Section 4  Defense-Related Expenditures

1  Overview of Defense-Related Expenditures

Defense-related expenditures include expenses for improving defense capabilities and maintaining and managing the SDF, as well as expenses necessary for the implementation of measures against neighborhood affairs in the vicinity of defense facilities.

In comparison with the previous fiscal year, defense-related expenditures for FY2016 were increased by 38.6 billion yen to 4,8607 trillion yen. When including expenses related to Special Action Committee on Okinawa (SACO) and the U.S. Forces realignment-related expenses (the portion allocated for reducing the burden on local communities) and the expenses associated with the introduction of a new dedicated government aircraft, defense-related expenditures were increased by 74 billion yen from the previous fiscal year to 5.0541 trillion yen.

Additionally the supplementary budget for FY2015 contains an appropriation of 196.6 billion yen as necessary expenses for securing stable operations of the SDF, which includes restoring the SDF’s disaster response capabilities.

See>> Fig. II-2-4-1 (Comparison Between FY2015 Budget and FY2016 Budget)
See>> Fig. II-2-4-2 (Trend in Defense-Related Expenditures Over the Past 15 Years)

### Fig. II-2-4-1  Comparison Between FY2015 Budget and FY2016 Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Fiscal YOY growth (indicates negative growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual expenditure (note)</td>
<td>48,221</td>
<td>48,607</td>
<td>386 (0.8%)</td>
</tr>
<tr>
<td>Personnel and food provisions</td>
<td>21,121</td>
<td>21,473</td>
<td>351 (1.7%)</td>
</tr>
<tr>
<td>Material expenses</td>
<td>27,100</td>
<td>27,135</td>
<td>34 (0.1%)</td>
</tr>
<tr>
<td>Future obligation (note)</td>
<td>39,530</td>
<td>43,070</td>
<td>3,540 (9.0%)</td>
</tr>
<tr>
<td>New contracts</td>
<td>22,998</td>
<td>20,800</td>
<td>△2,198 (△9.6%)</td>
</tr>
<tr>
<td>Existing contracts</td>
<td>16,532</td>
<td>22,270</td>
<td>5,738 (34.7%)</td>
</tr>
</tbody>
</table>

Notes: Does not include SACO-related expenses, U.S. Forces realignment-related expenses (portion meant to reduce the burden on the local community), or expenses associated with the acquisition of new government aircraft based on “The Policy Concerning Government Aircraft” (August 7, 2013 decision by the Review Committee on Government Aircraft). If these are included, the figures are 4,980.1 billion yen for FY2015 and 5,054.1 billion yen for FY2016, and for future obligation, 4,383.5 billion yen for FY2015 and 4,853.7 billion yen for FY2016.
Personnel and food provision expenses as well as obligatory outlay expenses, both of which are mandatory expenses, account for 80% of the total defense-related budget. The remaining 20% of the budget which is set aside for general material expenses includes spending for repairing equipment and for implementing measures to alleviate the burden on local communities hosting U.S. bases in Japan. As such, a high percentage of the budget is allocated for maintenance purposes. For this reason, the breakdown of the defense-related expenditures cannot be easily altered in a significant manner on a single-year basis.

In addition to the annual budget expenditure, the amount of new future obligation also indicates payments for the following year and beyond (the amount of future obligation arising in the applicable fiscal year). In the build-up of defense capabilities, it is common to take multiple years from contract to delivery or completion, in areas such as the procurement of vessels, aircraft, and other primary equipment, as well as the construction of buildings such as aircraft hangars and barracks. Consequently, for such items, a procedure is undertaken whereby a multi-year contract is arranged, and it is promised in advance at the time of the contract that payments will be made in the following fiscal year and beyond (within five years, in principle). The sum of money to be paid in the following fiscal year and beyond, based on such a multi-year contract, is called the “future obligation.” The amount of new future obligation arising in FY2016 decreased from the previous fiscal year by 219.8 billion yen (9.6%).

Furthermore, if looked at on a contract basis, which shows the scale of operations, there is a decline from the previous fiscal year of 216.9 billion yen (6.6%).
Fig. II-2-4-3 Relationship between Annual Expenditure and Future Obligation Due to New Contracts


- Contract
- Obligatory expenses
- Future obligation

2016
- Personnel and food provisions expenses (44.2%)
- Material expenses (operating expenses) (20.5%)

2017 2018 2019 2020

Future obligation refers to the sum of money to be paid in the following year and beyond under such contracts, which extend for multiple years. Example: A case in which 10 billion yen of equipment is procured under a contract that runs for four years.

Fig. II-2-4-4 Breakdown of Defense-Related Expenditures (FY2016)

- Personnel and food provisions expenses 44.2%
- General materials 20.5% (9,948) [0.3%]
- Obligatory outlays 35.3% (17,187) [0.0%]

Notes:
1. ( ) is the budget amount; unit: 100 million yen.
2. The above figure does not include SACO-related expenses (2.8 billion yen), the portion meant to reduce the burden on the local community (176.6 billion yen) out of the realignment expenses, nor the expenses associated with the acquisition of new government aircraft (10.8 billion yen).
3. Figures in square brackets [ ] indicate year on year growth rate (%).
3 Comparison with Other Countries

Monolithic understanding of the defense expenditures of each country is not possible in view of differences in the socioeconomic and budgetary systems. There is not an internationally unified definition of defense expenditures, and breakdowns of defense expenditures are unclear in some countries where such data is publicly disclosed.

Furthermore, in comparing the defense expenditures of each country, though there exists the method of converting their defense expenditures into dollar amounts at respective currency rates, their dollar-based defense expenses calculated in this way do not necessarily reflect the precise value based on each country’s price levels. Therefore, the results of converting Japan’s defense-related expenditures and those of other countries officially published by each government into dollar amounts, using the purchasing power parity of each country reported by the Organisation for Economic Co-operation and Development (OECD), are shown in Figure II-2-4-5 (The Defense Budgets of Major Countries (FY2014)).

In addition, Fig. II-2-4-6 (Changes in Defense Budgets in Surrounding Countries Over the Past Ten Years) shows the changes in defense expenditures of Japan’s neighboring counties over the past ten years.

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3 A gauge that measures each country’s ability to purchase goods and services by taking into account their respective price levels.