , taking into account intellectual property and international standards aspects.

New measures adopted in the revised Strategy 2014

- Set-up the “Robotic Revolution Initiative Council” and establish a five-year plan.
 - The Council will identify such issues as technology development and regulatory reforms by the end of the year.
 - Set targets to increase the size of the robotics market by 2020.
 - ✓ **Expand the use of robots in the domestic market to twice** the current level **in the manufacturing sector.**
 - ✓ And **by twenty times in non-manufacturing**, including the services sector.
 - **Resolve labor shortage issues (overcome the problem of the future population decline), and dramatically enhance Japan’s productivity and production capacity.**
- Have the National Institute of Advanced Industrial Science and Technology (AIST) and New Energy and Industrial Technology Development Organization (NEDO) **take a lead on implementing measures with a focus on rapid commercialization of innovative technologies** from the next fiscal year, based on the model of Fraunhofer-Gesellschaft.
- Establish an environment that makes it easier for researchers to work concurrently among universities and R&D corporations.

Secure Sustainable Growth Amid the Declining Birthrate and Aging Population

Attract talent from overseas

Government initiatives to date

- Relaxed requirements for skilled overseas professionals to work in Japan.
(Revised standards such as salary levels and research achievements)
- Shortened the residency requirement for permanent residency (5 years → 3 years).
(Notice of revision December 2013, law revised June 2014)

New measures adopted in the revised Strategy 2014

- In National Strategic Special Zones, following themes will be examined :
 1. Encouraging foreigners to start businesses, revising requirements for initial visa status.
 2. Accepting foreign home support workers
- Establish new systems to encourage active use of foreign human resources.

Manufacturing

Accept foreign workers at overseas subsidiaries of Japanese corporations.

- Limited to the cases meeting certain conditions, such as short-term transfer within corporate groups for technical training.
- Detailed system to be formulated by the end of March 2015

Nursing

- Enable foreign nationals who have obtained the national nursing qualifications by learning at Japanese schools, to work in the field of nursing care.
[Details to be formulated within 2014]
- Incorporation of “nursing” as a job covered by Technical Intern Training System to be considered. [Conclusion within 2014]

Home Support

Enable people from abroad to work as home support in National Strategic Special Zones.

- Private home support service companies will be the employers, whereas local municipality monitors the system.
- Necessary arrangement will be made immediately

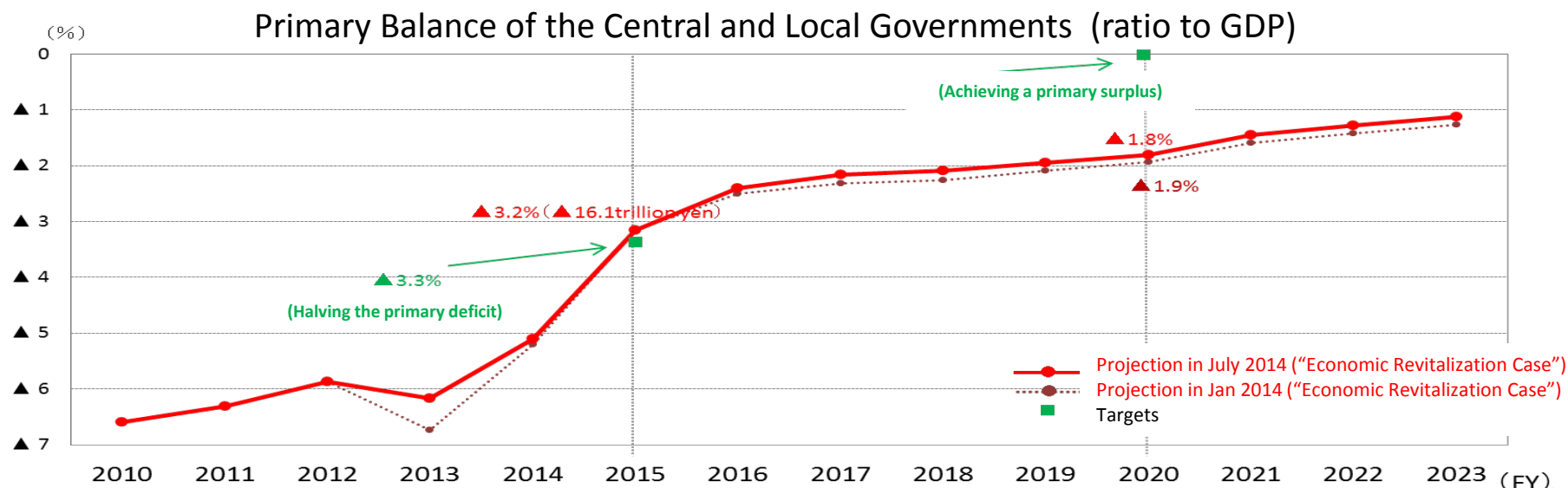
Economic Revitalization is Essential for Fiscal Consolidation

The government aims to halve the primary deficit of the central and local governments to GDP ratio by FY2015 from the ratio in FY2010 (FY2010:-6.6%→FY2015:-3.3%) and to achieve a primary surplus by FY2020, thereafter the government will seek to steadily reduce the public debt to GDP ratio.

Under a virtuous cycle of economic revitalization and fiscal consolidation, national tax revenues increased by approximately 3.0 trillion yen, and local tax revenues increased by approximately 0.9 trillion yen in FY2013, compared with FY2012 settlement.

Taking into account the increased tax revenues above and other factors, according to the “Economic and Fiscal Projections for Medium to Long Term Analysis” by the Cabinet Office (July 2014), the primary deficit of the central and local governments to GDP ratio in FY2015 is projected to be approximately -3.2% (16.1 trillion yen), with the fiscal consolidation target of halving it from the ratio in FY2010 being achieved.

The primary deficit of the central and local governments to GDP ratio in FY2020 is projected to be approximately -1.8%, so in order to achieve a primary surplus by FY2020, the government has to make further efforts.



Achieving the fiscal consolidation targets, while ensuring the economic revitalization.