

**Opinion on Latest Government Measures:  
Focus on Second Supplementary Budget Draft**

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**General comment**

- The government lifted on May 25 the declaration of a state of emergency for all prefectures in Japan. We are entering the critical stage for rebuilding the economy. The combined government spending for the first and second supplementary budget has topped 10% of Japan's GDP. The second supplementary budget draft covers cost for shoring up measures of the first supplementary budget, while financing creation of new measures such as rent subsidies. We hope that the Diet will quickly start deliberations on the second supplementary budget draft for thorough discussions, leading to its earliest possible enactment and implementation.
- The implementation of the measures of the first supplementary budget has been reportedly delayed. There are a number of news reporting that individuals and businesses economically hard-hit by the coronavirus infections have not yet received the financial support, despite some improvement seen.
- There is a pressing need to develop an efficient, effective framework for accelerating the implementation after the enactment of the second supplementary budget. Here is our opinion below from the perspectives described above.

**Measures for implementing financial support without delay**

**(1) Increase of credit guarantee limit and facilitation of credit review officers**

- An overall credit guarantee limit and individual company's credit limit are to be increased, as they have a quick impact on supporting SMEs' financing. Meanwhile, a framework of facilitating credit review officers of regional financial institutions is to be studied for an expeditious expansion. This framework has been already introduced by some institutions for streamlining the credit review procedures, and has brought effective results.

## (2) Use of funds for capital and subordinated loans

- Subordinated loans to be introduced this time for businesses have thoroughly considered borrower friendliness. It is a financial support tool for an active promotion.
- On another front, banks in compliance with Japan's domestic standard, or those exempt from the Basel III capital adequacy standards, will not benefit from the expansion of the capital participation framework—even when applied to those bank—as their introduction of subordinated loans does not legitimately raise their capital adequacy ratio. As a result, the expansion of the framework is not likely to motivate those banks to provide loans. Thus, we propose that the government approves special measures effective for a limited period, for including subordinated loans to those banks' capital adequacy ratio.

## (3) Set-up of bridge loan scheme for rent support

- An urgent financial assistance is indispensable especially for rent payment of businesses. The government should set up a scheme that allows for bridge loans by crystallizing the eligibility for application, with an involvement of financial institutions.

## (4) Support for medium-sized companies and startups

- Medium-sized companies are also eligible for rent subsidies. Even their upper limit of 6 million yen is very much likely to be insufficient. A scheme separate from that for microenterprises is imperative for medium-sized companies, which are one of the important corporate segments that provide major part of Japan's employment.

## Foreign workers and students: relaxation of entry restrictions and better services

- Entry restrictions have continued to prevent foreign technical interns and students from coming to Japan. The front line of farming and fishery businesses, without foreign technical interns, is facing labor shortage. The government should quickly relax entry restrictions on foreigners with residency credentials, while obligating them to take PCR tests and to be self-quarantined for a certain period.
- The application period for Special Fixed Amount Cash Payout should be reviewed for extension, in case that a foreign applicant with residency credentials cannot re-enter Japan before the application deadline.
- The Emergency Student Support Handout (200,000 yen) described in the second

supplementary budget draft has payment recipient requirements in relation to his or her academic record of school. We believe such requirements are to be removed, if without clear reasons.

### Discussions for medium- to long-term measures

- On a short time horizon, we must work at full force on a challenging task of striking a balance between prevention of the coronavirus spread and economic revival. For doing so, the key is the expeditious implementation of the supplementary budgets. Furthermore, the medium- to long-term measures are also to be pursued, looking at “with-corona” days.
- Keizai Doyukai is planning to publish its opinion on medium- to long-term action policy within coming weeks.

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