

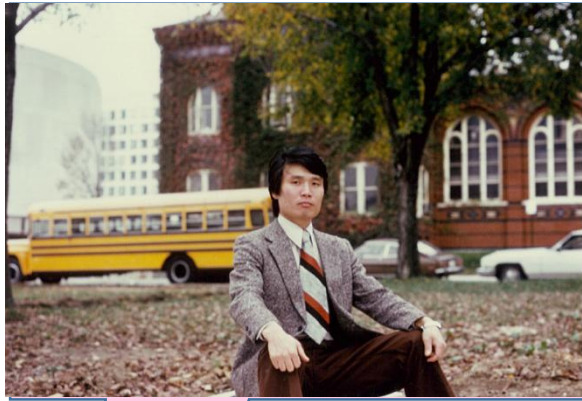


Revival of the Japanese Economy and the U.S.–Japan Relationship

June 29, 2015

Sadayuki Sakakibara
Chairman, Keidanren

History of Toray U.S. Operation



Dr. Sadayuki Sakakibara
Former CEO and
Chairman
Toray Industries, Inc.

Keidanren Mission to the United States (June 28 – July 3)

A Group of **More than 100 CEOs and Experts** of Major Japanese Firms Divided into Three Groups, Visit Total of **Ten States**.

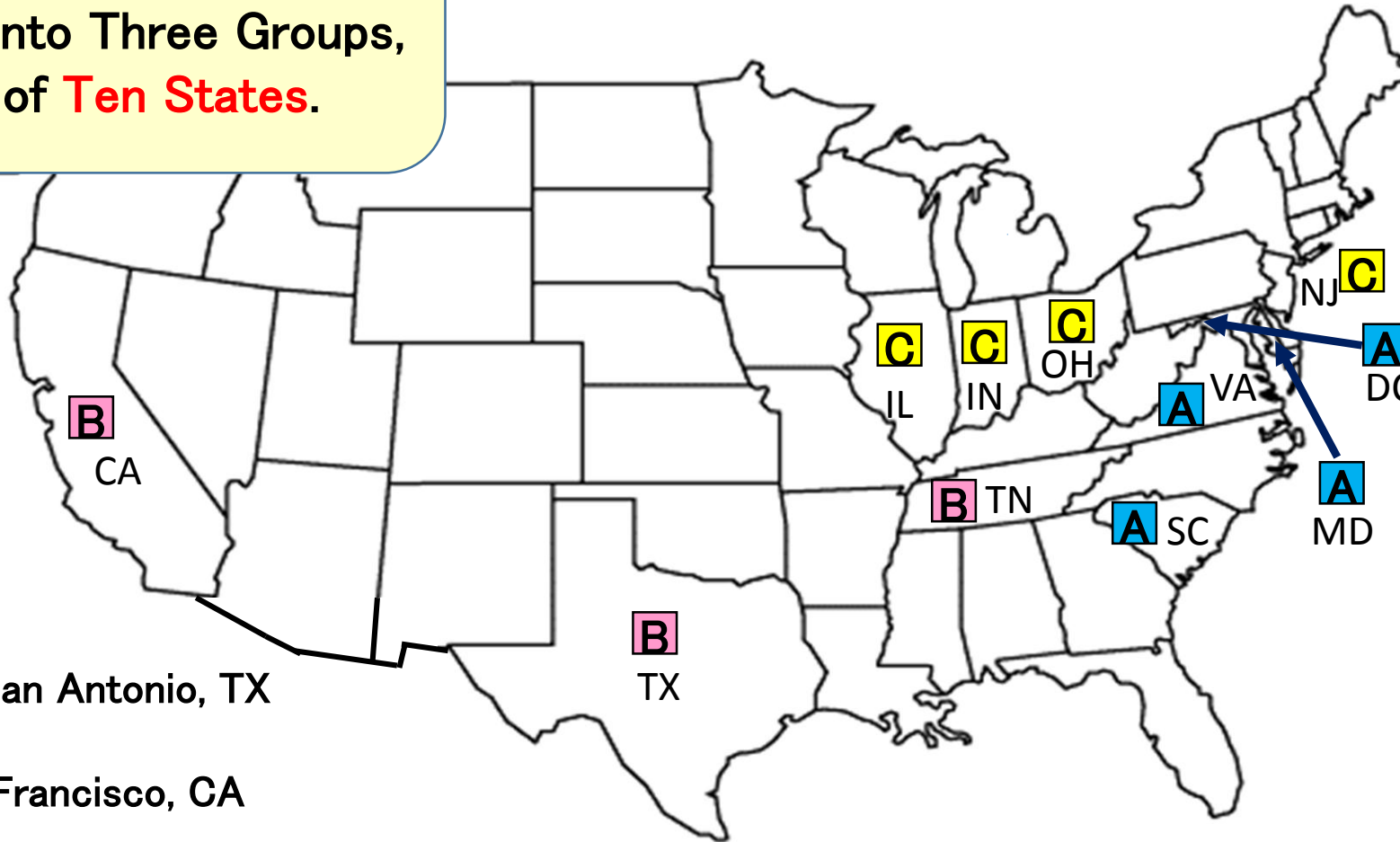
- A** Sakakibara's Group
- B** Iwasa's Group
- C** Ishihara's Group



Dr. Sakakibara
Washington D.C.
Annapolis, MD
Richmond, VA
Columbia, Charleston, SC



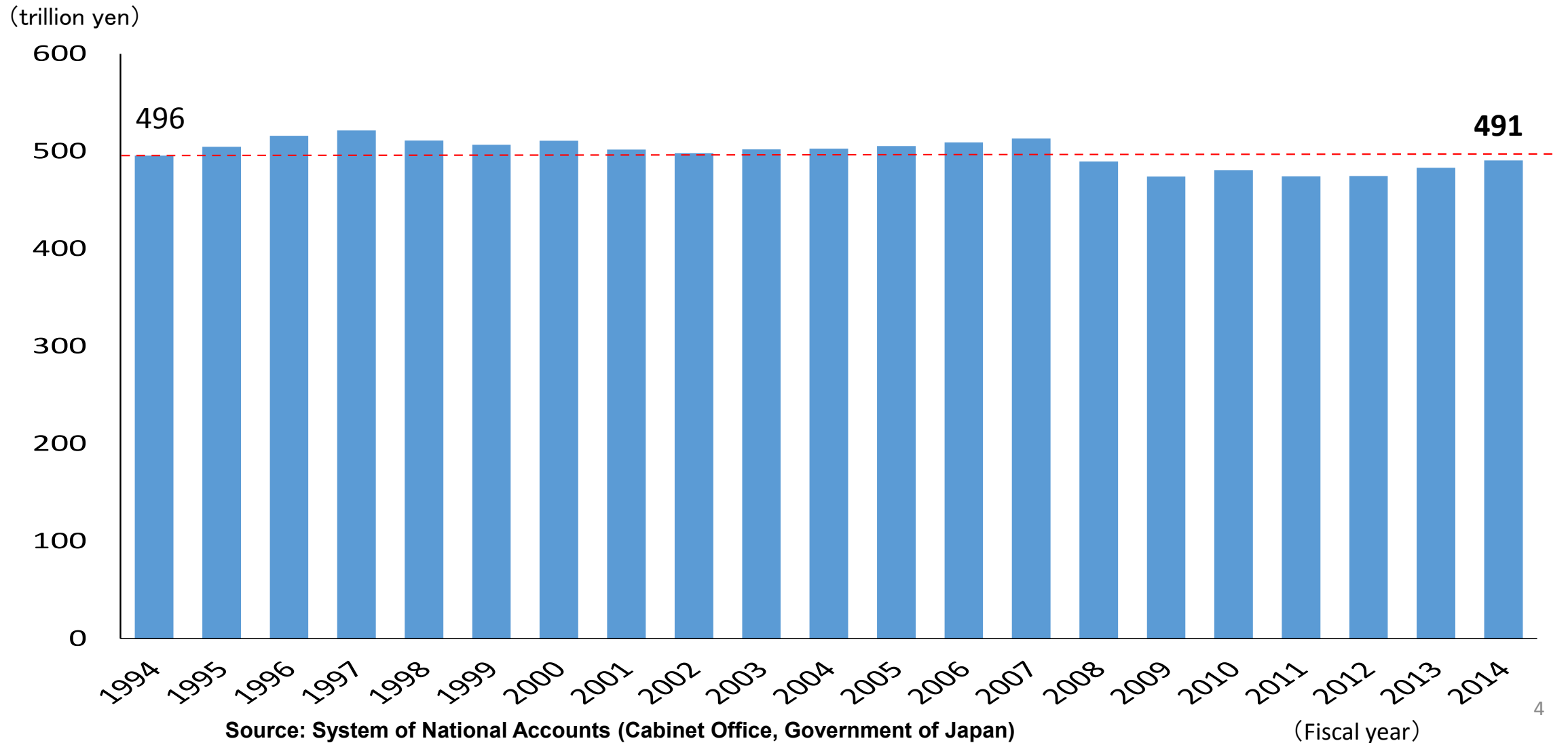
Mr. Iwasa
Austin, Houston, San Antonio, TX
Nashville, TN
Los Angeles, San Francisco, CA



Mr. Ishihara
Chicago, IL
Indianapolis, IN
Columbus, OH
Trenton, NJ

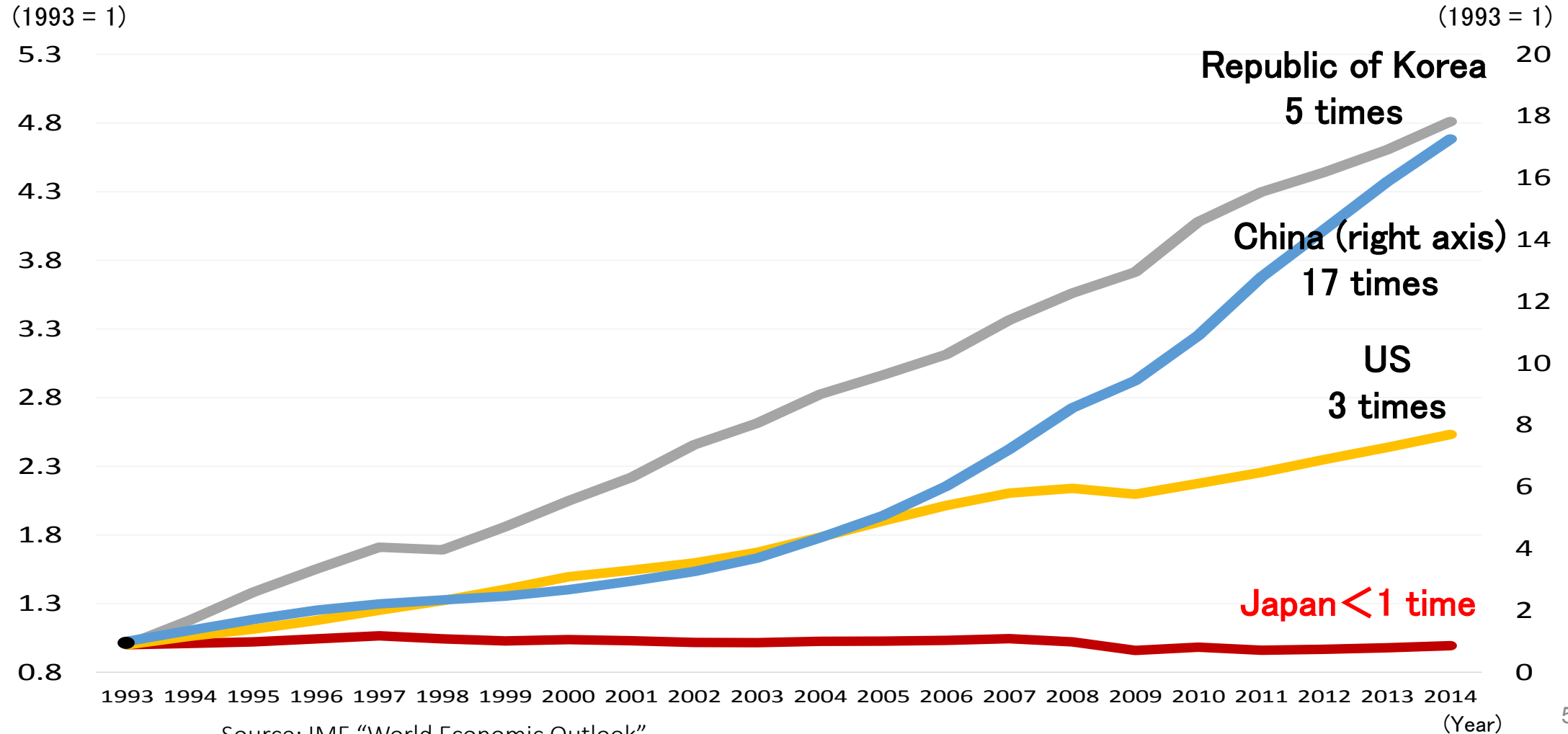
Transition of Japan's Nominal GDP

Japan's Economy **No Growth in the Past 20 Years**



Growth of Nominal GDP by Country

US, China and Republic of Korea Growing Steadily in the Past 20 Years
Japan Totally Left Behind in the Global Economic Growth



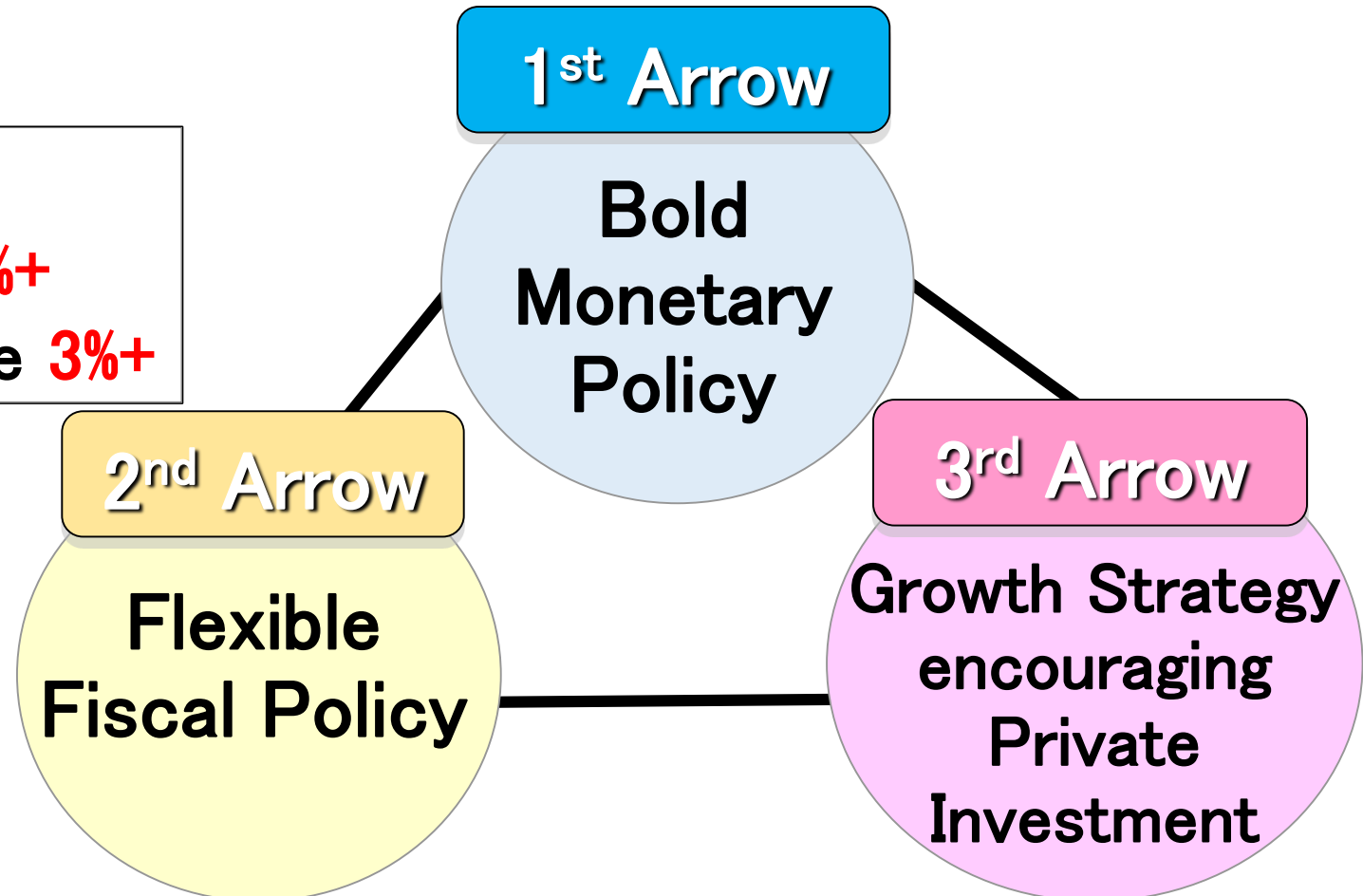
Source: IMF "World Economic Outlook"

What is Abenomics?

Economic Policies Advocated by Prime Minister Abe since the Inauguration of his Administration in December 2012

Aimed at **Pulling Out of Deflation** and **Revitalizing the Japanese Economy**

Mid- to Long-Term Goal:
Real GDP Growth Rate **2%+**
Nominal GDP Growth Rate **3%+**



Japan Revitalization Strategy (June 2013)

1. Industrial Revitalization Plan

Employment System
Human Resources
Innovation
IT

2. Strategic Market Creation Plan

Healthcare
Energy
Local Communities
Infrastructure

3. Strategy of Global Outreach

FTAs
Exporting Infrastructure
Inward Direct Investment

Japan Revitalization Strategy (Revised, June 2014)

1. Restoring Earning Power

Cutting Corporate Tax
Corporate Governance

2. Cultivating Human Resources

Labor Law Reform
Women's Participation
Foreign Labor Utilization

3. Nurturing New Growth Engines

Agricultural Reform
Medicare Reform

Japan Revitalization Strategy (Revised, June 2015)

1. Productivity Revolution

Big Data, IoT, Artificial Intelligence

University Reform

Electronic Administration

Promoting Ventures

2. Local Abenomics

Supporting SMEs

Productivity in the Service Industry

ICT in Healthcare

3. Reform 2020

Promoting Large-Scale Projects

towards Year 2020

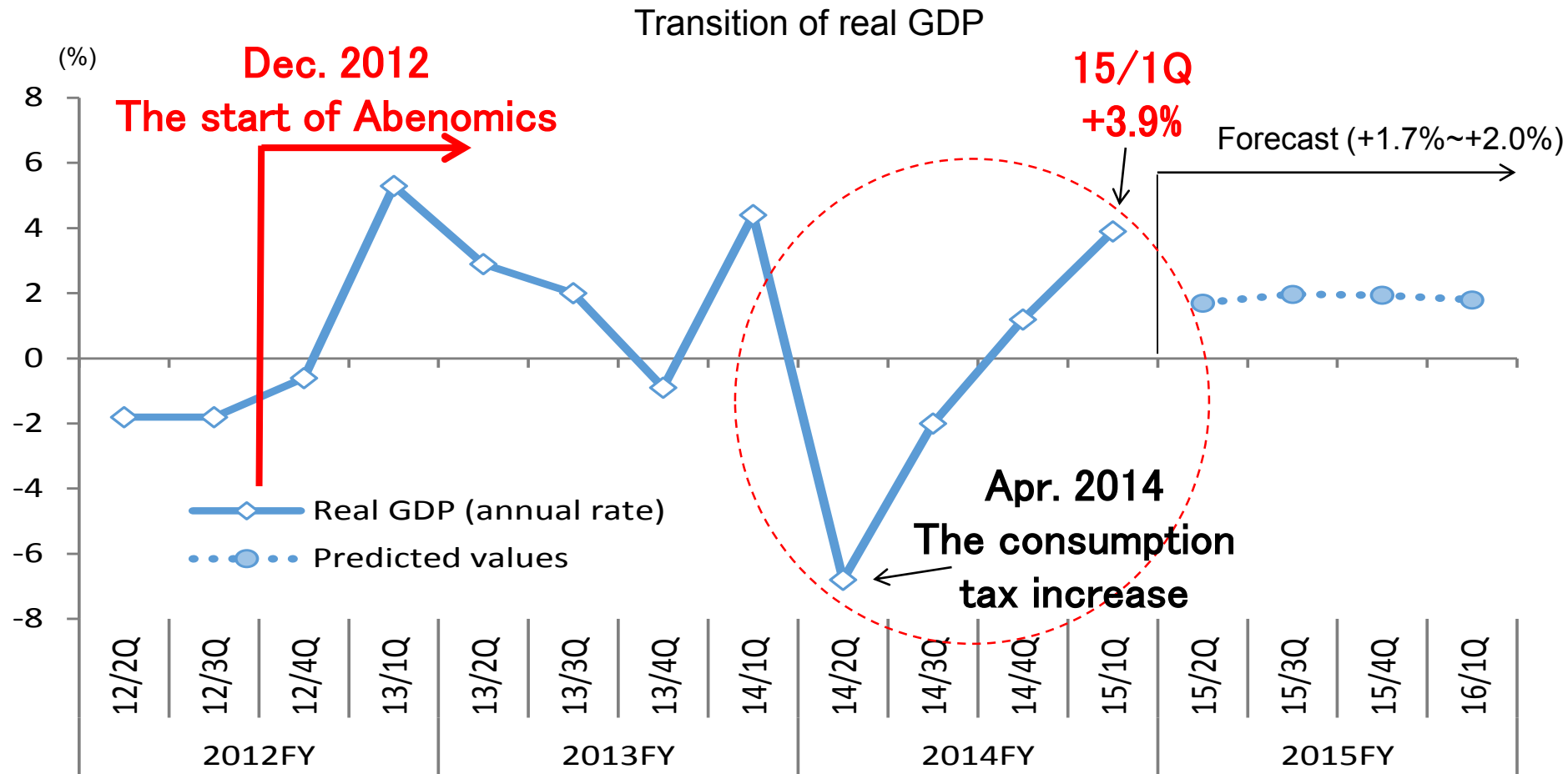
4. **INVEST JAPAN Initiative**

Five Promises for Attracting Foreign

Businesses to Japan

Positive Effects of Abenomics

Japan's Economy Slumped in the FH of 2014, affected by Consumption Tax Increase Started Improving Soon Afterwards. **The End of Deflation Now in Sight**



Positive Effects of Abenomics

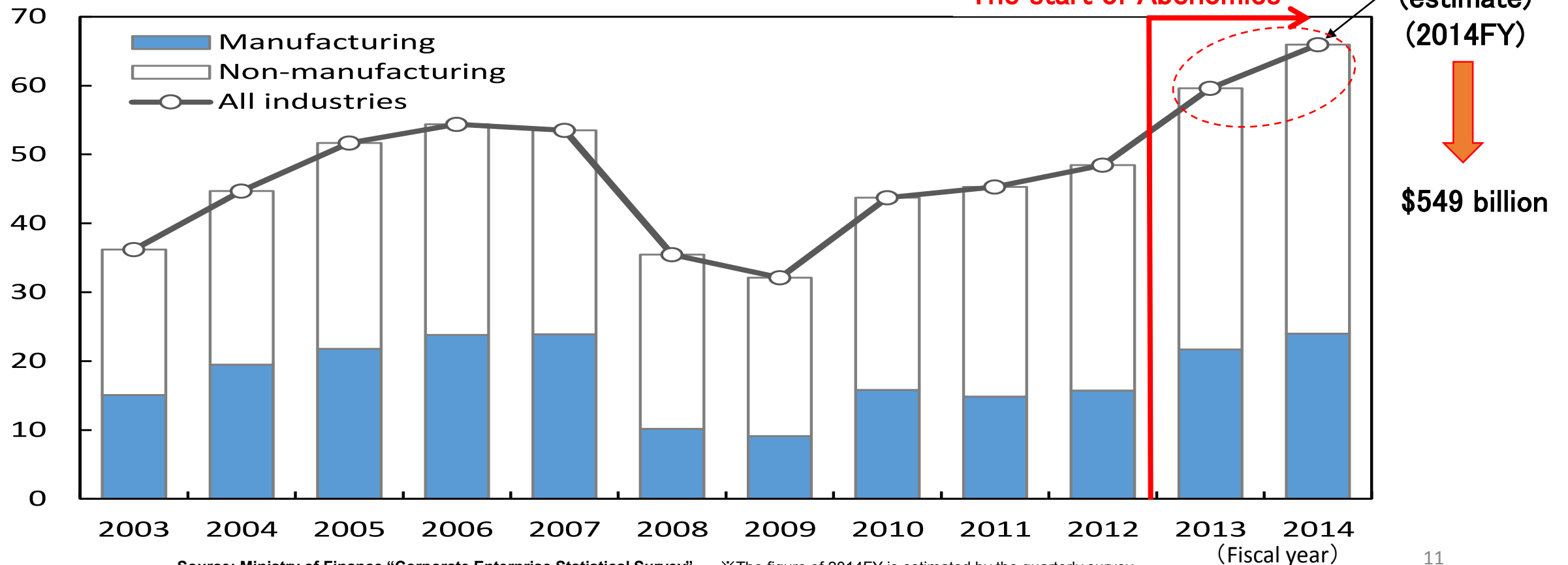
Record-High Profits Achieved by Many Firms

The Sum of Ordinary Income of All Industries in 2014 Increased

Expected to Exceed 65 trillion yen

Transition of Ordinary Income by Industry

(trillion yen)

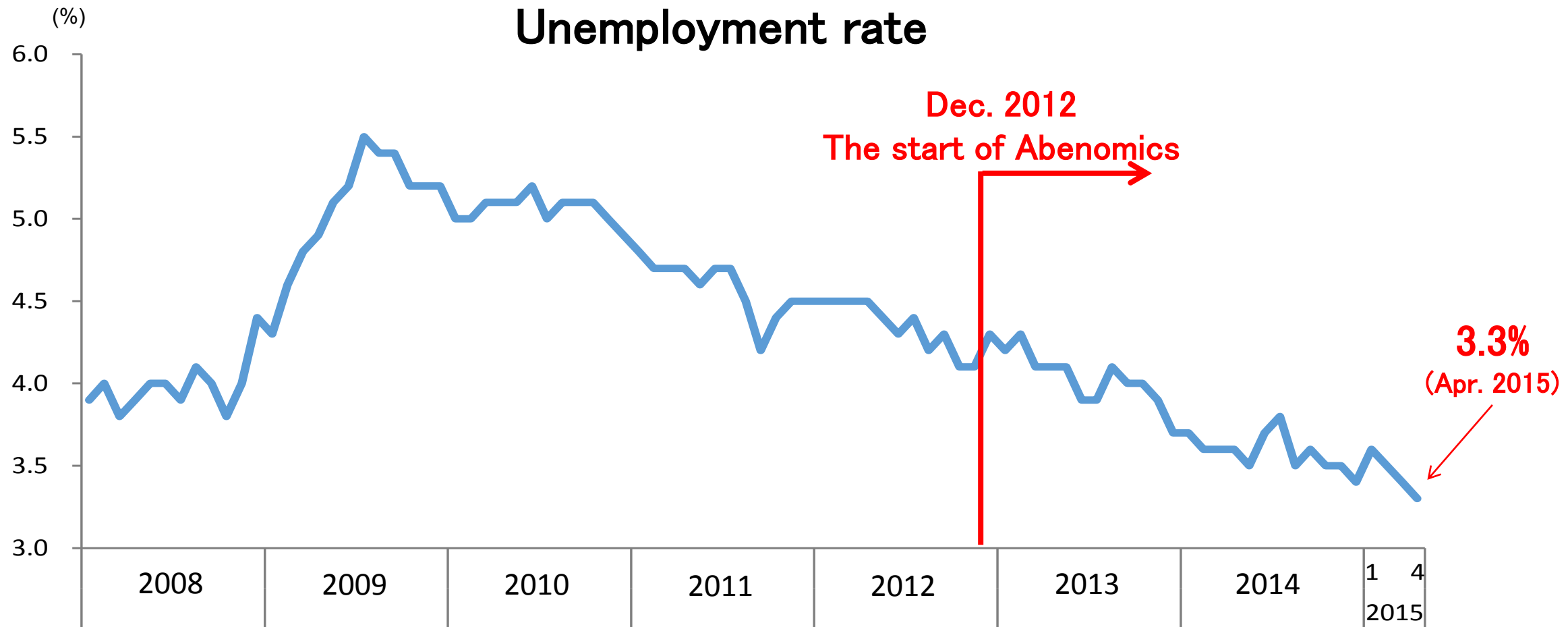


Positive Effects of Abenomics

The Employment Situation is Strong

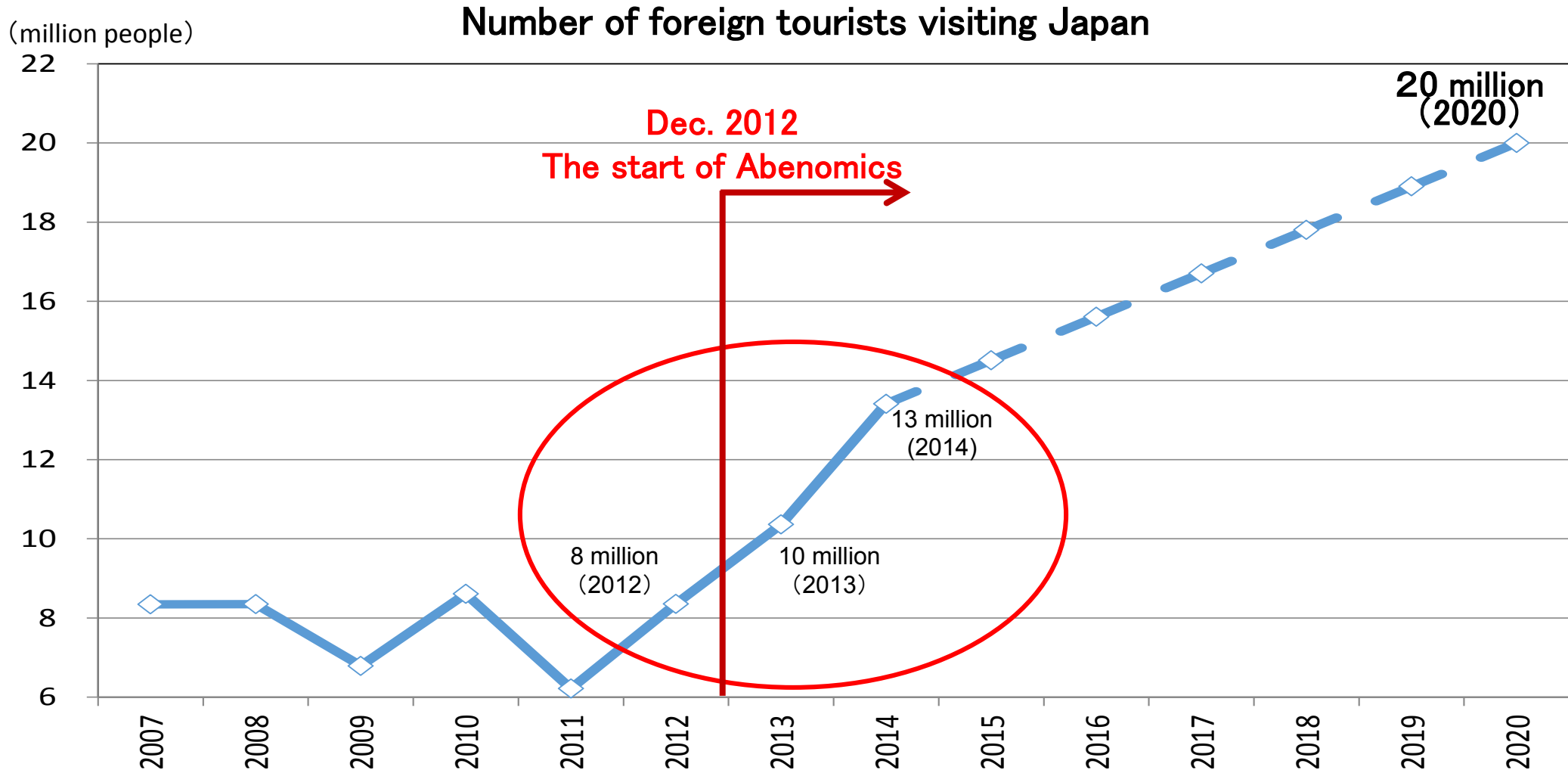
Unemployment Rate Lowered to 3.3% in April 2015

Recovering to the Levels Before Lehman Brothers



Positive Effects of Abenomics

The Number of Foreign Tourists Visiting Japan Increased by Five million in 2 years from 2012, and Exceeded 13 million in 2014



Source: Materials from the Japan National Tourist Organization

KEIDANREN VISION

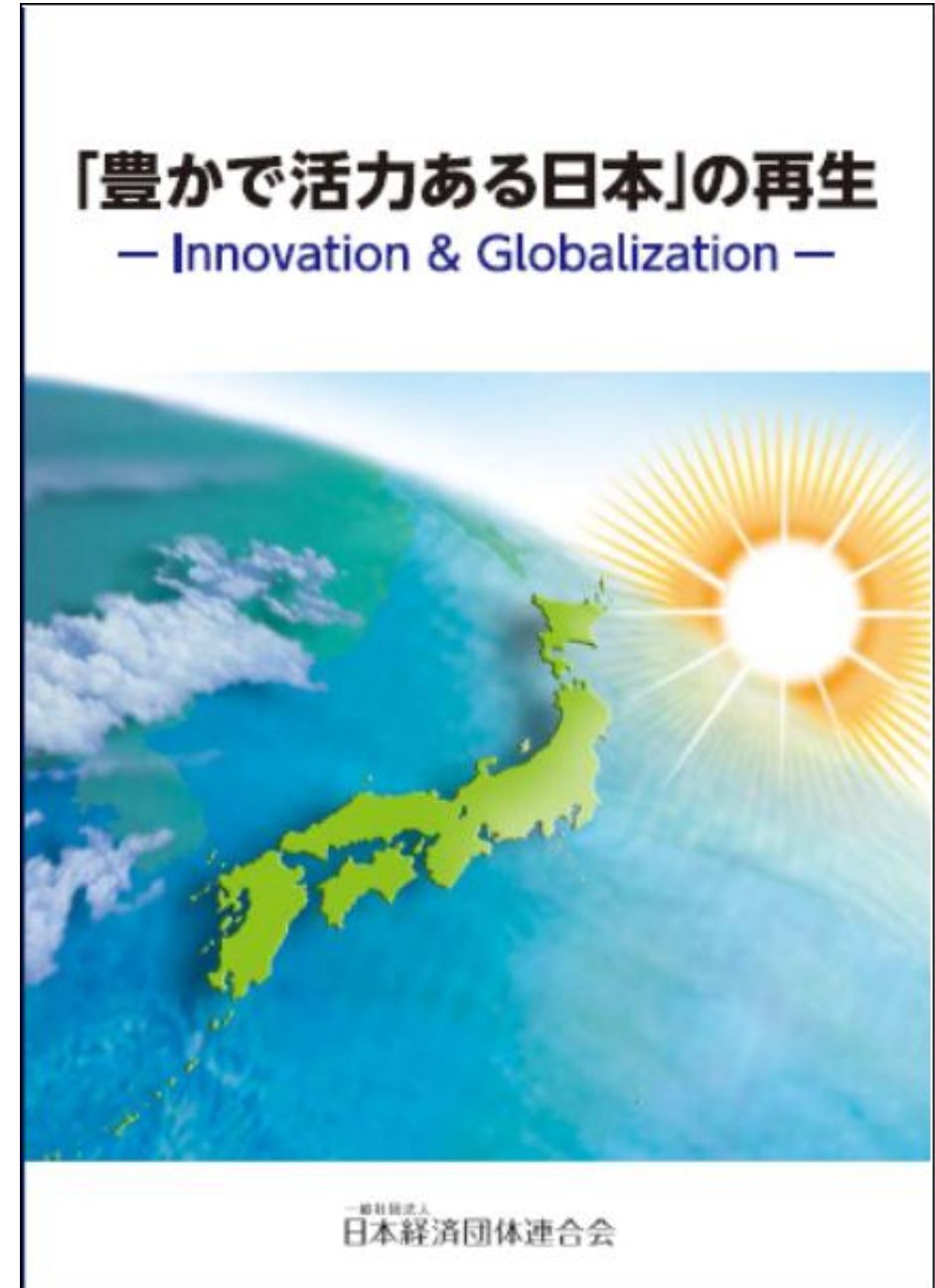
Title:

**Toward the Creation of a More
Affluent and Vibrant Japan
– Innovation & Globalization –**

Goal:

**A Nation where the Younger
Generation Takes Pride
Exercises their Can-do Spirit and
Carves out a Future full of Hope**

**A Nation Worthy of Trust and
Respect by the World**



Innovation and Globalization

Important Keys to “Japan’s revitalization” are
“Innovation” and “Globalization”

1. Innovation

- (1) Technological Innovation
- (2) Innovation of Society and Social Systems

2. Globalization

- (1) Building New Trade Strategy
- (2) Promoting Overseas Expansion of Infrastructure System

Developing New Core Industries as Growth Engines in the New Era

Nurturing New Core Industries that can lead the New Era

6 Areas have Great Potential for becoming New Core Industries

6 Areas

Internet of Things

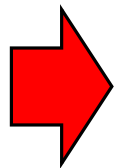
Artificial Intelligence / Robotics

Smart Cities

Biotechnology

Development of Marine Resources

Aerospace



Create added value of 100 trillion yen by 2030 through these new industries **(\$830B)**

Promote the Participation of Women in the Workforce

Empowerment of Women is **Key Growth Strategy for Japan**
It is Also a **Management Strategy for Companies** to Survive Intensive
Global Competition

World Assembly for Women in Tokyo: WAW! Tokyo 2014

September 12, 2014 at Keidanren

Total number of participants: 1,200

Main Guests:

Prime Minister Shinzo Abe

First Lady Akie Abe

U.S. Ambassador Caroline Kennedy

IMF Managing Director Christine Lagarde



Women's Empowerment

KEIDANREN Voluntary Action Plans on the Promotion of Women

To Display Clear Commitment of Top Managements,
Keidanren Requests About 1,300 Member Companies to
Formulate Action Plans

Set Target Goals for the Promotion of Women

Establish Specific Action Plans to Achieve the Goals

As of May 2015, 440 Companies Published their own
Action Plans on Keidanren's Website

Innovation and Globalization

**Important Keys to “Japan’s revitalization” are
“Innovation” and “Globalization”**

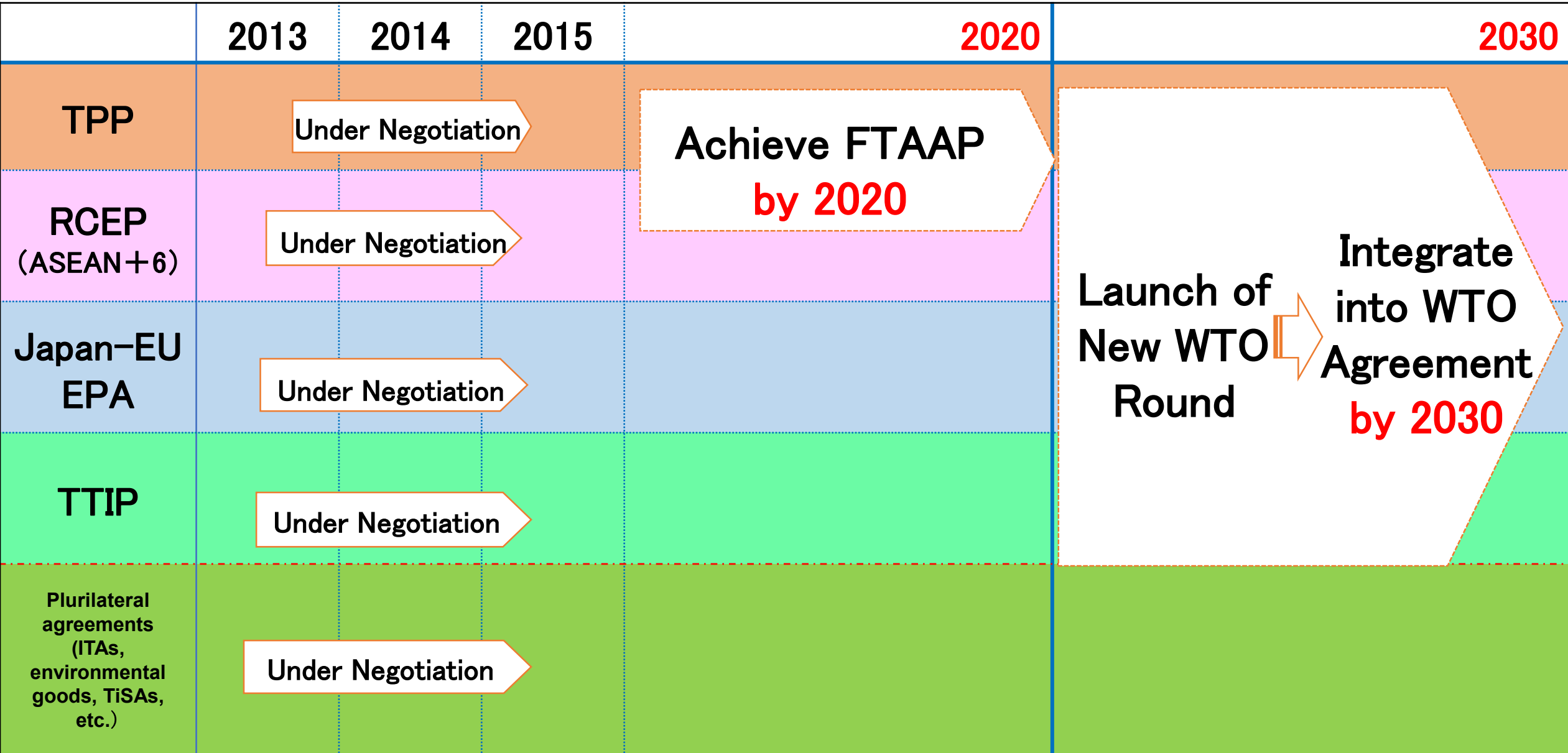
1. Innovation

- (1) Technological innovation**
- (2) Innovation of Society and social systems**

2. Globalization

- (1) Building New Trade Strategy**
- (2) Promoting Overseas Expansion of Infrastructure System**

Trade Strategy Process Leading to WTO Reform by 2030



Early and Successful Conclusion of TPP Negotiations



“We can spread our shared values around the world and have them take root: the rule of law, democracy, and freedom.

That is exactly what the TPP is all about.”

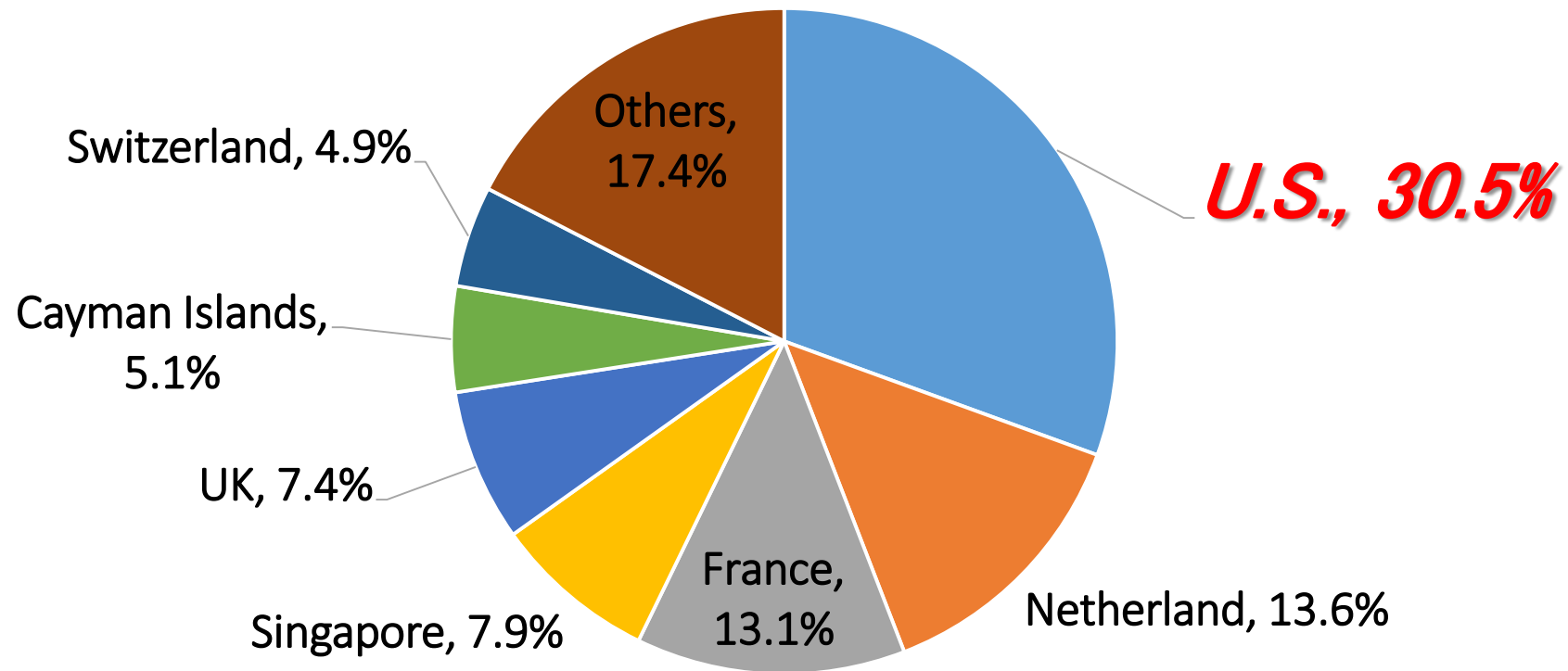
Address by Prime Minister Shinzo Abe to a Joint Meeting of the U.S. Congress
“Toward an Alliance of Hope” (April 29, 2015)

(Source: Cabinet Public Relations Office)

Current Situation of Japan-U.S. Economic Relations

The U.S. is the **No.1 Direct Investor** in Japan

FDI in Japan in 2014 (stock, by country)

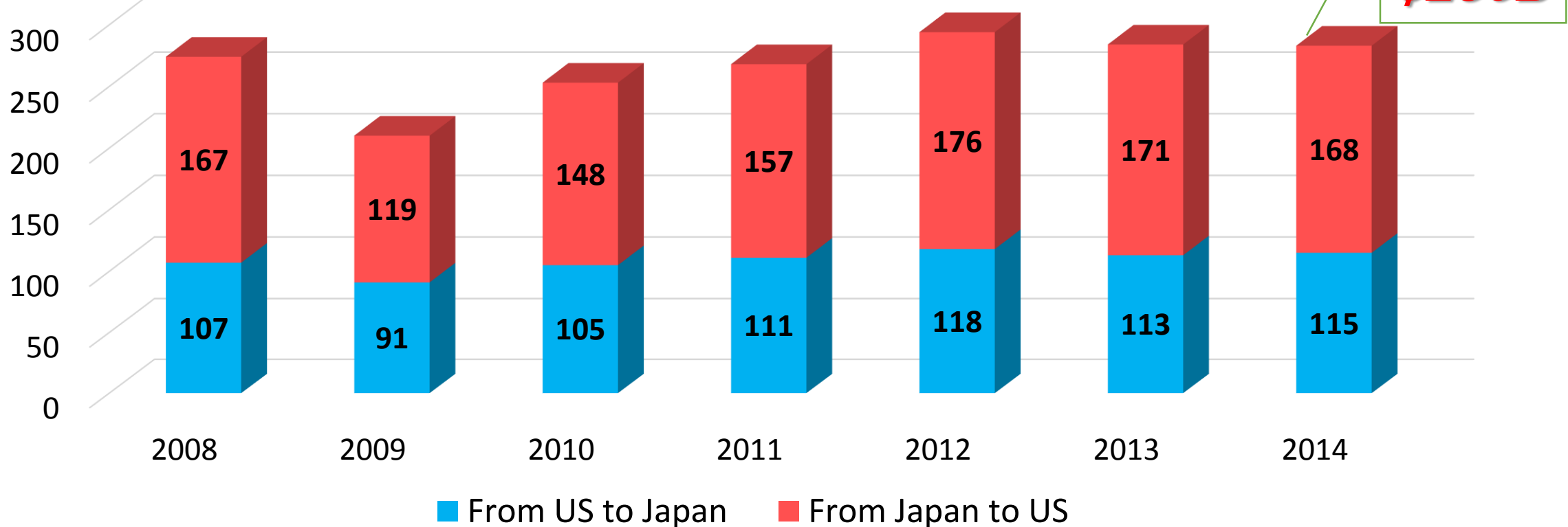


Current Situation of Japan-U.S. Economic Relations

The U.S. is the **Second Largest Trade Partner** for Japan

Total Volume of Japan-U.S. Trade

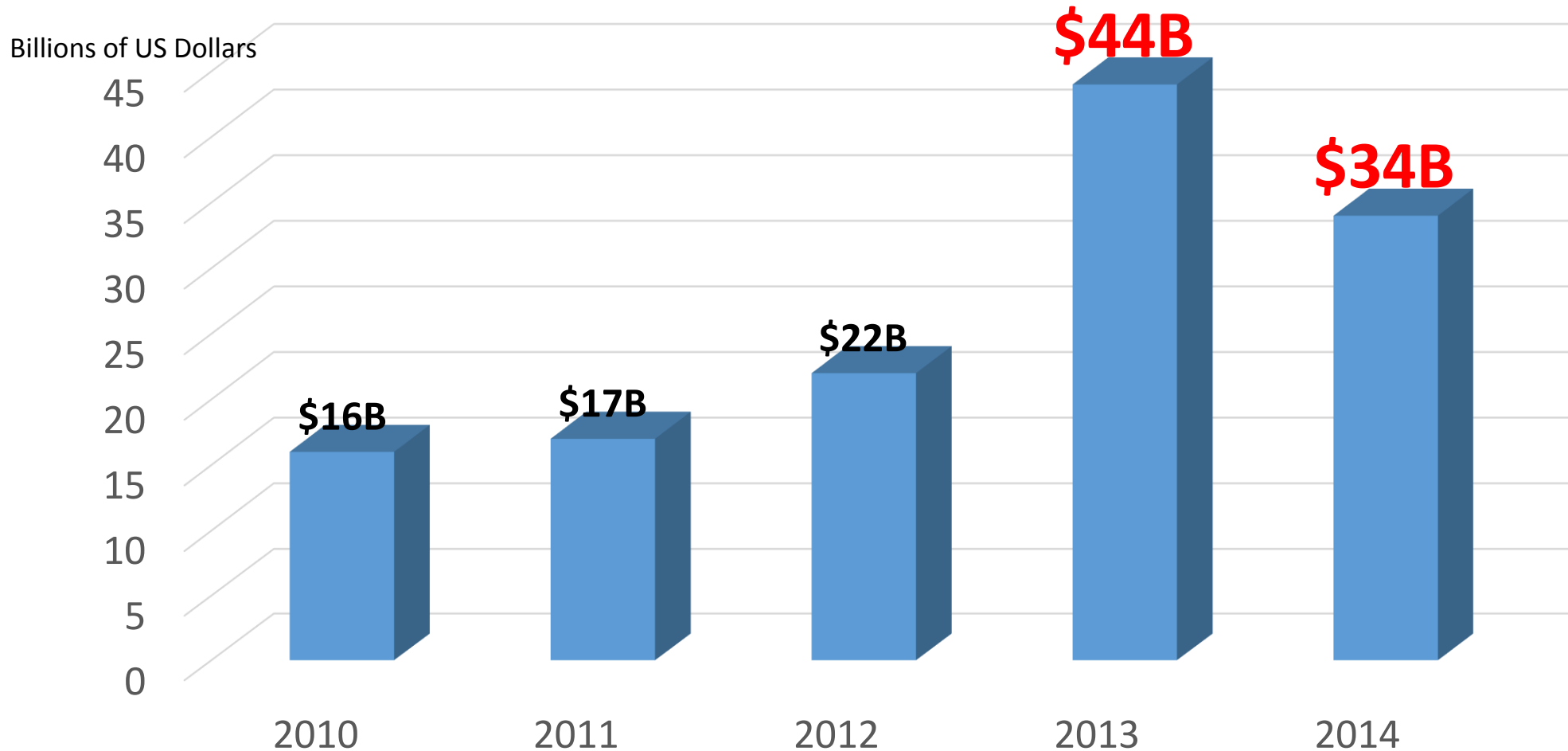
(Billions of Dollars)



\$280B

Japan's Direct Investment in the U.S.

Japan's FDI in the U.S. is Generally Expanding, **Ranked No.1 in 2013** and **No.2 in 2014**



Output & Job Creation Effect of Japanese Companies

About 3,000 Japanese Firms Operate in the U.S.

**Economic Effect
(Output) : \$ 580B**

**Job Creation Effect:
1,700,000**

*Direct
+
Indirect*

**Japanese-Affiliated
Companies in the US**

Output : \$ 330B

Direct

**No. of Employees :
900,000**

Comparison with Other Countries' Economy

Output of Japanese Companies in the U.S. Accounts for About \$ 580B
Surpassing the GDP of Sweden, Poland, Argentina, and so on

Countries and Regions	(Billions of Dollars)
Indonesia	890
Netherlands	870
Turkey	810
Saudi Arabia	750
Switzerland	710
Output of Japanese Companies in the U.S.	580
Nigeria	570
Sweden	570
Poland	550
Argentina	540
Belgium	540
Taiwan	530
Norway	500

Contribution to the Expansion of U.S. Exports

Japanese Companies in the U.S. **Contributing to the Expansion of U.S. Export**
Japan is No.1, Accounting for 4.4% of Total Exports of U.S.

(billions of US dollars)

		Exports from foreign affiliates in the U.S.	Share of Total Exports
1	Japan	67.6	4.4%
2	UK	51.8	3.4%
3	Germany	45.5	2.9%
4	Italy	24.6	1.6%
5	France	22.7	1.5%
6	Canada	12.5	0.8%
7	Korea	10.0	0.6%
8	Australia	2.0	0.1%
9	Singapore	1.3	0.1%
10	China	1.1	0.1%

Japanese Automakers' Activities in the U.S.

Japanese Automakers have been engaged in

- (1) Local Production in the U.S. since the 1980s
- (2) 70% of the Vehicles Sold in the U.S. Built in North America

Japanese Automakers contribute to

- (1) Quality Job Creation
- (2) Enhanced Productivity in the U.S.
- (3) Increased Competitiveness of the U.S. auto industry

3.63 million Vehicles Produced

\$ 41B Invested Cumulatively

400,000 U.S. Workers Employed Directly

1.36 million Workers Including Indirect Employment

\$ 57B of U.S.-made Auto Parts Purchased

**390,000 Vehicles Exported from U.S.
20.2% of Total U.S. Vehicle Exports**

Japan-U.S. Trade Negotiations

1972 Japan-U.S. Textile Negotiations

1981 Voluntary Export Restrictions on Japanese Cars
Established an Export Limit of Approximately 1.68 million Vehicles

1986 Japan-U.S. Semiconductor Negotiations

1988 Talks on Liberalization of Imports of American Agricultural Products

1989 First SII (Structural Impediments Initiative) Meeting

1992 Action Plan for Expansion of Japan's Imports of U.S.-made Auto Parts

1994-96 Conclusion of Japan-U.S. Framework Talks

(Insurance Sector, Government Procurement, Auto and Auto Parts etc)

2001-09 Talks on Japan-US Economic Partnership for Growth

From Trade Friction to "PARTNERSHIP" for Mutual Prosperity



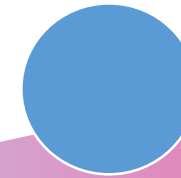
(Source: UPI=Kyodo)

60's ● US–Japan Textile Negotiations

70's ● Japan's Voluntary Export Restraint of Steel

80's ● Japan's Voluntary Export Restraint of Autos

90's ● SII: Structural Impediment Initiatives



Towards the Future
More Strengthened Partnership through TPP



(Source: Cabinet Public Relations Office)

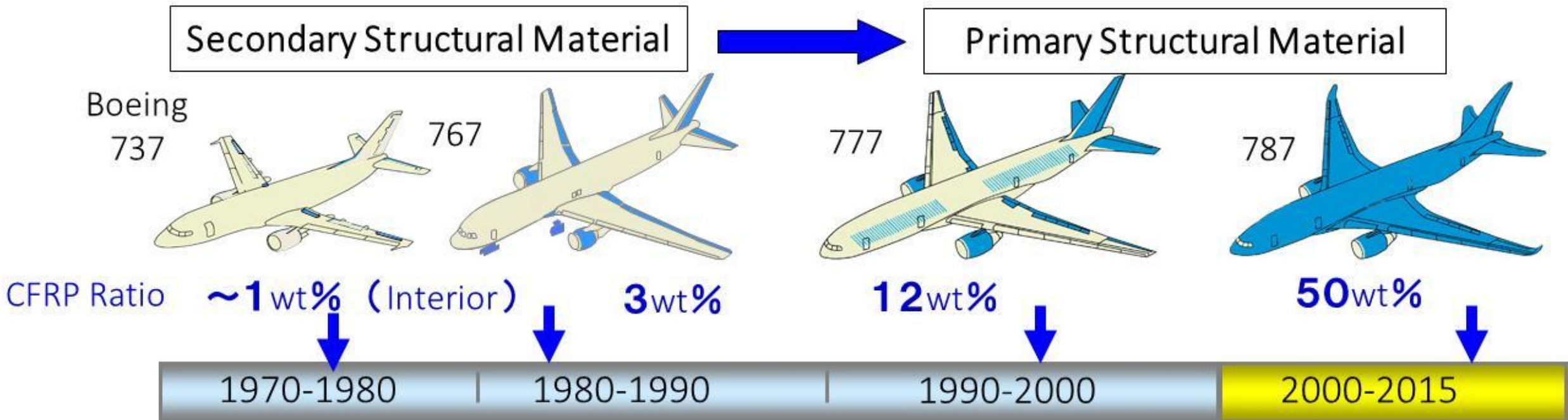
Toray and America, Especially with Boeing



Boeing and Toray Concluded the Comprehensive Agreement to Supply Carbon Fiber for Boeing 787 Dreamliner in April, 2006.

Toray Became the Dominant Supplier of Carbon Fiber to Boeing for a Period of 16 Years.

Realization of My Dream 40 Years Later Copyright Boeing Co.



Toward Further Strengthening Japan–U.S. Relationship



“The relationship between our two countries stands as a model of the power of reconciliation: former adversaries who have become **steadfast allies** and who **work together to advance common interests and universal values in Asia and globally.**”

“U.S.–Japan Joint Vision Statement” April 28, 2015

(Source: Cabinet Public Relations Office)

Toward Further Strengthening Japan–U.S. Relationship



“The Finest Asset the U.S. Has to Give to the World was Hope, is Hope, will be, and must Always be Hope. **Let us Call the U.S.–Japan Alliance, an Alliance of Hope.** Let the Two of us, America and Japan, Join Our Hands Together and Do Our Best to Make the World a Better, a Much Better Place to Live. **Alliance of Hope.... Together, We Can Make a Difference.**” Address by Prime Minister Abe to a Joint Meeting of the U.S. Congress on April 29

(Source: Cabinet Public Relations Office)

Toward Further Strengthening Japan–U.S. Relationship

- U.S.–Japan Relationship is **the Most Important Bilateral Relation** for Japan, both Politically and Economically
- The Two Countries Share the Same Fundamental Values of **Freedom, Democracy, Basic Human Rights, and Respect for the Market Economy**, and are Bonded to each other through **Mutual Trust and Deep Friendship**
- Through Keidanren Mission, I strongly Hope to Reconfirm **the Significance of our Economic Relationship**, and Deepen and Expand **the Economic Ties Between the Two Countries**