

Outline of METI's draft budget for FY 2009

December 2008

Ministry of Economy, Trade and Industry

1. Summary

- The Ministry of Economy, Trade and Industry (METI)'s draft budget for FY 2009 and supplementary budget for FY 2008 give top priority to measures to support SMEs and micro enterprises and measures for employment security, which are both aimed at helping the economy weather the current economic conditions.

- While thoroughly implementing emergency measures for the present, METI aims to ensure that Japan can take full advantage of its strengths and achieve strong growth in the future. To this end, METI will promote the following measures included in the "New Economic Growth Strategy 2008" and other government policies:

- (a) Construction of a new economic and industrial structure that fundamentally improves Japan's resource productivity
- (b) Facilitation of innovation and reconstruction of the global strategy
- (c) Invigoration of SMEs and improvement of regional vitality

(in 100 millions of yen)

	FY 2009 Draft	FY 2008 Original	Change in	% change
General Account (excluding transfer to the Energy Resources Special Account)	4,281	4,262	19	0.4%
Energy Resources Special Account	7,034	7,216	-182	-2.5%
Patent Special Account	1,204	1,228	-24	-2.0%
External Trade Reinsurance Special Account	2,061	2,121	-60	-2.8%
METI Total	14,580	14,827	-247	-1.7%

Expenditures on SME support measures

189 billion yen (176.1 billion yen)

* Including those appropriated by the Ministry of Finance and the Ministry of Health, Labour and Welfare.

This amount, 189 billion yen, includes an increase specific to FY 2009 (7.9 billion yen), which arises from special causes associated with financial reform by government policy. When this increase is excluded, expenditures on SME support measures are 181.1

billion yen, which represents a 2.9% increase from FY 2008 in real terms.

Expenditures on science and technology promotion

148.7 billion yen (147.7 billion yen)

0.7% increase from the previous year

Special account for the fiscal investment and loan program (investment account)

74.9 billion yen (65.3 billion yen)

14.7% increase from the previous year

2. Outline of the General Account Budget

(a) Draft budget

- The total draft budget is 428.1 billion yen, posting a 0.4% increase from the previous year despite reductions to meet the budget ceiling. This was developed through a budget review, which involved the sorting out of policies, and a budget allotment that gave higher priority to essential measures.

- The budget for expenditures on SME support measures aimed at vitalizing regional economies, SMEs and micro enterprises is allocated with emphasis on strengthening financing for SMEs, promoting fair subcontracting practices, supporting new businesses created through collaboration among commerce, industry and agriculture, increasing support for shopping districts, and assisting business restructuring by SMEs.

- The budget for expenditures on science and technology promotion aimed at fostering innovation is allocated with emphasis on R&D for the establishment of a low-carbon society and a safe and secure society, demonstration of advanced social systems, and creation of a reward-type subsidy program or other means to support the commercial application of research results.

(b) Budget for the promotion of priority measures

The budget amount is 22.7 billion yen. This is appropriated for facilitating financing for SMEs, promoting collaboration among commerce, industry and agriculture, fostering innovation, and pushing ahead with anti-global warming measures and measures to secure rare metals.

* Including expenditures on SME support measures appropriated by the Ministry of Finance.

(c) Supplementary budget (first: 427 billion yen, second: 518.4 billion yen)

The first supplementary budget is 427 billion yen and the second is 518.4 billion yen. These are appropriated for measures stipulated in the “Comprehensive Immediate Policy Package to Ease Public Anxiety” and the “Measures to Support People’s Daily Lives,” including monetary measures for SMEs and micro enterprises, measures to help SMEs and micro enterprises to secure and develop human resources, those to support R&D, and those to promote world-leading R&D and innovation.

* Including expenditures on SME support measures appropriated by the Ministry of Finance.

3. Outline of the Special Account Budget

(1) Energy Resources Special Account

(a) Unofficial announcement of the budget amount

In the Energy Resources Special Account, METI will continue following the Basic Policies 2006 and implement efficient fiscal management. To carry out priority measures, METI will compile a more efficient and effective budget than ever and accelerate efforts to achieve energy security, environmental conservation and economic growth in an integrated manner, by means of policies that pursue both the ensured stable supply of natural resources and energy and the establishment of a low-carbon society.

Total amount: 703.4 billion yen (18.2 billion yen decrease from the previous year)

Details

Energy Supply and Demand Adjustment Account: 482.1 billion yen

(15.4 billion yen decrease from the previous year)

Promotion of Electric Power Resources Development Account: 221.3 billion yen

(2.8 billion yen decrease from the previous year)

(b) Supplementary budget (first: 54.4 billion yen)

The budget amount is 54.4 billion yen. This is appropriated for measures stipulated in the Comprehensive Immediate Policy Package to Ease Public Anxiety, including those to accelerate the introduction of advanced energy technologies, those to promote the

development and introduction of energy-saving technologies and new energy technologies, those to support the streamlining of distribution of petroleum products in remote islands, and those to explore oil and other natural resources for the purpose of improving the stability of their supply.

(2) Patent Special Account

The appropriation for the Patent Special Account is 120.4 billion yen (a 2.4 billion yen decrease from the previous year). This budget is used for efficiently implement intellectual property policies in line with “Intellectual Property Strategic Program 2008,” including policies to construct the world’s fastest and most accurate patent examination system and those to create an environment to foster innovation.

(3) External Trade Reinsurance Special Account

The appropriation for the External Trade Reinsurance Special Account is 206.1 billion yen (a 6 billion yen decrease from the previous year). This budget is used for expanding the coverage of business risks that could arise from external trade and investment by Japanese companies and that are not covered by ordinary insurance (e.g. risks associated with the occurrence of war or restrictions on foreign exchange transactions). The budget is also used for repaying part of the amount that was previously transferred from the general account to this special account for fiscal assistance.