

Summary of the
“Immediate Policy Package to Safeguard People’s Daily Lives”

December 19th, 2008
A decision by the Ministerial Meeting on Economic Measures
Government of Japan

Basic concepts

The global financial and capital markets have been experiencing a “once in a century” crisis, accompanied by a worldwide economic downturn. As the domestic and external demand stagnates, there is an increased risk that the current downturn of the Japanese economy will further turn into a prolonged severe recession. Indeed, the employment condition is deteriorating rapidly and the corporate financial position is worsening.

Responding to the current economic and financial situation, the government places top priority on achieving economic recovery within three years from this fiscal year in order to safeguard people’s daily lives and the economy, and takes prompt and bold actions in the second supplementary budget for FY 2008 and the annual budget for FY 2009 by implementing the “Measures to Support People’s Daily Lives” and the tax reform for FY 2009. As the year-end approaches, the government is determined to take all possible measures to support employment and corporate financing.

Key policies in the policy package

I. Fiscal measures	Approx. 10 trillion yen
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1. Measures to support employment

Approx. 1.1 trillion yen

[Provision of accommodation and financial assistance for unemployed workers; provision of subsidies for hiring dispatched workers as regular workers; provision of grants for local governments to create employment opportunities; expansion of the coverage of employment insurance benefits to non-regular workers etc.]

2. Increasing the amount of the Local Allocation Tax to promote policies aimed at creating employment and others

1 trillion yen

[Increasing general revenue of local governments to promote job creation and others]

3. Establishment of a special contingency budget to cope with changes in economic conditions

1 trillion yen

[Establishment of a special contingency budget to cope with changes in economic conditions which allows prompt and flexible disbursement of budget in areas such as employment support, SME financing and infrastructure development and others during the course of the fiscal year]

4. Tax reform (tax reduction)

Approx. 1.1 trillion yen (annual average)

[The largest ever mortgage loan tax cuts; immediate depreciation of investment in energy-saving and new-energy equipments; temporary cut in the reduced corporate tax rate for SMEs from 22% to 18%; extension of the current reduced tax rate of 10% for listed share dividends and capital gains by three years etc.]

5. Implementation of the “Measures to Support People’s Daily Lives”

(Economic policy package announced in October)

Approx. 6 trillion yen*

- Supporting people’s daily lives (provision of the fixed-sum benefit to households, subsidies for hiring senior “freeters” (job-hopping part-timers), support for child rearing etc.)
- Measures to stabilize financial and capital markets (including restriction on short-selling), measures for supporting corporate financing mainly for SMEs (strengthening and expanding public credit guarantee schemes and financing by public financial institutions etc.)
- Measures for regional revitalization

II. Financial measures

Approx. 33 trillion yen

6. Measures for stabilizing financial markets and supporting corporate financing

Approx. 33 trillion yen

a. Increase in the government’s capital participation under the Law on Special Measures for Strengthening Financial Functions

10 trillion yen

(Increase in the government’s capital participation in financial institutions which contribute to vitalization of regional economies and financing for SMEs from 2 trillion yen to 12 trillion yen)

b. Utilization and strengthening of the Banks’ Shareholdings Purchase Corporation

20 trillion yen

(Lift the ceiling on the amount of government-guaranteed borrowings to purchase shares from banks)

c. Exercising and expanding the risk management duties by public financial institutions

3 trillion yen

Expanding loans provided by public financial institutions for medium-sized and large enterprises to cope with financial crises (1 trillion yen), purchasing commercial paper (2 trillion yen)

d. Measures for vitalizing housing and real estate markets

Approx. 0.2 trillion yen

*Excluding 21 trillion yen emergency public credit guarantee schemes and loans provided by government-affiliated financial institutions in the “Measures to Support People’s Daily Lives.” The total size of this package is approximately 64 trillion yen if these are included.

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