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Bank of Japan

**Economic and Financial Developments
and Monetary Policy in Japan**

*Speech at a Seminar Hosted by the Embassy of Japan
in Switzerland (Zurich)*

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Introduction

It is a great honor to have the opportunity today to be invited to this seminar hosted by the Embassy of Japan in Switzerland, and to exchange views with such a distinguished gathering of people representing the economic and financial communities in Switzerland.

Today, I will first touch on economic and financial developments in Japan. After that, I would like to explain the Bank of Japan's monetary policy and then share my views on the challenges and future for the economy.

I. Economic and Financial Developments in Japan

I will start by presenting my overview of the current economic and financial situation in Japan, in order to provide a broad picture. Then, I will give a summary of the latest *Outlook for Economic Activity and Prices*, or the Outlook Report, published in January 2017. The Outlook Report presents the Bank's assessment of the current situation and the outlook for economic activity and prices, and is published quarterly.

A. My Overview of Economic and Financial Developments

1. Household sector

Favorable employment situation and household sentiment

The current situation for Japan's economy is characterized by tight labor market conditions. The average unemployment rate for 2016 declined to 3.1 percent, a level close to so-called full employment. The active job openings-to-applicants ratio for 2016 rose to about 1.4 times on average, which is the highest level in 25 years. It has risen, for example, not only in metropolitan areas but also in all other regions (Chart 1).

I believe that such a favorable employment situation undoubtedly has supported household sentiment. Individuals can feel great confidence when they do not need to be concerned about whether their wages will be cut, even if corporate performance underperforms to some extent, or whether they can find another job. This sense of reassurance is crucial in Japan, where the mobility in the labor market is said to be relatively lower than in other countries. Such improvement in household sentiment can be seen, for instance, in the remarkable improvement in the Nippon Research Institute (NRI) Consumer Sentiment

Index, which measures the outlook among consumers for financial conditions over the next one year from now. Looking back at 2016, Japan's economy continually faced several destabilizing factors, such as the turbulence in global financial markets from early in the year and situations at home -- namely, the Kumamoto Earthquake and irregular weather in summer. Despite these circumstances, household sentiment showed resilience. I consider that one of the factors of this is likely to have been the tightening of labor market conditions (Chart 2).

Private consumption has shown some signs of improvement, driven by a moderate increase in employee income.

On the back of tightening labor market conditions, a modest increase in employee income has been seen (Chart 3). In Japan, the action of increasing annual wage levels by revising the pay table is referred to as "base up." This is a general wage increase made across all employees, apart from wage increases due to promotion, based on age, and/or the number of working years. This is a practice that was introduced during the rapid economic growth period. However, from the late 1990s, firms stepped up their efforts to contain labor costs. As a result, most firms stopped using base up from the 2000s. Meanwhile, in the wage negotiations in 2014 and thereafter, this practice has been widely resumed among firms for the first time in more than a decade. This year is the fourth one since such trends have been visible, but some are concerned that the results of the negotiations this year would be disappointing given that the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) has been slow to increase recently, due mainly to the fall in energy prices. Even so, now that employees' concerns are not over a wage cut, but rather how much wages will increase, we are at least heading in the right direction considering the fact that hardly anybody had talked about base up as an issue for nearly 20 years until a few years ago.

Private consumption has shown some signs of improvement recently, given household sentiment being supported and improved employee income. My impression is that a virtuous cycle from income to spending has been maintained in the household sector. However, there are the following points to consider: (1) wage increases are weak despite tightening labor market conditions, and (2) consumption is rather lackluster despite the

steady improvement in employee income. That is to say, consumption has shown some signs of improvement but has lacked momentum. Therefore, the virtuous cycle from income to spending should become a little more promising.

2. Corporate sector

Corporate profits have been at record high levels, but firms have been taking a cautious view on the outlook.

Corporate profits in Japan reached record highs from fiscal 2013 through fiscal 2015, and have remained at high levels thereafter. Under these circumstances, business fixed investment has been on a moderate uptrend, and the virtuous cycle from income to spending seems to be maintained in the corporate sector as well. That being said, despite the expansion in profits, it is true that the growth in business fixed investment is slower. As background to this, it has been pointed out that the expansion in corporate profits in the current recovery largely owes to the improvement in the terms of trade rather than the increase in sales volume, which tends to lead to a rise in growth expectations. As a result, the business fixed investment expansion was not strong enough.¹ However, it also has been pointed out that, even if the increase in corporate profits was based on the improvement in the terms of trade, there would likely be a positive impact on business fixed investment if such an improving trend is confirmed. In addition, highly accommodative financial conditions have been encouraging firms to invest. As with the household sector, it is important to raise growth expectations to further reinforce the virtuous cycle in the corporate sector. I will go into the details on this point later.

The stabilization of energy prices has a positive impact on Japan's economy. The high volatility of exchange rates, if it continues, can deteriorate business sentiment.

Let me make two additional points with regard to the corporate sector.

First, it is important to note that the outlook for energy prices, including crude oil prices, improved since late 2016 -- namely, that they would remain stable. This should have a

¹ For the background to firms' prolonged cautious fixed investment stance despite their profits at record high levels, see "Corporate Profits and Business Fixed Investment: Why Are Firms So Cautious about Investment?," *Bank of Japan Review Series*, No. 2016-E-2, April 2016.

positive impact on the global economy as well as Japan's economy. Given this, my view is that the downside risks to the economy have been reduced compared to the second half of 2016.

Second, large swings in foreign exchange rates can be a cause for concern. Looking at the dollar/yen exchange rate fluctuations in 2016, volatility was a bit high and exchange rate levels fluctuated markedly up and down, with the yen appreciating roughly in the first half of the year and depreciating in the second half. Looking back, 2016 was a year in which there tended to be infrequent trading at around the yearly average exchange rate. I assume that these marked exchange rate fluctuations within a relatively short period have made it difficult for firms to steer management. I believe that this is readily imaginable among people representing the economic and financial communities in Switzerland, which tend to be affected significantly by fluctuations in foreign exchange rates, as with Japan. There is concern that these kinds of large swings in the exchange rates, if they continue, might have a negative impact on business sentiment.

So far, I have given a broad picture of Japan's economy. In short, both employee income and corporate profits have been increasing and the virtuous cycle from income to spending has been maintained both in the household and corporate sectors; however, more should be done to further strengthen it. Next, I will look more closely at the current situation and the outlook for Japan's economy by presenting the main contents of the latest Outlook Report.

B. Current Situation and Outlook

1. Current situation

The Bank's assessment is that Japan's economy has continued its moderate recovery trend. On the domestic demand side, business fixed investment has been on a moderate uptrend as corporate profits have been at high levels and business sentiment has improved somewhat. Against the background of steady improvement in the employment and income situation, private consumption has been resilient, and housing investment has continued its pick-up. A rise in exports seems to have been even more persistent recently. Amid an improvement in business sentiment of manufacturing firms on a global basis, there is a steady rise in the number of items for which export volume increased, particularly backed by expansion in

IT-related demand and by inventory and capital stock adjustments in emerging economies. Industrial production has shown signs of improvement, reflecting these developments in demand both at home and abroad, as well as inventory adjustments.

On the price front, the year-on-year rate of change in the CPI (all items less fresh food) has been at around 0 percent on the whole, as the negative contribution of energy prices that reflect past developments in crude oil prices and the positive contribution of prices other than energy largely offset each other.

2. Outlook

I will now look at the outlook for Japan's economy during the projection period, which covers from fiscal 2016 through fiscal 2018. The Bank's assessment is that Japan's economy is expected to turn to a moderate expansion. Domestic demand is likely to follow an uptrend on the back of highly accommodative financial conditions and fiscal spending through the government's large-scale stimulus measures. Meanwhile, exports are expected to follow a moderate upward trend on the back of improvement in overseas economies. Reflecting this outlook, Japan's economy is likely to continue growing at a pace above its potential through the projection period. Looking at the medians of the Policy Board members' forecasts in the January 2017 Outlook Report, the real GDP growth rate is projected to be 1.4 percent for fiscal 2016, 1.5 percent for fiscal 2017, and 1.1 percent for fiscal 2018 (Chart 4).

Let me explain the outlook in detail by major component. As for business fixed investment, with some time lag, the past slowdown in emerging economies and yen appreciation are likely to exert downward pressure for the time being, mainly in manufacturing firms. However, throughout the projection period, it is likely to continue to see a moderate uptrend. This is because, in a situation where extremely stimulative financial conditions -- such as low interest rates and accommodative lending attitudes -- have been maintained, fixed investment will be positively affected by the effects of fiscal measures including projects conducted under the Fiscal Investment and Loan Program and tax reductions for capital investment, as well as by moderate improvement in growth expectations. Moreover, corporate profits are projected to improve, but even if they become weaker than expected to some degree, business fixed investment is likely to be supported in particular by investment

(1) in redevelopment projects in view of the 2020 Tokyo Olympics, (2) in research and development for growth areas, (3) in labor-saving machinery and equipment in order to deal with labor shortages, and (4) for maintenance and replacement of equipment to address deterioration from aging. Private consumption is expected to increase moderately, supported by a steady improvement in employee income, as well as the wealth effects stemming from a rise in stock prices and the effects resulting from the set of stimulus measures. Housing investment is likely to continue improving. Exports will likely continue their pick-up trend for the time being, as the effects of the slowdown in emerging economies wane, and thereafter are projected to increase moderately. This is because it is forecasted that the growth rate of the world trade volume will accelerate gradually with the further recovery in overseas economies, and that Japan's share of exports will increase moderately, due in part to a worldwide recovery in the sector of capital goods. Industrial production is projected to increase modestly, reflecting a rise in demand at home and abroad, with the effects of the slowdown in emerging economies waning and those of the set of stimulus measures becoming evident.

As for prices, the year-on-year rate of change in the CPI (all items less fresh food) is likely to increase from about 0 percent and become slightly positive, due mainly to the negative contribution of energy prices dissipating. Thereafter, it is expected to increase toward 2 percent as the aggregate supply and demand balance improves and inflation expectations rise. Looking at the medians of the Policy Board members' forecasts in the January 2017 Outlook Report, the year-on-year rate of change in the CPI (all items less fresh food) is projected to be minus 0.2 percent for fiscal 2016, 1.5 percent for fiscal 2017, and 1.7 percent for fiscal 2018 (Chart 4).

II. The Bank's Monetary Policy

Next, I will talk about the Bank's monetary policy. I would like to start with a brief review of the Bank's monetary policies, which have been conducted in various unconventional ways for nearly 20 years.

A. The Bank's Monetary Policy under Deflation

Japan's economy had been suffering from deflation for more than 15 years, since the late 1990s, with the year-on-year rate of change in the CPI being about zero or slightly negative. Of course, the Bank did not merely stand by during that period. In 1998, Japan's policy interest rate -- which at that time was the uncollateralized overnight call rate -- already had been lowered to close to zero, at 0.25 percent. Given that economic activity and prices did not improve even in this situation, in February 1999, the Bank introduced a zero interest rate policy, and in April of that year, introduced what is now called forward guidance, stating that it would continue with the zero interest rate policy until deflationary concern is dispelled. Thereafter, in March 2001, it introduced a quantitative easing policy, in which the operating target was the outstanding balance of current accounts at the Bank. I would note that, at the same time, the Bank introduced forward guidance that was linked to the observed CPI. Later, it also implemented a comprehensive monetary easing policy in October 2010, in which it purchased assets such as CP, corporate bonds, exchange-traded funds (ETFs), and Japan real estate investment trusts (J-REITs). The Bank continues to make these asset purchases to the present, and with respect to ETFs and J-REITs, it has significantly increased the amount of purchases since 2013. Meanwhile, it also introduced the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth as well as the Fund-Provisioning Measure to Stimulate Bank Lending, and these also continue to this day. As illustrated, the Bank has pursued monetary easing by making full use of various means. As a result, accommodative financial conditions have been realized in Japan, as seen in, for example, the fact that long-term interest rates since the 2000s had generally been at a low level of around 1-2 percent and that the rates during the one year before Quantitative and Qualitative Monetary Easing (QQE) began in 2013 were around 0.8 percent on average. Such accommodative financial conditions have underpinned the economy, and the Bank's large-scale fund-provisioning measures have contributed -- in certain phases -- to maintaining financial system stability and preventing the economy from falling into a deflationary spiral. Nevertheless, it is true that at the same time there continued to be mild deflation. Therefore, the Bank made a strong and clear commitment to ensuring the economy's exit from deflation -- which had lasted for nearly 15 years -- and began large-scale monetary easing to fulfill the commitment. This is QQE, which continues through to the present.

B. Introduction of the Price Stability Target of 2 Percent and QQE

The Bank introduced the price stability target in January 2013 and set it at 2 percent in terms of the year-on-year rate of change in the CPI. Until then, it had judged the "price stability goal in the medium to long term" to be in a positive range of 2 percent or lower in terms of the year-on-year rate of change in the CPI, and had set a goal of 1 percent for the time being. At the same time, the government and the Bank released a joint statement, in which they emphasized their policy coordination. I view this as extremely important, because it indicated the determination by the government and the Bank to work together in order to overcome deflation and achieve sustainable economic growth. The Bank then introduced QQE in April 2013. After increasing the amount of its asset purchases further in 2014, it adopted a negative interest rate policy in January 2016 and introduced QQE with Yield Curve Control in September of that year.

1. Basic mechanism of monetary easing

Since the introduction of QQE in April 2013, the basic mechanism of monetary easing itself has not changed; that is, (1) pushing down the entire yield curve through the Bank's large-scale purchases of Japanese government bonds (JGBs), and (2) raising inflation expectations through the Bank's strong commitment to the 2 percent price stability target. The transmission mechanism envisaged by the Bank is that these factors will lead to a reduction in real interest rates, thereby producing positive effects on Japan's economic activity and prices (Chart 5).

2. Positive effects of QQE

In 2016, the Bank conducted a comprehensive assessment of the developments in Japan's economic activity and prices as well as policy effects since the introduction of QQE. The findings of the assessment are that the mechanism just described has been operating firmly, such that even long-term real interest rates have been in negative territory, and that economic activity and prices have largely improved. The underlying trend in the CPI (all items less fresh food and energy) turned positive and has been in such territory for more than two and a half years; this also leads to the judgment that, through the achievement of highly accommodative financial conditions, Japan's economy has reached a state of being

no longer in deflation, which is commonly defined as a sustained decline in prices (Chart 6). It is reasonable to regard this as achievements accomplished under QQE.

3. Aims of QQE with Yield Curve Control

Despite the fact that QQE has proven to be effective in this manner, why did the Bank introduce last year QQE with Yield Curve Control as a means of strengthening the framework for monetary easing?

My understanding is that there are two points as the background to this. First, although QQE has produced its intended effects, the price stability target of 2 percent has not been achieved, and therefore a more effective framework was necessary.

Second, while it was confirmed that the combination of large-scale purchases of JGBs and the negative interest rate policy was effective in influencing the entire yield curve, there was concern over a possibility that this combination could in some cases push down the yield curve more than necessary, thereby having a negative impact on financial functioning.

Let me briefly elaborate on this second point. In Japan, because the level of interest rates -- including long-term ones -- has remained low, as I mentioned earlier, and lending competition has been severe amid a decreasing trend in loan-to-deposit ratios, financial institutions' loan-deposit interest margins have been on a declining trend since the 1990s. In that sense, this has been a challenge faced by financial institutions' management even before the introduction of the negative interest rate policy. Since the introduction, it is true that the decline in deposit rates has been smaller than the decline in lending rates. Therefore, the excessive declines in long-term and super-long-term rates should have spurred on the declining trend in interest margins. It was confirmed that, if the situation were to continue, financial institutions' profits could be affected to some extent. The excessive declines in long-term and super-long-term rates lower the rate of return on insurance and pension products; therefore, it is possible that such developments can cause uncertainty regarding the sustainability of financial functioning in a broad sense, thereby having a negative impact on economic activity through a deterioration in people's sentiment. Given such issues to be considered, the Bank decided that it was appropriate to shift to a policy framework that

would enable it to conduct monetary policy in a flexible manner.

4. Yield curve control

Under "yield curve control," which is the major component of the new framework, the Bank is able to conduct monetary policy in an effective and flexible manner by taking account of the economic, price, and financial conditions, as it directly targets long-term interest rates. To put it simply, nothing has changed in terms of the Bank's commitment, in that it is continuing with large-scale JGB purchases; however, while the Bank used to set the paces of increase in the monetary base and the amount outstanding of its JGB holdings as its operating targets, in the new framework it has set the short-term policy interest rate and the target level of the 10-year JGB yields as its operating targets. Under the past framework, it was clear how JGB purchases are conducted, but there was a possibility that the purchases could push down yields either insufficiently or excessively, in comparison with an appropriate yield curve. I would note that the new framework enables the Bank to conduct monetary policy while also paying due attention to the impact on the financial functioning.

5. Inflation-overshooting commitment

Another component of QQE with Yield Curve Control is an "inflation-overshooting commitment." With this commitment, the Bank aims to raise inflation expectations by demonstrating its strong determination.

Inflation expectations are formed through the following two mechanisms: (1) an adaptive formation mechanism, in which the formation is influenced by the course of the past inflation rate, and (2) a forward-looking formation mechanism, in which the formation is based on the idea that the observed inflation rate will, in due course, meet the price stability target set by the central bank. On this point, the mechanism of formation of inflation expectations in Japan tends to be adaptive, and considerably more so than in other countries (Chart 7). The Bank has attempted to make expectation formation more forward-looking through QQE. In reality, however, before the forward-looking expectation formation fully took hold, the observed inflation rate declined, due mainly to the fall in crude oil prices. As a result, people's inflation expectations also declined in an adaptive manner. Therefore, I consider that, in order to achieve the price stability target of 2 percent, it is absolutely

necessary to raise inflation expectations and promote a shift in expectation formation toward a more forward-looking direction. The inflation-overshooting commitment is a means to this end.

Although the momentum toward achieving the 2 percent price stability target has been maintained, it continues to lack firmness. The Bank will make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target.

III. Reinforcement of the Virtuous Cycle

As I mentioned earlier, the challenge facing Japan's economy is to further reinforce the virtuous cycle from income to spending in both the household and corporate sectors.

Let me reiterate that consumption has not increased as much in the household sector, considering the tight labor market conditions and the increase in employee income. Several factors have been pointed out as the cause of such sluggishness in private consumption; for example, (1) temporary factors such as the effects of a decline in stock prices and the effects of irregular weather, and (2) pressure from stock adjustments of durable goods. In addition, my impression is that a vague uneasiness among people about the future cannot be ignored. This uneasiness has a great impact on private consumption in Japan, where the population is aging rapidly and consumption by elderly households whose heads are aged 60 years and older is estimated to account for about half of total consumption.

Turning to a related but different subject now, I would like to introduce a survey result, which reveals that concerns among the elderly about their living during retirement are noticeable in Japan compared to some other countries. According to a survey on the daily lives and attitudes of the elderly conducted by the Cabinet Office in 2015, nearly 60 percent of the elderly in Japan consider that they do not have enough savings and assets to provide for retirement. This percentage is the highest among countries surveyed (Chart 8). Meanwhile, the percentage of the elderly in Japan who responded that they had made no special effort to prepare for retirement until they reached 60 years old was more than 40

percent, which is also remarkably high compared to other countries (Chart 9). I think what is necessary to relieve such anxiety is to enhance the sustainability of a wide range of social security systems, including pension and medical systems, as well as change the attitudes of the people and step up their financial literacy.

Meanwhile, I believe that an increase in growth expectations is what it takes to drive the virtuous cycle from income to spending in the corporate sector. In this context, the government decided the Japan Revitalization Strategy 2016 in June 2016 and launched the 10 strategic public-private joint projects, in which the public and private sectors share knowledge and strategy, and cultivate new promising markets (Chart 10). Looking at the list of projects may leave an impression that it is an all-around list of challenges facing Japan's economy. I believe that what the economy needs now is to implement various initiatives simultaneously to overcome many such challenges. These challenges are closely interrelated, and working on one often plays an essential part in dealing with another. For instance, efforts toward realizing the fourth industrial revolution, which is the first of the key policy measures, are likely to be centered on bringing about innovations by using technological breakthroughs from the Internet of Things (IoT), big data, and artificial intelligence. Needless to say, this is also an essential element for improving productivity in the service industry and bringing about an industrial revolution among small and medium-sized firms, as well as micro firms. Furthermore, the working-style reform, promoted under the Japan Revitalization Strategy, will help facilitate smooth movements of human resources into growth areas. In addition, this reform is also important from the viewpoint of stimulating domestic demand for tourism by facilitating the taking of long enough holidays. What I mean is that, while these initiatives may look like "a little bit of everything," firmly promoting them in order to achieve economic revitalization in an omnidirectional manner, and thereby revitalizing Japan's economy, is necessary. I think that this will lead to an increase in growth expectations, and ultimately to a rise in inflation expectations.

For Japan's economy, the third largest in the world, ending deflation and returning to a sustainable growth path will also have significant meaning for the global economy. The Bank will maintain highly accommodative financial conditions, with a view to achieving

the price stability target of 2 percent, and ensure the overcoming of deflation. I believe that highly accommodative financial conditions, combined with the initiatives of the public and private sectors just mentioned, will give a boost to firms' investment and efforts for improving productivity. Let me conclude by emphasizing that ensuring the exit from deflation in Japan will lead to a more dynamic and stronger economy.

Thank you for your attention.

Economic and Financial Developments and Monetary Policy in Japan

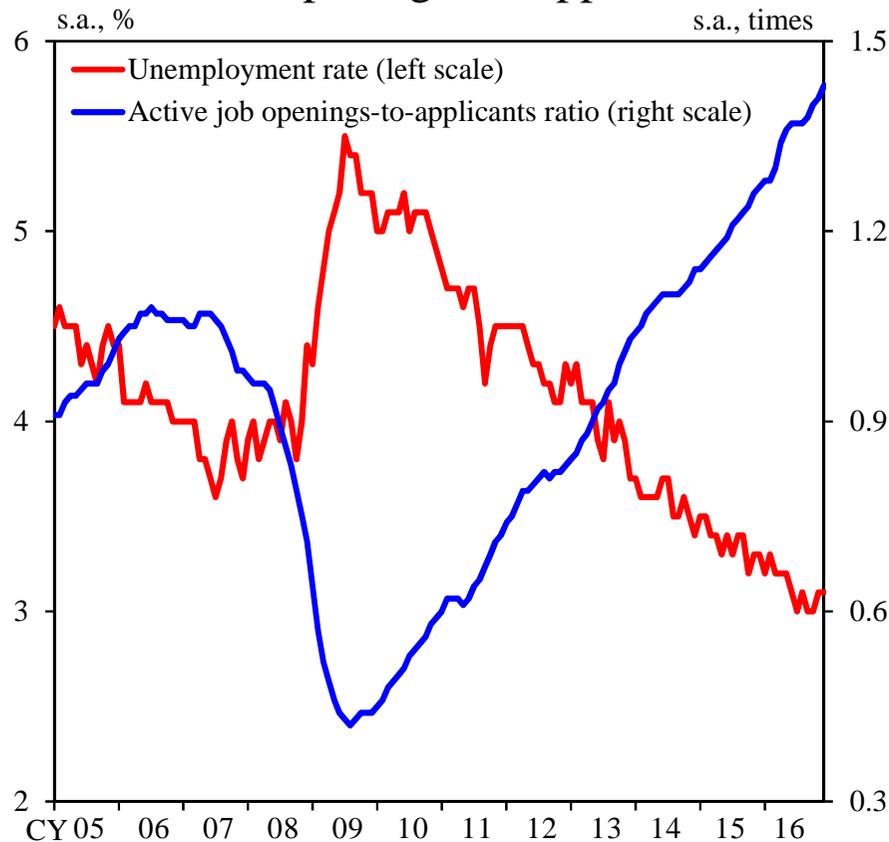
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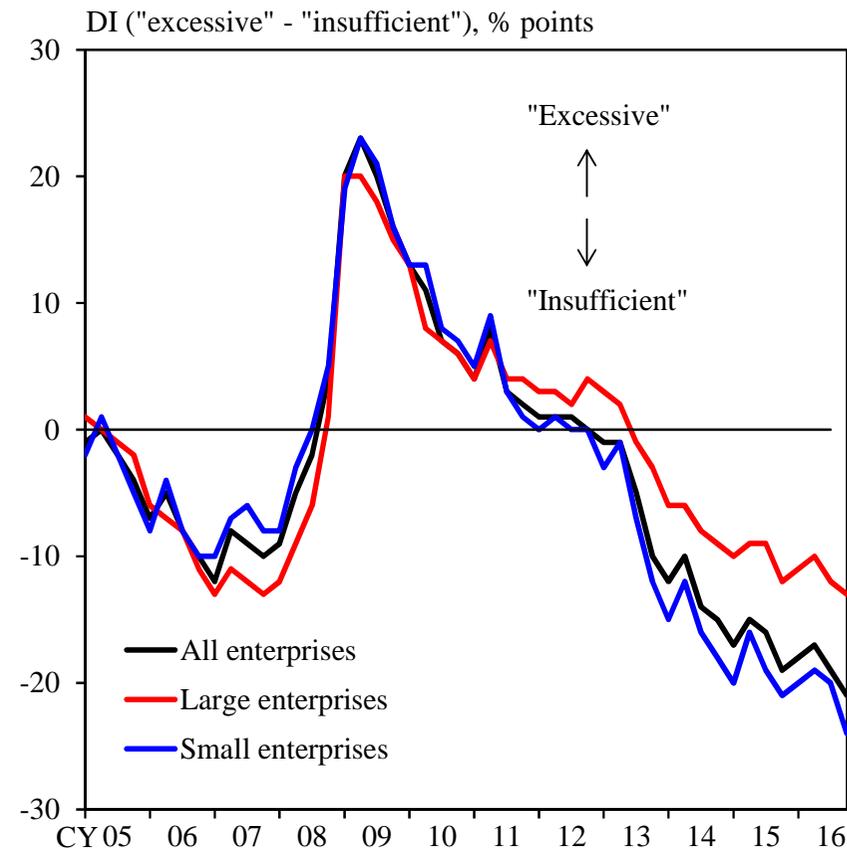
Takako Masai
Bank of Japan

Labor Market Conditions

(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



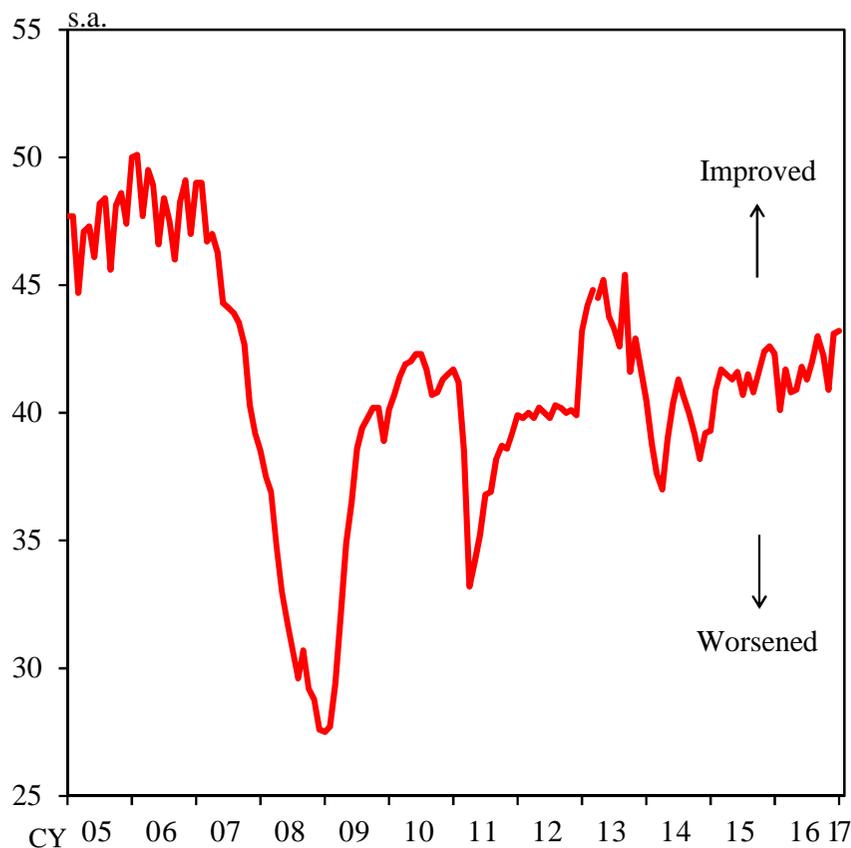
(2) *Tankan*: Employment Conditions DI



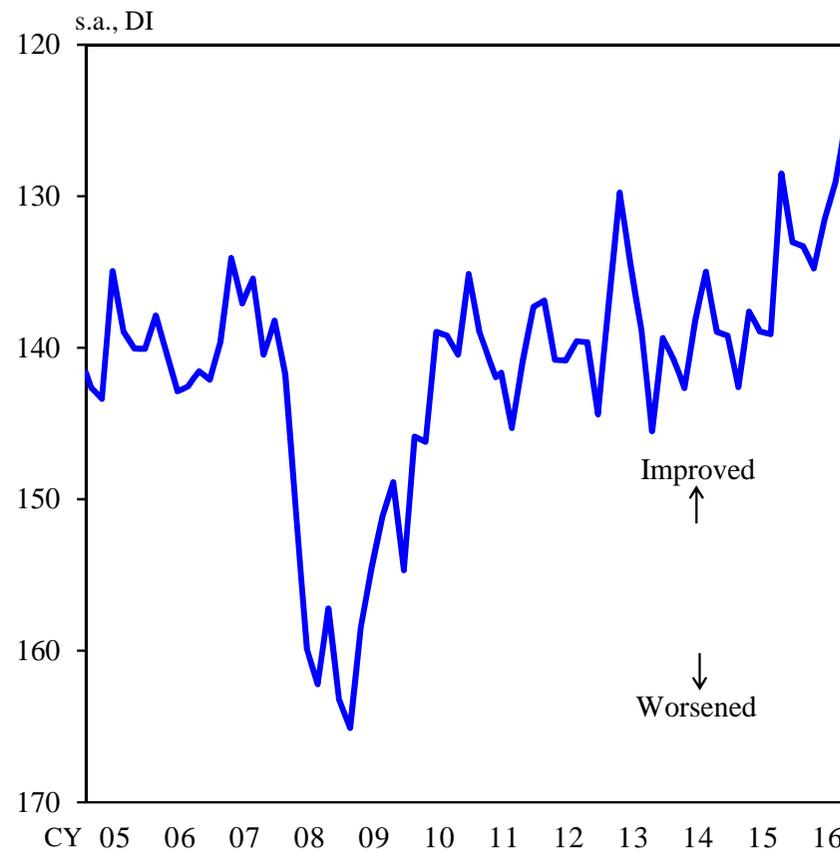
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Bank of Japan.

Confidence Indicators

(1) Consumer Confidence Index



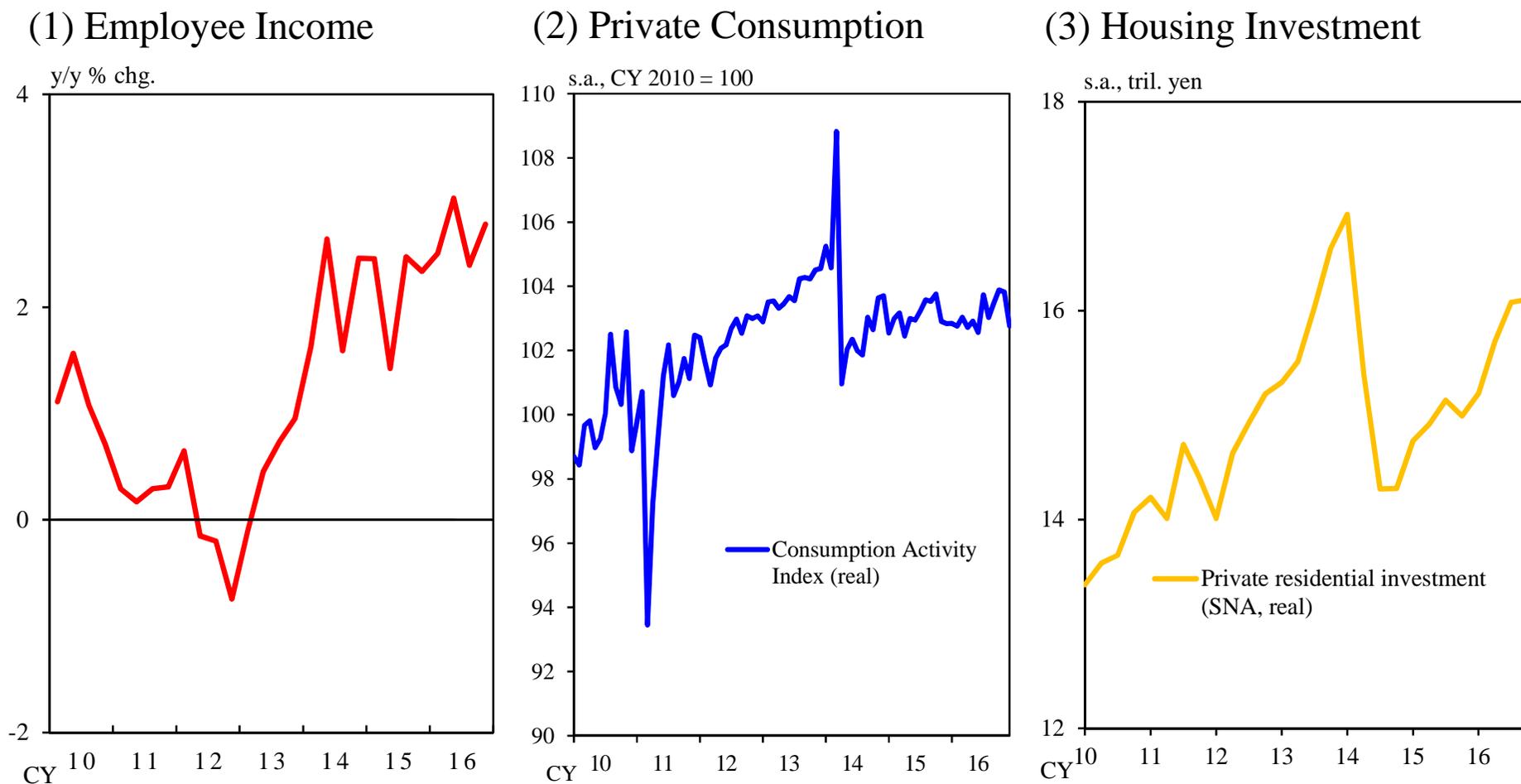
(2) NRI Consumer Sentiment Index



Note: There is a discontinuity in the data for the Consumer Confidence Index in April 2013 due to a change in the survey method.

Sources: Cabinet Office; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Employee Income and Household Spending



Notes: 1. Employee income (Monthly Labour Survey) = number of regular employees (Monthly Labour Survey) × total cash earnings.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

Sources: Ministry of Health, Labour and Welfare; Cabinet Office; Bank of Japan.

Outlook for Economic Activity and Prices (as of January 2017)

y/y % chg.

	Real GDP	CPI (all items less fresh food)
Fiscal 2016	+1.4	-0.2
Forecasts made in October 2016	+1.0	-0.1
Fiscal 2017	+1.5	+1.5
Forecasts made in October 2016	+1.3	+1.5
Fiscal 2018	+1.1	+1.7
Forecasts made in October 2016	+0.9	+1.7

Note: Figures indicate the median of the Policy Board members' forecasts (point estimates).

Source: Bank of Japan.

Mechanism of QQE

Quantitative and Qualitative Monetary Easing (QQE)

Large-scale purchases of JGBs

Strong and clear commitment to achieve the price stability target of 2 percent

Decrease

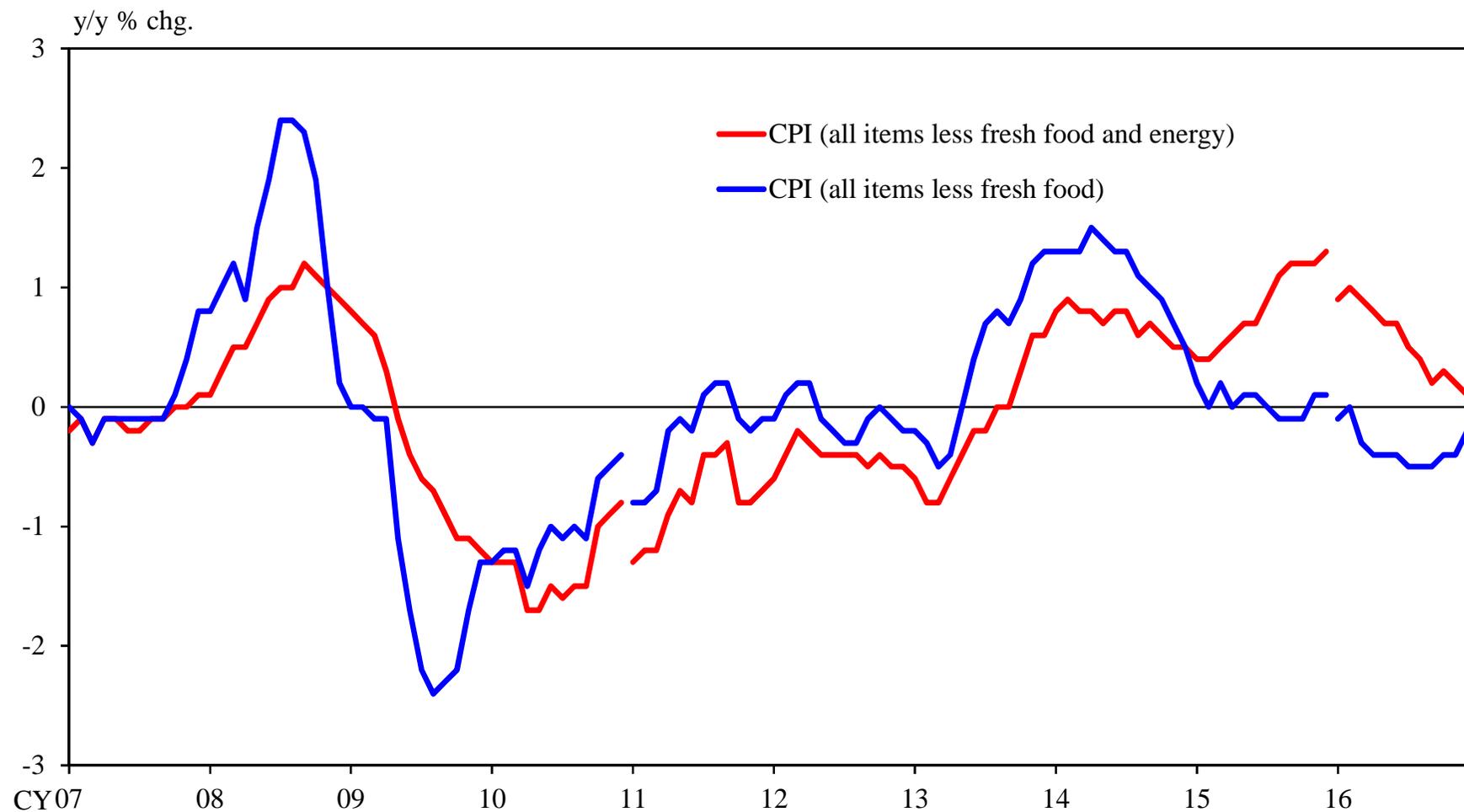
Increase

Nominal interest rates — Inflation expectations = Real interest rates

Decrease

Improvement in the economy
and increase in prices

Consumer Prices



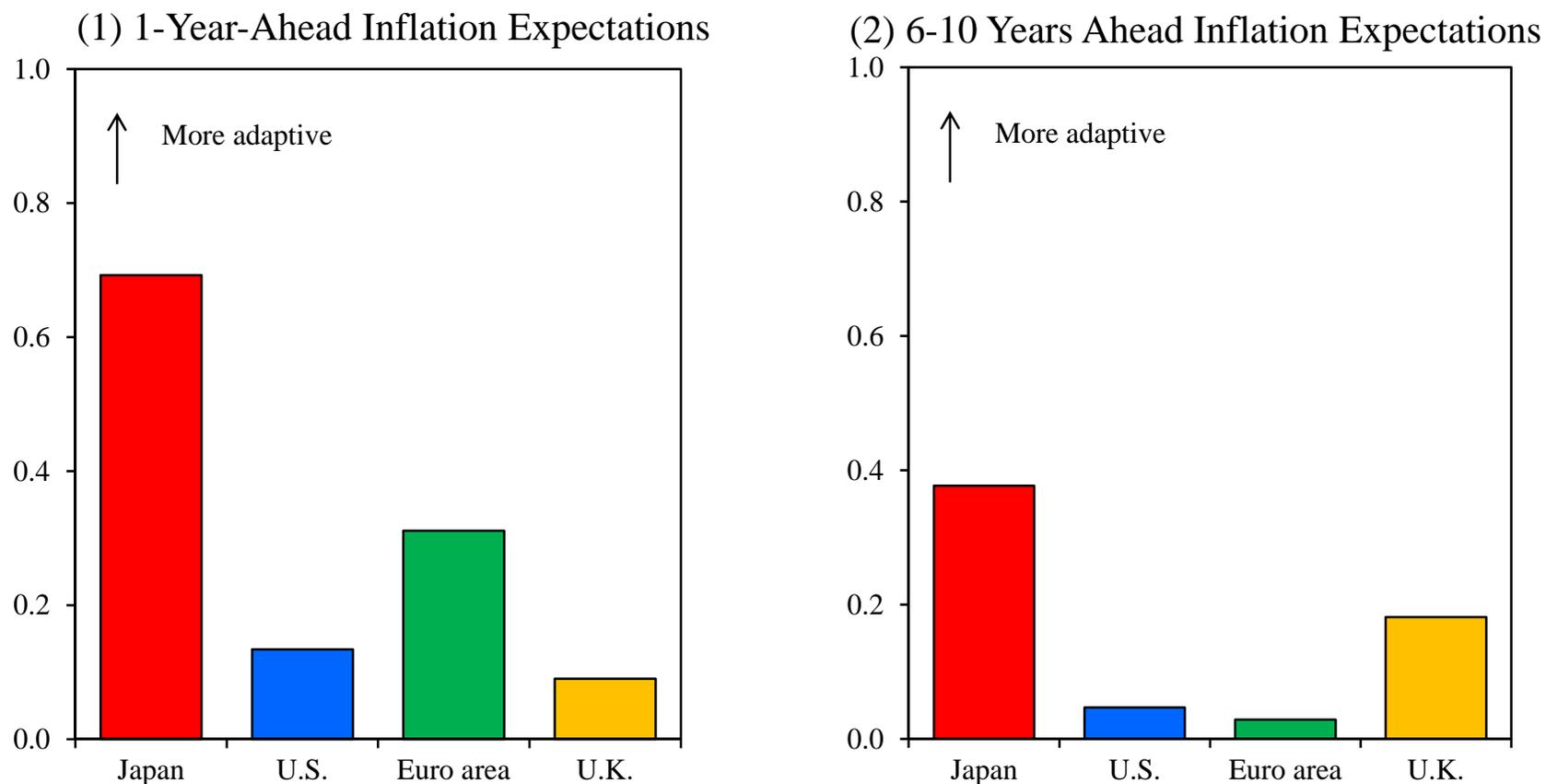
Notes: 1. Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.

2. Figures for the CPI are adjusted to exclude the estimated effects of changes in the consumption tax rate.

Source: Ministry of Internal Affairs and Communications.

"Adaptive" Mechanism of Inflation Expectation Formation

Contribution of Observed Inflation to Inflation Expectations



Notes: 1. The observed inflation rates used in the estimation are CPI (all items).

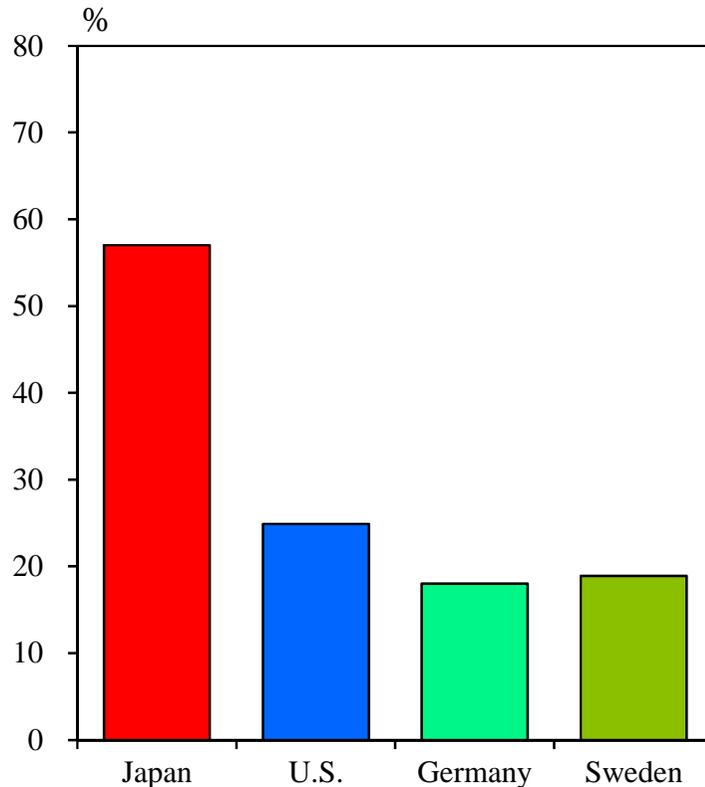
2. For the estimation method, see Appendix Chart 3 in "Comprehensive Assessment: Developments in Economic Activity and Prices as well as Policy Effects since the Introduction of Quantitative and Qualitative Monetary Easing (QQE)" published by the Bank of Japan on September 21, 2016.

Sources: Consensus Economics Inc., "Consensus Forecasts"; Ministry of Internal Affairs and Communications; BLS; Eurostat; ONS; Bank of Japan.

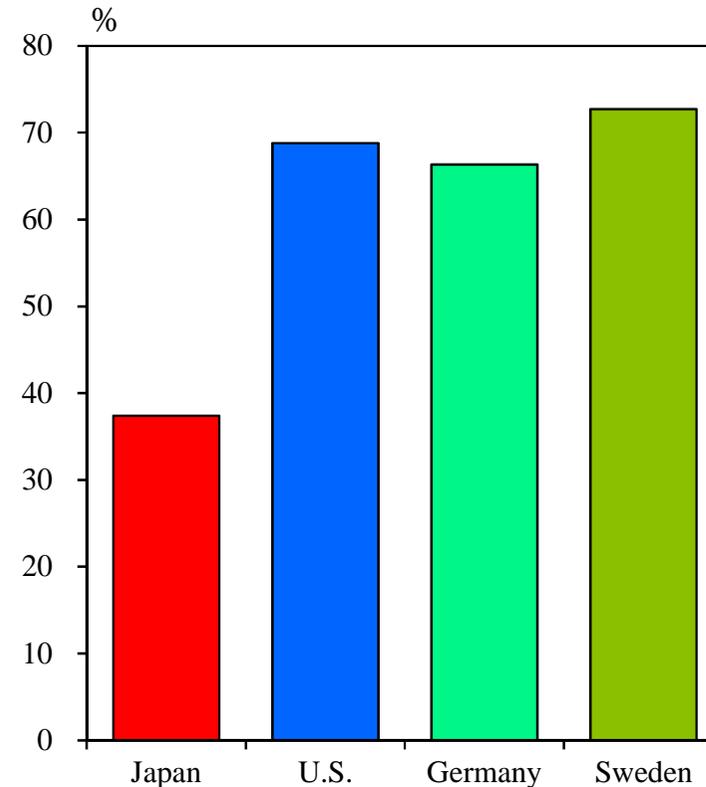
Concerns among Elderly about Retirement (1)

Asked If They Have Enough Savings and Assets to Provide for Retirement

(1) Percentage of Elderly Who Consider That They *Do Not Have Enough*



(2) Percentage of Elderly Who Consider That They *Have Enough*



Notes: 1. Population of the survey: males and females who are aged 60 years and older (excluding those in nursing care facilities).

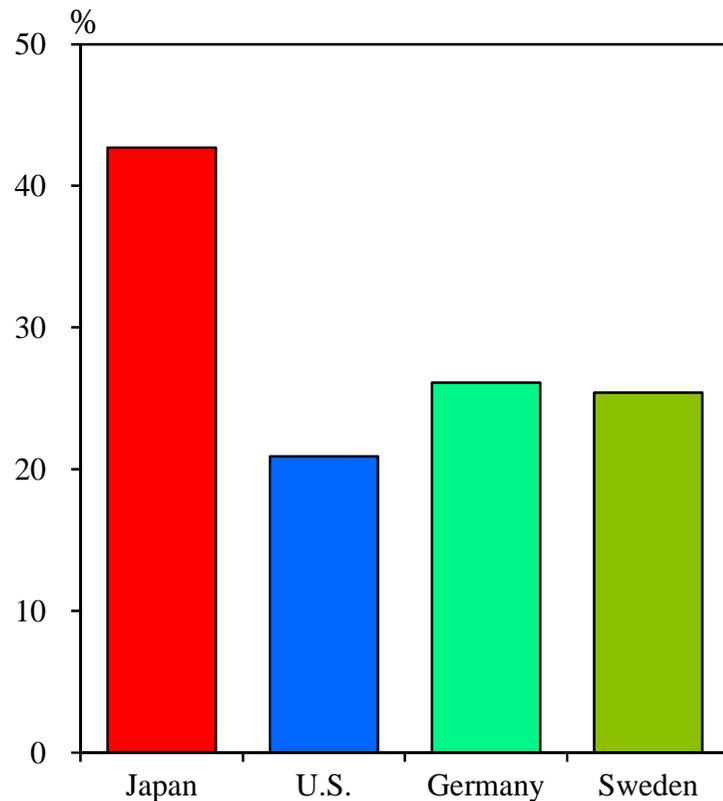
2. "Do not have enough" comprises "do not have so much" and "have far from enough." "Have enough" comprises "have enough" and "have only just enough." Elderly who considered neither that they "do not have enough" nor that they "have enough" responded either "no need to have assets, as social security should cover expenses for basic daily life" or "don't know."

Source: Cabinet Office, "International Comparison Survey of the Daily Life and Attitudes of Elderly Persons," 2015 (available only in Japanese).

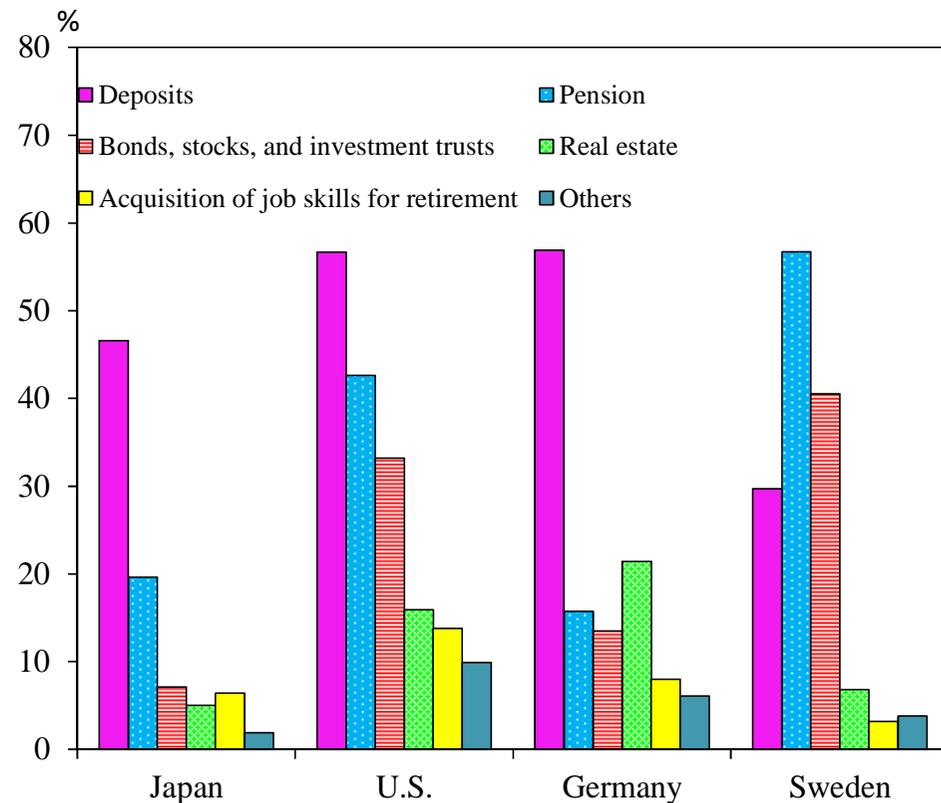
Concerns among Elderly about Retirement (2)

Asked How They Prepared for Retirement before They Reached 60 Years of Age

(1) Percentage of Elderly Who Responded That They *Had Made No Special Effort to Prepare*



(2) How Elderly Prepared for Retirement



Notes: 1. Population of the survey: males and females who are aged 60 years and older (excluding those in nursing care facilities).

2. Multiple answers were allowed for the question of how they prepared for retirement.

Source: Cabinet Office, "International Comparison Survey of the Daily Life and Attitudes of Elderly Persons," 2015 (available only in Japanese).

The 10 Strategic Public-Private Joint Projects toward GDP of 600 Trillion Yen

1. The fourth industrial revolution
2. Toward a world leading healthcare country
3. Overcoming environmental and energy constraints and expanding investments
4. Changing sports to a growth industry
5. Revitalizing markets for transaction of existing houses and reform
6. Improving productivity in the service industry
7. Bringing about revolution among small and medium-sized firms and micro firms
8. Promoting proactive agriculture, forestry and fishery, as well as reinforcing exports
9. Realizing Japan as a tourism-oriented country
10. Taking measures to stimulate domestic consumer sentiment

Source: "Japan Revitalization Strategy 2016" (Cabinet Decision, June 2, 2016)