

Program for Accelerating the Rebirth of Japan

- Promoting Recovery of Japan's economy and Reconstruction of the disaster-affected areas -

Decided on by the Cabinet on November 30, 2012

I. Basic Concepts

1. Understanding of the present situation

The economic situation has become more severe. Due to deceleration of the world economy, exports have declined and industrial production has been decreasing this summer. Businesses are taking a cautious attitude and investment is sluggish. In addition, the improvement in the employment situation appears to be pausing.

Due to the decline in both domestic and overseas demand, the growth rate of real GDP during the July-September period was negative after an interval of two quarters. The economy has been stagnant since that period. Although there are signs of improvement in the US and Chinese economies, the Eurozone debt crisis and other concerns regarding a downturn in the world economy threaten Japan's economy. In addition, some regional economies that have been hit particularly hard by the yen's appreciation and the deceleration of the global economy face a harsh situation.

The yen's appreciation and the fall in prices have continued in recent years and Japan has been unable to overcome deflation for more than ten years.

2. Basic stance

(Accelerating Japan's revitalization and reconstruction in response to the concern about the worsening business conditions)

This program will be determined and implemented based on a policy of carrying out economic policy measures seamlessly in order to make every possible effort to eliminate any concern about business conditions that may further worsen in future, and to accelerate efforts to overcome deflation immediately and to revitalize the economy. To revitalize Japan and to promote a steady recovery from the earthquake disaster, measures have been devised with considerable thought in accordance with fiscal discipline rather than simply expanding the scale of fiscal

policy. The implementation of these measures will bring about the immediate effect of economic revitalization as well as create new prospects for the economy.

The three items below are the pillars of these measures from the viewpoint stated above.

- 1) Moving forward the implementation of measures in the three priority fields of the “Comprehensive Strategy for the Rebirth of Japan” (Green; Life; and Agriculture, Forestry and Fisheries) and other measures
- 2) Early recovery and reconstruction from the Great East Japan Earthquake and measures to prevent and reduce major disaster damage
- 3) Economic revitalization measures through the regulatory reforms and the promotion of private financing and investment that are independent of fiscal measures

(Seamless implementation of this program through three stages)

The fiscal measures of the program are to be seamlessly implemented through the following three stages.

In the first fiscal stage, it was determined on October 26 that central government expenditures of more than 400 billion yen and total cost of the projects of more than 750 billion yen would be used from the contingency reserve of the FY2012 budget. These first fiscal measures are already in the implementation phase.

In the second fiscal stage, it will be determined today that central government expenditures of 880.3 billion yen and the total cost of the projects of 1.2 trillion yen will be used from the Contingency Reserve for Economic Crisis Response and Regional Revitalization and from the Contingency Reserve for Recovery and Reconstruction from the Great East Japan Earthquake .

As the third fiscal stage, future-oriented full-fledged supplementary budget will be considered, determined, and implemented.

This program, as a package of fiscal measures and non-fiscal measures, is aimed at dealing with the increasing concern about business conditions that may further worsen as well as leading to an early economic recovery.

The implementation of each of the measures will be examined, based on PDCA (“Plan, Do, Check, Action”).

(Measures aimed at overcoming deflation by the Government and the Bank of Japan and responding to the yen appreciation)

To overcoming deflation for more than a decade is the greatest challenge for the Japanese economy at present.

The Government and the Bank of Japan released a joint statement on measures aimed at overcoming deflation as early as possible for the first time on October 30. As shown in the joint statement, the Government and the Bank of Japan will work together and make their utmost efforts to overcome deflation as early as possible and return to a sustainable growth path with price stability. The Government will mobilize optimal policy measures in order to dynamically mobilize “goods,” “people,” and “money” in recognition that it is essential to reform the economic structure to deflation. The government strongly expects the Bank of Japan to continue powerful monetary easing until exit from deflation is ensured.

The “Fund-Provisioning Measure to Stimulate Bank Lending,” which the Bank of Japan will clarify in details until the end of this year, is considered to have a great accommodative effect, including an effect on the foreign exchange market of supporting private sector lending with the Emergency Facility for Responding to the Yen Appreciation using the special account for foreign exchange, as it aims to provide long-term funds at a low interest rate, without any limit, to financial institutions. Thus, the government expects the Bank of Japan to start it immediately.

Recognizing that excessive volatility in the foreign exchange markets including rapid yen appreciation has a negative impact on economic and financial stability, the Government will continue to watch the market trend with a sense of vigilance and take decisive actions if necessary.

II. The Contents of Measures

Fiscal Measures implemented through the second and third stages and non-fiscal measures, such as the regulatory and institutional reforms, are classified as follows.

1. Moving forward the implementation of measures in the three priority fields of the “Comprehensive Strategy for the Rebirth of Japan” and other measures

The implementation of measures planned by the “Comprehensive Strategy for the Rebirth of Japan” (Decided on by the Cabinet on July 31, 2012) will be moved forward. The “Comprehensive Strategy” is aimed at establishing a new economic and social structure by obtaining impetus from addressing the problems Japan is facing, such as serious energy restrictions and the arrival of a super aged society. Through this, the implementation of these measures will be accelerated while being integrated with the measures in FY2013 and subsequent ones.

(1) Green (Creation of a green energy society that will lead the world)

- 1) Promoting the creation of a green energy society
- 2) Creating green innovation

(2) Life (Creating life innovation and strengthening the basis for medical care and welfare)

- 1) Creating life innovation
- 2) Strengthening the basis for medical care and welfare

(3) Agriculture, Forestry and Fisheries (Promoting the transformation intoof the senary sector of industry and promoting the employment of highly-motivated young people, etc.)

(4) Displaying the abilities of small and medium-sized businesses, land and regional revitalization, and innovation in science and technology, etc.

- 1) Displaying the abilities of small and medium-sized businesses
- 2) Land and regional revitalization
- 3) Promoting innovation in science and technology, etc.

- 4) Promoting the overseas development of Japanese businesses, including the service industry

(5) Employment measures, establishing the social and daily life infrastructure

- 1) Employment measures, human resources development
- 2) Establishing the social and daily life infrastructure

2. Early recovery and reconstruction from the Great East Japan Earthquake and measures to prevent and reduce the major disaster damage

Recovery and reconstruction from the Great East Japan Earthquake is the top priority issue. The Government will accelerate the recovery and reconstruction by implementing urgently required measures that are directly connected to the recovery and reconstruction, which will strengthen support for daily life in the disaster-affected areas and rehabilitate industries and employment. At the same time, The Government will promote safety measures for schools that will pressingly need to be responded. On the other hand, the implementation of measures to prevent and reduce disaster damage, such as measures to respond to torrential rain and seismic retrofitting, will be promoted to improve the comprehensive regional capacity for disaster prevention. Also, required work for recovery from the disaster will be carried out.

(1) Strengthening support for reconstructing livelihoods and the rehabilitation of industries and employment in the disaster-affected areas

- 1) Strengthening support for reconstructing livelihoods in the disaster-affected areas
- 2) Rehabilitation of industries and employment in the disaster-affected areas

(2) School safety measures

(3) Response to torrential rain and improvement of the comprehensive regional capacity for disaster prevention, etc.

3. Economic revitalization measures without employing fiscal measures through regulatory reforms and the promotion of private financing and investment

Based on the fundamental concept of recovering economic vitality through the unrestricted creativity and originality of the private sector, the government will conduct regulatory and institutional reforms boldly and expeditiously without leaving anything sacred and untouched.

In addition, the government will take measures to pull out of the deflation and revitalize the economy using private funds.

(1) Regulatory and Institutional Reforms

This measure incorporates a total of 70 items concerning regulatory and institutional reforms whose pillars are listed below.

- Revitalization of the movement of “Money”
A mechanism in which individual financial assets amounting to 1,500 trillion yen will be led towards investments and consumption will be established by revitalizing the flow of private funds.
- Revitalization of the movement of “Goods”
Business opportunities in Japan as well as in foreign countries will be increased by stimulating the circulation of tangible and intangible resources and assets within the economic society in Japan.
- Revitalization of the movement of “People”
Employment and starting a business will be promoted by improving the conditions for ensuring the smooth transition of people into new industrial fields, new types of jobs and new workplaces so that they can work with high motivation and display their abilities.
- Revitalization of the three priority fields of the “Comprehensive Strategy for the Rebirth of Japan” (“Green,” “Life” and “Agriculture, Forestry and Fisheries”)

(2) Measures to revitalize the economy through the promotion of financing and investment in the private sector

- 1) Strengthening support for the revitalization of the activities of small and medium-sized businesses, looking beyond the arrival of the time limit on the Act on Temporary Measures to Facilitate Financing for SMEs
- 2) Revitalization of the market for investment in real estate and infrastructure

Provisional Translation

- 3) Financial support for investment in the priority fields of the Comprehensive Strategies for the Rebirth of Japan
- 4) Support for the activities of Japanese-affiliated businesses in foreign countries by widening the sphere of businesses covered by the Emergency Facility for Responding to the Yen Appreciation
- 5) Strengthening support for the overseas development of Japanese businesses and promoting the exportation of infrastructure development using JBIC and JICA
- 6) Review of the personal guarantee system

III. Scale and effect of the measures

The scale and effect of the measures in the first and second stages are stated below. In total, the scale of central government expenditures is about 1.3 trillion yen and the total cost of the projects are about 2.0 trillion yen (about 5 trillion yen including the scale of financing, such as financing for small and medium-sized businesses), and it is expected that the economic effect will account for about 0.4% of the real GDP.

In addition, it is expected that non-fiscal measures, such as promotion of the regulatory and institutional reforms and the revitalization of the market for investment in real estate and infrastructure, will contribute to overcome deflation and revitalizing the economy.

In addition to the measures to be taken in the first and second stages, an appropriation for future-oriented full-fledged supplementary budget will be made in the third stage.

It is important to produce effects from this program in the first half of next year and accordingly this program will be implemented as soon as possible.

- First stage (October 26)

- Scale: Central government expenditures of more than 400 billion yen and the total cost of the projects of more than 750 billion yen

- Economic effects: A little more than 0.1% of the real GDP, creation of employment for about 40,000

- Second stage (November 30) (See the attached paper.)

- Scale: Central government expenditures of 880.3 billion yen and the total cost of the projects of about 1.2 trillion yen (The scale of the projects is about 4.1 trillion yen including the scale of the financing for small and medium-sized businesses)

- Economic effects: A little more than 0.2% of the real GDP, creation of employment for about 80,000

- Total for the first and second stages

- Scale: Central government expenditures of about 1.3 trillion yen and the total cost of the projects of about 2.0 trillion yen

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(The scale of the projects is about 5 trillion yen including the scale of financing for small and medium-sized businesses)

Economic effects: About 0.4% of the real GDP, creation of employment for about 120,000

Provisional Translation

(Attached paper) Use of the Contingency Reserve for Economic Crisis Response and Regional Revitalization, etc. (Second stage)
(Decided on by the Cabinet on November 30, 2012)

1. Moving forward the implementation of measures in the three priority fields (Green; Life; and Agriculture, Forestry and Fisheries) of the “Comprehensive Strategy for the Rebirth of Japan” and other measures
535.4 billion yen
 - (1) Green (Creation of a green energy society that will lead the world)
38 billion yen
 - (2) Life (Creating life innovation and strengthening the basis for medical care and welfare)
79.4 billion yen
 - (3) Agriculture, Forestry and Fisheries (Promoting the transformation of the senary sector of industry and promoting the employment of highly-motivated young people, etc.)
46.3 billion yen
 - (4) Displaying the abilities of small and medium-sized businesses and land and regional revitalization
129.6 billion yen
 - (5) Employment measures, establishing the social and daily life infrastructure
242 billion yen
2. Early recovery and reconstruction from the Great East Japan Earthquake and measures to prevent and reduce the major disaster damage
344.8 billion yen
 - (1) Strengthening support for reconstructing livelihood and rehabilitation of industries and employment in the disaster-affected areas
161.2 billion yen
 - (2) School safety measures
108.3 billion yen
 - (3) Response to torrential rain and the improvement of the comprehensive regional capacity for disaster prevention, etc.
75.4 billion yen

National expenditures of 880.3 billion yen in total

(Project costs: About 1.2 trillion yen)

(The scale of the project costs is about 4.1 trillion yen including the scale of financing for small and medium-sized businesses)