

Keidanren Report

September 2015





Chairman's Message

Japan stands at a crucial juncture in its effort to rid itself of deflation and achieve tangible economic revitalization. The political leadership, the bureaucracy, and the private sector must deploy all the policies and resources at their disposal at this vital moment to ensure that the effort bears fruit.

Keidanren, for its part, regards this year as the one in which the first steps towards the realization of the economy and the society as described in our vision statement, *Toward the Creation of a More Affluent and Vibrant Japan*, will be taken. We will, in addition to paving the way toward the elimination of deflation and toward economic revitalization, work with all our strength to address the many key policy issues that face us.

Keidanren's Policy for this fiscal year lists these issues and the steps we will take to tackle them. There are several priority areas. These include, fiscal consolidation, including achieving primary balance surplus by fiscal 2020, ensuring a stable and economically viable energy supply, revitalizing regional economies through stronger collaboration with regional economic groups, addressing the problem of population decline and encouraging the active participation of women in the workforce as a strategy for growth, and engaging in economic diplomacy with a view to boosting economic exchange with countries around the world. We will also continue to contribute actively to the post-earthquake reconstruction effort and to prepare for the Olympic and Paralympic Games in Tokyo in 2020.

We will also continue to carry out reforms within Keidanren itself, as we work to consolidate further the trust and expectations placed in our organization by the wider community.

Living up to our motto, "Policy and Action," Keidanren will continue to actively make policy recommendations focused on national interest and the future, and, acting as a Keidanren that is active and involved, will energetically work with all relevant parties to ensure that those recommendations become reality. I hope we can rely on your continued assistance and support.



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Chairman

神子定経

SAKAKIBARA Sadayuki

2014

2015

Events in Japan

Activities of Keidanren

April

The consumption tax rate rises from 5% to 8%
The Nikkei Stock Average exceeds the 20,000-yen level for the first time in 15 years

June

Tomioka Silk Mill and Related Sites added to the World Heritage List

October

Three Japanese-born scientists win the Nobel Prize in physics for the invention of blue light-emitting diodes

November

Japan-China Summit Meeting is held for the first time in three years

December

The House of Representatives election is held. The ruling parties secure over two thirds of the Lower House seats

June

Sadayuki Sakakibara succeeds Hiromasa Yonekura, becoming 13th Chairman of Keidanren



July

Visits to disaster-stricken areas in the Tohoku region



With Mr. Suda, Mayor of Onagawa Town

Keidanren mission accompanies Prime Minister Abe on his visit to Latin America



(from left to right) With Prime Minister Abe and Mexican President Peña Nieto

October

Meetings with Chinese leaders, including Vice Premier Wang Yang (Beijing)

September

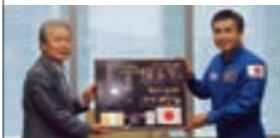
Organizes the World Assembly for Women in Tokyo



With Prime Minister Abe and Mrs. Abe; Ms. Lagarde, Managing Director of IMF; Ms. Blair, wife of former UK Prime Minister; and Ms. Kennedy, Ambassador of the United States to Japan

August

Meeting with Japanese astronaut Mr. Koichi Wakata



December

Meeting with Mr. Chang-Soo Huh, Chairman of the Federation of Korean Industries, and others (Seoul)



January

Announcement of Keidanren's vision *Toward the Creation of a More Affluent and Vibrant Japan*

March

Organizes the Olympics and Paralympics Business Council consisting of members including the heads of the three major economic organizations

April

Keidanren mission to Indonesia meets with H.E. Ir. H. Joko Widodo, President of Indonesia



January

Spring wage negotiations start (Major wage increase achieved for the second consecutive year)

March

Four years since the Great East Japan Earthquake
Outline of Measures for Society with Decreasing Birthrate is approved by the Cabinet
The Hokuriku Shinkansen starts operations between Nagano and Kanazawa

April

The national budget for fiscal 2015 is approved
Japan - U.S. Summit Meeting (Washington D.C., U.S.A.)

May

Meeting with President Park Geun-He of the Republic of Korea
Together with the heads of business associations of the G7 states, delivers the Communique to German Chancellor Merkel at the B7 Summit (Berlin)



(Photo provided by BDI/Christian Kruppa)

June

Chairman Sakakibara's second year of office



June

G7 Summit (Elmau, Germany)
The Basic Policies for Economic and Fiscal Management and Reform 2015, the 2015 revision of the Japan Revitalization Strategy, and the Regulatory Reform Work Plan are approved by the Cabinet

July

Sites of Japan's Meiji Industrial Revolution added to the World Heritage List

July

Keidanren mission to the United States



With Virginia Governor McAuliffe

Joint statement for the creation of a New Tohoku is issued in cooperation with the Tohoku Economic Federation



With Mr. Takahashi, Chairman of the Tohoku Economic Federation

Toward the Creation of a More Affluent and Vibrant Japan



Chairman Sakakibara hands over the Keidanren's vision to Prime Minister Abe (January 2015)

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** A solid foundation enabling the economy to grow strongly; and **4** Contributing to the prosperity of the world by providing solutions to global issues.

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 the Keidanren's vision

Overall policy issues

1 Accelerate recovery from the Great East Japan Earthquake 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 lively working environments for everyone

- Promote diverse ways of working
- Promote use of women in the workforce
- Promote use of young and elderly people in the workforce

Utilize information and communications technology

Promote start of new businesses

Establish "Japan Brand"

3 A solid foundation enabling the economy to grow strongly

Ensure a business environment on an equal footing with international standards

- Reform the corporate tax system
- Rebuild energy policies
- Improve critical infrastructure

Achieve fiscal health

Comprehensive reform of social security and tax systems

Vitalize financial and capital markets

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

Work for disaster prevention and reduction and national resilience

Work for administrative reform

- Promote electronic administration
- Introduce regional government system called "doshu-sei" which will contribute to formation of broader economic blocs

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 structure of agriculture
- Promote tourism

Enhance use of foreign manpower

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

Contribute to the fields of environment, resources, water and energy

Contribute to measures for disaster prevention and reduction

Contribute to the health and medical fields

Contribute to the eradication of absolute poverty, hunger and epidemics

Creating a More Affluent and Vibrant Japan

(Resolution of the Keidanren Annual General Assembly held on June 2, 2015)

The Abe administration's domestic and foreign policy measures are bearing fruit, and the Japanese economy is steadily recovering its vitality. With emergence from the country's deflationary phase now in sight, people are starting to have a more positive outlook on the future, and companies are shifting to more active, growth-oriented management.

We cannot be overly optimistic about the future, however. A mass of structural problems remain, among them the impending impact of a rapidly aging society and declining population, the ongoing budget deficit and expanding long-term debt, rapidly increasing social security benefits, the energy problems resulting from the shutdown of the nation's nuclear power plants, concerns about a possible current account deficit, and the need to respond to accelerating globalization. Other pressing issues include the need to restore vitality to regional economies and to find solutions to global problems such as the environment and natural resources.

To overcome these challenges and create an energetic economy and society that we can pass on to the next generation, it will be necessary to carry out bold reforms of existing systems and practices. In addition, we need a new way of thinking about problems: the mindset of corporate executives, the awareness of the general population, and the conventional wisdoms of society all need to become more forward-looking and positive if we are to succeed in shaping a better future.

In January this year, Keidanren released *Toward the Creation of a More Affluent and Vibrant Japan*, a vision of how the country should look in 2030. Underpinning this vision is an understanding that innovation and globalization lie at the very source of economic vitality. We have set fiscal 2015 as the year in which we will take the first concrete steps toward making the economy and society laid out in that vision a reality. Working more closely than ever with the nation's political leaders, we will take solid measures to address the priority policy issues outlined below. These steps, we believe, will help to lift the economy out of deflation, ushering in a virtuous economic cycle that will lead to economic revitalization.



The Annual General Assembly passes a resolution of the fiscal 2015 organization policy (June 2015)

1. Accelerating post-earthquake reconstruction and making a "New Tohoku" a reality
2. Promoting fiscal soundness and reform of the social security system
3. Realizing reforms of the tax and administration systems
4. Addressing energy and environmental issues
5. Cultivating core industries and creating new opportunities for growth
6. Promoting policies for science, technology, and innovation
7. Revitalizing regional economies and encouraging new creativity in the regions
8. Promoting regional economic partnership agreements and expanding international economic exchange
9. Responding to the problem of Japan's declining population
10. Advancing human resources development, education revitalization, and university reforms
11. Encouraging women's active participation in the workforce
12. Strengthening measures against cybersecurity threats
13. Working positively toward the Tokyo Olympics and Paralympics
14. Carrying out reforms within Keidanren

Please see the Keidanren website below for details.

<http://www.keidanren.or.jp/policy/2015/054.html>



How to Respond to Population Issues

Achieving one of the national attributes outlined in Keidanren's vision statement, *a population of not less than 100 million living in attractive cities and localities*, will require society as a whole to immediately take enhanced measures. In April 2015, Keidanren compiled its proposal, "Immediate Measures Needed to Tackle Population Decline—To Maintain Total Population at 100 Million—", and newly established the Committee on Population Issues to implement the proposal.

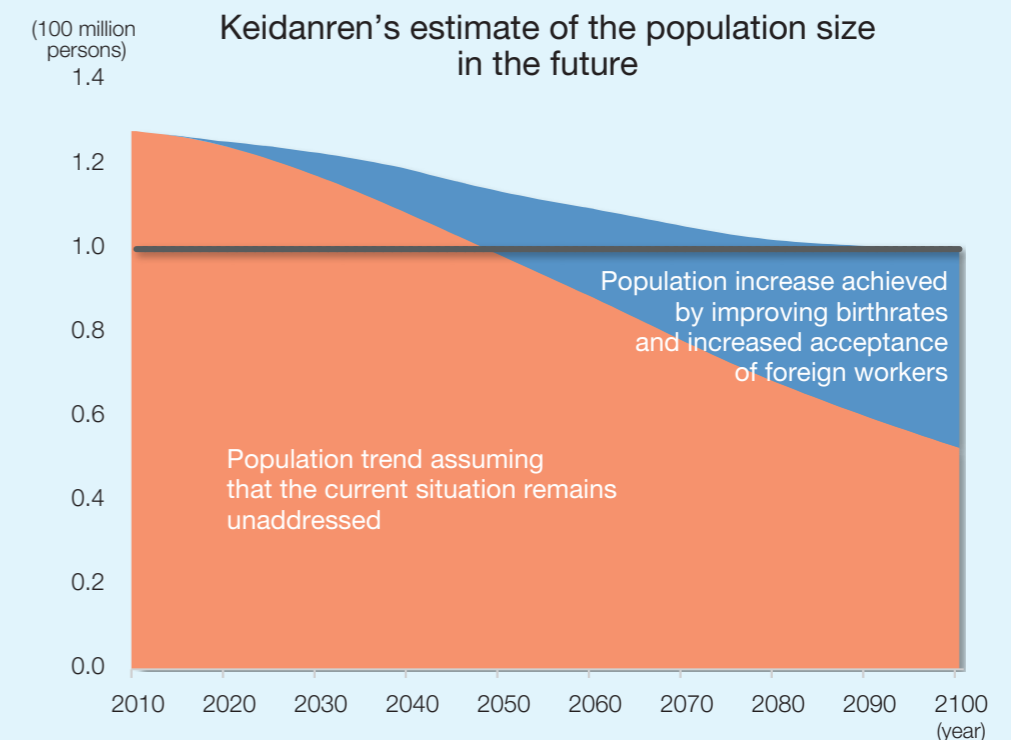
In order to slow the declining birthrate, it is vital to create a sound social environment that can benefit both parents and children, enables younger people to get married when they wish to, have children, and raise them with fewer social barriers. Keidanren will call on the government to make rapid and focused efforts to implement measures to address the falling birthrate, such as securing tax resources necessary to support such measures and solving issues concerning children on waiting lists for nursery schools and after-school childcare clubs.

Keidanren will also take the lead in actively pushing companies to address such issues as long work hours, and to encourage male employees to make use of paternity leave or other similar leave systems.

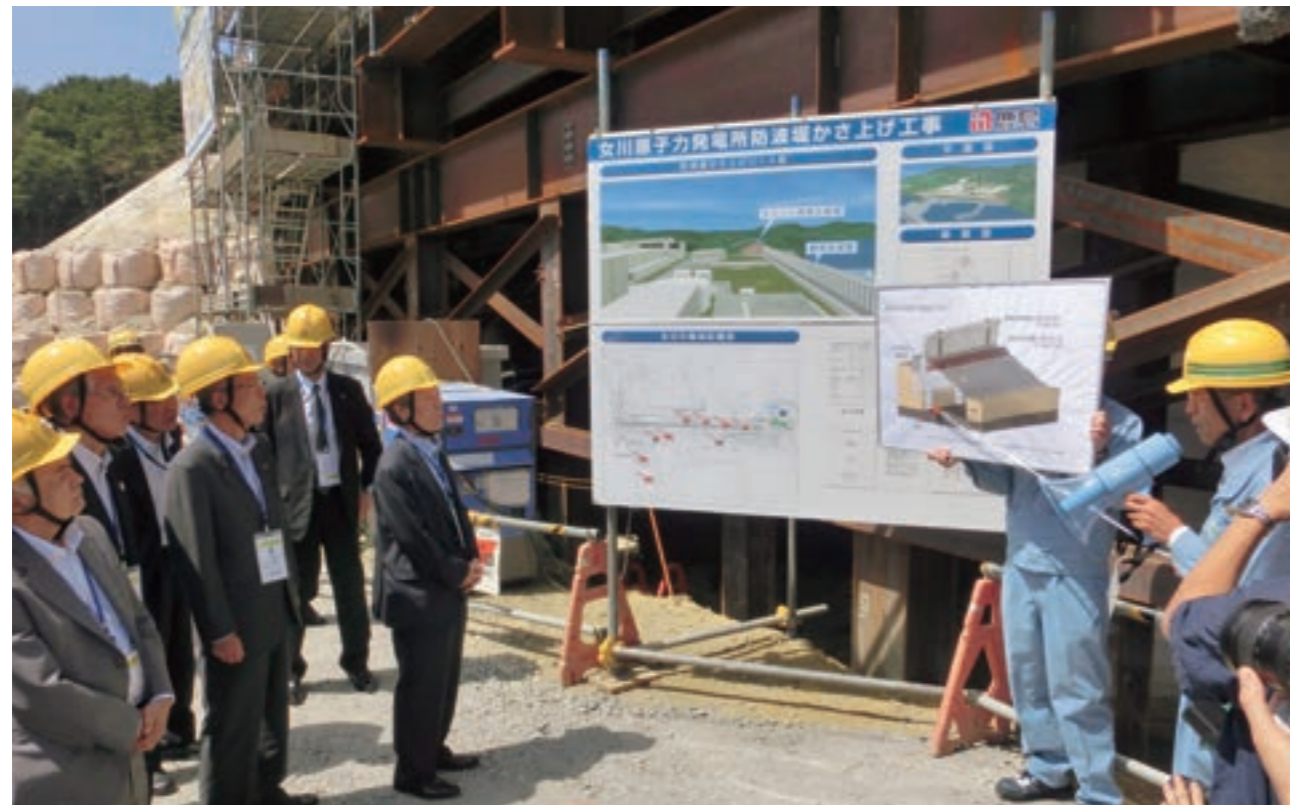
The active participation of foreign workers is also an important aspect of handling the population issue. Keidanren will promote the overhaul of the Technical Intern Training Program as well as measures to make it easier to bring foreign employees from overseas manufacturing subsidiaries. Companies themselves will also work to achieve greater diversity, utilizing a wide range of workers including foreign workers.



Vice Chair Okamoto takes the opportunity of the collaboration in the Paternity Leave Papa Project (project for encouraging fathers to take leave immediately after their wives give birth) to explain to Prime Minister Abe about Keidanren's activities for tackling the population issue (June 2015)



Working towards recovery from the Great East Japan Earthquake



Visit to Onagawa Nuclear Power Plant to see the construction work for raising the sea wall (July 2014)

Recovery of Japan as a whole cannot be realized without the reconstruction of the disaster-stricken areas. Keidanren's recovery and restoration efforts for the stricken areas began immediately after the Great East Japan Earthquake.

In October 2014, Keidanren compiled the "Opinion on the Future Direction of Earthquake Reconstruction", and made proposals to the government, ruling parties and other stakeholders. In October, Keidanren held the Disaster Area Support Market in Keidanren Kaikan, JA Building, and Nikkei Building, calling for continued support for reconstruction and rebuilding of the disaster-stricken areas through the sale of local products.

With respect to the reconstruction and recovery efforts for public infrastructure in the disaster-stricken areas, the construction of public housing for disaster victims and development of elevated land are in progress. However, a

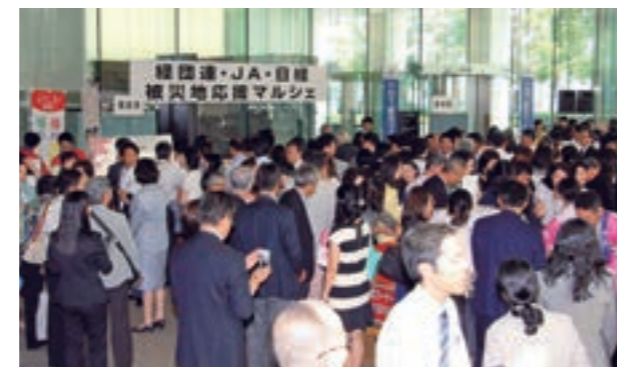
significant number of people still remain at evacuation shelters, and damage caused by harmful rumors about the disaster effects persists.

Keidanren will call for the implementation of recovery efforts required after the concentrated reconstruction period and the restoration of a self-sufficient and sustainable regional economy.

In July 2015, we compiled a joint statement with the Tohoku Economic Federation in Koriyama City, Fukushima Prefecture, one of our efforts to provide support for the rebuilding of the industry and the creation of new industries through collaboration with the local business community in disaster-stricken areas. In addition, we will continue our efforts to call on corporate members to cooperate through staffing support for the Reconstruction Agency and municipal authorities in the stricken areas and boosting consumption of local products.



With Mr. Banzai, President of JA-ZENCHU (Central Union of Agricultural Co-operatives), at the Disaster Area Support Market (October 2014)



Roughly 3,000 people gathered to buy products from the prefectures of Fukushima, Miyagi, and Iwate (October 2014)

Advancing the Second Round of a Virtuous Economic Cycle



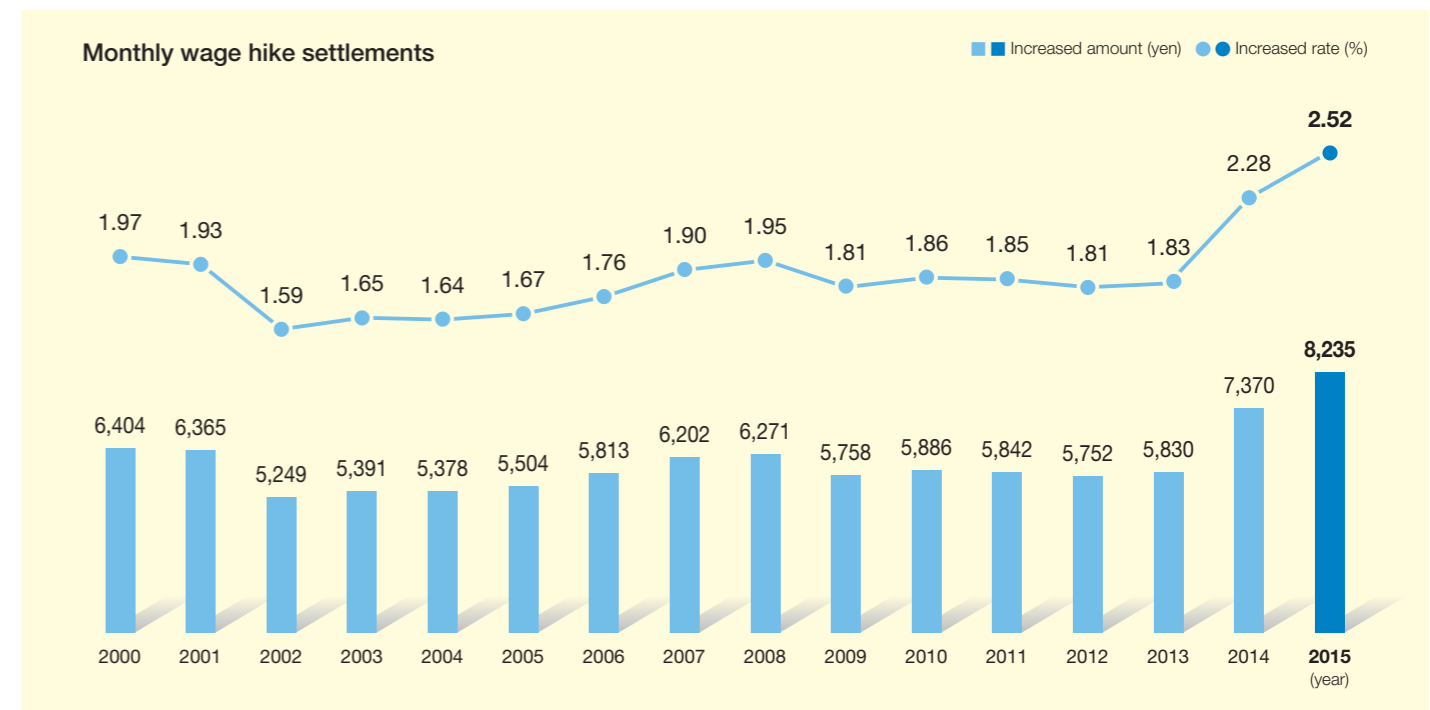
Chairman Sakakibara attends the Government-Labor-Management Meeting (December 2014)

Emerging from deflation will require all stakeholders of the public, and private sectors to fulfill their expected roles.

In order to promote the second round of a virtuous economic cycle through enabling increased corporate profits to lead to wage increases greater consumer spending, and the revitalization of economic activity, Chairman Sakakibara participated in the Government-Labor-Management Meeting for Realizing a Positive Cycle of the Economy organized by the government. Following the Meeting's announcement of its action plan in December 2014, Keidanren, in its 2015 Position Paper on Management and Labor Policy (January 2015), called on companies with increased revenues to engage in more active efforts, and strongly urged them to actively

consider raising wages. In addition, over 60 seminars were conducted to regional economic organizations and industry groups in order to create greater awareness of the content of the position paper.

Due in part to these efforts, during the 2015 spring wage negotiations, many major companies, such as automobile and electrical appliance manufacturers, raised monthly wages by record amounts, substantially surpassing the previous year's increases. Bonuses and lump sum payments also increased year-on-year, or were able to meet the demands of labor unions. Steady progress is being made in achieving a virtuous economic cycle.



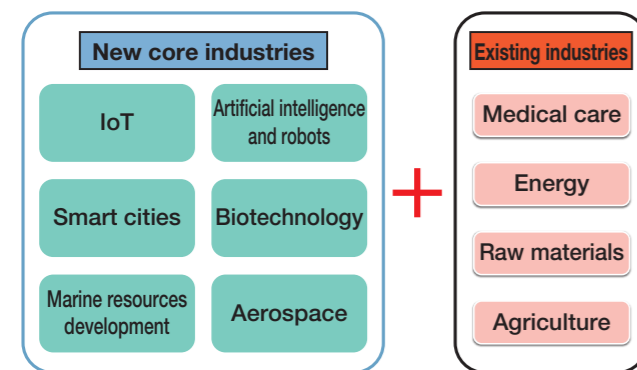
Promoting Science and Technology Innovation

Innovation is the driving force behind Japan's industrial competitiveness.

In November 2014 and March 2015, Keidanren announced proposals toward the government's formulation of the Fifth Science and Technology Basic Plan.

Going forward, Keidanren will, in conjunction with the enhancement of existing industries, promote measures for developing the six industries identified in the Keidanren vision statement as having potential to become new core industries (Internet of Things (IoT), artificial intelligence and robots, smart cities, biotechnology, marine resources development, and aerospace).

Creating new growth by developing new core industries



Keidanren will call on the government to raise its investment in research and development programs to 1% of Japan's GDP.

In the space development field, Keidanren announced the Proposal for Basic Plan on Space Policy in November 2014 to formulate space programs and to promote space industry.

As a result, the government's Basic Plan on Space Policy (January 2015) included numerical targets to boost the total value of the space industry (public and private sectors combined) to five trillion yen over a ten-year period, as well as specific program implementation time frames.



Keidanren members tour the assembly line of the MRJ (Mitsubishi Regional Jet) next-generation passenger aircraft (November 2014)

Fostering the Appropriate Use of Intellectual Property and Personal Data

Developing a legal basis for securely creating, protecting, and utilizing intellectual property is essential for the creation of innovation.

Keidanren proposed a revision of the employee invention system so that the ownership of employee inventions will initially belong to companies, in order to acquire rights stably by companies. Keidanren also called for the enhancement of trade secrets protection in order to prevent the infringement of technical information by overseas companies. Due in part to these efforts, the Patent Act and the Unfair Competition Prevention Act were revised in July 2015.

ICT has become crucial infrastructure for society, and thus the reinforcement of cybersecurity has become a broad social issue. In line with Keidanren's proposal, the amendments to the Act on the Protection of Personal Information, etc. (Cabinet decision in March 2015) included measures for the development of a legal framework suitable for advanced big data processing.

Going forward, Keidanren will strive to reach a national consensus concerning the compatibility of both protection and utilization of personal data. We will also aim for the

smooth introduction of the Individual Number System and the expansion of utilization by the private sector. Furthermore, we regard cybersecurity not simply as a technology issue but as a serious challenge for corporate management, and will work to raise greater awareness of the issue among corporate executives.



A lively Q&A session at the My Number social security and tax identity system deployment briefing (April 2015)

Strengthening Economic Partnerships through Private-Sector-Led Initiatives

Active economic transactions with foreign countries are essential to Japan's sustained growth.

Keidanren compiled a Joint Statement on the Trans-Pacific Partnership (TPP) together with four Japanese and U.S. economic organizations, including the U.S. Chamber of Commerce (April 2014), and presented requests to relevant cabinet members. Keidanren members visiting other countries are also calling for early enactment of the TPP.

As a result, through numerous ministerial- and chief negotiator-level meetings, TPP negotiations are in their final stages before reaching agreement.

With regard to Europe, the EU decided to continue the EU-Japan Economic Partnership Agreement (EPA) negotiations (June 2014), while Keidanren announced its Recommendations for EU-Japan Regulatory Cooperation (March 2015) with a view towards the future conclusion of the EU-Japan EPA. We will continue to enhance our regulatory coherence and cooperation between Japan, the U.S., and the EU while engaging in industry dialogue between Japan and the EU.

A Keidanren mission accompanied Prime Minister Abe on his visits to Latin America (from July to August 2014), actively supporting the Prime Minister's "diplomacy that takes a panoramic perspective of the world map", and dedicating themselves to enhancing promotion of EPAs.

As a result of these initiatives, an EPA between Japan and Australia came into effect in January 2015. The relationship with the Pacific Alliance was also strengthened, and EPA negotiations between Japan and Colombia made further progress.



Meeting with U.S. Trade Representative Ambassador Froman for promotion of TPP (June 2015)

Going forward, Keidanren will promote the FTAAP (Free Trade Area of the Asia-Pacific) and the rapid conclusion of negotiations regarding economic partnership agreements such as the TPP, Japan-China-South Korea FTA (Free Trade Agreement), and RCEP (Regional Comprehensive Economic Partnership; ASEAN+6).

Exporting Japan's World-leading Infrastructure through Private Sector Economic Diplomacy

In relation to the revision of Japan's Official Development Assistance (ODA) Charter, Keidanren announced the Proposal for the Promotion of International Cooperation Led by a New Philosophy in May 2014.

This proposal was reflected in the Development Cooperation Charter approved by the Cabinet in February 2015, which clearly featured the development of infrastructure through public-private partnerships.

Keidanren also supports the active export of world-leading infrastructure systems by Japanese companies, and has announced the following proposals: "Working Towards the Strategic Overseas Deployment of Infrastructure Systems" in November 2014 and "Recommendations on Japan's Economic Diplomacy" in April 2015. We have also worked to promote the development of infrastructure at the Asian Business Summit (July 2015), bilateral talks, and other conferences.

Outreach efforts to approach the public and private sectors in various countries have resulted in several agreements on mutual cooperation. These include cooperation with the Myanmar business community in the development of the business environment and infrastructure (November 2014); promotion of industry collaboration and the development of the business environment with the government of Vietnam (December 2014); and collaboration with the Thai business community in the development of infrastructure (February 2015).

The Joint Statement of the Asian Business Summit, held in July 2015 and attended by the heads of economic

organizations in 11 Asian countries and regions, also included items concerning promotion of infrastructure development both in terms of quality and quantity.

Keidanren will continue to promote the overseas deployment of infrastructure. Furthermore, through dispatching missions overseas, we will promote the export of infrastructure as well as trade and investment, and directly encourage local governments to develop their business environment.



President of Vietnam Truong Tan Sang (center) shakes hands with Mr. Takahashi (left), Chair of the Japan-Vietnam Economic Committee, together with Mr. Nakamura (right), Chair of the same (December 2014)

Implementing the Action Plan on Women's Active Participation in the Workforce

Promoting women's active participation in the workforce is essential to improving corporate competitiveness and achieving sustainable economic growth. In April 2014, Keidanren announced its "Action Plan on Women's Active Participation in the Workforce" in order to promote specific measures to encourage such participation. We also established the new Committee on Gender Diversity, and called for cooperation from our member companies. As a result, approximately 450 companies released voluntary action plans regarding the appointment of women to managerial and board positions.

Ongoing activities are being carried out in concert with the government, such as the World Assembly for Women in Tokyo (WAW! Tokyo 2014), which was co-organized with the government in September 2014, inviting female leaders from both Japan and abroad.

Keidanren will continue to collaborate with various organizations to promote the training of women for managerial positions, reform the mindset of managers, contribute to career education, and human resource development for women in the science and engineering fields, based on the "Action Plan on Women's Active Participation in the Workforce".



Vice-Chair Koga and Ms. Arimura, Minister in charge of Women's Empowerment at a press conference (July 2015)

Coordinating with Political Leaders

Priority policies for economic revitalization cannot be put into effect without political leadership.

Keidanren has laid out its belief that politics and business should coordinate with each other as two halves of an inseparable whole, and the time has come for each to play its part in order to achieve Japan's revitalization. Keidanren's policy recommendations have been delivered to Prime Minister Abe, and Keidanren members have accompanied the Prime Minister on overseas missions. Coordination with political leaders has been enhanced more than ever. Over one year from June 2014 to June 2015, policy dialogues were held 12 times between the chief cabinet members and Keidanren leaders, and three times with the leaders of the ruling parties. These are leading to steady implementation of priority policies for restoring the Japanese economy, such as lowering the effective statutory tax rate and achieving progress in TPP negotiations.

The Business People Political Forum, Keidanren's related organization, has also held seminars led by major politicians and experts, striving to further enhance communication between political leaders and business people.



Meeting with Chief Cabinet Secretary Suga (September 2014)

Encouraging New Regional Creativity: Revitalizing Tourism and Agriculture as Core Industries

The revitalization of regional economies is essential to the restoration of the Japanese economy.

It is especially important to focus efforts in areas which contribute to effective use of regional assets, such as agriculture and tourism, which have tremendous untapped potential.

Through meetings and symposia with regional economic groups, Keidanren works as one with local companies and groups to carry out activities which contribute to the independent development of regional economies, such as the promotion of tourism and agriculture. Keidanren announced the "Proposal for the Creation of a High Level Tourism-Oriented Country" in June 2014 and "Promoting Agriculture Toward Sustainable Development, Enhanced Competitiveness, and Transition to a Growth Industry" in January 2015. In addition, we compiled an action program for the economic sector in February 2015 aimed at regional revitalization, under the title of "Achieving Vibrant Regional Economies".

Governmental measures have made major advances as a result of Keidanren's efforts. In the tourism sector, visa requirements have been relaxed for countries such as India, Indonesia, and China, and the duty free system for foreign travelers has been expanded. In 2014, the number of foreign tourists visiting Japan rose 29.4% year on year to 13.41 million, and spending by foreign tourists rose 43.3% year on year to 2,030.5 billion yen (both are record high figures).

In the agricultural sector as well, the March 2015 revision to the "Basic Plan for Food, Agriculture and Rural Areas" included Keidanren's positions, including the facilitation of corporate involvement in agriculture, and the promotion of agricultural land aggregation and intensification.

In February 2015, the "Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan" compiled the "Comprehensive Strategy for Overcoming Population Decline and Vitalizing Local Economy in Japan", a policy package aimed at the recovery of regional



Visit to the preparation site for the opening of the Hokuriku Shinkansen line at the Hakusan General Rolling Stock Depot (October 2014)

economies. In order to further strengthen coordination between the political and business communities and boost the synergistic effects of individual measures, the "Partnership Council for Overcoming Population Decline and Vitalizing Local Economy in Japan" is going to be established, consisting of members from both the public and private sectors.

Keidanren will continue to work with other economic organizations as it implements action plans aimed at creating projects with economic and agricultural sectors through enhanced coordination with the JA Group (Japan Agricultural Co-operatives), regionally deploying internship programs for developing human resources for the tourism industry, strengthening the regional presences of companies, and expanding regional recruitment. In order to smoothly implement these activities, we will promote decentralization reform such as the transfer of governmental agencies to regional locations.

Trajectory leading to 10 million foreign visitors and beyond (10,000 persons)



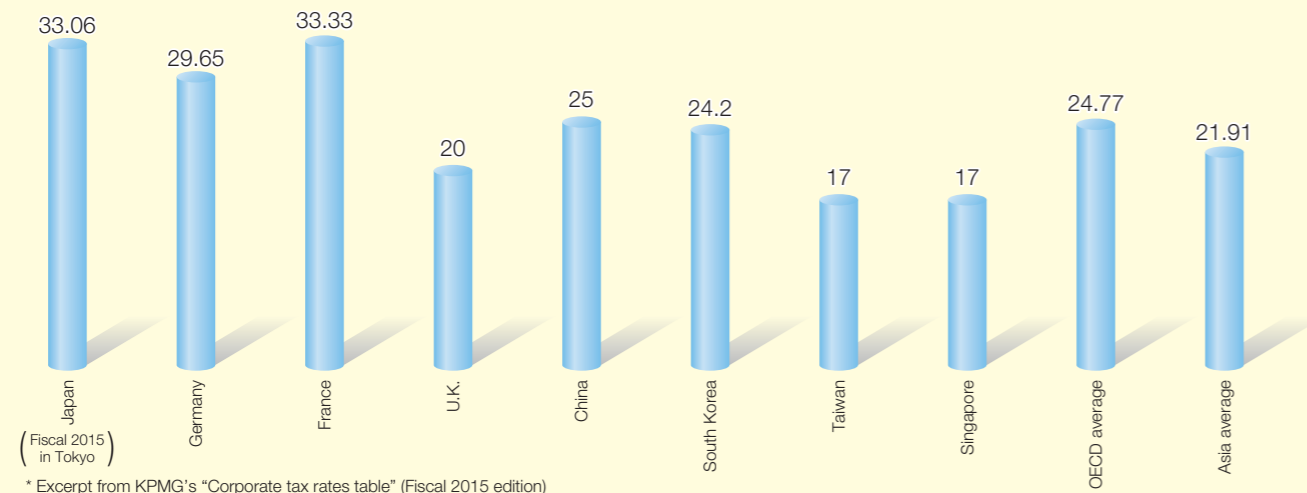
Lowering the Effective Corporate Tax Rate

Keidanren has long advocated lowering the effective corporate tax rate to ensure a level playing field, and has worked strongly to achieve this reduction.

As a result of such efforts, it has been decided to lower the effective corporate tax rate by 2.51% in fiscal 2015, and by 3.29% over the next two years.

Keidanren will call for the rapid reduction of the effective corporate tax rate to the 20% range in order to establish a business environment that is on an internationally equal footing, ensuring that companies located in Japan are not placed at a disadvantage compared with those located overseas.

International comparison of effective corporate tax rates (%)



Reform of the Social Security System

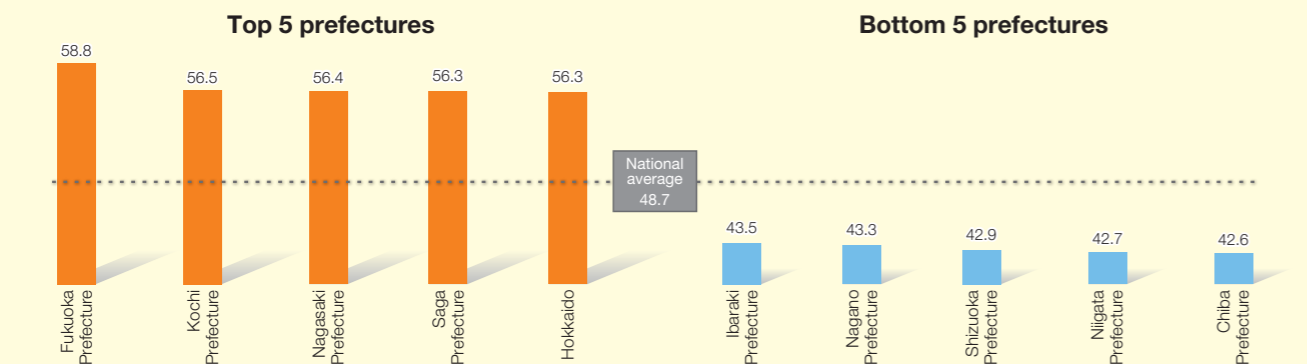
Sound national finances are the foundation that supports sustained economic development and prosperous lives for citizens. However, Japan's government debt continues to rise. Fundamental reforms are necessary for the costly social security system, especially medical care, nursing care, and pensions as outlays of benefits rapidly rise as society ages.

First, unnecessary benefit payments must be eliminated. For example, there are extreme regional disparities in medical costs (see the graph below). While this is due in part to differences in age demographics, other potential factors include excess hospital capacity and medical equipment resulting in the encouragement of unnecessary hospitalization and medical examinations. Measures must be taken immediately to address such waste.

Second, it is also essential that the cost burden distribution be reexamined. As Japan's population continues to age, the social security system cannot be sustained through the current approach of placing the burden on the working population and companies in the form of taxes and social insurance premiums. Those elderly who can afford their own medical costs should bear them.

In June of this year, the government announced the "Basic Policies on Economic and Fiscal Management and Reform 2015", which includes plans for promoting fiscal consolidation. Keidanren's opinions are reflected throughout. We will engage in efforts directed at ensuring that items for reform of the social security system stated in these policies are steadily implemented.

Disparities in medical expenses among prefectures (10,000 yen, Fiscal 2012, after adjusting for ages)



Promoting Countermeasures for Climate Change

Climate change is one of the serious challenges that all mankind is facing. The key to solving this problem is the development and dissemination of energy saving and low carbon technologies.

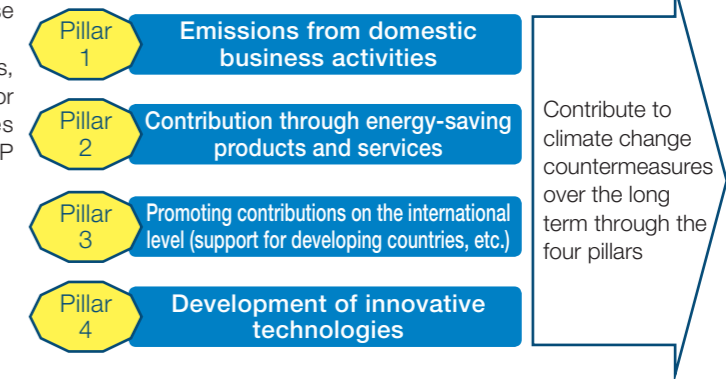
Since the 1990s, Keidanren has been playing an active role in reducing greenhouse gas emissions on a global level. In April 2015, leading the way for the global business community, we formulated the "Commitment to a Low Carbon Society", a plan for the Japanese business community for the years leading up to 2030.

The 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) will be held in Paris, France at the end of 2015, with the objective of reaching consensus on a new international framework for the reduction of greenhouse gas emissions from 2020 onwards.

Keidanren is actively calling on related cabinet members, ruling parties, and international community, etc. to work for a fair and effective framework in which all countries participate in a responsible manner to be adopted at COP 21.

Overview of Keidanren's Commitment to a Low Carbon Society

- Industries participating in Keidanren's Commitment to a Low Carbon Society will each set reduction targets for 2030, and receive progress reviews.
- The Commitment consists of four pillars: Emissions from domestic business activities; contribution through energy-saving products and services; promotion of contributions on the international level; and development of innovative technologies.



50% reduction in greenhouse gas emissions by 2050

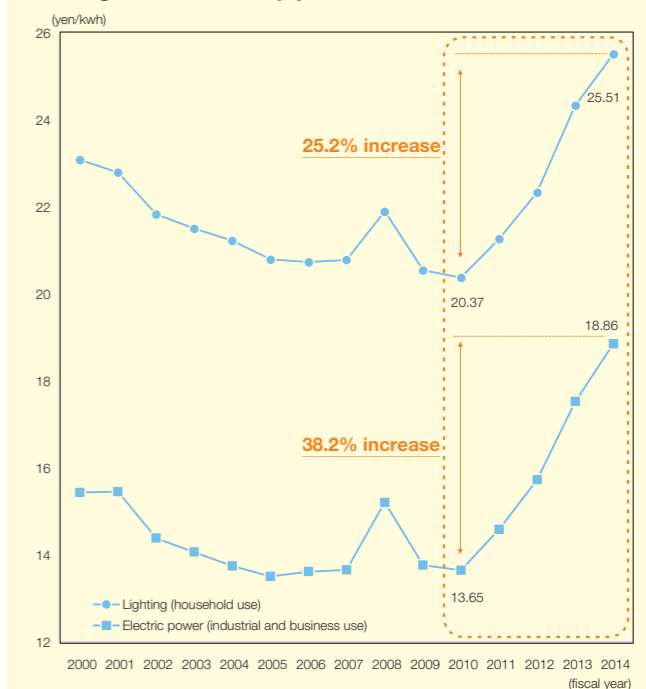
Promotion of Energy Policies to implement Growth Strategies

Prosperous lives for citizens can only be achieved by appropriate energy policies. In designing these policies, ensuring safety would be at the core, while at the same time securing an appropriate balance between supplying low cost energy, protecting the environment (such as by reducing CO2 emissions), and ensuring energy security is crucial.

Following the shutdown of nuclear power plants after the Great East Japan Earthquake in 2011, the increase in the percentage of thermal power generation has driven fuel costs up significantly. The cost of electricity for household use has risen by approximately 25%, and roughly 40% for industrial use. This has had a major impact on people's lives and corporate activity. In May 2014, Keidanren, together with other economic organizations, issued emergency proposals, and visited Prime Minister Abe, cabinet members and leaders of the ruling parties, emphasizing the need to (1) accelerate the process for resuming nuclear power plant operations, and (2) fundamentally reconsider the Tax for Climate Mitigation.

Keidanren will continue to call for the further utilization of nuclear power plants, the establishment of a nuclear fuel cycle, and the revision of measures to introduce renewable energy.

Changes in electricity prices



Source: 2015 Annual Report on Energy

History of KEIDANREN

Keidanren 1946 >>> 2015

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.

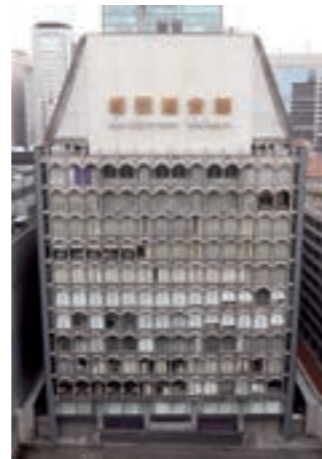
Keidanren Chairman Toshio Doko (1974-80) used his experience gained through work on the streamlining of production sites to streamline government (administrative reform). Since the tenures of Keidanren Chairman Doko, Nikkeiren Chairman Bunpei Otsuki (1979-87), and Nikkeiren Chairman Eiji Suzuki (1987-91), 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.



Keidanren Kaikan completed in 1966



Current Keidanren Kaikan

Financial Report

Condensed Balance Sheets (As of March 31, 2015)

(Millions of yen)

| Items | Current fiscal year |
|---|---------------------|
| I. Assets | |
| 1. Current assets | |
| Total current assets | 4,923 |
| 2. Non-current assets | |
| (1) Specific assets | |
| Accumulated assets for maintenance and replacement of office equipment | 6,073 |
| Accumulated assets for maintenance and replacement of conference room equipment | 5,787 |
| Others | 2,691 |
| Total specific assets | 14,552 |
| (2) Other non-current assets | |
| Buildings | 6,996 |
| Land | 3,506 |
| Others | 629 |
| Total other non-current assets | 11,132 |
| Total non-current assets | 25,685 |
| Total Assets | 30,608 |
| II. Liabilities | |
| 1. Current liabilities | |
| Total current liabilities | 669 |
| 2. Non-current liabilities | |
| Total non-current liabilities | 801 |
| Total Liabilities | 1,470 |
| III. Net Assets | |
| General net assets | 29,138 |
| (Of which, allocated to specific assets) | (14,552) |
| Total Net Assets | 29,138 |
| Total Liabilities and Net Assets | 30,608 |

Statement of Changes in Net Assets (From April 1, 2014 to March 31, 2015)

For fiscal 2014, Keidanren posted ordinary revenue of 6,442 million yen. Ordinary expenses amounted to 4,933 million yen, comprising operating expenses of 3,412 million yen and management expenses of 1,521 million yen. Current change in ordinary profit after adjusting profit or loss on appraisal in assets was 1,510 million yen. In addition, specific assets (an increase of 1,222 million yen for the period) are set aside for future needs such as equipment maintenance and replacement.

Officers

KEIDANREN in Action

Chairman



SAKAKIBARA Sadayuki

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

Vice Chairs

OGITA Hitoshi

Advisor to the Board
Asahi Group Holdings, Ltd.

ISHIHARA Kunio

Counsellor
Tokio Marine & Nichido Fire Insurance Co., Ltd.

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

President & CEO
Nippon Telegraph and Telephone Corporation

KOGA Nobuyuki

Chairman
Nomura Securities Co., Ltd.

OKAMOTO Kunie

Chairman
Nippon Life Insurance Company

NAGAYASU Katsunori

Chairman
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

MIYANAGA Shunichi

President & CEO
Mitsubishi Heavy Industries, Ltd.

TOKURA Masakazu

President
Sumitomo Chemical Co., Ltd.

IJIMA Masami

Chairman of the Board of Directors
Mitsui & Co., Ltd.

KUDO Yasumi

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

Chairman of the Board of Councillors



IWASA Hiromichi

Chairman and CEO
Mitsui Fudosan Co., Ltd.

Vice Chairs of the Board of Councillors

ITO Shinichiro

Chairman of the Board
ANA Holdings, Inc.

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

President
Shimizu Corporation

ITO Masatoshi

Chairman of the Board
Ajinomoto Co., Inc.

OKAMOTO Tsuyoshi

Chairman
Tokyo Gas Co., Ltd.

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

Representative Director, Chairman of the Board
Mitsui Sumitomo Insurance Co., Ltd.

KOBAYASHI Ken

President & CEO
Mitsubishi Corporation

ISHIZUKA Kunio

Chairman and Representative Director
Isetan Mitsukoshi Holdings 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.

KUNIBE Takeshi

President and Chief Executive Officer
Sumitomo Mitsui Banking Corporation

YOSHIDA Haruno

President & Representative Director
BT Japan Corporation

Director General

KUBOTA Masakazu

Visits various places during the mission to the United States
(Top: With Congressman Castro, Bottom: With the members of the Japanese American Cultural & Community Center, July 2015)



Explains this year's organization policy at a press conference following the Annual General Assembly (June 2015)



KEIDANREN's Organization Chart



Overview of KEIDANREN

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

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

Phone: +81-3-6741-0111

Fax: +81-3-6741-0301

E-mail: webmaster@keidanren.or.jp

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

Kansai Office: Nakanoshima Daibiru Bldg., 3-3-23 Nakanoshima, Kita-ku, Osaka 530-6108

Keidanren USA: 1200 17th Street, NW, Suite 201, Washington, DC 20036 U.S.A.

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: 20
(Chairman: 1; Vice Chairs: 14; Director General: 1; Senior Managing Directors: 2; Managing Directors: 2)

Auditors: 2

KEIDANREN is a corporation with an Accounting Auditor.

Membership: Corporate members: 1,332

Group members: 156

Special members: 32 Total: 1,520 members (As of August 3, 2015)

Secretariat: Staff members: 220 (including temporary staff; as of August 3, 2015)

Keidanren Kaikan: 23-story building with 4 underground levels completed in April 2009



International Conference Room on the second floor of Keidanren Kaikan (Asian Business Summit in July 2015)

Keidanren

Policy & Action