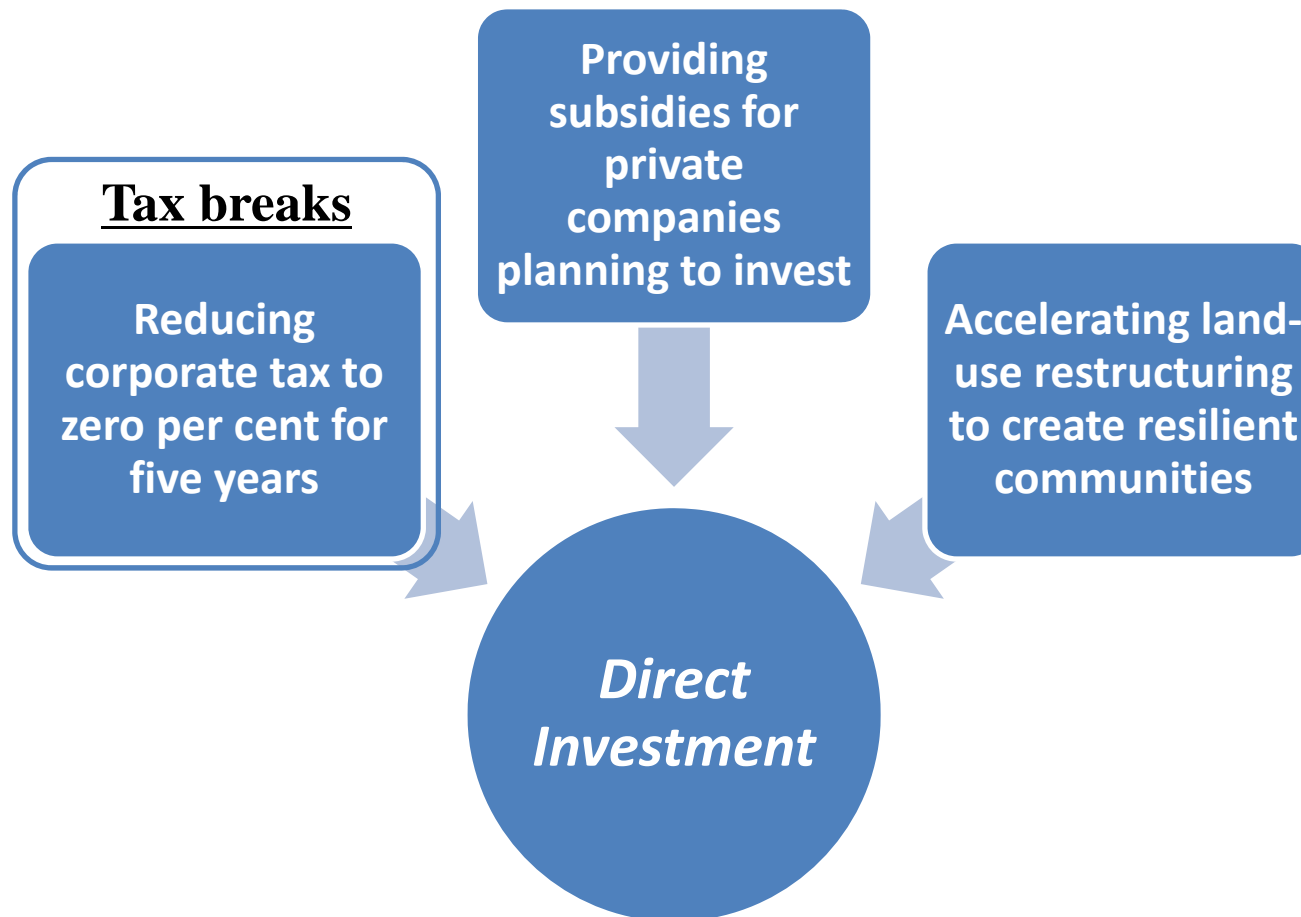


From recovery to revitalization

~Outline of Special Zones for Reconstruction~

The Reconstruction Agency of Japan

September 2012



(1) Tax breaks to assist create employment in severely damaged areas

(i) Special Depreciation / Tax Credit

Special depreciation	~March 2014	~March 2016
Machines / installations	Immediate depreciation	50%
Buildings and constructions	25%	

Selected option applied

Tax credit	~March 2014	~March 2016
Machines / installations	15%	
Buildings and constructions	8%	

(ii) Special Corporate Tax Credit

Designated corporations are eligible for tax credit equivalent to 10% of the combined amount of salaries and other payments for the employees from severely damaged areas.

(iii) Taxation to Promote Establishment of New Business Facilities

New corporations are eligible for inclusion in deductible expenses of reserve funds for reinvestments (to a maximum of their revenues for designated five years)



Corporations are eligible for immediate depreciation if they make reinvestment, etc. (to a maximum of their balance of reserves for reinvestments, etc.)

* Designated corporations located in the Reconstruction Industrial Cluster Areas are allowed to choose one of the arrangements (i), (ii) and (iii).

(1) Tax breaks to assist create employment in severely damaged areas

(iv) Tax breaks for R&D

Corporations are eligible for immediate depreciation if they acquire assets for research and development activities.



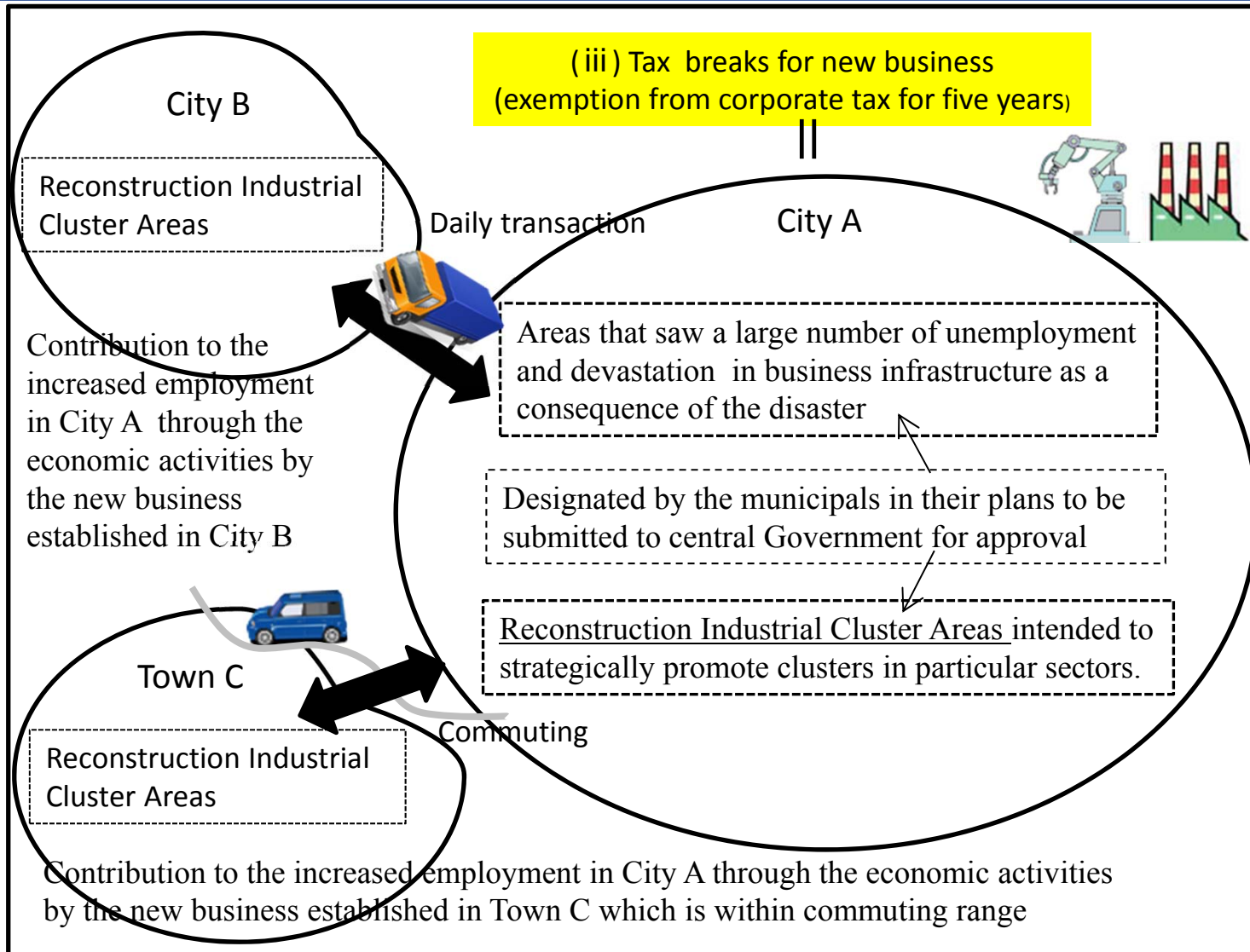
Corporations are eligible for tax credit equivalent to 12% (normally 8 – 10%) of the expense for immediate depreciation of assets for research and development activities.

* This tax break applies to the designated corporations located in the Reconstruction Industrial Cluster Areas.

(2) Exemption from local tax or application of non-uniform tax rates

Designated corporations seeking the tax breaks in (1) are also eligible for local tax exemption or reduced local tax rates for corporate enterprise tax, real estate acquisition tax and fixed asset tax in accordance with the provisions of relevant ordinances of the local governments, if the corporations acquire machines, buildings and other properties in the zones.

Extended Reconstruction Industrial Cluster Areas



(i) Special Depreciation/ Tax credit for investment

(ii) 10% tax credit for remuneration for employees from the damaged areas

(iv) Tax breaks for R&D

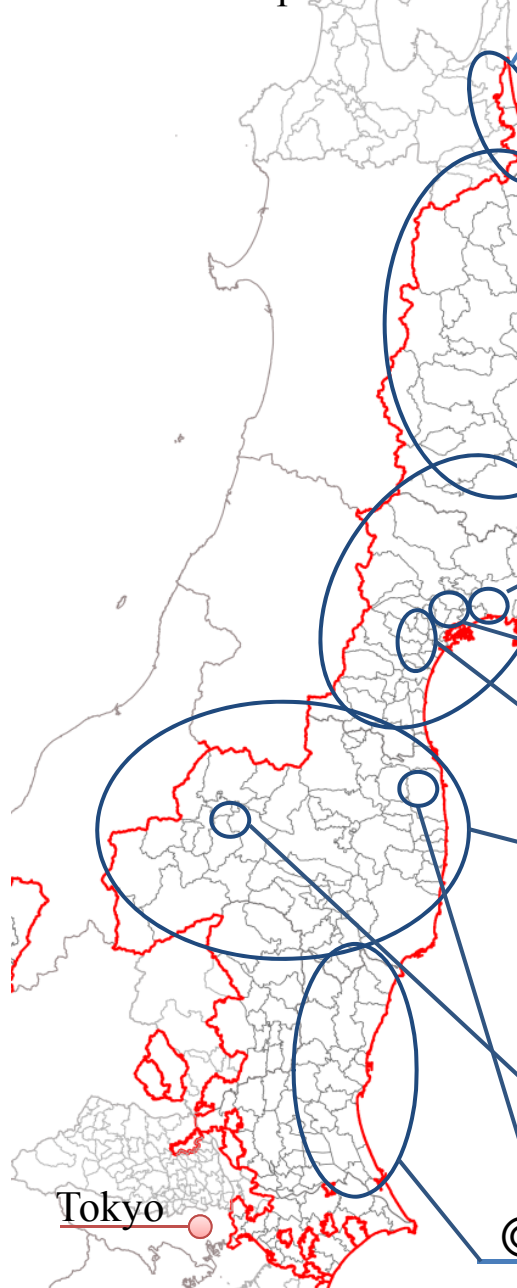
(2) Exemption from local tax or application of non-uniform tax rates

Note: For City B or Town C to be included in the Reconstruction Industrial Clusters Areas, either of the following conditions should be met:

- The Plan is developed by the prefecture that encompasses areas in City A, City B or Town C; or
- The Plan is developed by City A jointly with City B or Town C.

Approved Plans for Special Zones for Reconstruction

As of 19th September 2012



◎ Aomori

- ① Tax breaks and deregulation on green space ratio for manufactures
- ② Compensation for the interest rate of loans

◎ Iwate

- ③ Deregulation on medical regulations for medical, elderly care and welfare
- ④ Tax breaks for manufactures

○ Kamaishi

- ⑤ Deregulation on zoning restriction

◎ Miyagi

- ⑥ Tax breaks for manufactures
- ⑪ Deregulation on medical regulations for medical, elderly care and welfare
- ⑫ Tax breaks for information technologies

○ Ishinomaki

- ⑨ Tax breaks for service industries
- ⑩ Deregulation on agricultural industries
- ⑬ Tax breaks for tourism etc.

○ Shiogama

- ⑧ Tax breaks and financial incentives for tourism industries

○ Sendai

- ⑦ Tax breaks for agricultural industries

◎ Fukushima

- ⑭ Deregulation on producing and selling medical devices
- ⑮ Tax breaks for manufactures
- ⑰ Deregulation on medical regulations for medical, elderly care and welfare
- ⑱ Deregulation on Defined Contribution Pension Law

○ Aizu-wakamatsu

- ⑯ Financial incentives for non-metallic processing industries

○ Minami-Soma

- ⑱ Deregulation on temporary building

◎ Ibaraki

- ⑳ Tax breaks for manufactures

Objectives: Support town-building undertaken on the basis of the reconstruction plans formulated by local governments afflicted by the disaster, and accelerate reconstruction.

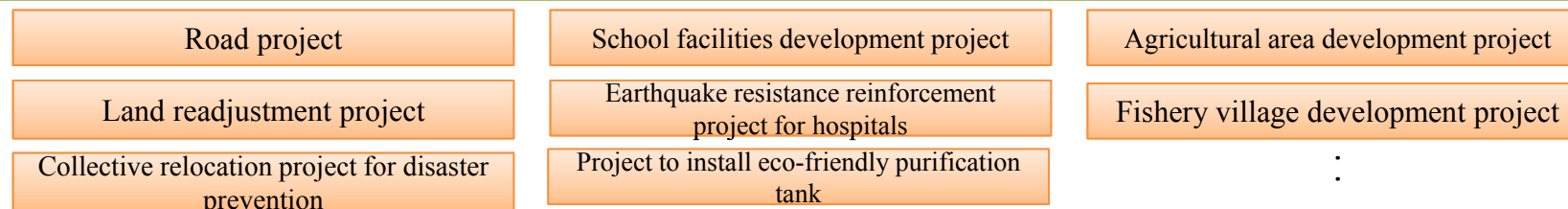
Features: The grants for reconstruction of areas severely damaged by the disaster are intended to enable their swift and flexible implementation by choosing from the diverse projects those necessary to reconstruct areas.

All expenses will be borne by the central government (additional national subsidy and local allocation tax)

Budget Scale: **Total of 2 trillion 289 billion Yen on Project Basis**

Core Projects

Diverse infrastructure projects* necessary for reconstruction of the afflicted municipalities are consolidated into a single package “Core Projects”. (*40 subsidy projects of 5 Ministries)



Associated Projects

Projects proposed by municipalities to be implemented in connection with the Core Projects.

Maximum budget scale: up to 35% of the funds allocated for the core projects

■ 1st Distribution

Approximately 305 billion yen (project basis), allocated to 59 municipalities in 7 prefectures

■ 2nd Distribution

Approximately 316 billion yen (project basis), allocated to 71 municipalities in 8 prefectures

■ 3rd Distribution

Approximately 181 billion yen (project basis), allocated to 56 municipalities in 9 prefectures

Establishment of a New Service for Collaboration with Private Sector

1. Organization

- New organization for collaboration with private-sector for reconstruction established on 1st Apr 2012, “Unit for Collaboration with Private Sector for Reconstruction”.
- The staff members of the new unit comprise ; Japan Business Federation, Japan Association of Corporate Executives, Japan Chamber of Commerce and Industry.
- New units in each Regional Bureaus of Reconstruction Agency established.
→ 20 officers in total (10 in Tokyo headquarters, 10 in regional bureaus)

2. Mission

- Provide technical support for collaboration with private sector in the afflicted municipalities;
- Hold committees charged with each reconstruction project and provide necessary support to relevant governments;
- Hold seminars and exhibitions to promote collaboration with private sector;
- Compile and release a list of FAQ and best practices of collaboration for reconstruction with private sector in afflicted municipalities.

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APPENDICES



Municipalities listed in the relevant legislation due to the damages they sustained can formulate Plans on the Special Zone for Reconstruction in pursuit of a package of special measures.

Basic Guidelines for the Special Zone for Reconstruction (decision by the Cabinet)

- Outline and strategic goals of the plans to be formulated by the municipalities
- Basic policy on the measures to be taken by the Government to meet the goals
- Basic components to be included in the plans and procedures for approval thereof
- Special measures applicable to the municipalities in the Special Zones

Consultative body of Central and Local Governments

- established in each prefecture within the regions disrupted by the disaster
- organized by the Reconstruction Agency to discuss proposals from local authorities on special measures (working groups may be established on municipality basis)

Add and/or enhance special measures

Reconstruction Promotion Plan

Plan to seek special measures on deregulation, simplified procedures, tax breaks and other special measures.

Formulated by Prefectures alone or jointly with municipalities. Private enterprises are entitled to submit proposals to local governments.

Approval by the Prime Minister

- Deregulation and reduced procedures for such sectors as housing, industry, town-building, medical services, and nursing care.
- Tax breaks to promote employment and industrial activities
- Interest rate compensation for loan lenders

Land Restructuring Plan

Plan to seek special measures on approval/authorization and procedures for land restructuring

Formulated by municipalities alone or jointly with Prefecture.

- Public hearings, announcement and display for public when necessary
- Consultation for subsequent agreement on the plans in the meeting on land restructuring

Disclosure of Plans

Special measures for land use restructuring

- Special permits granted needed for the conduct of reconstruction projects
- Unified contact for municipalities in seeking approval/authorization
- Creation of new types of project to facilitate land restructuring

Plan for Funding Reconstruction Projects

Plan to seek funding for projects (projects for reconstruction in areas severely damaged by the disaster)

Formulated by municipalities alone or jointly with Prefecture.

Submission to the Prime Minister

Reconstruction Grant to support regional reconstruction

- 40 projects for municipalities consolidated into a single package as “core projects”
- Resources secured to enable flexible use for local governments
- Central government funds the reconstruction projects in entirety
- Flexible implementation with simplified procedures

List of Approved Plans for Reconstruction Promotion

	Prefecture	Date of Approval	Areas covered	Summary	Outline of the special measures as of 19 th September 2012
①	Aomori	2 nd Mar	Southeast 4 municipalities in Aomori prefecture	Tax breaks and deregulation on proportion of green areas for manufacturers	<ul style="list-style-type: none"> ● Tax breaks (corporation tax, real estate acquisition tax, etc...) 【Scope】 Eco-friendly manufacturing, life science industry, electronics industry, environment and renewable energy industry, food-related industry, information service industry and retailing 【Municipalities covered】 Hachinohe City, Misawa City, Oirase Town, Hashikami Town ● Relaxed requirements for proportion of green areas in constructing factories 【Municipalities covered】 Hachinohe City, Oirase Town, Hashikami Town
②		6 th June	Misawa City	Financial incentives (Compensation for Interest rate of loans)	<ul style="list-style-type: none"> ● Compensation for the interest rate of the loans to be provided to the enterprise for its plan to build freezing/refrigerating facilities
③	Iwate	9 th Feb	Iwate prefecture	Deregulation on medical regulations for improving medical, elderly care and welfare	<ul style="list-style-type: none"> ● Deregulation on medical regulations for improving medical, elderly care and welfare ▪ Relaxed requirements for medical staff arrangements in hospitals 【Areas covered】 Entire prefecture ▪ Relaxed application of the regulation for medical welfare staff management for in-home service ▪ Relaxed application of the welfare staff management regulation for intensive care homes for the elderly ▪ Relaxed application of the welfare staff management regulation for long-term care health facilities ▪ Relaxed application of the requirements for buildings and facilities for pharmacies 【Municipalities covered】 Costal 12 municipalities
④		30 th Mar	Iwate prefecture	Tax breaks for manufactures, Deregulation on requirements for producing and selling medical devices	<ul style="list-style-type: none"> ● Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 electric industry, medical health industry, automobile industry, wood industry, tourism, food industry and marine industry ● Relaxed requirements for the experiences required of managers in the medical devices manufactures and sales 【Areas covered】 Entire prefecture
⑤		3 rd Aug	Kamaishi City	Deregulation on zoning restrictions	<ul style="list-style-type: none"> ● Relaxed requirements for zoning thereby enabling construction of commercial facilities in the exclusive industrial zones 【Areas covered】 Minato district

	region	Approved date	Areas covered	Summary	Outline of the special measures
⑥	Miyagi	9 th Feb	Miyagi prefecture	Tax breaks for major manufacturing sectors	<ul style="list-style-type: none"> ●Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Manufactures (automobile industry, electric industry, food industry, wood industry, medical health industry, renewable energy industry, aerospace industry and marine industry)
⑦		2 nd Mar	Sendai city	Tax breaks for agricultural industries	<ul style="list-style-type: none"> ●Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Agricultural industry, renewable energy industry, R&D industry 【Areas covered】 Costal area
⑧		23 rd Mar	Shiogama City	Tax breaks for tourism Financial incentives for tourism and marine industries	<ul style="list-style-type: none"> ●Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Sea transport service, food retail, lodging service and so on. ●Financial incentives (Compensation for the interest rate of the loans) 【Target project】 Construction of a new aquarium, marine industrial plants
⑨		23 rd Mar	Ishinomaki City	Tax breaks for Commerce-related industries	<ul style="list-style-type: none"> ●Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Commerce, tourist industry, medical health industry and ICT industry 【Areas covered】 City central
⑩		23 rd Mar	Ishinomaki City	Deregulation on Agricultural Land Act	<ul style="list-style-type: none"> ●Relaxed requirements for constructing storage facilities “country elevators” in the Agricultural Land Act
⑪		10 th Apr	Miyagi prefecture	Deregulation on medical regulations for improving medical, elderly care and welfare Deregulation on producing and selling medical devices basis	<ul style="list-style-type: none"> ●Deregulation of medical regulations for improving medical, elderly care and welfare <ul style="list-style-type: none"> ▪Relaxed requirements for medical staff arrangements in hospitals 【Areas covered】 Entire prefecture ▪Relaxed application of the regulation for medical welfare staff management for in-home service ▪Relaxed application of the welfare staff management regulation for intensive care homes for the elderly ▪Relaxed application of the welfare staff management regulation for long-term care health facilities 【Areas covered】 Costal 15 municipalities ●Deregulation on producing and selling medical devices basis 【Areas covered】 Entire prefecture
⑫		12 th Jun	Miyagi prefecture	Tax breaks for information technologies	<ul style="list-style-type: none"> ●Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Information technologies (software industry, internet service, call center, BPO office, datacenter, design development industry, digital contents industry) 【Municipalities covered】 Costal 10 municipalities and the next 7 municipalities

	region	Approved date	Areas covered	Summary	Outline of the special measures
⑬	Miyagi	27 th July	Ishinomaki City	Tax breaks for industries relevant to tourism and commerce	<ul style="list-style-type: none"> ● Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Tourism, commerce, industry relevant to renewable energy or recycling 【Areas covered】 Areas in the Oshika peninsula
⑭	Fuku Shima	16 th Mar	Fukushima prefecture	Deregulation on producing and selling medical devices	<ul style="list-style-type: none"> ● Relaxed requirements for the experiences required of managers in the medical devices manufactures and sales 【Areas covered】 Entire prefecture
⑮		20 th Apr	Fukushima prefecture	Tax breaks for manufactures	<ul style="list-style-type: none"> ● Tax breaks (corporation tax, real estate acquisition tax, etc.) 【Scope】 Automobile industry, electric industry, medical health industry, renewable energy industry and so on.
⑯		20 th Apr	Aizu-wakamatsu City	Financial incentives (Compensation for Interest rate of loans)	<ul style="list-style-type: none"> ● Compensation for the interest rate of the loans to be provided to the enterprise for investing in non-metallic processing industries
⑰		20 th Apr	Fukushima prefecture	Deregulation on medical regulations for improving medical, elderly care and welfare	<ul style="list-style-type: none"> ● Deregulation on medical regulations for improving medical, elderly care and welfare ▪ Relaxed requirements for medical staff arrangements in hospitals ▪ Relaxed application of the regulation for medical welfare staff management for in-home service ▪ Relaxed application of the welfare staff management regulation for intensive care homes for the elderly ▪ Relaxed application of the welfare staff management regulation for long-term care health facilities 【Areas covered】 entire prefecture
⑱		27 th July	Minami-Soma City	Deregulation on temporary building	<ul style="list-style-type: none"> ● Relaxed requirements for duration of temporary buildings
⑲		3 rd August	Fukushima prefecture	Deregulation on Defined Contribution Pension Law	<ul style="list-style-type: none"> ● Relaxed application of requirements for defined contribution pension to facilitate opting out of the pension scheme prior to a due date.
⑳		Ibaraki Prefecture	9 th March	Ibaraki prefecture	Tax breaks for industries relevant to new energy and other sectors



Earthquake Magnitude: 9.0

Casualties:

Deceased : over 15,800

Unaccounted: over 3,200

Injured: over 6,000

Evacuees:

Over 342,000

16.9 trillion yen (approx. 211.3 billion dollars)

Buildings, etc. (housing, offices, factories, machinery, etc.)	approximately 10.4 trillion yen . (130 billion dollars)
Lifeline utilities (water service, gas, electricity, communication and broadcasting facilities)	approximately 1.3 trillion yen (16.3 billion dollars)
Social infrastructure (river, road, harbors, drainage, and airport, etc)	approximately 2.2 trillion yen (27.5 billion dollars)
Others (including agriculture, forestry and fisheries)	approximately 3.0 trillion yen (37.5 billion dollars)

Japan's **swift response** to the disaster contributed to minimizing the damages



(Courtesy of JR East)

- Quake-resistant construction and technology
- Enhanced safety and early-warning systems on transportation
- Disaster education and preparedness

- National highways repaired in only **6 days**
- Rail services resumed full operational capability **within a month**
- More than 96% of scattered debris generated by the tsunami has thus far been cleared from residential areas.

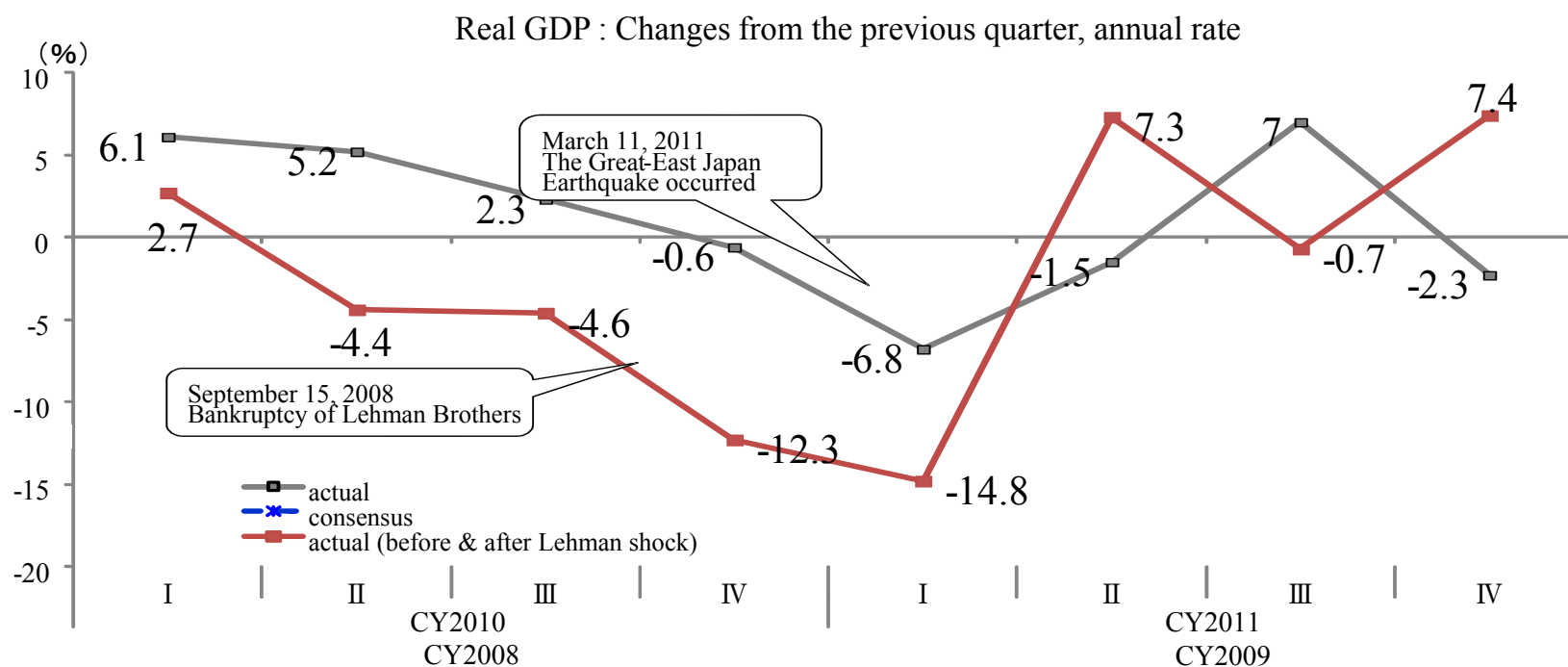
BEFORE



AFTER



- Japan's economy has made a **significant** recovery to pre-earthquake levels and continues to be stable



TIMEFRAME

- 10 years for the reconstruction period (with concentration on the first 5 years for speedy recovery)

MEASURES TO BE IMPLEMENTED:

- for recovery and reconstruction of the disaster-afflicted areas and restoration of lives of affected people
- for areas closely connected with disaster-afflicted to be taken in co-ordination with the aforementioned measure
- Nationwide disaster prevention and reduction that require urgent action

BUDGET SCALE (estimation, national and local governments)

- Not less than 23 trillion in the next 10 years (19 trillion in the first 5 years)

SUPPORT FOR RECONSTRUCTION

- Create “Special Zones for Reconstruction”
- Establish easy-to-use grants for implementation of reconstruction plans, formulated by local governments
- Collaboration with the private sector for reconstruction



First Supplementary Budget(2 May 2011): 4.15 trillion yen (= 51.9 billion dollar)

- Disaster relief and other measures 482.9 billion yen(= 6 billion dollar)
- Removal of debris generated by the disaster 351.9 billion yen(= 4.4billion dollar)
- Public infrastructure projects 1.2 trillion yen(= 15billion dollar)
- Loans in response to the disaster 640.7 billion yen(= 8 billion dollar)
- Grants to local governments and other expenditures 120 billion yen(= 1.5 billion dollar)

Second Supplementary Budget(25 July 2011): 1.99 trillion yen (= 24.9 billion dollar)

- Compensation for damage caused by the nuclear accident 275.4 billion yen(= 3.4 billion dollar)
- Support for people affected by the disaster 377.4 billion yen(= 4.7 billion dollar)
- Reserve fund for recovery and reconstruction 800 billion yen(= 10 billion dollar)
- Grants to local governments 545.5 billion yen(=6.8 billion dollar)

Third Supplementary Budget(21 November 2011): 12 .1 trillion yen (= 151.3 billion dollar)

- Reconstruction Support 11.73 trillion yen(=146.6 billion dollar)

FY 2012 Budget(5th April 2012): 90.3 trillion yen(=1.1 trillion dollar)

- Reconstruction Support 3.25trillion yen(=40.6 billion dollar)

The 2012 Strategy For Revitalization outlines mid-to-long term targets for 2015-2020. It includes:

- Creating \$1.2 trillion of new market value and 4.24 million new jobs through key sectors such as green/clean tech, life sciences and other related industries.
- Promoting economic partnerships with overseas economies through trade agreements.
- Ending deflation and targeting an annual growth rate of 3% on average through fiscal 2020.
- Strengthening SMEs, promoting ICT, and further developing the financial sector.

- **Innovation Hub:** Japan has great potential to become a regional hub and a R&D center in Asia
- **Bridge Nation:** Japan plays a crucial role in connecting Asia with the rest of the world
- **Large growth potential:** huge market with the world's third largest economy



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