

Survey on corporate attitudes towards corporate tax issues incl. effective tax rates

Over 70% of companies think effective corporate tax rates should be lowered

~ Over 40% would allocate effective rates reduction to “aggressive investment” in human resources, etc. ~

As governments around the world are striving to lower corporate tax rates, the Japanese government has announced in its new growth strategy that it will lower the effective corporate tax rates (approx. 40%) to the same level as those of other major countries, and active discussions are being held about strengthening the competitiveness of Japanese companies and securing employment. In addition, opinions point to the requirement for employers to contribute to the social insurance premiums of their employees as a factor inhibiting corporate competitiveness.

Against this background, Teikoku Databank conducted a survey on corporate attitudes towards corporate taxation issues, including effective tax rates.

Research Period: July 20 to 31, 2010

Research Subject: 22,557 corporations across the nation

Valid Responses: 11,446 corporations (response rate 50.7%)

Over 70% of companies think effective corporate tax rates should be lowered

8,171 companies, accounting for 71.4% of the 11,446 valid responses, said they thought the effective corporate tax rates should be lowered, indicating that over 70% of companies are demanding a reduction in the effective tax rates.

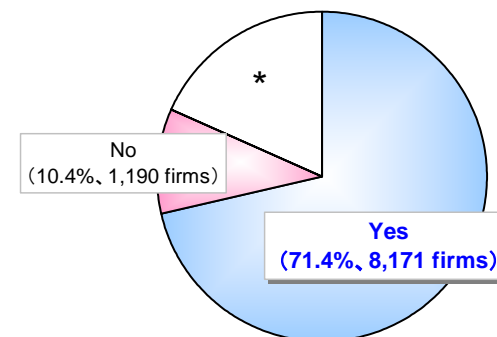
64.6% of companies expect effective tax rate reduction to lead to increases in corporate profit

7,394 companies, accounting for 64.6% of the 11,446 valid responses, said they expected a reduction in the effective corporate tax rates would lead to an increase in corporate profit.

The number of profitable companies must be increased as soon as possible in order to make a reduction in the effective corporate tax rate effective as less than 30% of companies reported profitability in corporate tax declarations (according to the National Tax Agency), and while many companies expect corporate profit to be increased.

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Should effective corporate tax rates be lowered?



Note 1: * indicates "Don't know" (18.2%, 2,085 firms)
 Note2: Population parameter: 11,446 firms that made valid responses

What do you expect from effective tax rates reductions? (Multiple answers allowed)

| | | Percent distribution | Valid responses (firms) |
|---|----------------------------------------------------------|----------------------|-------------------------|
| 1 | Increase in corporate profit | 64.6 | 7,394 |
| 2 | Strengthening of international corporate competitiveness | 43.9 | 5,021 |
| 3 | Domestic economic improvement | 41.9 | 4,801 |
| 4 | Ensurement of domestic employment | 37.2 | 4,256 |
| 5 | Reduction in companies moving abroad | 31.3 | 3,578 |
| 6 | Increased foreign investment in Japan | 18.0 | 2,055 |
| 7 | Encouraging companies to be based in Japan | 15.7 | 1,794 |
| 8 | Other | 2.9 | 330 |

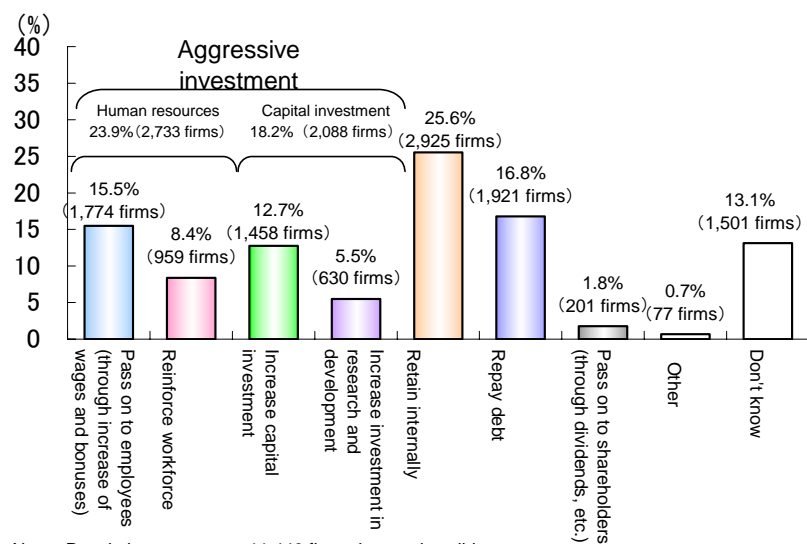
Note: Population parameter: 11,446 firms that made valid responses

Over 40% would allocate the margin of tax rate reduction to aggressive investment

When asked the most likely use of the margin of reduction of the effective corporate tax rates, 15.5% of the 11,446 companies said they would pass it on to their employees (through salary increases or bonuses) and 8.4% said they would use it to reinforce their workforce, indicating that 23.9%, or over 20%, would invest it in human resources.

Meanwhile, 18.2% said they would allocate it to investment in capital, consisting of 12.7% expecting to invest in reinforcement in capital investment, and 5.5% to increase investment in research and development. Thus, 42.1%, or 4,821 companies, are considering allocating the margin of tax rate reduction to aggressive investment in the human resource or capital investment areas.

Which use will you allocate tax rate reduction margin to?

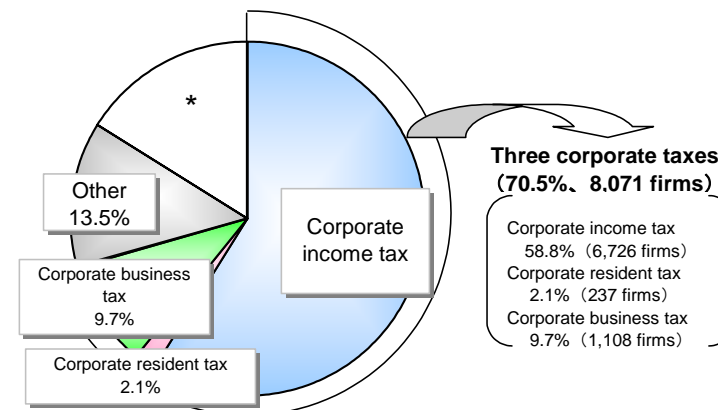


Note: Population parameter: 11,446 firms that made valid responses

Nearly 60% expect corporate income tax to be given top priority in reviewing corporate taxes

6,726 companies, accounting for 58.8% of the 11,446 valid responses, said they expected corporate income tax to be given the highest priority among corporate taxes for review, indicating that nearly 60% of companies expect the corporate income tax to be reviewed.

Which tax do you want given priority in corporate taxation reviews?



Note 1: "Other" consists of the business office tax (3.5%, 401 firms), the fixed asset tax (8.6%, 982 firms), the city planning tax (0.5%, 61 firms), other taxes (0.9%, 99 firms)

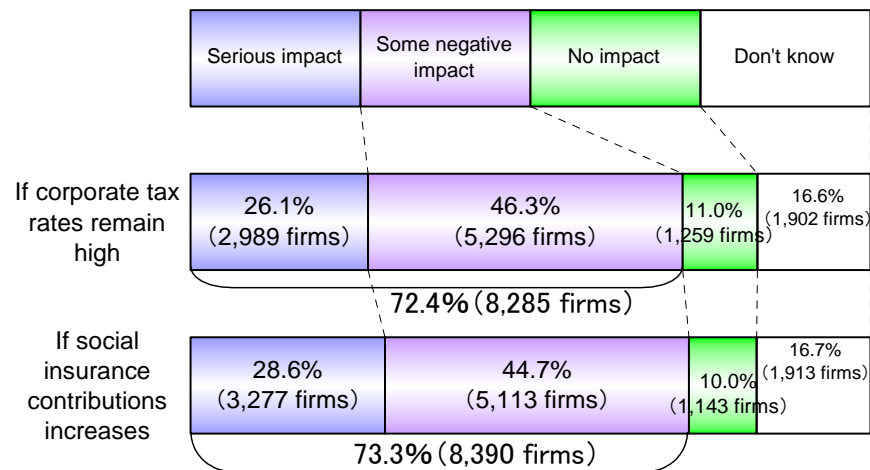
Note 2: * indicates "Don't know" (16.0%, 1,832 firms)

Note 3: Population parameter: 11,446 firms that made valid responses

3 of every 4 companies are concerned about impacts of high corporate tax rates and social insurance premiums on corporate competitiveness

No major difference has been found between the impacts of corporate taxes and social insurance premiums on corporate competitiveness. Therefore, companies obviously do not differentiate between continued high corporate tax rates and increased social insurance premiums in terms of their respective impacts on corporate competitiveness.

Impact of public burden on corporate competitiveness

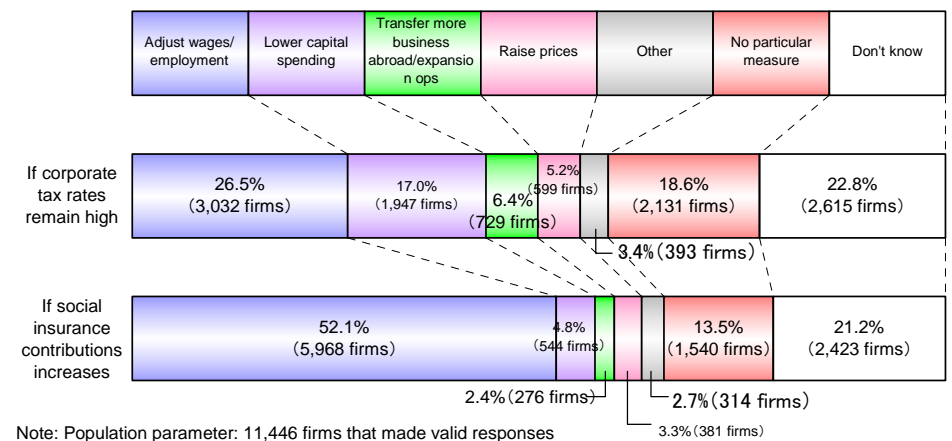


Note: Population parameter: 11,446 firms that made valid responses

Most companies to deal with high corporate tax rates by adjusting wages and employment or lowering capital investment, while over 50% to deal with increased social insurance premiums by adjusting wages and employment

As the most likely measure to alleviate the public burden of companies in the medium and long term, 3,032 companies, accounting for 26.5% of the 11,446 valid responses, said they would deal with higher corporate tax rates through wage and employment adjustments, while 52.1% said they would deal with increased social insurance premiums using the same measures. Thus, companies that would adjust wages or employment to deal with increases in public burden accounted for the largest share of the responses.

Countermeasure against public burden in the medium/long term



Note: Population parameter: 11,446 firms that made valid responses