

The Three-Step Economic Measures for the Realization of the New Growth Strategy

~Emergent Action to Currency Appreciation and Deflation ~

September 10, 2010

I. Basic idea

1. Immediate policy goal and the current situation

(Overcoming deflation is the immediate priority)

Since last year, the Japanese economy has been experienced in deflation, which is a major obstacle to “revitalizing Japan.”

In the New Growth Strategy, which was adopted in June this year, the Government divided the 11-year period through FY 2020 into Phase I and Phase II with the end of deflation in between. In Phase I, which was characterized as the period of overcoming deflation, this strategy aims to put the Japanese economy back on the path of full recovery and end deflation as early as possible mainly through the implementation of demand-side measures. To be more specific, it aims to make consumer prices growth rate positive by the end of FY 2011 and achieve a stable price increase quickly.

Overcoming deflation is thus the immediate priority for the Government’s economic and fiscal policy management.

(Downside risk to the economy due to the yen’s appreciation and slowdown of overseas economies)

Although the Japanese economy has picked up as a result of external demand, mainly in Asia, and the support from the policy measures, including the Emergency Economic Countermeasures for Future Growth and Security

(Cabinet Decision as of December 8, 2009), Japan still faces difficult economic conditions. The foundation for overcoming deflation is still fragile: the employment situation, especially for new graduates and for younger people, remains severe, and many regions are suffering from continuing difficulties.

Meanwhile, due to the contraction of international interest-differential and other factors, the yen has appreciated rapidly, rising in August to the highest level against the US dollar since April 1995. On the one hand, currency appreciation has its own merits: for example, it may contribute to an increase in corporate profits by reducing their cost of imports and increase the power of domestic investors and consumers over overseas goods and purchasing assets. On the other hand, however, if the ongoing, long-term appreciation of yen may weigh on economic growth by reducing external demand, stagnating down capital investment and employment, and inducing companies to relocate overseas. Moreover, there are growing concerns that overseas economies will slow down.

All in all, the yen appreciation and the concerns over a possible slowdown of overseas economies pose significant downside risk to the Japanese economy.

2. Basic perspectives of three-step Economic measures

Based on the above understanding, the following three basic perspectives underlie the new Economic Measures.

(1) Three-step actions considering timeline

To deal with the growing risk to the economy posed by the yen appreciation and other factors before achieving a self-sustaining recovery, it is essential to take emergency measures, with emphasis on speed, and thereby minimize the

impact.

The Government will be ensuring the path toward exit from deflation and a self-sustaining recovery, by making a three-step actions considering timeline: following the implementation of the emergent action (Step 1), it will take swift action (Step 2) based upon the future economic and employment conditions, and then, fully implement the New Growth Strategy in FY 2011 (Step 3).

(2) Achievement of economic growth with a focus on employment

The Government will aim to achieve economic growth with a focus on employment. The growth of employment will increase income, stimulate consumption and invigorate the economy. To establish this virtuous cycle, the Government will do its utmost with regard to budgets, taxation and corporate and social systems in general to build the foundation for employment.

To be more specific, the Government will (i) “create jobs” by achieving economic growth; for example, promote job creation in the fields where there is arge potential demand, such as nursing, medical and child care, environment and tourism. It will also (ii) “protect jobs” by preventing the hollowing of jobs that may be caused by the yen appreciation or other factors. Moreover, it will (iii) connect jobs by strengthening the matching between job seekers and small and medium-size enterprises (SMEs) eager to hire new employees. Through these activities, the Government will aim to realize a society in which all of the people can work in accordance with their motivation and abilities.

(3) Combination of fiscal measures and regulatory and institutional reforms

Under this Economic measures, the Government will not only take fiscal measures, such as budgetary and tax-related ones, but also implement regulatory and institutional reforms that do not require financial resources, so that obstacles to growth can be removed.

To this end, under the “Regulatory Reform 100 to Revitalize Japan” program, the Government will first strenuously implement the regulatory and institutional reforms, including frontloading already-determined ones, that are highly effective in creating demand and jobs in five strategic fields of activity: acceleration of investment in urban revitalization and housing; promotion of investment in and use of the environment and energy; creation of demand and jobs in the medical and nursing care sectors; local revitalization activities such as tourism promotion; and economic strategies to open Japan wider to the outside world. The Government will also front-load the implementation of existing reform measures. In addition, in FY 2011, it will tackle such additional tasks as change the rules that stifle potential demand, mainly with regard to regulatory and institutional frameworks related to the New Growth Strategy.

II. Three-step actions

In implementing economic measures, it is essential to avoid taking piecemeal measures in a haphazard manner from a short-term perspective. Therefore, the Government will not only focus on taking emergency measures to cope with the immediate situation but also bear in mind three-step actions that take account of a timeline extending to FY 2011 so as to do utmost with measures in accordance with the conditions of the economy and employment.

Three-step actions considering timeline

Step 1 Emergent action to the yen appreciation and deflation

- ◇ Action to deal with factors that pose downside risk to the economy, such as the yen's appreciation, and emergent action to build the foundation to exit from deflation.
 - Two perspectives: (1) dealing with factors that pose downside risk to the economy and (2) front-load the implementation of the New Growth Strategy
 - Five pillars: (1) employment, (2) investment, (3) consumption, (4) regional disaster prevention, and (5) regulatory and institutional reforms
 - Use of Contingency Reserve for Economic Crisis Response and Regional Revitalization (whose outstanding amount is ¥918.2 billion)

Step 2 Swift action based upon the future conditions

- ◇ Swift and Flexible action based upon the future economic and employment conditions.
 - When necessary, the Government will take swift and flexible measures, such as formulating supplementary budget, including the utilization of acts of bearing liabilities with the national treasury funds (¥1 trillion).
- ◇ Promotion and acceleration of the implementation of the New Growth Strategy.

Step 3 Action in FY 2011 — Full implementation of the New Growth Strategy

- ◇ The Government will make focused budget allocation to policy measures that are highly effective in creating demand and jobs by utilizing the Special Allocation to Rejuvenate “Vibrant Japan” under the FY 2011 budget so as to fully implement the New Growth Strategy.

Step 1 **Emergent action to the yen appreciation and deflation****1. Emergent action****(Two perspectives and five pillars)**

As an emergent action, the Government will implement carefully-selected policy measures which bring about benefits quickly and which are highly effective in creating demand and jobs based on two perspectives — dealing with factors that pose downside risk to the economy, such as the yen's appreciation and overseas economic conditions, and front-load the implementation of the policy measures under the New Growth Strategy, such as the establishment of a low-carbon society. The primary objective of the emergent action is to build the foundation to exit from deflation at an early date by implementing measures that bring about benefits quickly from the perspective of prevention so that the nascent recovery will not be stifled. From this perspective, the Government characterizes emergent action to support the “employment” such as new graduates, “investment”, “consumption”, “regional disaster prevention” and “regulatory and institutional reforms” as five pillars of its effort to build the foundation to exit from deflation.

As for exchange rates, since excessive volatility in the currency market adversely affects the stability of the economy and the financial system, the Government will continue to closely watch exchange rate movements and take decisive actions when necessary.

(Monetary policy)

The Government expects that the Bank of Japan share the recognition the Government and the Bank of Japan face the challenge of overcoming deflation, and that the Bank of Japan will support the economy by conducting appropriate and flexible management in monetary policy while exchanging information and working closely with the Government.

2. Use of Contingency Reserve for Economic Crisis Response and Regional Revitalization s

In order to implement the above emergent action, the Government will use Contingency Reserve for Economic Crisis Response and Regional Revitalization for FY 2010 (whose outstanding amount is ¥918.2 billion).

Step 2 Swift action based upon the future conditions

1. Action based upon the future economic and employment conditions

After making the emergent action in Step 1, the Government will remain vigilant to downside risk to the economy and take swift and flexible action, and at the same time, it will promote and accelerate the implementation of the New Growth Strategy. Through these activities, the Government will build the foundation to exit from deflation and achieving economic recovery while supporting employment.

In relation to the above measures, the Government will take swift and flexible action, such as formulating supplementary budget, including the utilization of ¥1 trillion in acts of bearing liabilities with the national treasury funds that is provided for under the FY 2010 budget, when necessary based upon the future economic and employment conditions.

2. Promotion and acceleration of the implementation of the New Growth Strategy

In accordance with the basic policy for the economic and fiscal policy management set forth under the New Growth Strategy, the Government will promote and accelerate the implementation of this strategy, which comprises seven strategic fields and 21 national strategic projects while placing emphasis

on demand-led growth in the short term.

(1) Promotion and acceleration of the implementation of the New Growth Strategy under the “Council for Realizing New Growth Strategy”

The “Council for Realizing New Growth Strategy” (whose establishment was decided by the Cabinet on September 7) will be responsible for promoting and accelerating the implementation of individual fields and projects in the New Growth Strategy. The Council will be chaired by the Prime Minister and be comprised of relevant ministers, the Governor of the Bank of Japan, representatives of the business association and labor unions, and private-sector experts.

(2) Holding employment strategy dialogue

Employment strategy dialogue will be held to promote and accelerate the implementation of the employment and human resources strategies as part of the New Growth Strategy and others.

(3) Formulating the “domestic investment promotion program”

By around October or November, the Government will formulate policy measures that should be implemented over the next six months to one year to promote the establishment of business facilities in Japan, with emphasis on encouraging companies to establish headquarters functions, factories and other business facilities in the country and on assisting SMEs that support the manufacturing infrastructure of Japan, and then it will implement those measures.

(4) Acceleration of regulatory and institutional reforms

The government will give further momentum to regulatory and institutional reforms by quickly implementing the “Regulatory Reform 100 to Revitalize Japan” and by tackling additional reforms.

Step 3 Action in FY 2011 — Full implementation of the New Growth Strategy

In FY 2011, the government will aim to achieve exit from deflation and economic growth with a focus on employment by fully implementing the New Growth Strategy based on the use of the “Council for Realizing New Growth Strategy.” To that end, it will take the following measures.

Regarding the reduction of the effective corporate tax rate, the Government will reach a conclusion on this issue as well as on the broadening of the tax base etc. to secure fiscal resource for the reduction of the tax rate, based on debates to be conducted in the budget formulation and tax revision for FY 2011, in order to strengthen the competitiveness of companies that have business facilities in Japan and encourage foreign companies to establish new business facilities in the country.

(1) Use of Special Allocation to Rejuvenate “Vibrant Japan” in budget formulation

The Government will make focused budget allocation to policy measures that are highly effective in creating demand and jobs by utilizing the Special Allocation to Rejuvenate “Vibrant Japan” while conducting public competition to select suitable policy measures.

(2) Tax reduction in corporate sector for the promotion of job creation

- In order to realize the New Growth Strategy, particularly based on the

viewpoint of promoting economic growth with a focus on employment, the Government will implement policy-driven tax measures as part of the FY 2011 tax reform. To that end, it will decide the specifics of effective tax measures, such as reducing the tax burden on companies according to their creation of new jobs, from the perspective of (1) job creation in fields such as health and environment, (2) a shift from non-regular employment to regular employment, (3) support for child care and (4) employment of people with disabilities.

- In addition, the Government will implement tax measures to encourage environment-related capital investment and research and development activities by companies.
- To that end, the government will swiftly start discussions by establishing, under the Tax Commission, a project team on the employment promotion tax measures etc. to study the above tax measures. in parallel with debate on the “domestic investment promotion program.”

(3) Regulatory and institutional reforms

The Government will continue to accelerate regulatory and institutional reforms, mainly those related to the New Growth Strategy.

III. Specifics of emergent action

In the emergent action of Step1, in addition to the action in terms of foreign exchange and monetary policy, measures will be implemented with a focus on the five pillars; (i) measures which directly cover the “Employment”, (ii), (iii) those regarding “Investment” and “Consumption” which generate immediate effects, (iv) those in “Regional disaster prevention” that can be implemented quickly and (v) “Regulatory and Institutional Reforms”. Through the implementation of these measures, the Government will support the employment.

Action to the yen’s rapid appreciation and deflation

The yen’s rapid appreciation for an extended period is an intolerable problem as it would adversely affect the stability of the economy and the financial system. The government will take decisive actions, when necessary, including exchange market intervention.

The Government expects that the Bank of Japan takes further policy measures as necessary while working closely with the Government, in order to overcome deflation.

The Government will minimize the negative impact of the downside risk to the real economy posed by the yen’s rapid appreciation by building the foundation for employment, investment and consumption as described below and other measures so as to support domestic demand, in addition to measures to be taken in relation to foreign exchange and monetary policy.

It is also important to consider how to make full use of the benefits of the yen’s appreciation while taking measures to mitigate its impact. To be more specific, the yen’s appreciation is beneficial for the import of goods and services, the acquisition of overseas assets, including resources, and mergers

and acquisitions. Japan's foundation for growth will be strengthened if the Government strenuously implements measures to invigorate the flow of people, goods and money in accordance with the concept of the New Growth Strategy.

1. Building the foundation for employment

Amid the severe employment conditions, the Government, in accordance with the New Growth Strategy, will implement the measures outlined in the report “Emergency Measures for Employment of New Graduates” ※ as well as employment support measures focusing on younger people. In fields where there is potential demand (e.g., child care, medical and nursing care, environment, agriculture, and forestry), it will also implement employment support measures as part of its employment strategy by using Non-profit organization (NPO) based on the concept of “New Public Commons”. In addition, the Government will seek to protect jobs through financial support for SMEs.

(1) Emergency measures for employment of new graduates

- * New emergency measures
- * Enhancing counseling support for new graduates
- * Promoting recruiting activities of SMEs with a strong employees needs for new graduates
- * Promoting internship and trial employment
- * Promoting employment support service suited to the local circumstances and one-stop service through collaboration between relevant organizations
- * Expanding of employment opportunity for non-new graduates as well as new graduates

(2) Support for human resource development and job creation

- * Implementing model projects for personal support service
- * Promoting the practical career-enhancement strategy (career grading system)
- * Human resource development and job creation focusing on growth fields

(3) Financial support for SMEs

(1) Emergency measures for employment of new graduates

As an emergency step, the Government will implement the following measures to increase employment of SMEs with unemployed non-new graduates and people scheduled to graduate next spring intensively, while providing supporting to both sides.

<Specific measures>

New emergency measures

(A) Creating a cash incentive scheme for non-new graduates employment

Hello Work job centers (“Hello Work”) will provide a cash incentive to companies that offer jobs for both new-graduates and graduates in past three years and employ them as regular workers.

(B) Creating a cash incentive scheme for implement trial employment

Hello Work will provide a cash incentive to companies that employ graduates in past three years a fixed period of time so as to give them sufficient training to become regular workers and then actually employ them as regular workers.

(C) Establishing “Headquarters for Supporting Employment of New Graduates”

In order to provide effective employment support service suited to the local circumstances, a “Headquarters for Supporting Employment of New Graduates” will be established at the labor bureaus of all prefectural governments, with officials of Hello Work , and local governments as well as representatives of labor circle, business circle and educational circle as members.

(D) Introducing counseling service by clinical psychologists and other experts

Hello Work will establish counseling service by clinical psychologists and other experts in order to cure new graduates and other people suffering from mental anxiety due to their failure to secure a preliminary employment contract.

○ Enhancing counseling support for new graduates

(A) Enhancing counseling service by increasing the number of career counselors

Employment counseling support will be enhanced by doubling the number of career counselors at universities and by promoting the deployment of career counselors at senior high schools to carry out tailor-made employment.

(B) Enhancing support programs to improve employability

Universities' activities to foster students' employability, such as the provision of problem-solving lessons through cooperation with the business community, will be strengthened so as to ensure the social and occupational independence of students.

(C) Introducing counseling service by clinical psychologists and other experts

As previously described

(D) Issuing an e-mail newsletter to the contact person of employment support service in the universities

Provision of information will be enhanced by issuing an e-mail newsletter to the contact person of employment support service in the universities in order to provide the information about the service and event in the Hello Work.

○ **Promoting Recruiting Activities of SMEs with a Strong Yearning for new Employees**

(A) Strengthening Sufficiency of Hiring Interest by Job Supporters

The number of job supporters for university and senior high school graduates will be doubled and allocation of such personnel will be concentrated on regions where the employment conditions are severe so as to create 15,000 new job openings and help 20,000 people become employed as regular workers.

(B) Expanding the Program to Strengthen SMEs' Recruiting Ability

The scope of eligible companies will be expanded so as to create 10,000 job openings. In addition, Internet job sites will be used to support the matching of SMEs and new graduates.

(C) Search for More Eager Employers

Efforts will be made to find more companies eager to hire new employees; for example, companies eager to hire new employees and adept in human resource development will be given media exposure through the Internet as "job-creating

companies.”

(D) Issuing an e-mail newsletter to the contact person of employment support service in the universities

Provision of information will be enhanced by issuing an e-mail newsletter to the contact person of employment support service in the universities which contains the information about the service and event in the Hello Work.

○ **Promoting Internship and Trial Employment**

(A) Creating a Cash Incentive Scheme for Implement Trial Employment

As previously described

(B) Providing Various Internship Opportunities

Hello Work job support centers and associations of SMEs will provide various internship opportunities, ranging in period from a short term to six months.

(C) Nationwide Extension of the Kyoto Job Park[※] model

Trial employment of unemployed graduates based on the Kyoto Job Park model — which is operated by local governments using the program to create jobs in priority fields — will be extended nationwide.

○ **Promoting Employment Support Service Suited to the Local Circumstances and the One-stop Service through Collaboration between Relevant Organizations**

(A) Establishing “Headquarters for Supporting Employment of New Graduates”

As previously described

(B) Promoting the Provision of One-stop Service by “Hello Work” Facilities Dedicated to Support for the Employment of New Graduates

Hello Work facilities dedicated to support for new graduates will be established at

[※]Kyoto Job Park is a comprehensive job support center which is mainly operated by the Kyoto Prefectural Government, labor circle and business circle in close cooperation with Hello Work job support centers in order to provide one-stop service ranging from counseling and support for job search to settlement in the workplace.

the labor bureaus of all prefectural governments, and job supporters for university graduates will provide employment support there.

○ **Expanding employment opportunity for non-new graduates as well as new graduates**

(A) **Creating a Cash Incentive Scheme for Non-new Graduates Employment**

As previously described

(B) **Revising the guidelines for ensuring employment opportunities for youth**

The guidelines for ensuring employment opportunities for youth, which are based on the Employment Countermeasures Act, will be revised so as to enable graduates to apply for jobs as new graduates for three years from the graduation date, and business circle will be asked to promote the employment of non-new graduates applying for jobs offered to new graduates.

(2) Support for Human Resource Development and Job Creation

Human resource development and job creation activities will be promoted by using NPOs, mainly in fields where there is potential demand, such as medical care and long-term care, based on the concept of “New Public Commons.”

<Specific measures>

○ **Implementing Model Projects for Personal Support Service**

Personal support service — which provides consistent support, across various programs and in a manner suited to individuals’ own needs, to job seekers who find it difficult to obtain a job on their own due to personal problems — will be provided as a model project (the project will be implemented in five locations initially, with the number of locations to be increased to approximately 20 by the end of FY 2010).

○ **Promoting the practical career-enhancement strategy (career grading system)**

The practical career-enhancement strategy (career grading system), which

includes the formulation of assessment standards and training programs related to practical vocational capability, will be implemented in order to encourage transfer of labor into new growth fields, such as nursing and life care, environment and energy (including forestry), and foods and tourism, and train and retain personnel in those fields.

○ **Job creation and human resource development focusing on growth fields**

(A) Expanding the project to create jobs in priority fields

The project to create jobs in priority fields — which promotes the creation of new employment opportunities and human resource development in a manner suited to the local needs in such fields as long-term care, medical care, agriculture, forestry, environment and energy, tourism and local community employment — will be expanded.

(B) Implementing measures to promote job creation and human resource development in the field of agriculture, forestry and fisheries and shipping

The Support for ensuring and developing the human resource in the field of agriculture and fisheries and the human resource to revitalize rural areas through practical training, also and the support for the employment of young seamen in the field of shipping will be implemented. In addition, emergency measures to revitalize forestry as a job-creating growth industry will be implemented based on the Forest and Forestry Revitalization Plan. ※

(C) Implementing measures to promote job creation and human resource development in the field of ICT (Information and Communications Technology), tourism and SMEs

In order to support the creation of jobs suited for local needs, the utilization of ICT in the public services and local industry activities will be promoted. In addition, support for developing the human resource to deal with foreign visitors in the field of tourism, and that in the field of basic manufacturers of SMEs will be enhanced.

※ Announced on December 25, 2009.

(D) Enhancing support for employment of people with developmental disabilities

The requirements to be met for the provision of subsidies for the employment of people with developmental disabilities will be reviewed, and cooperation between relevant organizations will be strengthened, in order to promote a shift from welfare to employment and enhance support for the employment of such people.

(E) Issuing an e-mail newsletter to the person in personnel administration in companies

Provision of information will be enhanced by issuing an e-mail newsletter about the measures to support employment in economic measures to the person in charge of personnel administration in companies.

(F) Extension of the “Child Security Fund”

Activities necessary for achieving the “Vision for Children and Childcare,”[※] which aims to achieve a zero-waiting list for nursery school, will be promoted, and the extension of the implementation period (which is to expire at the end of FY 2010) of projects financed by “Child Security Fund” will be considered.

(3) Financial support for SMEs

Jobs will be protected through financial support for SMEs.

<Specific measures>

○ **Financial support for SMEs**

(A) Easing the burden of repaying loans guaranteed by credit guarantee associations

The financial base of the Japan Finance Corporation, which supports the credit guarantee system, will be strengthened based upon the records of the modification of the lending terms so as to enable the easing of SMEs’ burden of repaying loans guaranteed by Credit Guarantee Associations amid the difficult economic environment as exemplified by the yen’s appreciation and other factors.

[※]Decided by the Cabinet on January 29, 2010.

(B) Reducing interest rates to deal with the high levels of real interest rates due to deflation

The measure to reduce interest rates for companies that make capital investment from the long-term perspective amid the yen's appreciation and deflation will be maintained in the second half of the current fiscal year.

(C) Establishing a special consultation counter and providing support for financing

The Japan Finance Corporation, Shoko Chukin Bank, Credit Guarantee Associations and Okinawa Development Finance Corporation, among other institutions, will establish special consultation counters for SMEs suffering from the impact of the yen's appreciation and provide support for financing through safety-net loans, crisis response operations and an emergency guarantee scheme to support the economy.

(D) Grasping the impact of the yen's appreciation on corporate finance and requesting the facilitation of corporate finance

In light of fulfilling enough financial intermediary function, the impact of yen's appreciation on corporate finance will be surveyed and grasped, and private financial institutions will be requested to facilitate the financing of companies including SMEs.

○ **Holding “One-stop Service Day” for SMEs support**

One-stop service day will be held so that customers can get necessary service such as consultation for financing, management of new business, employment adjustment subsidy in one counter point through collaboration between relevant organizations.

2. Building the foundation for investment

The Government will promote comprehensive measures to reinvigorate domestic investment; for example, it will strive to halt the transfer of local factories and head office functions to overseas locations and an exodus of jobs out of Japan, which may occur if the yen appreciates further and remains at a high level for an extended period of time, and it will also support the creation of overseas sales channels for SMEs.

- (1) Enhancement of the program to support job-creating, low-carbon industry to build and keep business facilities in Japan**
- (2) Emergency support for SME's efforts to create high added-value and establish overseas sales channels**
- (3) Support for the formulation of new PPP (Public -Private Partnership) / PFI (Private Finance Initiative) projects**

(1) Enhancement of the program to support job-creating, low-carbon industry to build business facilities

<Specific measures>

The program to encourage the “green industry” with huge growth potential to build factories in Japan (the subsidy ratio at 33.3% (50% for SMEs)) will be expanded.

(2) Emergency support for SME's efforts to create high added-value and establish overseas sales channels

<Specific measures>

(A) Creating a program to support the strategic advancement of basic technologies

Efforts by small and medium-size manufacturers suffering from the impact of the yen's appreciation to add high value to products and move into overseas markets will be promoted through support for their research and development (R&D) on basic technologies, their manufacturing of display models of products created on the basis of their R&D activity and their creation of sales channels.

(B) Enhancing support for the creation of overseas sales channels for SMEs

In order to support SMEs' moves into overseas markets, foreign procurement officers will be invited to Japan and spaces allocated for SMEs at trade fairs will be expanded.

(C) Enhancing support for efforts to create overseas sales channels for agricultural, forestry and fishery products

Opportunities for the presentation of products to and business negotiations with domestic and foreign buyers will be provided to support the expansion of exports of agricultural, forestry and fishery products.

(3) Support for the formulation of new PPP /PFI projects

<Specific measures>

In order to introduce new PPP (Public-Private Partnership) /-PFI (Private Finance Initiative) projects based on the concession system[※]-,etc using private sector funds, formulation of projects will be promoted through such measures as inviting proposals from private companies,etc, studying business schemes and improving project feasibility.

[※]System to grant long-term right to operate and develop infrastructure without transferring ownership of facilities to private enterprise.

3. Building the foundation for consumption

The Government aims to establish a “virtuous cycle” that leads to a recovery in consumption by increasing employment and raising wages and income by taking emergency measures to boost household demand — such as extending the life of green measures, including the “eco-point” systems for home electric appliances and housing and the interest rate reduction under the scheme to support the purchase of high-quality housings (Flat 35S) — which are highly effective in supporting the economy.

- (1) Extension of the life of the eco-point system for home electric appliances**
- (2) Extension of the life of the eco-point system for housing**
- (3) Extension of the life of the scheme to support the purchase of high-quality housings (Flat 35S)**

(1) Extension of the life of the eco-point system for home electric appliances

<Specific measures>

(A) Extending the life of the eco-point system (until the end of March 2011)

The life of the eco-point system applicable to the purchase of energy-efficient home electric appliances (TV sets compatible with digital terrestrial broadcasting, air conditioners and refrigerators) will be extended by three months (until March 31, 2011). The preferential treatment that awards double points to the replacement of conventional light bulbs with highly energy efficient LED lighting will also be continued.

(B) Strengthening of the energy efficiency standard for eligible home electric appliances

Eligible products will be limited to those with efficiency level 5 under the

universal energy efficiency labeling system, ※up from the previous threshold level of 4.

(2) Extension of the life of the eco-point system for housing

<Specific measures>

Extending the life of the eco-point system (until the end of December 2011)

The system that awards points to the construction of environment-friendly housing and environment-friendly housing renovation will be extended by one year (until December 31, 2011).

(3) Extension of the life of the scheme to support the purchase of high-quality housings (Flat 35S)

<Specific measures>

Extending the life of the measure to grant interest rate reduction (until the end of December 2011)

The temporary measure to grant an interest rate reduction of 1.0 %, larger than the initial reduction of 0.3%, for a loan to finance the purchase of a high-quality house that excels in earthquake resistance , energy efficiency , etc. for the first 10 years will be extended by one year (until December 30, 2011).

※Under the universal energy efficiency labeling system, products are graded on a scale of 1 to 5, with grade 5 indicating the highest energy efficiency performance.

4. Regional disaster prevention such as earthquake-proofing of buildings and prevention for concentrated downpours

The Government will implement emergency disaster prevention measures, which are directly linked to the safety of the people, including earthquake-proofing of buildings and preparation for localized extreme downpours.

(1) Earthquake-proofing of hospitals and other facilities

(2) Emergency disaster prevention for concentrated downpours

(1) Earthquake-proofing of hospitals and other facilities

<Specific measures>

- (A) Promoting earthquake-proofing of hospitals designated as medical care centers in times of disaster**
- (B) Promoting earthquake-proofing of school facilities**

(2) Emergency disaster prevention for concentrated downpours and other disasters

<Specific measures>

- (A) Implementing road and river improvements to prepare for earthquakes and other disasters**
- (B) Implementing measures to prevent floods in agricultural lands**
- (C) Implementing measures to prevent disasters in mountainous areas**
- (D) Strengthening the capability to respond to large-scale disasters**
- (E) Reinforcing institutional systems and facilities to prepare for disasters**
- (F) Strengthening the disaster prevention of harbor facilities and ships**
- (G) Improving infrastructures for observing and monitoring earthquakes and tsunamis**

5. Regulatory Reform 100 to Revitalize Japan

Regulatory and institutional reforms that are highly effective in creating demand and jobs will be carried out as they are economic measures that do not require fiscal expenditure, mainly in five fields: urban revitalization and housing; environment and energy; medical and nursing care; local revitalization with a focus on including tourism promotion; and economic strategies to open Japan wider to the outside world. The Government will also front-load the implementation of existing reform measures. In addition, the Government Revitalization Unit's subcommittee on regulatory and institutional reforms will hold further discussion on regulatory and institutional frameworks in general, including the items specified in the New Growth Strategy and this economic measures from the perspective of responding to changes in the trend of the times and the surrounding environment and adopting policy measures that suit the policy goals, and it will reach a conclusion by around the end of fiscal 2010.

- **Acceleration of urban revitalization and housing investment**
 - In order to promote urban revitalization and rebuilding of aged buildings, the Government will implement, by the end of fiscal 2010, measures to ease the restrictions on the building floor area ratio and the criteria for the rebuilding of condominiums under the Act on Facilitation of Reconstruction of Condominiums.

- **Promotion of investment in and use of environment- and energy-related technologies**
 - The Government will aim to smoothly introduce a system for the full purchase of electricity generated by renewable energy sources. At the same time, it will implement, by the end of fiscal 2010, a measure to exclude large-scale photovoltaic power generation facilities from the scope of constructed structures as defined under the Building Standards Act under certain conditions, and will also clarify the criteria for the permission of the establishment of facilities related to wind and geothermal power generation under the Hot Springs Act and other

laws. Moreover, the Government will provide an incentive for the introduction of energy-efficient facilities and new energy-related facilities by clarifying the criteria for the exclusion of the area and height of such facilities from the calculation of the area and height of buildings. Through these measures, it will seek to accelerate the diffusion of renewable energy sources in a comprehensive manner.

- The Government will promote the diffusion of environment-friendly vehicles by clarifying the treatment of regulations concerning the battery recharging service and recharging stations under such laws as the Electricity Business Act and the Fire Service Act.
 - The Government will conduct necessary discussion on how to regulate the use of wooden biomass as boiler fuel for thermal power stations after fully studying the actual circumstances.
- Demand and job creation in the field of medical and long-term care
- In order to enable the Home-visit Nursing Service Stations to provide appropriate services, the Government will conduct discussion on the desirable status of the operation of such stations, including: the status of the present satellite station system and the Exceptional Allowance for In-Home Long-Term Care Service fee system; the business structure; and the requirement for the numbers of nurses and other staffs, and it will reach a conclusion by the end of fiscal 2010.
 - In order to promote international exchange in the field of medical treatment, the Government will implement, by the end of 2010, necessary measures regarding the introduction of a visa for medical treatment stay, accommodation on issuance of a visa for people accompanying those who receive medical treatment in Japan, and the treatment of the status of residence for people staying in Japan for a longer term hospitalization.
- Local revitalization including tourism promotion
- In order to promote tourism using local resources, the Government will revise or clarify regulations related to: lodging facilities using traditional merchant's

houses and ancient private houses; lodging at houses of agricultural, forestry and fishing villages; provision of meals as part of agriculture-experience programs; tour guiding in foreign languages; offering local tours for hotel guests; and eco-tours..

- In order to promote the consolidation of forestry practices so as to revitalize forest and forestry, the Government will swiftly start discussion on the establishment of rules that will make it easier to obtain the consent of forest owners for construction of forest road network, and reach a conclusion by the end of fiscal 2010. Thereafter, it will submit a relevant bill to the ordinary session of the Diet in 2011. By the end of fiscal 2010, it will also provide advice to prefectures about the disclosure of information, including information on the register of forests and forest improvement plans, to business operators.
 - The Government will encourage the establishment of containerized data centers in provincial areas by implementing a measure to exempt such facilities from the application of the Building Standards Act by the end of fiscal 2010.
- Economic strategies to open Japan wider to the outside world
- The Government will conduct discussion on the revision of the system of requiring export goods to be transferred to a bonded area before declaration for customs clearance, reach a conclusion by the end of fiscal 2010, and submit a relevant bill to the ordinary session of the Diet in 2011.
 - In order to promote the acceptance of highly skilled foreign personnel, the Government will start discussion on such issues as the employment of spouses of such personnel and the stay in Japan of household servants accompanying such personnel in relation to the system of granting preferential treatment in immigration control based on a point system.
- Child care and other fields
- The Government will make preparations to submit a bill including the integration of kindergartens and day care centers to the ordinary session of the Diet in 2011, and it will also ease the criteria for the provision of subsidies provided out of the

“Child Security Fund”.

- To increase the efficiency of spectrum use, the Government will take actions by the end of fiscal 2011 to quickly and smoothly reallocate spectrum. The actions will include, for example, those which make use of the characteristics of the auction system in order to cover the cost of spectrum reallocation.

○ Progress management of the implementation of policy measures

As in the case of the Emergency Economic Countermeasures for Future Growth and Security, the implementation of policy measures included in this economic package will be subjected to rigorous progress management based on the PDCA cycle.

○ National government expenditure and total size of the emergency measures

See the Annex attached

○ Economic Effects of this economic measures

By the implementation of this economic measures (emergency action), real GDP growth rate is expected to increase by approximately 0.3% and around 200,000 of job creation and support effects (including approximately 50,000 for new graduate) is expected.

| | National Expenditure (※) (billion yen) | Total Size (Trillion yen) |
|--|--|------------------------------|
| 1. Building Foundation of Employment | 175 | 1.1 |
| (a) Emergency measures for employment of new graduates | 25 | |
| (b) Support for human resource development and job creation (Expanding the project to create jobs in priority fields) | 115 100) | |
| (c) Financial support for small and medium-sized enterprises (SME's) | 30 | |
| 2. Building Foundation of Investment | 120 | 0.3 |
| (a) Enhancement of the projects to support the establishment of sites for job creation in low-carbon industries | 110 | |
| (b) Emergency support for SME's efforts to create high added-value and establish overseas sales channels | 10 | |
| (c) Support for the formulation of new PPP (Public-Private Partnership) / PFI (Private Finance Initiative) projects | — | |
| 3. Building Foundation of Consumption | 450 | 8.1 |
| (a) Extension of “eco-point” system for home electric appliances | 85 | |
| (b) Extension of “eco-point” system for housing | 140 | |
| (c) Extension of scheme to support the purchase of high-quality housings (Flat 35S) | 220 | |
| 4. Regional Disaster Prevention Measures | 165 | 0.3 |
| (a) Enhance the earth quake resistance in hospitals and other facilities | 55 | |
| (b) Emergency disaster preparation measures in response to concentrated downpours | 110 | |
| 5. Regulatory Measures 100 to Revitalizing Japan | — | — |
| Total Amount | 915 | 9.8 |

※ Use of Contingency Reserve for Economic Crisis Response and Regional Revitalization.