

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
What We Expect from Reshuffled Third Abe Cabinet**

We extend our respect to the Abe Cabinet launched late 2012 for creating a virtuous economic cycle that has brought a feeling of “We are no longer in deflation.” The Cabinet’s another advancement is the broad agreement reached in the TPP pact negotiation last week. The momentum is growing for the deployment of even more proactive corporate management. Meanwhile, the negative side is the failure to achieve the targets of the government’s Japan Revitalization Strategy publicized three times so far. As firms are struggling to exit the areas of excessive competition by accelerating the integration and the reorganization of businesses, the sustainable growth of nominal 3% and real 2% or higher is currently not in sight.

Japanese economy must now raise its potential growth rate. There is no way ahead toward the realization of the robust economy (600 trillion yen GDP) that supports hope for tomorrow – the target of Abenomics in the second phase – without bold measures focusing on capital (establishment of operations sites and facilities), labor (labor participation rate increase and revision of labor legislation), and innovation (promotion of R&D and ICT utilization).

We hope the reshuffled third Abe Cabinet will successfully shoot at the three new targets by implementing the three concrete measures mentioned below, leading to the realization of economic growth and fiscal consolidation.

We, corporate executives, will ensure the adequate sharing of roles between public and private sectors through dialogue with the government and will boldly challenge the productivity innovation with a sense of alertness.

1. “Robust economy”

Four areas to be implemented are; 1) supporting the promotion of corporate investments for facilities, human resources, and R&D, 2) the reform of the

energy supply-demand structure, 3) the elimination of bedrock-like regulations and their deregulations, and 4) the corporate tax system reform that stimulates business renewals and productivity enhancement. Furthermore, the government is requested to swiftly ensure an international equal footing by announcing the deadline for lowering the effective corporate tax rate to below 30%.

2. “Child rearing support”

This is a must for a long-term preservation of the national strength and a quick enhancement of the labor participation rate. The demarcation of its costs and benefits should be efficiently supported by the system of the benefits with tax reductions, making use of the My Number system and furthermore, it should be financed by the higher-income or wealthy elderly people in order to narrow the financial inequality among generations.

3. “Social security”

First, the increase of the social security related expenses clarified in the Basic Policy on Economic and Fiscal Management Reform 2015 must be limited to 1.5 trillion yen for the three-year period while achieving the target of 1% primary balance deficit against GDP in FY 2018. Moreover, the spending cuts should be pursued without sanctuary toward the international commitment of the primary balance surplus in FY 2020 and even more reduction of the public debt through a renewed and far-reaching integrated reform of social security and taxation.

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