



Keidanren

Annual Report **2016**

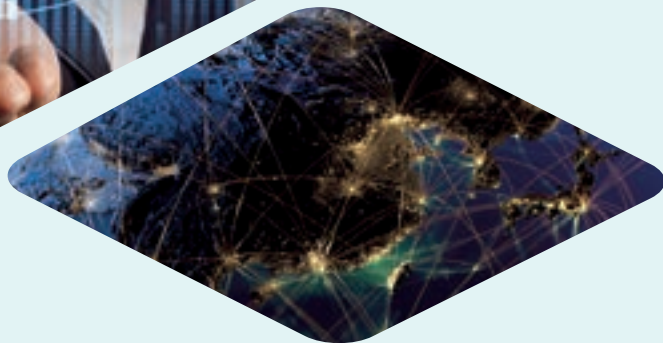




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Chairman's Message

Keidanren, in accordance with its slogan "Policy and Action," has been formulating future oriented policy recommendations that are in line with national interest, and has worked actively towards their realization. In January 2015, we published a document laying out our vision for Japan in the year 2030. The goals listed there serve as our action guideline.

The foremost challenge facing the Japanese economy is twofold: to overcome deflation and revitalize the economy. In 2016, we must achieve these objectives without fail and at the same time pave the way towards attaining a GDP of 600 trillion yen by 2020. This will become possible only when the political, bureaucratic, and private sectors fully mobilize all the policies and resources available.

In the short-term, it is essential for Japan to set consumer spending, which has been stagnant for the past two years, on an upward path. In the medium-term, growth strategies aimed at realizing a 600 trillion yen economy must be reinforced. Consequently, there is a need for us to keep on tackling concurrently numerous important policy issues, such as fiscal consolidation and social security reform, formulation of energy and environmental policies compatible with economic growth, promotion of "Society5.0" based on scientific and technological innovation, vitalization of local economies, early entry into force and expansion of membership of the TPP Agreement, active participation of women in the workforce, and working-style reform.

Conscious of the business' central role in generating economic growth, Keidanren will spare no effort to solve these issues and to set the virtuous cycle of the economy in motion by eliminating the deflationary mindset and adopting a bold management style. We will also continue to carry out our own reform so that we will be able to measure up to the trust and growing expectations the wider community is placing in our organization.

I look forward to your continued assistance and support.



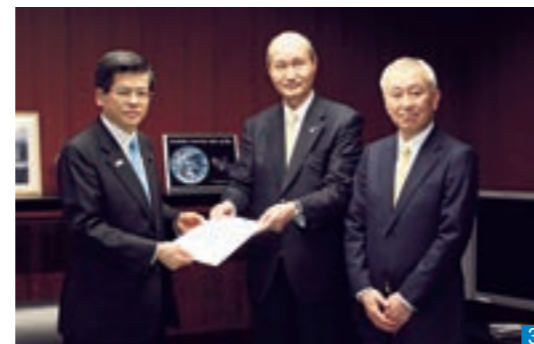
Chairman 
SAKAKIBARA Sadayuki

Policy

Main Proposals and Reports

2015

- April Measures to address population decline
Prospective Energy Mix in 2030
Measures to address global warming
Ideal approach to Japan's economic diplomacy
- May Restoration of fiscal health and social security system reform
Restructuring the multilateral free trade and investment system
- June Medical insurance system (joint proposal)
- July Joint statement for the creation of a new Tohoku (Photo 1)
Joint statement on TPP
- September Tax reform in FY2016
Proposal from consumer goods and services industry
Keidanren's action program for regional revitalization
International framework concerning climate change
National university reform
- October "Keidanren's Requests for the New Administration" delivered personally to Prime Minister Shinzo Abe (Photo 2)
Approach to promoting future regulatory reform
Ideal form of logistics
The 5th Science and Technology Basic Plan
- November Revision of medical services remuneration in Fiscal 2016 (Joint proposal)
Status of "Healthy Management" Initiatives
Follow-up results of low-carbon society action plan in Fiscal 2015
Japan-EU regulatory cooperation
Overseas development of infrastructure systems
- December Creation and development of startups
Accelerating conclusion of investment agreements, etc.
- 2016
- January Position Paper 2016 by Committee on Management and Labour Policy
Reinforcement of cybersecurity measures
- February Requests for regulatory reform
Enhancement of joint research through industry/academia/government collaboration
- March Policies for major cities in the future (Photo 3)



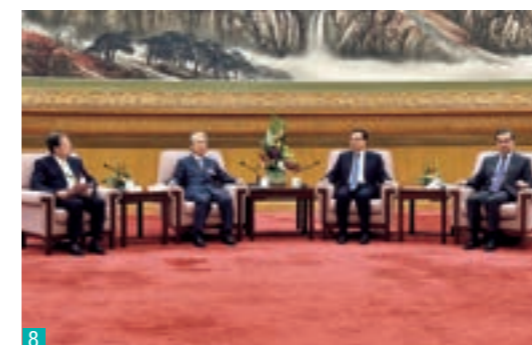
Meeting of Chairman and Vice Chairs, Board of Directors

Action

Main Activities

2015

- April Conducted Keidanren tourism internship (through November)
Held briefing on Asunavi, an employment support program for top athletes
- May Signed cooperation memorandum with the national strategic special zone, "Global Startups and Job Creation Special Zone of Fukuoka"
Held talks with Park Geun-hye, President of ROK
Business community and JA Group announced status of their collaboration project
- June Promoted the "Thank you, Papa Project" (Photo 4)
- July Hosted the 6th Asia Business Summit
Held Summer Forum 2015 (Photo 5)
Held event to develop female human resources in engineering fields
Held "Keidanren Global Career Meeting," a job fair for students who have studied abroad
- August Women Executive Network launched
Chairman Sadayuki Sakakibara introduced Keidanren's activities to promote the active participation of women in the workforce at the World Assembly for Women in Tokyo: WAW! 2015.
- October Called for cooperation to increase consumption of products produced in disaster-stricken areas
Held corporate ethics month - corporate ethics top seminar
Held Keidanren and Zenkeiren's top-level meeting
Held symposium to commemorate the 50th Anniversary of the Diplomatic Normalization of Japan and ROK
Dispatched delegation to the TPP Ministerial Meeting (Atlanta)
- November Held dialogue between Japanese and Chinese entrepreneurs and former senior government officials
- December Dispatched delegation to the COP21 (Paris)
Established investigative commission for the joint development of startups with the University of Tokyo
Revised the Guideline on Recruitment and Selection



2016

- January Held a meeting with JTUC-RENGO
- February Held TPP Symposium
- March Held Great East Japan Earthquake "Reconstruction Support Event"

Main overseas missions

2015

- April Met with President Joko Widodo on mission to Indonesia
- May Participated in the B7 Summit (Berlin) and personally delivered statement to Chancellor Angela Merkel
- June-July Met with U.S. Trade Representative Michael Froman on mission to the US (Photo 6)
- August Met with President Tsakhiagiin Elbegdorj on mission to Mongolia (Photo 7)
- October European Regional Committee Mission
- November Held Japan-China-ROK Business Summit (Seoul)
Delegation visiting China (Beijing) met with Prime Minister Li Keqiang (Photo 8) / China Council for the Promotion of International Trade
Japan-Vietnam Economic Committee Vietnam Mission
- December Held Japan-India Business Leaders Forum (New Delhi) and personally delivered joint report to Prime Minister Shinzo Abe and Prime Minister Narendra Modi

2016

- February Sub-Saharan Regional Committee Southern Africa Economic Mission

Toward the Creation of a More Affluent and Vibrant Japan

In January 2015, Keidanren released its vision statement, *Toward the Creation of a More Affluent and Vibrant Japan*.

Japan being poor in natural resources, the keys to its revitalization are *innovation* and *globalization*.

This vision puts forth four attributes that Japan should possess by 2030: **1** Affluent and vibrant national life; **2** A population of not less than 100 million living in attractive cities and localities; **3** Solid foundation for strong economic growth; and **4** Contributing to world prosperity by providing solutions to global problems.

As we work to achieve these four national attributes, we will strive to establish a society where hard work is rewarded. Through our efforts, we hope that Japan becomes a nation in which the younger generation can take pride, exercise their can-do spirit, and carve out a future full of hope, as well as a nation trusted and respected by the world.

The vision presents specifics and details on issues which the government, businesses, and people of Japan should focus on in order to achieve these attributes.

Issues for Achieving Four National Attributes presented in Keidanren's Vision

Overall policy issues

1 Accelerate post-disaster reconstruction and create a new Tohoku

2 Succeed in hosting the 2020 Tokyo Olympic and Paralympic Games

3 Nurture new core industries that can lead the new era

Individual policy issues

1 Affluent and vibrant national life

Promote science, technology and innovation policy

Incorporate overseas vitality

- Formulate new trade strategies
- Promote infrastructure systems overseas

Create a vibrant working environment for everyone

- Promote diverse workstyles
- Promote empowerment of women in the workforce
- Promote empowerment of youth and seniors in the workforce

Utilize information and communications technology

Promote business startups

Establish "Japan Brand"

2 A population of not less than 100 million living in attractive cities and localities

Promote measures to address falling number of births

Develop and vitalize local economies

- Utilize vitality of cities and regions
- Reform agricultural structure
- Promote tourism

Utilize foreign talent

3 Solid foundation for strong economic growth

Ensure business climate on equal footing with international standards

- Reform corporate tax system
- Restructure energy policies
- Improve critical infrastructure

Achieve fiscal soundness

Comprehensively reform social security and tax systems

Vitalize financial and capital markets

Work for development of human resources, revitalization of education and university reform

Work for disaster prevention/reduction and national resilience

Work for administrative reform

- Promote electronic administration
- Introduce regional administrative system ("doshu-sei") which will contribute to formation of expanded economic zones

4 Contributing to the prosperity of the world by providing solutions to global problems

Contribute to environment, resources, water and energy fields

Contribute to measures for disaster prevention/reduction

Contribute to health and medical fields

Contribute to eradication of absolute poverty, hunger and epidemics

Realize a 600 Trillion Yen Economy

(Resolution of the Keidanren Annual General Assembly held on June 2, 2016)

Last January, Keidanren formulated the future vision to be achieved by the year 2030, and set it as the action guideline for the future. This vision demonstrated that a GDP of 600 trillion yen can be realized if all citizens exerted their combined efforts to strongly proceed with comprehensive economic and social reforms.

The most important issues at present are to definitely overcome deflation and revitalize the economy to pave the way towards achieving a GDP of 600 trillion yen.

To this end, the currently stagnant consumer spending must be lifted and put on an upward trend. We therefore recommend the Government to take fast-acting measures to increase consumption, and call for equal footing in business environment to expand capital investment and R&D investment. In addition, we believe that the Government must launch several GDP-boosting projects and steadily carry them out by mobilizing the wisdom and resources of the public and private sectors.

Furthermore, for the sustainable development of the Japanese economy, a growth strategy revolving around innovation and globalization must be strengthened in consideration of the future outlook.

In particular, a sustained commitment is essential in nurturing trend-setting core industries (IoT, artificial intelligence/robot, smart city, biotechnology, marine resources development, and aviation/space) and developing attractive products and services.

Based on this awareness, Keidanren will aggressively take on the following issues to achieve a GDP of 600 trillion yen and create a more affluent and vibrant national life.



Keidanren Annual General Assembly

1. Accelerate post-disaster reconstruction and create a "New Tohoku"
2. Promote growth strategy to realize a GDP 600 trillion-yen economy
 - (1) Implement strategic projects
 - (2) Promote Society 5.0 centered on scientific and technological innovations
 - (3) Promote economic cooperation and proactively develop economic diplomacy
 - (4) Create new growth opportunities through regulatory reform
 - (5) Strengthen agricultural competitiveness and develop it into a growth industry
 - (6) Promote tourism
3. Establish strong foundation for supporting a growth strategy
 - (1) Steady commitment to restore fiscal health and reform social security system
 - (2) Establish energy and environmental policies compatible with economic growth
 - (3) Corporate tax reform to improve corporate vitality
 - (4) Promote the active participation of women in the workforce and workstyle reform
 - (5) Promote the development of human resources for the next generation
 - (6) Enhance cyber security and countermeasures to guard against terrorism
4. Maintain a population of 100 million and create attractive cities and regions
 - (1) Enhance measures to address population decline
 - (2) Invigorate regional economies
 - (3) Improve urban functions
5. Successfully host the Tokyo Olympics and Paralympics
6. Continue reform of the Keidanren

For more details, see the following Keidanren website:

<http://www.keidanren.or.jp/en/policy/index01.html>

Challenges to overcome deflation and revitalize the economy

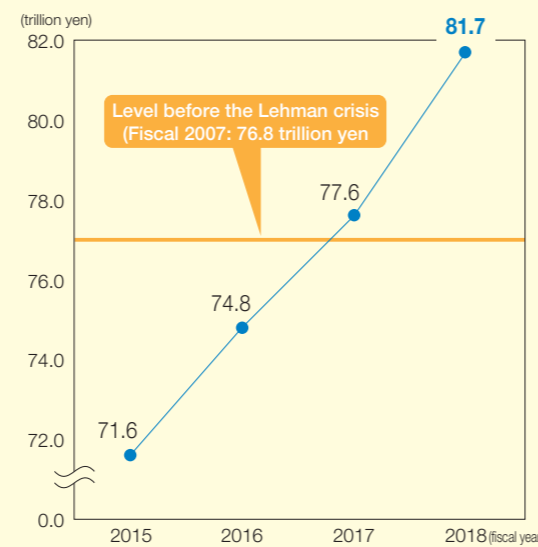
Currently, the most important policy issues facing our country are to overcome deflation and revitalize the Japanese economy. It is not an easy task to rebuild the Japanese economy which has experienced persistent deflation, with its nominal GDP failing to grow for nearly 20 years. The Abe administration has advocated the “new three arrows” as the second stage of Abenomics. This is in line with Keidanren’s Vision announced in January 2015, and in order for their realization, strong and unified cooperation among the political, bureaucratic, and private sectors is vital.

The business community, fully aware that companies

must play a major role in driving economic growth, has expressed its resolution to overcome the deflationary mindset and move to more aggressive management. Chairman Sakakibara participated in the “Public-Private Dialogue towards Investment for the Future” that started in October 2015, and recommended that the government pursue initiatives to secure equal footing for the business environment on a global basis. It is expected that if the government is able to achieve the nine items Keidanren proposed for improving the business environment, private capital investment in 2018 will increase by 10 trillion yen from 2015 to approx. 80 trillion yen.

Policy measures necessary to secure internationally equal footing for the business environment and the estimated capital investment when these measures are realized

- 1 Early reduction of the effective corporate tax rate
- 2 Measures to promote capital investment (reduction of property tax on the acquisition of depreciable assets (machinery and equipment))
- 3 Further promotion of regulatory reforms
- 4 Promotion of utilization of TPP and the early conclusion of economic partnership agreements (Japan-China-ROK FTA, RCEP, Japan-EU EPA)
- 5 Securing stable supply of electricity at reasonable prices
 - Acceleration of the reactivation process of nuclear power plants for which safety has been confirmed
 - Fundamental review of feed-in tariffs and the global warming tax
 - Promotion of the development of innovative technologies in the energy and environmental fields
- 6 Strong initiatives from the government for the development and commercialization of next-generation technologies (achievement of the government’s research and development investment goal of 1 percent of GDP; expansion and perpetuation of ImPACT and SIP)
- 7 Maintenance and expansion of research and development promotion tax system
- 8 Promotion of the active participation of women, youth, and seniors in the workforce and proactive acceptance of foreign talent
- 9 Further easing of labor regulations

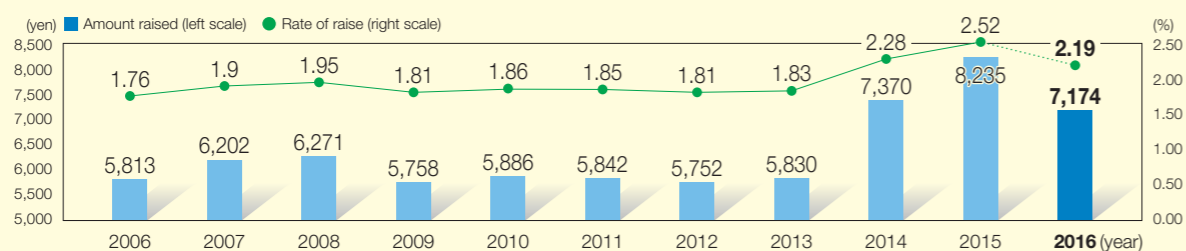


* Equivalent to the nominal capital investment in national economic accounting
 [Source] Estimate by Keidanren Secretariat

In addition, with respect to wages, Keidanren recommended that companies with increased profits raise annual income, including periodic pay raises, across-the-board pay increase, and bonuses. As a result, the amount by which the monthly wages of major

companies increased in 2016 was 7,174 yen, or 2.19% (first aggregation), remaining at a high level for the third consecutive year. This figure shows that the momentum driving wage increases continues this year.

Trend of raises in monthly wages (major companies)



* The amount raised signifies the amount of increase in monthly wage, including periodic pay raises, wage raises, and raises to maintain wages. The final aggregation results are shown for up to 2015. For 2016, the results of the first aggregation are shown (April 18, 2016).
 [Source] Keidanren, “Spring labor-management negotiations Results of negotiation results of major companies by industry (weighted average)”

Restoration of fiscal health and social security system reform

The state of Japanese finances shows that government debt is twice the GDP, which is the worst level among major industrialized countries.

Keidanren has pressed the government not to leave this issue unaddressed, and to reconstruct the public finance as a responsibility to the next generation.

For fiscal reconstruction, the government presented a policy of boosting tax revenue through achieving economic recovery and curbing increases in expenses centered on social security. As a specific means for attaining this goal, the government has set a goal of

limiting the primary balance (PB) deficit to within one percent of GDP in Fiscal 2018, and then achieving surplus by Fiscal 2020. The Economic and Fiscal Revitalization Action Program was formulated in December 2015 to help achieve this goal.

In developing these measures, Keidanren urged the government to prepare a specific process table and KPIs to help visualize these reforms through meetings, such as those of the Council on Fiscal and Economic Policy in which Chairman Sakakibara takes part.

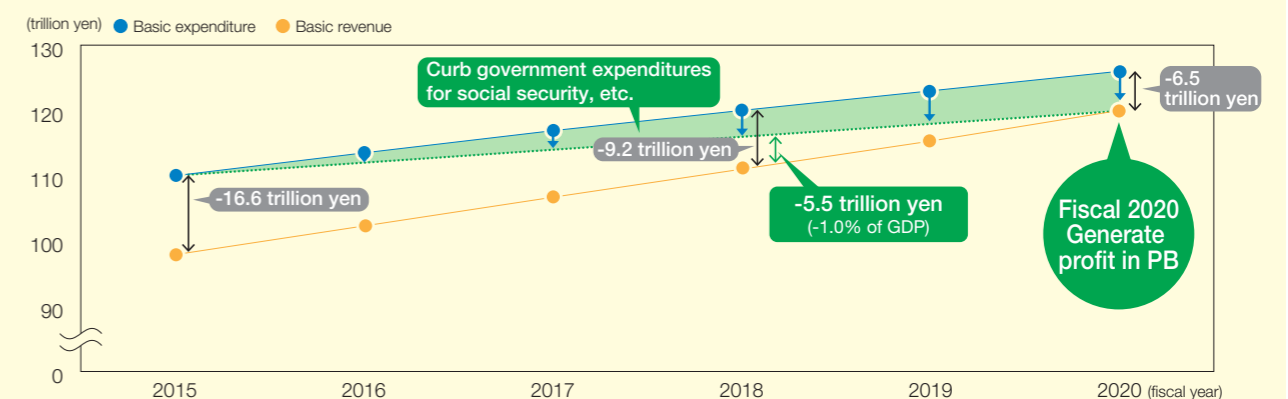


Chairman Sakakibara at the Council on Fiscal and Economic Policy (March 2016)

Efforts to reform the system in the social security field, which accounts for a large share of government spending, will be especially important in the future as the population continues to age. Keidanren has worked with

concerned parties to attain the reforms clearly specified in the government’s action program, which focuses on optimization of benefits in the fields of medical and nursing care.

Basic concepts for restoring fiscal health



[Source] Prepared by Keidanren Secretariat based on the “Economic and Fiscal Projections for Medium to Long Term Analysis” released by the Cabinet (January 21, 2016)

Acceleration of post-disaster reconstruction after the Great East Japan Earthquake

Reconstruction after the Great East Japan Earthquake is a challenge to be addressed by all people in Japan. Five years have passed since the disaster, and steady efforts have been taken in various areas toward reconstruction, while the business community has also expended full effort in tackling the creation of a New Tohoku.

In July 2015, a meeting was held in Fukushima prefecture with the Tohoku business community for the first time. An inspection visit was carried out to view the whole quantity, all-bag examination of rice produced in Fukushima as well as the research and development activities concerning boron-neutron capture therapy (BNCT). In addition to that, cooperation with the business community in Tohoku was strengthened to boost agriculture and tourism and promote the Tohoku brand.

In March 2016, an event to support the reconstruction titled "Build new commercial distribution channels in Tohoku! Challenge for growth" was held by the business community. Companies in the disaster-stricken area whose sales have yet to recover due to reputation damage sought to promote their products to concerned parties in the government and business community by explaining the current status and issues of their companies. By carefully informing people of the actual business conditions of the companies that are continuing to experience the challenge of reconstruction, we have helped them open new sales channels and develop new products. Through this assistance to the struggling companies in the affected region, we aim to accelerate the industrial recovery of the Tohoku region.

In addition, based on the lessons learned from the Great East Japan Earthquake, companies have bolstered their initiatives for business continuity plans (BCP) and other measures to prevent and reduce the damage from possible disasters. Keidanren itself has also made contributions to the broader business community and beyond by sharing the good practices of companies, formulating BCP for the entire supply chain including business partners, developing and sharing technologies that are useful for preventing and reducing damage caused by disasters, and facilitating cooperation between the political, bureaucratic and private sectors.

When the Kumamoto Earthquake occurred in April 2016, Keidanren made a monetary donation to the victims in the disaster stricken area, while calling for all the member companies and organizations to give extra consideration to students in the region regarding recruitment activities.



Inspection of whole quantity/all-bag examination of rice at JA Koriyama-shi Katahira warehouse (July 2015)



Held an event to support reconstruction after the Great East Japan Earthquake: "Build new commercial distribution channels in Tohoku! Challenge for growth" (March 2016)



Held an exhibition for the recovery of commercial distribution channels at a post-disaster restoration event (March 2016)

Promotion of regional revitalization

The vitalization of regional economies is essential for the recovery of the Japanese economy. Keidanren has positioned regional revitalization as one of its most important issues and has encouraged autonomous economic development in the regions through the promotion of agriculture, tourism and other sectors.

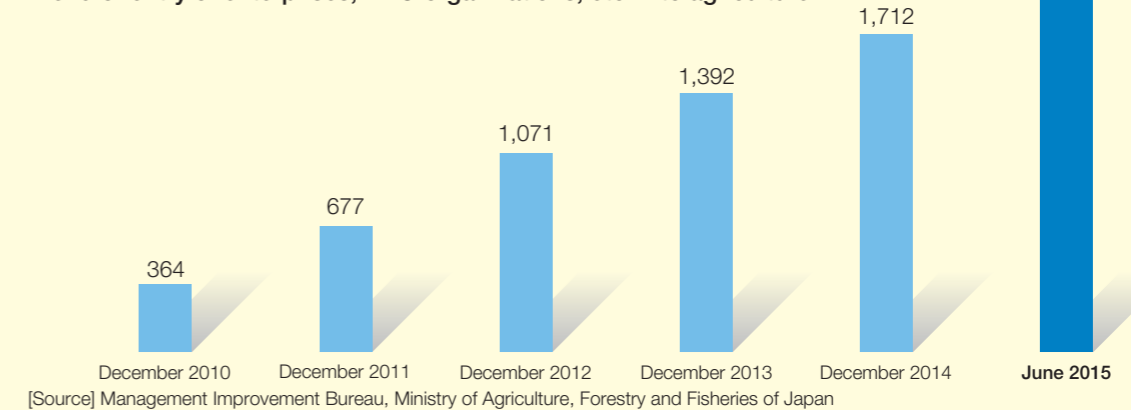
Through meetings of business organizations in various regions in Japan and visits to companies' production and development sites, Keidanren has listened actively to the voices of people in the regional economies and reflected them in its policy proposal activities. In September 2015, "Keidanren's Action Plan for Regional Revitalization" was published and initiatives have been taken to strengthen the local offices of companies and improve the regional entrepreneurial environment.

Cooperation with the government has also been strengthened. Participating in the Regional Job Creation

Convention launched in November 2015, Keidanren has insisted on thoroughly pursuing decentralization reform with an eye to introducing special zones for regional government (*Do-shu* system) so that each region can autonomously implement its growth strategy.

In terms of agriculture, we have strongly supported policies to integrate and consolidate agricultural land to promote the entry of corporations and management scale expansion to establish agriculture as a growth industry. In addition, we have undertaken cooperation and partnerships with the agricultural community, including the JA Group and Agriculture Corporate Association. Some positive results have already been produced with gains in efficiency and the reduction of production costs through the application of corporate expertise in agricultural management, while also helping to boost exports of agricultural products.

Trend of entry of enterprises, NPO organizations, etc. into agriculture



The tourism industry is an extremely important field to be promoted as a pillar of the growth strategy. Keidanren has consistently recommended that the government ease the requirements for the issuance of visas and improve and enhance local airports. Last year, the number of foreign tourists visiting Japan (inbound) reached 19.73 million, and the consumption generated

by these tourists amounted to 3,470 billion yen. Keidanren will promote the development of advanced human resources for tourism including the regional deployment of internships by cooperating with corporations and universities to become a more advanced tourism-oriented country.



The Kyushu Economic Council visiting a mango farm (March 2016)



The Planning Unit of the Tourism Committee visiting Nishimerason, Miyazaki (April 2015)

Response to global warming

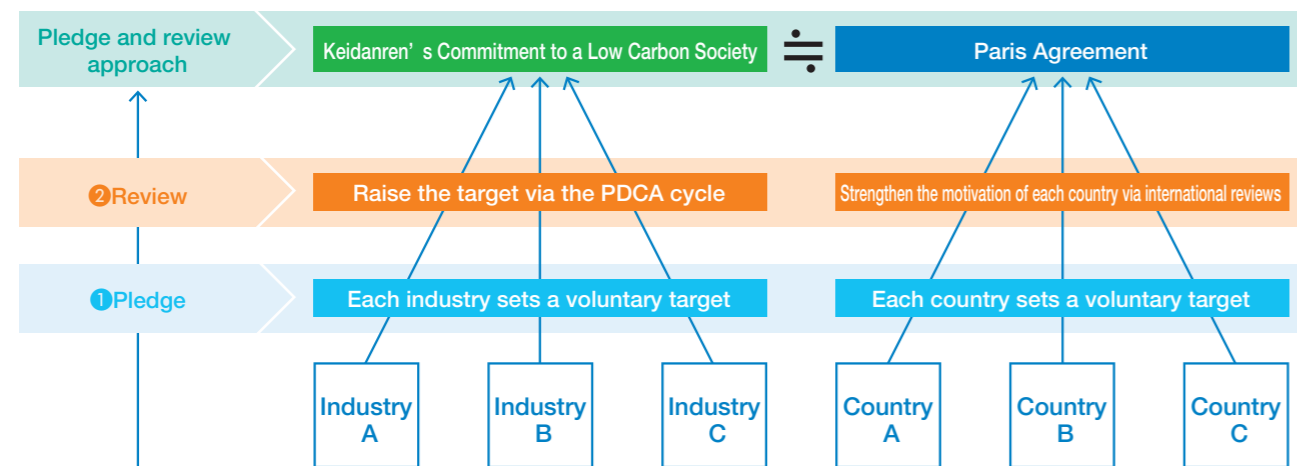
Global warming is a critical challenge for all humanity, and global society must make concerted efforts to address this issue. At the same time, because the restriction of CO2 emissions is closely related to the way in which energy is consumed, it is important for us to take actions against global warming in a manner that is compatible with the economy.

In July 2015, Japan adopted a 2030 target for the reduction of greenhouse gas emissions. To achieve this target, “Keidanren’s Commitment to a Low Carbon Society,” setting out voluntary measures toward 2030 to address global warming, was positioned as a pillar of its measures.

Keidanren also dispatched a delegation to COP21 (November-December 2015, Paris) and proposed the establishment of a fair and effective framework joined by all major emitting countries. The Paris Agreement adopted at COP21 incorporates a “Pledge and review” approach in which each of the major emitting countries joins by voluntarily setting non-binding targets and improving effectiveness through periodical reviews. This approach has been implemented by Keidanren as “Keidanren’s Commitment to a Low Carbon Society” and achieved positive results.

Keidanren will continue contributing to the reduction of greenhouse gas emissions on a global scale.

The “Pledge and review” approach in the “Keidanren’s Commitment to a Low Carbon Society” and the “Paris Agreement”



Realization of stable energy supply with economically efficient prices

People’s lives and corporate activities require a stable supply of energy at economically efficient prices. However, electricity prices have increased significantly since the Great East Japan Earthquake. In addition, because almost 90 percent of power generation now

relies on fossil fuel, CO2 emissions associated with power generation have increased by approximately 20% since before the earthquake.

Keidanren has called for the implementation of an energy policy that balance the goals of energy security, economic efficiency and environmental suitability based on the premise of safety. Because nuclear power is an important power source that meets these conditions, nuclear power plants whose safety has been confirmed and regarding which the understanding of the local people has been gained, should resume their operations.

Keidanren has made strong calls for the government to review the feed-in tariff of renewable energies because the increase of levies on them is leading to electricity price hikes. Consequently, an examination has been undertaken concerning the revocation of the approval of yet-to-be-operated cases (those for which only approval was obtained for a high purchase price, but actual power generation has not been commenced) and the introduction of a bidding system for electricity companies to purchase renewable energies at lower prices, etc.



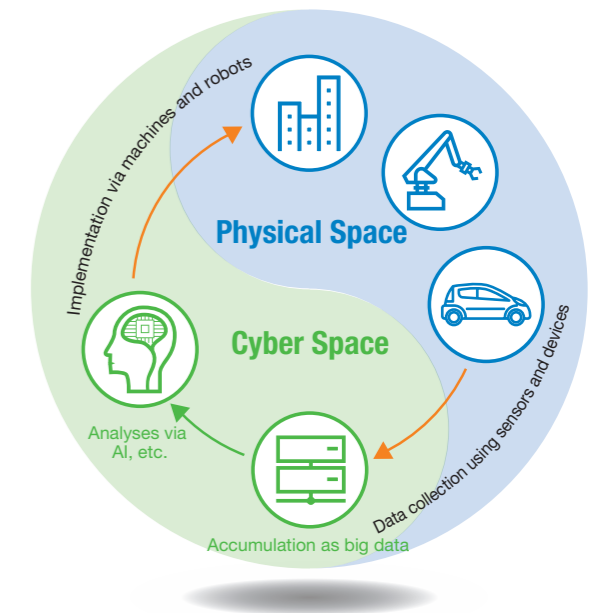
Inspection of training to cope with an emergency at Kashiwazaki-Kariwa Nuclear Power Plant (January 2016)

Promoting innovation

It is essential for Japan, which is poor in natural resources, to continue producing innovative products and services in order to achieve sustainable development. To enhance innovative and creative power in Japan, Keidanren has made proposals concerning the vision of scientific and technological innovation policies and the reforms of national universities and R&D agencies to reinforce industry-academia-government cooperation, the enhancement of venture creation and development to promote entrepreneurship, among other initiatives, and has realized many of these.

In recent years, the advent of the 4th Industrial Revolution has attracted public attention with robot technology, artificial intelligence (AI), big data, Internet of Things (IoT), etc. The Japanese government has also advocated Society5.0 and aims to facilitate revolutionary innovations based on these cutting-edge technologies. Keidanren will continue making proactive and diverse recommendations concerning the enhancement and utilization of outstanding Japanese science and technology and the review of legal restrictions that might hinder innovation for the realization of this new economy and society.

Value creation process with IoT, AI and robots



Proactive responses to the Social Security and Tax Number System

The Social Security and Tax Number System, whose operation commenced in January 2016, is a social infrastructure that has a significant impact on companies’ activities as well as on people’s lives. Keidanren had long called for the introduction of the Social Security and Tax Number System as indispensable infrastructure for the provision of highly convenient electronic administration services. Since the enactment of the Social Security and Tax Number Act, Keidanren has facilitated opinion exchanges between officials in charge of the system on the administration side and persons in charge of the actual practices on the corporation side to achieve efficient operations, and has held seminars for member companies as well as developed a wide range of activities to ensure the public is fully informed of the system and to

facilitate its introduction. The related information carried on Keidanren’s website has been accessed more than 20 million times in total, and is being referenced by a large number of member companies.

We will further our consideration of the efficient operation of the system and convenient uses for the private sector from the viewpoint of the business community. In addition, we will make active proposals regarding measures for promoting utilizations of the data, such as cooperation between the government and the private sector, considering appropriate personal information management and utilization and the reinforcement of cyber security measures to further develop the digital society.



Nearly 600 people participated in the briefing session held at the start of the Social Security and Tax Number System (December 2015)



Keidanren’s enterprise identification number: 1010005018440

Promotion of women's active participation in the workforce

The promotion of women's active participation in the workforce is an important growth strategy for the Japanese economy and society to accomplish sustainable growth amid the declining birth rate and aging population. It is also a management strategy to enable companies to enhance corporate competitiveness. To specifically promote women's active participation in the workplace, Keidanren has called on member companies to develop voluntary action plans concerning the appointment of women to board members and managerial positions. Keidanren itself has

promoted the appointment of female executives as well. We have also established Keidanren's Female Executives Network to further boost the activities of female officers in companies. Further, we have taken initiatives in cooperation with the government to develop female human resources in science and technology fields.

Following up on the previous year, Keidanren provided support for the World Assembly for Women in Tokyo (WAW! 2015) event in August 2015 to promote the importance of diversity management to international society.



At the first meeting of Keidanren's Female Executives Network (August 2015)

Enhancement of cooperation with political leaders

Japan is now experiencing a crucial moment at which we are facing the issue of whether we can overcome the deflation it has suffered for over 20 years, and get the economy back on a growth track. In these cases, economic leaders and political leaders must work closely in tandem with each other to promote policies towards the restoration of Japan. To bolster cooperation with political leaders, Keidanren has committed itself to the following activities: (1) Policy proposals to increase economic vitality and improve people's lives, (2) Communication with political parties and political figures, (3) Promotion of economic diplomacy based on the coordinated efforts of the government and the private sector and (4) Enhancement of business leaders' participation in politics. In Fiscal 2015, as many as 17

policy meetings were held with key ministers and members of political parties, and Keidanren's chairman, vice chairs and other executives accompanied the prime minister's overseas visits on numerous occasions.

In this way, economic leaders and political leaders promoted the policies together and achieved advancement in many important political issues including the decrease of effective corporate tax rates, agreement on most of the major issues of the TPP negotiations, the adoption of the Paris Agreement at COP21 and the improvement of Japan-China and Japan-ROK relations.

An affiliated organization of Keidanren, the Business Leaders Political Forum has hosted lectures by politicians and experts to develop grassroots activities for the enhancement of cooperation with political leaders.



A meeting with the leaders of the Liberal Democratic Party (January 2016)

Reforming workstyles

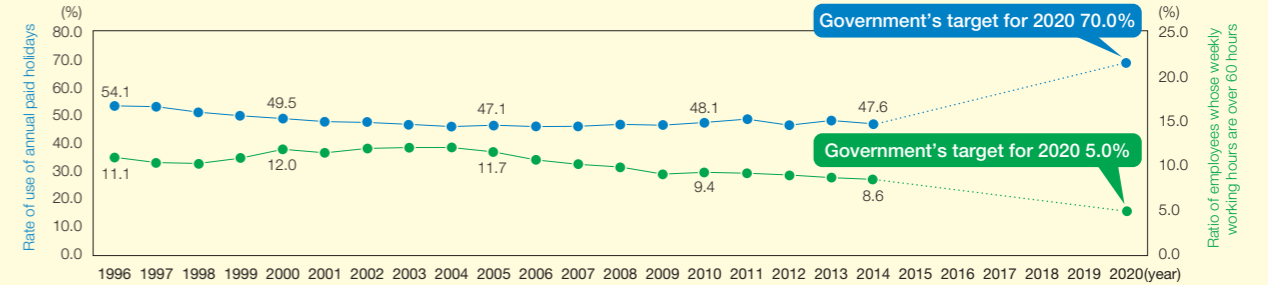
In a significantly changing market environment, with a rapidly declining labor force and intensified global competition, companies are increasingly required to constantly generate appealing and high value-added products and services to maintain and enhance their competitiveness. For this purpose, innovations in workstyles should be facilitated to enable employees to maximize their motivation and abilities. In this respect, a number of companies are now focusing on rectifying chronically long working hours, and encouraging employees to take leave from work as important management issues, and are implementing a range of initiatives to this end.

By gathering and sharing information on companies

that are leading the way on these issues, Keidanren has sought to introduce new initiatives to member companies and organizations while endeavoring to raise awareness among society at large. In the "How to Work and Rest Seminar" held in June 2015, we conveyed the importance of leadership by senior management and examples such as the introduction of early morning work.

To enable flexible and dynamic methods of working, it is essential that companies accommodate diverse workstyles, and thus Keidanren has requested the early revision of the Labor Standards Act to introduce an assessment system based not on hours worked but on results, and expand the application of the discretionary work system.

Trends in acquisition rates of annual paid holidays and ratio of employees whose weekly working hours exceed 60 hours



* The government's targets are based on the targets by 2020 of "Employment and Human Resources Strategies" contained in the New Growth Strategies (resolved by the Cabinet on June 18, 2010).
 [Source] Ministry of Health, Labour and Welfare, "General Survey of Working Conditions" ("General Survey of Wages and Working Hours System" up to 1999), Ministry of Internal Affairs and Communications, Labour Force Survey

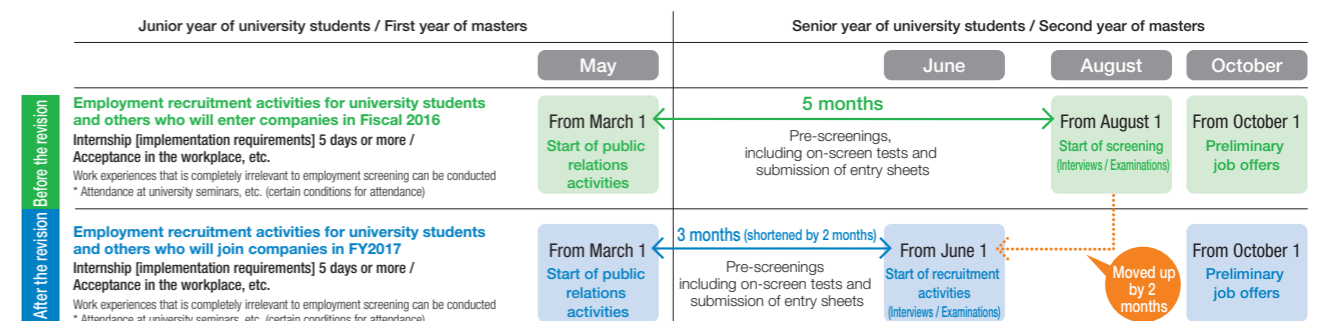
Reviewing the schedule of recruitment activities

Recruitment activities for university students and others who will enter companies in 2016 was moved back because of the request made by the government and universities to change the recruitment schedules. Nevertheless, this had caused significant confusion among companies, students and universities due to prolonged recruitment activities and others. Keidanren, which has set its own recruitment guidelines, instead of overlooking this confusion, decided to review the start date. Specifically, for the recruitment activities of those who will enter companies in 2017, the start of public relations activities on recruitment is set at the same date as the previous year, namely March 1 of the year prior to the academic year in which students are scheduled to graduate or complete their master's courses, and the

start of the recruitment activities is moved up by two months from the previous year to June 1 of the academic year in which students are scheduled to graduate or complete their master's courses.

In the new recruitment guidelines, since June falls within the university semester, member companies are required to give consideration to students so that the recruitment activities will not conflict with their classes, research, and teacher training. In addition, for companies that set separate recruitment opportunities for students with overseas study experience, we request them to actively announce their own corporate initiatives so that students who have returned from overseas study will not be unsure of the recruitment activities process.

Revision of the schedule of recruitment activities



Expanding and deepening Japan-U.S. relations

Japan and the United States share basic values such as freedom, democracy, the rule of law and human rights, and for Japan, the United States is a steadfast ally as well as its largest business partner. The enhancement of the Japan-U.S. relationship is essential for global stability and prosperity as well, and we need to strive to promote closer exchanges in politics, the economy and many other fields to strengthen the ties.

From June to July 2015, Keidanren dispatched a large mission comprised of more than 100 members in three groups to Washington, D.C. and 14 other cities in 10 states in the United States. This is the first time in the history of Keidanren that it had dispatched such a large mission across the United States. In Washington, D.C., we met with U.S. Trade Representative Ambassador Michael Froman and Secretary of Commerce Penny Pritzker and discussed the early realization of the TPP which was under negotiation at the time.

In November, Keidanren USA was opened for the following purposes: (1) the collection and analysis of the latest information from the United States, (2) the dissemination and explanation of information from Japanese business community to concerned parties and

(3) the development and enhancement of networks and improved level of presence of the Japanese business community in the United States.

Keidanren will more vigorously advance activities to strengthen the Japan-U.S. relationship which is a cornerstone of Japan's diplomacy.



Chairman Sakakibara offering a lecture at the U.S. Chamber of Commerce (June 2015 / Washington, D.C.)

Promotion of TPP negotiations

The TPP negotiations were finally concluded in Atlanta, U.S. in October 2015. The TPP will cover the market of 800 million people and nearly 40 percent of the world GDP, achieving an unprecedented high level of trade liberalization, and making it a groundbreaking economic alliance agreement of the 21st century. For the restoration of the Japanese economy, it is essential to make full use of the TPP and construct sophisticated value chains in the rapidly growing Asia-Pacific region. The TPP, which is expected to have an economic impact of 14 trillion yen, can be said to be an ultimate growth strategy.

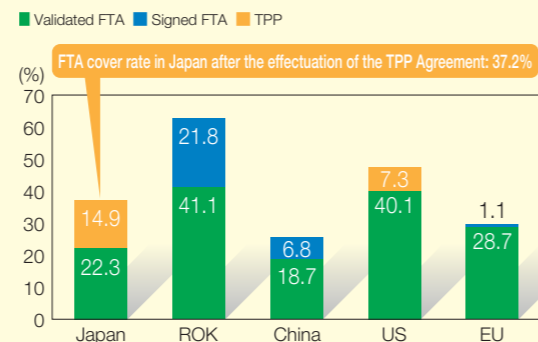
Keidanren dispatched its delegation to the Ministerial Meetings held in Hawaii and Atlanta in the final phase of the TPP negotiations to support the government's negotiations. The key in the future is how to make the full use of the TPP Agreement in actual businesses, and for that purpose, the leading role is now handed over from the government to the business community. Now is the



Keidanren's symposium "How to Utilize the TPP" was held (February 2016)

time for the private sector to take the initiative. Needless to say, it is important not only for major companies but also small and medium companies as well as agricultural and other sectors to proactively utilize the TPP fully. In this context, we held a large symposium to encourage the utilization of the TPP in February 2016, and opinions were exchanged among diverse stakeholders who attended the symposium, including small and medium business entrepreneurs, regional business communities, labor unions and farmers. By taking advantage of the TPP, we will further enhance competitiveness, establish agriculture as a growth industry and promote regional revitalization.

Expected increase in the FTA cover rate via the conclusion of the TPP Agreement



[Source] Prepared by Keidanren's Secretariat based on information from the TPP Headquarters at the Cabinet Secretariat Office. (Validated/signed FTA cover rates are cited from the Trade White Paper 2015. FTA cover rates with the conclusion of the TPP Agreement are from the Ministry of Finance's Trade Statistics of Japan (definitive value on March 21, 2015) for Japan and prepared by Keidanren's Secretariat based on IMF's Direction of Trade Statistics (April 27, 2015) for the United States.)

Strengthening the relationship with Asia



Held the Asian Business Summit (July 2015)

Asia, which has achieved rapid economic growth, is expected to remain the driving force of the world economy, and Japan should also contribute to the sustainable development of Asia as well as grow in tandem with it.

Keidanren has actively developed private diplomacy with economies in Asia. In FY2015, Economic delegations were sent to China, ROK, Indonesia, India, Mongolia and Vietnam to request that political leaders improve the business environment for the expansion of economic relationships and support early conclusion of economic partnership agreements, as well as to undertake active exchanges with business community in each economy.

In particular, we sought to expand exchanges with business communities in China and ROK, with which bilateral relations have been strained, and appeal to the leaders of these countries regarding the necessity of building up stable political and diplomatic relations. In October 2015, the regular business summit meeting was held with Federation of Korean Industries (FKI), as well as a symposium to commemorate the 50th anniversary of the normalization of diplomatic ties between Japan and ROK. In November, we dispatched a mission in cooperation with the Japan-China Economic Association and the Japan Chamber of Commerce and Industry and held the Japan-China-ROK Business Summit to coincide with the Japan-China-ROK Summit meeting. In the same month, we held Japan-China CEO and former senior officials meeting which more than 100 business and political leaders from both countries attended, to further strengthen economic exchange.

In addition to bilateral relations, Keidanren hosted the Asia Business Summit, in which top leaders of the business community in key economies in Asia participated in July, and had discussions on the themes such as promotion of economic partnership, development of infrastructure, addressing environmental challenges, etc. aimed at promoting regional cooperation for these important issues.

The economic diplomacy conducted by Keidanren has functioned as an important platform for the enhancement



Japan-India Business Leaders Forum (December 2015 / New Delhi)



Japan-China-ROK Business Summit (November 2015 / Seoul)

of economic ties with each economy. Keidanren will continue to position economic diplomacy as one of its important activities and aggressively take initiatives on them.

(As of July 1, 2016)

Towards the success of the Tokyo Olympics and Paralympics



Countdown event for the Tokyo Olympics and Paralympics, "2020-Day Countdown to Tokyo 2020" (January 2015) (Tokyo 2020 / Ryo ICHIKAWA)

The world's biggest sporting events, the Olympics and Paralympics, will be held in Tokyo in the summer of 2020. Capitalizing on this occasion when Japan comes under the spotlight of the world, we must demonstrate the recovery from the Great East Japan Earthquake and also showcase the strengths of Japan in its high quality and safe products, services and infrastructure as well as cultures and traditions.

Currently, athletic and other infrastructure is being enhanced, while a wide range of preparations are under way, such as the redevelopment of cities and the establishment of systems for welcoming foreign tourists. It is important to extend this effort from Tokyo to other regions to bring economic growth to all of Japan by ensuring that the virtuous cycle of the economy operates nationwide.

For Japan, the year 2020 should not be the goal, but a transit point for the further development of the economy and society. In recent Olympics and Paralympics, emphasis has been placed on "What will be left after the games?" The London Olympics and Paralympics are mentioned as a successful example of the formation of such a legacy (heritage) with ongoing economic growth, creation of employment, promoted investment from overseas and increased inbound tourism. By referring to these cases, we should be able to create our legacy for continued growth even after the Tokyo Olympics and Paralympics.

Keidanren has established the Committee on the Tokyo 2020 Olympic and Paralympic Games to provide support for the success of the Tokyo Olympics and Paralympics through the support of athletes and sports figures nationwide and the expansion of employment opportunities for athletes by companies. Meanwhile, the Business Community Council for the Olympics and Paralympics, comprised of Keidanren and other economic organizations, has taken initiatives to create a legacy by the business community itself in a wide range



Speeches delivered by the medalists of the Olympics and Paralympics (March 2016)



Exchange with young athletes in Tohoku (March 2016)

of fields including promotion of Japan as a technological leader, the promotion of a barrier-free society and regional revitalization.

Chairman



SAKAKIBARA Sadayuki

Chief Senior Advisor, Chief Senior Counselor
Toray Industries, Inc.

Chairman of the Board of Councillors



IWASA Hiromichi

Chairman and CEO
Mitsui Fudosan Co., Ltd.

Vice Chairs

TOMONO Hiroshi

Senior Advisor
NIPPON STEEL & SUMITOMO METAL CORPORATION

UCHIYAMADA Takeshi

Chairman of the Board
Toyota Motor Corporation

NAKANISHI Hiroaki

Chairman & CEO
Hitachi, Ltd.

KIMURA Yasushi

Chairman of the Board
JX Holdings, Inc.

UNOURA Hiroo

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Nippon Telegraph and Telephone Corporation

KOGA Nobuyuki

Chairman
Nomura Securities Co., Ltd.

OKAMOTO Kunie

Chairman
Nippon Life Insurance Company

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Mitsui & Co., Ltd.

KUDO Yasumi

Chairman of the Board
Nippon Yusen Kabushiki Kaisha (NYK LINE)

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Tokyo Gas CO., Ltd.

KOBAYASHI Ken

Chairman of the Board
Mitsubishi Corporation

ISHIZUKA Kunio

Chairman and Representative Director
Isetan Mitsukoshi Holdings Ltd.

KUNIBE Takeshi

President and CEO
Sumitomo Mitsui Banking Corporation

Vice Chairs of the Board of Councillors

ITOH Ichiro

Chairman & Director
Asahi Kasei Corporation

SHIMOMURA Setsuhiro

Executive Corporate Adviser
Mitsubishi Electric Corporation

NIKKAKU Akihiro

President
Toray Industries, Inc.

MURASE Haruo

Chairman
Canon Marketing Japan, Inc.

NOJI Kunio

Chairman of the Board
KOMATSU Ltd.

MIYAMOTO Yoichi

Chairman of the Board
Shimizu Corporation

ITO Masatoshi

Chairman of the Board
Ajinomoto Co., Inc.

TAKAHASHI Kyohei

Chairman of the Board
Showa Denko K.K.

YAMAUCHI Takashi

President Emeritus
Taisei Corporation

SUZUKI Shigeharu

Chairman of the Board
Daiwa Securities Group Inc.

EGASHIRA Toshiaki

Senior Advisor
Mitsui Sumitomo Insurance Co., Ltd.

OKAFUJI Masahiro

President & CEO
ITOCHU Corporation

TOMITA Tetsuro

President and CEO
East Japan Railway Company

WATANABE Koichiro

President
The Dai-ichi Life Insurance Company, Limited

YOSHIDA Haruno

President & Representative Director
BT Japan Corporation

ASANO Kuniko

Founder
Hakuichi Incorporated

SUMI Shuzo

Chairman of the Board
Tokio Marine Holdings, Inc.

IZUMIYA Naoki

Chairman & Representative Director, CEO
Asahi Group Holdings, Ltd.

NAGAE Shusaku

Chairman of the Board
Panasonic Corporation

NAKAMURA Kuniharu

President and CEO
SUMITOMO CORPORATION

SATO Yasuhiro

President & Group CEO
Mizuho Financial Group, Inc.

Director General

KUBOTA Masakazu



Condensed Balance Sheets (As of March 31, 2016)

(Millions of yen)

Items	Current fiscal year
I Assets	
1 Current assets	
Total of current assets	3,958
2 Non-current assets	
(1) Specific assets	
Accumulated assets for replacement of office facilities	6,860
Accumulated assets for replacement of conference room facilities	6,150
Other accumulated assets	2,613
Total of specific assets	15,624
(2) Other non-current assets	
Buildings	6,648
Land	3,506
Other	2,311
Total of other non-current assets	12,466
Total of non-current assets	28,090
Total of assets	32,049
II Liabilities	
1 Current liabilities	
Total of current liabilities	659
2 Non-current liabilities	
Total of non-current liabilities	711
Total of liabilities	1,370
III Net assets	
General net assets	30,679
(of which the amount appropriated to specific assets)	(15,504)
Total of net assets	30,679
Total of liabilities and net assets	32,049

Statement of Changes in Net Assets (From April 1, 2015 to March 31, 2016)

In Fiscal 2015, Keidanren's ordinary income was 6,504 million yen. Ordinary expenses were 5,040 million yen, the breakdown of which were project expenses of 3,575 million yen and administrative expenses of 1,465 million yen. The amount of the ordinary accounts balance calculated by adding or subtracting the gain/loss on valuation of assets and others was 1,486 million yen. The ordinary accounts balance is appropriated to the accumulation of specific assets, etc. for the future replacement of facilities, etc.

History of KEIDANREN

Keidanren 1946 >>> 2016

The Japan Federation of Economic Organizations (Keidanren) was established in August 1946, immediately after the end of World War II, with the aim of reconstruction and recovery of the Japanese economy. Keidanren's first Chairman was Ichiro Ishikawa (1946-56). In April 1948, the Japan Federation of Employers' Associations (Nikkeiren) was launched with the objective of establishing appropriate relations between labor and management, with the motto "Employers, Be Righteous and Strong". Nikkeiren's first Representative Executive Director was Kanichi Moroi (1948-68).

Since then, the two organizations have contributed to the development of the Japanese and global economies through maintaining and stimulating a liberal economic model and taking on internal and external challenges that the business community faced, such as trade liberalization, promotion of free competition, measures for addressing energy and environmental issues, promotion of private sector economic diplomacy, wage negotiations, and establishment of stable labor-management relations. Keidanren's Chairman Taizo Ishizaka (1956-68) emphasized that the business community must take the high road of liberalization, and helped achieve capital liberalization.

In 1966, the original Keidanren Kaikan building was completed, and the organization continued its further development.

Keidanren Chairman Toshio Doko (1974-80) used his experience gained through work on the streamlining of production sites to streamline government (administrative reform). Since the tenures of Keidanren Chairman Doko, Nikkeiren Chairman Bunpei Otsuki (1979-87), and Nikkeiren

Chairman Eiji Suzuki (1987-91), the major roles of Keidanren and Nikkeiren in contributing to administrative and financial reforms have been recognized by the Japanese people.

Japan, although having achieved high economic growth, then entered a period of trade friction. In order to overcome this situation, various concepts, such as "Philosophy of Endurance" by Keidanren Chairman Yoshihiro Inayama (1980-86); "Co-existence" by Keidanren Chairman Gaishi Hiraiwa (1990-94); and "Attractive Japan" by Keidanren Chairman Shoichiro Toyoda (1994-98); were established in an attempt for Japanese companies to be accepted by the international community as good corporate citizens.

Amid the trend toward a declining birthrate and an aging population as well as diversification in the mentality and values of the Japanese people, the reform of the social security system, employment and labor issues, and educational reforms have become policy issues with increased significance for corporate management. In 2002, Keidanren and Nikkeiren merged to form the Japan Business Federation (Keidanren) as a new comprehensive economic organization. The first Chairman of Keidanren after the merger was Hiroshi Okuda (2002-06).

In 2009, the new Keidanren Kaikan was completed. On March 30, 2012, Keidanren changed its juridical status from an incorporated association to a general incorporated association in accordance with the reform of the public interest corporation system.

As Japanese companies engage in business activities on a global scale, Keidanren's activities are also expanding from within Japan to the world stage.

Overview of KEIDANREN

Name:	Ippan Shadan Hojin Nippon Keizai Dantai Rengokai KEIDANREN or Japan Business Federation
Objectives (Article 3 of the Articles of Incorporation):	The objectives of Keidanren as a comprehensive economic organization are to contribute to the self-sustained development of the Japanese economy and the improvement of the lives of citizens, by drawing out the dynamism of corporations as well as that of the individuals and communities that support them
Established:	August 16, 1946
Authorized as an incorporated association:	June 29, 1961
Transition to a general incorporated association:	March 30, 2012
Representative Directors:	SAKAKIBARA Sadayuki, Chairman KUBOTA Masakazu, Director General
Directors:	23 (Chairman: 1, Vice Chairs: 16, Director General: 1, Senior Managing Directors; Managing Directors: 5)
Auditors:	2
KEIDANREN is a corporation with an Accounting Auditor.	
Membership:	Corporate members: 1,336, Group members: 156, Special members: 32, Total: 1,524 members (as of March 31, 2016)
Secretariat:	Staff members: 228 (including temporary staff, as of April 1, 2016)

Ippan Shadan Hojin Nippon Keizai Dantai Rengokai
KEIDANREN or Japan Business Federation

Keidanren Kaikan, 1-3-2, Otemachi, Chiyoda-ku, Tokyo 100-8188

Kansai Office: Nakanoshima Dai Building, 3-3-23 Nakanoshima, Kita-ku, Osaka
530-6108

Keidanren U.S.A.: 1200 Seventeenth Street, NW, Washington, D.C., U.S.A.

URL: <http://www.keidanren.or.jp/>

Keidanren U.S.A. URL: <http://keidanren.us/>



Otemachi Stn. C2b Exit

Keidanren

Policy & Action