

Provisional Translation

Immediate Economic Measures for Extending Virtuous Cycles to Local Economies

December 27, 2014

Table of Contents

| | |
|---|----------|
| Chapter 1 Current conditions of economy and basic concept of economic measures | 1 |
| I. Current conditions of economy..... | 1 |
| II. Basic concept of economic measures..... | 1 |
| | |
| Chapter 2 Specific Measures | 2 |
| I. Support for consumers and business operators affected by the current economic state..... | 2 |
| 1. Support for people, including development of living environments..... | 2 |
| (1) Stimulation of consumption in regions and provision of livelihood support..... | 2 |
| (2) Support for child-rearing, and encouragement of women's participation..... | 2 |
| (3) Enhancement of a sense of security in life..... | 3 |
| 2. Support for business operators..... | 3 |
| 3. Measures to save energy cost..... | 4 |
| (1) Promotion of energy saving and renewable energy..... | 4 |
| (2) Measures to mitigate the influence of energy prices..... | 5 |
| (3) Stable supply of resources and energy..... | 5 |
| 4. Measures to invigorate the housing market..... | 6 |
| II. Reinvigoration of regions through effective initiatives for addressing structural challenges they are faced with..... | 6 |
| 1. Precedent implementation of the comprehensive strategy for vitalization of towns, people, and jobs..... | 6 |
| 2. Invigoration of the economy mainly through promoting industry in regions | 7 |
| (1) Development of mechanisms for facilitating creation of new industries and reform of existing ones in regions..... | 7 |
| (2) Support for businesses and industries helpful to invigorating local economies | 8 |
| (3) Support for regions for promoting their appeal..... | 9 |
| (4) Promotion of liquidity of the human capital market, and development of housing environments, etc. | 10 |

| | |
|--|-----------|
| 3. Action to address individual challenges of regions | 11 |
| III. Action to address disasters and crises, including accelerated recovery and reconstruction after disasters | 11 |
| 1. Enhanced disaster recovery and response | 11 |
| (1) Recovery from landslides, typhoons, and other large-scale disasters | 12 |
| (2) Immediate disaster prevention responses for regions and facilities with greater natural disaster risk | 12 |
| (3) Construction of information and logistics systems resilient to disasters | 13 |
| (4) Enhancement of earthquake resistance performance of schools and other facilities | 13 |
| 2. Acceleration of reconstruction, etc. | 14 |
| (1) Recovery and reconstruction of areas damaged by the Great East Japan Earthquake | 14 |
| (2) Accelerated action to cope with the nuclear plant accident | 15 |
| (3) Enhanced nuclear emergency preparedness | 15 |
| 3. Realization of a safe and secure society | 15 |
| (1) Ensuring well-maintained public security | 15 |
| (2) Crisis management | 16 |
| IV. Initiatives for solidifying a virtuous cycle of the economy | 16 |
| 1. Initiatives of government, labor, and management | 16 |
| 2. Implementation and realization of the growth strategy | 17 |
| 3. Monetary policy | 17 |
| Chapter 3 Economic Impacts and Financial Size | 17 |

Immediate Economic Measures for Extending Virtuous Cycles to Local Economies

Chapter 1 Current conditions of economy and basic concept of economic measures

I. Current conditions of economy

1. The Abe administration has implemented the “three arrows strategy”, including bold monetary policy, flexible fiscal policy and a growth strategy that promotes private investment as an economic policy package so called Abenomics. This policy program has delivered a series of continuing positive movements. For example, it has contributed to a 22-year high active job openings-to-applicants ratio, large growth in the compensation of employees, a record-high level of recurrent profits, an ROE (return on equity) of the listed companies 1.5-fold the level at the start of the administration, and a 24-year low of business failures. These economic trends suggest that a virtuous cycle of economy – a cycle whereby increased corporate profits are promptly passed on to wage and job increases, which in turn induces expansion of consumption and increases in investment, with further expansion of corporate profits as a result – is emerging.

Meanwhile, real GDP (gross domestic product) in the third quarter of 2014 contracted at an annualized rate of 1.9 percent, resulting in two consecutive quarters of negative growth. Although a modest recovery of the economy continues, some weaknesses, especially those related to consumer spending, have been observed.

2. There are some possible causes lying behind such weaknesses in the economy. They include a decline in demand as a repercussion of the last-minute demand before the consumption tax increase in April this year, and unseasonable weather in the summer, as well as rising import prices as a result of the depreciation of the yen. Moreover, the economy has seen that headline inflation, which includes the impacts of the consumption tax rise, has not been covered by growth in household income so far. These factors seem to have had some particular impact on low-income earners and child-rearing households in terms of their family finances, and small and medium enterprises in local economies.
3. It should also be taken into consideration that the economic recovery remains uneven between regions. Particularly, some regions with medium- and long-term challenges, such as aging and depopulation, and delays in action towards globalization, have yet to see significant benefits from the three-arrows of the economic policy package. This indicates that a virtuous cycle of the economy remains to be fully accomplished in local economies.

II. Basic concept of economic measures

1. Based on the above-mentioned understanding of the present conditions, the administration has decided to formulate a package of economic measures. The administration also decided to postpone another increase of the consumption tax rate to ten percent from October 2015 to April 2017.
2. The economic measures in this package are targeted at vulnerable areas of the economy and are intended to address such vulnerabilities as soon as possible. With this package, the administration aims to secure the realization of a virtuous economic cycle and deliver the benefits of Abenomics to local economies. This package has the following three priorities:

- (1) to stimulate consumption while considering different economic conditions among regions; (2) to revitalize local economies facing structural challenges through effective initiatives such as job creation; and (3) to accelerate post-disaster recovery and other emergency responses, and reconstruction from the Great East Japan Earthquake.
3. To achieve the target of halving the ratio of the national and local governments' primary balance deficit to GDP by FY2015 in a steady manner, the administration is committed to making its greatest efforts.

Chapter 2 Specific Measures

I. Support for consumers and business operators affected by the current economic state

With a view to reflecting realities of different regions in taking action to cope with vulnerable part of the economy, support will be provided for consumers and business operators facing tough conditions in the current state of the economy to stimulate consumption in the local economies and reinvigorate local economies, and together with them, some measures will be adopted to save energy costs and revitalize the housing market.

1. Support for people, including development of living environments

In light of the current state of the economy, support will be provided for local residents and low-income earners, among others, as well as women and child-rearing households. The government will also work to enhance living environments of people, so that they can feel a greater sense of security in their life.

(1) Stimulation of consumption in regions and provision of livelihood support

Subsidies will be granted to local governments in implementing measures to stimulate consumption or support the livelihood of people, such as goods vouchers issued with a premium, and grants will be provided to projects for making loans to low-income earners.

- Subsidies for immediate livelihood support for local residents (tentative name) [regional consumption stimulation & livelihood support type] (Cabinet Secretariat, and Cabinet Office)
- Grants for funds for making livelihood and welfare loans to low-income earners (Ministry of Health, Labour and Welfare)

(2) Support for child-rearing, and encouragement of women's participation

As support for child-rearing households, nursery schools and comprehensive support centers for child-rearing households will be developed. In addition to countermeasures for the declining birthrate, participation of women will be encouraged through efforts to set up systems for helping a diversity of entities in regions work together.

- Promotion of the Accelerating the Plan to Eliminate Children on the Waiting-List (Ministry of Health, Labour and Welfare)
- Development of comprehensive support centers for child-rearing households, and other bases for supporting child-rearing (Ministry of Health, Labour and Welfare)
- Introduction of medical appliances for better pediatric and perinatal care (Ministry of Health, Labour and Welfare)

- Subsidies for enhancing countermeasures against the regional declining birthrate (Cabinet Office)
 - Promotion of initiatives implemented by local governments for encouraging women's participation (Cabinet Office)
 - Immediate support project for measures to reduce the number of women failing to undergo a cancer examination as aid for working women (Ministry of Health, Labour and Welfare)
 - Promotion of telework and other solutions for female national government employees, etc. for their greater participation (Ministry of Internal Affairs and Communications) etc.
- (3) Enhancement of a sense of security in life
- Measures to allow people to feel a greater sense of security, such as suicide prevention, consumer protection regulations, social security, and environmental protection, will be introduced.
- Promotion of suicide prevention measures in communities (Cabinet Office)
 - Measures to ensure the safety and security for consumers in regions (Consumer Affairs Agency)
 - Development of a computer system for introducing a more flexible repay-as-you-earn scholarship system (Ministry of Education, Culture, Sports, Science and Technology)
 - Improvement of computer systems for smooth operation of the social security system (Ministry of Health, Labour and Welfare)
 - Application of ICT for introducing a social security and taxation number system etc. for greater convenience of people (Ministry of Internal Affairs and Communications)
 - Provision of safe and high-quality medical services, including medical expense allowances for hepatitis patients (Ministry of Health, Labour and Welfare)
 - Purchase of pre-pandemic vaccines, etc. (Ministry of Health, Labour and Welfare)
 - Project for promoting visualization of nursing care-related information (Ministry of Health, Labour and Welfare)
 - Project for enhancing incentives for health promotion and disease prevention (Ministry of Health, Labour and Welfare)
 - Promotion of measures to prevent child abuse (Ministry of Health, Labour and Welfare)
 - Promotion of environmental protection measures, including accelerated development of a successor to *Ibuki* (GOSAT) (Ministry of Education, Culture, Sports, Science and Technology, and Ministry of the Environment)
 - Subsidies for promoting development of a recycle-oriented society, etc. (Ministry of the Environment)
 - Internal public relations on pressing issues Japanese people are faced with (Cabinet Office)
 - Development of better environments for mobile device users, including unlocking of subscriber identity modules (SIMs) <Non-budgetary measure> (Ministry of Internal Affairs and Communications) etc.
2. Support for business operators

To provide business operators with support in light of the current state of the economy, low-interest loan schemes and other measures will be adopted as part of support for small and medium-sized enterprises, and small-scale businesses in their cash management and

business rehabilitation to help them cope with rising material prices amid the weakening of the yen. Support will also be provided for those engaged in the agriculture, forestry and fisheries industry, including measures to cope with the falling rice price. In addition, discounts on tolls for expressways and other measures will be introduced.

- Establishment of low-interest loan schemes and other programs for supporting small and medium-sized enterprises, and small-scale businesses in their cash management and business rehabilitation to help them cope with rising material prices (Ministry of Finance, Ministry of Health, Labour and Welfare, and Ministry of Economy, Trade and Industry)
- Project of consultation windows for facilitation of transfer of consumption taxes (Ministry of Economy, Trade and Industry)
- Support project for small and medium-sized enterprises, and small-scale businesses for raising minimum wages (Ministry of Health, Labour and Welfare)
- Immediate support for those engaged in the agriculture, forestry and fisheries industry, including measures to cope with the falling rice price (Ministry of Agriculture, Forestry and Fisheries)
- Reduction of expressway tolls (Ministry of Land, Infrastructure, Transport and Tourism) etc.

3. Measures to save energy costs

To enhance resilience to the influence of energy prices, energy saving and the introduction of renewable energies will be promoted, and measures will be taken for fields susceptible to energy prices. In addition, measures needed for a stable supply of resources and energy will be taken.

(1) Promotion of energy saving and renewable energy

Efforts will be made to facilitate energy saving mainly at housing and other buildings and SMEs and to introduce consumer fuel cells and fuel cell cars. Work will also be done to ensure adoption of renewable energy to the maximum extent.

- Subsidies for projects for promoting the introduction of innovative energy-saving technologies for housing and other buildings (Ministry of Economy, Trade and Industry)
- Subsidies mainly for local factories and SMEs for introducing energy-saving equipment (Ministry of Economy, Trade and Industry)
- Subsidies for supporting the introduction of consumer fuel cells (ENEFARM) (Ministry of Economy, Trade and Industry)
- Development of hydrogen stations for fuel cell cars, and charging stations for electric vehicles (EVs) (Ministry of Economy, Trade and Industry)
- Measures to promote introduction of clean-energy cars, etc. (Ministry of Economy, Trade and Industry)
- Greening of local transportation for accelerating penetration of electric vehicles (Ministry of Land, Infrastructure, Transport and Tourism)
- Project for supporting introduction of stationary lithium-ion batteries (Ministry of Economy, Trade and Industry)
- Promotion of introduction of local-production-local-consumption-type renewable energy, etc. (Ministry of Economy, Trade and Industry) etc.

(2) Measures to mitigate the influence of energy prices

Measures will be taken to support fishery managers and small and medium-sized truckers, businesses affected by energy prices, and efforts will be made to restructure petrochemical complexes and make them more resilient. For service station operators, measures will be introduced to rationalize the kerosene delivery business.

- Project for developing safety nets for the fishery business (Ministry of Agriculture, Forestry and Fisheries)
- Measures for small and medium-sized truckers to cope with rising fuel cost (Ministry of Land, Infrastructure, Transport and Tourism)
- Introduction of the fuel surcharge to the trucking industry and other measures for facilitating adjustment of freight charges to appropriate levels <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Measures for greenhouse horticulture to cope with the rising fuel oil price <Non-budgetary measure> (Ministry of Agriculture, Forestry and Fisheries)
- Subsidies for expenses for operating sea routes at remote islands <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Special local allocation tax for measures implemented by local governments to cope with the rising crude oil price <Non-budgetary measure> (Ministry of Internal Affairs and Communications)
- Project for facilitating the restructuring of petrochemical complexes and efforts to make them more resilient (Ministry of Economy, Trade and Industry)
- Support project for promoting a stable supply of petroleum products (Ministry of Economy, Trade and Industry)
- Support project for promoting rationalization of the kerosene delivery business (Ministry of Economy, Trade and Industry) etc.

(3) Stable supply of resources and energy

To ensure a stable supply of resources and energy at lower prices, efforts will be made to promote development of domestic offshore resources, including methane hydrate and sea-floor hydrothermal deposits, accelerate research and development of innovative energy technologies, and build systems for controlling outputs of renewable energy, among others.

- Project for promoting development of methane hydrate (Ministry of Economy, Trade and Industry)
- Research project for development of mining techniques for sea-floor hydrothermal deposits (Ministry of Economy, Trade and Industry)
- Acceleration of research and study for securing offshore resources (Ministry of Education, Culture, Sports, Science and Technology)
- Improvement of techniques for offshore resources development and marine transportation (Ministry of Land, Infrastructure, Transport and Tourism)
- Acceleration of research and study of innovative energy technologies (Ministry of Education, Culture, Sports, Science and Technology)
- Acceleration of the plan for high-performance nuclear fusion experiment equipment (JT-60SA) (Ministry of Education, Culture, Sports, Science and Technology)
- Immediate response to the problem of suspended connection of renewable energy to the grid (Ministry of Economy, Trade and Industry) etc.

4. Measures to invigorate the housing market

To invigorate the housing market amid the current sluggishness of house construction, support will be provided mainly for the reduction of housing loan interest rates, and construction of housing and other buildings with greater energy-saving performance or renovation for energy-saving.

- Larger reduction in interest rates of FLAT 35S, provided by the Japan Housing Finance Agency, etc. (Ministry of Land, Infrastructure, Transport and Tourism)
- Introduction of a point system for energy-saving houses (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of construction of quality wooden buildings in regions (Ministry of Land, Infrastructure, Transport and Tourism)
- Energy-saving renovation of housing and other buildings and other initiatives as environmental protection measures (Ministry of Land, Infrastructure, Transport and Tourism)
- Extended and expanded exemption of funds used to purchase houses from the gift tax <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism) etc.

II. Reinvigoration of regions through effective initiatives for addressing structural challenges they are faced with

People can gain a real sense of a turnaround of the economy only when they see local economies invigorated around the country and a virtuous cycle of the economy established, with the prospect of job creation and wage increases. It is also necessary to immediately carry out some measures for encouraging regions to address medium- and long-term challenges for regions, that is, depopulation and aging, and to take advantage of regional features for developing an autonomous and sustainable society. For that purposes, the Act on Vitalization of Towns, People, and Jobs (Act No. 136 of 2014), was passed by the 187th extraordinary session of the Diet and has come into force. According to the Act, the Advisory Council on Vitalizing Towns, People and Jobs has been set up. Under the lead of the Council, the government will work as one to carry out policy programs concerned, and, according to the principles stated in the Act, will quickly start to implement measures that can be introduced immediately.

1. Precedent implementation of the comprehensive strategy for vitalization of towns, people, and jobs

The Comprehensive Strategy for Vitalization of Towns, People, and Jobs (Cabinet decision of December 27, 2014), a five-year plan drawn to indicate the direction of policy programs the government should carry out to enable regions to overcome depopulation and maintain an energetic society into the future, sets out what the national government must do to invigorate regions. Projects listed below will be carried out ahead of the other programs to help regions prepare their own plans, or Regional Comprehensive Strategies, earlier.

- Subsidies for immediate Livelihood Support for Local Residents (tentative name) [Precedent regional vitalization-type] (Cabinet Secretariat, and Cabinet Office)
- Subsidies for the Regional Vitalization Strategy (Cabinet Office)
- Support for regions in preparing Regional Comprehensive Strategies, including regional

- vitalization projects based on corporate transactions information, etc. (Ministry of Economy, Trade and Industry, and Cabinet Secretariat)
- Professional human capital project (Cabinet Secretariat and Cabinet Office)
- Support for facilitating flows of new people and businesses into the local economies (Ministry of Internal Affairs and Communications)
- Promotion of Hometown Tax Payment (Ministry of Internal Affairs and Communications)
- Project for helping small and medium-sized enterprises and small-scale businesses address human capital issues (Ministry of Economy, Trade and Industry)
- Support for regions in developing and marketing local specialties (Ministry of Economy, Trade and Industry)
- Subsidies for promoting start-ups and second start-ups (Ministry of Economy, Trade and Industry)
- Immediate measures to expand the demand for timber (Ministry of Agriculture, Forestry and Fisheries)
- Promotion of application of ICT for invigorating regions (Ministry of Internal Affairs and Communications)
- Subsidies for regions in enhancing countermeasures for the declining birthrate (same as mentioned before) (Cabinet Office)
- Promotion of the Plan to Eliminate Children on the Waiting List (same as mentioned before) (Ministry of Health, Labour and Welfare)
- Development of comprehensive support centers for child-rearing households (same as mentioned before) (Ministry of Health, Labour and Welfare) etc.

2. Invigoration of the economy mainly through promoting industry in regions

Regions can be invigorated only when young people can work there with a sense of security, provided with job opportunities that offer them reasonable wages and a sense of fulfillment. For that purpose, regions need to create and establish industries that make the most of the features they each have to deliver greater added value. They also need to develop attractive human capital and establish local communities that allow people to live there with a sense of security.

(1) Development of mechanisms for facilitating creation of new industries and reform of existing ones in regions

To facilitate the creation of new industries in regions and reform of existing ones there, cooperation will be encouraged between diverse stakeholders in industry, government and academia, as well as the financial sector, support will be provided for those working to take advantage of local features for starting an enterprise or improving business, and capital will be supplied through growth-oriented funds with a view to helping regions develop environments that induce innovation.

- Project for the promotion of community open innovations (Ministry of Economy, Trade and Industry)
- Infrastructure development for leading-edge research at universities and other institutions (Ministry of Education, Culture, Sports, Science and Technology)
- Structural reform of local economies with the local economic innovation cycle set as its core (Ministry of Internal Affairs and Communications)
- Promotion of loans based on feasibility studies conducted by financial institutions <Non-budgetary measure> (Financial Services Agency)

- Promotion of establishment of funds for supporting invigoration of local economies, and supply of capital (Cabinet Office)
 - Enhancement of the function of supplying money for growth <Non-budgetary measure> (Ministry of Finance, and Ministry of Economy, Trade and Industry)
 - Expansion of PPP/PFI for developing environments for encouraging private-sector investment <Non-budgetary measure> (Cabinet Office)
 - Promotion of formation of international research bases in Okinawa (Cabinet Office)
 - Measures to strengthen competitiveness of seaports (Ministry of Land, Infrastructure, Transport and Tourism)
 - Promotion of decentralization reform <Non-budgetary measure> (Cabinet Office)
- (2) Support for businesses and industries helpful to invigorating local economies
It is important to support new business investments and active business development, including business startups and innovation of SMEs, in regions, and spread successful cases around the country. The agriculture, forestry and fisheries industry, and tourism, core sectors in many regions, will be promoted to bring out their real strength.
- (i) Support for SMEs and small-scale businesses, etc.
Support will be provided for small and medium-sized enterprises and small-scale businesses, main players in local economies, for their active effort, including innovation and marketing. In addition, venture capital will be used to provide venture companies with business support.
- Project for the innovation of manufacturing, commerce and services (Ministry of Economy, Trade and Industry)
 - Small-scale businesses support package program (Ministry of Economy, Trade and Industry)
 - Support for regions in developing and marketing local specialties (same as mentioned before) (Ministry of Economy, Trade and Industry)
 - Project for smooth regeneration of small and medium-sized enterprises (Ministry of Economy, Trade and Industry)
 - Support project for local middle-ranking companies and SMEs for developing markets overseas (Ministry of Economy, Trade and Industry)
 - Project for supporting small and medium-sized enterprises, and small-scale businesses in their cash management and business rehabilitation (same as mentioned before) (Ministry of Finance, Ministry of Health, Labour and Welfare, and Ministry of Economy, Trade and Industry)
 - Subsidies for promoting start-ups and second start-ups (same as mentioned before) (Ministry of Economy, Trade and Industry)
 - Project for supporting venture companies (Ministry of Economy, Trade and Industry)
 - Project for promoting research and development for bridging to middle-ranking companies and SMEs (Ministry of Economy, Trade and Industry)
 - Project for demonstration of introduction of robots to the manufacturing and service sectors (Ministry of Economy, Trade and Industry)
 - Support for vitalization of SMEs and local economies by application of ODA (Ministry of Foreign Affairs) etc.
- (ii) Promotion of the agriculture, forestry and fisheries industry
To turn agriculture, forestry, and fisheries into growth sectors, programs will be carried

out for readjustment of farmland into larger plots, introduction and application of robots in the agriculture, forestry and fisheries industry and promotion of the sextic industry, capture of wild birds and animals, strengthening of competitiveness of the livestock and dairy industry, strengthening of competitiveness of the forestry and timber industry in a manner that is helpful as forest carbon sink, and demonstration of business diversification of fishery managers.

- Strengthening of competitiveness of the livestock and dairy industry (Ministry of Agriculture, Forestry and Fisheries)
- Consolidation and concentration of farmland to active farmers for promoting structural reform (Ministry of Agriculture, Forestry and Fisheries)
- Introduction of robots and promotion of sextic industry for providing greater added value to agricultural, forestry, and fishery produce (Ministry of Agriculture, Forestry and Fisheries)
- Promotion of appeal of Japanese cuisine and food culture, and promotion of exports (Ministry of Agriculture, Forestry and Fisheries)
- Support for rural communities for revitalization (Ministry of Agriculture, Forestry and Fisheries)
- Immediate measures to expand the demand for timber (same as mentioned before) (Ministry of Agriculture, Forestry and Fisheries)
- Measures to develop a more competitive forestry industry, and measures for facilitating forest carbon sinks (Ministry of Agriculture, Forestry and Fisheries)
- Comprehensive measures for structural reform of the fishery industry, and development of a more competitive fishery industry (Ministry of Agriculture, Forestry and Fisheries)
- Measures to cope with the falling rice price (same as mentioned before) (Ministry of Agriculture, Forestry and Fisheries)
- Project for capturing specified controlled birds and animals (Ministry of the Environment)

(iii) Promotion of tourism

With a view to inviting more tourists to visit destinations around Japan, the national government will work strategically to develop markets, form new broad-area tour courses in the regions, and enhance systems for immigration control and customs inspection at local airports.

- Project for immediate measures to promote local tourism (Ministry of Land, Infrastructure, Transport and Tourism)
- Project for generating new inbound demand to achieve 20 million visitors to Japan (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of establishment of funds for supporting invigoration of regional economies, and supply of capital (same as mentioned before) (Cabinet Office)
- Further spread of cash-less payment <Non-budgetary measure> (Ministry of Economy, Trade and Industry)
- Enhancement of systems for customs and immigration control for promoting tourism in regions (Ministry of Justice, and <Non-budgetary measure> Ministry of Finance)

(3) Support for regions for promoting their appeal

Tourists to Japan and export of products can be increased only when regions around

Japan successfully promote their appeal in a manner that it is easily understood and more broadly recognized by people overseas, and that special products and tourist spots they can offer are established as a brand. For that purpose, the entire government will support contents production, localization, and broadcasting and public relations overseas, and work to promote the appeal of Japanese cuisine.

- Project for supporting overseas expansion of broadcast contents helpful to invigorate local economies (Ministry of Internal Affairs and Communications; Ministry of Foreign Affairs; Ministry of Economy, Trade and Industry; and Ministry of Land, Infrastructure, Transport and Tourism)
 - International public relations on diverse and powerful economic activities in regions (Cabinet Office)
 - Promotion of appeal of Japanese cuisine and food culture, and promotion of exports (same as mentioned before) (Ministry of Agriculture, Forestry and Fisheries)
 - Project for cooperation between broadcasting and telecommunication for promoting local contents (Ministry of Internal Affairs and Communications)
 - Enhancement of international television broadcasting (Ministry of Internal Affairs and Communications) etc.
- (4) Promotion of liquidity of the human capital market, and development of housing environments, etc.

For developing attractive regions and maintaining them, it is necessary to secure diverse people with great qualities who can play responsible roles in local communities. Meanwhile, the population of Japan, especially young people, is excessively concentrated in the Tokyo area at the moment. For correcting this overconcentration, it is necessary to generate a new flow of people to the regions. For that purpose, measures will be taken to promote employment of women and young people in industries and the effective use of foreign workforce in the construction sector for a limited period of time. Other measures will also be taken to secure workers in the construction industry and ensure execution of construction work mainly through leveling contract placements.

What is also important is to develop local communities that allow every one of the people living there to live an affluent and meaningful life with a sense of security. For that purpose, measures will be taken to invigorate city centers and promote effective use of vacant houses.

- Support for providing young people with job opportunities in, and training for, agriculture, forestry, and fishery (Ministry of Agriculture, Forestry and Fisheries)
- Project for appropriate use of foreign workforce in the construction sector (Ministry of Land, Infrastructure, Transport and Tourism)
- Measures to secure and train workers in the construction industry and ensure smooth execution of public works <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Enhanced initiatives for promoting employment of young people and women in the motor vehicle transportation business, etc. <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Subsidies for expenses for city center revitalization projects (Ministry of Economy, Trade and Industry)

- Promotion of initiatives for facilitating use and removal of vacant houses <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of appropriate location of urban functions and redevelopment of urban districts (Ministry of Land, Infrastructure, Transport and Tourism) etc.

3. Action to address individual challenges of regions

For regions with disadvantages in economic transactions, such as isolated islands, the Amami Islands, the Ogasawara Islands, peninsulas, and areas with limited transportation access to other regions, special measures should be taken. Regions with specific environmental issues should also address the problems to preserve pleasant living environments and maintain their attractiveness.

- Subsidies for invigorating isolated islands (Ministry of Land, Infrastructure, Transport and Tourism)
- Subsidies for promoting the Amami Islands (Ministry of Land, Infrastructure, Transport and Tourism)
- Subsidies for promotion and development projects for the Ogasawara Islands (Ministry of Land, Infrastructure, Transport and Tourism)
- Project for research of facilitation of peninsulas promotion and cooperation (Ministry of Land, Infrastructure, Transport and Tourism)
- Measures to control foreign shipping boat operation (Ministry of Agriculture, Forestry and Fisheries)
- Project for promoting measures to deal with coastal driftage in regions (Ministry of the Environment)
- Development of base facilities for maintenance of World Heritage (Ministry of the Environment)
- Project for immediate measures to control alien species in natural areas (Ministry of the Environment) etc.

III. Action to address disasters and crises, including accelerated recovery and reconstruction after disasters

This year has seen a series of large-scale natural disasters causing severe human and structural loss, including landslides in Hiroshima amid the August 2014 Torrential Rains, typhoon disasters, and an eruption of Mt. Ontake. Accordingly, work will be carried out for the quick recovery of areas damaged by disasters, and disaster responses, including measures to manage the risk of natural disasters, will be enhanced.

Work will also be done to accelerate recovery and reconstruction of areas damaged by the Great East Japan Earthquake, and action to cope with the nuclear plant accident, and enhance nuclear emergency preparedness.

1. Enhanced disaster recovery and response

Work will be done for quick recovery from large-scale natural disasters, including landslides in Hiroshima and typhoon disasters, and disaster response will be enhanced

through introducing emergency disaster response measures for regions and facilities expected to suffer severe damage when a disaster takes place, strengthening disaster forecast and preparedness, securing access to information and logistics during and after disasters, and improving the anti-seismic performance of schools and other institutions that should play central roles as shelters from disasters.

(1) Recovery from landslides, typhoons, and other large-scale disasters

For schools, as well as health and hygiene, public civil engineering, waste treatment, and other facilities that have been damaged by landslides in Hiroshima, typhoons, earthquakes, and other large-scale natural disasters, work will be carried out for quick recovery.

- Recovery of school and other facilities from disasters (Ministry of Education, Culture, Sports, Science and Technology)
- Recovery of health and hygiene institutions and waterworks from disasters (Ministry of Health, Labour and Welfare)
- Recovery of public civil engineering facilities from disasters (Ministry of Agriculture, Forestry and Fisheries, and Ministry of Land, Infrastructure, Transport and Tourism)
- Recovery of public housing from disasters (Ministry of Land, Infrastructure, Transport and Tourism)
- Support for disposal of disaster waste, and recovery of waste treatment facilities from disasters (Ministry of the Environment)
- Recovery of oil storage facilities from disasters (Ministry of Economy, Trade and Industry) etc.

(2) Immediate disaster prevention responses for regions and facilities with greater natural disaster risk

Given frequent natural disasters in recent years, and in preparedness for a Nankai Trough Great Earthquake and an inland earthquake in Tokyo, feared to cause large-scale disasters, disaster prevention and mitigation measures will be introduced as immediate responses for regions and facilities with greater natural disaster risk.

In light of an eruption of Mt. Ontake, which caused the most such casualties since the war, infrastructure for volcano observation and research, and observation facilities will be developed.

- Disaster prevention and mitigation measures for rural communities (Ministry of Agriculture, Forestry and Fisheries, and Cabinet Office)
- Measures to enhance earthquake resistance of waterworks (Ministry of Health, Labour and Welfare, and Cabinet Office)
- Project for supporting enhancement of earthquake resistance of high-pressure gas and energy gas facilities (Ministry of Economy, Trade and Industry)
- Immediate disaster prevention responses such as flood and landslide countermeasures to avert natural disaster risks posed by earthquakes and landslides on roads (Ministry of Land, Infrastructure, Transport and Tourism, and Cabinet Office)
- Inundation prevention measures for railway facilities, and their enhancement in earthquake resistance performance (Ministry of Land, Infrastructure, Transport and Tourism)

- Development of volcano observation and research infrastructure and enhancement of observation systems, and safety measures for mountainous areas in national parks (Ministry of Education, Culture, Sports, Science and Technology; Ministry of Land, Infrastructure, Transport and Tourism; and Ministry of the Environment)
 - Promotion of large-scale disaster response measures, such as development of equipment, training facilities and information and communication infrastructure (National Police Agency)
 - Enhancement of emergency firefighting and rescue units and volunteer fire companies in disaster response performance and development of shelters (Ministry of Internal Affairs and Communications) etc.
- (3) Construction of information and logistics systems resilient to disasters
- With a view to developing mechanisms needed to enable information and logistics systems to work without trouble even after a large-scale natural disaster, and helping businesses to resume economic activities as soon as possible after being hit by a disaster, support will be provided in forming a business continuity plan, and work will be carried out to maintain and enhance safety net functions.
- Establishment of unified sea traffic control in the Bay of Tokyo (Ministry of Land, Infrastructure, Transport and Tourism)
 - Measures for safety at seaports and airports (Ministry of Land, Infrastructure, Transport and Tourism)
 - Project for studying waste disposal schemes and developing bases as preparedness for large-scale disasters (Ministry of the Environment)
 - Support for cadastral survey in areas anticipated to be hit by a large-scale disaster (Ministry of Land, Infrastructure, Transport and Tourism)
 - Promotion of anti-disaster measures by application of ICT (Ministry of Internal Affairs and Communications)
 - Promotion of development and introduction of next-generation robots for social infrastructure (Ministry of Land, Infrastructure, Transport and Tourism)
 - Support for core private-sector logistics facilities in installing emergency power equipment (Ministry of Land, Infrastructure, Transport and Tourism)
 - Development of the Anti-Disaster Radio Communication System, and enhancement of a procurement and logistics coordination support system (Cabinet Office)
 - Improvement of disaster response capabilities of the Self-Defense Forces (Ministry of Defense)
 - Ensuring of functions served by governmental financial institutions to supply safety-net money <Non-budgetary measure> (Ministry of Finance, and Ministry of Economy, Trade and Industry) etc.
- (4) Enhancement of earthquake resistance performance of schools and other facilities
- For schools and other facilities that should play central roles as shelters in times of emergencies and disasters, and other buildings used by people, including those with disabilities, on such occasions, measures will be implemented earlier than originally planned to enhance their earthquake resistance performance and disaster management functions and cope with aging and deterioration.
- Enhancement of earthquake resistance performance of schools and other institutions (Ministry of Education, Culture, Sports, Science and Technology)

- Promotion of social welfare institutions in earthquake resistance performance and firefighting measures (installation of sprinklers at clinics with beds, development of regional improvement facilities and development of social welfare and school institutions) (Ministry of Health, Labour and Welfare)
- Disaster prevention measures for maintaining functions of public agency facilities (National Police Agency; Ministry of Justice; Ministry of Foreign Affairs; Ministry of Health, Labour and Welfare; Ministry of Land, Infrastructure, Transport and Tourism; and Supreme Court)
- Measures for safety and accessibility of railway facilities (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of replacement of apartment buildings (Ministry of Justice, and <Non-budgetary measure> Ministry of Land, Infrastructure, Transport and Tourism) etc.

2. Acceleration of reconstruction, etc.

Work will be carried out to accelerate recovery and reconstruction of areas damaged by the Great East Japan Earthquake, and action to deal with the nuclear plant accident, and enhance nuclear emergency preparedness.

(1) Recovery and reconstruction of areas damaged by the Great East Japan Earthquake

With a view to as early recovery and reconstruction as possible of areas damaged by the Great East Japan Earthquake, part of the surplus of the FY2013 government budget will be transferred to the Special Account for Reconstruction from the Great East Japan Earthquake, and measures will be taken to accelerate recovery and reconstruction of railways and housing and ensure quick execution of construction work. Public relations overseas will also be enhanced to prevent damage caused by harmful rumors.

- Transfer of part of the surplus of the FY2013 government budget to the Special Account for Reconstruction from the Great East Japan Earthquake
- Recovery of public schools facilities from disasters (Ministry of Education, Culture, Sports, Science and Technology)
- Recovery of waste treatment facilities from disasters (Ministry of the Environment)
- Promotion of coordination between stakeholders for early recovery of railways <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Extended and expanded exemption of funds used to purchase houses from the gift tax <Non-budgetary measure> (same as mentioned before) (Ministry of Land, Infrastructure, Transport and Tourism)
- Program for ensured execution of construction work for public disaster restoration housing <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Promulgation and promotion of the construction cost integration method for ensuring smooth execution of construction work for public buildings <Non-budgetary measure> (Ministry of Land, Infrastructure, Transport and Tourism)
- Project for supporting public relations overseas as a measure to prevent damage from harmful rumors (Ministry of Foreign Affairs)
- Promotion of establishment of funds for supporting invigoration of regional economies, and supply of capital (same as mentioned before) (Cabinet Office) etc.

(2) Accelerated action to cope with the nuclear plant accident

New subsidies programs will be set up for constructing intermediate storage facilities to accelerate action to cope with the accident at the Fukushima Daiichi Nuclear Power Plant and support for Fukushima for recovering from the nuclear disaster.

- Subsidies for intermediate storage facilities (Ministry of the Environment)
- Subsidies for Fukushima for recovering from the nuclear disaster (Reconstruction Agency)
- Project for decommissioning nuclear reactors and disposing of waste water (Ministry of Economy, Trade and Industry)

(3) Enhanced nuclear emergency preparedness

As part of measures to enhance nuclear emergency preparedness, disaster preparedness and emergency monitoring systems around power plants will be enhanced and strengthened, and with a view to satisfying quickly and appropriately needs of communities where nuclear power plants are located for support in preparing evacuation plans, the Cabinet Office and the Nuclear Regulation Authority will have their structures further enhanced.

- Enhancement and strengthening of disaster preparedness in areas surrounding nuclear power plants (Cabinet Office)
- Project for developing plant simulators for training (Ministry of the Environment)
- Development of an effective system for emergency monitoring (Ministry of the Environment)
- Enhancement and strengthening of the structures of Cabinet Office and the Nuclear Regulation Authority as government agencies responsible for nuclear disaster preparedness (Use of fixed expenditures) (Cabinet Office, and Ministry of the Environment)

3. Realization of a safe and secure society

(1) Ensuring well-maintained public security

In order to ensure well-maintained public security, enforcement capacities will be strengthened at the field level to respond to the situation of recent crimes. Court operations will also be improved, and detention and treatment systems will be reinforced in correction facilities. Measures will be introduced to regulate dangerous drugs, and strategic maritime safety schemes will be constructed.

- Strengthening investigative skills and enforcement capacities at the field level, such as through the improvement of materials, vehicles and vessels (National Police Agency)
- Strengthening detention and treatment systems in correction facilities to ensure well-maintained public security (Ministry of Justice)
- Strengthening border control against goods harmful to the society with the improvement of control devices (Ministry of Finance)
- Promotion of regulation of dangerous drugs (Ministry of Health, Labour and Welfare, and <Non-budgetary measure> Ministry of Finance)
- Construction of strategic maritime safety schemes (Ministry of Land, Infrastructure, Transport and Tourism)

- Enhancing court operations, such as through the improvement court support devices (Supreme Court)

(2) Crisis management

Schemes will be developed to cope with infectious diseases, including Ebola hemorrhagic fever, and prepare for chemical disasters and terrorism attacks. In order to secure prompt and sure transmissions of information to the public, the prime minister's office's crisis management system and government agencies' measures for information security, etc. will be strengthened.

In addition, nuclear security measures will be promoted, and work will be carried out to secure stable operations of the Self-Defense Forces.

- Measures against Ebola hemorrhagic fever (Ministry of Health, Labour and Welfare)
- Project for developing facilities to control hospital infection (Ministry of Health, Labour and Welfare)
- Project for building up stockpiles of medical supplies for chemical disasters and terrorist attacks. (Ministry of Health, Labour and Welfare)
- Strengthening the crisis management system and response capacities of the prime minister's office (Cabinet Secretariat)
- Development of information-gathering satellites for enhancing crisis management, and sophistication of domestically-developed rockets (Cabinet Secretariat, Ministry of Education, Culture, Sports, Science and Technology)
- Measures for information security at government agencies (Financial Services Agency, Ministry of Foreign Affairs, and Ministry of Land, Infrastructure, Transport and Tourism)
- International cooperation for promoting information security measures (Ministry of Internal Affairs and Communications)
- Improvement of vessels and facilities for enhancing nuclear fuel materials transportation and nuclear security (Ministry of Education, Culture, Sports, Science and Technology)
- Ensured stability in operations of the Self-Defense Forces (Ministry of Defense)
- Ensured smoothness in operation of defense facilities (Ministry of Defense)

IV. Initiatives for solidifying a virtuous cycle of the economy

1. Initiatives of government, labor, and management

On December 16, 2014, the government, the Japan Business Federation (Keidanren), the Japan Chamber of Commerce and Industry, the National Federation of Small Business Associations, and the Japanese Trade Union Confederation (RENGO) reached an agreement that they would work in cooperation regarding the three points below to maintain a virtuous cycle of the economy.

- (i) Through initiatives the government is going to implement to develop appropriate environments, the business community will exert the greatest effort to raise wages and work in a comprehensive manner to help suppliers to pass increased purchase prices on to customers, and offer them support and cooperation.

- (ii) For the wage structure, the employees and management of each company will engage in thorough talks to make reforms relevant to the company. In doing so, it might be suggested that the employer and employees adopt a wage structure that attaches greater importance to tasks and roles employees have to perform and contributions they make and/or that they reform their wage structure to distribute more to those with dependent children. It might also be recommended that given that they are on the way to achieving mastery, young people are given pay rises in a stable manner while people in age groups expected to exhibit abilities they have accumulated and deliver added value see greater importance attached to tasks and roles they have to perform and contributions they make in deciding their wage increases.
- (iii) Labor and management will work in cooperation to enhance productivity of the service industry and improve treatment of non-regular workers and/or hire them as regular employees, among others, for developing an environment that enables wage increases in a steady and reliable manner.

2. Implementation and realization of the growth strategy

To achieve the targets specified in the Japan Revitalization Strategy (Cabinet Decision of June 14, 2013), and the 2014 Revision of Japan Revitalization Strategy (Cabinet Decision of June 24, 2014), structural and institutional reforms stated in the Strategies for medical service, agriculture, energy, employment, and other sectors will be materialized and implemented without exception. Growth Strategy-related laws that have been passed by the Diet at the extraordinary session last year and the regular and extraordinary sessions this year will be executed in a steady manner, and with the next regular session of the Diet set as a target, work will be carried out, including further legislation, to materialize Growth Strategy-related policy programs quickly and implement them in a solid manner.

3. Monetary policy

The Government expects the Bank of Japan to achieve the price stability target of two percent at the earliest possible time.

Chapter 3 Economic Impacts and Financial Size

The annex shows the financial size of the economic measures. If we calculate the economic impacts of the measures at the present moment, the expected impact on real GDP is approximately 0.7%.

Materialization of institutional reforms and other policy programs and the Growth Strategies mentioned in this package of economic measures is expected to stimulate private investments and consumption, and realize an economic growth with increased incomes and employment.

(Note) The economic impacts presented above are rough estimates based on the total budget size of this economic measures package calculated using expenditure appropriated by the central government for the package, with subsidy ratios and other elements taken into account.

(Annex)

Economic Impacts

(Central Government
Expenditure)

- | | |
|--|-----------------------|
| I. Support for people and business operators relevant to the current state of the economy, etc. | Approx. ¥1.2 trillion |
| II. Reinvigoration of regions through effective initiatives for addressing structural challenges they are faced with | Approx. ¥0.6 trillion |
| III. Action to address disasters and crises, including accelerated recovery and reconstruction after disasters | Approx. ¥1.7 trillion |
| IV. Initiatives for solidifying a virtuous cycle of the economy | — |

Total **Approx. ¥3.5 trillion**