Executive Summary: Economic and Fiscal Projections for Medium to Long Term Analysis (January 2017)

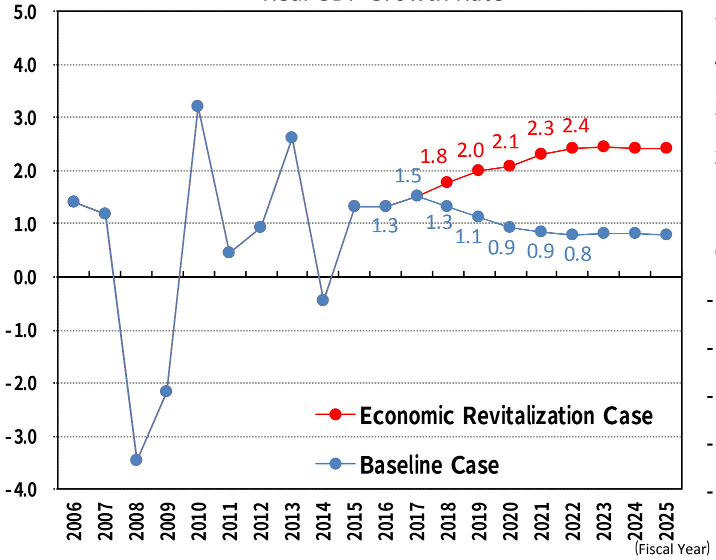
[Provisional Translation]

○Macroeconomy

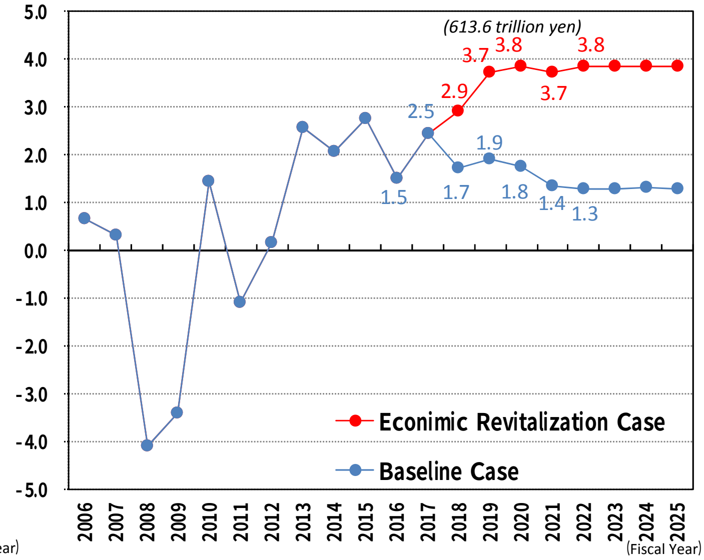
In the Economic Revitalization Case, the real GDP growth rate is projected to reach more than two percent in the medium to long term, and the nominal GDP growth rate is projected to reach more than three percent in the medium to long term and achieve the 600 trillion yen target around FY2020 (approximately 613.6 trillion yen in FY2020).

Note: The Japanese fiscal year begins on April 1st and ends on March 31st.

Real GDP Growth Rate



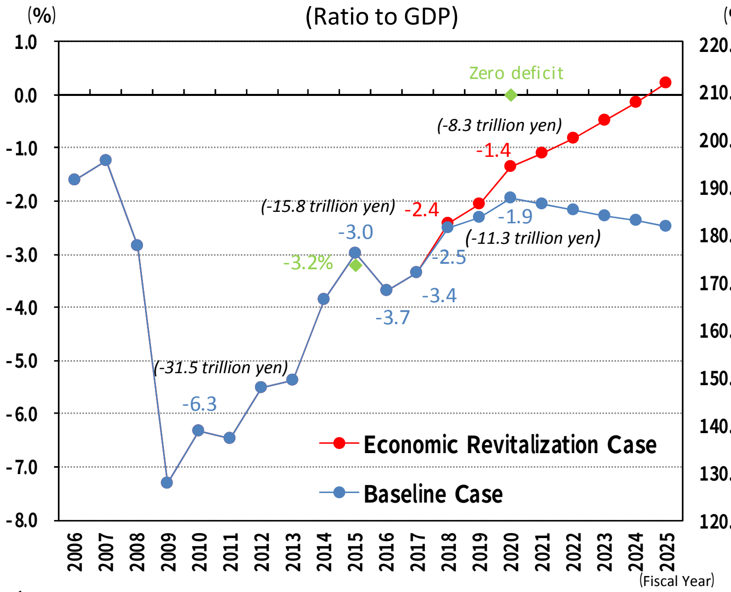
Nominal GDP Growth Rate



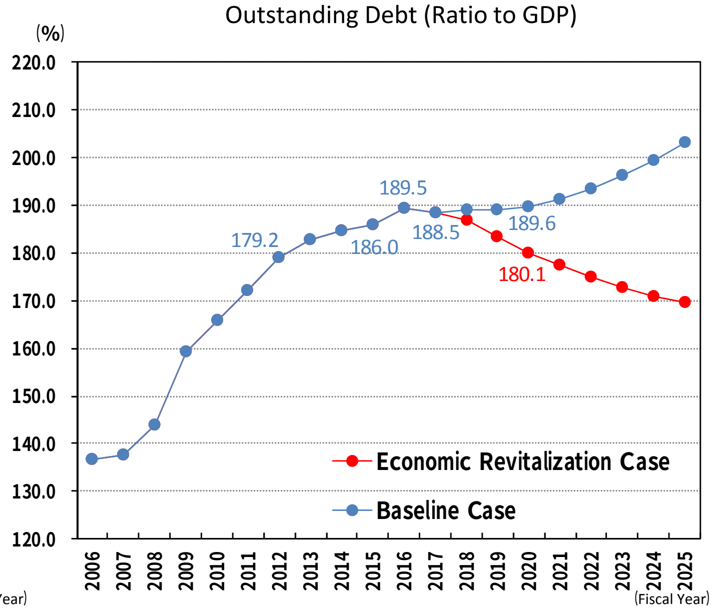
○Public Finances of Central and Local Governments

- The primary deficit of central and local governments[1] achieved the fiscal target of halving the ratio of deficit to GDP from the FY2010 rate by FY2015 (approximately 3.0 percent of GDP; 15.8 trillion yen in FY2015).
- In the Economic Revitalization Case, the primary deficit of central and local governments remains at approximately 8.3 trillion yen (1.4 percent of GDP) in FY2020, and it is important to continue enhancing "Integrated Economic and Fiscal Reforms."[2]
- Due to the progress of fiscal consolidation and low interest rates, the ratio of outstanding debt of central and local governments to nominal GDP has only gradually increased by approximately ten percentage points from FY2012 to FY2016, and, in the Economic Revitalization Case, is projected to decline after FY2017.[3]

Primary Deficit of Central and Local Governments (Ratio to GDP)



Outstanding Debt (Ratio to GDP)



1 Excluding the expenditure and the fiscal resources for the recovery and reconstruction measures.

2 This projection incorporates the financial sources funded by deferring the introduction of the total aggregate system in social security as a part of the stable and permanent financial sources secured based on the Act for Partial Revision of the Income Tax Act and Other Acts in response to the decline in tax revenue due to enforcing the reduced rate for consumption tax. As for the unincorporated remainder of the necessary amounts, the above act provides that it will be secured by taking legislative measures on revenues or expenditures, or other measures.

3 It should be noted that the long term interest rate is projected to be higher than the nominal GDP growth rate after FY2023, and the existing bonds issued at lower interest rates will be refinanced at higher interest rates sequentially.