Japanese Public Finance Fact Sheet

July, 2020

Ministry of Finance

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Part 1 Public Finance in Japan

I. Current Fiscal Situation

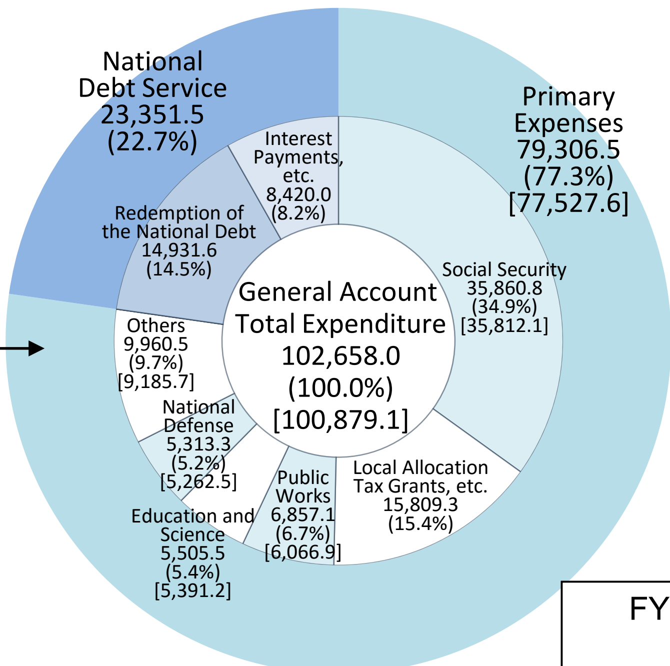
1. General Account Budget for FY2020

(1) Expenditure

As for the total expenditure in the general account, social security expenditures, local allocation tax grants, and national debt services account for approximately three-quarters of the total expenditure (initial budget).

FY2020 Initial Budget (Ordinary Expenditure＋Temporary and Special Measures)

(Unit：billion yen)



* Figures in brackets exclude Temporary and Special Measures

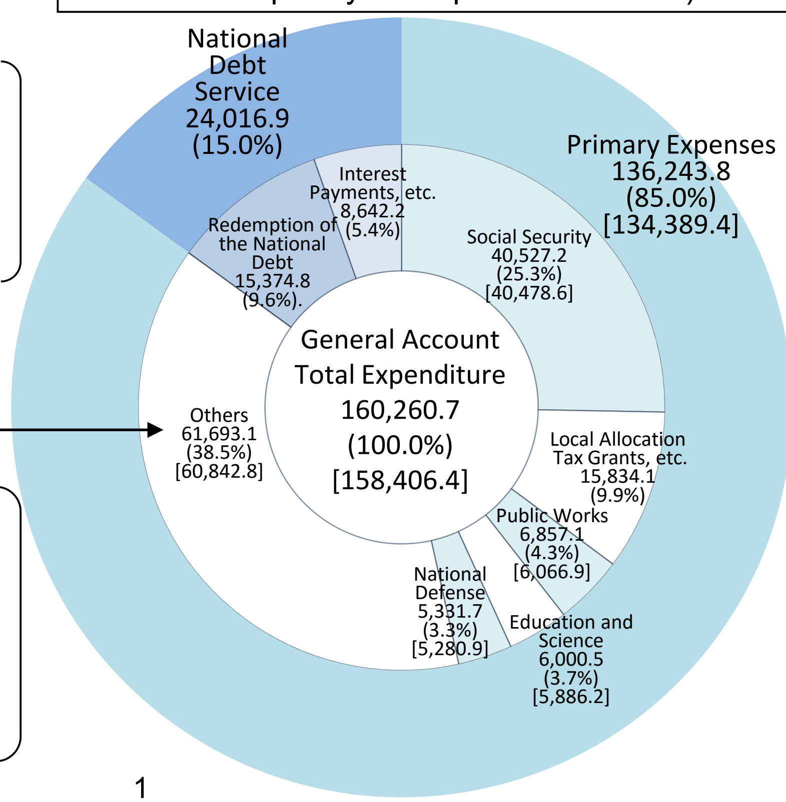
* Primary Expenses: The amount of policy expenses for the fiscal year.
(Primary Expenses = General Account Total Expenditure – National Debt Service)

* General Expenditure = Primary Expenses – Local Allocation Tax Grants, etc.
- FY2020 Budget: 63,497.2 (61.9%)
(Of which Social security expenditure 56.5%)
- FY2020 Budget including Two Supplementary Budgets:120,409.6 (75.1%)
(Of which Social security expenditure 33.7%)

• The Second Supplementary Budget was approved by the Diet on 12th June 2020.

Food Supply	984.0 (1.0%) [983.2]
Energy	949.5 (0.9%) [900.8]
Economic Assistance	512.3 (0.5%)
Promotion of SMEs	175.3 (0.2%) [172.3]
Former Military Personnel Pensions	175.0 (0.2%)
Miscellaneous	6,664.5 (6.5%) [5,942.2]
Contingency Reserves	500.0 (0.5%)

FY2020 Budget including Two Supplementary Budgets (Ordinary Expenditure＋Temporary and Special Measures)



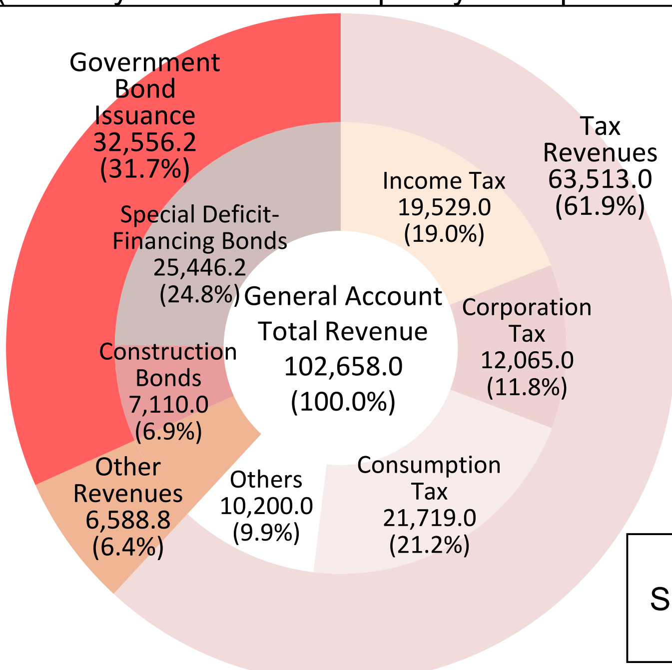
Promotion of SMEs	22,397.4 (14.0%) [22,394.4]
Food Supply	1,284.7 (0.8%) [1,283.9]
Energy	957.7 (0.6%) [909.0]
Economic Assistance	648.6 (0.4%)
Former Military Personnel Pensions	175.0 (0.1%)
Miscellaneous	24,229.8 (15.1%) [23,431.9]
Contingency Reserves	500.0 (0.3%)
Contingency funds for the COVID-19	11,500.0 (7.2%)

(2) Revenue

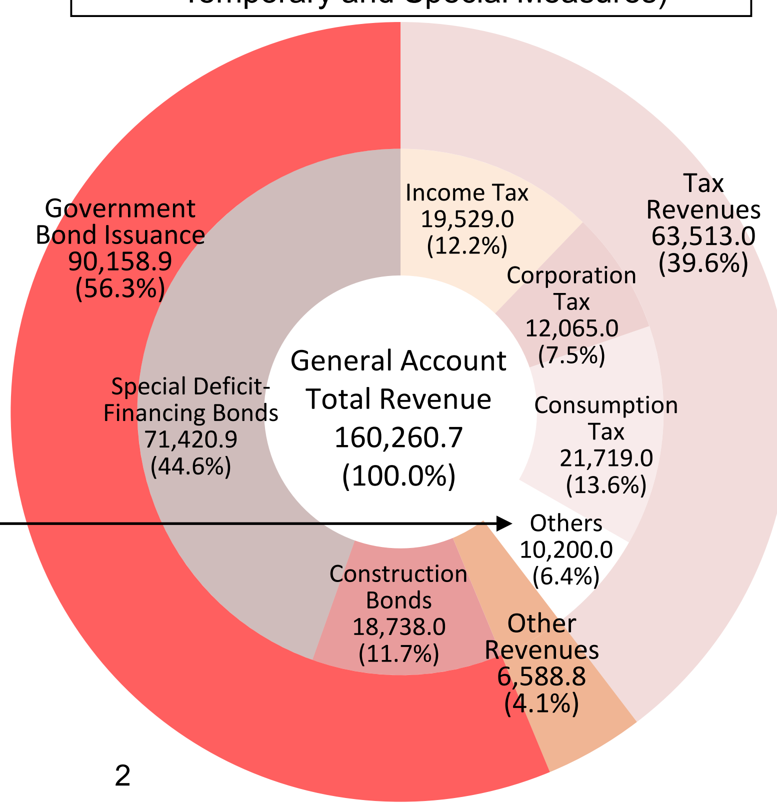
Tax revenue is estimated to be around 64 trillion yen in the FY2020 general account budget. The government expenditure should be fully financed by tax and other revenues in the same year under normal circumstances, but the current revenue accounts for only about two-thirds of the whole expenditure in the FY2020 initial budget. As a result, the rest of one-third relies on the debt financing (i.e., revenue from issuing government bonds), which will be a burden to the future generations.

FY2020 Initial Budget
(Ordinary Revenues + Temporary and Special Measures)

(Unit: billion yen)



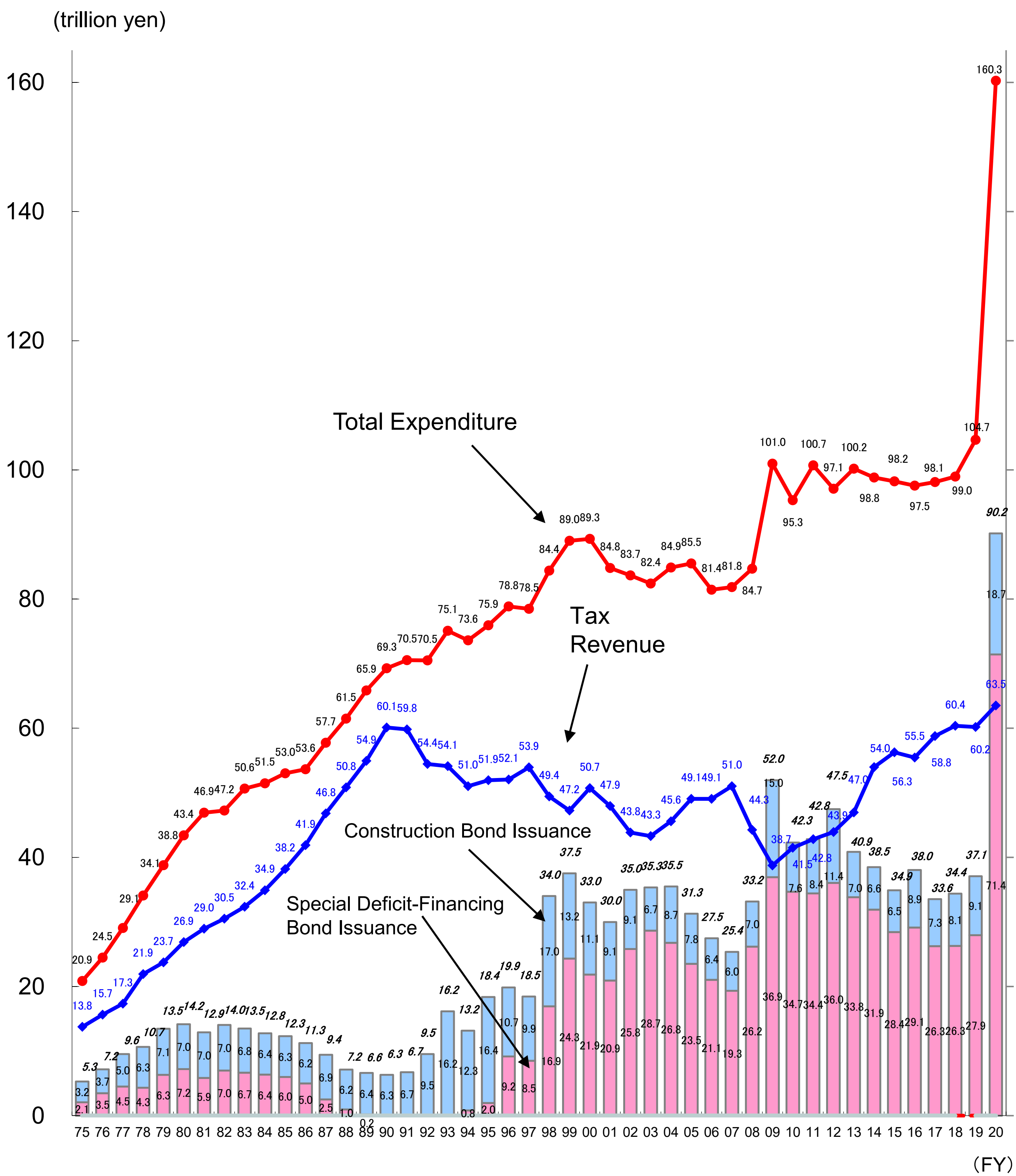
FY2020 Budget including Two Supplementary Budgets (Ordinary Revenues + Temporary and Special Measures)



Inheritance Tax	2,341.0 (1.5%)
Gasoline Tax	2,204.0 (1.4%)
Liquor Tax	1,265.0 (0.8%)
Customs Duties	946.0 (0.6%)
Tobacco Tax	914.0 (0.6%)
Petroleum and Coal Tax	655.0 (0.4%)
Motor Vehicle Tonnage Tax	393.0 (0.2%)
Power-Resources Development Promotion Tax	315.0 (0.2%)
International Tourist Tax	54.0 (0.0%)
Other Taxes	70.0 (0.0%)
Stamp Revenues	1,043.0 (0.7%)

2. General Account Expenditures and Tax Revenues

The Japanese fiscal situation has continued to run a budget deficit, as its expenditure exceeds its tax revenue. The gap between them has been financed by issuing national government bonds (construction bonds and special deficit-financing bonds).



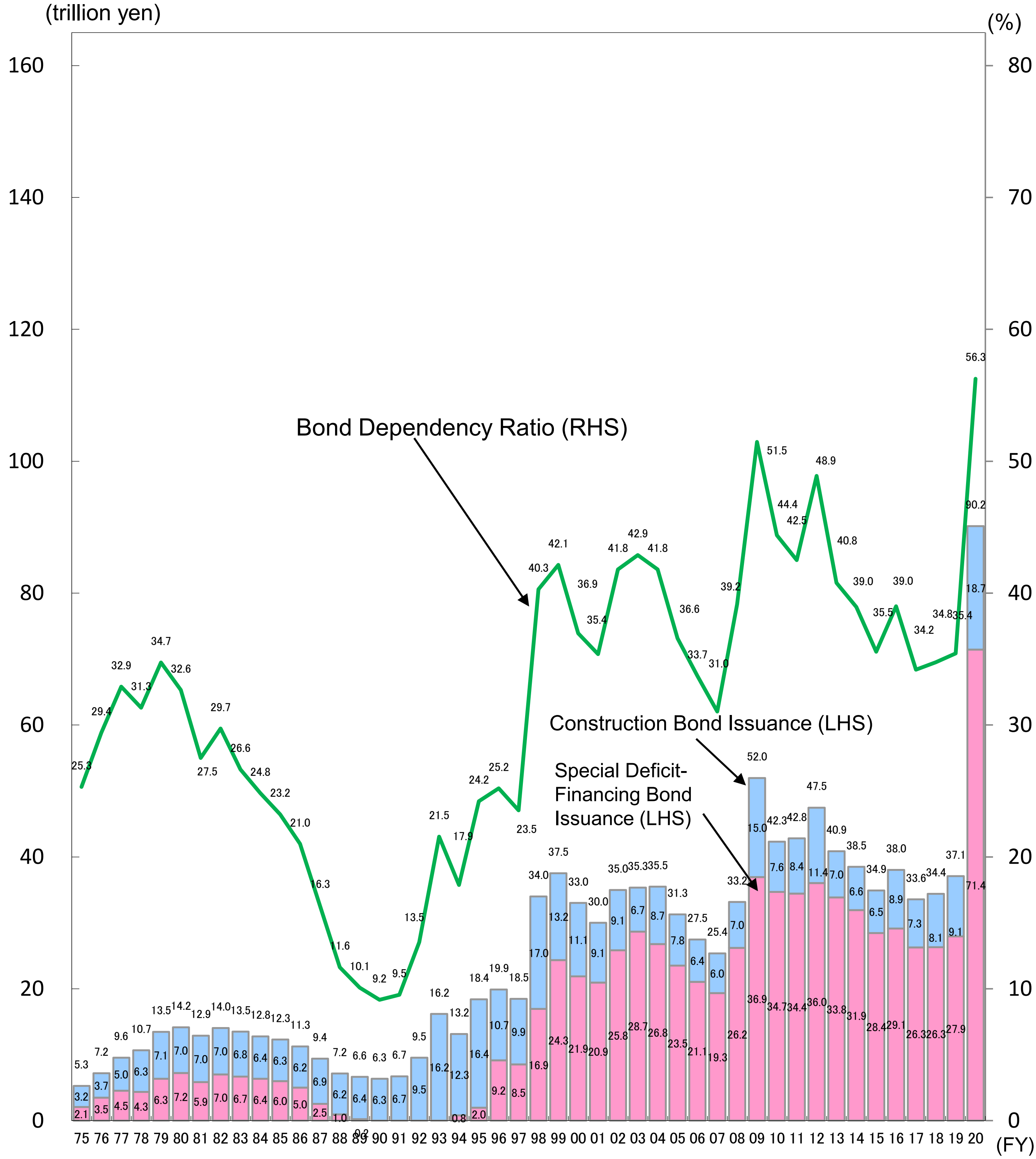
(Note1) FY1975 - FY2018: Settled Figures; FY2019: Based on the Supplementary Budget, FY2020: Based on the Second Supplementary Budget

(Note2) Following bonds are excluded: Ad-hoc Special Deficit-Financing Bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region, Tax reduction-related Special Deficit-Financing Bonds issued in FY1994 - FY1996 to make up for decline in tax revenue due to a series of income tax cuts preceding consumption tax hike from 3% to 5%, Reconstruction Bonds issued in FY2011 as a source of funds to implement measures for the Reconstruction from the Great East Japan Earthquake and Pension-related Special Deficit-Financing Bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

(Note3) FY2019 and FY2020 : Including Temporary and Special Measures

3. Bond Issuance and Bond Dependency Ratio

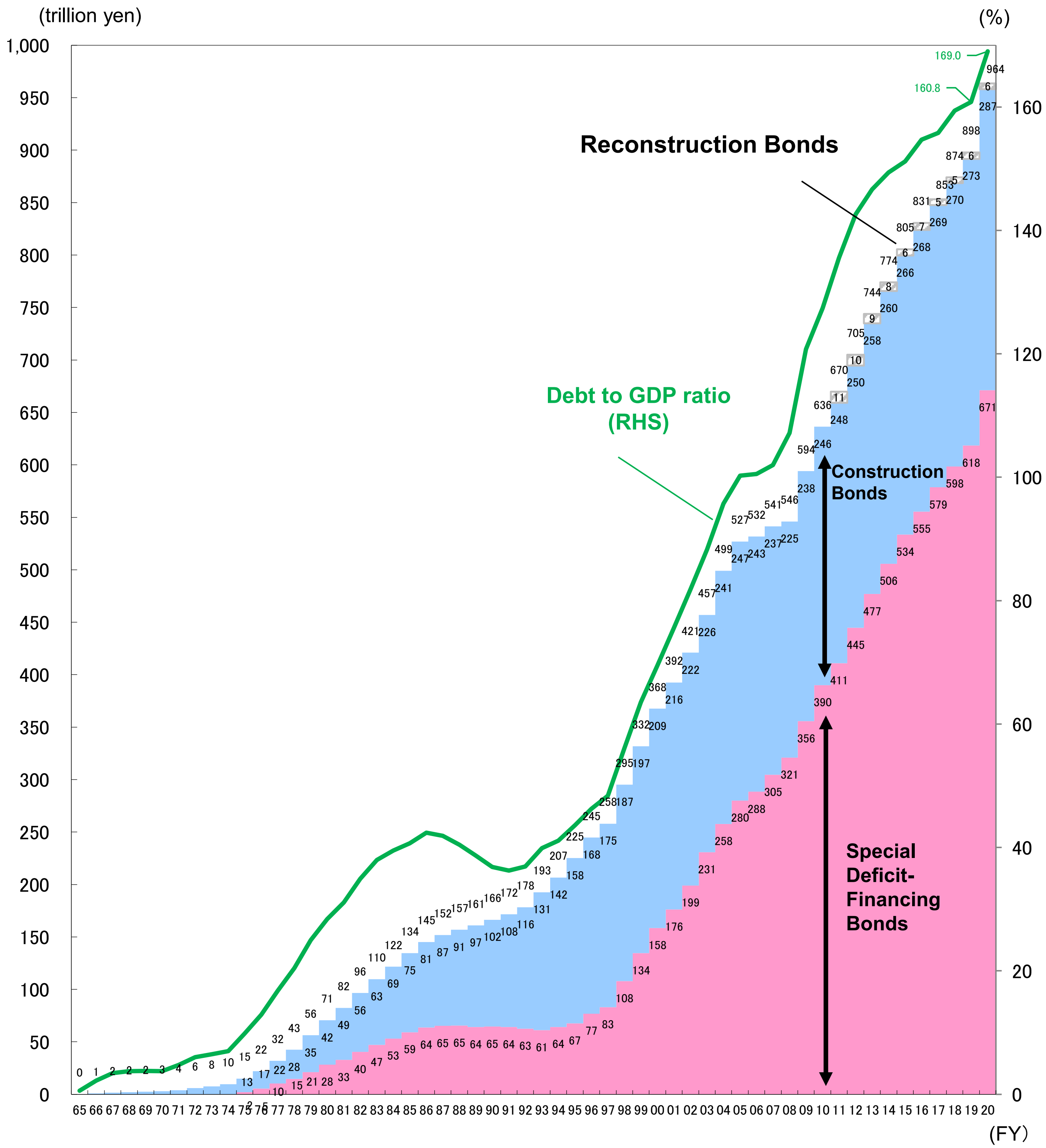
The bond dependency ratio has been on a declining trend in recent years. It is projected to be 56.3% in FY2020.



(Note1) FY1975 - FY2018: Settled Figures; FY2019: Based on the Supplementary Budget, FY2019: Based on the Second Supplementary Budget
(Note2) Following bonds are excluded: Ad-hoc Special Deficit-Financing Bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region, Tax reduction-related Special Deficit-Financing Bonds issued in FY1994 - FY1996 to make up for decline in tax revenue due to a series of income tax cuts preceding consumption tax hike from 3% to 5%, Reconstruction Bonds issued in FY2011 as a source of funds to implement measures for the Reconstruction from the Great East Japan Earthquake and Pension-related Special Deficit-Financing Bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.
(Note3) Bond dependency ratio is calculated as the ratio of bond issuance to general account expenditures.
(Note4) FY2019 and FY2020 : Including Temporary and Special Measures

4. Accumulated Government Bonds Outstanding

The amount of Japan's government bonds outstanding has increased year after year. It is projected to reach 964 trillion yen at the end of FY2020.



(Note1) FY1975 - FY2018: Actual figures; FY2019: Based on the Supplementary Budget, FY2020: Based on the Second Supplementary Budget
(Note2) Government bonds outstanding includes Construction Bonds, Special Deficit-Financing Bonds and Reconstruction Bonds. Special deficit-financing bonds outstanding includes refunding bonds for long-term debts transferred from JNR Settlement Corporation, the National Forest Service, etc., Ad-hoc Special Deficit-Financing bonds, Tax reduction-related Special deficit-financing bonds and Pension-related special deficit-financing bonds.
Reconstruction Bonds outstanding is as follows (FY2011: in General Account, after FY2012: in Special Account for Reconstruction from the Great East Japan Earthquake)

(Unit: trillion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Reconstruction Bonds	10.7	10.3	9.0	8.3	5.9	6.7	5.5	5.4	6.2	5.6

(Note3) The estimate of FY2020 excluding front-loading issuance of refunding bonds is approximately 921 trillion yen.

5. Long-term Debt Outstanding of Central and Local Governments

In addition to the "government bonds outstanding", there are other long-term debts, such as loans and local government bonds. The total amount of long-term debts of central and local governments is expected to reach 1,182 trillion yen (207% of GDP) at the end of FY2020.

(Unit: trillion yen)

		FY1990 < Actual >	FY1998 < Actual >	FY2003 < Actual >	FY2010 < Actual >	FY2011 < Actual >	FY2012 < Actual >	FY2013 < Actual >	FY2014 < Actual >	FY2015 < Actual >	FY2016 < Actual >	FY2017 < Actual >	FY2018 < Actual >	FY2019 < Budget >	FY2020 < Budget >
Central Government		199	390	493	662	694	731	770	800	834	859	881	901	925	993
		(197)	(387)	(484)	(645)	(685)	(720)	(747)	(772)	(792)	(815)	(832)	(850)	(872)	(950)
	General Bonds	166	295	457	636	670	705	744	774	805	831	853	874	898	964
		(165)	(293)	(448)	(619)	(660)	(694)	(721)	(746)	(764)	(786)	(805)	(823)	(845)	(921)
	% of GDP	37%	56%	88%	127%	136%	143%	147%	149%	151%	155%	156%	159%	161%	169%
		(37%)	(56%)	(87%)	(124%)	(134%)	(140%)	(142%)	(144%)	(143%)	(146%)	(147%)	(150%)	(151%)	(161%)
Local Governments		67	163	198	200	200	201	201	201	199	197	196	194	192	189
	% of GDP	15%	31%	38%	40%	41%	41%	40%	39%	37%	37%	36%	35%	34%	33%
Total		266	553	692	862	895	932	972	1001	1033	1056	1077	1095	1117	1182
		(264)	(550)	(683)	(845)	(885)	(921)	(949)	(972)	(991)	(1012)	(1028)	(1044)	(1064)	(1139)
	% of GDP	59%	105%	134%	173%	181%	189%	192%	193%	194%	197%	197%	200%	200%	207%
		(59%)	(105%)	(132%)	(169%)	(179%)	(186%)	(187%)	(188%)	(186%)	(188%)	(188%)	(190%)	(191%)	(200%)

(Note 1) GDP: Actual figures (FY1990 - FY2018), Based on The Government Economic Outlook (FY2019 - FY2020)

(Note 2) Central Government Debt: Actual figures (FY1990 - FY2018), The supplementary budget (FY2019), The second supplementary budget (FY2020)
Local Governments Debt: Actual figures (FY1990 - FY2018), Local Government Debt Plan etc. (FY2019 - FY2020)

(Note 3) Government Bonds outstanding includes the following amount of Reconstruction Bonds.

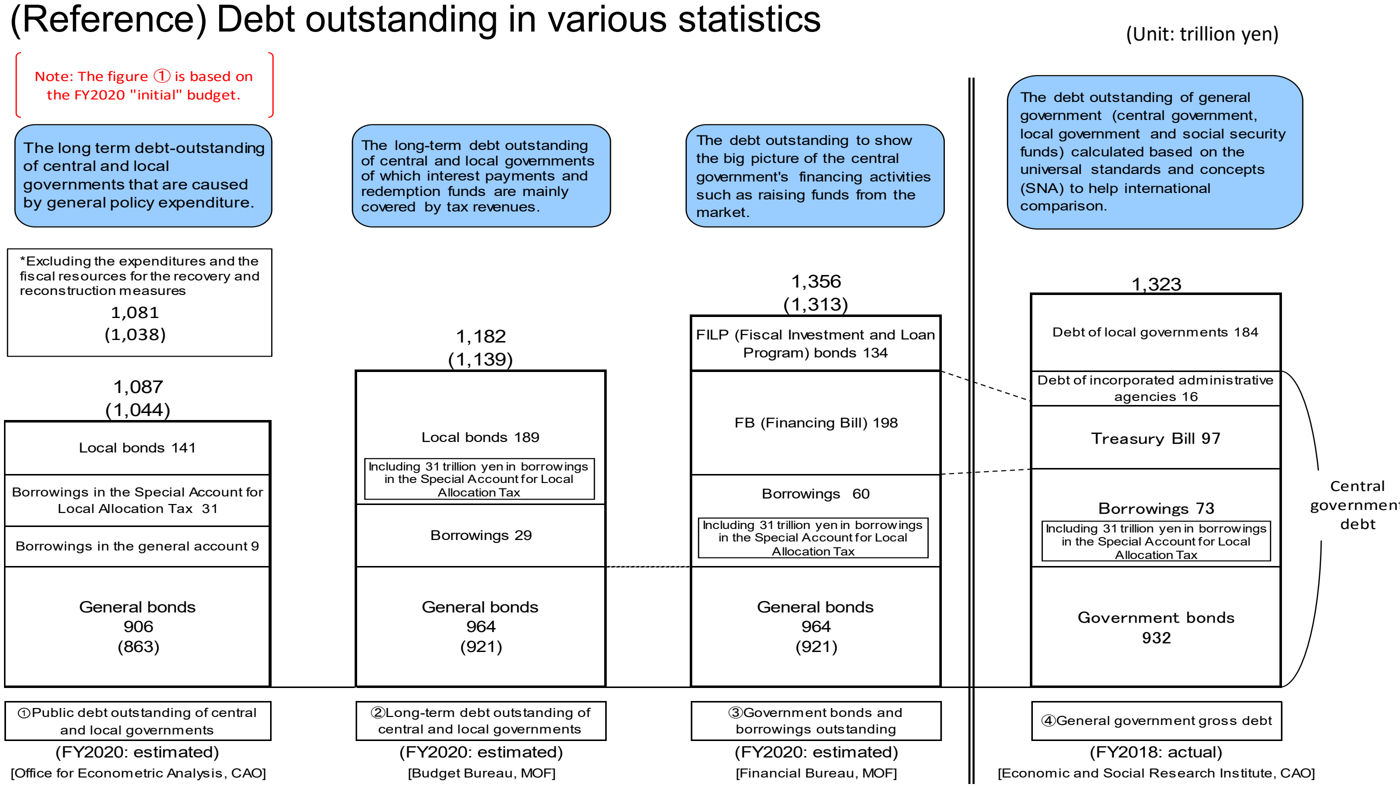
(Unit: trillion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Reconstruction Bonds	10.7	10.3	9.0	8.3	5.9	6.7	5.5	5.4	6.2	5.6

(Note 4) Figures in parentheses (until FY2018) do not include front-loading issuance for refunding. Figures in parentheses (from FY2019) do not include front-loading limit of bond issuance for refunding.

(Note 5) The borrowings in the Special Account for Local Allocation Tax and Local Transfer Tax are shared by the central and local governments in accordance with their shares of redemption. The amount of the borrowings outstanding incurred by the central government was transferred to the general account at the beginning of FY2007, so that the borrowings outstanding in the Special Account since the end of FY2007 represents the debt of the local governments (approx. ¥31 trillion at the end of FY2020).

(Reference) Debt outstanding in various statistics



(Note 1) "Special Account for Local Allocation Tax" refers to "Special Account for Local Allocation Tax and Local Transfer Tax".

(Note 2) The figures in parentheses do not include the front-loading issuance of refunding (43 trillion yen).

(Note 3) General bonds includes Reconstruction Bonds (around 5.6 trillion yen).

(Note 4) The borrowings in the Special Account for Local Allocation Tax is partly transferred to general account (the borrowings in the general account in ①).

(Note 5) Local bonds in ② includes local bonds, borrowings in the Special Account for Local Allocation Tax, and local public corporation bonds (17 trillion yen) charged to the ordinary account.

(Note 6) Borrowings in ② and ③ = borrowings + government subscription bonds, etc. Borrowings in ② do not include the borrowings outstanding in the Special Account for Local Allocation Tax (approx. 31 trillion yen), for which local governments bear the burden for redemption.

(Note 7) The government bonds in ④ include general bonds, government compensation bonds and government bonds converted. The borrowings in item ④ includes government subscription bonds, etc.

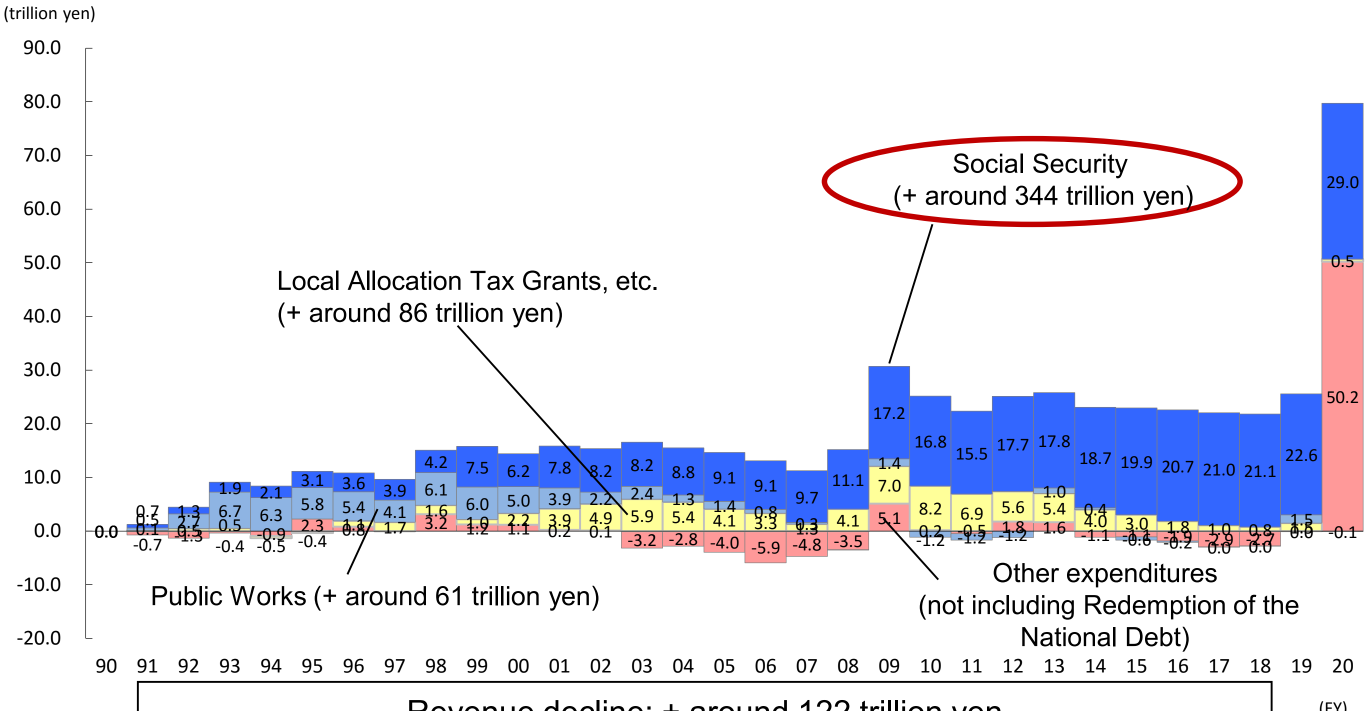
(Note 8) The figures in ① are based on the FY2020 initial budget and Local Government Debt Plan etc., Those in ② and ③ are based on the FY2020 budget including Supplementary Budgets and Local Government Debt Plan etc,.

6. Factors for an Increase in Government Bonds Outstanding

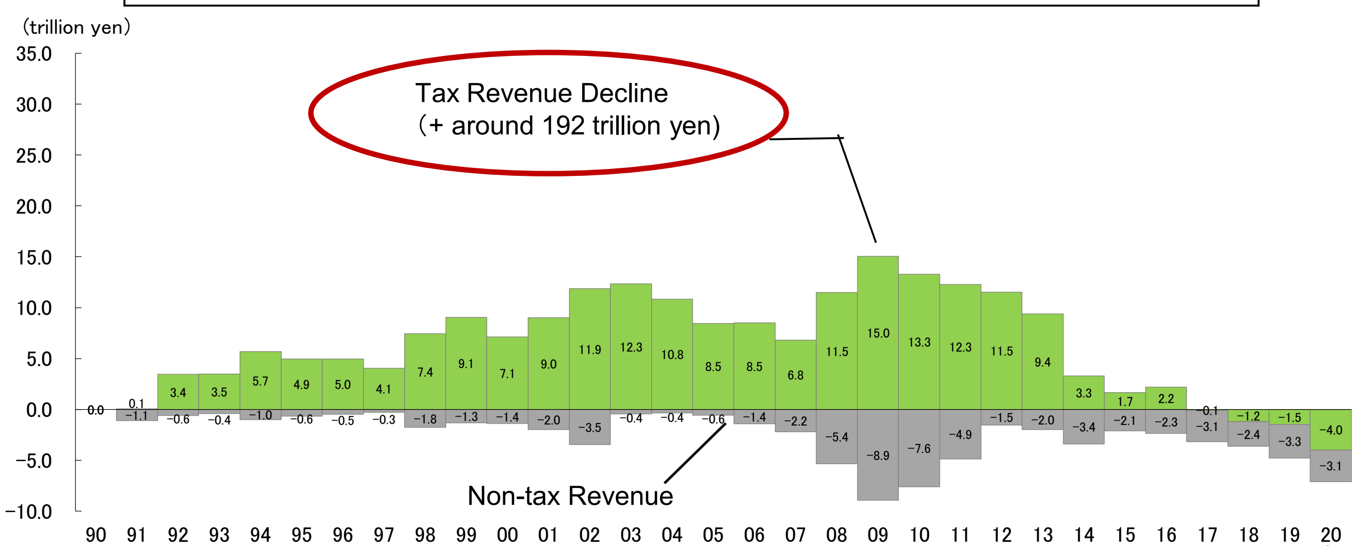
The main causes behind an increase in government bonds outstanding after FY1990, in which Japan was able to get out of the issuance of special deficit-financing bonds, are followings;
- expenditure side; increase in social security-related expenditures and local allocation tax grants
- revenue side; decline in tax revenue due to economic downturns and tax cuts

Increase in Government Bonds Outstanding from FY1990 to FY2020: around 792 trillion yen

Expenditure increase: + around 521 trillion yen



Revenue decline: + around 122 trillion yen



The portion marked with " " alone accounts for about 70% of the increase in government bonds outstanding.

Impact of balance gap in FY1990: + around 85 trillion yen

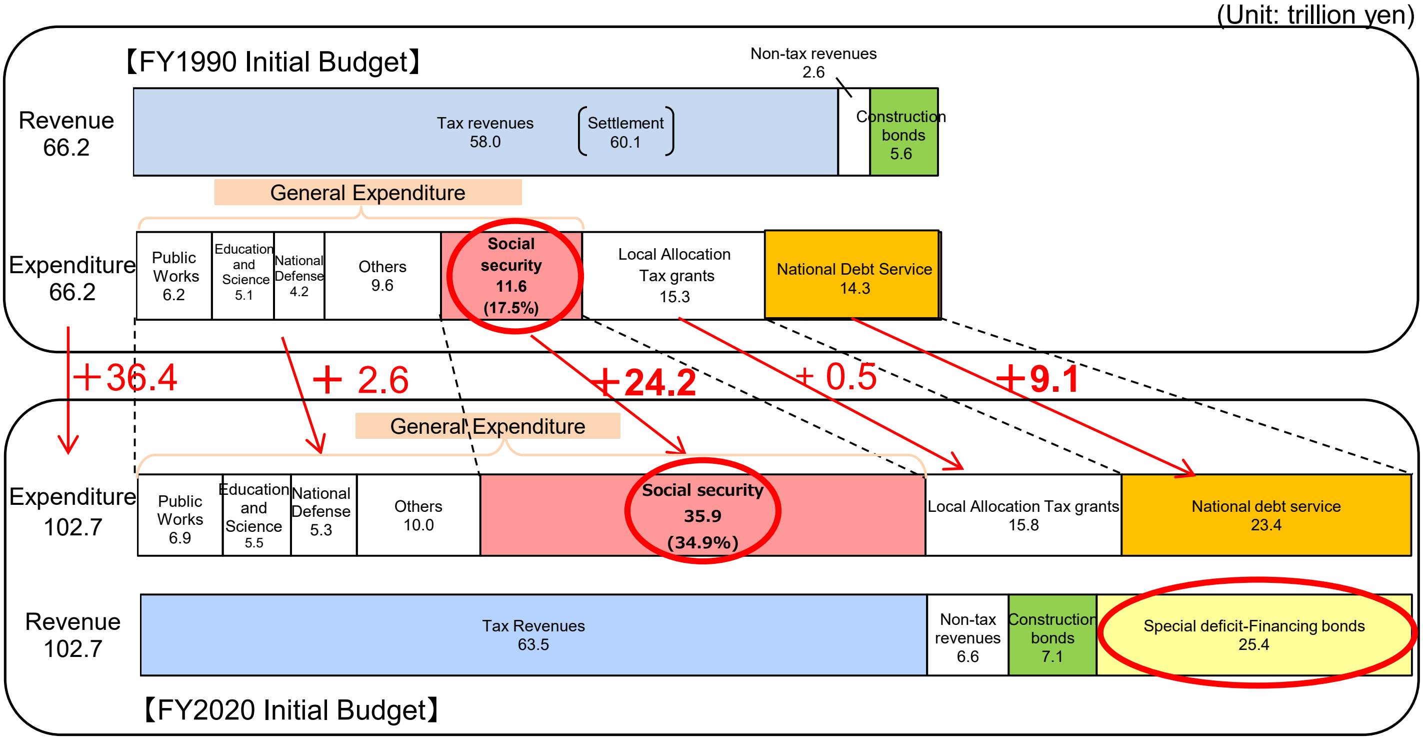
Other factors (long-term debt transferred from Japan National Railway, etc.): + around 63 trillion yen

(Note 1) FY1990-FY2018: Settled Figures; FY2019: Based on the Supplementary Budget, FY2020: Based on the Second Supplementary Budget
(Note 2) Reconstruction Bonds (5.6 trillion yen at the end of FY2020) and expenses financed by the issuance of Reconstruction Bonds in FY2011 (7.6 trillion yen) are excluded from Government Bonds Outstanding above.
(Note 3) As for the Local Allocation Tax Grants, those based on the legal rates of major 5 national tax revenues are excluded from both sides of expenditure and revenue, and the others (to cover expenditure-revenue gap in the local governments) are counted as an expenditure increase.

7. Comparison between FY1990 and FY2020 Budgets

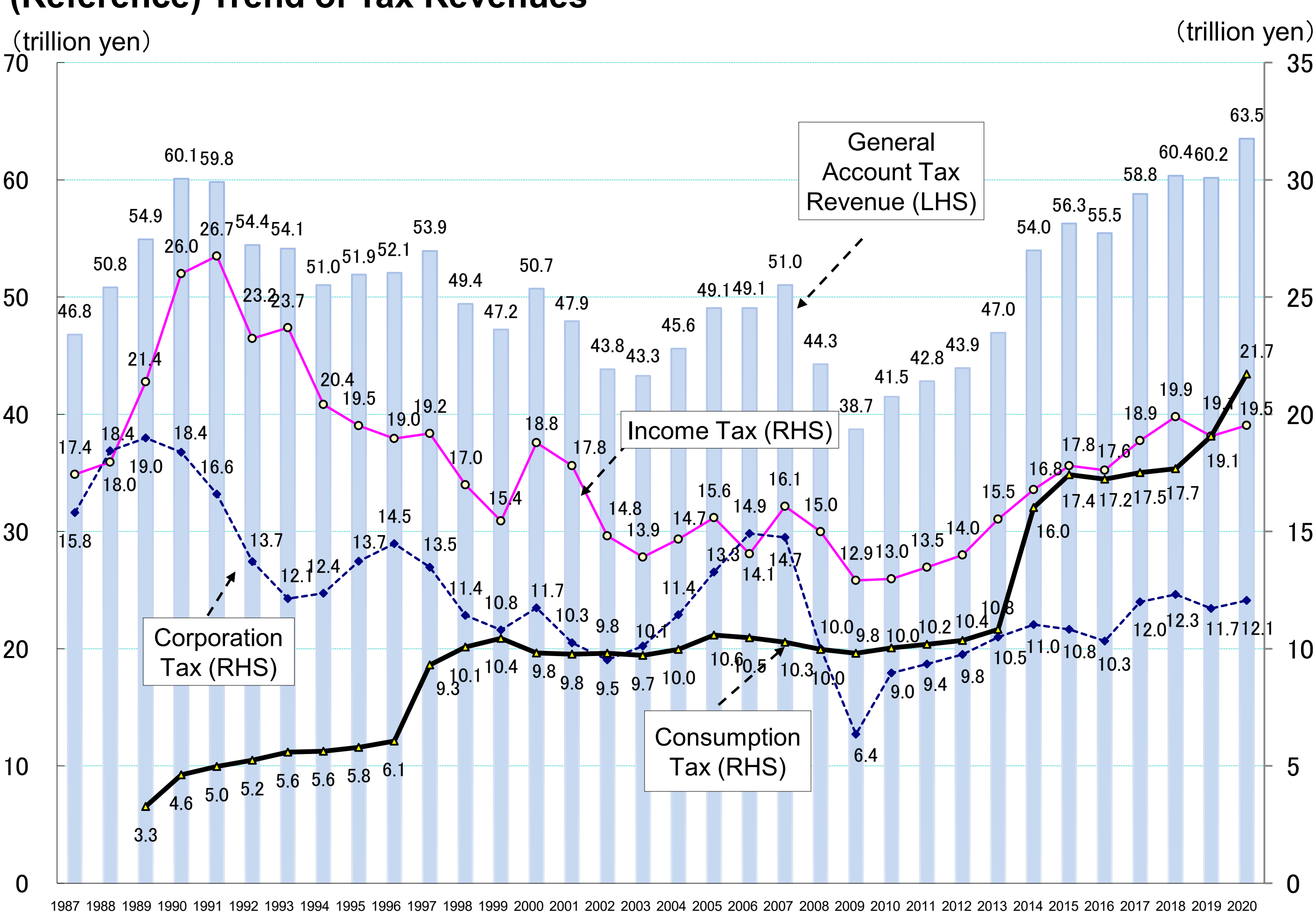
Compared to the FY1990 budget, when the issuance of special deficit-financing bond temporarily ended, social security-related expenses have significantly increased and they are covered by special deficit-financing bonds in the FY2020.

(Unit: trillion yen)



(Note1) Figures in parentheses represent the percentage of social security expenditure to general expenditure.
(Note2) The general expenditure in FY1990 includes money transferred to Industrial Investment Special Account.
(Note3) FY2020 : Including Temporary and Special Measures

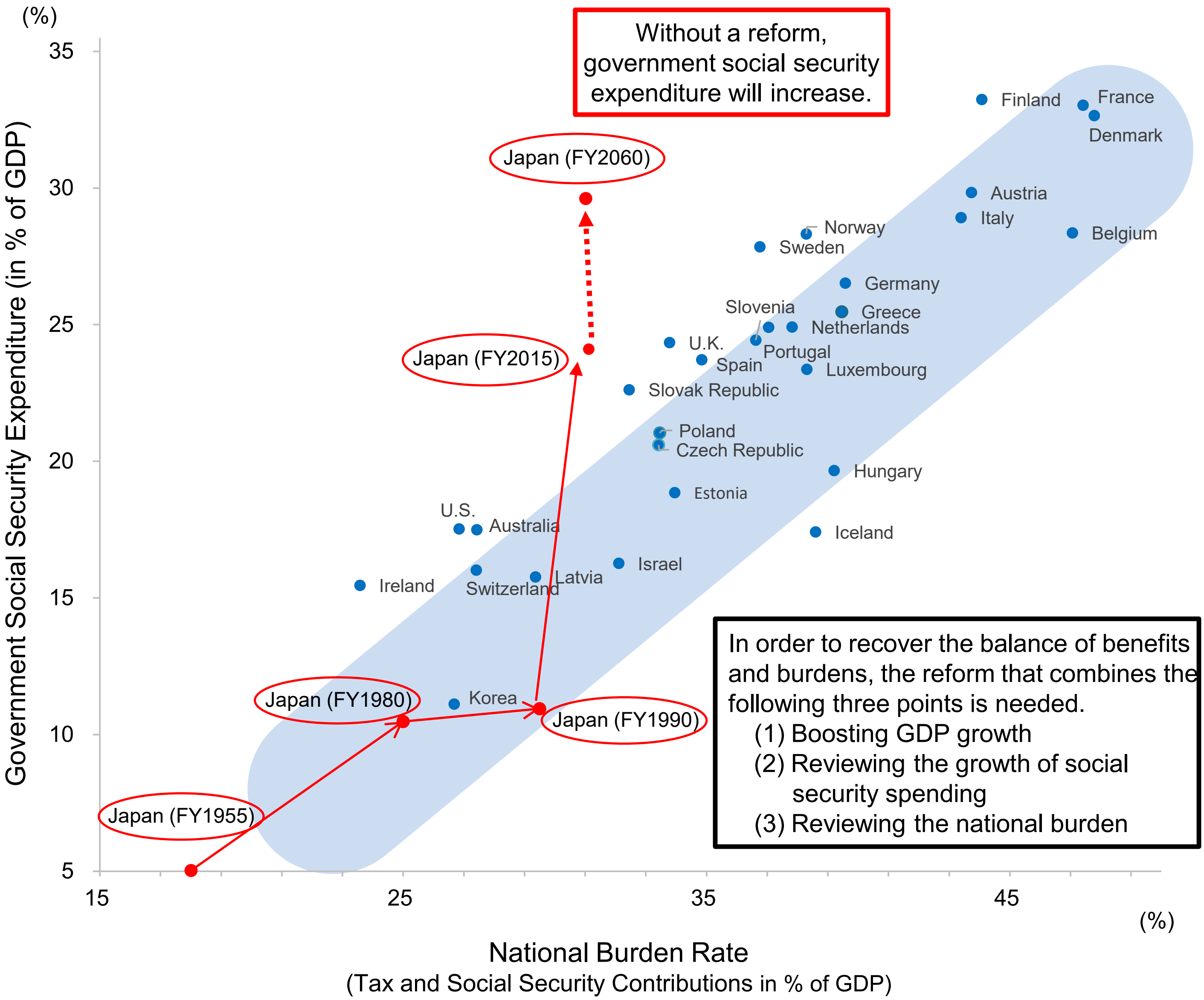
(Reference) Trend of Tax Revenues



(Note) FY1987- FY2018: Settled figures, FY2019: Based on the Supplementary Budget, FY2020: Based on the Initial Budget

8. Relationship between Social Security Expenditures and National Burden Rate in OECD Countries

The relationship between benefits and burdens in Japan is unbalanced compared with other countries. In order to ensure the stability of Japan's social security system, it is urgent to work on structural reforms.

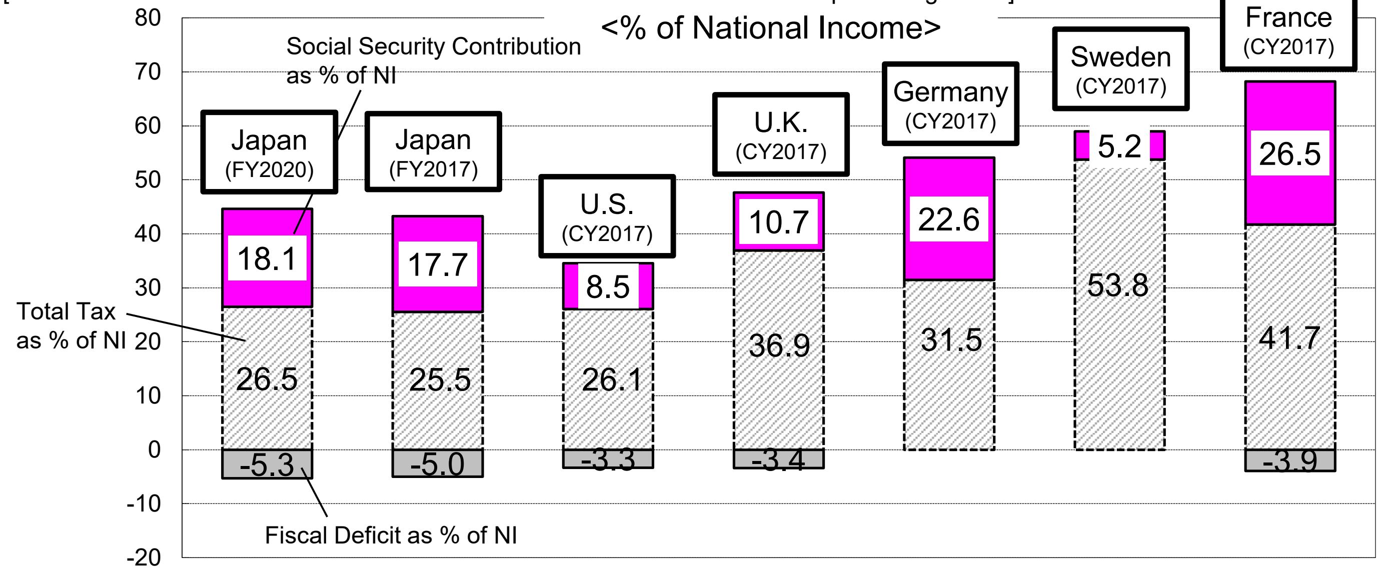


(Source) National Burden Rate: OECD "National Accounts", "Revenue Statistics", Cabinet Office "National Accounts" etc.
Social Security Expenditure: OECD "National Accounts", Cabinet Office "National Accounts".
(Note1) The figure represents the general government-based data (including the central and local governments and the social security funds).
(Note2) Japan: Actual figures of FY2015, Iceland, New Zealand and Australia: Actual figures of CY2014, Other countries: Actual figures of CY2015
(Note3) The figure for Japan in FY2060 is calculated based on Fiscal System Council "Long-term Projections on Japanese Public Finances (revised edition)" (April 6 2018, submitted by Working Group).

9. International Comparison of National Burden Rate

Japan's national burden rate remains lower than that in other countries. In order to ensure the sustainable public finance and social security system, it is necessary to encourage discussion among the general public on the relationship between the increase in social security benefits due to aging population and the burden owed by citizens.

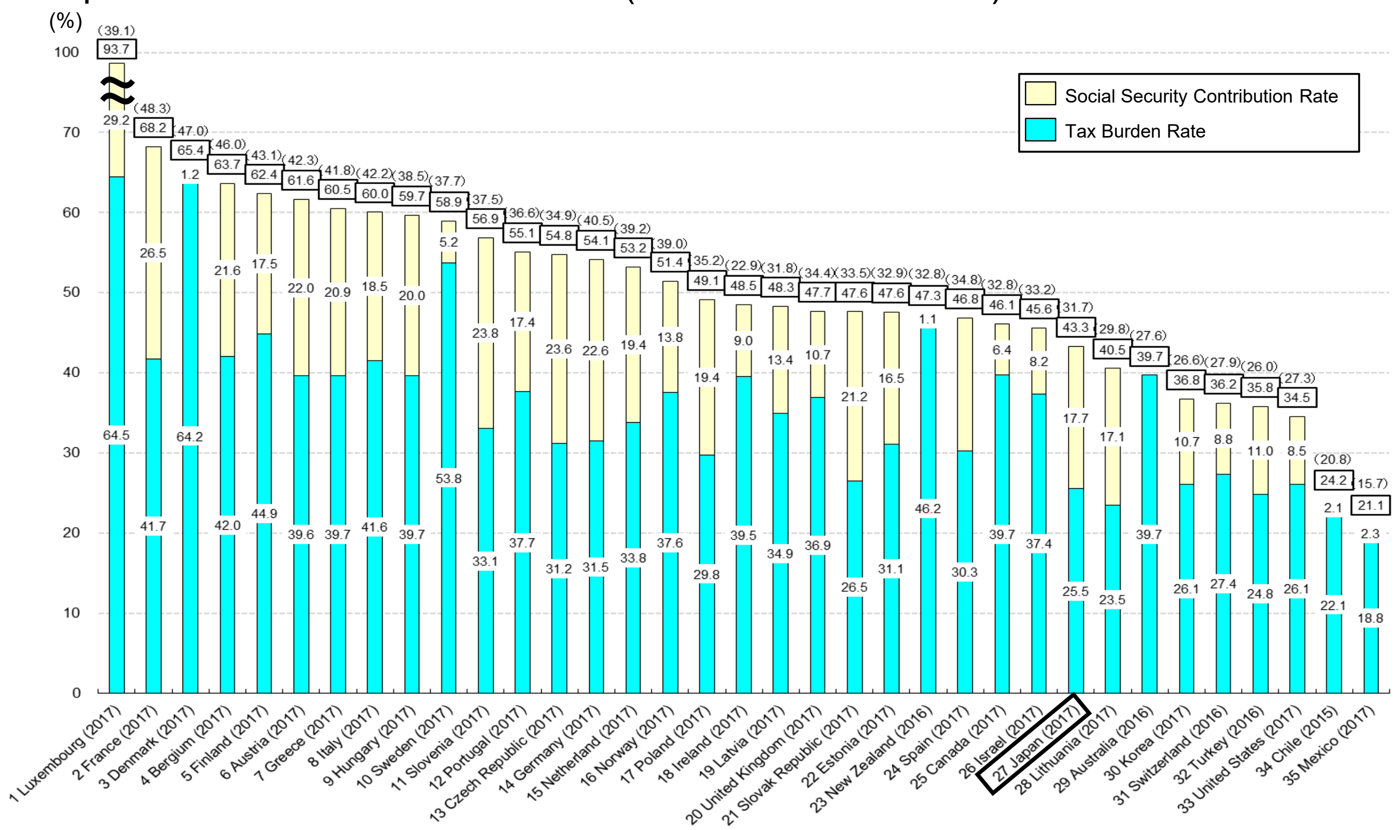
[National Burden Rate = Total Taxes as a percentage of National Income (NI) + Social Security Contribution as a percentage of NI]
[Potential National Burden Rate = National Burden Rate + Fiscal Deficit as a percentage of NI]



National Burden Rate	44.6(32.5)	43.3(31.7)	34.5(27.3)	47.7(34.4)	54.1(40.5)	58.9(37.7)	68.2(48.3)
Potential National Burden Rate	49.9(36.3)	48.3(35.3)	37.9(30.0)	51.0(36.8)	54.1(40.5)	58.9(37.7)	72.1(51.1)

(Source) Cabinet Office "National Accounts", OECD "National Accounts", "Revenue Statistics"
(Note1) The figures represent ratio of national income. (The figures in parentheses represent the percentage of GDP.)
(Note2) Japan: Projected figures of FY2020; Actual figures of FY2017. Other countries: Actual figures of CY2017
(Note3) The ratio of fiscal balance to NI is based on general government data, except for Japan and the U.S. where the figures of the social security funds are excluded.

Comparison of National Burden Rate (% of National Income) in OECD Countries

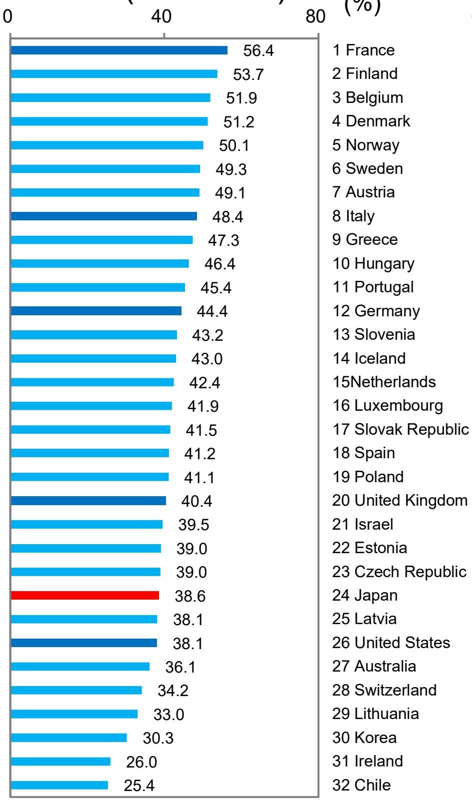


(Note1) 35 countries: Actual figures, Iceland: no data
(Note2) Figures in parentheses represent Tax and National Burden Ratio as % of GDP.
(Sources) Japan: Cabinet Office "National Accounts", Other Countries: "National Accounts"(OECD), "Revenue Statistics" (OECD).

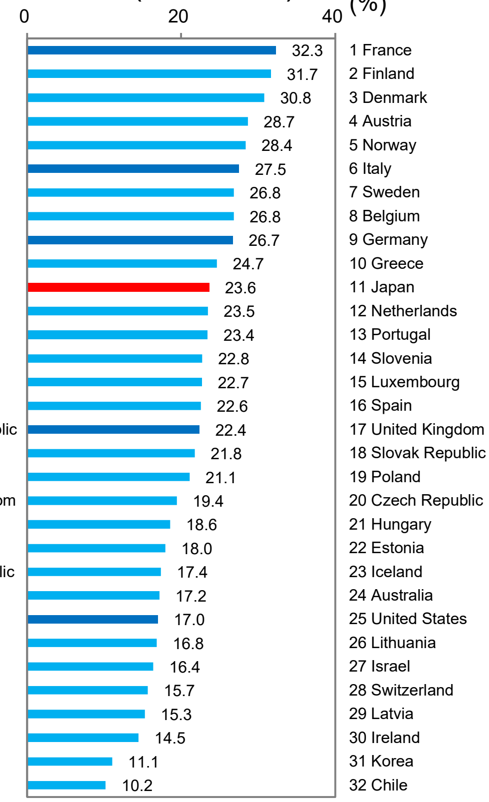
10. Revenues and Expenditures in OECD Countries

Compared to the other OECD countries, Japan's total expenditure is at a lower level. Japan's social security expenditures can be classified as mid-level reflecting the aging population, while the non-social security expenditures are lower. In addition, the tax revenue and the fiscal balance stand at a lower level.

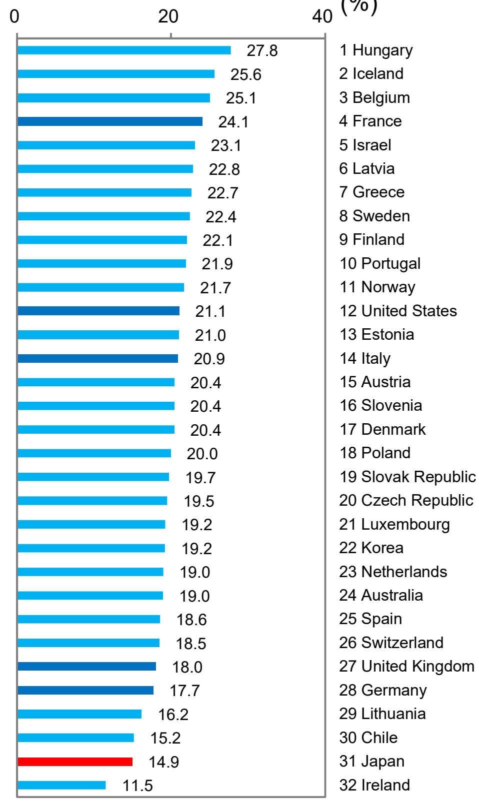
Total Expenditure (% of GDP)



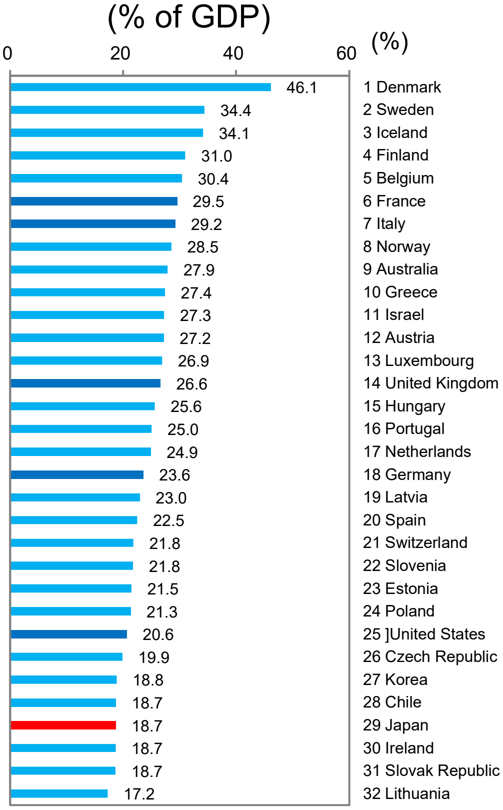
Social Security Expenditures (% of GDP)



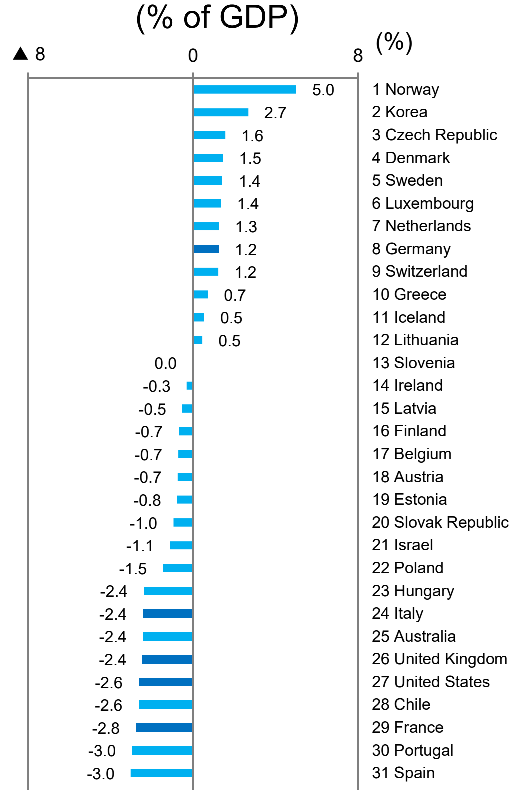
Non-Social Security Expenditures (% of GDP)



General Government Tax Revenue (% of GDP)



General Government Fiscal Balance (% of GDP)

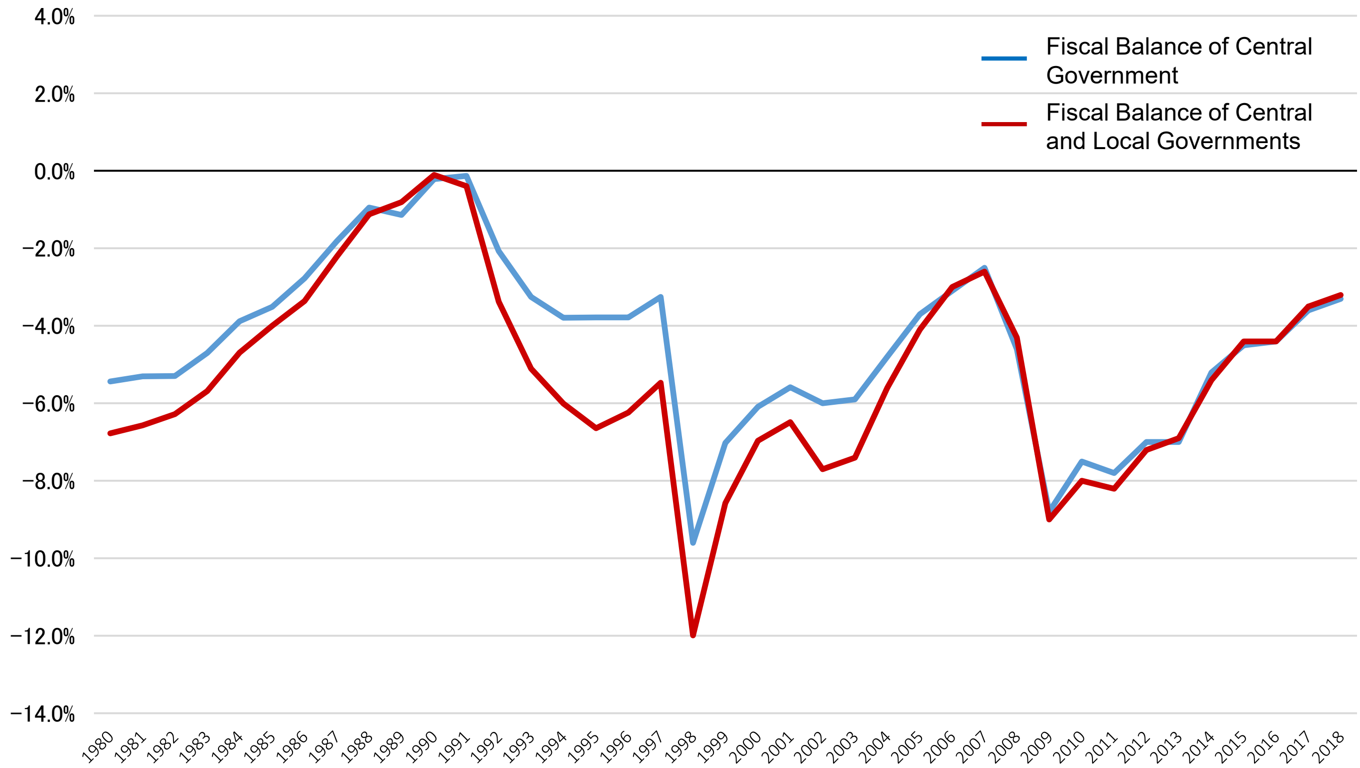


(Source) OECD "National accounts" and "Revenue Statistics", Cabinet Office "National Accounts", etc.
(Note1) Japan: Actual Figures of FY2017, Australia: Actual Figures of CY2015, Chile: Actual Figures of CY2016, Other countries: Actual Figures of CY2017.
(Note2) Figures are based on general government data except for "General Government Fiscal Balance" of Japan and the U.S., where the figures of the social security funds are excluded. Figures for Japan are adjusted to exclude one-off factors.

11. Fiscal Balance and Primary Balance (% of GDP)

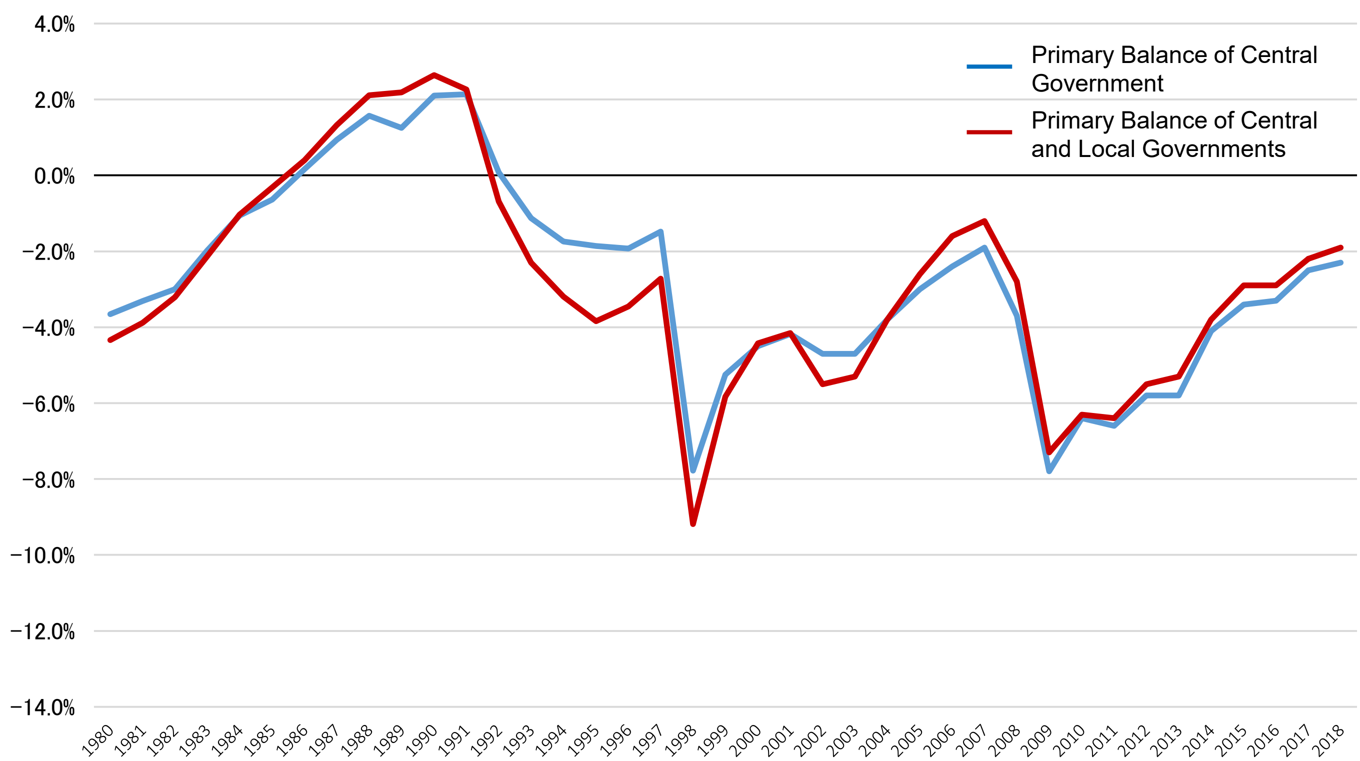
Japan's fiscal and primary balance remain in deficit.

■ Fiscal balance (% of GDP)



(Note1) Figures for FY1980 to FY1993 are calculated based on 93SNA; Figures for FY1994 to FY2018 are calculated based on 08SNA.
(Note2) Figures are settled figures. Figures for FY1980 to FY2001 are calculated by simply adding net lending(+) and net borrowing(-).
Figures for FY2002 to FY2018 are calculated based on the Economic and Fiscal Projections for Medium to Long Term Analysis (Excluding the expenditures and the fiscal resources for the recovery and reconstruction measures, and excluding one-off factors).

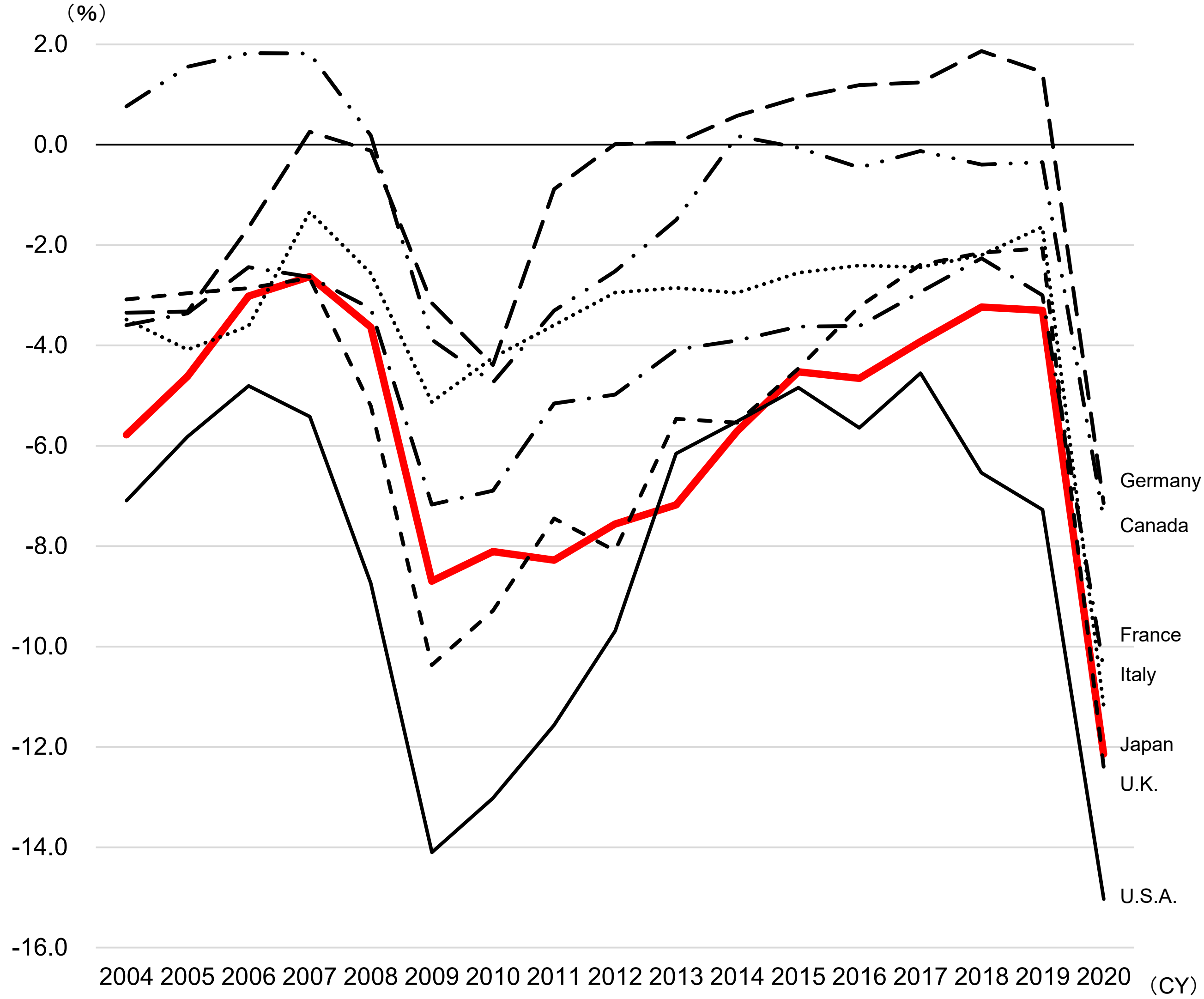
■ Primary balance (% of GDP)



(Note1) Figures for FY1980 to FY1993 are calculated based on 93SNA; Figures for FY1994 to FY2017 are calculated based on 08SNA.
(Note2) Figures are settled figures. Figures for FY1980 to FY2001 are calculated based on SNA.
Figures for FY2002 to FY2018 are calculated based on the Economic and Fiscal Projections for Medium to Long Term Analysis (Excluding the expenditures and the fiscal resources for the recovery and reconstruction measures, and excluding one-off factors).

12. International Comparison of General Government Fiscal Balance (% of GDP)

Japan's fiscal balance has deteriorated due to the impact of the global financial crisis in autumn 2008, as other major countries experienced the same situation as well. Though Japan's fiscal balance has been in recovery trends since then, Japan has continued to run a large deficit.

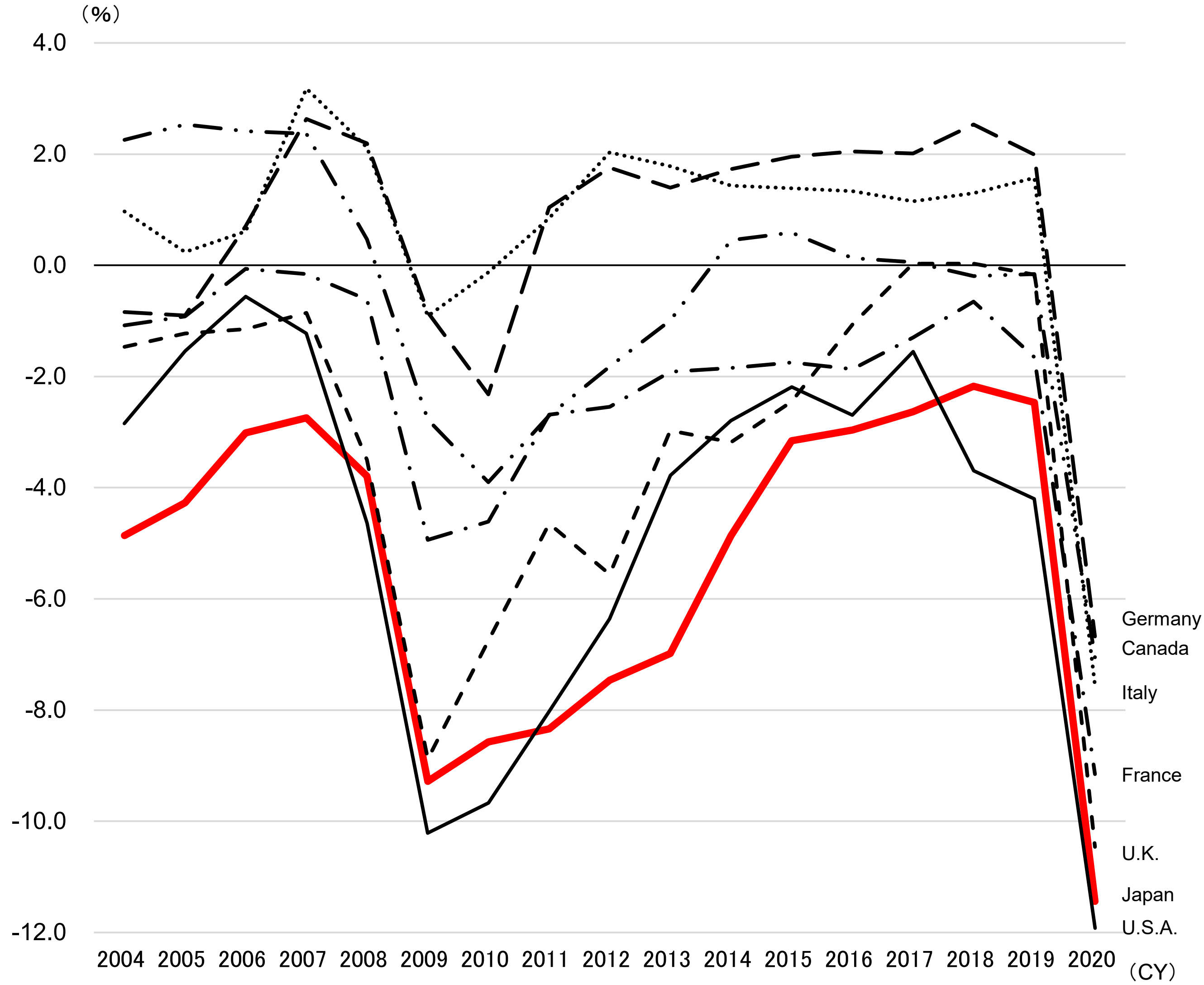


CY	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Japan	- 5.8	- 4.6	- 3.0	- 2.6	- 3.6	- 8.7	- 8.1	- 8.3	- 7.6	- 7.2	- 5.7	- 4.5	- 4.7	- 3.9	- 3.2	- 3.3	- 12.1
U.S.A.	- 7.1	- 5.8	- 4.8	- 5.4	- 8.7	- 14.1	- 13.0	- 11.6	- 9.7	- 6.2	- 5.5	- 4.8	- 5.6	- 4.5	- 6.5	- 7.3	- 15.0
U.K.	- 3.1	- 3.0	- 2.9	- 2.7	- 5.2	- 10.4	- 9.3	- 7.4	- 8.1	- 5.5	- 5.5	- 4.5	- 3.2	- 2.4	- 2.2	- 2.1	- 12.4
Germany	- 3.3	- 3.3	- 1.7	0.3	- 0.1	- 3.2	- 4.4	- 0.9	0.0	0.0	0.6	0.9	1.2	1.2	1.9	1.4	- 7.1
France	- 3.6	- 3.4	- 2.4	- 2.6	- 3.3	- 7.2	- 6.9	- 5.2	- 5.0	- 4.1	- 3.9	- 3.6	- 3.6	- 2.9	- 2.3	- 3.0	- 10.4
Italy	- 3.5	- 4.1	- 3.6	- 1.3	- 2.6	- 5.1	- 4.2	- 3.6	- 2.9	- 2.9	- 3.0	- 2.6	- 2.4	- 2.4	- 2.2	- 1.6	- 11.2
Canada	0.8	1.6	1.8	1.8	0.2	- 3.9	- 4.7	- 3.3	- 2.5	- 1.5	0.2	- 0.1	- 0.5	- 0.1	- 0.4	- 0.3	- 7.5

（Source）OECD "Economic Outlook 107"（June, 2020）(Single-hit scenario)
（Note 1）Figures represent the general government-based data (including the central/local governments and social security funds), except for Japan and the U.S.A, where the figures of the social security funds are excluded.
（Note 2） Japan: 2019-2020 are estimated figures, Other countries: 2020 are estimated figures.

13. International Comparison of General Government Primary Balance (% of GDP)

It is highly necessary for Japan to achieve primary surplus, given the country's highest debt-to-GDP ratio in the world, but in terms of flow balance Japan's fiscal management is not necessarily tight.



CY	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Japan	- 4.9	- 4.3	- 3.0	- 2.7	- 3.8	- 9.3	- 8.6	- 8.3	- 7.5	- 7.0	- 4.9	- 3.2	- 3.0	- 2.6	- 2.2	- 2.5	- 11.4
U.S.A.	- 2.8	- 1.5	- 0.6	- 1.2	- 4.6	- 10.2	- 9.7	- 8.0	- 6.4	- 3.8	- 2.8	- 2.2	- 2.7	- 1.6	- 3.7	- 4.2	- 11.9
U.K.	- 1.5	- 1.2	- 1.2	- 0.9	- 3.5	- 8.9	- 6.8	- 4.6	- 5.6	- 3.0	- 3.2	- 2.5	- 1.1	0.0	0.0	- 0.2	- 10.5
Germany	- 0.8	- 0.9	0.7	2.6	2.2	- 0.8	- 2.3	1.0	1.8	1.4	1.7	2.0	2.0	2.0	2.5	2.0	- 6.7
France	- 1.1	- 0.9	- 0.1	- 0.2	- 0.6	- 4.9	- 4.6	- 2.7	- 2.5	- 1.9	- 1.8	- 1.8	- 1.9	- 1.3	- 0.7	- 1.7	- 9.2
Italy	1.0	0.2	0.6	3.2	2.1	- 0.9	- 0.1	0.8	2.0	1.8	1.4	1.4	1.3	1.1	1.3	1.6	- 7.6
Canada	2.3	2.5	2.4	2.4	0.5	- 2.8	- 3.9	- 2.7	- 1.8	- 1.0	0.5	0.6	0.1	0.1	- 0.2	- 0.2	- 7.0

(Source) OECD "Economic Outlook 107" (June, 2020) (Single-hit scenario)
(Note1) Figures represent the general government-based data (including the central/local governments and social security funds).
(Note2) Japan: 2019-2020 are estimated figures, Oher countries: 2020 are estimated figures.

14. International Comparison of General Government Gross Debt (% of GDP)

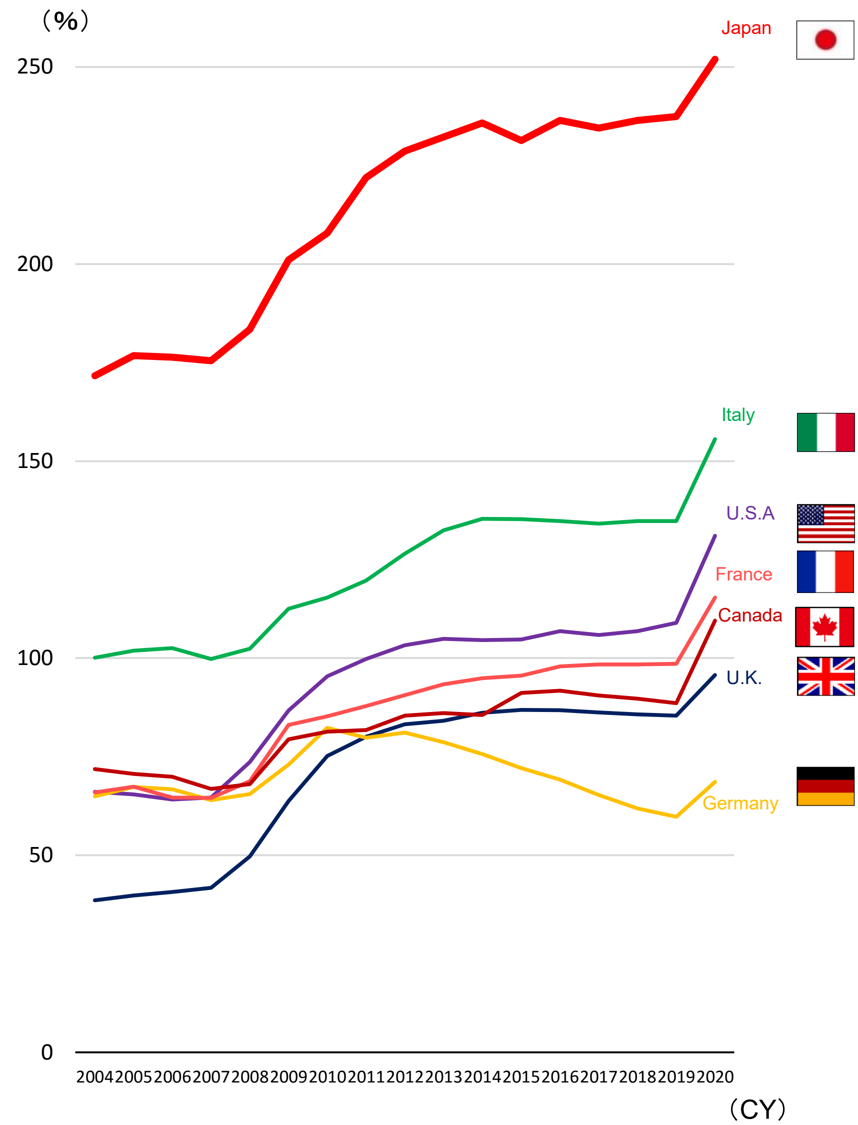
Japan's general government gross debt-to-GDP ratio now stands at the highest level not only among major advanced countries but also among all countries.

＜World Ranking (out of 113 countries)＞

1	Hong Kong	0.1%
2	Timor-Leste	6.6%
⋮		
33	Korea	36.7%
⋮		
56	China	46.1%
⋮		
85	Germany	65.3%
⋮		
98	U.K.	86.2%
99	Canada	90.5%
⋮		
101	France	98.4%
⋮		
106	U.S.A.	105.9%
⋮		
110	Italy	134.1%
⋮		
113	Japan	234.5%

* Settled figures in 2017

＜Comparison with Major Advanced Countries＞



CY	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Japan	171.7	176.8	176.4	175.4	183.4	201.0	207.9	221.9	228.7	232.2	235.8	231.3	236.4	234.5	236.5	237.4	251.9
U.S.A.	66.1	65.4	64.2	64.6	73.7	86.7	95.4	99.8	103.3	104.9	104.6	104.8	106.8	105.9	106.9	109.0	131.1
U.K.	38.6	39.8	40.7	41.7	49.7	63.7	75.2	80.1	83.2	84.2	86.2	86.9	86.8	86.2	85.7	85.4	95.7
Germany	65.0	67.4	66.7	64.0	65.5	73.0	82.3	79.8	81.1	78.7	75.7	72.1	69.2	65.3	61.9	59.8	68.7
France	65.9	67.4	64.6	64.5	68.8	83.0	85.3	87.8	90.6	93.4	94.9	95.6	98.0	98.4	98.4	98.5	115.4
Italy	100.1	101.9	102.6	99.8	102.4	112.5	115.4	119.7	126.5	132.4	135.3	135.3	134.8	134.1	134.8	134.8	155.5
Canada	71.9	70.6	69.9	66.9	68.0	79.4	81.3	81.8	85.4	86.1	85.6	91.2	91.7	90.5	89.7	88.6	109.5

(Source) 2004 - 2010: IMF "World Economic Outlook Database" (October 2019) , 2011 - 2020: IMF "Fiscal Monitor"(April, 2020)
(Note1) Figures represent the general government-based data (including the central/local governments and social security funds).
(Note2) Figures for 2019-2020 include estimates of IMF.

(Column 1) How to View the Assets in Japan

The assets earmarked with the debts (such as pension reserves and FILP loans) are not directly related to fiscal consolidation because they are not included in "Bonds outstanding of central and local governments", which is the benchmark of fiscal consolidation target.
In addition, attention should be paid to the fact that tangible fixed assets the government owns are not marketable, or, if so, their price can sharply drop in the case of fiscal crisis.

(Reference1) Views of IMF and OECD to Japan's Assets

■ IMF "Fiscal Monitor" (October 2018)

- **Recognizing assets on the balance sheet does not negate the vulnerabilities associated with high public debt**. **Many assets are illiquid or not marketable and would not be available to meet rollover or deficit financing needs in the short term.** Asset valuations are also more volatile than debt and can be highly correlated with the economic cycle — meaning **their values can be at their nadir when financing needs are most pressing.** Therefore, **the assessments of gross debt, deficits, and financing needs remain important for fiscal policy.**

- Nonfinancial assets include buildings, infrastructure, and land. Many of these assets comprise the public capital stock and play an integral role in delivering economic and social outcomes; they are typically illiquid and nonmarketable, or marketable only over the medium to long term (for example, privatizations).

- Financial assets are often marketable and relatively liquid, with the exception of direct loans and nonlisted equity holdings in public corporations, which may be less reliably valued.

■ OECD "Economic Surveys: JAPAN" (April 15 2015)

- In sum, while the large stock of government assets needs to be borne in mind, **gross government debt appears to be the best summary measure of the public-sector position**.

- (…) **tangible fixed assets, such as roads and public buildings**, account for more than a quarter of central government assets, and these **cannot be easily turned into cash in case of emergency**.

(Reference2) International Comparison of Net Debt-to-GDP Ratio

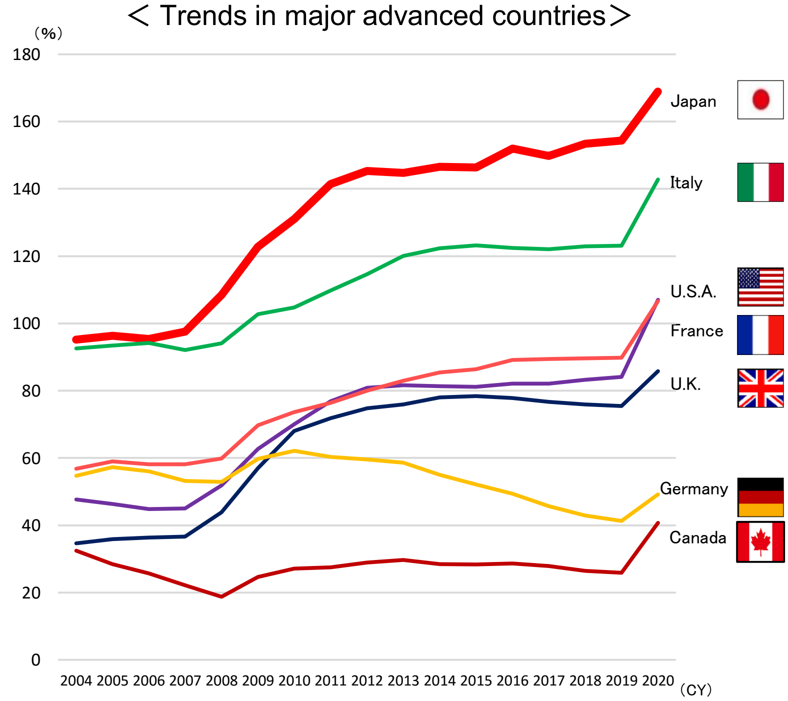
Even in terms of net debt, which means government's gross debt less government-owned financial assets (such as pension reserves consisting of pension premiums), net debt-to-GDP ratio stands at the highest level not only among G7 countries but also major countries.

< Ranking in 62 countries >

1	Norway	-79.3%
2	Kazakhstan	-15.8%
3	Luxembourg	-11.2%
⋮		
9	Korea	6.3%
⋮		
21	Canada	27.9%
⋮		
34	Germany	45.7%
⋮		
52	U.K.	76.7%
⋮		
54	U.S.A.	82.1%
⋮		
58	France	89.5%
⋮		
61	Italy	122.1%
62	Japan	149.8%

* Settled figures in 2017

< Trends in major advanced countries >



(Source) 2004-2010: IMF "World Economic Outlook Database" (October 2019), 2011-: IMF "Fiscal Monitor" (15th April, 2020)
(Note1) Figures represent the general government-based data (including the central/local governments and social security funds).
(Note2) Figures for 2019-2020 include estimates of IMF.
(Note3) Minus (-) of net debt figures means that assets exceed gross debt.

15. Problems of Dependence on Public Bonds

In Japan, there is an imbalance between benefits and burdens. If the current generation excessively increases governmental spending for themselves, great amount of burdens will be transferred to the future generations.

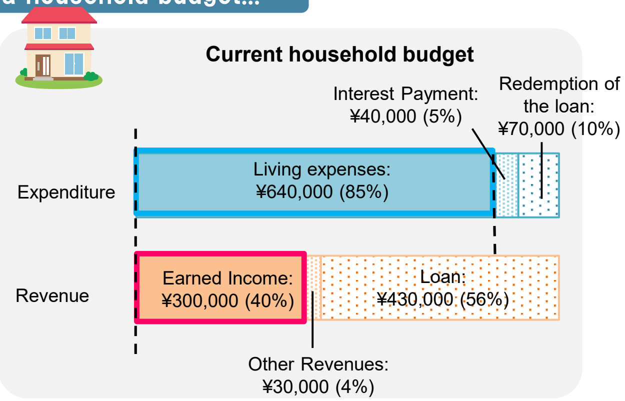
Imbalance between benefits and burdens

- ✓ In Japan, as the tax revenue to compensate for the increase in social security expenditures is not be secured, the imbalance between benefits and burdens continue, which undermine the sustainability of the scheme.
- ✓ Under a loose fiscal discipline that relies on the debt issuance, examinations whether the spending would contribute to the medium-to-long-term economic growth and benefits of the future generations tend to be looser.

If the Japan's government budget were a household budget...

On the scales where the general account budget* corresponds to a household budget which earns 300 thousand yen per a month, the household spends 640 thousand yen for living expenses, which exceeds its monthly income. The household would also newly borrows 430 thousand yen including interest payments of existing debt.

- ○ The household maintains the living standard above the income level, by borrowing new money every month.
- ○ It borrows new money to pay off past debts and has significant interest payments on debts.



・Figures for the general account budget includes the Temporary and Special Measures of FY2020 Supplementary Budgets.

Undesirable redistribution

- ✓ Among future generations, while those who hold JGBs can receive the interest payments and the redemption of bonds, those who have not bear a substantial increase in burdens. (e.g., a restraint in social security-related expenditures and tax hike.)
- ✓ Although future generations are not involved in the decision-making, they will be required to bear tax burdens etc., which causes undesirable redistribution.

Narrowed policy options caused by fiscal rigidity

- ✓ There will be limited room for flexible fiscal responses when economic crises and large-scale natural disasters occur.

Increased risk, such as confidence deterioration on the government bond and the national currency

16. Fiscal Management in a Low Interest Rate Environment

Even in a low interest rate environment, it is important to promote fiscal consolidation without depending on public debt issuance.

"Assumption that r<g lasts forever" is overly optimistic

- ✓ In many cases in the past, interest rates were higher than the nominal growth rate. Assuming that interest rates will continue to be less than the nominal growth rate is over optimistic.
- ✓ Therefore, it is necessary to assume that interest rates is at least as high as the nominal growth rate.

Primary surplus is needed to steadily lower the debt-to-GDP ratio

- ✓ In case interest rates are lower than nominal growth rate, the debt-to-GDP ratio is unlikely to decline If the new debt added by the primary balance deficit in each year is large.

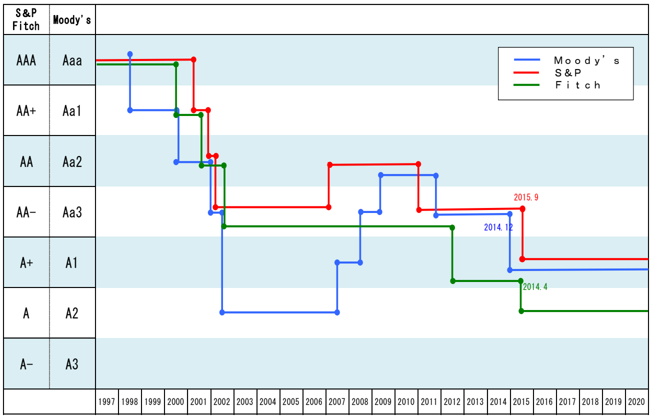
Confidence in Japan's public finance is a prerequisite for taking advantage of low interest rates

- ✓ Confidence in government bonds and the market's stable absorption of the government bonds are the results of efforts of fiscal consolidation. Arguing that "efforts of fiscal consolidation is unnecessary because there is confidence in government bonds" is like putting the cart before the horse.
- ✓ A loss of confidence in government bonds will have a negative impact on confidence in the currency and financial conditions of financial institutions. Even if debt is denominated in its own currency, the risk of capital flight exists.

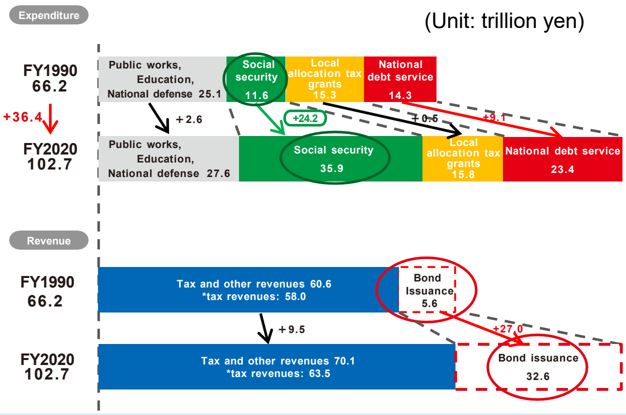
Japan's fiscal deficit stems from structural factors

- ✓ Japan's fiscal deficit is due to structural factors including an increase in social security expenditures reflecting a low birthrate and aging population.
- ✓ The structural challenge of ensuring the sustainability of the social security system should not be left unresolved in the name of "flexible fiscal responses.".

Trends in JGB ratings by major credit ratings agencies



Change in fiscal structure (FY1990→FY2020)



17. Transition of Japan's Fiscal Consolidation Target

The issuance of special deficit-financing bonds was temporarily ended in FY1990, but it resumed in FY1994 to cope with the Great Hanshin-Awaji Earthquake etc., and has continued until now. Then, the fiscal consolidation flow target was converted from "cessation of the issuance of special deficit-financing bonds" to "primary surplus of the central and local governments", and the government has made effort to achieve primary surplus.

May. 14 1976	the Economic Plan for the first half of the 1970s (Cabinet Decision)	Cessation of the issuance of special deficit-financing bonds	Return to the public finance that does not depend on special deficit-financing bonds as soon as possible by FY1980.
Sep. 3 1979	Policy Speech by Prime Minister Masayoshi Ohira to the 88th Session of the Diet		Improve the public debt dependency with the basic goal of ceasing the issuance of special deficit-financing bonds by FY1984.
Aug. 12 1983	Outlook and Guidelines for the Economy and society in the 1980s (Cabinet Decision)		Improve the response capability of the public finance by getting out of special deficit-financing bonds dependence and reducing the Bond Dependency Ratio by FY1990.
Dec. 5 1997	Special measure law on promoting fiscal structural reform (Revised in June 5 1998, Ceased in Dec. 18 1998)		Reduce the fiscal deficits of the central and local governments to less than 3% of GDP by FY2003 and reduce bond issuances to zero by FY2003.
Jun. 25 2002	Basic Policy for Economic and Fiscal Management and Structural Reform 2002 (Cabinet Decision)	Primary Surplus of the central and local govern-ments	Achieve a surplus in the primary balance of the central and local governments in the early 2010s.
Jul. 7 2006	Basic Policy for Economic and Fiscal Management and Structural Reform 2006 (Cabinet Decision)		1) The Government will surely achieve a surplus in the primary balance of the central and local governments by FY2011. 2) Even after achieving a surplus in the primary balance, the central and local governments will ensure the prevention of divergence in the ratio of debts of the central and local governments to GDP and the stable reduction of the ratio.
Jun. 23 2009	Basic Policy for Economic and Fiscal Reform 2009 (Cabinet Decision)		Achieve a surplus of the primary balance of the central and local governments within the next 10 years. Reduce the primary deficit of central and local governments to GDP ratio, excluding temporary deficits incurred by economic stimulus packages, by at least half within the next 5 years.
Jun. 22 2010	Fiscal Management Strategy (Cabinet Decision)		1) For the national government primary balance as well as the national and local governments primary balance, the deficit ratio to GDP shall be halved from the ratio in FY2010 by FY2015 at the latest, and the surplus shall be achieved by FY2020 at the latest. 2) From FY2021, a stable reduction in the ratio of public debt to GDP for national and local governments shall be maintained
Aug. 8 2013	Basic Framework for Fiscal Consolidation: Medium-term Fiscal Plan (Approved by the Cabinet)		The Government aims to halve the primary deficit of the national and local governments to GDP ratio by FY2015 from the ratio in FY2010 and to achieve a primary surplus by FY2020, thereafter the Government will seek to steadily reduce the public debt-to-GDP ratio.
Jun. 30 2015	Basic Policy on Economic and Fiscal Management and Reform 2015 (Cabinet Decision)		The Government aims to achieve a primary surplus by FY2020, thereafter the Government will seek to steadily reduce the public debt-to-GDP ratio.
Jun. 15 2018	Basic Policy on Economic and Fiscal Management and Reform 2018 (Cabinet Decision)		Aim for the primary surplus of the central and local governments by FY 2025 by implementing economic revitalization and fiscal consolidation steadily. At the same time, firmly maintain the aim of reducing the public debt-to-GDP ratio steadily.

Current fiscal consolidation target

By FY2025	**Achieve a primary surplus of the national and local governments**
At the same time	**Steadily reduce the public debt-to-GDP ratio**

18. Stock and Flow Indicators for the Fiscal Consolidation Target

<Stock Indicator> Gross Government Debt-to-GDP Ratio

"Gross government debt-to-GDP ratio" is the indicator of the amount of debt outstanding owed by the central and local governments as a percentage of GDP. It is a key indicator for the soundness of the public finance which represents the ratio of the amount of debt owed by the central and local governments to the economic scale.

<Flow Indicators (1)> Fiscal Balance (Fiscal balance including interest payments)

"Fiscal balance" is the indicator to which extent the expenditures for policies and the interest payments can be financed by the tax revenues, etc. (without additional debt issuance).
The fiscal balance of zero means that the newly issued debt just finances existing debt redemption and that the amount of the debt outstanding remains unchanged. To reduce the amount of the debt outstanding, it is necessary to achieve a fiscal surplus, which means that some of the existing debt can be redeemed by the tax revenues.

＜Flow Indicators (2)＞ Primary Balance （Fiscal balance excluding interest payments）

"Primary balance" is the indicator to which extent the expenditures for policies can be financed by the tax revenues. It is a looser fiscal target than fiscal balance because interest payments are excluded. The primary balance of zero means that the redemption of the existing debt as well as the interest payments are financed by newly issued debt, which will increase the debt outstanding by the interest payments. In case of the primary deficit, it leads to further increase of the debt outstanding. In relation to the stock indicator (Gross government debt-to-GDP ratio), it is essential for the increase of the debt outstanding to be within the range of the increase of the GDP, and primary surplus/deficit and the interest rate/growth rate differentials are the key factors , which is explained in the next page.

Figure A: Current Situation

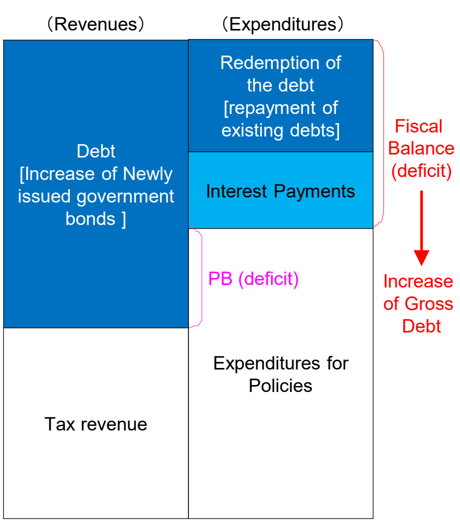


Figure B: Primary Balance Equilibrium

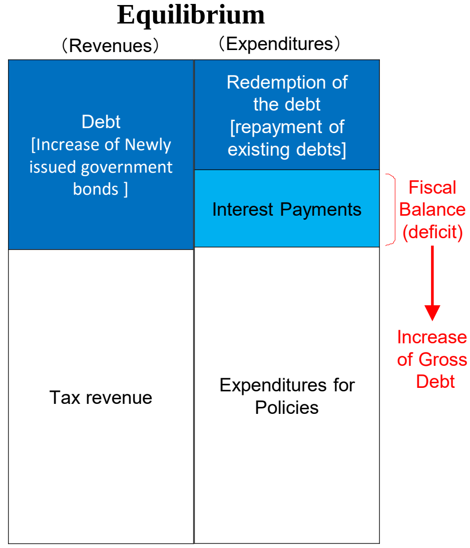
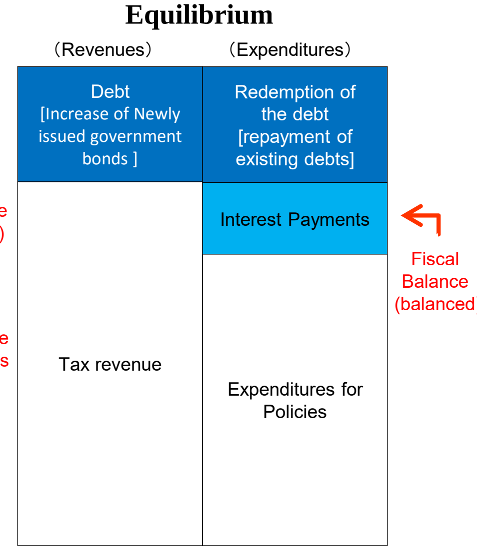


Figure C: Fiscal Balance Equilibrium



(Note) Interest income needs to be excluded from revenues when calculating the primary balance, but this process is omitted in these simplified figures.

In case the primary balance is zero,
- ･Interest rate＞Growth rate
  → The ratio of debt outstanding to GDP outstanding rises
- ･Interest rate＝Growth rate
  → The ratio of debt outstanding to GDP remains unchanged
- ･Interest rate＜Growth rate
  → The ratio of debt outstanding to GDP declines

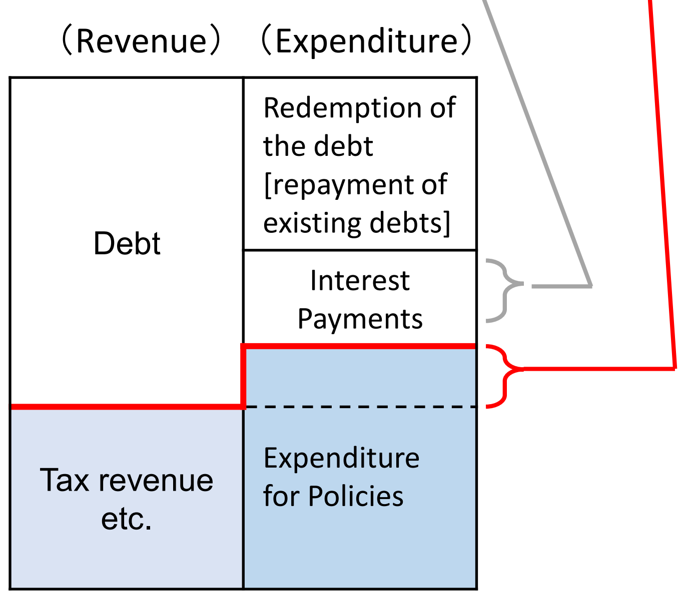
19. Relationship between a Stable Reduction in the Debt-to-GDP Ratio and an Improvement in the Flow Balance

Gross debt-to-GDP ratio is determined by 1) nominal growth rate and interest rate differentials and 2) primary balance. In many cases in the past, interest rates were higher than nominal growth rate. Therefore, improvement of the flow balance (Primary surplus) is needed to steadily lower the debt-to-GDP ratio while assuming that interest rates is at least as high as nominal growth rate.

- In case the both conditions of **Nominal interest rates (r) ＝ Nominal growth rates (g)** and **Primary deficit ＝ 0** are satisfied, the debt-to-GDP ratio remains stable.

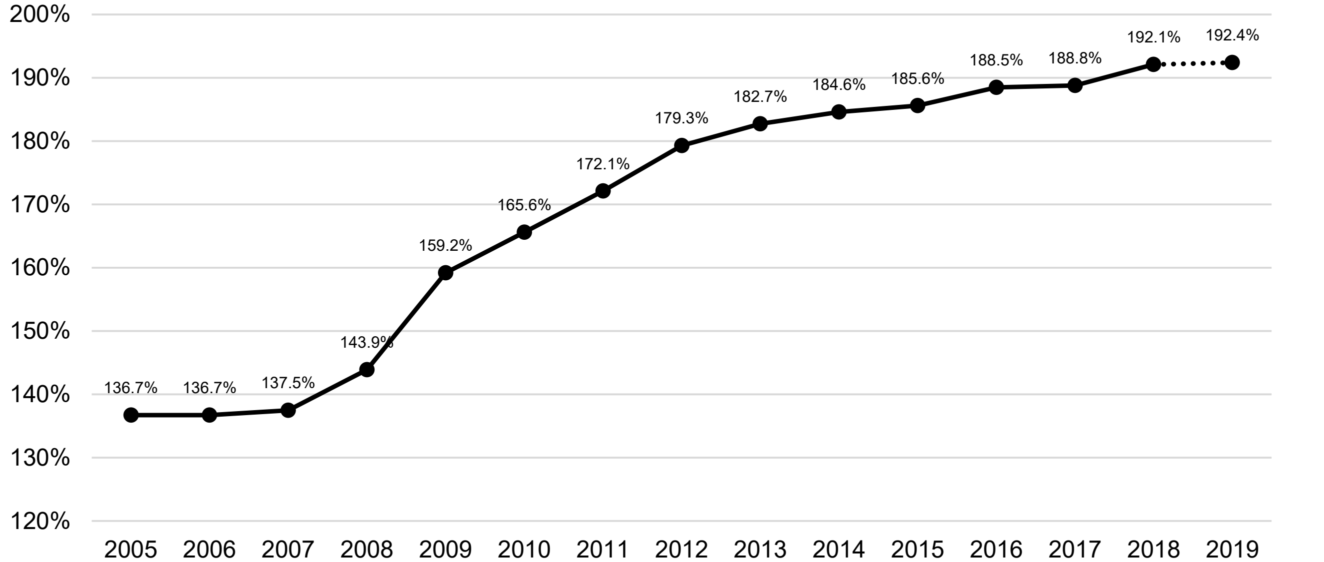
⇨ **Primary surplus is needed** to steadily reduce the debt-to-GDP ratio

$$\textbf{Debt-to-GDP ratio (current fiscal year)} = \frac{\text{Accumulated debts (previous fiscal year)} \times (1+ \textbf{Nominal interest rate (r)}) + \textbf{Primary deficit}\ \text{(current fiscal year)}}{\text{GDP (previous fiscal year)} \times (1+ \textbf{Nominal growth rate (g)})}$$



20. Trends in Bonds Outstanding of Central and Local Governments (% of GDP)

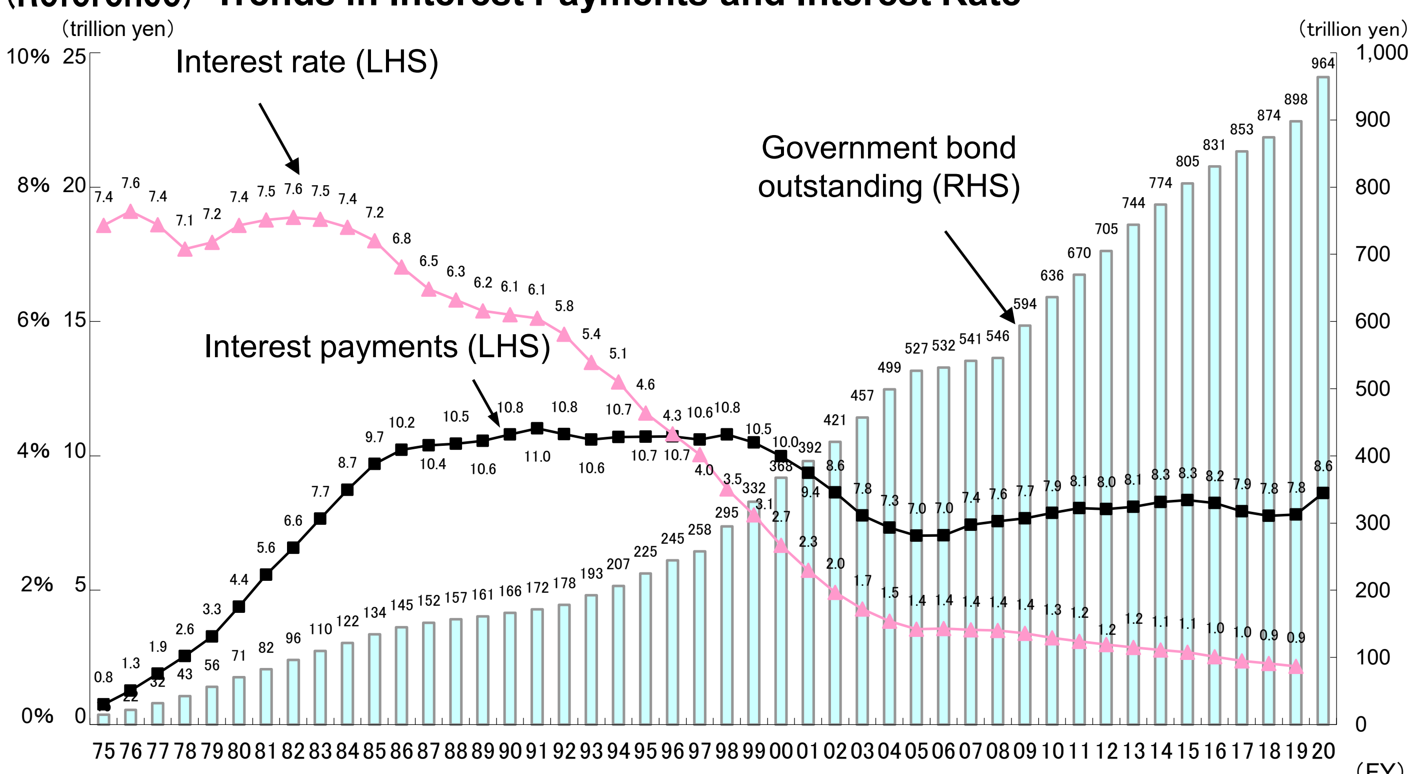
The public debt outstanding of central and local government to GDP ratio, a stock indicator used as a fiscal consolidation target, still remains high.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actual Price (trillion yen)	718.7	723.0	730.2	733.3	783.1	827.2	850.3	886.2	926.6	956.7	988.9	1011.7	1034.1	1053.5	1074.4
% of GDP	136.7%	136.7%	137.5%	143.9%	159.2%	165.6%	172.1%	179.3%	182.7%	184.6%	185.6%	188.5%	188.8%	192.1%	192.4%
Nominal GDP (trillion yen)	525.6	529.0	530.9	509.5	492.0	499.4	494.0	494.4	507.3	518.2	532.8	536.9	547.6	548.4	558.3

(Source) Cabinet Office "Economic and Fiscal Projections for Medium- to Long-term Analysis" (January 17, 2020)
(Note) Excluding the expenditures and the fiscal resources for the recovery and reconstruction measures.

(Reference) Trends in Interest Payments and Interest Rate



(Note1) Interest Payments for FY1975-2018: Settled Figures; FY2019: Based on the Supplementary Budget, FY2020: Based on the Second Supplementary Budget
(Note2) Government bonds outstanding for FY1975-2018: Actual Figures; FY2019: Based on the Supplementary Budget, FY2020: Based on the Second Supplementary Budget. Government Bonds Outstanding includes the following amount of Reconstruction Bonds.

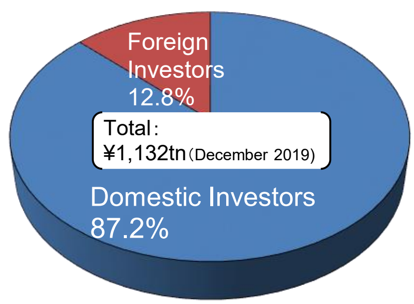
(Unit: trillion yen)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Reconstruction Bonds	10.7	10.3	9.0	8.3	5.9	6.7	5.5	5.4	6.2	5.6

(Column 2) Share of JGB Holders and Transaction in Secondary Market

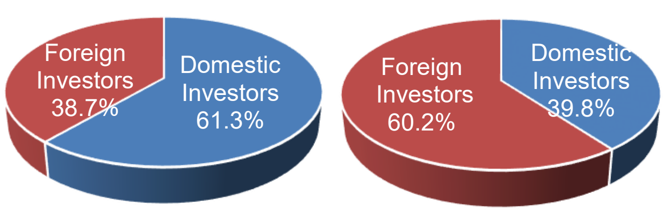
It is sometimes argued that there is no transfer of burden to the future generations because domestic citizens are lenders, but the burden is actually postponed to our descendants as noted on P.17.
As the presence of foreign investors and the share of them in secondary market has become more significant due to the progress of globalization and the increase in international financial transactions, the necessity to ensure the confidence in fiscal management from foreign investors has become more important.

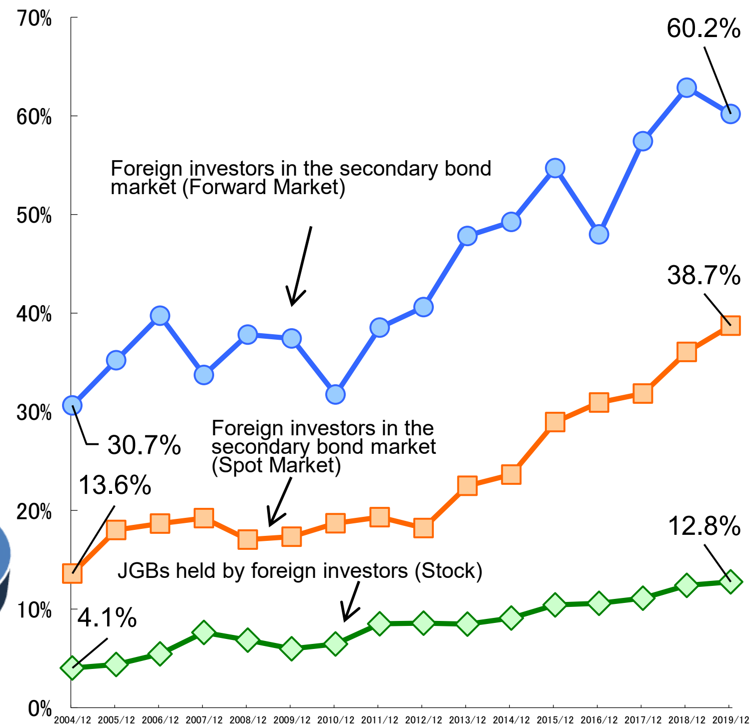
Japan Government Bonds (JGBs) Holders



JGB Transactions in Secondary Market

【Spot Market】 【Forward Market】



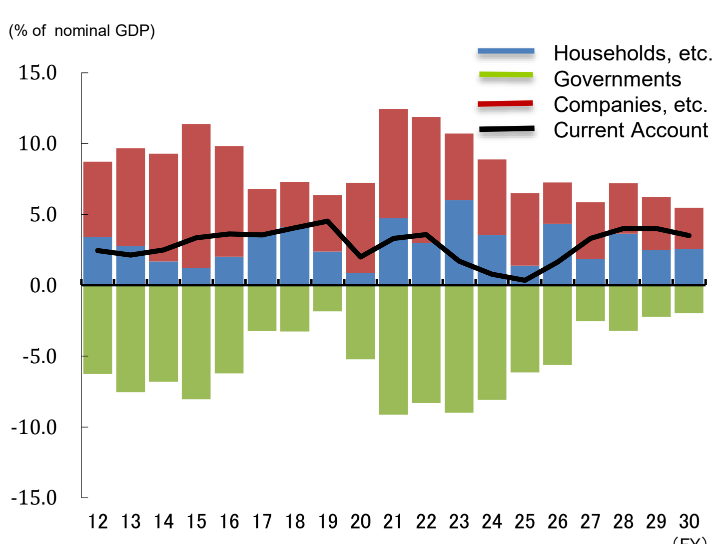


(Note1) Including Treasury Bills (T-Bills). The figures of Spot market excludes transactions by bond dealers.
(Note2) The percentage of government bonds held by foreign investors is as of December 2019.
The share of foreign investors in the secondary bond market is as of the fourth quarter of 2019 (October-December).
(Source) Bank of Japan, Japan Securities Dealers Association, Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc.

(Reference) Trend in Current Account

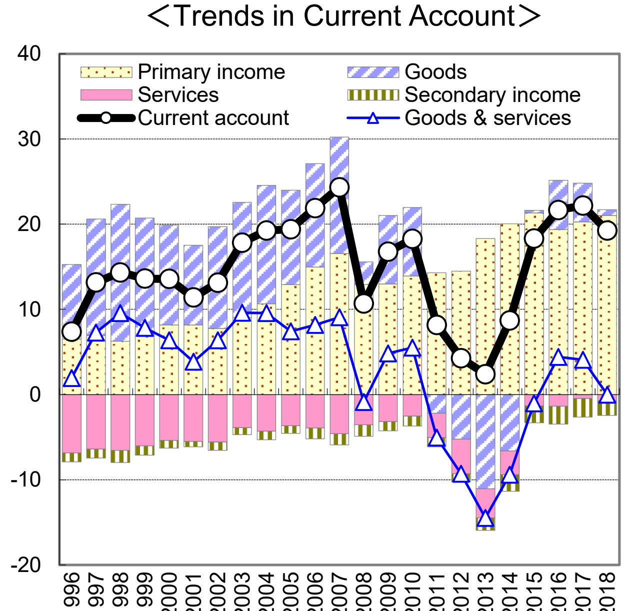
The Current Account in Japan is now in a surplus because the private saving surplus exceeds the deficit in the government sector. In case the amount of governments' fiscal deficits exceed that of the surplus in the private sector, Japan has to depend on foreign capital, namely current deficit. Therefore, continuous efforts toward fiscal consolidation are necessary.

＜Trends in Balance by Sectors＞



(Source) Bank of Japan, Cabinet Office
(Note) Households etc. : household＋private nonprofit institutions serving households
Companies etc. : non-finance corporation＋financial institution

＜Trends in Current Account＞



(Source) Ministry of Finance "Balance of Payments"

21. Efforts to Promote Fiscal Soundness

Based on the "New Plan to Advance Economic and Fiscal Revitalization", the government is working on expenditure reforms etc., under the basic policy of "Without economic revitalization, there can be no fiscal consolidation.".

Main points of the New Plan to Advance Economic and Fiscal Revitalization (Cabinet Decision in June 15, 2018)

Fiscal consolidation target

By FY2025	Achieve a primary surplus of the national and local governments
At the same time	Steadily reduce the public debt-to-GDP ratio

Mechanisms to integrate fiscal consolidation target and annual budget formulation for FY 2019 to FY2021

Social security expenditure	Keep the real increase within the levels equivalent to the expected increase due to aging population during FY2019-2021, based on economic and price trends
Non-social security expenditure	Continue the efforts of expenditure reform initiatives thus far, such as reviewing the priorities of policies, eliminating waste, and prioritizing budget, based on economic and price trends and other factors
Expenditures of the local government	Ensure the total amount of the general revenue sources in real terms, not less than the level of the FY2018 Fiscal Plan of Local Governments

Measures to realize the plan

- With a view to advancing a comprehensive discussion and carrying out necessary measures towards steadily establishing the "social security system for all generations" within the period of FY2019 to FY2021, the government will **conduct a review of progress** focusing on social security reform in FY2020; **compile policies** to be comprehensively and intensively implemented in the social security area in the basic policies; and **embody those policies** as early as possible.
- The progress will be **reviewed at the midpoint of the new Plan, or FY2021**; thereafter the outcome will be reflected in the subsequent reforms of expenditures and revenues towards achieving a primary surplus by FY2025.

(Reference) Views of International Organizations to Japan's Fiscal Policy

OECD Economic Surveys: JAPAN (April 15, 2019)

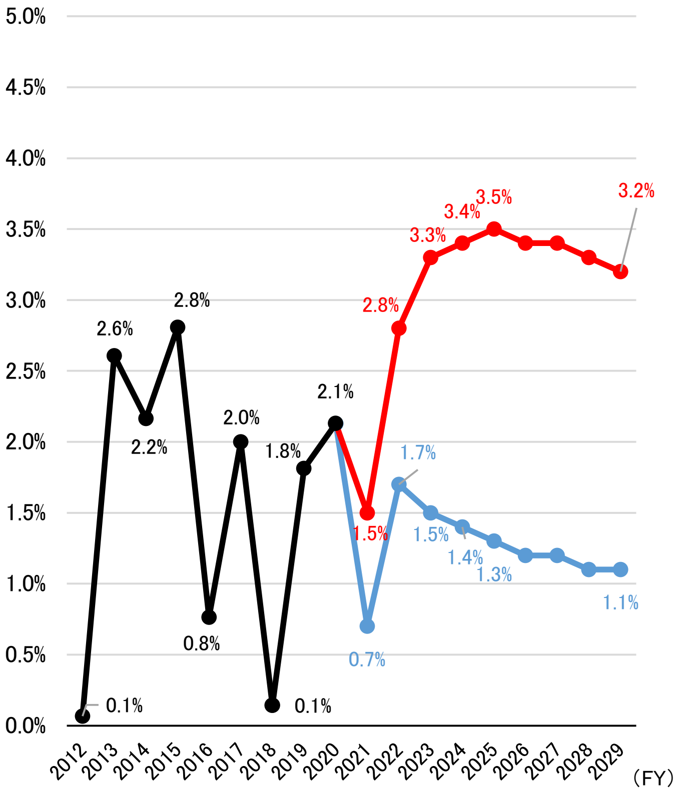
- Japan needs a comprehensive fiscal consolidation plan including specific spending cuts and tax increases, as well as an improved fiscal framework to ensure implementation of the plan. To reduce the government debt ratio to 150% of GDP by 2060, OECD estimates suggest a sustained primary surplus of 5% to 8% of GDP would be required.
- Containing spending growth requires focusing on health and long-term care by making more efficient use of healthcare resources while providing high-quality care. Priorities for reform include taking long-term care out of hospitals and shifting its focus to home-based care, promoting greater use of generic drugs and improving preventive care.
- Japan should rely primarily on the consumption tax to boost revenue（…）Achieving a sufficient primary surplus through the consumption tax alone would require raising the rate to between 20% and 26%, above the 19% OECD average.

IMF Staff Report for the 2019 Article IV Consultation (February 10, 2020)

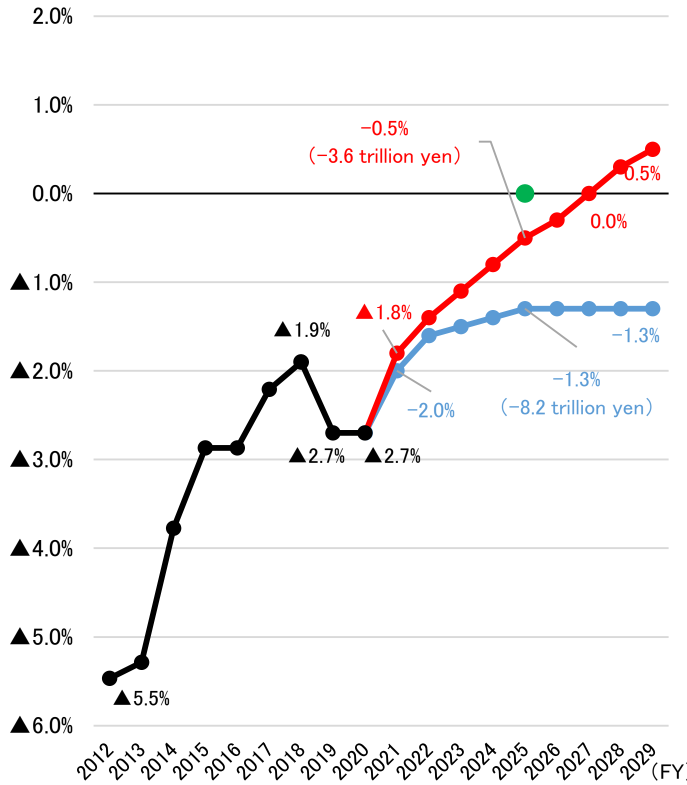
- A well-specified framework is needed to ensure fiscal sustainability and reduce debt, lower uncertainty, and support reflation and growth. While the government has set a primary balance target for FY2025, credibility would benefit from realism of assumptions and specificity of measures to achieve the target. [...].
  - *Factor in aging costs.* It is important to continuously assess and incorporate aging costs in macro-fiscal projections. Staff scenarios suggest that to finance aging costs, the consumption tax rate would need to increase gradually to 15 percent by 2030 and to 20 percent by 2050. [...]. The cost of postponing adjustment is substantial and would benefit the current elderly to the detriment of future generations.
- Reform of public social security programs is the essential second leg of fiscal consolidation. Without meaningful change to pension, health, and long-term care spending, fiscal sustainability may remain out of reach. [...]. The authorities' plan to draw up a comprehensive reform package by mid-2020 is welcome, and should involve the following:
  - *Healthcare and long-term care.* The prospect of continually rising healthcare expenditures, driven by population aging and use of advanced and expensive health-technology, present a sizeable challenge to Japan's fiscal sustainability. [...]. On long-term care, the authorities should explore measures to contain costs, including rationalizing services to those with lower-care needs.

(Reference) Cabinet Office "Economic and Fiscal Projections for Medium- to Long-term Analysis" (June 17, 2020)

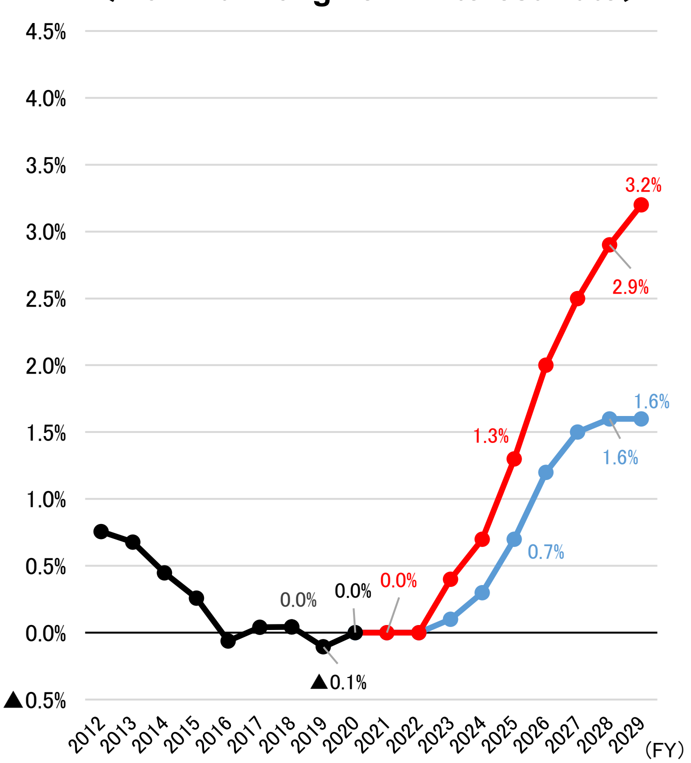
＜Nominal GDP Growth Rate＞



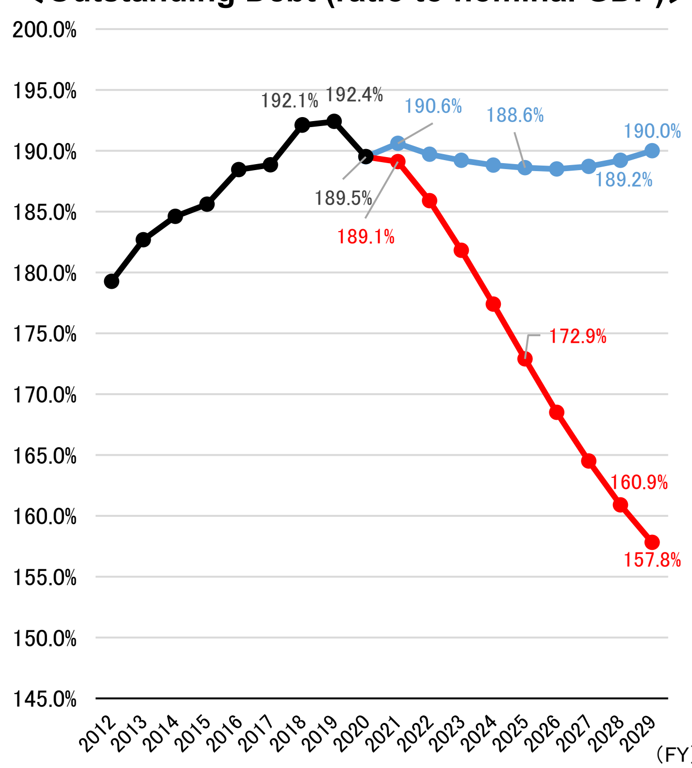
＜Primary Balance (% of GDP)＞



＜Nominal Long Term Interest Rate＞



＜Outstanding Debt (ratio to nominal GDP)＞



Economic Growth Achieved Case　　Baseline Case　　● Target: Primary Surplus

* Economic Scenarios and Basic Assumptions on Public Finance

- Economic Scenarios
  - "Growth Achieved Case" : The policies for overcoming deflation and attaining economic revitalization will show solid results at a feasible pace.
    (Average Growth Rate (FY2021-2029): Nominal GDP 3.1%; Real GDP 1.8%)
  - "Baseline Case" : The economy will grow approximately at the rate of current potential growth.
    (Average Growth Rate (FY2020-2027): Nominal GDP 1.2%; Real GDP 1.0%)
- Main Assumptions in Public Finance
  - FY2019, FY2020 : Reflecting the draft supplementary budget for FY2019 and draft FY2020 budget.
  - FY2021 onwards : General expenditure (excluding social security) : Increase along with CPI inflation.
    Social security expenditure : Increase along with estimated population aging and CPI/wage inflation.

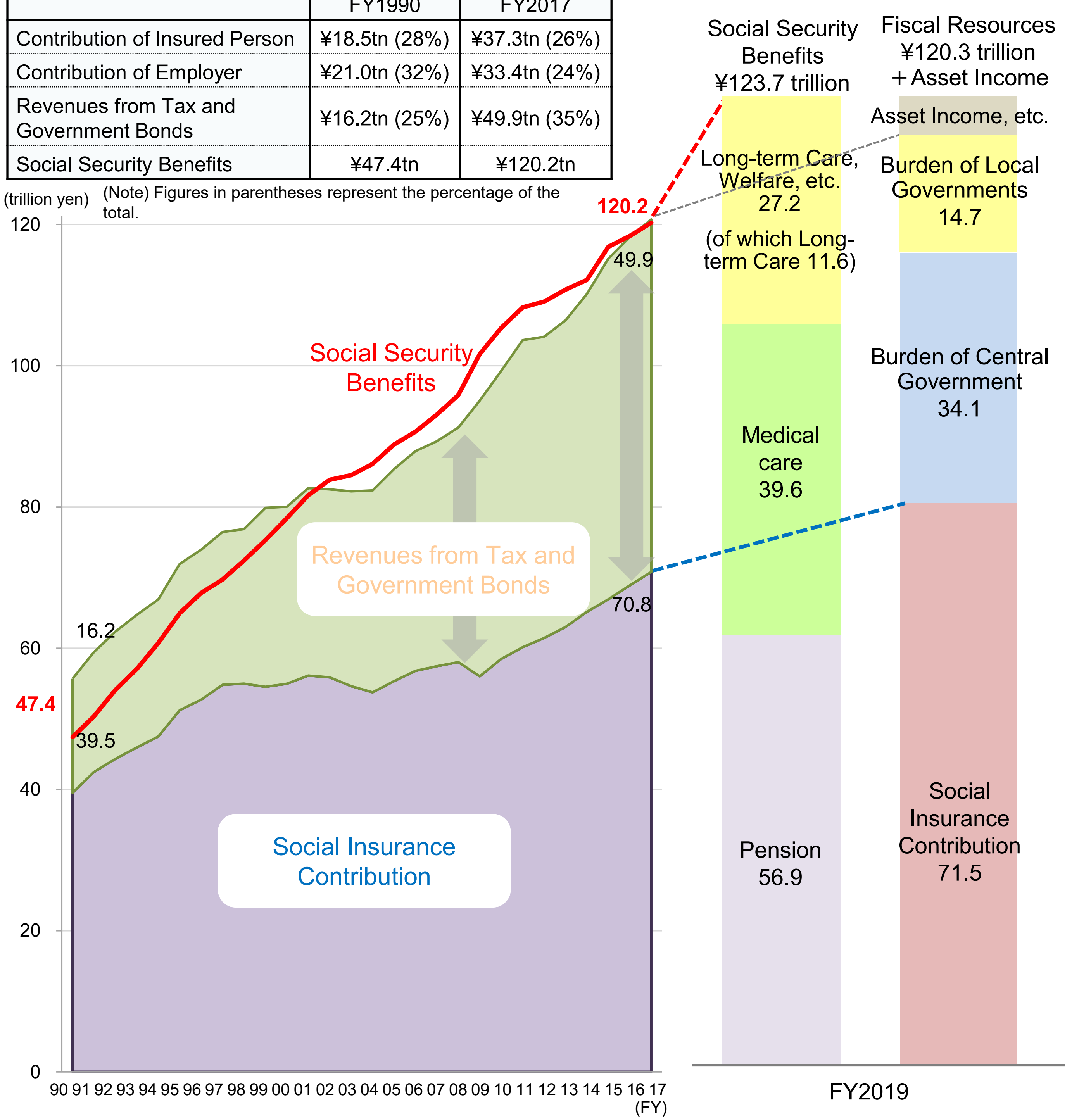
22. Social Security Area

(1) Increase in Social Security Benefits

While the basics of social security system is mutual aid financed by insurance premiums, public expenses are also injected as the burden will be concentrated on the working-age generation if the insurance premiums are the only fiscal resources. However, the necessary public expenses are financed by tax revenues as well as by bond issuance, which leads to the postponement of the burden to the future generation.
We have to share and cover the burden of social security which benefits us. Also, in order to confront the biggest obstacle of declining birthrates and aging population, the social security system must be converted to an all-generational system.

	FY1990	FY2017
Contribution of Insured Person	¥18.5tn (28%)	¥37.3tn (26%)
Contribution of Employer	¥21.0tn (32%)	¥33.4tn (24%)
Revenues from Tax and Government Bonds	¥16.2tn (25%)	¥49.9tn (35%)
Social Security Benefits	¥47.4tn	¥120.2tn

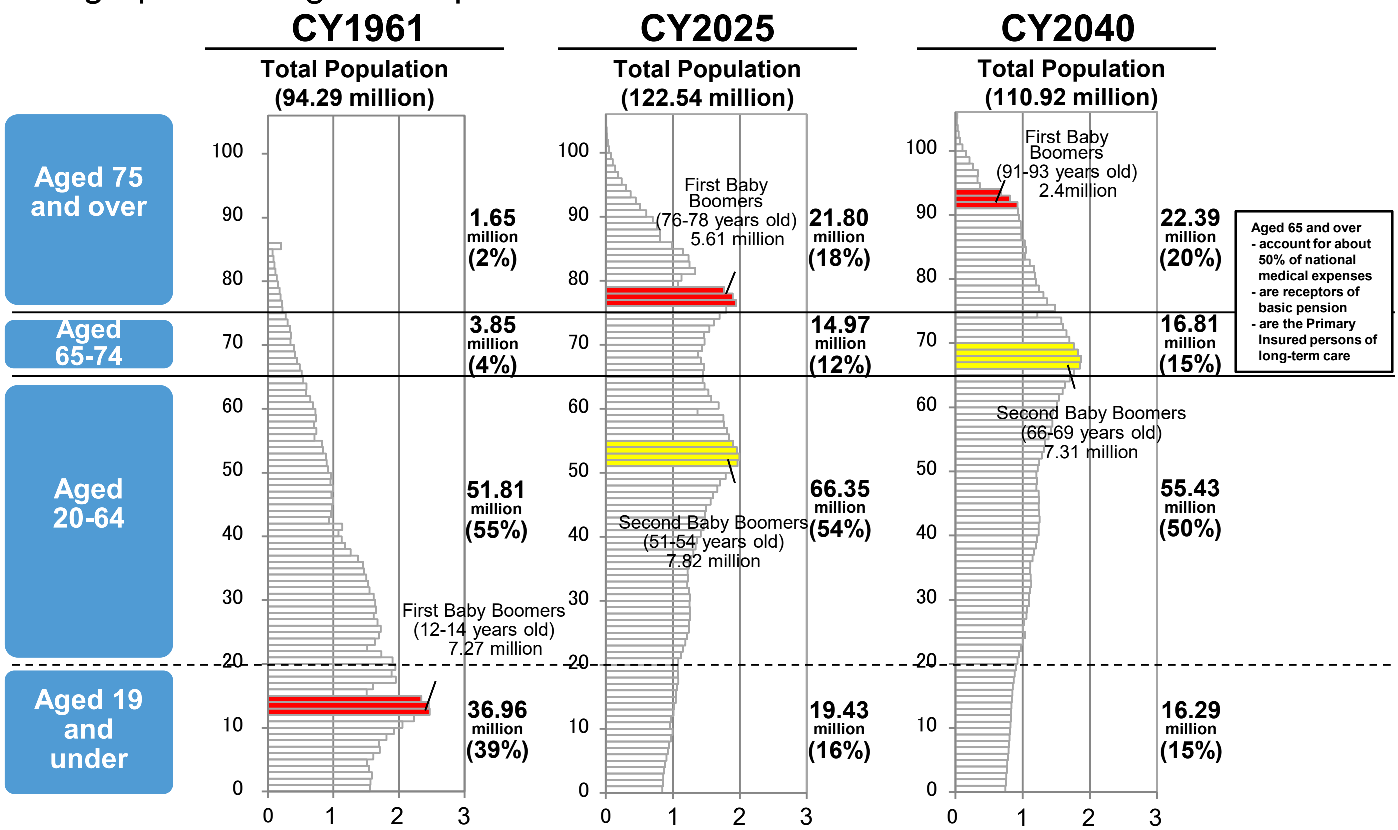
(Note) Figures in parentheses represent the percentage of the total.



(Source) National Institute of Population and Social Security Research "The cost of Social Security Benefits", FY2019: Ministry of Health, Labour and Welfare (Based on Initial Budget).

In 2025, all baby boomers (born in 1947-49) will be the latter-stage elderly (aged 75 and over), and the population ratio of aged 75 and over will increase. For the age of 75 and over, medical expenses and long-term care costs per capita will increase significantly. Furthermore, in 2040, all second baby boomers (born in1971-74) will be aged 65 and over.
On the other hand, it is expected that the population aged 20 to 64 will rapidly decline during the same period, and will continue to decline after 2040. Therefore, it is necessary to prioritize and streamline the medical and long-term care benefits.

Demographic Changes in Japan



(Source) Ministry of Internal Affairs and Communications "Population Estimates", National Institute of Population and Social Security Research "Japanese Future Demographic Projection (April 2017)"
(Note) The first baby boomers are those who were born in 1947-49. The second baby boomers are those who were born in 1971-74. Okinawa prefecture is not included in 1961. 85-years-olds in 1961 includes aged 85 and over. 105-years-olds in 2025 and 2040 include aged 105 and over.

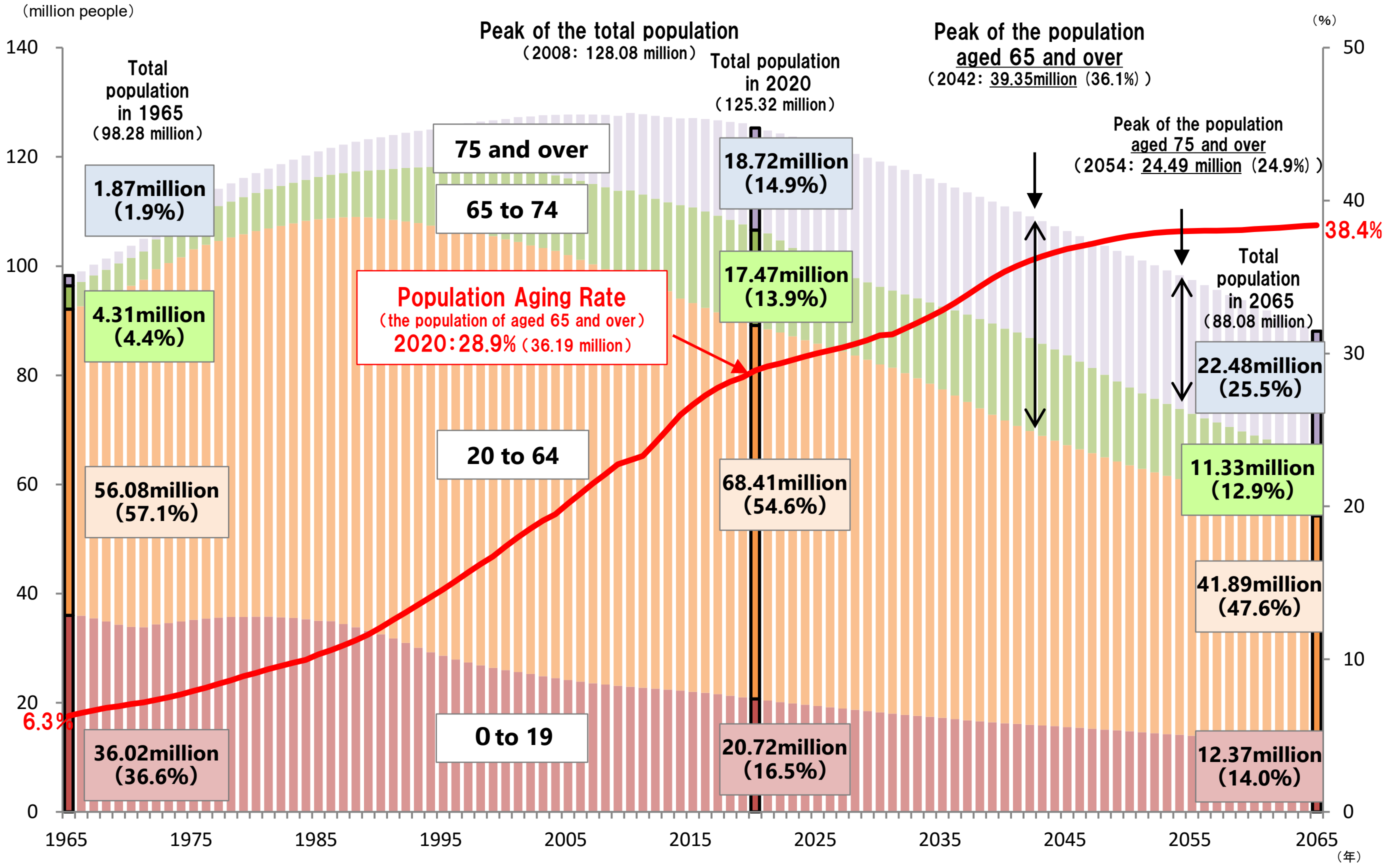
Increasing Burden of Social Security Benefits

	Medical Care (2017) (thousand yen)		Long-term Care (2017) (thousand yen)		Number and ratio to total population	
	National medical care expenditure per capita (Aged 64 and under: ¥187 thousand)	Public aid per capita (Aged 64 and under: ¥27 thousand)	Long-term care expenditure per capita (Ratio of certification of long-term care in parentheses)	Public aid per capita	CY2016	CY2025
Aged 65-74	557	81	49 (4.3%)	14	Approx. -2.70 million 17.67 million people (14.0%)	14.97 million people (12.2%)
		Approx. 4 times		Approx. 10 times		
Aged 75 and over	922	335	467 (31.9%)	137	Approx. +4.32 million 17.48 million people (13.8%)	21.80 million people (17.8%)

(Source) Population ratio per age group: Ministry of Internal Affairs and Communications "Population Estimates", National Institute of Population and Social Security Research "Japanese Future Demographic Projection" (the projection of medium-fertility and medium-mortality)
Medical care expenditure: Ministry of Health, Labour and Welfare, "Overview of National Medical Care Expenditure (FY2017)",
Long-term care benefits and ratio of certification of long-term care: Ministry of Health, Labour and Welfare "Survey of Long-term Care Benefit Expenditures (2017)", Statistic Bureau, Ministry of Internal Affairs and Communications "Population Estimates"
(Note) National medical care expenditures per capita are calculated by dividing the national medical care expenditures per age group by the population of each generation. Public aid per capita are calculated by dividing public aid per age group by the population of each generation as of 2017.

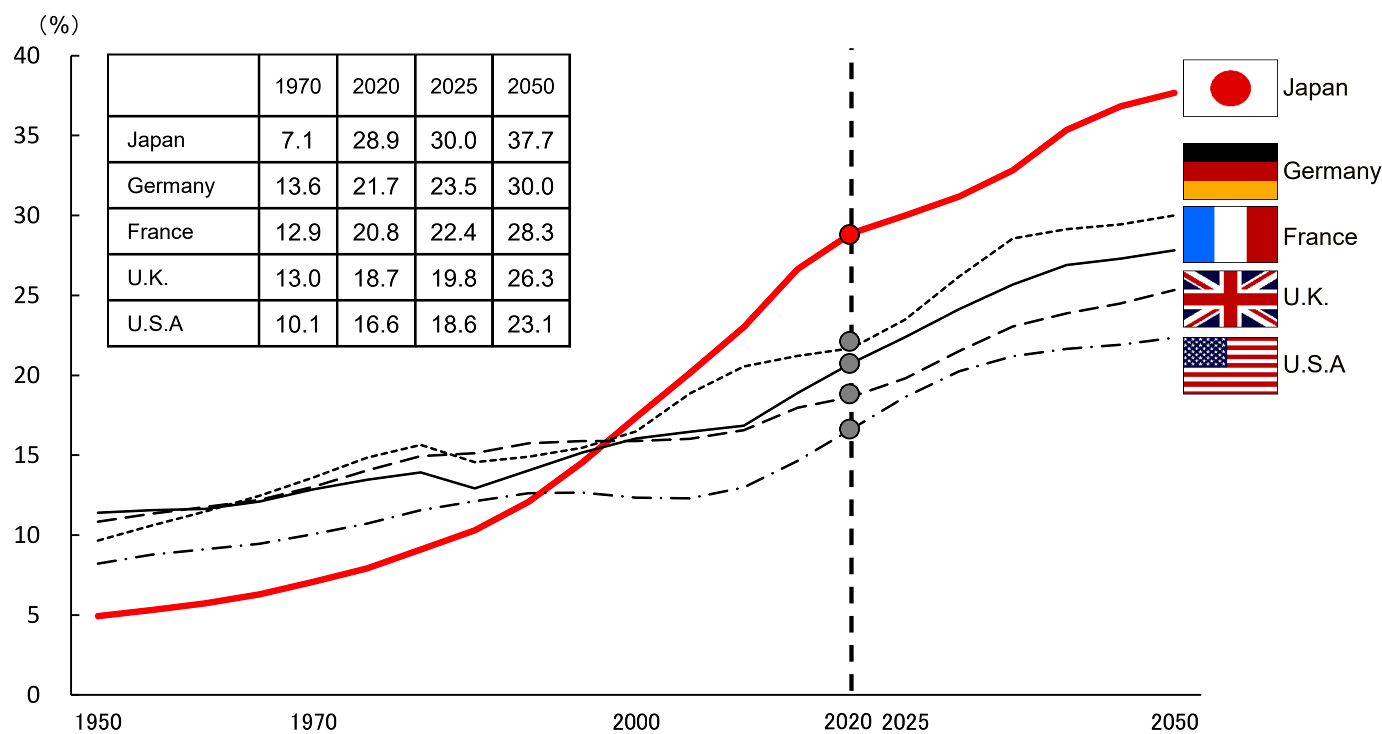
After 2025, aging polulation and declining birthrate will proceed at such a rapid rate that none of other countries have experienced, and the population is expected to decline.

Demographic Projection



(Source) Ministry of Internal Affairs and Communications "Population Estimates", National Institute of Population and Social Security Research "Japanese Future Demographic Projection (April 2017)" (the projection of medium-fertility and medium-mortality).
(Note) Numbers in parentheses represent the percentage to the total population.

International comparison of Population Aging Rate



	1970	2020	2025	2050
Japan	7.1	28.9	30.0	37.7
Germany	13.6	21.7	23.5	30.0
France	12.9	20.8	22.4	28.3
U.K.	13.0	18.7	19.8	26.3
U.S.A	10.1	16.6	18.6	23.1

*Aging Rate: The ratio of the number of the aged 65 and over to the total population

(Source) Japan : 1950-2019: Ministry of Internal Affairs and Communications "Population Estimates"
2020-2050: National Institute of Population and Social Security Research "Japanese Future Demographic Projections" (April, 2017)
Other countries: "World Population Prospects: the 2019 Revision" (United Nations).

(2) Comprehensive Reform of Social Security and Tax

The government has been implementing “the Comprehensive Reform of Social Security and Tax” in order to improve the current situation where substantial portion of the social security cost is passed onto future generations.

Ensuring stable fiscal resources by tax reform

Enhancing and stabilizing social security system

accomplishing the both

Achieving the fiscal consolidation targets

Targeted areas for social security enhancement

Establishing a social security system for all generations, where people of all generations can live with peace of mind and being in content.

Use of the increased revenue from consumption tax hike (Before the Reform)

Three expenses for elderly people (basic pension, elderly healthcare, long-term care)

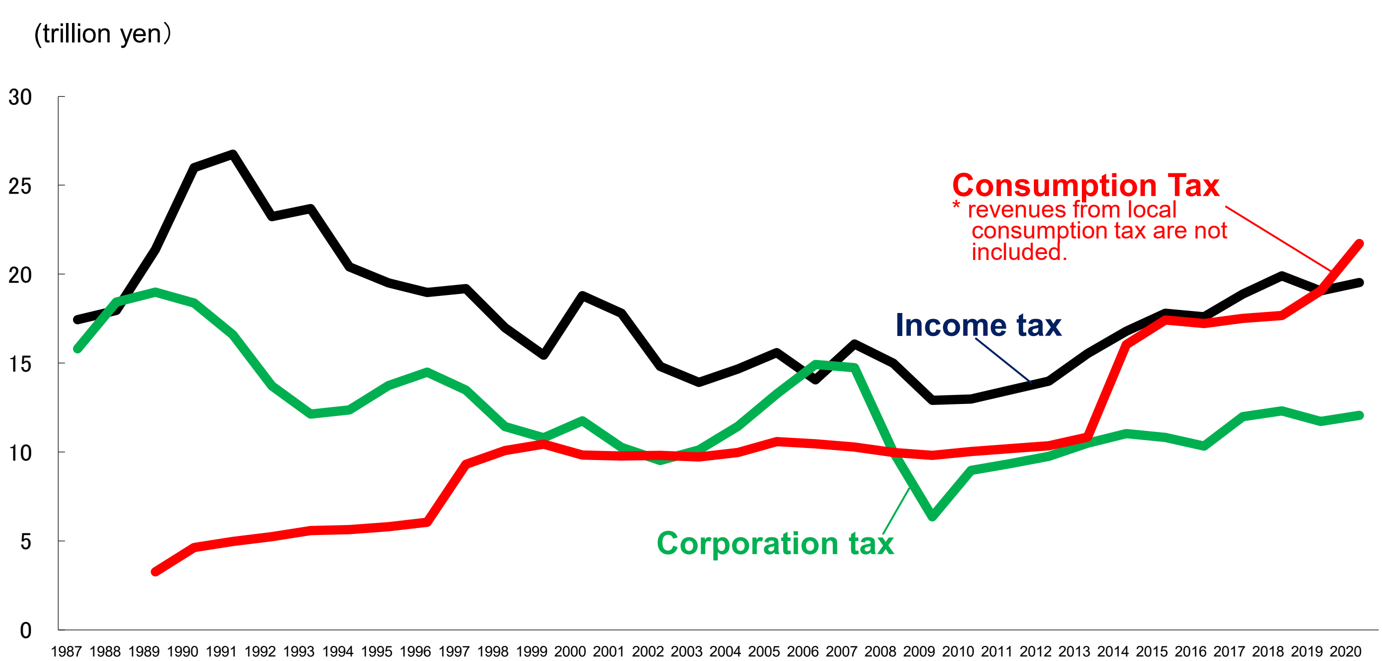
Enhancing social security system (After Reform)

Four expenses for social security (childcare, medical, long-term care, pension)

Why is consumption tax utilized for social security?

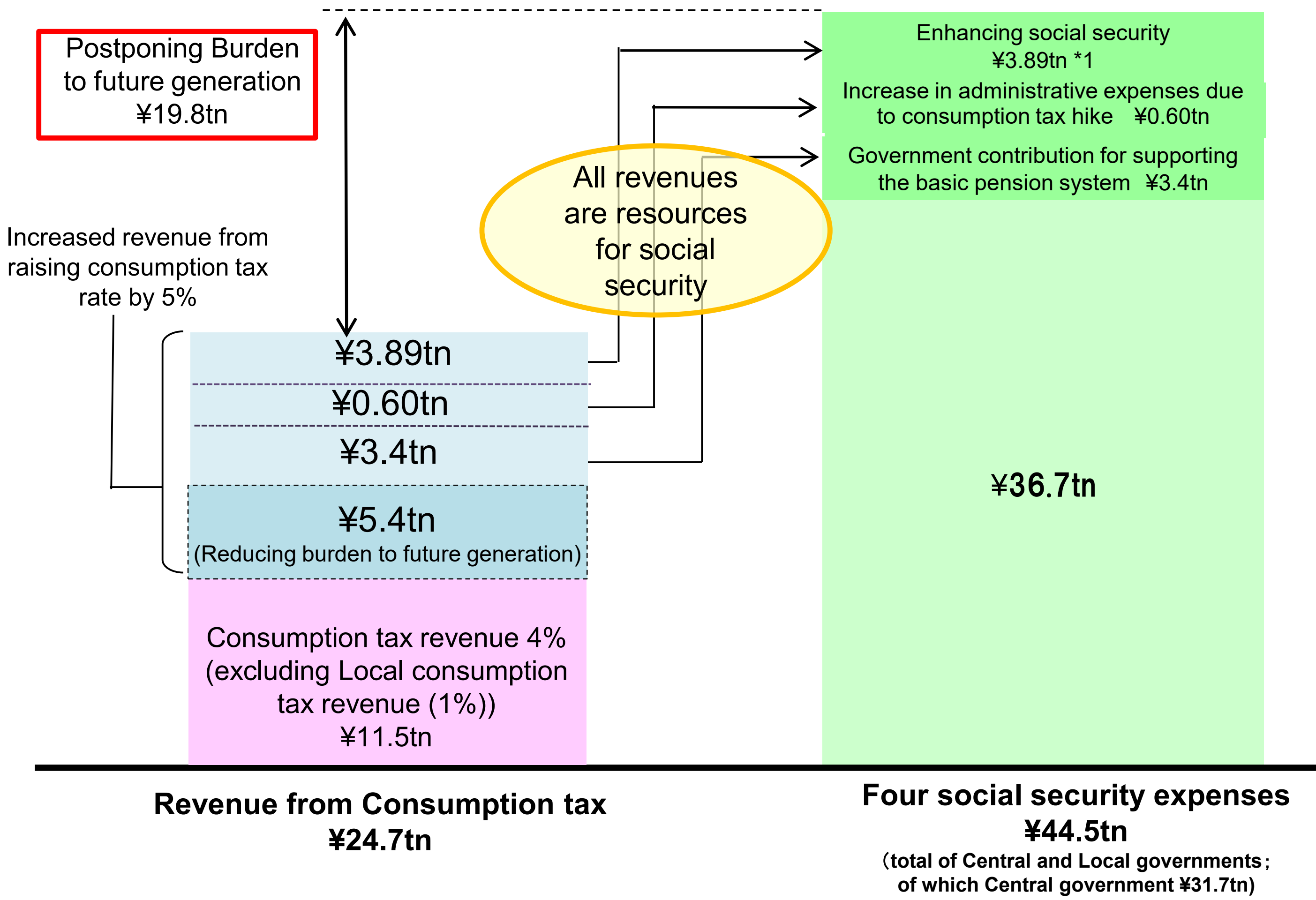
- Stable revenue which is unlikely to be affected by economic conditions
- Neutral to economic activities without concentration of burden on certain people such as the working generations

Appropriate tax as a way of funding financial resource for social security



(Note) 1987- 2018: Settled figures, 2019: Based on the Supplementary Budget, 2020: Based on the Budget

Relation between Social Security Expenditure and Consumption Tax Revenue



* 1 For enhancing social security, ¥4.29tn has been spent in total; utilizing resources (¥0.4tn) generated by prioritization and streamlining based on the social security reform program law, etc.

* 2 Each figure in Revenue from Consumption tax and Four social security expenses is based on FY2020 initial budget of central and local governments, reflecting the effect of implementation of reduced tax rate.

The Enhancement of Social Security; measures implemented so far

Measures financed by the increased revenues from the consumption tax hike from 8% to 10%

Free Early Childhood Education

Children ages 3 to 5 years old:
The cost of kindergartens, day nurseries, and licensed centers for early childhood education and care of the all children will be free.

Children ages 0 to 2 years old:
The cost of nursing will be free for the children of households exempted from inhabitant tax.

Free Higher Education

Expanding the scheme to exempt tuition fee and grant-type scholarship for students of households with lower income who are willing to study.

Maximum amount of the exemption fee (per year)
National Univ. ¥540 thousand, Private Univ. ¥700 thousand

Amount of grant-type scholarship (per year)
【Students living with their parents】
National Univ. ¥350 thousand, Private Univ. ¥460 thousand
【Students not living with their parents】
National Univ. ¥800 thousand, Private Univ. ¥910 thousand

*In case of households exempted from inhabitant tax

Supporting Lives of low income Elderly People

Establishing the scheme of providing ¥60 thousand per year (max.) to low income pensioners.

* Additionally, elimination of children on a waiting list, improvement of working conditions of long-term care workers, and reduction of contribution on long-term care insurance fee for low-income, have been implemented.

Measures financed by the increased revenues from the consumption tax hike from 5% to 8%

Childcare

Preparing enabling environment where women can work by eliminating child on a waiting list

- Offering additional 500 thousand childcare places by the end of FY2017
- Increasing the student capacity in After School Children's Club by 300 thousand by the end of FY 2019

Enhancing the child-rearing facilities where parents can leave children with security

- Securing childcare workers and improving their working conditions
- More sufficient allocation of childcare workers etc.

Supporting children with no guardians or battered children

- Securing workers in child and family services and improving their working conditions
- More sufficient allocation of workers in child and family services

Medical / long-term care

Providing medical treatment appropriate for patients' conditions in the areas where they have lived long

- Securing medical workers such as doctors and nurses
- Preparing hospital beds appropriate for patients' conditions

Enhancing long-term care service in the areas where they have lived long or at their home

- Securing long-term care workers and improving their working conditions
- Promoting countermeasures against dementia

Expanding those who are applied to reduced insurance premiums (the National Health Insurance)

- Expanding those who are applied to reduced insurance premiums (20% and 50%), increasing by 5 million people

Expanding scope of medical fee supports to help more people who suffers from intractable diseases

- Increasing the number of targeted diseases of medical fee supports

Enhancing financial support to the National Health Insurance, a safety net of universal coverage

Pension

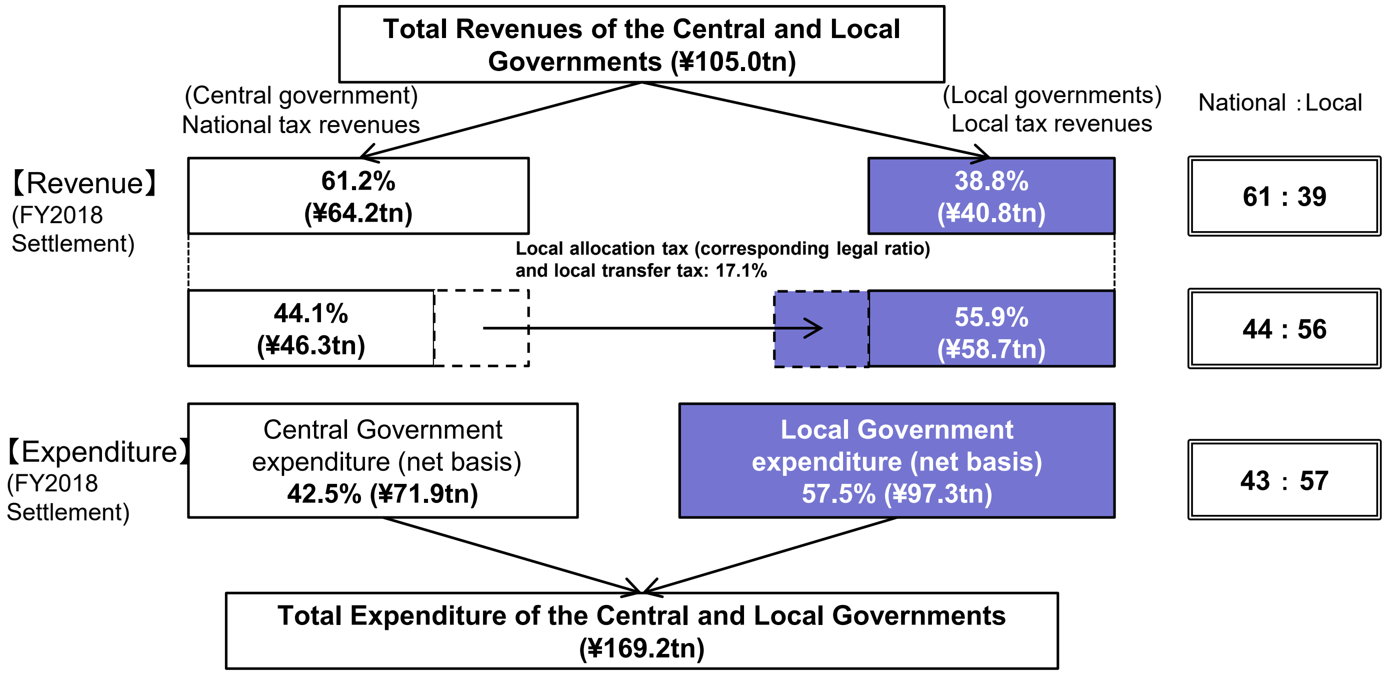
Shortening the required qualifying period to receive a pension(25years⇒10years)

23. Non-Social Security Area

(1) Central and Local Governments

① Distribution of Fiscal Resources and Expenditure of the Central and Local Governments from Tax Revenue

While the ratio of central government expenditures to local government expenditures is approximately 4:6, that of tax revenue resources is also approximately 4:6 due to the fiscal transfer (such as local allocation tax grants, etc.)



(Source) "States of Local Government (March 2020)", etc.

② Comparison of the Fiscal Conditions in the Central and Local Governments

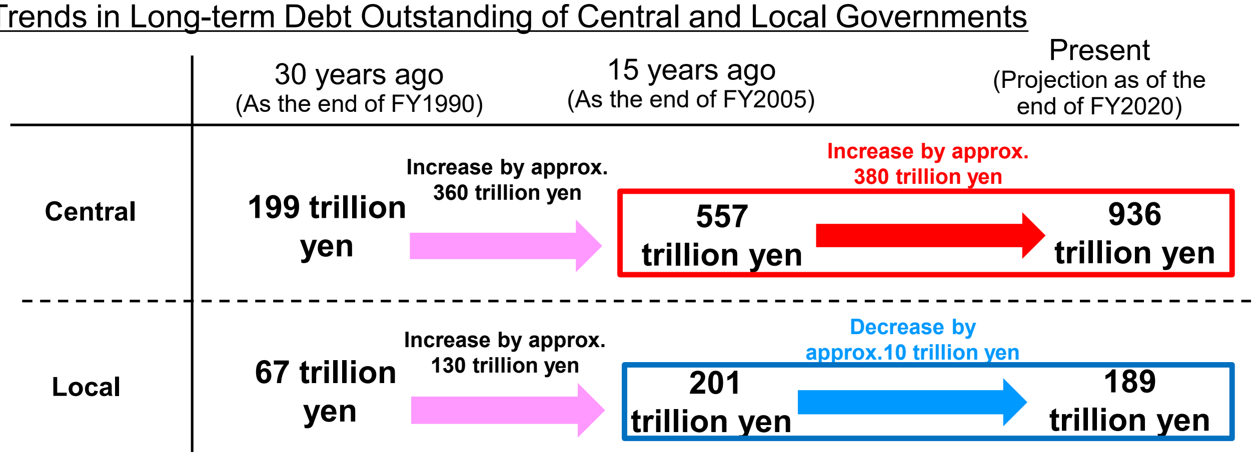
Comparing fiscal situations of central and local governments, the situation of the central government is extremely severe both in terms of the flow indicators (fiscal and primary balance) and the stock indicators (debt-to-GDP ratio).

○Primary Balance and Fiscal Balance of the Central and Local Governments (FY2020 projection)

	Primary Balance	Fiscal Balance
Central	- 17.5 trillion yen	- 23.2 trillion yen
Local	+2.2 trillion yen	+1.1 trillion yen

(Note) Cabinet Office "Economic and Fiscal Projections for Medium to Long Term Analysis" (January 17, 2020)

○Trends in Long-term Debt Outstanding of Central and Local Governments

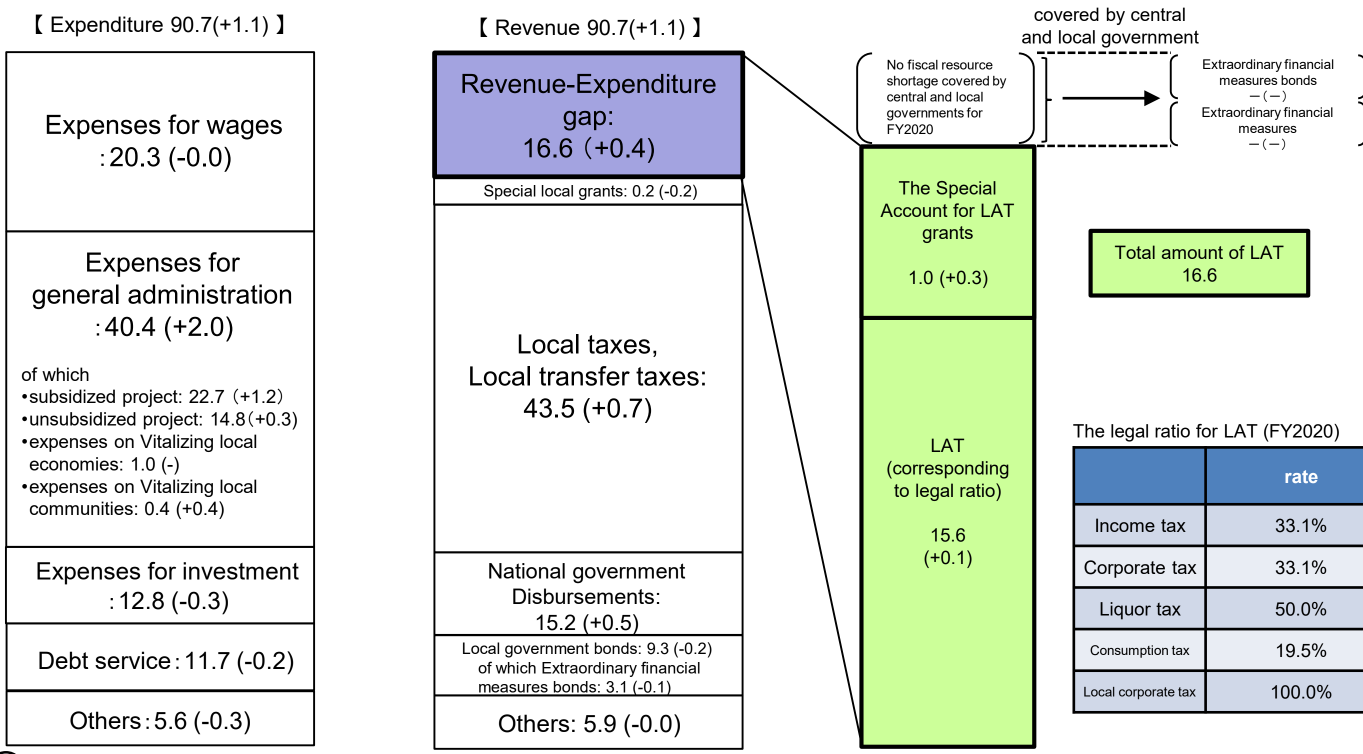


(Note) The borrowings in the Special Account for Local Allocation Tax and Local Transfer Tax are shared by the central and local governments in accordance with their shares of redemption. The amount of the borrowings outstanding incurred by the central government was transferred to the general account at the beginning of FY2007, so that the borrowings outstanding in the Special Account since the end of FY2007 represents the debt of the local governments (approx. ¥31 trillion at the end of FY2020).

③ The Calculation System of the Total Amount of Local Allocation Tax (LAT)

The total amount of the local allocation tax is determined by adding to a certain percentage (the statutory rate) of the national tax half of financial shortfalls, which still exists even after the statutory portion is used to fill a revenue-expenditure gap in the Local Fiscal Plan.

FY2020 Local Fiscal Plan (Unit: trillion yen, figures in parentheses represent the amount of the increase from last year)



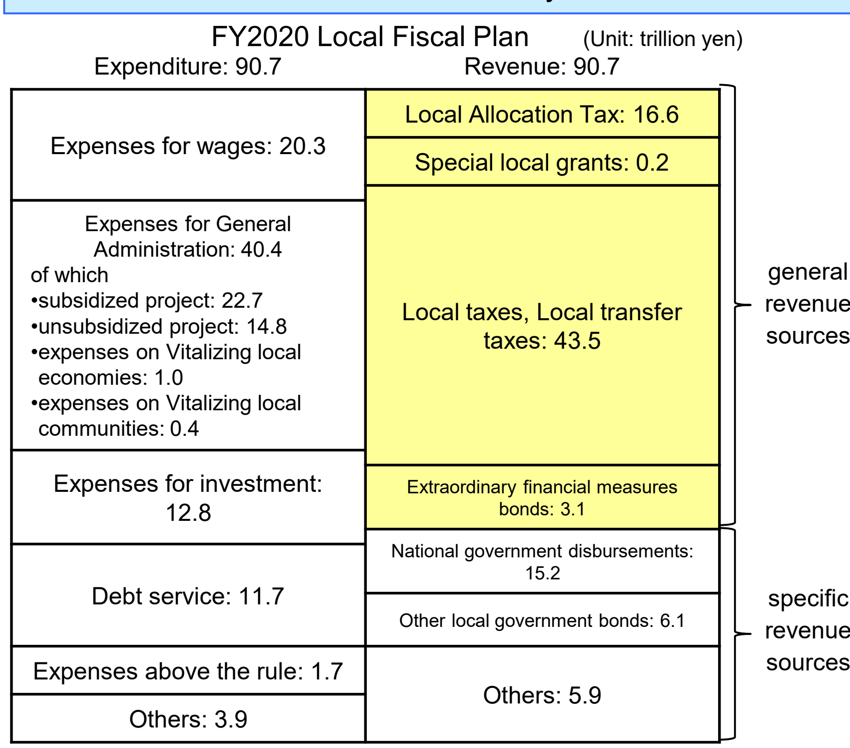
The legal ratio for LAT (FY2020)

	rate
Income tax	33.1%
Corporate tax	33.1%
Liquor tax	50.0%
Consumption tax	19.5%
Local corporate tax	100.0%

④ The Rule for Substantially Same Level of the Total Amount of Local Financial Resources

"The rule for substantially same level of the total amount of local financial resources" is aimed at maintaining substantially the same level of total amount of local governments' financial resources as that of the previous year's Local Fiscal Plan.
Under the rule, the total amount of the local governments' financial resources in the FY2020 Local Fiscal Plan is maintained substantially at the same level as the previous year.

FY2020 Local Fiscal Plan (Unit: trillion yen)



New Plan to Advance Economic and Fiscal Revitalization
(Basic Policy on Economic and Fiscal Management and Reform 2018 (Cabinet Decision, June 15, 2018))

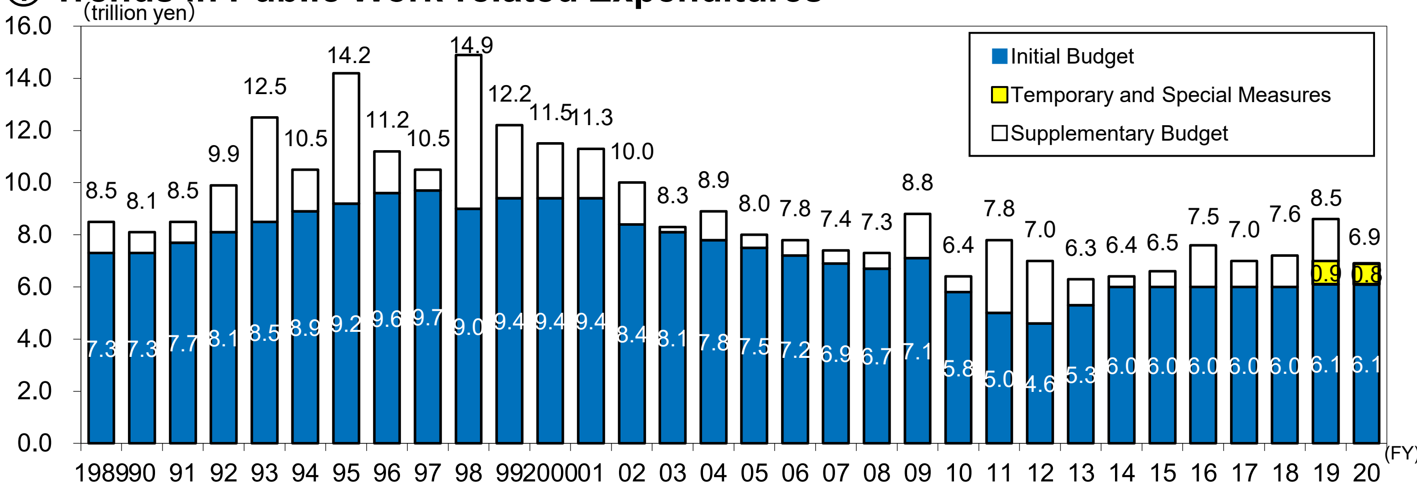
3) Regarding local government expenditures which will be controlled in line with the efforts of the central government, the total amount of general revenue sources which would be necessary for stable fiscal management of local governments including those receiving local allocation tax grants, shall be maintained substantially at the same level as in the FY 2018 Fiscal Plan of Local Governments, and not below.

*general revenue sources
- Local taxes, Local transfer taxes, Local allocation tax, Special local grants and Extraordinary financial measures bonds are included.
- They are not for specified purposes. Local governments can use them for any purposes.

(2) Public Works

The public work-related expenditures has been decreasing. However, compared with other major countries, the level of the general government fixed capital formation (% of GDP) still remains high. As the population decreases, the cost of maintenance and replacement of public infrastructure stocks per capita will increase, while the number of users of stocks and human resources for maintenance and development are projected to decrease. Therefore, the government needs to embark on further prioritization of new projects, utilization of revenues from tolls, and improvement of efficiency in maintenance and replacement.

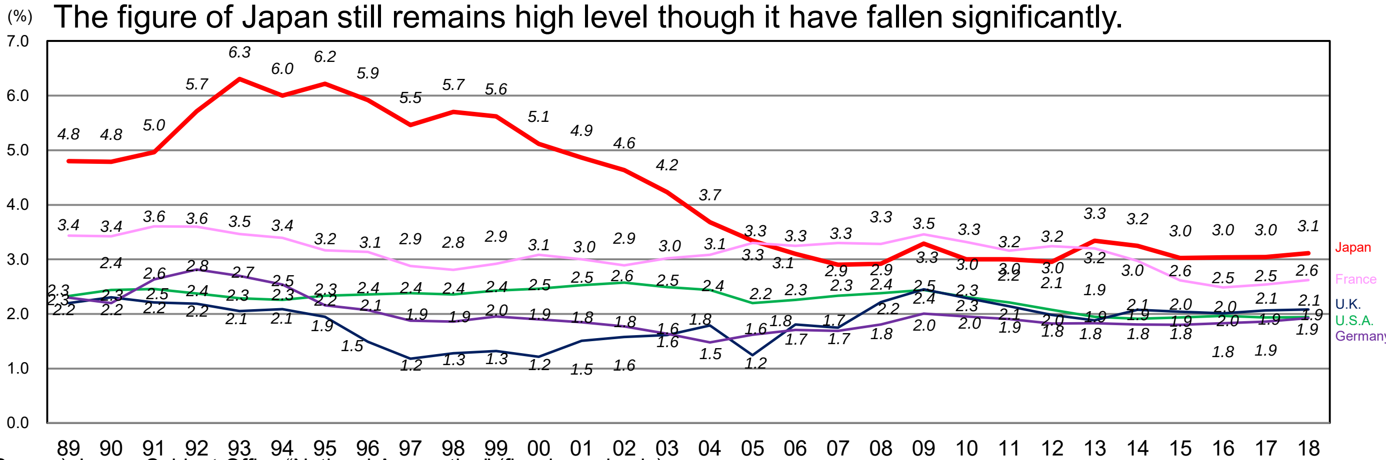
① Trends in Public Work-related Expenditures



(Note) Excluding NTT-A type.

② Trend in General Government Fixed Capital Formation (% of GDP)

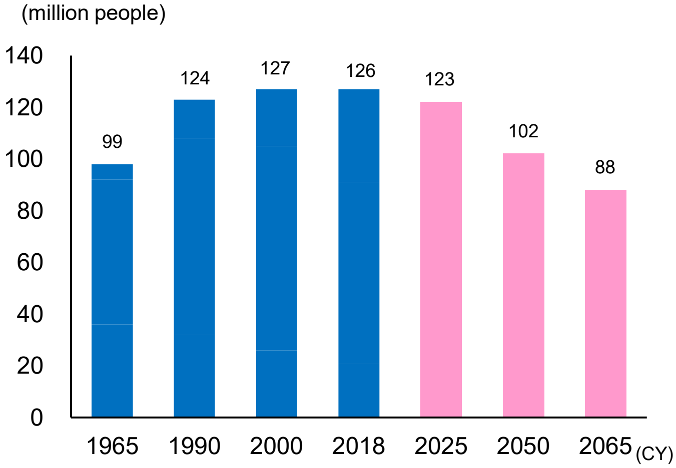
The figure of Japan still remains high level though it have fallen significantly.



(Source) Japan: Cabinet Office “National Accounting” (fiscal year basis)
Other Countries: OECD “National Accounts”(OECD Stat Extracts) etc. (calendar year basis)

(Note) Until 2004: Calculated based on old standards (93SNA)
After 2004: Calculated by deducting R & D investment and defense related expenditures from IG of current standards (08SNA)

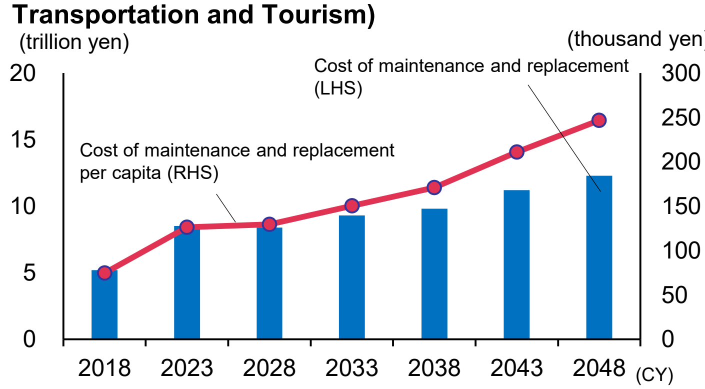
③ Demographic Projection



(Source) 1965-2000: Statistic Bureau, Ministry of Internal Affairs and Communications “National Census”
2018: Statistic Bureau, Ministry of Internal Affairs and Communications “Population Estimates (April 2019)”,
2025-: National Institute Population and Social Security Research “Japanese Future Demographic Projection (April 2017)” (the projection of medium-fertility and medium-mortality)

④ Cost Projection of Maintaining and Replacing

(Areas related to Ministry of Land, Infrastructure, Transportation and Tourism)



(Note1) Estimation in the case of breakdown maintenance
(Note2) The chart is drawn up by using global maximum
(Source) Statistic Bureau, Ministry of Internal Affairs and Communications “Population Estimates (April 2019)”, National Institute Population and Social Security Research “Japanese Future Demographic Projection (April 2017)” (the projection of medium-fertility and medium-mortality), Documents by Ministry of Land, Infrastructure, Transportation and Tourism.

Part 2　FY2020 Budget

Ⅰ. Highlights of the FY2020 Budget, etc.

1. Highlights of the FY2020 Budget

The FY2020 budget is aimed at achieving both economic revitalization and fiscal consolidation through enhancing social security system, steadily implementing economic measures and continuing efforts for expenditure reforms.

Enhancement of social security system

- To construct social security system for all generations, enhance medical and long-term care such as preventive healthcare / health promotion, and implement free higher education financed by the additional revenue from the consumption tax rate hike.（Central government expenditure: ¥1.2tn）
  - Free higher education (+¥488.2bn)
  - Free early childhood education and childcare (+¥187.8bn)
  - Preventive healthcare / health promotion (+¥70.0bn)
  - Promotion of work-style reform of doctors working in hospitals (+¥18.3bn) etc.

Steady implementation of economic measures

- To continuously support private consumption and investment after Tokyo Olympics and Paralympics in order to implement the economic policy package (expenditure: ¥13.2tn), by budgeting temporary and special measures in the initial budget for FY2020 in addition to the supplementary budget for FY2019. (government expense: ¥1.8tn）
  - Point Reward Project for Consumers using Cashless Payment (¥270.3bn)
  - Measures for stimulating consumption using My Number scheme (¥247.8bn)
  - Benefits for housing purchase “Sumai Kyu-fu kin” (¥114.5bn)
  - Steady implementation of measures in “Three-year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience” (¥1,143.2bn) etc.

Continued efforts for expenditure reforms

- To continue efforts for expenditure reforms and achieve the benchmark, under the “New Plan to Advance Economic and Fiscal Revitalization.”
  - Social security expenditure: ＋¥411.1bn（Increase due to population aging)
  - Non-social security expenditure: ＋¥33.0bn（Continue efforts of expenditure reforms thus far）
- The amount of planned bond issuance has decreased for 8 consecutive years since the inaguration of the Abe administration.
  (FY2019: ¥32.7tn ⇒ FY2020: ¥32.6tn)

2.The FY2020 Budget: Framework

(unit: billion yen)

	FY2019 Budget (Initial)	FY2020 Budget	FY2019 → FY2020	Notes
Revenues				
Tax revenues	62,495.0	63,513.0	1,018.0	
Other revenues	6,301.6	6,588.8	287.1	
Government bond issuance	32,660.5	32,556.2	-104.3	Bond dependency ratio : 31.7% (FY2019 initial budget : 32.2%)
of which Construction bonds	6,952.0	7,110.0	158.0	
Special deficit-financing bonds	25,708.5	25,446.2	-262.3	
Total	101,457.1	102,658.0	1,200.9	
Expenditures(ordinary)				
National debt service	23,508.2	23,351.5	-156.7	
General expenditure	59,935.9	61,718.4	1,782.5	
of which Social security expenditure	34,062.7	35,812.1	1,749.5	
Non-social security expenditure	25,873.2	25,906.2	33.0	
Local allocation tax grants, etc.	15,985.0	15,809.3	-175.8	
Sub total	99,429.1	100,879.1	1,450.0	
Expenditures (Temporal and Special Measures)				
General expenditure	2,028.0	1,778.8	- 249.2	
Total	101,457.1	102,658.0	1,200.9	

(Note 1) Social security expenditure and non-social security expenditure in the FY2019 budget are reclassified for a proper comparison with FY2020.
(Note 2) Figures may not add up to the totals due to rounding.

3.Economic and Fiscal Indicators

＜Economic indicators＞

	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Estimated)	FY2020 (Projected)
Nominal GDP growth	2.2% (0.8%)	2.8%	0.8%	2.0%	0.1%	1.8% (1.4%)	2.1% (1.7%)
Nominal GDP (tn yen)	518.2	532.8	536.9	547.6	548.4	558.3	570.2
Real GDP growth	−0.4%	1.3%	0.9%	1.9%	0.3%	0.9%	1.4%
Consumer Price Index	2.9% (0.9%)	0.2%	−0.1%	0.7%	0.7%	0.6% (0.4%)	0.8% (0.7%)
Unemployment rate	3.5%	3.3%	3.0%	2.7%	2.4%	2.3%	2.3%

(Note1) Figures are shown on a 2008 SNA basis.
(Note2) FY2019 and FY2020: based on "FY2020 Economic Outlook and Basic Stance for Economic and Fiscal Management" (Approved by the Cabinet on December 18, 2019).
(Note3) Figures in parentheses in FY2014, FY2019 and FY2020 exclude the impact of the consumption tax rate hikes.

＜Fiscal indicators: Central government's general account＞

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Draft)
General expenditure	56.5	57.4	57.8	58.4	58.9	62.0	63.5
Tax revenue 1/	50.0 (4.5)	54.5 (6.2)	57.6 (6.3)	57.7 (6.3)	59.1 (6.4)	62.5 (7.9)	63.5 (10.2)
Government bond issuance	41.3	36.9	34.4	34.4	33.7	32.7	32.6
Primary Balance	−18.0	−13.4	−10.8	−10.8	−10.4	−9.2	−9.2
Bond dependency ratio	43.0%	38.3%	35.6%	35.3%	34.5%	32.2%	31.7%

1/ Figures in parentheses represent the increased revenue of consumption tax rate hike (FY2014−FY2018: Increase by raising from 5% to 8%, FY2019 and FY2020: Increase by raising from 5% to 10%).
(Note1) Figures are based on the initial budgets. Bond dependency ratio is calculated by dividing government bond issuance by the total expenditure.
(Note2) General expenditure = General account total expenditure − National debt service − Local allocation tax grants, etc.

4. The FY2020 Budget: Major Expenditure Items

(Unit: billion yen)

	FY2019 Budget (Initial)	Ordinary	Temporal and Special Measures	FY2020 Budget	Ordinary	Temporal and Special Measures	Change (FY2019 to FY2020)	Ordinary	Temporal and Special Measures
General expenditure	61,963.9	59,935.9	2,028.0	63,497.2	61,718.4	1,778.8	＋1,533.3	＋1,782.5	−249.2
Social security	34,130.6	34,062.7	67.9	35,860.8	35,812.1	48.7	＋1,730.2	＋1,749.5	−19.3
Education and science	5,588.4	5,368.3	220.1	5,505.5	5,391.2	114.3	−82.9	＋22.9	−105.8
of which Science	1,359.7	1,337.8	21.9	1,363.9	1,356.5	7.4	＋4.1	＋18.7	−14.6
Former military personnel pensions	209.7	209.7	−	175.0	175.0	−	−34.7	−34.7	−
National defense	5,257.4	5,206.6	50.8	5,313.3	5,262.5	50.8	＋55.9	＋55.9	＋0
Public works	6,909.9	6,059.6	850.3	6,857.1	6,066.9	790.2	−52.8	＋7.3	−60.1
Economic assistance	502.1	502.1	−	512.3	512.3	−	＋10.2	＋10.2	−
Cf.Official development assistance	556.6	556.6	−	561.0	561.0	−	＋4.5	＋4.5	−
Promotion of SMEs	179.0	174.0	5.0	175.3	172.3	3.0	−3.7	−1.7	−2.0
Energy	976.0	910.4	65.6	949.5	900.8	48.7	−26.5	−9.7	−16.9
Food supply	982.3	981.6	0.7	984.0	983.2	0.8	＋1.7	＋1.7	＋0
Miscellaneous	6,728.4	5,960.9	767.5	6,664.5	5,942.2	722.3	−63.9	−18.8	−45.1
Contingency reserve	500.0	500.0	−	500.0	500.0	−	−	−	−
National debt service	23,508.2	23,508.2	−	23,351.5	23,351.5	−	−156.7	−156.7	−
Local allocation tax grants, etc.	15,985.0	15,985.0	−	15,809.3	15,809.3	−	−175.8	−175.8	−
Total	101,457.1	99,429.1	2,028.0	102,658.0	100,879.1	1,778.8	＋1,200.9	＋1,450.0	−249.2

(Note1) The FY2019 budget is reclassified for a proper comparison with FY2020.
(Note2) Figures may not add up to the totals due to rounding.
(Note3) General expenditure = General account total expenditure − National debt service − Local allocation tax grants, etc.

Major Expenditure Items (Excluding Temporary and Special Measures)

(Unit: billion yen)

	FY2019 Budget (Initial)	FY2020 Budget	Change (FY2019 to FY2020)	% Change (FY2019 to FY2020)	Notes
General expenditure	59,935.9	61,718.4	＋1,782.5	＋3.0%	
Social security	34,062.7	35,812.1	＋1,749.5	＋5.1%	
Education and science	5,368.3	5,391.2	＋22.9	＋0.4%	
of which Science	1,337.8	1,356.5	＋18.7	＋1.4%	
Former military personnel pensions	209.7	175.0	−34.7	−16.6%	
National defense	5,206.6	5,262.5	＋55.9	＋1.1%	Expenses under the “Medium Term Defense Program” : +1.1%
Public works	6,059.6	6,066.9	＋7.3	＋0.1%	
Economic assistance	502.1	512.3	＋10.2	＋2.0%	
Cf.Official development assistance	556.6	561.0	＋4.5	＋0.8%	The expenditure allocated for official development assistance has increased for 5 consecutive years.
Promotion of SMEs	174.0	172.3	−1.7	−1.0%	Reduction of credit guarantee system-related expenditure due to the economic recovery: ¥−2.7bn, etc.
Energy	910.4	900.8	−9.7	−1.1%	Reduction of transfer based on the increase in surplus, etc. of energy resources special account: ¥−8.1bn, etc.
Food supply	981.6	983.2	＋1.7	＋0.2%	
Miscellaneous	5,960.9	5,942.2	−18.8	−0.3%	
Contingency reserve	500.0	500.0	−	−	
National debt service	23,508.2	23,351.5	−156.7	−0.7%	Reduction of interest payments due to declining interest rates, etc.
Local allocation tax grants, etc.	15,985.0	15,809.3	−175.8	−1.1%	Securing substantially equivalent amount of general revenue sources as the previous year
Total	99,429.1	100,879.1	＋1,450.0	＋1.5%	

(Note1) The FY2019 budget is reclassified for a proper comparison with FY2020.
(Note2) Figures may not add up to the totals due to rounding.
(Note3) General expenditure = General account total expenditure − National debt service − Local allocation tax grants, etc.

5. The FY2020 Revision of Medical Fees and Drug Price, etc.

Medical Fees

+0.55% (Central government expenditure: +¥60.5bn)

***1** of which the revision excluding *2 **+0.47%**

- Medical services +0.53%
- Dental services +0.59%
- Dispensing +0.16%

***2** of which special measures to work-style reform of doctors working in emergency hospitals financed by the additional revenue of the consumption tax rate hike **+0.08%**

Drug Price, etc.

① **Drug Price** **-0.98%**
(Central government expenditure: -¥108.3bn)

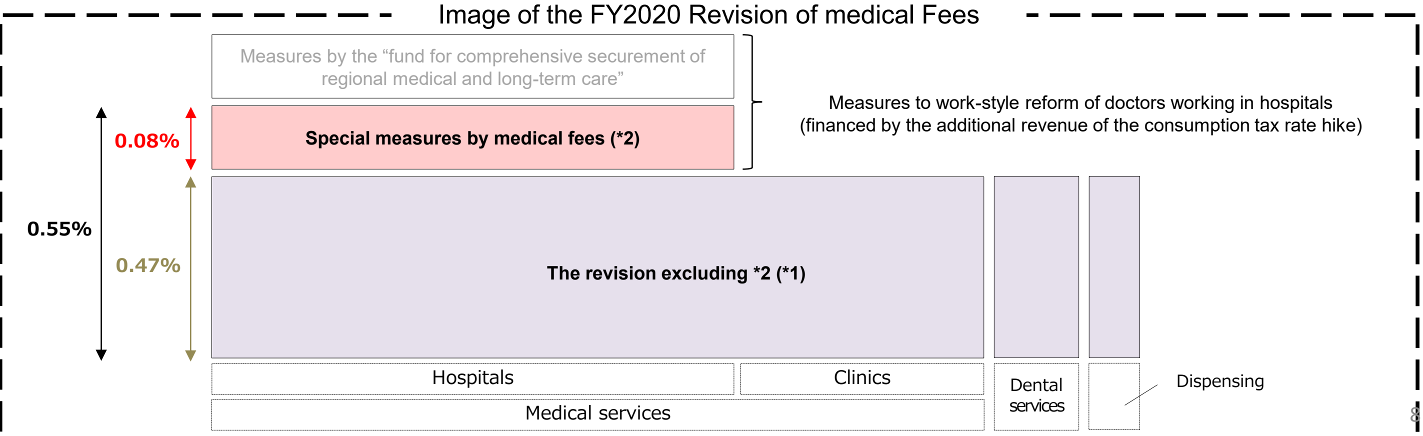
* of which the revision of market prices, etc.
-0.43% (central government expenditure: -¥47.8bn)

* the impact including the effect of the review of market expansion re-pricing, etc. -0.99%

② **Material Price** **-0.02%**
(Central government expenditure: -¥2.7bn)

* of which the revision of market prices, etc.
-0.01% (Central government expenditure: -¥1.2bn)

Image of the FY2020 Revision of medical Fees



6. Enhancement of Social Security System along with Consumption Tax Rate Hike (8→10%)

FY2020: Public spending ¥2.4tn (+¥1.6tn), Central government expenditure ¥1.7tn (+¥1.2tn)

〔Major Policies〕	FY2020 Public spending	FY2020 Central government expenditure
Free early childhood education (from Oct. 2019) - Free use of kindergartens, nursery centers and certified daycare centers for all children at the age of 3-5 and those at the age of 0-2 raised by households being exempted from municipal inhabitant tax	¥885.8bn (+¥497.6bn)	¥341.0bn (+¥187.8bn)
Free higher education (from Apr. 2020) - Expansion of support for learning at universities, junior colleges, etc. for students in households being exempted from municipal inhabitant tax	¥527.4bn (+¥527.4bn)	¥488.2bn (+¥488.2bn)
Elimination of childcare placement waiting list (**Expansion of the provision of childcare and improvement of working conditions for childcare workers**)	¥72.2bn (+¥18.6bn)	¥35.8bn (+¥9.3bn)
Provision of **benefits for supporting low-income pensioners** (from Oct. 2019) - Provision of the base amount of ¥60,000/year (¥5,000/month) for the elderly with low pensions, etc.	¥490.8bn (+¥304.9bn)	¥490.8bn (+¥304.9bn)
Further **burden reduction of long-term care insurance contributions** for the low-income elderly (generally from Oct. 2019)	¥131.6bn (+¥67.1bn)	¥66.3bn (+¥33.6bn)
Preventive healthcare / health promotion - Grants for preventive healthcare and health promotion of prefectural governments and municipalities	¥70.0bn (+¥70.0bn)	¥70.0bn (+¥70.0bn)
Promotion of work-style reform of doctors (**Fund**)	¥14.3bn (+¥14.3bn)	¥9.5bn (+¥9.5bn)
(**Special treatment with medical fees**)	¥12.6bn (+¥12.6bn)	¥8.8bn (+¥8.8bn)
Expansion of **the "Fund for promoting medical ICT"** - Promotion of the utilization of My Number card as a health insurance card in medical institutions	¥76.8bn (+¥46.8bn)	¥76.8bn (+¥46.8bn)

7. Overview of Temporary and Special Measures

(Central government expenditure: ¥1,778.8bn)

Point Reward Project for Consumers using Cashless Payment (¥270.3bn)

- Continue to implement **"Point Reward Project for Consumers using Cashless Payment"** steadily until the end of June 2020 to mitigate the impact of consumption tax rate hike.
- In particular, consumers receive **5% (or 2%)** of reward if they make **cashless payment** in certain **SMEs and micro enterprises**.

Measures for stimulating consumption using My Number scheme (¥247.8bn)

- Implement **measures for stimulating consumption using My Number scheme** from September 2020 to March 2021 after Tokyo Olympics and Paralympics.
- In particular, consumers who have **My Number card** and My Key ID receive **"Maina-point" (5,000 points of reward for the prepayment of 20,000 yen),** if they prepay money etc. using private cashless settlement services.

Benefits for housing purchase "Sumai Kyu-fu kin" (¥114.5bn)

- Provide **"Sumai Kyu-fu kin"** (max. 500 thousand yen) depending on their income for those with limited benefits from housing loan tax deduction to mitigate their financial burden for purchase of houses due to the consumption tax rate hike.

Steady implementation of the measures in "Three-year Emergency Response Plan for Disaster Prevention, Disaster. Mitigation, and Building National Resilience" (¥1,143.2bn)

- Steadily implement the measures in **"Three-year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience"** (decided in December 2018) in 2020 (the third year of the plan), reflecting the result of emergency inspection of critical infrastructure.

[Main measures in "three year emergency response plan" for FY2020]

- The emergency response plan for the risk of levee breaks or floods, and the emergency response plan of seawall for high tide
- Making resilient agricultural water utility facilities, reservoirs, facilities for forestry conservation, fishing ports and agricultural greenhouses, etc.
- Making earthquake-resilient school facilities, medical facilities and social welfare facilities.
- Speeding up drawing of hazard maps in municipalities without sufficient preparation of disaster information

etc.

8. Prioritized, Streamlined, and Improved Policies in the FY2020 Budget

Promote prioritization, streamlining and improving of policies in the FY2020 budget by close examination, the administrative programs review and the budget execution survey, etc.

Optimizing and streamlining defense equipment

- Realized optimization and streamlining of ¥431.3bn in the acquisition of defense equipment by optimizing procurement (cost examination, specification review, etc.) and reviewing ineffective projects thoroughly.
  - Reduce Life-cycle cost by developing a multipurpose surveillance radar which integrates four former surveillance radars (-¥26.2bn)
  - Reduce pilot training expenses by introducing a VR flight simulator (-¥10.3bn)
- In addition, the Ministry of Defense established a committee to accelerate measures to secure revenue by selling off defense equipment, etc.

Effective implementation of measures against deterioration of infrastructure

- For public works of local governments which supported by subsidies,
  - establish an individual subsidiary scheme (¥370.0bn) for public works which should be implemented in a more planned and intensive manner such as measures against deterioration of bridges,
  - implement public works which require fine-tuned measures depending on local circumstances such as relatively small-sized works (e.g. repairment of municipal roads) as unsubsidized works (¥50.0bn) .

Reflection of the administrative programs review / the budget execution survey

(1) The review of PFI for correctional institutions

- Cut the total expenses by about ¥20bn (¥34.8bn → ¥14.2bn) for correctional institutions outsourced to private services in the next period (2020 - 2029) by cancelling out outsourcing of security services and general affairs which have been jointly performed by the public and private services.

(2) Rationalization of support for recruitment and employment of young people, and prioritization of support for the "employment ice-age generation (late 30s to early 40s)"

- Streamlining of staff allocation (-95people, -¥0.5bn) by enabling concurrent posting as supporting staff for "Hello Work for support new graduates" and "Wakamono Hello Work" under current tight labor market condition. Enhancement of inquiry counters specialized to the support for the "employment ice-age generation" financed by resources from the streamlining these measures.

(3) The review of subsidies for the introduction of energy-saving equipment

- Based on a plan to exclude such equipment from coverage of subsidies that can be introduced cheaper than normal ones thanks to subsidies or that can recover its expense in short term (e.g. 3years) without subsidies, implementing review such as cheap snow melting equipment utilizing groundwater heat. (-¥1bn)

9. “Comprehensive Economic Measures to Create a Future with Security and Growth (Cabinet Decision on Dec. 5, 2019)

The package puts necessary measures together to realize sustainable economic growth driven by private demand along with the three pillars below, considering (1) broad and severe disasters after typhoon No.15 and No.19, and (2) increasing global downside risks including US-China trade friction.

I Restoration and reconstruction from natural disasters and ensuring safety and security

II Intensive supports to those striving to overcome economic downside risks

III Investing for a future, and maintaining/enhancing economic vitality beyond 2020 Tokyo Olympics and Paralympics

《Contents and size of the measures》

(Unit: trillion yen)

	Fiscal expenditure (Total size)	Central government expenditure (*)	
		The supplementary budget for FY2019	The initial budget for FY2020
I	approx. 5.8 (approx. 7.0)	– Acceleration of restoration and reconstruction from natural disasters.......0.7 – Strong promotion of disaster prevention, mitigation and building national resilience.......0.9 – Securing safety and security of the people.......0.8	– Steady implementation of the measures in “Three-year Emergency Response Plan” for Disaster Prevention, Disaster Mitigation, and Building National Resilience”.......1.1
II	approx. 3.1 (approx. 7.3)	– Developing an environment for enhancing productivity of SMEs.......0.4 – Facilitation of the businesses by the companies developing overseas operations.......0.1 – Making agriculture, forestry and fisheries a growth industry and enhancing its exporting capacity.......0.3 etc.	(–)
III	approx. 4.3 (approx. 11.7)	– Promoting innovation and social implementation of technologies toward realizing Society 5.0 and SDGs.......0.5 – Investing in human capital for those playing important roles in Society 5.0 and creating environment suitable for child rearing.......0.3 – Supporting private consumption in a seamless manner.......0.2 etc.	– Point Reward Project for Consumers using Cashless Payment.......0.3 – Measures for stimulating consumption using My Number scheme.......0.2 – Benefits for housing purchase “Sumai Kyu-fu kin”.......0.1 etc.
Total	**approx. 13.2 (approx. 26.0)**	**4.3**	**1.8**

(*) The total expenditure of general account of central government amounts to 6.2 trillion yen adding up contingency reserve (0.1 trillion yen). The total expenditure of central government amounts to 7.6 trillion including the expenditure of special accounts of central government (1.4 trillion yen).

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
Total	Approximately 13.2 trillion yen	Approximately 26.0 trillion yen

Breakdown of fiscal expenditures(reference)

	Fiscal expenditures	Of which expenditures from the central government and local governments	Of which FLIP 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 temporary 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.

10. Overview of the Supplementary Budget for FY2019

■ **Central government expenditures to implement "Comprehensive Economic Measures to Create a Future with Security and Growth" (cabinet decision on Dec. 5, 2019) ¥4,303.0bn**

I. Restoration and reconstruction from natural disasters, and ensuring safety and security ¥2,308.6bn

1. Acceleration of restoration and reconstruction from natural disasters ¥690.7bn
2. Strong promotion of disaster prevention, mitigation and building national resilience ¥855.7bn
(note) The entire National Resilience budget is amount to ¥1,152.0bn including the measures categorized in 3."Securing safety and security of the people", etc.
3. Securing safety and security of the people ¥762.1bn

II. Intensive supports to those striving to overcome economic downside risks ¥917.3bn

1. Developing an environment for enhancing productivity of SMEs ¥384.7bn
2. Facilitation of the businesses by the companies developing overseas operations ¥111.8bn
3. Making agriculture, forestry and fisheries a growth industry and enhancing its exporting capacity ¥342.8bn
4. Further Promotion of regional revitalization ¥69.3bn
5. Support for the "employment ice-age" generation ¥8.6bn

III. Investing for a future, maintaining/enhancing economic vitality beyond 2020 Tokyo Olympics and Paralympics ¥1,077.1bn

1. Promoting innovation and social implementation of technologies toward realizing Society 5.0 and SDGs ¥483.3bn
2. Investing in human capital for those playing important roles in Society 5.0 and creating environment suitable for child rearing ¥298.3bn
3. Infrastructure development for the era of 60 million inbound tourists ¥30.5bn
4. Improvement of infrastructure to support productivity enhancement ¥101.6bn
5. Supporting private consumption in a seamless manner ¥163.4bn

■ Total additional expenditures are amount to ¥4,472.2bn including additional fiscal needs such as contributions to international organizations (¥169.2bn) besides the above.

■ Financial resources for the additional expenditures are financed by reduction in previously budgeted expenses, surplus from the previous fiscal year and additional Construction Bonds issuance, etc. In this respect, at the opening of the ordinary Diet session in 2020, the government intends to submit the related draft bill to the supplementary budget ("the draft act on special measures for treatment of the settled surplus in FY2018 (tentative name)") in order to utilize a half of surplus from the previous fiscal year, which is stipulated to be allocated to the redemption of the government bonds according to the Article 6 of the Fiscal Act.

■ Moreover, the government will additionally issue the Special Deficit-Financing Bonds amount to ¥2,229.7bn as tax revenue for FY2019 is estimated to decrease.

11. Overview of the Supplementary Budget for FY2019

(billion yen)

Expenditures		Revenues	
1. Restoration and reconstruction from natural disasters and ensuring safety and security	2,308.6	1. Non-tax revenue	188.1
2. Intensive supports to those striving to overcome economic downside risks	917.3	2. Surplus from the previous fiscal year	801.6
3. Investing for a future, and maintaining / enhancing economic vitality beyond 2020 Tokyo Olympics and Paralympics	1,077.1	3. Government bond issuance (Construction Bonds)	2,191.7
4. Other expenses	169.2		
5. Reduction in previously budgeted expenses	- 1,290.8		
6. Local Allocation Tax Grants			
(1) Reduction in the local allocation tax grants due to decline in tax revenue	- 734.9	4. Tax revenue	- 2,315.0
(2) Amounts proportionate to 5. (surplus from the previous fiscal year)	98.5	5. Surplus from the previous fiscal year (financial resources for the local allocation tax grants)	98.5
(3) Compensation for the reduction in the local allocation tax grants due to decline in tax revenue	636.4	6. Government bond issuance (Special Deficit-Financing Bonds)	2,229.7
(4) Compensation for the drop in financial resources for local allocation tax grants due to decline in the local corporation tax revenue	13.2		
Total	3,194.6	Total	3,194.6

(Note 1) Figures may not add up to the totals due to rounding.
(Note 2) Central government expenditures for the economic measures (cabinet decision on Dec. 5, 2019): ¥4,303.0bn (sum of 1. – 3. above)
(Note 3) A legislative measure is needed to utilize the surplus from the previous fiscal year.

Ⅱ. Emergency Economic Measures to Cope with COVID-19, etc.

12. Emergency Economic Measures to Cope with COVID-19

Phase 1 : Emergency Support

1) Develop preventive measures against the spread of infection and medical treatment structures, as well as pharmaceuticals

1. Securing supply of masks and disinfectants
2. Enhancing screening system and enabling early detection
3. Strengthening health systems
4. Accelerating the development of therapies and vaccines
5. Supporting returnees from overseas
6. Enhancing public communication
7. International cooperation including contributions to emergency assistance for affected countries
8. Supporting families with children amid school closures

2) Protect employment and sustain business continuity

1. Protecting employment
   - ✓ Increase the subsidy rates for closure allowance to firms that maintain employment (subsidies for SMEs: 2/3 → 90%, Large Enterprises: 50 → 75%). The subsidies are also expanded to non-regular employees
2. Liquidity support
   - ✓ Expand the volume of concessional loan facilities (interest free without collateral)
   - ✓ Subsidize private financial institutions for providing interest-free loan programs
3. Supporting SMEs for their business continuity
   - ✓ Establish a new cash transfer mechanism for SMEs suffering from declining sales
4. Supporting every individual in need
   - ✓ Provide JPY 100,000 in cash to all Japan residents
5. Tax measures
   - ✓ Deferral of taxes and social security contributions for those who are suffering from the COVID-19 outbreak
   - ✓ Tax refund by carryback of loss
   - ✓ Reduction of property tax for SMEs

Phase 2 : V-shaped Recovery

3) Recover economic activities through public-private efforts, as the next phase

1. Supporting affected industries by initiating public-private joint campaigns
   (tourism; transportation; restaurant; and entertainment)
2. Revitalizing regional economy
   (inbound; agriculture; culture and art; and sports)

4) Develop a resilient economic Structure

1. Supporting supply chain reform
   - ✓ Enhance the resilience of supply chain by subsidizing reshoring and the diversification of global supply chain
2. Facilitating overseas businesses, and strengthening export and domestic production capacities of agriculture, forestry, fisheries and food
3. Accelerating digital transformation including the better use of remote work and remote education
4. Front-loading public investment to support demand

5) Prepare for the future

1. Creating the contingency reserve funds for the COVID-19

(Note) Creating the contingency grants for the COVID-19 so as to support the local governments, conducting all of the measures above.

Breakdown of Five Pillars

	(Financial expenditure)	(Project scale)
Ⅰ.Measures to prevent the spread of the disease, build medical treatment structures, and develop pharmaceuticals	Approx.2.5 trillion yen	Approx.2.5 trillion yen
Ⅱ.Protecting employment and keeping businesses viable	Approx.30.8 trillion yen	Approx.88.8 trillion yen
Ⅲ.Recovery of economic activities with the concerted efforts of public and private sectors as the next stage	Approx.3.3 trillion yen	Approx.8.5 trillion yen
Ⅳ.Building a robust economic structure	Approx.10.2 trillion yen	Approx.15.7 trillion yen
Ⅴ. Preparing for the future	Approx.1.5 trillion yen	Approx.1.5 trillion yen
Total	Approx.48.4 trillion yen	Approx.117.1 trillion yen

Breakdown of Financial Expenditure

	(Financial expenditure)	Including National and local expenditure	Including fiscal investment and loan program
Ⅰ.Measures to prevent the spread of the disease, build medical treatment structures, and develop pharmaceuticals	Approx.2.5 trillion yen	Approx.2.5 trillion yen	
Ⅱ.Protecting employment and keeping businesses viable	Approx.30.8 trillion yen	Approx.21.1 trillion yen	Approx.9.7 trillion yen
Ⅲ.Recovery of economic activities with the concerted efforts of public and private sectors as the next stage	Approx.3.3 trillion yen	Approx.2.8 trillion yen	Approx.0.5 trillion yen
Ⅳ.Building a robust economic structure	Approx.10.2 trillion yen	Approx. 8.0 trillion yen	Approx.2.3 trillion yen
Ⅴ. Preparing for the future	Approx.1.5 trillion yen	Approx.1.5 trillion yen	
Total	Approx.48.4 trillion yen	Approx.35.8 trillion yen (Note 1)	Approx.12.5 trillion yen (Note 2)

(Note 1) The national budget is 33.9 trillion yen, of which the supplementary budget for 2020 is 27.5 trillion yen (general account 25.6 trillion-yen, special account 1.9 trillion yen).
(Note 2) The additional amount in the supplemental budget for 2020 is 10.1 trillion yen.

13. Overview of the First Supplementary Budget for FY2020

Ⅰ Expenses related to Emergency Economic Package against the COVID-19 ¥25,565.5bn

1. Develop preventive measures against the spread of infection and medical treatment structures, as well as pharmaceuticals ¥1,809.7bn

- "The urgent comprehensive grants to cope with the COVID-19 (provisional name)" [¥149.0bn]
  (Equipping PCR screening devices, Securing hospital beds and facilities for patients with slight symptoms, Securing medical equipment such as respirators, Assisting dispatchment of supporting doctors, etc.)
- Prioritizing distribution of masks to medical institutions and other facilities in need [¥95.3bn], Supporting production of respirators, masks, etc. [¥11.7bn]
- Preventive measures against the spread of infection (such as distributing masks to kindergartens, elementary schools, nursing homes, and other facilities) [¥79.2bn], Distributing fabric masks to all households [¥23.3bn]
- Securing Avigan [¥13.9bn], Enhancing research and development of medicine through industry-academia-government collaboration [¥20.0bn], Supporting the development of vaccines in Japan [¥10.0bn], Supporting research and development of vaccines internationally [¥21.6bn]
- "The temporal grants to help regions cope with COVID-19 (provisional name)" [¥1,000.0bn]
  *To be allocated for measures implemented by local governments regarding Emergency Economic Package, depending on circumstances

2. Protect employment and sustain business continuity 19,490.5bn

- Expanding special measures on the Employment Adjustment Subsidies [¥69.0bn*]
  *Budgeted in the General Account, to support employees who work less than 20 hours per week. ¥764.0bn is accounted in the Special Account for Employment Insurance for employees who work 20 hours per week and more.
- Liquidity supports to micro, small and medium-sized business operators and others [¥3,831.6bn]
- A new subsidy for micro, small and medium-sized business operators and others [¥2,317.6bn]
- A new subsidy for every individual [¥12,880.3bn]
- A temporal and special subsidy for households with children [¥165.4bn]

3. Recover economic activities through public-private efforts, as the next phase ¥1,848.2bn

- "Go To campaign (provisional name)" , supporting affected industries by initiating public-private joint campaigns (tourism; transportation; restaurant; and entertainment) [¥1,679.4bn]
- Establishing "the Fund for strengthening growth fundamentals in revival phase from the COVID-19 (provisional name)" [¥100.0bn]

4. Develop a resilient economic structure ¥917.2bn

- Subsidy to promote domestic investment for support of supply chain [¥220.0bn]
- Supporting diversification of global supply chain [¥23.5bn]
- Strengthening export capacity and domestic supply capacity of agriculture-forestry-fisheries and food products [¥198.4bn]
- Ensuring opportunities of education through acceleration of the GIGA school plan [¥229.2bn]
- Promoting digital infrastructure for early implementation of public investment [¥17.8bn]
- Encouraging digitalization of SMEs [¥10.0bn]

5. Prepare for the future ¥1,500.0bn

- Contingency funds for the COVID-19 [¥1,500.0bn]

Ⅱ Transfer to the special account for national debt consolidation funds ¥125.9bn

Additional spending of the supplementary budget ¥25,691.4bn

14. Overview of the First Supplementary Budget for FY2020

(billion yen)

Expenditures		Revenues	
1. Expenses related to Emergency Economic Package against the COVID-19	25,565.5	1. Government bond issuance	25,691.4
(1) Develop preventive measures against the spread of infection and medical treatment structures, as well as pharmaceuticals	1,809.7	(1) Construction Bonds	2,329.0
(2) Protect employment and sustain business continuity	19,490.5	(2) Special Deficit-Financing Bonds	23,362.4
(3) Recover economic activities through public- private efforts, as the next phase	1,848.2		
(4) Develop a resilient economic structure	917.2		
(5) Prepare for the future	1,500.0		
2. Transfer to the special account for national debt consolidation funds	125.9		
Total	25,691.4	Total	25,691.4

(Note) Figures may not add up to the totals due to rounding.

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15. Overview of the Second Supplementary Budget for FY2020

Ⅰ Expenses related to cope with the COVID-19 31,817.1bn

1. Enhancing the Employment Adjustment Subsidy 451.9bn

*Budgeted in the General Account, including transfer to the Special Account for Employment Insurance and financial support for employees who work less than 20 hours per week. In addition, ¥857.6bn is budgeted in the Special Account for Employment Insurance.

2. Enhancing financial support 11,639.0bn

- Loan to micro, small- and medium-sized businesses〔8,817.4bn〕
- Loan to major corporations〔452.1bn〕
- Providing capitals〔2,369.2bn〕

Strengthening financial functions

Extend the period of capital participation and expand the framework under the Act on Special Measures for Strengthening Financial Functions (to ¥15tn)

3. Establishing a rent support grant for SMEs 2,024.2bn

4. Supporting medical treatment providers 2,989.2bn

- Emergency Comprehensive Support Grant For Novel Coronavirus Disease〔2,237.0bn〕
  * of which medical care〔1,627.9bn〕, long-term care〔609.1bn〕
- Distribution of medical masks to medical institutions〔437.9bn〕
- Development of medicine and vaccines〔205.5bn〕

5. Other supports 4,712.7bn

①	Expanding of “Special Allocation for Revitalization to Cope with COVID-19”	2,000.0bn
②	Additional payments to low-income single parent households	136.5bn
③	Enhancing the Subsidy Program for Sustaining Businesses	1,940.0bn
④	Others	636.3bn

- Enhancing the grants for micro, small- and medium- sized business operators〔100.0bn〕
- Emergency comprehensive support package for art and cultural activities〔56.0bn〕
- Measures to prevent the spread of infection in local public transportations〔13.8bn〕
- Additional placement of teachers and assistant teachers〔31.8bn〕
- Educational support and preventive measures against infection to reopen school〔42.1bn〕
- AI simulation to realize “a Smart Life"〔1.4bn〕
- Establishing a grant to sustain businesses for agriculture, forestry and fisheries〔20.0bn〕
- Enhancing capacity of Self-Defense Forces to prevent and respond to infectious disease〔6.3bn〕
- Special loans to individuals from the emergency small amount fund〔204.8bn〕
- Deploying optical fibers for educational ICT platform〔50.2bn〕

6. Contingency funds for the COVID-19 10,000.0bn

Ⅱ Transfer to the Special Account for the National Debt Consolidation Fund（interest payment) 96.3bn

Ⅲ Reduction in previously approved expenses (annual allowance of the members of the Diet) -2.0bn

Total spending of the supplementary budget 31,911.4bn

(note) The Emergency Support for Students〔¥53.1bn〕 (May 19, 2020, cabinet decision), distribution of medical masks to medical institutions〔¥168.0bn 〕and special allocation on health care fee〔¥15.9bn, borne by the central government (May 26, 2020, cabinet decision)〕are allocated from the Contingency funds for the COVID-19 in the first Supplementary Budget for FY2020.

16. Overview of the Second Supplementary Budget for FY2020

(Unit: billion yen)

Expenditures		Revenues	
1. Expenses related to cope with the COVID-19	31,817.1	1. Government bond issuance	31,911.4
(1) Enhancing the Employment Adjustment Subsidy	451.9	(1) Construction Bonds	9,299.0
(2) Enhancing financial support	11,639.0	(2) Special Deficit-Financing Bonds	22,612.4
(3) Establishing a rent support grant for SMEs	2,024.2		
(4) Supporting medical treatment providers	2,989.2		
(5) Other supports	4,712.7		
① Expanding of "Special Allocation for Revitalization to cope with COVID-19"	2,000.0		
② Additional payments to low-income single parent households	136.5		
③ Enhancing the Subsidy Program for Sustaining Businesses	1,940.0		
④ Others	636.3		
(6) Contingency funds for the COVID-19	10,000.0		
2. Transfer to the Special Account for the National Debt Consolidation Fund (interest payment)	96.3		
3. Reduction in previously approved expenses (annual allowance of the members of the Diet)	-2.0		
Total	31,911.4	Total	31,911.4

(Note1) Figures may not add to the totals due to rounding.
(Note2) 1.(2) includes transfer to the Special Account for the National Debt Consolidation Fund.
(redemption of Subsidy Bonds〔443.2 billion yen〕held by Development Bank of Japan Inc.)

17. The Framework of the Budget for FY2020

(unit: trillion yen)

Expenditures		Revenues	
General Expenditures	**120.4**	**Tax Revenues**	**63.5**
Initial Budget	63.5		
1st Supplementary Budget	25.5		
2nd Supplementary Budget	31.4	Other Revenues	6.6
Local Allocation Tax etc.	15.8		
Initial Budget	15.8		
1st Supplementary Budget	0.0	**Government Bond Issuance**	**90.2**
National Debt Service	24.0	Initial Budget	32.6
Initial Budget	23.4		
1st Supplementary Budget	0.1	1st Supplementary Budget	25.7
2nd Supplementary Budget	0.5	2nd Supplementary Budget	31.9
Total	**160.3**	**Total**	**160.3**

Bond Dependency Ratio 56.3%

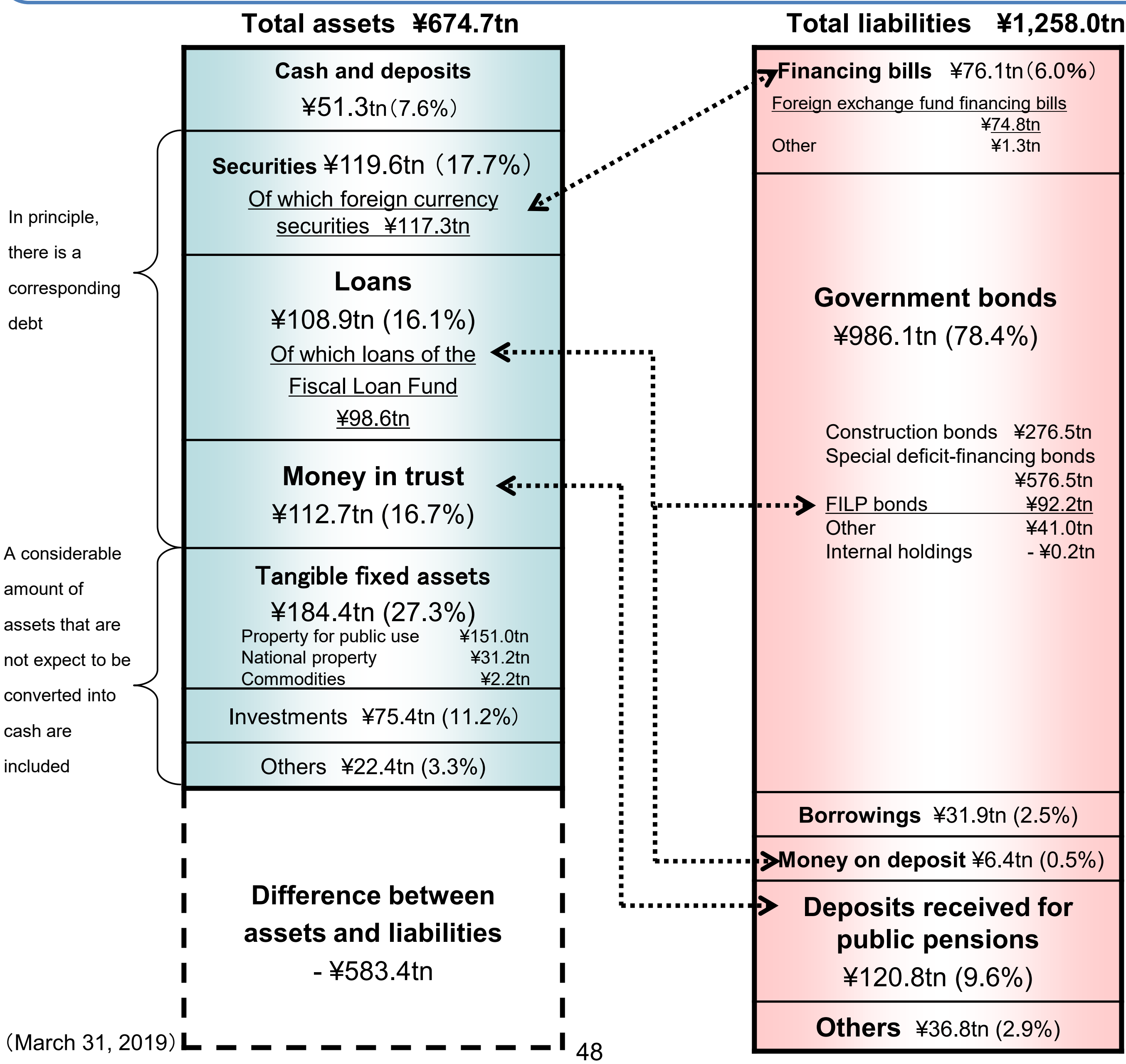
General Account Primary Balance : - 9.2 → - 66.1

(Reference) Accounting information and PDCA Cycle

Ⅰ. Balance Sheet of the Central Government

In order to clearly disclose the status of stock such as assets and liabilities held or owed by the central government, the Ministry of Finance annually publishes “Government Balance Sheet”. This balance sheet is prepared by referring to corporate accounting methodologies (e.g. accrual accounting and double bookkeeping).

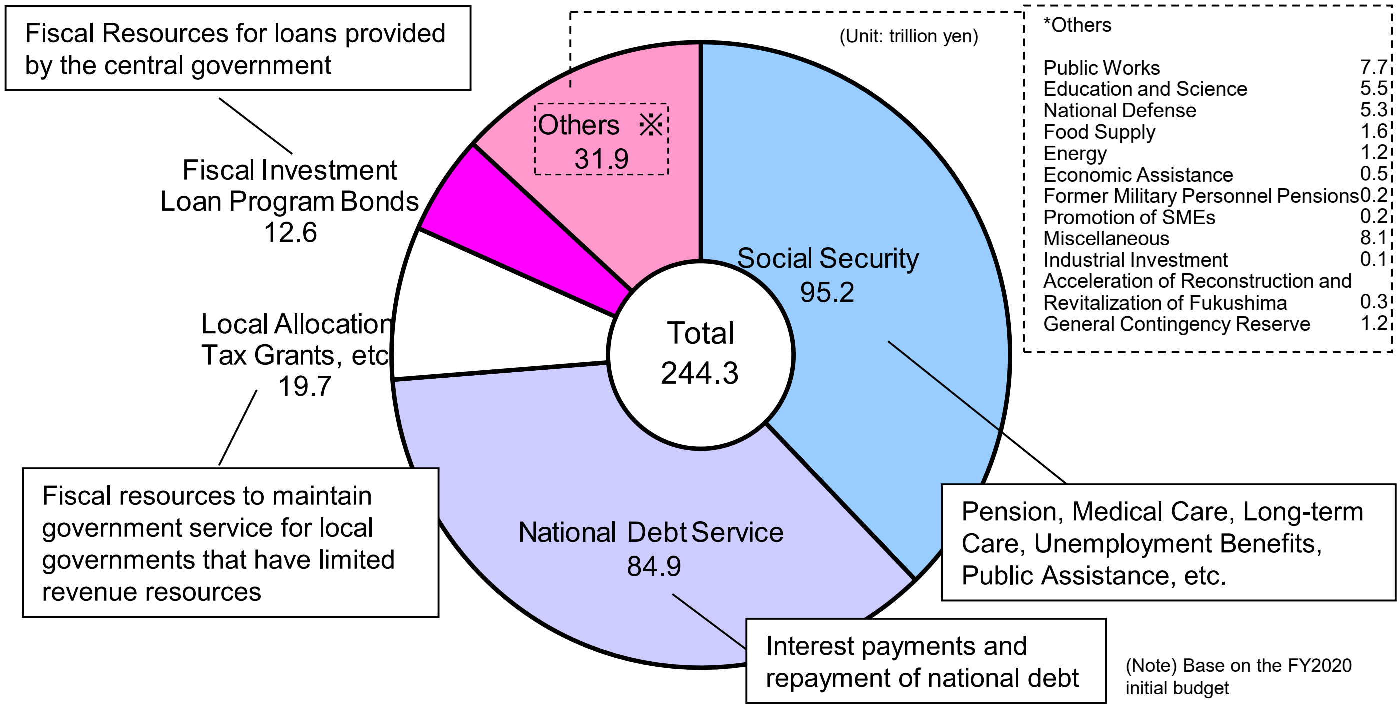
- ◆ As of the end of FY2018, the asset amounted to ¥674.7 trillion, but most of it cannot be converted into cash to make up fiscal resources for other policies. (Please refer to the figure below.)
- ◆ Among account titles of assets and liabilities, some financial assets and liabilities are earmarked to each other.
  - Foreign currency securities (¥117.3 trillion): Financial sources for purchasing these securities are provided by issuing foreign exchange fund financing bills (¥74.8 trillion).
  - Loans of the Fiscal Loan Fund (¥98.6 trillion): Financial sources for these loans consists of funds provided by issuing FILP bonds (¥92.2 trillion) and money on deposit (¥6.4 trillion).
  - Money in trust (¥112.7 trillion): It is a part of funds accumulating social security contribution etc., saved for future benefit disbursement and the corresponding amount is also listed on the liability side as the deposits for public pensions (¥120.8 trillion).
- ◆ There are also a considerable amount of assets which are not expected to be converted into cash.
  - Tangible fixed assets (¥184.4 trillion): Roads, rivers and other public properties, etc.
  - Money invested (¥75.4 trillion): invested money by incorporated administrative agencies, stocks of incorporated companies which the government is obligated to hold as a matter of policy etc.



Ⅱ. General and Special Accounts

○ Net Total Amount of the General and Special Accounts by Major Expenditures

The net total amount of the General and Special Accounts by major expenditures represents the net sum of the all accounts (i.e. the sum of the General Account gross expenditures (FY2020: ¥ 102.7 trillion) and the Special Account gross expenditures (FY2020: 391.8 trillion) minus inter-account transfers), sorted by each policy field. It shows an overall picture of the central government's expenditures.



(Note) Base on the FY2020 initial budget

○ Trends in the net expenditure budget of the General Account and the Special Accounts

(Unit: trillion yen)

Item	FY2018 Settlement	FY2019 Settlement (estimate)	FY2020 Initial Budget
Total Expenditure in the General Account (A)	99.0	109.0	102.7
Total Expenditure in the Special Accounts (B)	368.9	387.9	391.8
Total (C = A + B)	467.9	497.0	494.4
of which, the amount overlapped (D)	138.0	143.2	142.1
Difference (E = C – D)	329.9	353.8	352.3
of which, the amount deducted (F)	103.3	104.3	108.0
Net Total (= E – F)	226.7	249.4	244.3

○ FY2020 Special Accounts

- Local allocation tax and local transfer tax
- Earthquake reinsurance
- National debt consolidation fund
- Foreign exchange fund
- Government investment and loan fund
- Measures for energy
- Worker's insurance
- Pension
- Stable supply of food
- Debt management of National forest and field service* (* Transitional measures)
- Patents
- Motor vehicles safety
- Reconstruction from the Great East Japan Earthquake

Ⅲ. PDCA Cycle

The government attempts to continuously improve its budget efficiency by enhancing the PDCA cycle: evaluating how budget funds are spent and what results have been achieved, and then reflecting these evaluation results in future budgetary planning processes.

■ Resolutions of the Diet and the Reports on Inspection of the Settlement of Accounts, etc.

- ➢ The resolutions concerning the settlement adopted by the Diet are properly reflected in the budgets based on the deliberations in the Diet.
- ➢ In line with the report by the Board of Audit, necessity and efficiency of individual administrative tasks and projects are fully re-examined.
- ➢ The details of each budget are closely scrutinized if a large amount of allocated budget remains unused.

■ Budget Execution Surveys

- ➢ In FY2019, the Ministry of Finance conducted 44 budget execution surveys.
- ➢ Based on the results of these surveys, the necessity, effectiveness and efficiency of projects are reviewed. These review results are properly reflected in the next budget and budget execution.

* The budget execution surveys are conducted by officials of the Budget Bureau of the Ministry of Finance, or those of Local Financial Bureaus, who are regularly involved with budget execution. They point out room for improvement, which can lead to the revision of the budget and efficient budget execution.

■ Policy Evaluation

- ➢ The results of policy evaluation conducted by government ministries and agencies are utilized in budget formulation processes from a viewpoint of efficiency of each project, etc,.

■ Administrative Programs Review

- ➢ Points indicated through administrative programs review are reflected in budget formulation processes.

Plan
(Planning the budget)

Do
(Executing the budget)

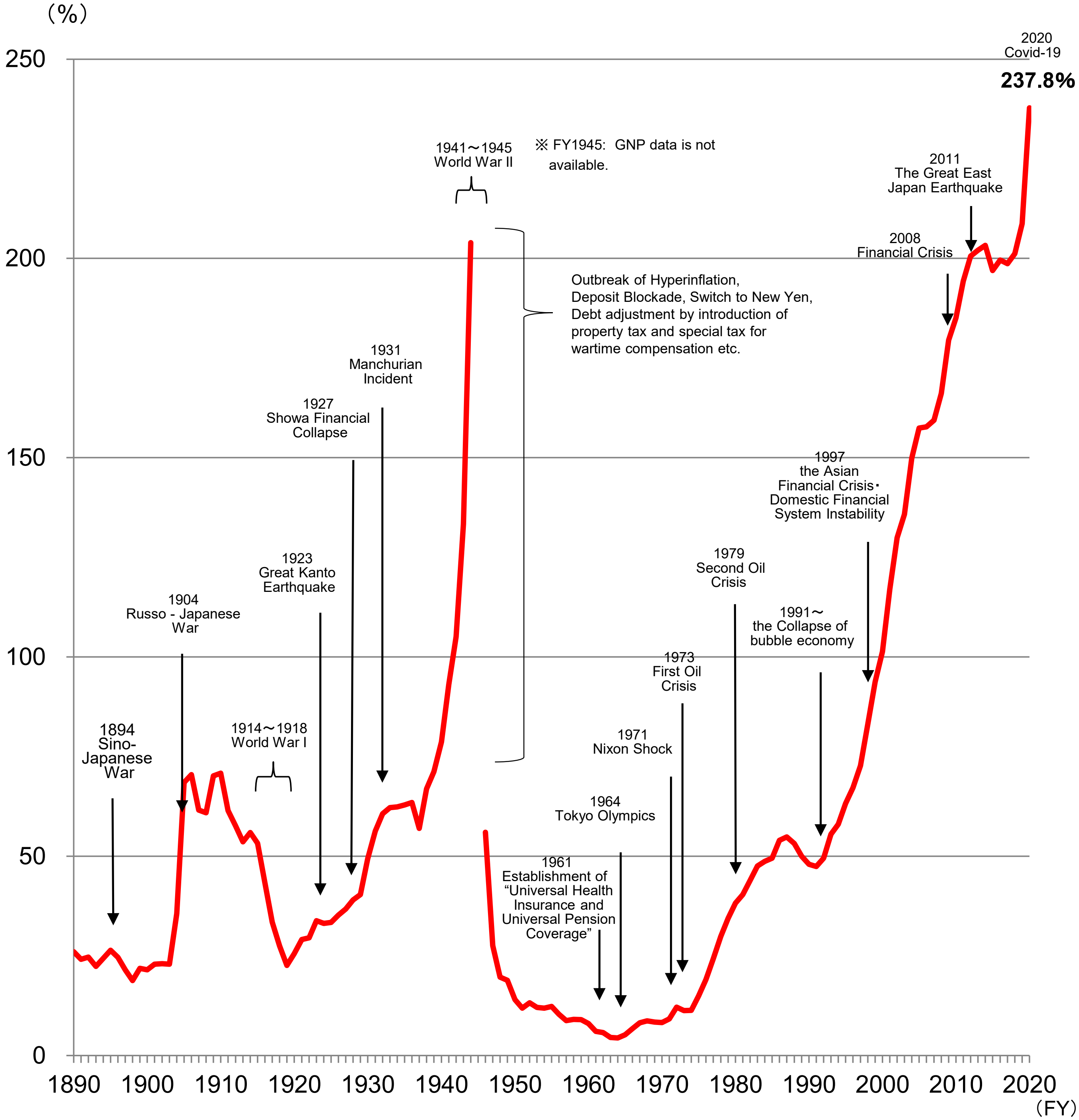
Check
(Evaluating and examining the budget)
- Resolutions of the Diet
- Budget execution survey
- Audit reports
- Policy evaluation
- Administrative Programs Review and other measures, etc.

Action
(Reflecting the evaluation results, etc.)

Plan
(Planning the budget)

(Reference)

Trend in Accumulated Government Bonds Outstanding from the Prewar years



(Note1) Government Bonds Outstanding: FY1890-2018: Annual report on government bonds statistics (Ministry of Finance); FY2019: Based on Supplementary Budget; FY2020 Based on the Second Supplementary Budget. Outstanding of Fiscal Loan Fund Financing Bills, Foreign Exchange Fund Financing Bills and Food Financing Bills out of Financing bills have reached the issuance limit (total: 197 trillion yen).

(Note2) GDP: FY1890-FY1929: Gross National Expenditure (Based on Statistics by Ohkawa, Takamatsu and Yamamoto); FY1930-FY1954: Nominal GNP (Based on Japan Statistical Association "Historical Statistics of Japan"); FY1955-FY2018: Nominal GDP (Based on National Accounts); FY2019-FY2020: Based on Cabinet Office "Fiscal 2020 Economic Outlook and Basic Stance for Economic and Fiscal Management" (January 20, 2020))

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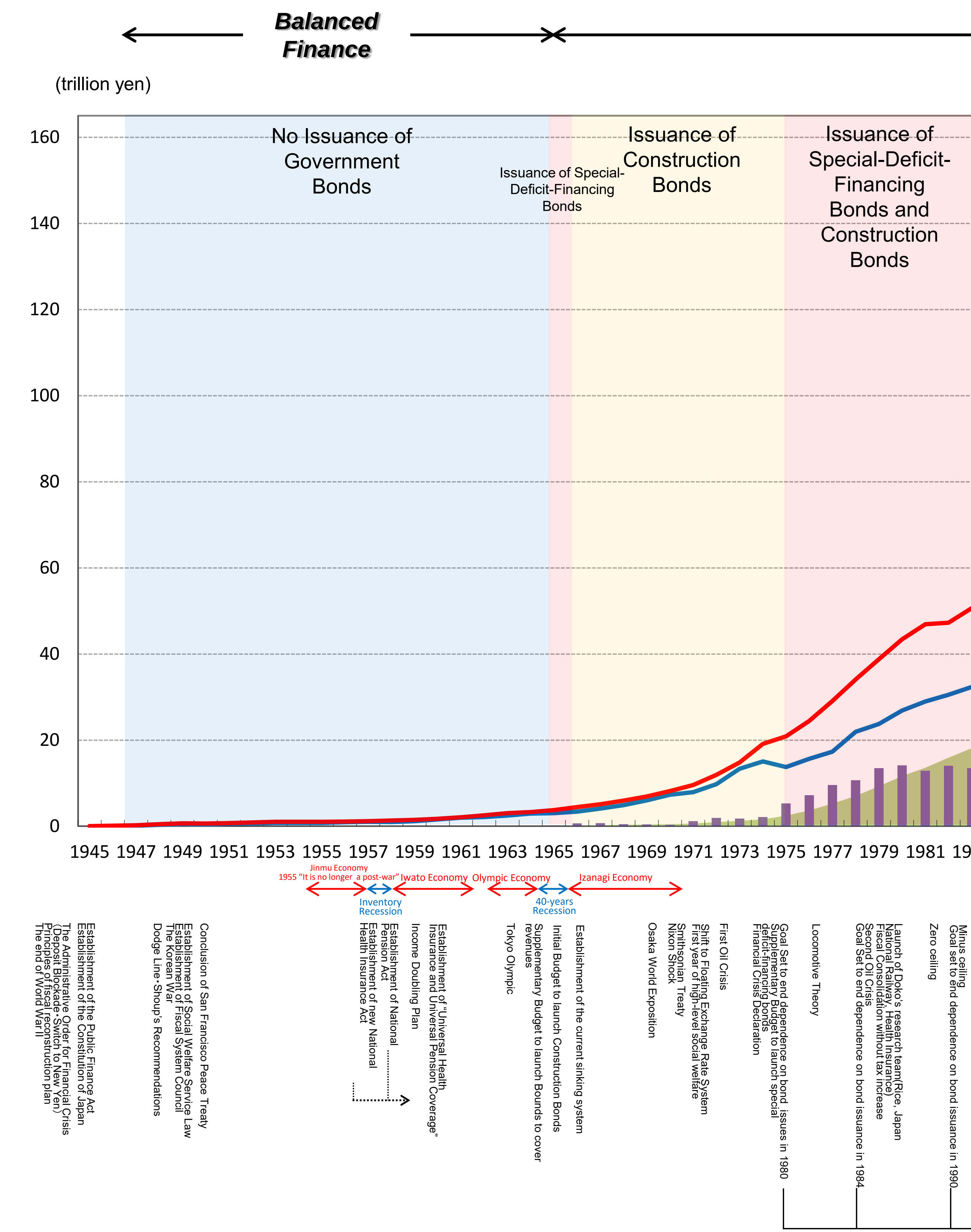
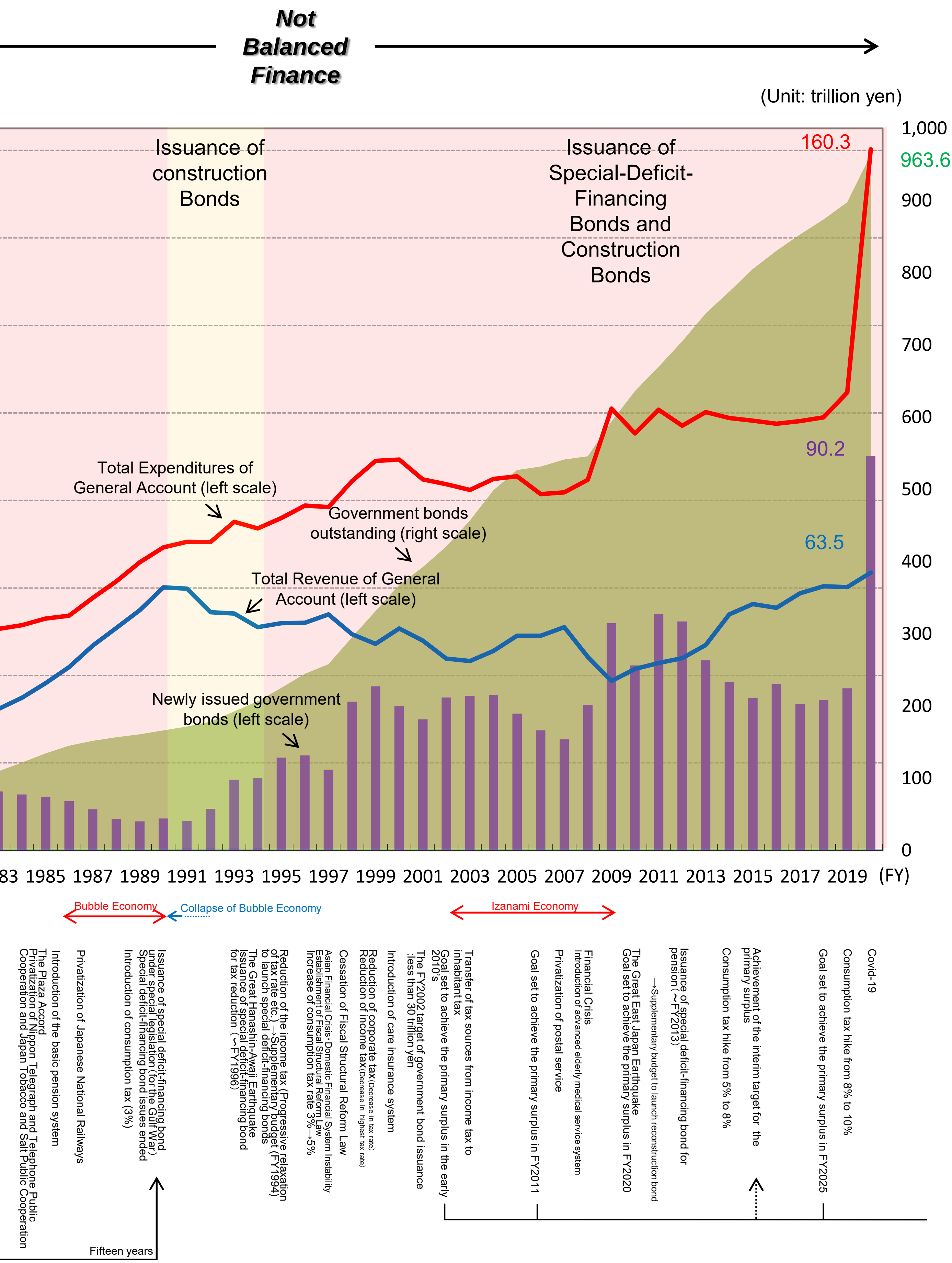
(Reference) Changes in the fiscal situation after WW II



(Note1) Total revenues and expenditures of general account: Settled Figures (FY1945- FY2018), Based on the Supplementary budget (FY2019), Based on the Second Supplementary Budget (FY2020).

(Note2) FY2019 and FY2020: Including Temporary and Special Measures

(Note3) FY1945 - FY2018: Actual figures, FY2019: Based on Supplementary budget, FY2020: Based on the Second Supplementary Budget



Not Balanced Finance
(Unit: trillion yen)
1,000
900
800
700
600
500
400
300
200
100
0
160.3
963.6
90.2
63.5
Issuance of construction Bonds
Issuance of Special-Deficit-Financing Bonds and Construction Bonds
Total Expenditures of General Account (left scale)
Government bonds outstanding (right scale)
Total Revenue of General Account (left scale)
Newly issued government bonds (left scale)
83 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 (FY)
Bubble Economy
Collapse of Bubble Economy
Izanami Economy
Introduction of the basic pension system
The Plaza Accord
Privatization of Nippon Telegraph and Telephone Public Cooperation and Japan Tobacco and Salt Public Cooperation
Privatization of Japanese National Railways
Issuance of special deficit-financing bond under special legislation (for the Gulf War)
Special deficit-financing bond issues ended
Introduction of consumption tax (3%)
Fifteen years
Reduction of the income tax (Progressive relaxation of tax rate etc.)→Supplementary budget (FY1994) to launch special deficit-financing bonds
The Great Hanashin-Awaji Earthquake
Issuance of special deficit-financing bond for tax reduction (~FY1996)
Cessation of Fiscal Structural Reform Law
Asian Financial Crisis・Domestic Financial System Instability
Establishment of Fiscal Structural Reform Law
Increase of consumption tax rate 3%→5%
Reduction of corporate tax (Decrease in tax rate)
Reduction of income tax (Decrease in highest tax rate)
Introduction of care insurance system
The FY2002 target of government bond issuance :less than 30 trillion yen
Transfer of tax sources from income tax to inhabitant tax
Goal set to achieve the primary surplus in the early 2010's
Goal set to achieve the primary surplus in FY2011
Privatization of postal service
Financial Crisis
Introduction of advanced elderly medical service system
The Great East Japan Earthquake
Goal set to achieve the primary surplus in FY2020
→Supplementary budget to launch reconstruction bond
Issuance of special deficit-financing bond for pension (~FY2013)
Consumption tax hike from 5% to 8%
Achievement of the interim target for the primary surplus
Goal set to achieve the primary surplus in FY2025
Consumption tax hike from 8% to 10%
Covid-19

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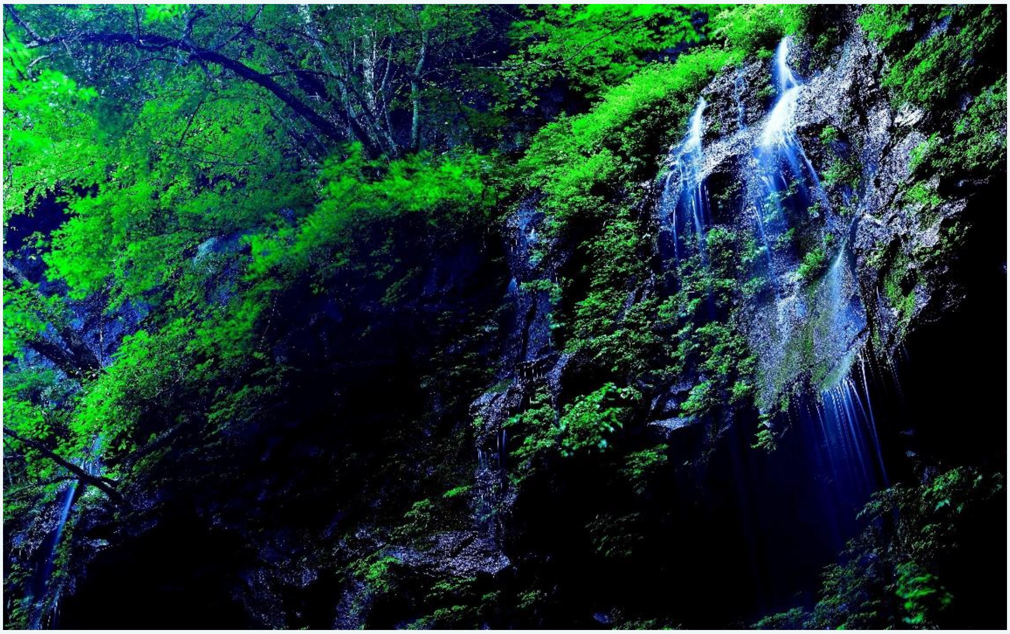

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