KEIZAI DOYUKAI

Provisional Translation

December 30, 2014

Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai
On Fiscal 2015 Tax Reform Outline

1. The fiscal 2015 tax reform outline takes into account various issues our nation is facing. Our evaluation to the contents is mostly positive.

2. In particular, we respect the decision to trim *the effective corporate tax rate* 2.51% and 3.29% in FY 2015 and in two years (FY 2015 and FY 2016), respectively. We, as corporate executives, will make efforts to utilize the funds available from the tax cut for fresh capital expenditure and wage increase. Furthermore, we are expecting the tax reform outline to bring the positive impacts as follows:
   (1) *The consumer spending* will be revived through expansion of the tax exemption for various gifts that promotes asset transfers to the working-age population.
   (2) A trend *from savings to investments* will continue to accelerate through expansion of the tax-free small-lot investment program and establishment of the NISA (Nippon Individual Saving Account) for children.
   (3) *Environmentally considerate* products will increase. An example is the heated competition to develop eco-cars as a result of the revision on automobile-related tax systems.
   (4) *The regional rebirth* will speed up by doubling the maximum tax deductible amount for the hometown tax payments.

3. There are two issues to be tackled for the corporate tax systems to be favorable to the economic growth. First, the tax system in order to stimulate R&D should be established as a general rule in terms of improving the industrial competitiveness. Second, the size-based corporate tax system should be reinforced for promoting the corporate turnover. Further, more measures have to be taken for the deduction of carried forward operating losses and for dividends received to be excluded from taxable income. This is to ensure that Japanese market becomes a playground of opportunities equal to the international standard. Additionally, the government should clarify the target year to achieve the effective corporate tax rate to be lowered to below 30%.

4. On the other hand, the revenue-neutral should be the basic principle in order to realize the optimal corporate tax system from a viewpoint of striking a balance between the fiscal consolidation and the perspectives mentioned above. Thus, securing the revenue source must be pursued beyond the tax category of national and local, regardless of the fundamental tax category. We hope that a discussion will start soon at a table that aims at a far-reaching and overall tax system reforms from a medium- to long-term perspective as we know that the Government Tax Commission has previously provided an “interim report” once in a few years.

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