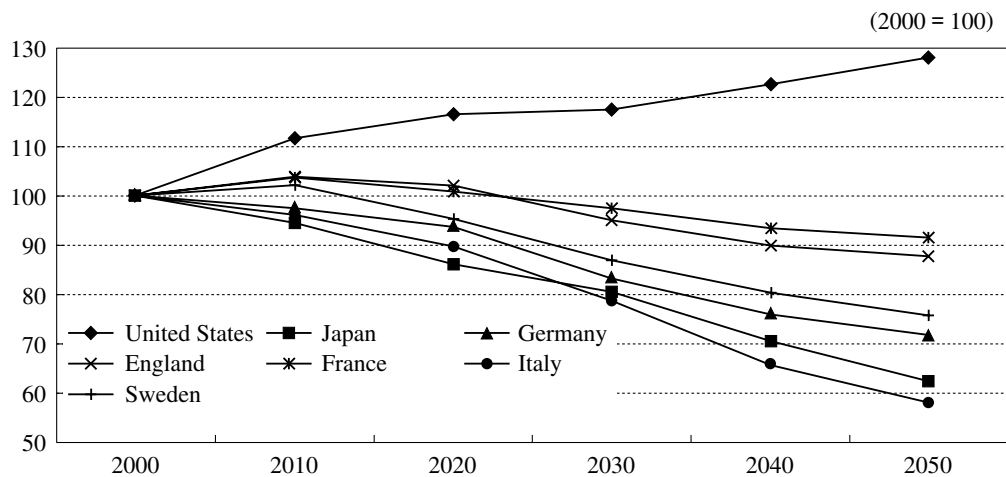


Section 3. Impact on Economy and Finance

[Impact on Labor Force]

The productive age population in Japan is decreasing rapidly and greatly, so that the inescapable outlook is for a decrease in the labor force. In order to soften the impact of population decreases, it will be vital to create an environment that promotes employment of women and seniors.

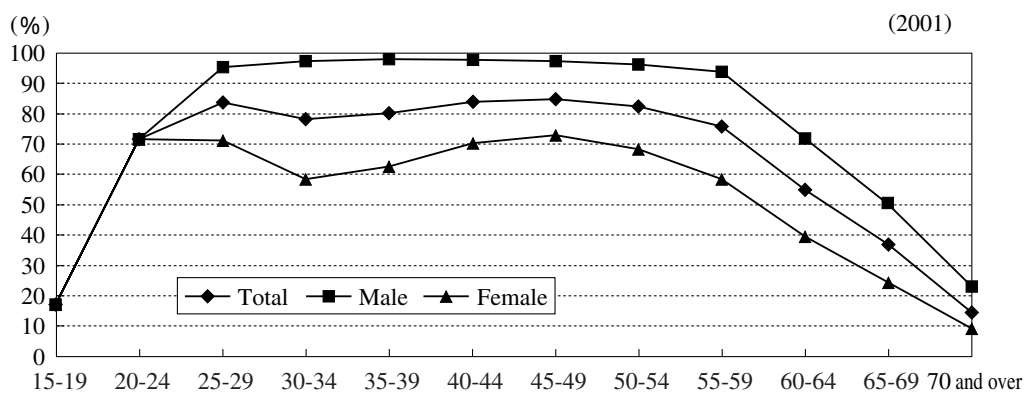
27. International Comparison of Estimated Productive Age Population



Note: Median variant from National Institute of Population and Social Security Research and United Nations
 Sources: IPSS, "Population Projection for Japan" United Nations, "World Population Prospects 2000."

The female work force in particular shows a marked M-shaped curve for the late 20's and 30's. It will be important to create an environment that will permit them to work and bear and rear children at the same time.

28. Labor Force by Sex and Age

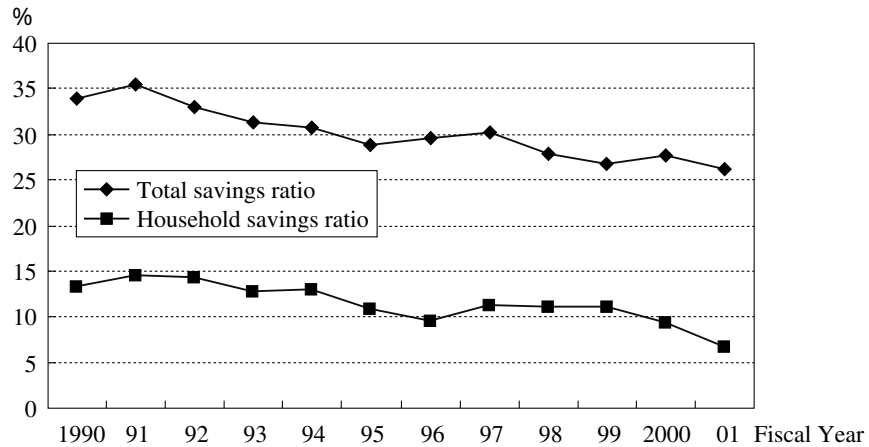


Sources: MPHPT "Labour Force Survey," "Special Survey of the Labour Force Survey"

[Impact on Savings and Investment]

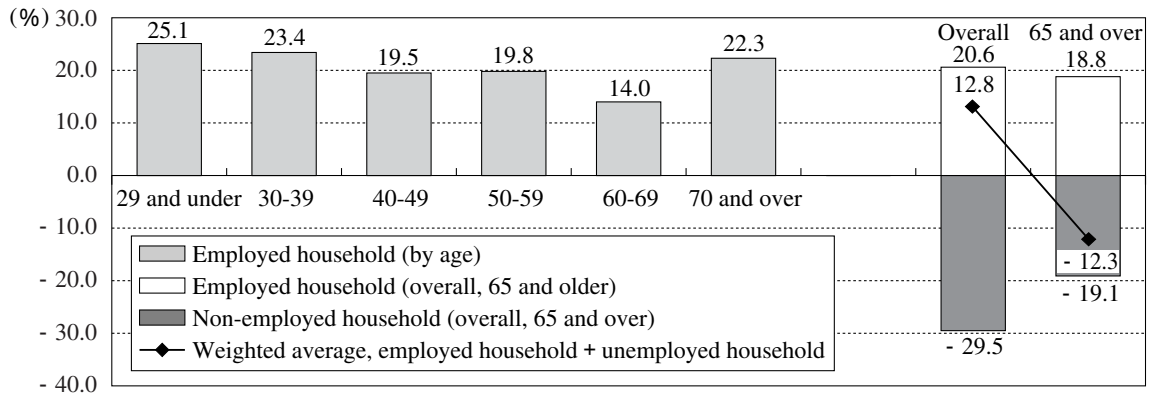
Japanese savings rates have finally begun to see a decreasing trend in recent years. Furthermore, because senior households with head of household 65 or older showing a relatively low savings rate, it appears that over the long run the increase in the senior population will be a factor in savings rate decreases.

29. Changes in total savings ratio and household savings ratio



Source: Cabinet Office "Annual Report on Citizens' Household Economy"

30. The average household savings of the head of a household by Age (2001)

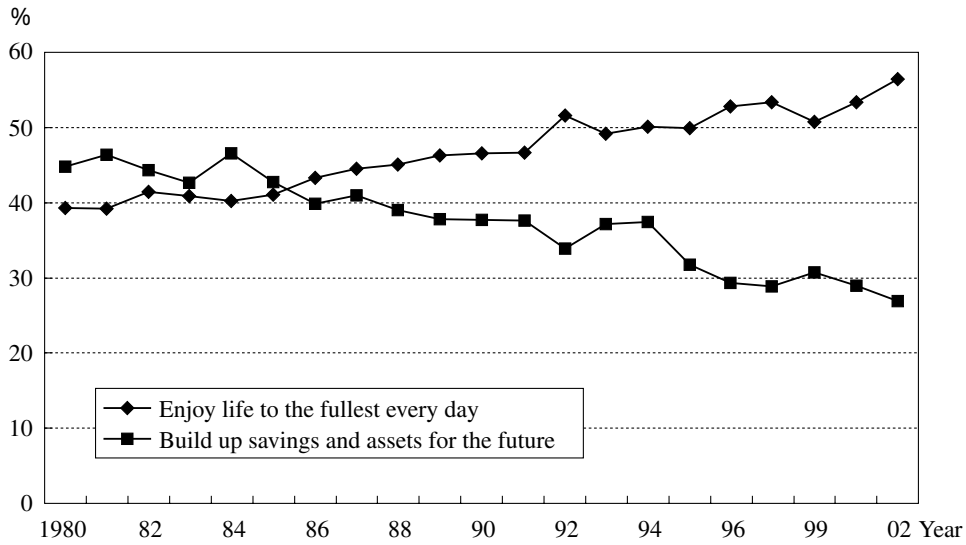


Note: Savings rates of overall employed households + unemployed households and 65 and over savings rates of employed households + unemployed households required weighted averages. Sole proprietors and other employed persons are not included.
 Source: Compiled from MPHPT, "Family Income and Expenditure Survey"

Furthermore, hereafter the tendency to place more emphasis on present lifestyle than preparing for the future will continue to strengthen, so the possibility is high that the savings rate decrease will continue.

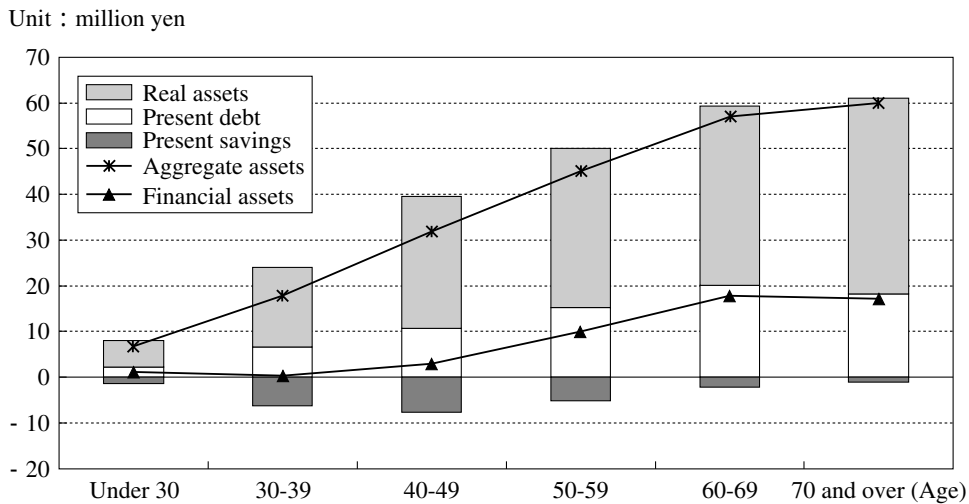
Thus the task remains to employ efficiently the great asset stock held by seniors.

31. Save for the future or enjoy life day by day



Source: Cabinet Office: " Survey on National Lifestyle (June 2002) "

32. Breakdown of Household Assets by Age Group



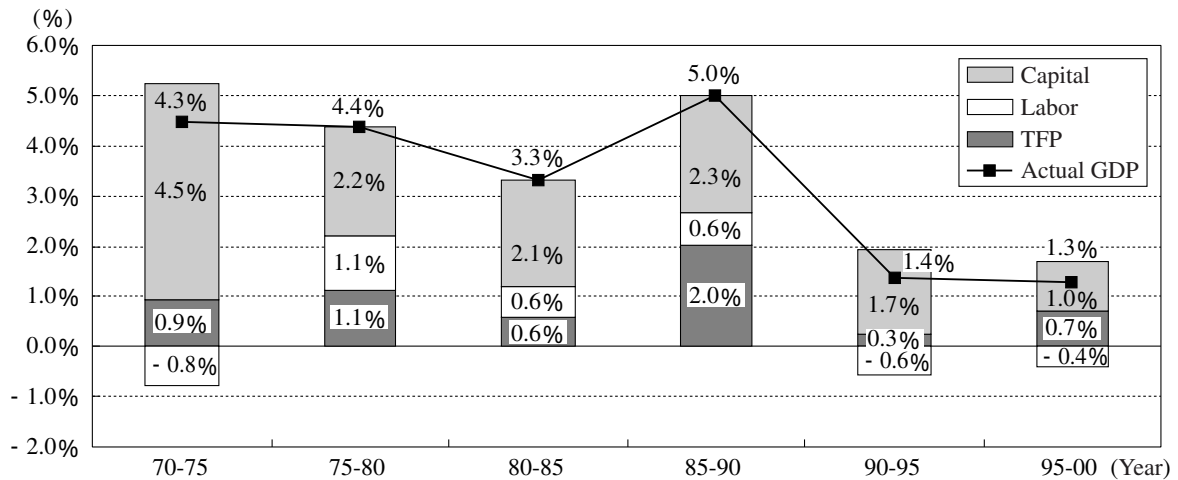
Source: MPHPT, " National Survey of Family Income and Expenditure, 1999 "

As the decrease in household savings rates is a factor in decreased factory and equipment investment through corporate borrowing, this will demand higher earnings potential investments.

[Impact on Economic Growth]

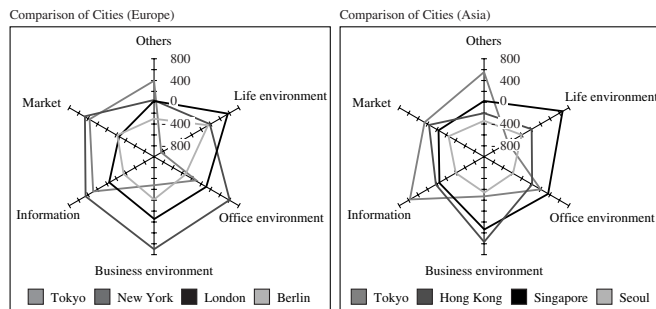
Japan's economy has in recent years been limited to a growth rate of 1–2%, as Total Factor Productivity (TFP) and the contribution of labor output has decreased. As a result of greater decreases in the future, it is expected that constraints on economic growth will strengthen. It will be necessary to improve socioeconomic efficiency and international competitiveness through technological innovation such as IT, social investment, deregulation, etc.

33. Contribution Level to Actual Economic Growth Rate



Note 1: $TFP = \text{Actual GDP growth rate} - \text{labor allocation rate} \times \text{labor growth rate} - (1 - \text{labor allocation rate}) \times \text{capital stock growth rate}$
 Note 2: $\text{Labor allocation rate} = \text{Employment income} / \text{national income}$
 Note 3: $\text{Labor} = \text{Number of employed} \times \text{total actual working hours}$
 Sources: Compiled from Cabinet Office, "Citizens' Household Economy," "Private Asset Stock Calculation," MPHPT, "Labour Force Survey," Ministry of Health, Labour and Welfare, "Monthly Labour Survey."

34. Decline in International Competitiveness of Japanese Cities



Sources: Tokyo Metropolitan government's Subject and Charm of Advance to Tokyo for the foreign capital company"

35. Changes in Business Environment Ranking for Cities in Asia-Pacific Region

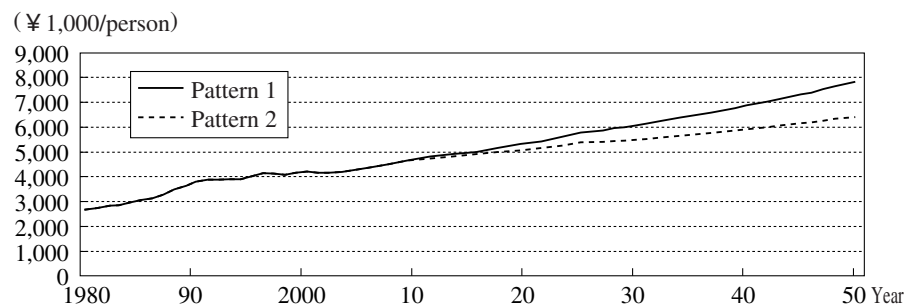
	1995	1999	2000
1st	Singapore	Singapore	Hong Kong
2nd	Hong Kong	Sydney	Sydney
3rd	Tokyo	Melbourne	Singapore
4th		Hong Kong	Auckland
5th		Taipei	Tokyo

Sources: White Paper on METI

[Realizing Individual Satisfaction]

In a society with a decreasing population, even if the overall national growth rate is negative, it is possible to increase individual income, assets and space. It will be necessary to from now to tackle infrastructure improvements and more efficient socioeconomic systems to realize greater satisfaction for each individual inhabitant of Japan.

36. Estimates of GDP per person

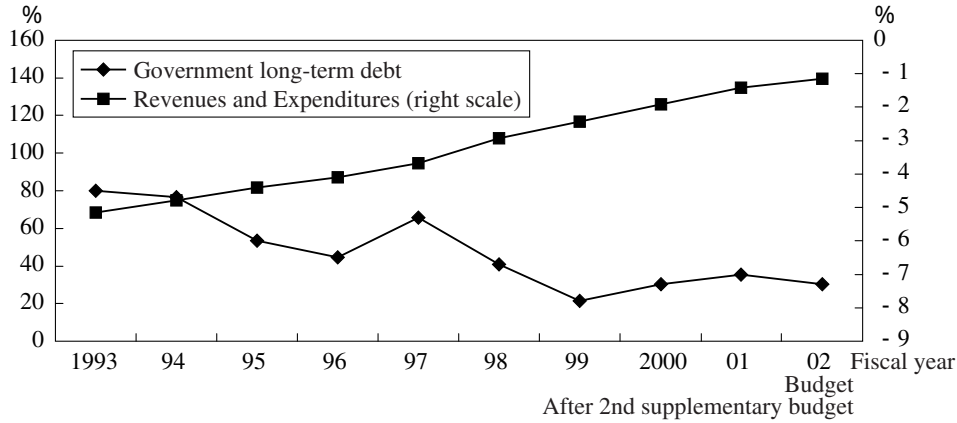


Note 1: Compilation for years to 2010 based on materials in "Mid-term Prospects for Structural Reform and Fiscal Economy" Following years estimated from:
 Pattern 1: Average growth rate of 1% to year 2025; 0.5% to 2050
 Pattern 2: Average growth rate of 0.5% to year 2025; 0% to 2050
 Note 2: Population is median variant by IPSS

[Impact on Finance and Social Security]

Japan's financial condition has rapidly deteriorated since the 1990s against the background of economic recession and reduced tax revenues as a result of tax reductions. It is expected that difficult financial conditions will continue.

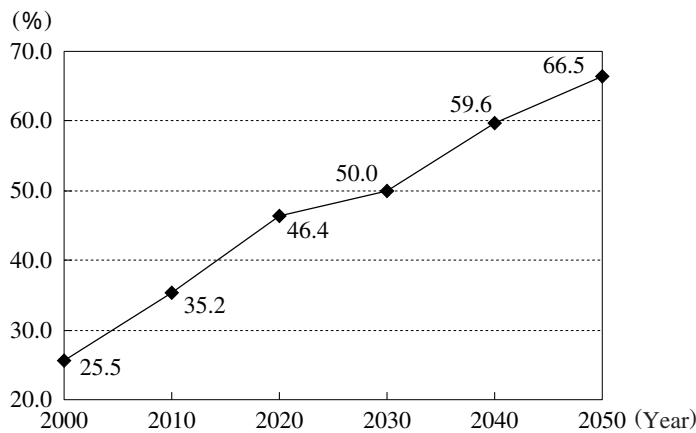
37. Comparative Changes in Government Long-term Debt and Revenues and Expenditures vs. GDP



Source: Compiled from Ministry of Finance materials

Also, it is estimated that by the year 2050 the senior dependent index will reach 67%, with 3 workers to support 2 seniors. It appears that under the present system it will be impossible to avoid increasing taxpayer rates in future as the labor force decreases, economic growth continues to stagnate and the senior population increases.

38. Change in Dependent Senior Population Index



Note: Dependent senior population index is the value obtained by subtracting the senior population (65 and over) from the productive population (15-64).
 Source: IPSS, "Population Projection for Japan (January 2002 estimate)"