

Comprehensive Emergency Economic Measures in Response to Yen Appreciation and Deflation – Step 2 toward the Realization of the New Growth Strategy –

To promptly deal with the difficult economic situation as exemplified by the yen's rapid appreciation, the Kan Cabinet on September 10 adopted the Three-Step Economic Package to Implement the New Growth Strategy which prescribes how policies should be implemented until FY 2011 so as to ensure that Japan will overcome deflation and achieve a self-sustaining economic recovery.

The government recently implemented emergent actions to deal with the yen's rapid appreciation and deflation as Step 1 of the economic measures using Contingency Reserve for Economic Crisis Response and Regional Revitalization for FY 2010 (¥917.9 billion), with emphasis placed on employment support measures which will immediately bring about benefits and measures that will be highly effective in creating demand and jobs. Subsequently, as Step 2, the government will implement swift and flexible measures, including formulating a supplementary budget, when necessary in light of the economic and employment conditions, and as Step 3, it will fully implement the New Growth Strategy in FY 2011, including budgetary and tax measures, thereby achieving economic growth after attaining the goals of overcoming deflation and creating jobs.

This new economic measures represents the implementation of Step 2 of the Three-Step Economic Measures.

I. Basic Idea

1. Recognition of the current economic situation

(Growing concern over the prospects of the economy)

Regarding the economic and employment conditions in Japan, the economic situation is growing increasingly difficult since the adoption of Step 1

(emergent action) of the Three-Step Economic Measures, as the economic recovery has remained weak and signs of downside risk have persisted.

As for exports, as overseas economies have been losing momentum, exports to Asia, which had until recently supported the economic recovery, have been slowing down. In addition, production declined for three consecutive months, causing business sentiment concerning the prospects of the economy to deteriorate. The overall Japanese economy has continued to suffer from a huge demand supply gap, the excess of supply over demand, with prices continuing to decline for one and a half years and deflation in Japan has become chronic. As the unemployment rate has remained above 5%, young people have continued to face a difficult employment situation. The sentiment of ordinary people concerning the economic situation is growing increasingly bearish.

Although the yen's rapid appreciation has been arrested for now partly as a result of the exchange market intervention made by the Japanese monetary authorities in September, the first such action in six and a half years, the yen's rate is still too high for companies to eke out profits from exports.

The employment situation, which will be essential to a self-sustaining economic recovery, has not been improved and the positive cycle of growth in production leading to increases in income and expenditures has not been established. Under these circumstances, external factors such as the prolonged appreciation of the yen and the slowdown of overseas economies pose significant downside risk for the prospects of the Japanese economy. If downside risk is actualized, it may take longer to overcome deflation and achieve a self-sustaining recovery, which are aimed in the New Growth Strategy.

2. Concept of this Economic Measures

(Speedy, continuous creation of demand and jobs)

In light of the difficult economic situation and the growing concern over the prospects of the economy, the government will compile a supplementary budget

for FY 2011 immediately after Step 1 which used contingency reserve and implement this new economic measures (Step 2) from the following three perspectives.

① Preparing for a concern about a future demand decline and reassuring the consumer and business sentiment

Whereas Step 1 was emergent action to deal with the yen's appreciation and deflation with emphasis on speed and immediate effects, Step 2 makes preemptive moves which focus on demand side to the risk of the economic and employment conditions in late this year through next year by compiling and implementing a supplementary budget. It will thereby stabilize the sentiment of consumers and businesses and ensure the economic recovery.

② Bridge toward the implementation of the FY 2011 budget

Step 2 will steadily support the creation of demand and jobs until the start of the implementation of the FY 2011 budget, which will represent the full implementation of the New Growth Strategy.

③ Accelerating the implementation of the New Growth Strategy

Step 2 aims to establish an environment that will encourage companies to feel safe in making investments and employing more workers by implementing economic measures as part of a future-oriented national strategy with the goal of achieving demand-led growth and overcoming deflation, rather than taking stop-gap measures. To that end, the government will drastically accelerate the implementation of measures and projects under the New Growth Strategy.

By taking economic measures persistently under the strategy, Step 2 will ensure the overcoming of deflation and the establishment of a positive economic cycle of the job creation in growth fields leading to increases in household income and expenditures.

(Measures in response to the yen appreciation and deflation)

In response to the yen appreciation and deflation, both of which pose immediate and significant risk to the Japanese economy, it is essential to continue to take monetary policy steps and measures related to foreign exchange rates in addition to supporting demand and employment.

As for foreign exchange, the government will maintain a stance of taking decisive actions, including foreign exchange intervention, when necessary based on the recognition that the yen appreciation must not be left unattended since it could adversely affect the stability of the economy and the financial system if it goes too far and continues too long. On the other hand, the yen appreciation brings about positive effects. In order to make the most of such effects, the government will actively take measures to invigorate the flow of people, goods and money, including securing overseas resources actively, based on the concept of the New Growth Strategy.

Regarding monetary policy, the Bank of Japan has decided on and is implementing a comprehensive monetary easing to strongly promote further monetary easing. The government expects that the Bank of Japan recognizes overcoming deflation as a critical policy task for the government and the central bank and that it will take further necessary policy measures to overcome deflation while working closely with the government.

(Five pillars of this Economic Measures)

In addition to taking the above measures, the government will boldly implement measures and projects that will help to strengthen demand in the medium to long term based on the New Growth Strategy. To be more specific, it will accelerate the implementation of measures and projects related to the “Special Allocation to Rejuvenate Vibrant Japan” under FY 2011 budget, and at the same time, it will take measures that will truly contribute to invigorating the economy, stabilizing the lives of the people and ensuring the sense of security under the following five pillars.

Pillar 1: Employment and Human Resource Development

In response to the continued difficult employment situation, particularly for young people, the government will implement measures to support the employment of new graduates and companies' efforts to maintain jobs. It will also seek to create new jobs and promote human resource development, mainly in growth fields.

Pillar 2: Promotion and Acceleration of the New Growth Strategy

The government will accelerate the building the foundation in growth fields such as “environment and energy” and life innovation, and at the same time, it will take measures to bring the benefits of the growth to the people at an early date.

Pillar 3: Child-Rearing, Healthcare, Nursing Care and Welfare

The government will ensure that society as a whole supports children and child-rearing and will secure a high-quality environment for bringing up children. At the same time, it will create an environment that enables the people to realize their wishes in relation to child-bearing, child-rearing and working.

Pillar 4: Revitalization of Japan's Regions, Construction of New Social Infrastructure and Measures to Support Small and Medium-Sized Enterprises

The government will accelerate infrastructure improvement, which will be the driving force of economic growth, and achieve local revitalization through measures such as supporting SMEs and provide intensive support for local revitalization from the standpoint of individual regions.

Pillar 5: Regulatory and Institutional Reforms

Following Step 1, the government will strongly promote regulatory and institutional reforms as economic measures which do not require financial resources and as political measures to promote the New Growth Strategy.

(Future actions)

The government will immediately implement the following measures by compiling a supplementary budget based on this economic measures in addition to using the existing budget.

Thereafter, the government will move on to the stage of full implementation of the New Growth Strategy, including budgetary and tax measures, in FY 2011 (Step 3) while keeping a close watch on the economic and employment conditions, so as to ensure that Japan will overcome deflation and achieve a self-sustaining economic recovery.

II. Specific Measures of Step 2

1. Employment and Human Resource Development

In light of the continued difficult employment situation, the government will implement measures to support the employment of new graduates and companies' efforts to maintain jobs. It will also seek to create new jobs and promote human resource development, mainly in growth fields.

- (1) Greater Support for New Graduates and Other Young People
 - Implementation, etc., of the Assistance Program for the Employment of New Graduates (tentative name)
 - Expansion of special subsidies for companies hiring young people, etc., on a full-time basis
 - Resolving the mismatch between businesses, primarily small and medium-sized enterprises, and students
- (2) Helping to Provide Jobs and Supporting People's Livelihoods by such measures as Employment Adjustment Subsidies
 - Relaxation of eligibility requirements for employment adjustment subsidies
 - Expansion of subsidies to promote the direct employment of dispatched workers
 - Extension of “housing measures”
 - Program to restore bonds with society among the poor and needy
 - Consideration of institutionalizing Personal Support Services
- (3) Jobs Creation and Human Resource Development
 - Expansion of job creation program in priority areas
 - Extension, etc., of emergency human resource development program
 - Implementation of support for human resource development in growth areas
 - Promotion of practical career-enhancement system
 - Environmental improvement to encourage the self-sustained development of “New Public Commons”

(1) Greater Support for New Graduates and Other Young People

As the difficult employment situation is expected to continue, the government will enhance measures to support new graduates and young people.

<Specific measures>

○Implementation, etc., of the Assistance Program for the Employment of New Graduates (tentative name)

(A) Enhancing the project to help new graduates obtain jobs

The government will enhance a cash incentive scheme to increase the employment of graduates within three years from their graduation (under the same terms as those for new graduates), a cash incentive scheme for trial employment of graduates within three years from their graduation (project to help new graduates obtain jobs), both of which are financed by Contingency Reserve for Economic Crisis Response and Regional Revitalization, and extend the life of these schemes until the end of FY 2011. It will also support people who need long-term training.

(B) Further promoting the one-stop service by strengthening the function of Hello Work centers that support new graduates

The government will enhance the one-stop service for job seekers by increasing job supporters allocated to Hello Work centers to support new graduates, by supporting the matching between SMEs eager to employ workers and new graduates and by holding a job interview fair.

○Expansion of special subsidies for companies hiring young people, etc., on a full-time basis

The government will expand the age group eligible for the trial employment type of the special cash incentive scheme for the employment of young people (from 25 to 39 years old) — which is intended to support relatively old “freeters” — to include people aged less than 25.

○Resolving the mismatch between businesses, primarily small and medium-sized enterprises, and students

The government will seek to further increase job offers by SMEs at job cafes and strengthen initiatives to raise awareness about the attractiveness of SMEs as employers.

(2) Helping to Provide Jobs and Supporting People's Livelihoods by such measures as Employment Adjustment Subsidies

In light of downside risk factors such as the yen's appreciation, the government will strengthen support for companies' efforts to maintain jobs and enhance living support for the poor and needy.

<Specific measures>

○Relaxation of eligibility requirements for employment adjustment subsidies

Following the yen's rapid appreciation, the government will relax the criteria for the provision of the employment adjustment subsidy so as to make the subsidy available for loss-making companies whose production volume in the most recent three months is down 15% or more compared with three years ago.

○Expansion of subsidies to promote the direct employment of dispatched workers

To promote direct employment of contract workers by companies to which they are dispatched, the special cash incentive scheme for stabilization of the employment of contract workers will be expanded.

○Extension of "housing measures"

The government will extend the life of the measures to meet housing needs that were enhanced in the Emergency Economic Countermeasures (adopted last December), including the provision of housing benefits to job leavers, by one year to the end of FY 2011.

○Program to restore bonds with society among the poor and needy

The government, in cooperation with private organizations, including NPOs, will provide counseling to people who may become homeless unless

they receive employment and living support, help them achieve independence and provide temporary shelter to them, thereby preventing them from being forced into living on the streets.

○Consideration of institutionalizing Personal Support Services

The government will implement a model project of the personal support service, which is intended to provide consistent support, across various support programs, to job seekers who face problems related to everyday life and work and who face difficulty achieving independence, and it will study what challenges should be overcome to institutionalize the personal support service.

(3) Jobs Creation and Human Resource Development

In order to achieve economic growth led by domestic demand, the government will promote the creation of jobs and human resource development in fields where there is significant potential demand, such as medical care and nursing care.

<Specific measures>

○Expansion of job creation program in priority areas

To encourage local efforts to create jobs and develop human resources in growth fields such as nursing care, the government will extend the termination of the project from the end of FY 2010 to the end of FY 2011 (some measures included in the project will be continued into FY 2012). It will also add education and research infrastructure supporting areas with growth potential to priority fields and allow individual regions to adopt additional priority fields in accordance with their own circumstances.

○Extension, etc., of emergency human resource development program

The government will extend the life of the emergency project to support human resource development, which provides vocational training and living

stipends to people who are not eligible to receive employment insurance benefits, until the project is adopted as a permanent scheme. It will also strengthen support for the employment of people who have completed vocational training courses by assigning support staff to attend to their needs.

○Implementation of support for human resource development in growth areas

In order to improve productivity in the fields of health and environment as well as related manufacturing, the government will create a scheme to provide funds to cover the cost of vocational training when companies let employees undergo vocational training in locations other than their workplaces.

○Promotion of practical career-enhancement system

The government will determine a basic policy concerning the practical career-enhancement system by the end of 2010 based on the plan to introduce it for application to (i) personnel involved in nursing care, (ii) personnel involved in energy conservation and greenhouse gas reduction activities and (iii) personnel engaging in activities to help the agriculture, forestry and fisheries industries shift to the sixth industry (processing, sales and services).

○Environmental improvement to encourage the self-sustained development of “New Public Commons”

In order to realize the provision of public services without relying on fiscal support by encouraging citizens to actively involve themselves in public activity, the government will create an environment that enables NPOs to raise funds and conduct activity on their own.

2. Promotion and Acceleration of the New Growth Strategy

The government will promote and accelerate the implementation of the New Growth Strategy, including the creation of industries that resolve challenges faced by the people and society in the fields of green and life innovation, the exploration of new economic frontiers through the Asian economic strategy and the improvement of the foundation of growth as represented by science, technology and information & communications. The government will bring the benefits of growth to the people at an early date by revitalizing the Japanese economy through the achievement of economic growth led by expansion of demand and the creation of new jobs as well as by utilizing the positive effects of the yen appreciation.

- (1) Promotion of Green Innovation: Strategy for Becoming an Environmental and Energy Power
 - Efforts to secure rare earth metals and other natural resources
 - Encouraging the spread of energy-saving homes and electrical appliances
 - Enhancing the environmental-friendliness of public transportation
 - Promoting green investments
 - Accelerating support for research and development related to green innovation
 - Promoting the overseas transfer of Japan's environmental and energy-related technologies
- (2) Promotion of Life Innovation: Strategy for Becoming a Health Power
 - Additional support for life innovation R&D
 - Promotion of informatization and internationalization in healthcare services
- (3) Promotion of the Asian Economic Strategy
 - Becoming an Asian hub, promoting the smooth forging of EPAs
 - Support for the export of infrastructure and systems

(4) Promotion of a Nation Built on Science, Technology and Telecommunications

- Promotion of new technologies etc.
 - Support for the upgrading of corporate facilities for experimental research and assessment
 - Making active use of the Innovation Network Corporation of Japan
- (5) Maximizing the Merits of the Yen's Appreciation

(1) Promotion of Green Innovation: Strategy for Becoming an Environmental and Energy Power

To achieve growth through green innovation (an environment and energy superpower), the government will promote efforts to secure supply of rare earth and other natural resources which are necessary for growth. It will also promote the diffusion of environment-friendly housing and home appliances, expand “green demand” by introducing environment-friendly public transport systems, encourage “green investment” by SMEs, accelerate the cutting-edge “green research and development and demonstration tests” and promote Japanese technologies related to the environment and energy to overseas.

<Specific measures>

○Efforts to secure rare earth metals and other natural resources

(A) Developing mines and securing interests for mineral resources and ensuring supply of resources

The government will strengthen relations with resource-producing countries by supporting the acquisition of mines and providing technical support through the Japan Bank for International Cooperation (JBIC) and the Japan Oil, Gas and Metals National Corporation (JOGMEC). In addition, it will accelerate the development of an unmanned exploration probe to be used for the exploration of marine resources.

(B) Developing technologies that reduce the use of rare earth metals and creating substitute materials

The government will support the acceleration of the project for developing technologies for alternatives to rare metals and other technology development efforts leading to alternatives to rare earth and the reduction of rare earth consumption.

(C) Recycling rare earth metals

To promote the development of so-called “urban mines,” the government will provide subsidies to cover the cost of developing technologies to dissolve and extract rare earth metals contained in discarded products. It will also support efforts to establish a rare earth metals recycling business, including the creation of a collection system, through the implementation of a demonstration project.

(D) Support for equipment introduction in rare earth-using industries

The government will support rare earth-using industries’ investment in equipment to reduce their dependence on rare earth and promote the efficient utilization of rare earth to enhance their resistance to rare earth supply risks.

○Encouraging the spread of energy-saving homes and electrical appliances

(A) Expanding the scope of equipment eligible for the eco-point system for housing

To promote the introduction of a comprehensive set of energy-saving and environment-friendly systems on the occasion of housing renovation, the government will expand the scope of equipment eligible for the eco-point system for housing to include home-use solar systems, water-saving toilet system and bathtubs with high heat insulation performance.

(B) Promoting smooth implementation of the eco-point system for home appliances

In light of the significant increase in demand for home appliances since this summer, additional budgetary funds will be allocated for the issuance of eco-points and the replacement of products so as to promote smooth implementation of the eco-point system for home appliances.

(C) Promoting the introduction of home-use photovoltaic power generation systems

The government will provide subsidies to cover part of the cost of introducing home-use photovoltaic power generation systems so as to promote a self-sustaining diffusion of photovoltaic power generation.

○Enhancing the environmental-friendliness of public transportation

The government will provide subsidies to cover the cost of introducing next-generation vehicles used for transportation business, such as CNG (compressed natural gas)-based trucks and buses and hybrid taxies, as well as clean diesel cars, so as to promote the introduction and diffusion of such vehicles.

○Promoting green investments

The government will provide interest subsidies to companies involved in the development and production of low-carbon products. It will also promote low-carbon investment by SMEs by establishing a fund intended to consolidate domestic emission credits into large lots, provide subsidies to cover the cost of renovating buildings to enhance their energy conservation performance and support the introduction of low-carbon domestic transport vessels.

○Accelerating support for research and development related to green innovation

The government will seek to ensure that Japan will achieve the practical use of electric cars, energy-saving home appliances and semiconductor and other key parts and ultra-light, ultra-strong innovative compound materials earlier than other countries by accelerating the development and demonstration tests of those products. It will also accelerate the

implementation of the International Thermonuclear Experimental Reactor (ITER) plan.

○Promoting the overseas transfer of Japan's environmental and energy-related technologies

The government will promote the implementation of overseas projects that use superior Japanese technologies related to environment and energy through the disbursement of ODA.

(2) Promotion of Life Innovation: Strategy for Becoming a Health Power

To achieve growth led by medical & nursing care and health-related industries through life innovation (healthcare superpower), the government will promote research and development on innovative pharmaceutical products and medical and nursing care technologies, the use of information technology for medical care and the internationalization of medical care.

<Specific measures>

○Additional support for life innovation R&D

The government will accelerate research and development and demonstration tests of robots that support the lives of elderly people and people who need nursing care, equipment for ultra-early diagnosis and treatment of cancer and heavy particle cancer treatment equipment. It will also promote the development of medical equipment that meets the needs of elderly people through collaboration between medical institutions and companies.

○Promotion of informatization and internationalization in healthcare services

The government will promote the realization of high-quality medical services using IT, such as a planned service that enables individual patients to electronically manage and use their own medical information. It will also create an environment that enables smooth provision of medical treatment to

foreign visitors to Japan through the networking of medical institutions and the enhancement of foreign language interpretation service and create a new visa for stay for medical care.

(3) Implementation of the Asian economic strategy

To ensure that the growth of the Asian economy leads to the growth of the Japanese economy as well, the government will promote efforts to: make Japan as an Asian business hub by encouraging global companies to establish business facilities in the country; Japanese technologies as the standards in Asia; and the utilization of EPAs. It will also promote the overseas business expansion of infrastructure builders and system suppliers to overseas and the visits to Japan by foreign tourists.

<Specific measures>

○Promoting Japan as an Asian business hub and smoothly implementing EPAs

The government will promote Japan as an Asian business hub by supporting efforts to invite global companies to establish business facilities in the country and by promoting the adoption of Japanese technologies as Asian standards. It will also encourage smooth implementation and use of EPAs by providing Japanese language training to foreign nationals who seek to be qualified as nurses in Japan and by introducing the system of electronic certificate of origin. In addition, the government will implement public relations and promotional activities to encourage foreign tourists to visit Japan.

○Support for the export of infrastructure and systems

The government will support the overseas business expansion of infrastructure builders and system suppliers by strengthening the loan and investment functions of the Japan Bank for International Cooperation (JBIC), establishing technologies necessary for the adoption by foreign countries of the Japanese standard for terrestrial digital broadcasting,

identifying promising projects, conducting feasibility studies and inviting foreign engineers involved in the operation of infrastructures and systems to Japan for training. Moreover, ODA is used for such an investigation and training.

(4) Promotion of a Nation Built on Science, Technology and Telecommunications

Japan will continue to lead other countries in the fields of science, technology and information & communications by conducting research and development on cutting-edge technologies such as in aerospace, optical communications and next-generation supercomputers, by promoting the industrial use of cloud computing and other technologies and by encouraging the establishment of facilities for research & development and demonstration tests within Japan.

<Specific measures>

○Promotion of new technologies etc.

The government will promote research and development on cutting-edge technologies such as advanced optical communications and next-generation supercomputers, provide development support to promote the overseas use of Japanese aerospace technologies and create an environment favorable for the use of cloud computing. In addition, it will strengthen the foundation of education, research and human resource development, for example by establishing a global base for industry-academia-government collaboration in the field of nanotechnology (nanotech arena) through the improvement of facilities and equipment of universities and research centers. Moreover, in order to promote innovation in learning, the government will develop English and other digital education materials for schools.

○Support for the upgrading of corporate facilities for experimental research and assessment

To keep companies' research and development facilities in Japan and

create new industries, the government will provide subsidies to cover part of large-scale capital expenditures for demonstration tests and evaluation of cutting-edge technologies in the fields of green and life innovation.

○**Making active use of the Innovation Network Corporation of Japan**

The government will enhance support for large-scale overseas acquisitions by the Innovation Network Corporation of Japan in the fields of green and life innovation.

(5) Maximizing the Merits of the Yen's Appreciation

In implementing the above measures, the government will make strategic overseas loans and investments through JBIC, JOGMEC, and the Innovation Network Corporation of Japan, and it will seek to make more efficient use of the Foreign Exchange Fund Special Account.

3. Child-Rearing, Healthcare, Nursing Care and Welfare

To enable the people to live with a sense of security and women to continue working while bringing up children, the government will enhance social security and increase jobs by realizing the potential demand for services in the fields of child, medical and nursing care and welfare.

(1) Support for Child-Rearing

- Improving the foundations of childcare services, etc., and preventing child abuse
- Sustained public aid for prenatal checkups

(2) Healthcare

- Reviving community healthcare and reinforcing the functions of medical institutions
- Advancing disease control
- Smooth issuance of benefits based on the relief measures law for hepatitis C sufferers
- Sustaining the current measures of reduced financial burden for elderly patients

(3) Nursing Care, etc.

- Expanding nursing-care services
- Creation of systems for daily mutual support activities in the community
- Enhancing the project to create jobs in priority fields (already mentioned above)

(4) Welfare

- Supporting needy people
- Support for transition to a new system of providing welfare services for the handicapped, etc.
- Advancing measures to prevent suicide and depression and to support

- victims of domestic violence
- Livelihood support through welfare benefits and healthcare coverage

(1) Support for child-rearing

The government will ensure that society as a whole supports children and child-rearing and will secure a high-quality environment for bringing up children. At the same time, it will create an environment that enables the people to realize their wishes in relation to child-bearing, child-rearing and working.

<Specific measures>

○Improving the foundations of childcare services, etc., and preventing child abuse

The government will promote the Vision for Child-Bearing program, which includes plans to enhance child care service and local support for child-rearing, by increasing the size of the fund for child care support and extending the implementation period of the program to the end of FY 2011.

○Improving the foundations of childcare services, etc., and preventing child abuse

Sustained public aid for prenatal checkups

The government will increase the size of the fund for supporting health care checks for pregnant women so as to enable them to receive a necessary number of checks (around 14 checks) and will ensure that the public subsidy therefor can be continued in the next fiscal year. In addition, as a fight against the HTLV-1 virus, which causes adult T-cell leukemia, testing for the antibody against that virus will be added as a health check item for pregnant women.

(2) Healthcare

The government will continue efforts to revitalize local medical care by

resolving challenges related to local medical care and enhancing the functions of local medical institutions.

<Specific measures>

○Reviving community healthcare and reinforcing the functions of medical institutions

(A) Enhancing advanced, expert medical care and emergency medical care on a prefecture-by-prefecture basis

Prefectural funds for revitalizing local medical care will be enhanced, and the prefectural framework (tertiary medical care area) for the provision of wide-area medical care, including advanced and expert medical care facilities and emergency and critical care centers, will be improved and expanded. In addition, the government will strengthen functions to analyze drug-resistant bacteria to urgently address in-hospital inspection problems.

(B) Enhancing the functions and equipment of medical institutions

The functions of hospitals attached to universities, national advanced and expert medical care facilities and hospitals managed by the Self Defense Forces will be strengthened; for example, the framework for perinatal medical care will be enhanced and medical equipment will be improved.

○Advancing disease control

(A) Implementation of measures to deal with a new type of influenza

To secure the necessary stockpile of pre-pandemic vaccine in preparation for a possible outbreak of a new type of influenza, additional stocks of vaccine will be procured to make up for stocks whose validity period expires.

(B) Promoting cervical cancer and other vaccinations

The government will support local governments' projects for cervical cancer, Hib (*haemophilus influenza B*) and baby pneumococcal vaccinations.

(C) Developing risk management arrangements to accelerate the examination of unapproved drugs

The government will study safety management for thalidomide drugs subject to strict management, evaluate the effectiveness of risk management

measures and utilize research and evaluation results for accelerating the examination of unapproved drugs.

○Smooth issuance of benefits based on the relief measures law for hepatitis C sufferers

The government will ensure smooth provision of benefits to designated patients infected with hepatitis C.

○Sustaining the current measures of reduced financial burden for elderly patients

The government will continue the measure to ease the burden of over-the-counter medical bill payment for people aged between 70 and 74 and the burden of insurance premium payment for former dependents of people covered by employees' insurance and low-income people.

(3) Nursing Care, etc. Ensuring a sense of security for the elderly by enhancing nursing care, etc.

The government will create an environment that enables elderly people to live with a sense of security in their familiar local community.

<Specific measures>

○Expanding nursing-care services

(A) Improving the framework for the provision of services focusing on local needs and securing safety

The government will provide support for the renovation of group homes for elderly people suffering from dementia that is necessary from the viewpoint of disaster control. It will also support the renovation of special nursing care facilities for elderly people to create individual rooms. The government will increase the subsidy for such renovation so as to ensure the achievement of the goal of building small-scale special nursing care facilities for elderly people with a combined capacity of 160,000 people (including wide-area facilities) by FY 2011.

(B) Providing 24-hour local patrol service and home-visiting service

The government will implement a model project of 24-hour provision of necessary service to people who need care service at home (to be implemented in 30 locations across Japan in FY 2010).

(C) Improving the framework for the provision of medical care service by nursing care workers

The government will provide training of nursing care workers at around 2,400 facilities to acquire skills to provide medical care service such as airway suctioning in cooperation with doctors and nurses at special nursing care facilities for elderly people.

○Creation of systems for daily mutual support activities in the community

The government will support the training of personnel who act as members of teams responsible for keeping a protective watch over elderly people and the improvement of the network of nursing care using local resources.

○Enhancing the project to create jobs in priority fields (already mentioned above)

(4) Welfare

The government will create an environment that enables all people to receive necessary local support and live an independent life.

○Supporting needy people

(A) Extending the life of the enhanced measures to meet housing needs. (already mentioned above)

(B) Implementing the project to support the poor and needy by re-establishing their relations with society (already mentioned above)

(C) Establishing a framework necessary for the implementation of the welfare fund loan project

Regarding the welfare fund loan project, which is aimed at low-income

households, the government will establish a framework for providing consulting to people who face restrictions on borrowings from consumer lending companies as a result of the revision of the Money Lending Act.

○Support for transition to a new system of providing welfare services for the handicapped, etc.

The government will promote the renovation of facilities related to people with disabilities so as to help them shift to a new system of services such as support for the transition to work.

○Advancing measures to prevent suicide and depression and to support victims of domestic violence

(A) Strengthening the framework of medical support for people suffering from depression

The government will promote such activities as training doctors and nurses involved in psychiatric treatment and strengthening the framework for collaboration between family doctors and psychiatrists.

(B) Implementation of an emergency measure to support victims of domestic violence

The government will implement a intensive program to provide telephone counseling concerning violence against spouses.

○Livelihood support through welfare benefits and healthcare coverage

The government will take necessary additional fiscal measures related to welfare and medical insurance in FY 2010.

4. Revitalization of Japan's Regions, Construction of New Social Infrastructure and Measures to Support Small and Medium-Sized Enterprises

Regional economies and SMEs, which underpin Japanese industry and society, remain in a difficult condition. In order to accelerate the implementation of the New Growth Strategy and contribute to the security of local communities, the government will implement infrastructure improvement projects. It will also take emergency measures to reinvigorate Japan through activities to revitalize local communities, including support for SMEs, which support the basis of local employment.

(1) Community Regional Revitalization

- Enhancing earthquake resistance for safer homes and residential environments
- Advancing terrestrial digital terrestrial broadcasting and the utilization of digital content
- Urgent support for agriculture, forestry and fisheries to protect the nation's food resources
- Support for the development of agriculture and forestry as growth sectors areas
- Advancing efforts to create attractive tourist destinations and revitalize domestic travel
- Expanding support that truly meets the needs of each regionstands the perspectives of regions
- Increasing the amount of local allocation tax garants

(2) Construction of New Social Infrastructure

- Infrastructure improvements that contribute to restoring vitality to local economies
- Supporting projects that meet local needs

(3) Measures to Support Small and Medium-Sized Enterprises

(4) Others

(1) Community Regional Revitalization

To revitalize local economies, the government will conduct meticulous support activities from the standpoint of local communities, including activities that accelerate the implementation of the New Growth Strategy, such as earthquake-proofing of houses and urban facilities which are closely related to the lives of local residents and maintenance of such facilities to extend their life, and strengthening of the foundation of agricultural, forestry and fishery production..

<Specific measures>

○Enhancing earthquake resistance for safer homes and residential environments

(A) Accelerating earthquake-proofing of houses

- The government will support local governments' efforts to promote earthquake-proofing of houses, and it will also provide direct support for the diagnosis of the earthquake-resistant performance of condominium buildings, over which it is difficult to form a consensus on renovation for earthquake-proofing.
- The government will create a safe, secure and comfortable living environment by providing subsidies for the renovation of houses for elderly people and low-income families to make them earthquake-resistant and barrier-free.
- The government will improve the living environment for residents in areas around airfields and other defense facilities by providing subsidies for the sound-proofing of houses in such areas.

(B) Promoting earthquake-proofing of schools and other facilities closely related to the people's lives

The government will provide support for the earthquake-proofing of facilities closely related to the people's lives, such as schools, waterworks and sewage systems, and the renovation of group homes for elderly people

suffering from dementia that is necessary from the viewpoint of disaster control (already mentioned above). It will also improve urban-area parks, which serve as evacuation areas in the event of a disaster.

(C) Implementing disaster control measures that ensure the safety of the people's lives

To strengthen defense against natural disasters, particularly downpours of rain, whose frequency has grown in recent years, the government will implement emergency measures to enhance flood and erosion control, reinforce disaster control for mountainous areas, fishing ports and villages and coastal areas and improve navigational aids. It will also increase funds allocated for post-disaster restoration work as necessary.

(D) Promoting urban redevelopment and cadastral data development

The government will reconstruct and revitalize urban areas whose population density is excessive from the viewpoint of disaster control or which has been hollowed out by implementing re-zoning projects.

○ Advancing terrestrial digital terrestrial broadcasting and the utilization of digital content

(A) Strengthening support for the shift to terrestrial digital broadcasting

To achieve the full shift to terrestrial digital broadcasting by June 2011, the government will increase grants of terrestrial digital tuners to low-income families.

(B) Promoting the use of digital contents

The government will improve local residents' access to digital contents and accelerate digital archiving of documents owned by the National Diet Library, an activity which contributes to the creation of local jobs.

○ Urgent support for agriculture, forestry and fisheries to protect the nation's food resources

(A) Strengthening the foundation of agricultural, forestry and fishery production

The government will provide support to farmers and fishermen who have

been affected by the yen's appreciation, the extreme heat waves and red tides, so as to ensure stable production and supply of agricultural and fishery products. In addition, in order to expand production of domestic agricultural products, it will also support the establishment of a foundation of efficient and sustainable production.

(B) Accelerating measures to deal with the outbreak of foot and mouth disease

The government will provide funds to cover the cost of measures taken in Miyazaki Prefecture and neighboring prefectures to deal with the outbreak of foot and mouth disease.

(C) Supporting local agricultural production in Okinawa and other regions

The government will support the establishment of a foundation of efficient production of sugarcane and sugar in Okinawa and the other Nansei Islands.

○Support for the development of agriculture and forestry as growth sectors areas

(A) Implementing a growth strategy for agriculture

In addition to supporting the improvement of biomass-related facilities and small hydroelectric generation and promoting local foods so as to achieve local revitalization, the government will train personnel who will support farmers, forest workers, and fishermen involved in activities to shift to the sixth industry (processing, sales and services). It will also support farmers' activities to increase local jobs.

(B) Implementing activities to revitalize forests and forestry in ways to control the dispersal of tree pollen

The government will accelerate support for the opening of forest roads to be used for forest thinning and log transportation while taking care to control the dispersion of tree pollen. It will also implement the Forest and Forestry Revitalization Plan by accelerating road improvement. Moreover, the government will accelerate support for the diffusion of superior long-life wooden houses made of locally produced timber.

○Advancing efforts to create attractive tourist destinations and

revitalize domestic travel

(A) Accelerating the implementation of measures to promote domestic tourism

To revitalize domestic tourism, the government will take emergency measures to promote sight-seeing trips with at least two nights' stay and raise awareness about a plan to introduce staggered holidays. It will also support the introduction of electric vehicles in tourist spots.

(B) Accelerating the implementation of measures to reduce language problems faced by foreign tourists

The government will promote efforts to create safe, secure and attractive tourist spots through measures such as promoting improvement of the foreign language skills of workers at transportation facilities in tourist spots, including Okinawa.

- Expanding support that truly meets the needs of each regionstands the perspectives of regions

(A) Creating the Local Revitalization Grant (tentative name)

The government will support local activities to shed light on issues which have not so far attracted sufficient attention despite their importance for local residents' lives, such as the need to support the socially weak including victims of domestic violence and people who may take their own lives because of their economic situation or other factors. It will also implement support programs that meet local needs, including the installation of underground power transmission lines in tourist spots, through the provision of the Local Revitalization Grant.

(B) Accelerating support for programs to revitalize merged municipalities

The government will accelerate support for priority programs implemented by merged municipalities as an emergency step to promote community building and ensure the provision of services for residents.

- Increasing the amount of local allocation tax grants

Funds which were earmarked as local allocation tax grants but which were not included in the FY 2009 general account and an increase in local

allocation tax grants resulting from the revision of the national tax revenue amount in FY 2010 (¥1.3 trillion) will be included in the special account for local allocation tax grants and transferred tax. (300 billion yen is delivered to the local government in FY 2010.)

(2) Construction of New Social Infrastructure

To improve social capital, which will constitute the basis of the revitalization of local economies and metropolitan areas, the government will accelerate the implementation of some important measures in the New Growth Strategy. It will promote intensive infrastructure improvement projects in metropolitan areas which will produce a high return on investment, such as improvement of ring roads in the three major metropolitan areas, the airports in Tokyo area and strategic ports for international containers, as well as the improvement of local traffic access as the elimination of the “missing links” of the national traffic network, which will be indispensable in the initiative to make Japan a tourism-oriented country. The government will also support projects that meet local needs.

Moreover, the government will accelerate the implementation of public works projects. of ¥250 billion's worth(as total) (approx. ¥200 billion as ceiling)

<Specific measures>

○Infrastructure improvements that contribute to restoring vitality to local economies

(A) Promoting region-to-region collaboration to eliminate the “missing links” of the national traffic network

To revitalize local economies, the government will promote activities to eliminate the “mission links” (the unfinished portions of trunk roads that link major cities), improve the trunk road networks that will contribute to

region-to-region collaboration, facilitate traffic flows by resolving traffic congestion, ensure the safety of bridges and other road-related structures, secure road embankments, and eliminate utility poles.

(B) Implementing projects to improve urban railways

To reduce traffic congestion, the government will promote the construction of new railway lines and large-scale railway improvement. It will also promote the construction of *Shinkansen* high-speed railway lines.

(C) Strengthening the hub function of strategic ports for international containers

The government will implement infrastructure improvement projects to strengthen the hub function of Hanshin and Keihin Port, which are strategic ports for international containers, and accelerate the improvement of port facilities that will contribute to local revitalization.

(D) Strengthening Haneda Airport in Tokyo

To improve traffic access in the Tokyo metropolitan area, the government will implement a project to expand the capacity of the Tokyo International Airport at Haneda.

(E) Increasing the amount of the General Grant for Social Capital Improvement

The government will increase the amount of the Grant for Comprehensive Social Capital Improvement, which is intended to promote comprehensive social capital improvement using innovative local ideas.

(F) Increasing the amount of the Grant for Improvement of Farming, Mountain and Fishing Villages

The government will increase the amount of the Grant for Improvement of Farming, Mountain and Fishing Villages, which is to be used for infrastructure improvement necessary for revitalizing farming, mountain and fishing villages based on local initiative and innovative local ideas.

○Supporting projects that meet local needs

Creating the Local Revitalization Grant (tentative name) (already

mentioned above)

(3) Measures to Support Small and Medium-Sized Enterprises

The government will provide comprehensive support, in relation to finance, technology development and establishment of sales channels, to revitalize SMEs, which underpin Japanese industry.

<Specific measures>

(A) Providing support for financing

The government will strengthen the financial foundation of the Japan Finance Corporation to promote lending and credit guarantee services by the corporation, the Shoko Chukin Bank and credit guarantee associations to support SME financing toward the end of the calendar or fiscal year. In the next fiscal year when the present emergency measures expire, the government will prioritize the refinancing loan guarantee expansion, safety net guarantees, small loan guarantees and the like and expand direct loans including refinancing by the Japan Finance Corporation, the Okinawa Development Finance Corporation and the like to prevent any obstacles to SME financing.

The government will also strengthen support for the protection of subcontractors' accounts receivable and for prime contractors' financing in the construction industry and expand a low-interest loan system for laundries required to introduce equipment to secure the safety of flammable solvents.

(B) Support for technology development and overseas expansion

The government will support technology development through industry - academia - government collaboration involving SMEs. The government will also expand support for SMEs' participation in overseas product exhibitions and strengthen support for their overseas patent applications to promote local SMEs' overseas expansion under the SME overseas expansion support

conference.

(C) Support for new business operations

The government will support agriculture-commerce-manufacturing collaboration and other kinds of cooperation among SMEs in different industrial categories and new businesses utilizing regional resources and will promote positive financing and loan guarantee services for SMEs' business founding and switching. Regarding SMEs' attempts to switch businesses, SME support centers across Japan will hold counseling seminars, dispatch experts and provide consulting support.

The government will also support local construction companies' activities to explore new markets in fields with growth potential, such as environment-friendly and earthquake-proofing renovation of buildings, and trucking SMEs' environmental measures.

(D) Invigoration of local malls

The government will support local malls' efforts to attract customers through utilization of digital contents, to reduce vacant stores and to help consumers who have difficulties in shopping.

(E) Support for human resources development

The government will implement practical seminars for manufacturing at SMEs.

(4) Others

(A) Enhancing maritime security

To deal with the growing tensions in seas around Japan, including areas close to its shores and those far off from its main islands, the government will enhance maritime security by increasing patrol vessels, and it will also quickly implement measures to support safe operation of Japanese fishing boats.

(B) Developing information-gathering satellite arrangements

The government will enhance the development of information-gathering

satellite arrangements to more certainly gather the information required for national security and crisis management.

(C) Implementing the project to retrieve the remains of former soldiers from Iwo Jima

The government will make necessary arrangements to promote activity to retrieve the remains of former soldiers killed on Iwo Jima island in the Pacific War in cooperation with the surviving relatives and volunteers.

5. Regulatory and institutional reforms

The government will strongly implement regulatory and institutional reforms as an economic measures which do not require financial resources and as political measures to implement the New Growth Strategy. To that end, the government will steadily implement existing reform measures and conduct new activities, mainly in seven strategic areas, such as green innovation, life innovation, local revitalization, the Asian economic strategy and finance. In doing so, it will take due care to build an environment that enables smooth implementation of regulatory and institutional reforms.

<Specific measures>

○Enhancing the “Regulatory Reform 100 to Revitalize Japan” program, etc.

- To expand the use of renewable energy, the government will conduct a study on the introduction of the system for full purchase of electricity generated by renewable energy through the end of this year. It will also steadily implement existing reform measures that are prescribed in “Concerning Policy for Regulatory and Institutional Reform” (adopted upon a cabinet decision on June 18, 2010), “Three-Step Economic Package to Implement the New Growth Strategy (adopted upon a cabinet decision on September 10, 2010) and “Regulatory Reform 100 to Revitalize Japan.” Among those measures are revising regulations related to large-scale photovoltaic power generation facilities, energy-saving facilities and new-energy-related facilities; improving the treatment of visas and qualification to stay in Japan so as to promote international medical care exchanges; and integrating kindergartens and nursery schools. The government will submit bills for those measures to the ordinary session of the Diet in 2011.
- The government will also accelerate the implementation of some existing reform measures as shown in Attached Table 1.
- The government will implement reform measures mainly in relation to the “economic strategy for opening up Japan” included in “Regulatory Reform 100 to Revitalize Japan,” such as easing the restriction on the ratio of air tickets sold individually for chartered passenger flights and expanding the scope of information disclosure allowed to be made in English by foreign companies, adopt “Concept of the Abuse of a Superior

Position under the Antimonopoly Act,” and implement other new measures as shown in Table 2.

- The Government Revitalization Unit’s subcommittee on regulatory and institutional reforms, which is resuming activity in October, will conduct a follow-up review of the above so as to ensure that effective measures are taken from the viewpoint of realizing potential demand in Japan and strengthening the country’s supply capacity.

○Promotion of further reforms at the meetings of working group on regulatory and institutional reforms

- The subcommittee on regulatory and institutional reforms will conduct a fresh debate in light of proposals for regulatory and institutional reforms collected from citizens as well as proposals for child care, environment & energy, local revitalization and the Asian economic strategy presented by the ruling and opposition parties.
- In addition, from the viewpoint of responding to changes in the trends of the time and the surrounding environment, the subcommittee will conduct a follow-up review of ministerial debates on their review of regulations and institutional frameworks which have been in place for more than 20 years and will also conduct a debate on other regulations and institutional frameworks that should be revised.

The subcommittee will reach a conclusion on the abovementioned reforms, including existing reforms under follow-up review, by the end of FY 2010.

○Consideration of regulatory and institutional reform in preparation for introduction of a comprehensive special zone system

- The government will accelerate consultations and debates on regulatory and institutional reforms that should be discussed as priority matters in relation to the comprehensive special zone system, which is planned to be created in FY 2011, in light of proposals collected from local governments and the private sector. Under the comprehensive special zone system, exceptional measures

related to regulations and tax, budgetary and financial support measures will be implemented as a package.

- **Progress management of the implementation of measures**

From the viewpoint of giving priority to the PDCA (plan-do-check-act) cycle, the government will conduct progress management for the measures cited in this economic measures, including the evaluation of their demand and job creation effects.

- **National government expenditure and total size of this economic measures**

See the annex attached

- **Economic effect of this economic measures**

By the implementation of this economic measures, based on rough estimate at present real GDP growth rate is expected to increase approximately 0.6% and about 450,000 to 500,000 of job creation and support effects are expected.

(Attachment)

National expenditure and total size of this economic measures

	Nationalexpenditure (Trillionofyen)	Totalsize (Trillionofyen)
<u>1.Employmentandhumanresourcesdevelopment</u>	0.3<0.3>	0.3
<u>2.PromotionandAccelerationoftheNewGrowthStrategy</u>	0.4<0.3>	1.3
<u>3.Child-Rearing, Healthcare, Nursing Care and Welfare</u>	1.1<1.1>	1.4
<u>4.RevitalizationofJapan'sregions,constructionofnewsocialinfrastructure andmeasures to support small and medium-sized enterprises</u>	3.1<3.1>	17.8
<u>(Excluding a transfer to the special account for local allocation tax grants)</u>	1.8<1.8>	16.5
<u>5.Regulatoryandinstitutionalreforms</u>	--<-->	—
Subtotal(1)	4.9<4.9>	20.8
(Excluding a transfer to the special account for local allocation tax grants)	3.6<3.5>	19.5
<u>Accelerating the contract of public works projects(2)</u>	0.2<0.2>	0.25
Ceiling basis		
Total(1)+(2)	5.1<5.05>	21.1
Nationalexpenditureonaceilingbasis		
(Excluding a transfer to the special account for local allocation tax grants)	3.8<3.7>	19.8
Nationalexpenditureonaceilingbasis		

Note 1: Figures in parentheses are on a general account basis.

Note 2: On September 24, the Cabinet decided to utilize the contingency reserve for the economic crisis response and regional revitalization.