

(Provisional Translation)

Comprehensive Economic Measures to Create a Future with Security and Growth

December 5, 2019

Table of Contents

| | |
|---|----|
| Chapter 1 Current Conjuncture of the Economy and Basic Concept of the Economic Measures | 1 |
| I. Current State of the Economy..... | 1 |
| II. Basic Stance behind the Economic Measures..... | 2 |
| | |
| Chapter 2 Measures to Implement | 4 |
| I. Restoration and Reconstruction from Natural Disasters and Ensuring Safety and Security | 4 |
| 1. Acceleration of Restoration and Reconstruction from Natural Disasters | 5 |
| 2. Strong Promotion of Disaster Prevention, Mitigation and Building National Resilience | 6 |
| 1) Steady Implementation of the Three-Year Emergency Response Plan | 6 |
| 2) Further Strengthening of National Resilience Projects Focusing on Flood Control Measures | 7 |
| 3. Securing Public Safety and Security | 9 |
| II. Intensive Support for Those Striving to Overcome Economic Downside Risks..... | 11 |
| 1. Developing an Environment for Enhancing Productivity of SMEs..... | 11 |
| 1) Promotion of Business Investment and Support for Deployment of ICT and Digital Technology..... | 12 |
| 2) Support for Workers at SMEs and Small Enterprises | 13 |
| 3) Further Promotion of Proper Transaction Structure | 13 |
| 4) Acceleration of Business Succession and Business Restructuring such as Removal of Business Owners' Personal Guarantees | 13 |
| 2. Facilitation of Overseas Business Operations..... | 14 |
| 3. Making Agriculture, Forestry and Fisheries a Growth Industry and Accelerating Enhancement of Exporting Capacity..... | 15 |
| 1) Succession and Reinforcement of Production Bases and Strengthening of International Competitiveness, etc..... | 15 |
| 2) Strategic Exploitation of Foreign Demand and Further Increase of Exports... .. | 16 |
| 4. Further Promotion of Regional Revitalization | 16 |
| 1) Further Utilization of Measures to Revitalize Regional Economies | 17 |
| 2) Reinforcement of Talent That Plays Important Roles in Regions | 17 |
| 5. Support for the "Employment Ice-Age" Generation..... | 18 |

| | |
|---|-----------|
| III. Investing for a Future, Maintaining/Enhancing Economic Vitality Beyond the 2020 Tokyo Olympics and Paralympics | 20 |
| 1. Promoting Innovation and Social Implementation of Technologies Toward Realizing Society 5.0 and SDGs. | 20 |
| 1) Accelerating the Realization of Society 5.0..... | 20 |
| 2) Social Innovation toward Achieving SDGs | 22 |
| 2. Investing in Human Capital for Those Playing Important Roles in Society 5.0 and Creating an Environment Suitable for Child Rearing | 23 |
| 3. Infrastructure Development for the Era of 60 Million Inbound Tourists..... | 24 |
| 4. Improvement of Infrastructure to Support Productivity Enhancement | 25 |
| 5. Supporting Private Consumption in a Seamless Manner | 26 |
| 6. Promotion of Corporate Governance Reform, etc. | 27 |
| Chapter 3 Size and Economic Impact of the Measures..... | 28 |

Comprehensive Economic Measures to Create a Future with Security and Growth

Chapter 1 Current Conjuncture of the Economy and Basic Concept of the Economic Measures

I. Current State of the Economy

Through the promotion of Abenomics for nearly seven years, the Japanese economy is no longer in a deflationary situation, and has continued recovery at a moderate pace, with GDP achieving a record-high level both in nominal and real terms. Proactive investments compatible with the new era are being implemented, such as ICT investments by non-manufacturers, with wage growth rate recording the highest level in this century for six years in a row. Although the regional economy is still in a difficult situation, proactive momentum of a virtuous cycle has been initiated, with disparity in business sentiment between regions smaller than that in the mid-2000s' recovery phase. As for the global aspect, the number of inbound tourists has reached a record high level of over 30 million, and opportunities for the Japanese economy have been spreading with the entry into force of TPP11 and the Japan-EU EPA as well as the Japan-United States Trade Agreement. Meanwhile, in regard of the consumption tax rate hike in October 2019, last-minute demand and drop-off following the hike seem to have been not so much as the last hike (April 2014), while sales have declined in some parts of the economy owing partly to the influence of typhoons, due to a series of measures, including a reduced tax rate and temporal and special measures, taken in relation to the hike. The Japanese Government (hereinafter referred to as "the Government") continues to be vigilant about the impacts of the consumption tax rate hike very closely and to steadily implement the measures.

On the other hand, on the external front, the Government has to pay the maximum attention to the downside risks originating from overseas economies, with the existence of numerous uncertainties, such as tensions over trade issues between the U.S. and China, the prospects of the Chinese economy, and potential outcomes of the UK's withdrawal from the EU, as well as impacts of the situations in the Middle East, Hong Kong. With the outlook of the growth rate of the world economy revised down repeatedly, exports are showing signs of weakness, and business sentiment and other indicators also seems to be weak especially in the manufacturers. It is the situation that comprehensive policy actions are called for preemptively so that not only external demand but also domestic demand including private investment and private consumption, be not subdued by the materialization of risks originating from overseas economies. In addition, a series of natural disasters, such as Typhoon No. 15 (Typhoon Faxai) and No.19 (Typhoon Hagibis) of 2019, brought about tremendous damages, which exceed those of last year, resulting in significant impacts on economic activity, such as *nariwai* (occupations and livelihoods that sustain people's daily lives) and sightseeing in the afflicted areas. Policy actions to secure people's livelihoods and security of life against natural disasters, which may happen at any time in the future, are seriously called for.

As the Japanese economy maintains a recovery trend, albeit at a moderate pace, with risks originating from overseas economies coming into sight, it is high time for the Government to encourage all groups of people to accelerate their efforts for the future toward the realization of Society 5.0, rather than just reactive emergency measures. Thereby, the Government has to build an economic structure which is robust to risks and ensure the realization of strong economic growth path. With the basic concept of “Without economic revitalization, there can be no fiscal consolidation” in mind, economic growth on a solid footing is essential for the realization of fiscal consolidation targets and the establishment of a social security system in which everyone can feel secure. The Government is required to advance and accelerate the outcome of Abenomics by taking decisive action and secure a path toward the exit from deflation and economic revitalization.

II. Basic Stance behind the Economic Measures

Against abovementioned background, while the Bank of Japan is tenaciously continuing powerful monetary easing, it is time for the Government to take bold fiscal policies to ensure that the Japanese economy overcome various downside risks and provide people a sense of security for the future by formulating a new economic package based on the following concepts. Simultaneously, the Government will implement various regulatory and institutional reforms, such as rule-making in the digital market and refinement of regulations in accordance with social implementation of digital technologies which were incorporated in the Growth Strategy Action Plan¹.

First, as to the damages caused by a series of natural disasters, the Government needs to accelerate restoration and reconstruction seamlessly, by steadily implementing the “Policy Package Towards the Rebuilding of Lives and *Nariwai* in the Affected Areas²” by utilizing contingency funds³. In addition, to secure people’s sense of security, the Government has to promote measures for prevention and mitigation of disasters and national resilience more intensely.

Second, against the concerns that downside risks originating from overseas economies, such as the impact of tensions over the U.S.–China trade issues, materialize and cause adverse impacts on the domestic demand which has sustained economic recovery so far, it is essential that the Government implements thorough measures to prepare for those concerns in advance and intensively supports SMEs and small enterprises, agriculture, forestry and fisheries industry and regions, which take on a challenge for the future including productivity enhancement and overcome various risks. It is also essential to strongly support overseas operations of companies, including M&A and infrastructure exports and activities of the “employment ice-age” generation at

¹ Decided by the Cabinet on June 21, 2019.

² Decided by the Emergency Response Headquarters for Typhoon No. 19 of 2019 on November 7, 2019.

³ On November 8, 2019, the use of the contingency funds of the general account in FY2019, which is 131.6 billion yen, was decided by the Cabinet.

various opportunities.

Third, while concerns for business condition after the 2020 Tokyo Olympics and Paralympics are pointed out, the Government has to maintain and strengthen economic vitality by enhancing productivity through the promotion of innovation toward social change, such as the realization of Society 5.0 and SDGs, and of investment in leading-edge technologies and human capital, and by continuously taking inbounds in and seamlessly supporting domestic consumption as well.

Based on the new economic package, the Government takes timely and thorough actions, under the concept of a 15-month budget, by formulating the Supplementary budget for FY2019, appropriately combined with the Initial budget for FY2019 including the contingency funds and temporal and special measures allocated at the FY2020 Initial budget, etc. Also, by taking advantage of prevailing low-interest rates, the Government actively utilizes the Fiscal Investment and Loan Program (hereinafter referred to as “FILP”). With swift and steady implementation of the economic package, the Government will not only boost demand in the short-term but pave the way for the prospect that economic growth can be sustained beyond the 2020 Tokyo Olympics and Paralympics. Thereby, the Government aims at realizing sustainable economic growth mainly led by private demand, through encouraging proactive actions by businesses and households, such as continuous inducement of private investment and wage hike momentum via effective use of corporate cash reserves,⁴ and accompanying increase in private consumption.

⁴ The balance of cash reserves in the corporate sector was approximately 240 trillion yen at the end of FY2018.

Chapter 2 Measures to Implement

Based on the basic stances mentioned in Chapter 1, the new economic package has the characteristics of ensuring that the Japanese economy overcomes economic downside risks and is conducive to the realization of sustained economic growth led mainly by private demand through improving productivity and growth potential, in addition to accelerating the restoration and reconstruction from the natural disasters. Specifically, the new package consists of three pillars, “I. Restoration and Reconstruction from Natural Disasters and Securing Safety and Security”, “II. Intensive Support for Those Striving to Overcome the Economic Downside Risks” and “Investing for the Future and Maintaining and Enhancing Economic Vitality Beyond the 2020 Tokyo Olympics and Paralympics,” containing the measures to implement as described in the following sections, based on the idea of wise spending.

I. Restoration and Reconstruction from Natural Disasters and Ensuring Safety and Security

Against the tremendous damage caused by disaster such as Typhoon No. 15 (Typhoon Faxai) and No.19 (Typhoon Hagibis) of 2019, based on the “Policy Package Towards the Rebuilding of Lives and *Nariwai* in the Affected Areas,” the Government accelerates restoration/reconstruction and addressing the stagnation of economic activity in the afflicted areas in a seamless manner, through newly formulated Supplementary budget for FY2019 in addition to the Initial budget for FY2019 including contingency funds⁵ whose allocation has already been decided.

Under the circumstances of natural disasters causing severe damage almost every year, the Government will continue to steadily implement the “Three-Year Emergency Response Plan for Disaster Prevention, Disaster Mitigation and Building National Resilience,⁶” and will further strongly promote the related measures based on the lessons learnt from the experience of damage by typhoons this year, in particular countermeasures for flood controls including non-structural measures, in order to construct national land which is robust and resilient to disasters. Thereby, the Government will continuously conduct the long-range national plan to safeguard people’s lives and property.

With regard to public works listed in this new economic package, not limited to those in this section, the Government takes every action to ensure smooth project implementation, depending on each area’s situation, by the procurement of human and physical resources with appropriate prices, the measures to enhance productivity through utilization of new technologies such as ICT, and by providing an environment to retain

⁵ On November 8, 2019, the use of the contingency funds of the general account in FY2019 was decided by the Cabinet for (1) removing waste and dirt, rebuilding houses, and providing financial support in order to reconstruct life; (2) supporting SMEs and small enterprises, supporting those engaged in agriculture, forestry and fisheries, and taking countermeasures to boost tourism demand in order to reconstruct livelihoods; (3) removing waste and dirt in rivers, and preventing secondary disasters in order to restore emergency disaster control of public civil engineering facilities; and (4) emergency rescue such as temporary housing, and activities of the Self Defense Forces in order to provide disaster relief.

⁶ It was decided by the Cabinet on December 14, 2018.

required workers in local construction industries, with strengthened cooperation with local governments.

1. Acceleration of Restoration and Reconstruction from Natural Disasters

In the afflicted areas of the typhoon disasters, the Government continues to roll out hands-on support toward the reconstruction of *nariwai* to those affected, such as group subsidies and financing support for SMEs and small enterprises that have suffered huge damage, and support for rebuilding of lives for those in the agriculture/forestry/fisheries industries, etc., in addition to advancing measures such as support for learning by children, support for physical and mental health consultation for pregnant/parturient women and infants, visits to elderly people and seamless support for consultation on daily life, and debt consolidation of victims⁷. Moreover, the Government plans to comprehensively restore rivers and roads, etc. that suffered tremendous damage at the hands of the disasters, in addition to restoring facilities and buildings. In so doing, in case that sufficient outcome cannot be expected only through restoration projects, the Government will support the improvement of the affected facilities/buildings and neighboring ones in addition to restoration, to prevent repeated damages in the future, by combining expenditure for improvements and that for restoration.

Meanwhile, the Government continues to tackle the restoration and reconstruction of areas affected by disasters such as the Great East Japan Earthquake, the 2016 Kumamoto earthquake and heavy rains in July 2018.

- Support the demolition of affected houses, steady management of disaster waste, and the removal of dirt (Ministry of the Environment [MOE], Ministry of Land, Infrastructure, Transport and Tourism [MLIT])
- Provide mental healthcare, support for commuting to school, and reduction and exemption of school fees for affected children (Ministry of Education, Culture, Sports, Science and Technology [MEXT])
- Visit elderly people, etc. to prevent them from becoming isolated and provide consultations on and support for daily lives <Other than budgetary support> (Ministry of Health, Labour and Welfare [MHLW])
- Support the restoration of affected railways and the operation of substitute busses (MLIT)
- Post-disaster recovery project on joint facilities of small business associations, etc. (Group subsidies for SMEs, etc.) (Ministry of Economy, Trade and Industry [METI])
- Support project for the reconstruction of local companies (subsidies in collaboration with local governments) (METI)
- Support the reconstruction of those engaged in agriculture, forestry and fisheries <Including FILP> (Ministry of Agriculture, Forestry and Fisheries [MAFF])
- Post-disaster recovery project proactively utilizing the improvement and restoration of public civil engineering facilities such as rivers, roads and harbors (MLIT)
- Increase special local allocation tax (Ministry of Internal Affairs and Communications [MIC])

⁷ Utilization of the Guidelines for Debt Consolidation on Natural Disasters (developed in December 2015).

and others

2. Strong Promotion of Disaster Prevention, Mitigation and Building National Resilience

1) Steady Implementation of the Three-Year Emergency Response Plan

As for the “Three-Year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience,” which is currently being implemented with finances from the second Supplementary budget for FY2018 and temporal and special measures included in the FY2019 Initial budget, the Government will put aside the required budgets under the temporal and special measures in the Initial budget for FY2020, the third year of the project, and will steadily implement a variety of measures, both structural and non-structural, such as maintaining the facility of critical infrastructure both for disaster prevention and for supporting the economy and people’s lives. Besides, the Government will strengthen the measures against large-scale disasters and further enhance the system to recycle plastic waste emitted due to disasters.

- Urgent action against the risks at the time of riverbank breakage and floods from rivers, and urgent action against tidal waves at coast banks, etc. (MAFF, MLIT)
- Reinforce hydraulic structures for agriculture, reservoirs, facilities for forest conservation, fishing ports, farm greenhouses, etc. (MAFF)
- Make school facilities (certified child centers, public schools, private schools, national technical colleges and national university corporations) resistant against earthquakes (MEXT)
- Make medical facilities and social welfare facilities (those for the elderly, persons with disabilities and children, etc.) resistant against earthquakes (MHLW)
- Prepare and promote landslide hazard maps in local governments where disaster-risk information has not sufficiently been developed (MLIT)
- Promote the non-use of utility poles on emergency transportation roads in urban areas (MLIT)
- Urgent action on important airports for air transportation, road slopes and embankments, major foreign-trade container terminals, slopes adjacent to railways, and railways river bridges (MLIT)
- Secure disaster response capability of the police and improve the disaster resistance of traffic lights (National Police Agency [NPA])
- Increase the equipment and the vehicles of National Fire Service Team and volunteer fire corps (MIC)
- Improve equipment related to disaster prevention, including making Self Defense Force facilities resistant against earthquakes (Ministry of Defense [MOD])
- Urgent action on the development of a waste management systems in preparation for a large-scale disaster (MOE)
- Launch a project for promoting the introduction of sophisticated facilities such as low-CO2 recycling (MOE)
- Urgent action on articles that drift ashore, etc. (MOE)

and others

2) Further Strengthening of National Resilience Projects Focusing on Flood Control Measures

Focusing on the issues of flood control management, which became evident after a series of recent typhoon disasters, the Government will further strengthen the measures towards prevention and mitigation of disasters and national resilience using finances of newly formulated Supplementary budget for FY2019, in preparation for the next typhoon season. Specifically, with a view to preventing and minimizing damage and repeated damage caused by heavy floods and landslides, the Government will swiftly implement the following five items, namely, 1) excavations of rivers and reinforcement of banks at rivers with a high possibility of floods occurring, 2) construction of facilities and buildings, etc. for storage rain water to strengthen measures against inland water flooding, 3) measures to prevent flood damages at multiple-dwelling complexes and housing estates in tandem with urban district redevelopment projects, 4) prevention of collapse of revetments, etc. caused by high tides, etc. and 5) making more resilient the infrastructure, such as hydraulic structures for agriculture, small reservoirs, facilities for forest conservation, forests, fishing ports and water utilities, etc. Furthermore, in addition to securing necessary information for evacuation, such as provision of flood risk information for rivers where the flood-assumed figure is not yet prepared, the Government will consider the ideal utilization of land, etc., and ensure that structural and non-structural measures are implemented to create synergy effects.

The Government will also promote to strengthen the functions of road networks to secure transportation and logistics in the case of disasters and to lay underground the power lines along access routes connected to the disaster management hubs out of the emergency traffic routes in urban areas. Also, in addition to the acceleration of making water utilities and "Johkasou" (i.e. a Japanese technology of decentralized domestic wastewater system) more resilient, the Government, based on the idea that coping with climate change is also conducive to disaster prevention ("climate change × disaster prevention"), will promote the introduction of ZEBs⁸ (Net Zero Energy Buildings) to facilities and buildings with high public use, which allow stable energy supply even during electric outage, and promote the use of non-industrial wastes disposal facilities as a hub for times of disaster. Furthermore, the Government will advance the introduction of ZEHs (Net Zero Energy Houses), which are equipped with storage batteries etc. and less vulnerable to disasters.

Furthermore, based on the experience of recent disasters, the Government will promote installing emergency power systems and water supply facilities at medical facilities and social welfare facilities (those for the elderly, the challenged and children, etc.) which are used as hubs in times of disaster, improving the disaster prevention function of urban parks and *Michi-no-Eki* (roadside stations) as a shelter, and reinforcing disaster prevention capacities to cope with large scale disaster by enhancing facilities of the SDF (Self Defense Force), the equipment and vehicles of National Fire Service Team, police and TEC-FORCE (Technical Emergency Control Force) .

- Take flood countermeasures by excavating river courses and reinforcing banks at

⁸ ZEB: Net Zero Energy Building. ZEH: Net Zero Energy House. Buildings and houses that aim to achieve a zero-energy balance of annual primary energy that is consumed in the establishment while realizing a comfortable indoor environment.

rivers with a high risk of flooding (MLIT)

- Develop core disaster-prevention infrastructure (leading projects)⁹ (MLIT)
- Take disaster-prevention measures intensively in flood-affected areas to prevent repeated damages. (MLIT)
- Improve rainwater storage facilities, etc. for enhancing measures against inland floods (MAFF, MLIT)
- Take measures for flood-damage prevention for condominiums and housing complexes associated with urban redevelopment projects, etc. (MLIT)
- Take measures to prevent the breakage of revetments due to tidal waves and protective measures for the entire area (MAFF, MLIT)
- Reinforce hydraulic structures for agriculture, reservoirs, facilities for forest conservation, forests and fishing ports, etc. (MAFF)
- Promote the introduction of indoor receivers for the Disaster Prevention and Administrative Radio System (MIC)
- Eliminate utility poles on emergency transportation roads in urban areas (MLIT)
- Promote the non-use of utility poles and improve electricity transmission and distribution networks through the Development Bank of Japan¹⁰ <FILP> (Ministry of Finance [MOF])
- Eliminate missing links in roads that support local transportation, etc. at the time of disaster (MLIT)
- Support to introduce ZEB to the facilities and buildings with high public use (MOE)
- Support the introduction of private power-generation facilities, power-feedable vehicles and charge-discharge facilities to energy supply bases and shelters, etc. (METI)
- Deploy mobile power supply vehicles to Bureaus of Telecommunications to secure important communications at the time of disaster (MIC)
- Develop water supply and emergency private power-generation facilities at medical facilities and social welfare facilities (those for the elderly, persons with disabilities and children, etc.), which will be used as hubs in an emergency (MHLW)
- Develop infrastructures not to lose social and transportation functions at the time of disaster, including measures to prevent railway and road bridges from being damaged (MLIT)
- Measures against the aging infrastructure (MLIT)
- Improve the disaster-prevention function of urban parks and *Michi-no-Eki* (roadside stations) as a shelter (MLIT)
- Develop an emergency information-sharing system at social welfare facilities (those for the elderly, persons with disabilities and children, etc.) (MHLW)
- Provide flood-risk information for rivers where a flood hazard map is not yet prepared and take measures against access concentration of disaster-prevention information (MLIT)

⁹ Preferential projects on flood-control reservoirs and dams that protect the backbone of Japan's society and economy.

¹⁰ In addition to this, urban redevelopment, infrastructure development for 5G, and reallocation of production bases of enterprises developed overseas are to be carried out through the Development Bank of Japan.

- Enhance observation systems such as weather radars and AMeDAS to improve typhoon information (MLIT)
- Develop disaster-resistant waste treatment facilities and "Johkasou", a Japanese technology of decentralized domestic wastewater system (MOE)

and others

3. Securing Public Safety and Security

With damage from disasters becoming ever more severe, the Government, in addition to the measures mentioned in the Section 2, will further advance the measures for prevention and mitigation of disasters and national resilience in areas other than damage from typhoons, in order to safeguard people's lives and property. Thus, the Government will promote disaster prevention measures for various facilities by taking into consideration the deployments of advanced technology and climate change strategy, implement measures to prevent fire and disaster for cultural property, and develop base-technologies of drones toward wider uses including disaster management, etc. Also, central and local governments will cooperate to prevent and mitigate disaster, for instance, by strengthening the disaster management and damage control capacity of the SDF, police and firefighters, improving information transmission systems, and raising awareness among the people for disaster prevention. Furthermore, the Government will implement measures to secure public safety and security by ensuring the stable operation of the SDF to cope with ever more rapidly changing national security environment, and by taking thorough measures to prevent the occurrence and spread of domestic animal infectious diseases.

- Improve the disaster prevention function of school facilities (public schools, national technical colleges, national university corporations and private schools) (MEXT)
- Measures to prevent fire and disasters for cultural resources (MEXT)
- Make efforts to reconstruct *Shuri-jo* Castle (MLIT, Cabinet Office [CAO])
- Develop technology to promote real-time sharing of disaster information utilizing the SIP4D¹¹ to support affected areas (CAO)
- Improve and promote the development of the disaster function of the quasi-zenith satellite system (CAO)
- Enhance the bases for data observation and research, including the renewal of the observation networks for earthquakes, tsunamis and volcanoes (MEXT)
- Promote the improvement of the disaster-prevention function and RE100¹² of natural park facilities (MOE)
- Enhance the disaster-response capabilities of the Self Defense Forces (MOD)
- Enhance the disaster-response capabilities of the fire service organizations (MIC)
- Enhance the early warning and disaster information sharing system for residents (increased functions of J-alert and L-alert) (MIC)
- Promote a diversified energy system that enables independent energy supply at the

¹¹ SIP4D: Shared Information Platform for Disaster Management. A foundational disaster information and distribution network developed as part of the Strategic Innovation Promotion Program (SIP).

¹² RE100: 100% renewable energy. An international initiative that aims to have enterprises source 100% of the electricity consumed for their businesses from renewable energy.

time of disaster (MIC)

- Enhance the safety of regional railways and promote barrier-free public transportation (MLIT)
- Secure stable operation of the Self Defense Forces (MOD)
- Establish a strategic maritime security system, etc. (MLIT)
- Urgent action on road safety of preschool children, etc. (MLIT)
- Strengthen measures against domestic animal infectious diseases such as CSF and ASF¹³ (MAFF, MOE)

and others

¹³ CSF: Classical Swine Fever. ASF: African Swine Fever.

II. Intensive Support for Those Striving to Overcome Economic Downside Risks

Materialization of risks originating from overseas economies such as impacts of tensions over trade issues materialize could push downward pressure on domestic demand, leading to the impairment of economic virtuous cycle. To preemptively prepare for these eventualities, the Government will intensively support those who face various risks or difficulties but endeavor to make effort for the future, with measures such as to enhance productivity leading to an increase in earning power. The Government will sweep away concerns about economic downturn and stagnation, and ensure the virtuous cycle of the economy is firmly maintained toward the realization of sustainable growth path.

With regard to SMEs and small enterprises who face various challenges such as labor shortages in addition to downside risks originating from overseas economies, the Government will create an environment where they can improve their productivity by providing wide ranging support for areas such as the deployment of ICT and digital technologies, human resource development, improvement of the transaction structure vis-à-vis large-scale enterprises, and promotion of business succession and restructuring. For those in the agriculture, forestry and fisheries sector and SMEs facing a more global trade and investment environment than in the past, including through TPP11, the Japan-EU EPA and Japan-United States Trade Agreement, the Government, based on the “Comprehensive TPP-Related Policy Framework¹⁴,” will strengthen export capabilities and facilitate overseas expansions so that they can take full advantage of opportunities and enhance their value added. For the regions struggling with the ongoing ageing and declining population, the Government will actively support local governments that strive to open up the future with their own will and initiatives and encourage the flow of human capital from metropolitan areas to rural areas.

For the “employment ice-age” generation who could not find jobs with desirable conditions in the past amid the adverse employment environment and still suffers from various difficulties, the Government will, with concerted efforts with private sector, boldly support them with intensive measures to ensure that they can find more opportunities to play an important role.

1. Developing an Environment for Enhancing Productivity of SMEs

Enhancing productivity of SMEs and small enterprises, whose share in terms of employment and value added in the Japanese economy is around 70 percent and more than 50 percent, respectively, is a critical challenge for the expansion of a virtuous cycle of the economy, both for the Japanese economy as a whole and for regional economies. At present, SMEs and small enterprises have difficulties with labor shortages and need to address issues such as the Work Style Reform, etc. in addition to risks originated from overseas economies. The Government provides bold support and create an environment so that they can overcome risks and endeavor to make efforts to enhance productivity. To this end, the Government reinforces and expands support for areas such as the deployment of ICT and digital technologies rather than just the introduction of conventional equipment, human resource development and career advancement of workers, the development of proper transaction structure vis-à-vis large-sized enterprises,

¹⁴ It was decided by the Headquarters of Comprehensive TPP Measures on December 5, 2019.

and the acceleration of structural reforms such as business successions and restructuring. Through these measures, the Government, with closely watching the actual situation of SMEs and small enterprises and taking those into account, will firmly support them for adaptation to Work Style Reform and application of employment based social insurance, continuous momentum of wage increases and smooth implementation of invoice credit method on the consumption tax.

1) Promotion of Business Investment and Support for Deployment of ICT and Digital Technology

In order for SMEs and small enterprises to cope with a series of institutional changes abovementioned, the Government will establish the scheme to continuously conduct various supports for the efforts contributing to productivity enhancement, such as deployment of advanced technologies, in multi-year basis, including support for the investment to develop innovative products/services, for market exploitation by small enterprises, and for the introduction of IT tools, and will take responsibility of securing necessary fiscal resources. In so doing, the Government will introduce a system where SMEs and small enterprises can receive subsidy on a priority basis if, for example, they actively engage in wage increases and/or apply for employment based social insurance on a voluntary basis ahead of related social security reform. Also, the Government will mitigate administrative costs incurred by SMEs and small enterprises via steadily advancing simplification and digitization of the application for subsidies, which consists significant burden to them. Furthermore, the Government will reinforce the system which provides detailed hands-on support, for example, by ensuring the supply of experts who have abundant know-how tailored for each industry that faces challenges to enhancing productivity. In addition to cross-cutting measures across industries, the Government will taking measures to support the action to enhance productivity which deals with the management challenges of each industry.

- Launch “SME productivity revolution promotion project” (METI)
- Support for SMEs and small enterprises to raise the minimum wage (MHLW)
- Project to strengthen the support system to increase the productivity of SMEs and small enterprises (METI)
- Support the financing of SMEs and small enterprises <Including FILP> (METI, MOF)
- Project to promote increases in productivity at long-term care facilities (MHLW)
- Project to promote increases in productivity in environmental health related business (MHLW)
- Increase the productivity of local construction companies utilizing the Construction Career Advancement System (MLIT)
- Support the introduction of the efficiency of cargo handling to small and medium-sized tracking companies (MLIT)
- Extend measures to expand quantity and frequent discounts of expressway tolls to increase the productivity of logistics (MLIT)
- Launch a project to increase the productivity of local public transportation and logistics (MLIT)

and others

2) Support for Workers at SMEs and Small Enterprises

To cope with the labor shortages faced by SMEs and small enterprises and enhance productivity through human capital investment such as skill acquisition, the Government will take various measures, such as the expansion of support for capacity development and career enhancement of workers, establishment of career-path with which talented employees with working experience at large-sized enterprises can play an important role at start-ups or SMEs, intensive support to cope with Work Style Reform, and support for the application of employment based social insurance, etc.

- Relax the requirement for human resources development support subsidies <Other than budgetary support> (MHLW)
- Relax the lower limit of the training period, etc. for training to support job seekers <Other than budgetary support> (MHLW)
- Project to strengthen the support system to increase the productivity of SMEs and small enterprises (METI) (listed twice)
- Project to promote the activities in local regions by talent with working experience at large enterprises (METI)
- Inform SMEs, etc. of the application of employees' insurance, and provide support by experts (MHLW)

and others

3) Further Promotion of Proper Transaction Structure

After analyzing the situation of profit, added value, distribution between labor and capital income for each industry, type and size, the Government will share the analyzed picture with concerned industries and will present an ideal form of supply-chain by the end of FY2019, where which large-scale businesses and SMEs can grow together. Also, towards a proper transaction structure, the Government will take concrete measures, such as thorough revision and observance of the development standard (transaction rule) of Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, reinforcement of monitoring of voluntary actions by industries, and strict treatment of subcontractor-related laws and ordinances.

- Present the way large enterprises and SMEs can co-exist and co-prosper on the basis of the data on the analysis of transaction structures and transaction situations by industry <Other than budgetary support> (METI)
- Establish a hearing system in accordance with the characteristics of the business type for subcontracting survey officers to understand the situations of subcontracting in order to further refine the assessment of situations <Other than budgetary support> (METI)
- Revise the development standards of Act on the Promotion of Subcontracting Small and Medium-sized Enterprises in order to ensure complete observance of fair rules through instructions to large enterprises and parent companies based on the development standards <Other than budgetary support> (METI)

and others

4) Acceleration of Business Succession and Business Restructuring such as Removal of Business Owners' Personal Guarantees

To advance business successions intensively, the Government seamlessly supports both at the stage before succession (notifying managers the needs of business succession and dispatching experts) and after succession (training candidate successors, supporting business innovation, etc.).

To get rid of the prevailing practice of personal guarantees, which has been regarded as a bottleneck of business successions, the Government actively supports SMEs through the support from experts toward removing manager's personal guarantees¹⁵. The special provisions of the "Guidelines on Business Owners' Personal Guarantee" focusing on business owners' succession will also be developed.

- Intensive support project for business succession and generation transition (METI)
- Support for the termination of business owners' personal guarantee at the time of business succession (METI)
- Develop special provisions of the Guidelines on Business Owners' Personal Guarantee <Other than budgetary support> (Financial Services Agency [FSA], METI)

2. Facilitation of Overseas Business Operations

To overcome downside risks originating from overseas, capture continuous foreign demands and enhance productivity, the Government will support middle-sized enterprises and SMEs to expand their business operations in external markets including members of TPP11, the Japan-EU EPA and the Japan-United States Trade Agreement, by providing detailed information, and will assist business partnerships with foreign companies including open innovation. Also, to promote Japanese companies' overseas business expansion, the Government strongly supports their efforts such as overseas M&A, global value chain restructuring, and quality infrastructure exports, including by utilizing FILP.

- Support middle-sized enterprises and SMEs with overseas operations (enhancing a support system centering on "Consortium for New Export Nation" through the Japan External Trade Organization) (METI)
- Support Japanese companies' overseas business expansion such as overseas M&A and global value chain restructuring, and the development of quality infrastructure through the Japan Bank for International Cooperation (establishing the "Growth Investment Facility (tentative name)") <Including FILP> (MOF)
- Improve overseas business and investment environments through the Japan International Cooperation Agency (MOF)
- Support project to create new businesses such as "Asia DX" (METI)
- Enhance international competitiveness in ICT through exporting quality ICT infrastructure, etc. (MIC)
- Provide support for private companies that develop natural gas, etc. and purchase assets (METI)

¹⁵ In the credit guarantee system, where a manager's personal guarantee is not required upon business succession, which is to be established in the next fiscal year, a measure to reduce the guarantee fee will be taken in the case where an expert checks the transparency in accounting and other factors upon business succession.

- Japan Content Localization and Distribution project (METI)
 - Project to enhance overseas expansion of broadcasting contents (MIC)
- and others

3. Making Agriculture, Forestry and Fisheries a Growth Industry and Accelerating Enhancement of Exporting Capacity

With the Japan-United States Trade Agreement following the entry into force of TPP11 and the Japan-EU EPA, the agriculture, forestry and fisheries sector of our country will enter into a new international environment. With wiping away concerns and anxieties against tariff reductions at the production fronts, the Government reinforces production bases and establishing the industry and related rural areas which are robust and export-oriented, so as to cope with demands both from domestic and overseas, by making best use of newly-gained opportunities.

1) Succession and Reinforcement of Production Bases and Strengthening of International Competitiveness, etc.

The Government will take comprehensive measures so that those engaged in agriculture, forestry and fisheries with a willingness to work, regardless of size, including those who work in less favored areas such as mountainous rural areas, can feel secure and concentrate on their business by enabling succession and reinforcement of production bases in order to ensure reproduction, including for meeting domestic demand, with strengthening international competitiveness. Also, to address labor shortages and successor issues, the Government will prepare a system for accepting newly employed workers from wide-ranging generations, including those of the “employment ice-age” generation (see 5 of this section).

- Project to improve the power of production bases of farms (MAFF)
- Make farmland larger sized and more generalized (MAFF)
- Turn paddy fields into dry fields and make dry fields and orchards highly functional (MAFF)
- Improve infrastructure that contributes to the development of hilled rural areas (MAFF)
- Expand support for small and medium-sized businesses and family-run businesses in livestock cluster projects to increase the number of Japanese *wagyu* and dairy cattle and their production, and promote the development of grass fields to boost livestock cluster projects (MAFF)
- Provide support for the succession of livestock operation bases (succession of family management resources in the region) (MAFF)
- Facilitate and advance livestock waste treatment (nationwide promotion of soil development by applying compost) (MAFF)
- Take measures to enhance the competitiveness of domestically produced cheese (MAFF)
- Take urgent action such as restructuring of processing plants (MAFF)
- Take measures to enhance international competitiveness and to promote the export of plywood, lumber and laminated wood (MAFF)

- Emergency program to enhance competitiveness of the fisheries industry (MAFF)
- Measures of stabilizing income in the fishery (MAFF)
- Secure and foster new workers engaged in agriculture, forestry and fisheries (MAFF)
- Project to develop and verify smart agricultural technology (MAFF)

and others

2) Strategic Exploitation of Foreign Demand and Further Increase of Exports

To take full advantage of TPP11, the Japan-EU EPA and the Japan-United States Trade Agreement, the Government will reinforce the strategic promotion and the support for foreign market exploitation of agricultural, forestry and fisheries products and food products.

For further increasing exports of agricultural, forestry and fisheries products, the Government will establish the Headquarters for Export of Agricultural, Forestry and Fishery Products and Food at MAFF in April 2020 to cope with regulations set by import countries including food security, etc., and reinforce the development of production sites oriented to global market by promoting GFP (Global Farmers, Fishermen, Foresters, Food Manufacturers Project). The Government will develop a system to increase the production of *wagyu* and dairy cattle whose demands from overseas are expected to increase, and enrich exporting facilities for food-processing/butchering and communal facilities for fisheries products, etc.

- Emergency countermeasures to support the creation of foreign demand, etc. and to develop the export environment (including efforts for mitigation or repeal of import regulations) (MAFF)
- Promotion and support of the Rice Overseas Market Expansion Strategy Project (MAFF)
- Project to expand demand in collaboration with the food service industry, etc. (MAFF)
- Emergency countermeasures to create global production sites (MAFF)
- Enhance the production bases for beef cattle and dairy products through sexing technology and embryo transfer (MAFF)
- Project to develop facilities for expanding exports of agricultural and livestock products (MAFF)
- Urgent action to develop HACCP-compliant facilities for export in the food industry (MAFF)
- Project for the distribution restructuring and export promotion of meat (MAFF)
- Emergency countermeasures to expand exports of fishery products (MAFF)
- Measures to enhance international competitiveness and to promote the export of plywood, lumber and laminated wood (MAFF) (listed twice)
- Enhance competitiveness and promote overseas expansion of alcohol beverages produced in Japan (MOF)

and others

4. Further Promotion of Regional Revitalization

The Government strongly supports actions taken by regions which endeavor to open up their future with their own ideas. In addition to increasing the number of people

who value the attractiveness of regions and accelerating the movement of people to such regions, the Government establishes economic foundations of regions which strive to overcome downside risks by realizing growth and productivity enhancement of regional enterprises through the movement of talented people to such regions.

1) Further Utilization of Measures to Revitalize Regional Economies

The Government will reinforce the voluntary, self-directed and effective measures by local governments, depending on the actual circumstances of each region. In addition to constructing the basis for the development of regions which strive to take challenges for the future, the Government will help to increase the number of people who settle, interact and have ties with regions by encouraging various measures taken by regions and realizing an attractive town. Also, the Government advances the measures to further strengthen regional financial institutions' intermediation functions for the stakeholders in regional economies.

- Regional Renovation Infrastructure Reinforcement Subsidies (CAO)
 - Research and analysis projects to promote communities where everyone can play an active role and to promote countermeasures for the low birth rate (Cabinet Secretariat [CAS])
 - Project to support regional comprehensive strategies based on the Regional Economy and Society Analyzing System (RESAS) (CAO)
 - Hold a “Regional Finance (*Chii-kin*) Summit” (provisional name) for the revitalization and problem-solving of regional economies (FSA)
 - Enhance regional financial functions <Other than budgetary support> (FSA)
 - Project to promote cashless payment for revitalizing regional economies (MIC)
 - Measures to vitalize communities with rice terraces (MAFF)
 - Take urgent countermeasures for the Forest-related Service Industry (MAFF)
 - Project to increase the productivity of local public transportation and logistics (MLIT) (listed twice)
 - Research to verify the effects of production incentives for large-scale films(CAO)
 - Improve the brand power of Japan Heritage <Other than budgetary support> (MEXT)
 - Promote tourism in Okinawa with the budget for specified projects in the wake of the *Shuri-jo* Castle fire (CAO, MLIT)
 - Develop disadvantaged areas (including remote islands) (MLIT)
 - Promote visits by Japanese tourists by utilizing subsidies for maintaining and promoting communities in specified manned isolated border islands (CAO)
- and others

2) Reinforcement of Talent That Plays Important Roles in Regions

To realize growth and productivity enhancement through the introduction of talents required to solve management issues of regional companies, the Government will promote the matching of management-level and high-level talents with regional companies by establishing “leading talent matching projects” and also support the start-ups and reemployment in rural areas by the middle-career talents with working experiences at large-sized enterprises. Also, to foster innovation and enhance productivity of regional companies, the Government will support the projects of human

resource development for business purposes and the introduction of high-end facilities, both conducted by local public research and development institutions and universities.

- Establish leading talent-matching projects (CAO)
- Project to promote the activities in local regions by talent working at large enterprises (METI) (listed twice)
- Improve infrastructure for regional innovation (METI)
- Promote the hometown working holiday scheme for adults (MIC)
- Provide support to facilitate the establishment of specified regional construction cooperative associations <Other than budgetary support> (MIC, CAO)

5. Support for the “Employment Ice-Age” Generation

To broaden the fields where the so called “employment ice-age” generation can play an active part, those who experienced job searching activities during the severe employment environment, the Government will implement various measures, such as the opening of the counters dedicated for that generation at public job placement offices, the development of recurrent education programs, support for companies to hire them, including a review and expansion of existing assistance schemes, as well as measures to reinforce or accelerate support so that those who were long-term social withdrawals(*hikikomori*), etc. can participate in society.

In order to steadily implement the “Program to Support Employment of the Ice-Age Population,” which was formulated in June 2019 and includes the above-mentioned measures, the Government formulates an action plan by the end of 2019 (including various measures, such as “finish-to-start” integrated courses for the acquisition of qualifications in short-term and internships, job entry support for workers who have worked as non-regular status by making use of the know-how of private job matching agencies, expansion of projects of regional support stations for youth, and reinforcement of support programs for social withdrawals, etc.). The Government will stably secure necessary fiscal resources to implement the action plan during the intensive implementation period of three years and systematically implements measures to maximize their effectiveness. In particular, in addition to boldly establishing and expanding the consultation/assistance institutions’ capacity building and collaborations with other organizations and support for the people themselves, the Government continuously secures fiscal resources to support the leading and proactive regional initiatives so that concerned stakeholders can feel secure and play their role. Furthermore, the Government will promote related measures through concerted efforts between public and private sectors, including local governments and representatives from trade unions and business associations, by fostering momentum of the whole society and horizontal expansion of good practices through nation-wide and region-oriented platforms.

With a view to encouraging the “employment ice-age” generation to play an active part by making the most of their motivation and abilities, and for the purpose of activating organizations, the Government will intensively promote recruiting of these generation as national government officials for three years from FY2020 to FY2022. Some ministries will start this initiatives ahead of time in FY2019, and all ministries will materialize their plans for action by next summer. Furthermore, the Government will widely provide information on leading examples and request local governments to

promote the recruitment of those belong to the generation in question.

- Establish dedicated contact points at HelloWork (public job placement office) to provide team support by responsible persons (MHLW)
- Enhance trial employment subsidy (a subsidy for general trial course) <Other than budgetary support> (MHLW)
- Provide subsidies for employment development for specified job seekers (creation of stable employment realization courses for the so called “employment ice-age” generation) <Other than budgetary support> (MHLW)
- Relax the requirement for human resources development support subsidies <Other than budgetary support> (MHLW) (listed twice)
- Relax the lower limit of the training period, etc. for training to support job seekers <Other than budgetary support> (MHLW) (listed twice)
- Promote loans for social welfare during skill acquisition to support the self-reliance of the so called “employment ice-age” generation (MHLW)
- Improve functions for providing consultation and support for self-reliance by enhancing outreach efforts, etc. <Other than budgetary support> (MHLW)
- Take measures to reinforce support for those who have been social withdrawal (hikikomori) in municipalities (MHLW)
- Support progressive and proactive efforts by the so called “employment ice-age” generation in the region (CAO)
- Promote the hometown working holiday scheme for adults (MIC) (listed twice)
- Launch a project to develop recurrent education programs on the teaching profession intended for the so called “employment ice-age” generation (MEXT)
- Secure and foster new workers engaged in agriculture, forestry and fisheries (MAFF) (listed twice)
- Promote recruiting these generation as national government officials <Other than budgetary support> (CAS)

III. Investing for a Future, Maintaining/Enhancing Economic Vitality Beyond the 2020 Tokyo Olympics and Paralympics

To accomplish the exit from deflation and economic revitalization, both of which are top priority of Abenomics, the Government has to continuously develop robust foundations for growth in the medium- to long-term, for example, through drastic enhancement of productivity, rather than just demand boost in the short-term. With the post 2020 Tokyo Olympics and Paralympics period in mind, the Government is committed to continuing/reinforcing measures toward the sustainable economic growth led mainly by private demand, on top of the outcomes of Abenomics thus far.

In this regard, the Government strongly promotes innovation which could bring about driving forces of competitiveness in the upcoming era and is conducive to addressing social challenges including the realization of SDGs such as global environment issues, and accelerates social implementation and dissemination of advanced technologies, so that the nation as a whole can accelerate the efforts toward realizing new era of Society 5.0. At the same time, the Government, on top of implementing measures to develop an environment suitable for childbearing, commits to investing in human capital for children who will play important roles in the future of Society 5.0 era.

Beyond the 2020 Tokyo Olympics and Paralympics, the Government will advance development of infrastructure conducive to continuous attraction of inbound tourism demand in anticipation of the era of 60 million foreign visitors (in 2030). Infrastructure development such as logistic networks, which contributes to productivity enhancement in the medium- to long-term, is also to be accelerated.

Bearing in mind the termination of current temporal countermeasures against the consumption tax rate hike in October 2019 for the purpose of smoothing out demand fluctuation, the Government will implement necessary measures to support private consumption in a seamless manner, so as to contributing also to the establishment of a cashless settlement basis which will be used for both private and public sector.

The Government further promotes corporate governance reform, and develops institutional design for appropriate implementation pursuant to the objective of the amended Foreign Exchange and Foreign Trade Control Act, namely, ensuring minimal review of foreign direct investment that could pose risks to national security and promoting foreign direct investment conducive to sound economic growth.

1. Promoting Innovation and Social Implementation of Technologies Toward Realizing Society 5.0 and SDGs.

For a sustainable and inclusive economic growth compatible with the global environment, it is essential, toward the arrival of the Society 5.0 era and realization of SDGs, to realize non-linear, destructive innovations, accelerate the social implementation and deployment of advanced technologies, and provoke reforms in various socio-economics areas and lifestyles. The Government will comprehensively promote the support and institutional building for those purposes.

1) Accelerating the Realization of Society 5.0

Toward accelerating the realization of Society 5.0, the Government will expand the “moonshot-type research and development program” which will contribute to

disruptive innovations to health/medical and agriculture/forestry/fisheries areas, strongly support “emergent research” with which a variety of researchers, especially younger ones, can exert their potential, and bridge the gap between technology-seeds and social implementation. Also, the Government will promote the development of post-5G information/communication systems and semi-conductor technologies as a national project involving both public and private sector, which would be one of the core technologies for the competitiveness of Japanese industries. Furthermore, knowledge creating bases in the leading-edge areas will be developed through (i) accelerating the development of super-computers, which are conducive to the creation of innovation and addressing social issues including prevention and mitigation of disasters, and (ii) accelerating the development of research bases for new frontiers such as AI, quantum, bio technology and marine resource exploitation, all of which are key to competitiveness in the future, and (iii) advancing systematically and steadily R&D projects in the field of space, including international space exploration projects (Lunar Gateway plan, etc.), for which the Government declared its intention to join in October 2019.

At the same time, social implementation and deployment of advanced technologies contributing to addressing social challenges will be accelerated toward the Society 5.0 era. To this end, the Government will promote the deployment of safe and trustworthy 5G as early as possible. Also, in addition to making the installment of brakes for mitigating damages due to crashes to newly manufactured cars mandatory and introducing limited drivers’ license targeted for elderly drivers, etc., the Government will support purchases of safety driving support cars, etc. as countermeasures of traffic accidents caused by elderly drivers. In addition, the Government will promote the deployment of various modes of mobility such as power-assisted bicycles and electric wheelchairs. Also, workload mitigation and productivity enhancement of field workers shall be pursued by promoting the utilization of ICT and robotics technologies in the fields of nursing, long-term care, welfare for the challenged as well as construction, etc. Other measures include promoting deployment of smart agriculture technologies including drones, advancing the support for start-up firms playing important roles in innovation, promoting financial innovation through digitalization and improving cybersecurity countermeasure in finance areas, and advancing the development of new techniques for refining the regulations with the social implementation of digital technologies in mind.

Finally, the Government will further promote establishment of “Smart City” by developing implementation schemes through public and private partnerships, and will implement various measures which are conducive to further utilization of the Social security and Tax Number Card (aka Individual Number Card) as soon as possible, such as the expansion of various one-stop-services in the dedicated portal website (called MynaPortal) and the promotion of integration/digitalization of various kinds of cards (IDs) including health insurance cards.

- Expand “moonshot-type research and development projects” to the field of health/medicine and agriculture/forestry/fisheries (CAO, MAFF)
- Conduct research and development for innovative AI-based integrated network infrastructure technologies (MIC)
- Develop base facilities for research of quantum and life science (MEXT)
- Verify innovative technology for securing deep-sea mineral resources (Rare-earth

mud) (CAO)

- Promote next-generation synchrotron radiation facilities based on the partnership among public and private sectors and the community (MEXT)
- Develop the supercomputer *Fugaku* (MEXT)
- Create opportunities for “emergent research” (MEXT)
- Enhance the bases for post-5G information and communication systems (METI)
- Develop rockets and artificial satellites that contribute to disaster prevention and disaster control, etc. (MEXT)
- Conduct research and development on systematic and steady promotion of international space exploration (Lunar Gateway plan, etc.) (MEXT)
- Realize an “Advanced Geospatial Information Utilization Society” highly utilizing geospatial information <Other than budgetary support> (CAS)
- Project to improve the system to promote genomic medicine by whole-genome analysis, etc. (MHLW)
- Accelerate research by Okinawa Institute of Science and Technology Graduate University (CAO)
- Conduct research and development for spread and deployment of 5G (MIC)
- Introduce a tax system to promote certain investments in 5G-related equipment and a tax system to promote open-innovation activities that lead to business innovation (MIC, METI)¹⁶
- Provide financial support to promote the development of 5G <FILP> (METI)
- Establish a promotion system for field trials to realize ‘local 5G’ for regional problem-solving (MIC)
- Provide subsidies for safety driving support cars (METI, MLIT)
- Project to promote the utilization of ICT at nursery centers, etc. (MHLW)
- Project to promote sharing information on long-term care by utilizing ICT (MHLW)
- Support the introduction of nursing-care robots and conduct research to verify the effects of the introduction (MHLW)
- Project to support the introduction of robots, etc. and support a model project to introduce ICT in the field of welfare for persons with disabilities (MHLW)
- Project to develop and verify smart agricultural technology (MAFF) (listed twice)
- Realize unmanned implementation of public works by utilizing 5G, etc. (MLIT)
- Promote innovation in the maritime industry (maritime productivity revolution) (MLIT)
- Promote “smart city” further, including establishing an implementation system in public and private sectors (MLIT)
- Increase the functions of MynaPortal (CAO)
- Introduce functions that utilize AI to the consumer affairs consultation system. (Consumer Affairs Agency [CAA])

and others

2) Social Innovation toward Achieving SDGs

Realizing SDGs in such areas as climate change, energy and health should be

¹⁶ Tax measures are to be discussed and determined in the tax reforms in FY2020.

continuously pursued. Particularly, actions against global warming reemerge as a huge challenge, with damages from natural disasters becoming more severe in recent years. To solve social issues regarding the achievement of SDGs, such as realizing decarbonized society, changes in society, lifestyles and technologies are essential. To this end, the Government will accelerate development of international research bases for zero emission technology and related R&D projects, promote social implementation and deployment of innovative new materials/parts and natural refrigerant devices, which contribute to significant energy savings, and diffusing clean-energy cars. Also, the Government will advance ESG finance by supporting the financing of corporates sectors, etc. for “green projects” which contribute to environment and disaster management, as well as supporting measures regarding charging for plastic bags. Through these measures, the Government aims to realize a virtuous cycle of environmental progress and economic growth.

- Program to accelerate progressive environment innovation strategy (METI)
- Project to accelerate social implementation and deployment of parts and materials¹⁷ for establishing innovation that will lead the world (MOE)
- Project to accelerate the introduction of energy saving-type natural refrigerant equipment to promptly realize a fluorocarbon-free and low carbon society (MOE)
- Provide subsidies for projects for the introduction of clean-energy vehicles (METI)
- Global environment observation project as part of the GOSAT series (MOE)
- Support project to develop a system to promote the issuance of green bonds and green loans with applicable projects, etc. as an objective of funds (MOE)
- Project to promote sustainable development in developing economies with science, technology and innovation (MEXT)
- Promote understanding of charging for plastic bags (METI, MOE)
- Project for promoting the introduction of sophisticated facilities such as low-CO2 recycling (MOE) (listed twice)
- Urgent action on articles that drift ashore, etc. (MOE) (listed twice)
- Emergency support to deal with marine plastic litter and climate change. (Ministry of Foreign Affairs [MOFA])
- Facilitate and advance livestock excrement treatment (urgent measures to promote local consumption of locally produced biomass energy from livestock) (MAFF)
- Promote a diversified energy system that enables independent energy supply at the time of disaster (MIC) (listed twice)

and others

2. Investing in Human Capital for Those Playing Important Roles in Society 5.0 and Creating an Environment Suitable for Child Rearing

Future of a country depends crucially on its human capital. In order to quickly develop the environment which is suitable for education for those who will play important roles in the new era of Society 5.0 and for individually optimized learning with no children left behind including various types of children such as those with special needs

¹⁷ High-efficiency semiconductors with GaN (gallium nitride), and lightweight high-strength CNF (cellulose nanofiber).

at the primary and secondary education stage, the Government aims at realizing an educational environment where every single pupil/student of all grades at the compulsory education has his/her own computer device and is able to utilize it fully by FY2023, in addition to advancing the development of a high-speed and large-capacity network environment in each school (in-school LAN), and the Government will constantly secure fiscal resource and implement necessary support for local governments which undertake those projects¹⁸. In so doing, the Government also takes measures to improve the non-structural (i.e. soft) areas including teaching staffs and learning materials. Also, to nurture the talent required for strengthening research and development capacity, etc., the Government will ameliorate or develop basic facilities and buildings of technical colleges, which have been severely dilapidated, and universities.

In addition to promoting measures against the declining birthrate considering regional contexts and challenges, the Government will implement measures to improve environments suitable for child rearing, such as support for reforms in purchasing vacant houses and childcare arrangements for child-rearing use.

- Realize GIGA (Global and Innovation Gateway for ALL) school initiatives (MEXT)
- Promote the introduction of EdTech (METI)
- Construct a utilization model for local 5G to solve problems in the field of education (MIC)
- Improve the infrastructure for education and research environments to develop talent that will play a key role in Society 5.0 at national universities, etc. (MEXT)
- Strengthen human resources by improving infrastructure equipment for education and research at private universities, etc. (MEXT)
- Improve infrastructure equipment at national technical colleges (MEXT)
- Improve sports facilities that can stage rugby matches (MEXT)
- Improve the facilities of certified child centers (MEXT)
- Facilitate childcare arrangements (MHLW)
- Realize childcare-friendly, safe cities (MLIT)
- Promote countermeasures against the declining birthrate considering actual situations and challenges in each region (support for marriage and life planning, etc.) and promote the active participation of women (CAO)
- Take measures against child poverty through the use of Grant for Local Public Bodies to Support the Future of Children (CAO)

and others

3. Infrastructure Development for the Era of 60 Million Inbound Tourists

Toward the realization of the target of 40 million inbound foreign tourists by 2020, the year when the Tokyo Olympics and Paralympics will be held, and, through the 2025 Osaka Kansai Expo, the realization of 60 million inbound tourists by 2030, the Government will reinforce the foundations for the growth by continuously attracting

¹⁸ In carrying out the project, it is intended for local governments that develop a sustainable utilization plan, including the expenses on maintenance and renewal in the future. Taking economies of scale into consideration with respect to the development of terminals, a unit price for subsidies is to be set so that price reduction incentives work for local governments.

inbound demands. To cope with increasing inbound tourism, the Government aims for the improvement of the functions of airports in metropolitan areas and access to international airports, etc. by utilizing FILP¹⁹. Also, the Government will advance measures such as intensive and strategic promotions of special audience-attracting programs such as the opening of important cultural properties which are not normally open to the public, arrangements of an environment to accept foreign tourists such as measures to adapt to multi-lingual needs, and development of new markets and diversification of the origins of inbound tourism, which take into account the changing situation of inbound tourism and characteristics of each tourist site.

- Improve the functions of airports in the Tokyo metropolitan area <FILP> (MLIT)
- Improve the access to international airports <Including FILP> (MLIT)
- Develop the environment for receiving cruise ships (MLIT)
- Run a promotion to attract visitors to Japan with the Olympic and Paralympic Games as a trigger (MLIT)
- Project for developing new and diversified markets in tourist destinations (MLIT)
- Emergency countermeasures to develop the environment for accepting foreign visitors to Japan (MLIT)
- Establish a system for smooth and strict immigration examination and customs (Ministry of Justice [MOJ], MOF)
- Inbound demand expansion promotion project (METI)
- Research to verify the effects of production incentives for large-scale films (CAO) (listed twice)
- Project to support overseas expansion of broadcasting contents (MOFA)
- Projects for Japanese language education abroad and for the dispatch of supporters who introduce Japanese language and Japanese culture (MOFA)
- Measures to prevent fire and disasters for cultural resources (MEXT) (listed twice)
- Promote tourism in Okinawa with the budget for specified projects in the wake of the *Shuri-jo* Castle fire (CAO, MLIT) (listed twice)
- Develop the National Ainu Park and enhance the measures for the opening of the National Ainu Museum and Park (*Upopoy*) (MLIT)

and others

4. Improvement of Infrastructure to Support Productivity Enhancement

To strategically construct infrastructure which will be the foundations for growth and reinforce the international competitiveness in the medium- to long-term beyond the 2020 Tokyo Olympics and Paralympics, the Government will selectively and intensively promote the projects with significant expected outcomes including enhanced productivity, such as the acceleration of construction of major roads and hub ports as well as urban development. In so doing, by taking advantage of current prevailing low interest rates, the Government will make the best use of FILP,²⁰ and thereby accelerate projects whose investment return is possible through fare income.

¹⁹ FILP loans are to be provided for Narita International Airport Cooperation, etc.

²⁰ FILP loans are to be provided for each Expressway Company Limited, etc.

- Develop ports that contribute to maintaining and enhancing economic vitality (MLIT)
- Develop roads, ports and other facilities integrally to turn agriculture, forestry and fisheries, etc. into a growth sector and an export sector (MLIT)
- Develop expressways, etc. to strengthen logistics networks that reinforce growth <Including FILP> (MLIT)
- Provide financial support, etc. for private-sector-led urban development projects <Including FILP> (MLIT)
- Develop urban infrastructure through the internationally competitive hub development project, etc. (MLIT)
- Promote urban redevelopment <FILP> (MLIT)
- Provide comprehensive support, including social capital development that serves as a platform for growth (MLIT)

and others

5. Supporting Private Consumption in a Seamless Manner

Considering that private consumption, with its share of GDP at around 60 percent, is the centerpiece of sustained economic growth mainly led by private demand, it is important to improve growth expectations of businesses and households and realize continuous wage growth, by accelerating measures to enhance productivity through the implementation of wide range of measures included in this package. In addition, the Government will steadily implement the current cashless point reward program, which is undertaken as part of the countermeasures against the consumption tax rate hike, until the end of June 2020. Furthermore, from September 2020, after the Tokyo Olympics and Paralympics, to the end of March 2021, the Government will support private consumption seamlessly by launching a new measure to support private consumption which utilizes the Social security and Tax Number Card, aka Individual Number Card (specific points equivalent to 5 thousand yen are to be rewarded in return for advance payment, etc. of 20 thousand yen), with taking measures for wider dissemination of the Individual Number Card and expansion of cashless settlements. In so doing, the Government will assist households' application procedures required for point provision, and provide detailed support to small and medium size stores for introducing cashless-eligible facilities and handling them. Also, some measures are to be implemented to ensure correct understanding of Individual Number system and encourage swift acquisition of the Card, through helping local governments with the preparation of issuance and the delivery system of the Card. Aside from these measures, the Government will promote several measures contributing to stable asset accumulation of households and enhancement of growth capital supply, toward the realization of a virtuous cycle of the economy.

- Cashless point reward program (METI)
- Launch a support program to stimulate private consumption by utilizing the Individual Number Card (MIC)
- Provide information and publicity in collaboration with businesses in order to disseminate the Social Security and Tax Number (My Number) System (CAO)
- Promote the dissemination of Individual Number Cards (MIC)
- Measures stabilize the housing market (housing benefits) (MLIT)

- Project to revitalize shopping districts and to create tourism consumption (METI)
- Enhance financial and digital literacy, disseminate NISA (Nippon Individual Savings Account), promote the establishment of customer-oriented business conduct by financial institutions, and develop asset management industry <Other than budgetary support> (FSA)
- Accommodate needs of financial services users such as elderly persons <Other than budgetary support> (FSA)

and others

6. Promotion of Corporate Governance Reform, etc.

With a view to further enhancing the competitiveness and trustworthiness of Japanese companies and accepting foreign investments, the Government will advance the following measures to further promote corporate governance reform, including a revision of the stewardship code. With respect to the recent amendment of the Foreign Exchange and Foreign Trade Act, the Government will develop its detailed design for appropriate implementation pursuant to the Act's objective, namely, ensuring minimal review of foreign direct investment that could pose risks to national security and promoting foreign direct investment conducive to sound economic growth. In addition, the Government will promote the establishment of bases of foreign financial institutions in Japan through utilizing the Financial Market Entry Consultation Desk, etc.

- Revise the Stewardship Code <Other than budgetary support> (FSA)
- Develop the detailed design and implement the amended Foreign Exchange and Foreign Trade Act <Other than budgetary support> (MOF, concerned ministries and agencies)
- Promote the establishment of bases of foreign financial institutions, including asset management businesses, and promote Tokyo as a global financial center <Other than budgetary support> (FSA)
- Reform the Tokyo Stock Exchange (TSE)'s equity market structure <Other than budgetary support> (FSA)

Chapter 3 Size and Economic Impact of the Measures

The size of this new economic package is as per the Annex. The package aims for not only demand boost in the short-term but also economic growth led mainly by private demand, through budget measures included in the Supplementary budget for FY2019 and temporal and special measures in the FY2020 Initial budget, and through promoting growth enhancing investment by active utilization of FILP, which takes advantage of current low interest rates, as well.

The economic impact is currently estimated to boost real GDP (demand) by around 1.4 percent. Besides, the amount of domestic investment encouraged by the development of infrastructure as a basis for economic growth, which is not included in the above estimation, is calculated to be approximately 0.7 percent of nominal GDP.

Furthermore, it is expected that crystallization and implementation of each measure included in the package will lead to sustainable economic growth where growth potential is reinforced with the enhancement of productivity, private investments are stimulated and employment and income situation are further improved, and, accordingly, private consumption is enhanced.

Note: The economic impact mentioned above is calculated based on the project size, and subsidy rates, etc.

Size of the Measures

| | Fiscal expenditures | Total size |
|--|---------------------------------|---------------------------------|
| I. Restoration and Reconstruction from Natural Disasters and Securing Safety and Security | Approximately 5.8 trillion yen | Approximately 7.0 trillion yen |
| II. Intensive Support for Those Striving to Overcome Economic Downside Risks | Approximately 3.1 trillion yen | Approximately 7.3 trillion yen |
| III. Investing for the Future and Maintaining and Enhancing Economic Vitality Beyond the 2020 Tokyo Olympics and Paralympics | Approximately 4.3 trillion yen | Approximately 11.7 trillion yen |
| <hr/> | | |
| Total | Approximately 13.2 trillion yen | Approximately 26.0 trillion yen |

(Provisional Translation)

Breakdown of fiscal expenditures (reference)

| | Fiscal expenditures | Of which expenditures from the central government and local governments | Of which FILP loans |
|--|---------------------------------|---|---|
| I. Restoration and Reconstruction from Natural Disasters and Securing Safety and Security | Approximately 5.8 trillion yen | Approximately 5.4 trillion yen | Approximately 0.3 trillion yen |
| II. Intensive Support to Those Striving to Overcome Economic Downside Risks | Approximately 3.1 trillion yen | Approximately 2.1 trillion yen | Approximately 1.1 trillion yen |
| III. Investing for the Future and Maintaining and Enhancing Economic Vitality Beyond the 2020 Tokyo Olympics and Paralympics | Approximately 4.3 trillion yen | Approximately 1.9 trillion yen | Approximately 2.4 trillion yen |
| Total | Approximately 13.2 trillion yen | Approximately 9.4 trillion yen ¹ | Approximately 3.8 trillion yen ² |

Note 1: Of which, 7.6 trillion yen is central government expenditures.

From the general account: 4.4 trillion yen for FY2019 (of which, 4.3 trillion yen is from the supplementary budget and 0.1 trillion yen is from contingency funds) and 1.8 trillion yen for FY2020 temporal and special measures.

From the special accounts: 0.7 trillion yen for FY2019 and 0.8 trillion yen for FY2020 and after.

Note 2: Of which, 1.4 trillion yen is for FY 2019 and 2.4 trillion yen is for FY2020 and after.