

Execution and Realization of the Growth Strategy under the Abenomics Policy (Draft)

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Decided by the Headquarters for Japan's Economic Revitalization

The Japanese economy has staged a remarkable turnaround in the two years since the inauguration of the government of Prime Minister Shinzo Abe.

A deflationary mindset was prevalent among both companies and people as a result of the economic stagnation that lasted for more than two decades. However, the Abe government has placed top priority on the economy in policy management and has implemented a three-arrow economic policy in the belief that restoring the strength of the Japanese economy is what the people desire and is Japan's national interest.

As a result, a virtuous economic circle has begun to turn, as corporate profits have recovered, leading to expanded employment and wage hikes, which in turn is contributing to a further economic recovery through increases in consumption and investments.

Our understanding is that at this time, the people have expressed high hopes for the growth strategy pursued by the Abe government and they have given us a strong request for the execution and realization of the strategy.

In order to continue consolidating the virtuous economic circle through wage hikes, etc. and put the Japanese economy on the path to a full recovery, it is essential to strengthen the efforts to execute and realize the

growth strategy.

To that end, Japan must aim to become the most innovative country in the world by carrying out social and economic structural reforms. The Government, companies and people must all change.

However, there is little time left for reforms. It is important to carry out reforms at an unprecedented speed with an unwavering resolve in order to change the economic conditions for the better as soon as possible.

The Government will quickly work out specific measures and put them into practice with regard to the matters pointed out in “Japan Revitalization Strategy” (Cabinet Decision on June 14, 2013) and “Japan Revitalization Strategy Revised in 2014” (Cabinet Decision on June 24, 2014) and will carry out reforms in accordance with the following three principles.

First, Japan will create new markets and new business opportunities by reforming the so-called bedrock regulations concerning such sectors as agriculture, employment, healthcare and energy with no steps backward.

Additional regulatory reform items will be adopted for the National Strategic Special Zones as breakthrough points for reform. In addition, it is important to promote inward foreign direct investment and accelerate reforms by using “2020,” the year when the Olympics and Paralympics will be held, as a new reform momentum.

Secondly, in order to increase Japan’s “earning power”, efforts will be made to change Japanese companies’ characteristics and behavior as well as their corporate governance and to dramatically change the business environment through measures including growth-oriented corporate tax reform. In addition, industrial restructuring will be promoted through the revitalization and productivity improvement of service and other industries.

As for the enhancement of corporate governance, a new Corporate Governance Code that provides for the election of independent outside directors and improvement of the environment concerning the exercise of shareholders' rights will be drafted.

The management of public and quasi-public funds, etc. will be reviewed, and the Government Pension Investment Fund (GPIF) will steadily manage assets based on its revised policy asset mix. The Government will consider the need for future legal amendment and other matters in order to strengthen GPIF's governance system.

The reform of universities and public research institutes will also be promoted so as to establish a national system of innovation. Through these measures, the way the market and industry work will be dramatically changed.

Thirdly, in order to maximize Japan's labor force and improve labor productivity, efforts will be strengthened to enable women and young and elderly people, etc. to actively participate in society and to utilize foreign human resources. Reforms will be promoted so as to facilitate ways of working in which workers are rewarded for their performance as well as flexible and diverse ways of working, thereby realizing a "world-leading employment environment."

In addition, Japan's human resource capabilities will be enhanced through the creation of a system to ensure that investments in human resources are continuously made in an effective manner.

To secure the chance for Japan to break free from deflation, which has come within reach at long last, all of us in the third Abe cabinet are resolved to carry out structural reforms intended to realize the "Japan Revitalization Strategy."

We will pursue the growth strategy under the Abenomics policy so as to spread the effects of the economic recovery to all regions of the country by continuing to vigorously turn the virtuous economic circle.