

**Address by H.E. Mr. Shinzo Abe, Prime Minister of Japan
at the New York Stock Exchange**

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Introduction

A year ago, was there anyone who imagined Aaron Judge would become so enormously successful?

With more than 30 home runs as a rookie, he broke the long-standing record set by Joe DiMaggio more than 80 years ago, in July no less.

It's absolutely possible to break down even a massive wall that everyone feels is insurmountable. Aaron Judge's extraordinary debut gives tremendous inspiration to us all.

Four years of breaking down walls

In Japan too this month a young man also in his twenties broke down a massive wall. Yoshihide Kiryū became the first Japanese ever to break through the "ten-second barrier" in the 100 meters, making him the fastest sprinter in East Asia.

As we head towards the 2020 Tokyo Olympic and Paralympic Games, expectations are running high indeed.

And I too have "walls" to take on as we head towards 2020. 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.

Four years ago, I stated here at the Stock Exchange that "action forms the very essence of my strategy for growth." And just as those words indicate, over these four years I have earnestly continued taking actions in order to reform Japan's economic structure from the ground up.

First of all, we have to change Japan's corporate culture. I place the greatest emphasis on reforms to corporate governance.

Two years ago, we drew up a corporate governance code. This resulted in the percentage of listed companies with two or more independent outside directors rising to 88 percent now, up from a mere 17 percent five years ago.

We also formulated a stewardship code in order to strengthen governance by institutional investors, and over 200 institutions have already accepted it. This past May we revised the code and now the trend towards publicly disclosing the results of the exercise of voting rights on individual agenda items is gaining steam, including at the Government Pension Investment Fund, the largest fund in the world.

Needless to say, the state sector must also change.

We have been moving forward in reforming our corporate tax to be growth-oriented. Over the past four years, we have lowered the tax rate by more than seven percentage points. Beginning this year, Japan's effective corporate tax rate has been lowered down to the twenties, exactly as I pledged time and time again.

Despite this lower rate, thanks to solid corporate earnings growth, annual corporate tax revenue increased by close to 7 trillion yen compared to the time of my previous administration.

Moreover, we are casting off our inward-focused mindset and actively incorporating growth from around the world.

In July, we reached an agreement in principle on an Economic Partnership Agreement with the EU. And in the Asia-Pacific region, which will achieve rapid growth, we are accelerating negotiations aimed at the early entry into force of the Trans-Pacific Partnership, or TPP, Agreement, by 11 nations.

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

In agriculture as well, we have submitted reform bills to the National Diet year in and year out and have pressed forward with all-out reforms ranging from production to distribution. Our exports of agriculture, forestry, and fishery products have broken all previous records for four years running. By turning our eyes overseas, agriculture has now become poised to be reborn as an industry that young people steadily become a part of.

We will assemble outstanding human resources in Japan from around the world. Japan has set no limits on the number of highly skilled foreign professionals we will accept. Moreover, I have set up a "fast track" to conduct visa screenings for these professionals within 10 days and created a system by which they can obtain a green card after as little as a year.

I have been executing one by one without fail the items on the long list of reforms under Abenomics that I put forward four years ago. It is a great privilege to be able to visit after a four-year interlude the very heart of Wall Street that moves the global economy and report that to you.

There is, however, one thing that has not yet been accomplished. That is what I mentioned here four years ago, namely, "that someday we'll see sushi and tempura carts lined up next to the hot dog vendors at the corner of 40th Street and Fifth Avenue." I have come to realize that the "walls" here in New York are high indeed.

The Japanese economy has now enjoyed positive growth for six consecutive quarters, for

the first time in 11 years.

Robust economic growth led by domestic demand is being realized through high levels of wage increases occurring four years in a row.

The productivity revolution

Now is the time for us to take on the greatest structural issues facing the Japanese economy -- our biggest “walls.” I am convinced of that.

Those “walls” are the rapidly progressing issues of an aging society with a falling birthrate and also a shrinking population.

We will raise the potential growth rate even in the midst of a decreasing population and simultaneously take steps to properly address the issue of a falling population itself. To make this a reality, I have been holding high the two banners of a “productivity revolution” and a “human resources development revolution,” and I am determined to make all-out efforts from now towards achieving them both.

The first of these is the productivity revolution.

Dramatically improving the labor productivity of each individual will also cause wages to rise. Even with a shrinking population, we should be able to accelerate the speed at which we pull out of deflation.

The other day, I visited a plant in Japan that manufactures parts for Boeing 777 fuselages. The production floor is very severe in that a high degree of precision is required.

Until recently, it had been necessary to train a large number of skilled workers. However, once this plant introduced the latest in robotic technology, production processes that used to require ten skilled workers could now be handled by a single worker.

Manufacturing and services workplaces will transform dramatically due to robots, artificial intelligence, the Internet of Things and other cutting-edge innovations. This is the productivity revolution.

Japanese companies are now recording their highest levels of ordinary profits in history. It is important to link these in firmly to capital investments as well as investments in human resources.

We will press forward further with corporate governance reforms so that corporations take management decisions decisively, with an awareness of the cost of capital.

I consider the three years remaining until 2020, when tremendous demand will arise as we head towards the Olympic and Paralympic Games, to be the period that determines victory or defeat in promoting supply side reforms.

We will support bold private sector investments by mobilizing our entire range of policies, including the tax system, the budget, and regulatory reforms. I intend to put forward daring policies unlike any that have come before.

Regulatory reforms

The latest technologies in regenerative medicine are about to change the world dramatically.

Against that backdrop, many overseas companies from North America, Europe, Asia, and elsewhere are now coming to Japan, saying they want to conduct their clinical trials there. There is even a start-up company that has shifted its base of operations from California to Tokyo.

The trigger for this was our revision of the Pharmaceutical Affairs Law.

It was four years ago that we carried out the bold regulatory reforms that the journal *Nature* evaluated as “the world’s fastest approval process.”

This month, a “world’s first” clinical trial applying iPS cell technologies to drug development was launched in Japan.

Until now, quite frankly, Japan had never been that highly competitive internationally in the industrial fields of medical treatment and drug development. However, through the emergence of new regenerative medicine technologies and the execution of bold regulatory reforms to address that situation, Japan is now the foremost country in regenerative medicine.

Think about something for a minute.

Four years ago, who would have predicted that huge lines would form outside The Bagel Store in Brooklyn in order to upload a rainbow bagel on Instagram?

And four years ago, who would have predicted that the number of people heading from here over to Brooklyn not by subway or Yellow Cab but by using Uber would grow so enormously?

Changes simply come one day out of the blue. If we implement reforms anticipating those changes in the times, we will also be able to completely transform the global industrial map. That is what I felt very keenly over these four years.

Utilizing artificial intelligence, big data, and other new technologies, new businesses are now springing up all around the world. Japan would like to supply the proving grounds for people brimming with this kind of venture spirit.

When one wants to conduct a world-first trial, such as with new financial services made possible through fintech, it is impossible to predict the sort of regulations with which the trial will come into conflict. I suspect that situation has hindered the

commercialization of revolutionary ideas.

I want to establish a “regulatory sandbox system.” We will make a “sandbox” in which it is possible for certain participants to conduct trial and error freely on new businesses for a certain period of time, without conforming to existing regulations. This is the ultimate in regulatory reform.

I would like people from all around the world imbued with a venture spirit to come to Japan, by all means.

Women and the elderly

Alongside the “productivity revolution,” another prescription for dealing with the decline in Japanese population is bringing about the “human resources development revolution.”

Let me introduce to you a Japanese woman, Masako Wakamiya.

This year, she was invited to an Apple conference held in San Jose as the world’s eldest developer of applications for the iPhone.

Ms. Wakamiya had never used a computer until she retired from a company at the age 60, but she took up developing apps at age 81 and passed the screening by Apple.

Her app is a nostalgic game for Japanese elderly people that tests your ability to decoratively arrange traditional Japanese dolls correctly. Ms. Wakamiya explained her motivation for taking on developing, saying, “It was because there were no apps that seniors could enjoy.”

As society ages, the composition of the market will also naturally change. That is where new opportunities lie. The ones who can accurately grasp the needs within the expanding senior market are the seniors themselves. Half of the population is female. The particular perspective of women surely holds tremendous power in responding to their needs.

It is certainly true that the population of Japan is projected to continue to decline. The number of men in the prime of life will also decrease going forward. It seems at first glance that the Japanese economy, which has relied on such men excessively, is facing a major pinch.

But the very active role played by Ms. Wakamiya -- both a woman and a senior -- teaches us that this is not a “pinch” at all, but rather a major opportunity.

Abenomics is already approaching this issue. Thanks to our holding high the banners of “womenomics” and staying active throughout one’s life, and creating environments in which it is easy to work, over the last four years the employment rates of women and of people over the age 65 are both up by 3 percentage points. As a result, the population of

Japan has decreased by 700 thousand people, but we have been able to increase the number of people employed by 1.85 million people.

Moreover, if the employment rate of working generation women were now to rise to be par with that of men, through that alone, some 6 million new workers will be born.

In addition, we will raise the employment rate of the elderly in the same way. By doing so, in 2050, the Japanese population is projected to have declined by 20 million people, but it will also be possible to have increased the number of workers compared to the present day by close to 10 million.

By creating environments in which women and also the elderly, who have a wealth of experience and wisdom, can be more active, Japan will still be able to grow, even if the population declines.

The human resources development revolution

If we look back to roughly 1950, the average life span of the Japanese was between 55 and 60 years. And yet, now that figure is more than 80. There is even some research claiming that half of the children born ten years ago will live to be 107.

I can't believe it. Tomorrow I will celebrate my 63rd birthday here in New York. If I were to have more than 40 years remaining in my life, I would have to worry in earnest over what I would do next after being a politician.

The other day, I asked Mr. Tom Watson, who had come to Japan on the PGA tour, to give me a private lesson, so maybe, just maybe, you'll see me on the senior tour sometime soon.

I will undertake drastic reforms to what the Japanese economy and society should be like on the assumption of an era of a one hundred-year life span. For Abenomics, that will be the biggest test of all.

First of all we will press forward with reforms to the employment system.

The long-held value that working long hours is good must be fundamentally changed. As for treatment such as wages, it is necessary to introduce a structure that evaluates workers' abilities rather than their form of employment.

Next are reforms to the social security system.

Social security until now has had as its central focus benefits paid to retired seniors. We will redirect this focus to the working generation to a greater degree. We will reform it to become a system oriented to all generations.

We will enhance childcare and nursing care services further to prepare an environment in which the working generation finds it easy to balance employment with these other responsibilities. We will work to provide free preschool education and provide an

environment in which it is easy to raise children.

“I want to get married.” “I want to raise children.” Just by making the wishes of such young people come true, it is possible to raise Japan’s birthrate sooner to 1.8 children per woman. I was the first to set forth this very target. Social security that is oriented to all generations will also serve as a brake on Japan’s population decline.

There are also reforms to the education system.

We will make higher education effectively free for children with the acutest need from low-income households. Whether or not someone can graduate from university changes lifetime wages at a scale of 60 million yen. We will wisely make investments going forward so that children who were raised in poor households do not need to abandon that opportunity.

“Re-education is critical.”

This is what Ms. Wakamiya suggested, her eyes fixed squarely on the era of one hundred-year life spans. We will make it possible for someone to receive practical vocational education and take on the challenge of a new job no matter how old he or she becomes. In order to create that kind of society, we will considerably enhance recurrent education.

We will create opportunities for all, both old and young and women and men alike. I named this kind of reform package the human resources development revolution.

A substantial amount of financial resources will be necessary to bring that about. However, in order to carve out Japan’s future, I will put forth a solution without avoiding this issue. I am firmly determined to do so.

Passion and a sense of responsibility

Emoji, which originated in Japan, were added to MoMA’s collection last year. I am proud that here in New York, the cutting edge of global society, the value of emoji as modern art could be recognized.

Emoji, invented only 18 years ago, spread around the globe in a flash and completely changed how people around the world communicate.

However, I imagine that the number of people is small indeed who know that this great invention that can be called common heritage of humankind moved from conception to completion in only a month.

It was the dawn of cell phones. When the developers were considering the complicated button operation, one had the idea that emoji would make it possible to communicate using a smaller number of letters. Emoji would be absolutely critical. I believe it was that developer’s passion and sense of responsibility that brought about this great

invention in only a month.

Some of you might be harboring the question, can I really accomplish the major reforms I spoke about today?

But I will absolutely achieve them. I will invest the entirety of my political resources to open up the future of Japan. I have been prepared to do that from the very beginning.

I will reform Japan without averting my eyes from our greatest challenges of a dwindling birthrate and aging society and population decline. I will be second to none in terms of that passion and sense of responsibility. I enjoy quiet confidence in this.

Conclusion

Aaron Judge experienced a significant slump after the All-Star Game. His rivals had also studied him. He may have been fatigued as well.

I am reminded of the words of NBA legend Michael Jordan, who also tried his hand at playing in the major league. He said, "I can accept failure. Everyone fails at something. But I can't accept not trying."

Even in games in which victory seemed difficult, Michael Jordan continued taking the offensive, never giving up until the very final moment. Time and again he led his team to come-from-behind victories.

I too will continue to stay forward-looking and take the offensive. No matter how hard the challenge, I will fight on looking to the future and never fail to deliver results. I will take on these issues with a strong sense of resolve.

I'd like Aaron Judge to keep taking the offensive as well, always looking forward. Now in the final stages of the season, his form is returning little by little. I hope that, buoyed by the cheers of Yankees fans, he does a great job heading towards the post season, in pursuit of the Red Sox. I will end my speech with that wish.