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 FY2020 were increased by 61.8 billion yen to 5,068 trillion yen, rising for the eighth consecutive year. When including expenses related to SACO and the U.S. Forces realignment-related expenses (the portion allocated for mitigating the impact on local communities), expenses for the introduction of new government aircraft, and expenses for the three-year emergency response plan for disaster prevention, disaster mitigation, and national resilience building, defense-related expenditures were increased by 55.9 billion yen from the previous fiscal year to 5,313 trillion yen.

Additionally, the supplementary budget for FY2019 contains an appropriation of 428.7 billion yen to ensure the stable operation of the SDF in response to the security environment surrounding Japan and frequent natural disasters. The first supplementary budget for FY2020 contains 12.1 billion yen for medical instruments to accept infected people in SDF hospitals. The second supplementary budget for the year includes 6.3 billion yen for response to the spread of the novel coronavirus disease (COVID-19) infection.

### Table: Comparison between Defense-Related Expenditures (Initial Budget) of FY2019 and FY2020

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2019</th>
<th>FY2020</th>
<th>ΔY/Y (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual expenditure (note)</td>
<td>50,070</td>
<td>50,688</td>
<td>1.2%</td>
</tr>
<tr>
<td>Personnel and food provisions</td>
<td>21,831</td>
<td>21,426</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Material expenses</td>
<td>28,239</td>
<td>29,262</td>
<td>3.6%</td>
</tr>
<tr>
<td>Future obligation (note)</td>
<td>51,627</td>
<td>52,106</td>
<td>0.9%</td>
</tr>
<tr>
<td>New contracts</td>
<td>24,013</td>
<td>24,050</td>
<td>0.2%</td>
</tr>
<tr>
<td>Existing contracts</td>
<td>27,615</td>
<td>28,056</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Note: Does not include SACO-related expenses, U.S. Forces realignment-related expenses (the portion allocated for mitigating the impact on local communities), expense for the introduction of new government aircraft based on “The Policy Concerning Government Aircraft” (August 7, 2013 decision by the Review Committee on Government Aircraft), and expenses for the three-year emergency response plan for disaster prevention, disaster mitigation, and building national resilience. If these are included, the figures are 5,257.4 billion yen for FY2019 and 5,313.3 billion yen for FY2020; and for future obligation, 5,361.3 billion yen for FY2019 and 5,431.0 billion yen for FY2020. Figures may not add up to the total due to rounding.

Some projects for build-up of defense capabilities extend over multiple years. In these cases, the fiscal year in which the contract is concluded is different from the fiscal year in which the payment to the contractor is made. Therefore, the future maximum obligation is allocated to the budget as a contract resulting in a Treasury obligation (type of budget that only grants an authority to incur obligations; the contracts can be concluded, but the payment cannot be made). Based on such budgeting, in the fiscal year in which the construction is completed or the equipment is procured, expenses necessary for payment are allocated as budget expenditure, in principle (type of budget that grants authorities to incur obligations and make payment; the contracts can be concluded and the payment can be made). Budget expenditure for payments incurred under contracts concluded in previous fiscal years is called “obligatory outlay expenses,” while expenditure for future fiscal years is termed “future obligation.” For cases where a continued project over multiple years is necessary, there is also a system of continuing expenditure as a means to grant the authority to incur obligations and make payment over multiple years by obtaining a resolution of the Diet integrally for the total cost and the amounts of yearly installments for the project in advance.

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costs for equipment, education and training expenses for personnel, and the purchase of fuel, they are referred to also as “activity expenses.” The MOD terms this classification method as “classification by expenses.”

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 includes spending for repairing equipment and for implementing measures to alleviate the impact 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 future obligations concerning new contracts 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 amount of future obligation. The amount of future obligation concerning new contracts arising in FY2020 increased from the previous fiscal year by 3.7 billion yen (0.2%).

Furthermore, if looked at on a contract basis, which shows the scale of operations, there is an increase from the previous fiscal year of 15.5 billion yen (0.5%).

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2 The comparison with the previous year concerns expenditure excluding the SACO-related expenses, the U.S. Forces realignment-related expenses (the portion allocated for mitigating the impact on local communities), expenses for the introduction of a new government aircraft, and expenses for the three-year emergency measures for disaster prevention/reduction and national resilience. Including these expenses, total defense-related expenditures were as follows: 4,813.6 billion yen in FY2006, 4,801.3 billion yen in FY2007, 4,779.6 billion yen in FY2008, 4,744.1 billion yen in FY2009, 4,790.3 billion yen in FY2010, 4,775.2 billion yen in FY2011, 4,713.8 billion yen in FY2012, 4,753.8 billion yen in FY2013, 4,884.8 billion yen in FY2014, 4,980.1 billion yen in FY2015, 5,054.1 billion yen in FY2016, 5,125.1 billion yen in FY2017, 5,191.1 billion yen in FY2018, 5,257.4 billion yen in FY2019, and 5,313.3 billion yen.

3 The sum total of general material expenses and future obligation concerning new contracts, which shows the amount of the material expenses (program expenses) that are to be contracted in the applicable fiscal year and to be paid in the same fiscal year and beyond. The amount is 3.3976 trillion yen in FY2020.
When building up defense capabilities, it is common for work in areas like the procurement of equipment and the upgrading of facilities to be carried out over several years. Consequently, a procedure is undertaken whereby a contract that extends for multiple years is arranged (five years in principle), and the government promises in advance at the time of the agreement to make the payment at a fixed time in the future.

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-4-2-4** Breakdown of Defense-Related Expenditures [Initial Budget] [FY2020]

**Notes:**
1. ( ) is the budget amount; unit: 100 million yen.
2. The above figure does not include SACO-related expenses (13.8 billion yen), the U.S. Forces realignment-related expenses (the portion allocated for mitigating the impact on local communities) (179.9 billion yen), expense for the introduction of new government aircraft (0.03 billion yen), and expenses for the three-year emergency response plan for disaster prevention, disaster mitigation, and building national resilience (50.8 billion yen).
3. Figures in square brackets [ ] indicate year-on-year growth rate (%).
Initiatives for Increasing the Efficiency of Procurement

In order to achieve further streamlining and rationalization in the build-up of defense capability, the current MTDP sets forth that the MOD will work to secure substantial financial resources through suspension of the use of equipment whose importance has decreased, review of projects of low cost-effectiveness, optimization of equipment procurement such as thoroughgoing cost management and control and efficient procurement including long-term contracts, and securing of other revenues.

In the FY2020 budget, the MOD aims to realize a cost reduction of approximately 431.3 billion yen by implementing the aforementioned streamlining measures. Concrete initiatives introduced in the FY2020 budget are as follows.
- Reduction of approximately 192.2 billion yen through project review, including suspension of the use of equipment of lowered priority
- Reduction of approximately 83.9 billion yen through communalization and optimization of specifications, including use of convertible modules and civilian goods
- Reduction of approximately 32.4 billion yen through efficiency improvement by bulk procurement and joint procurement
- Reduction of approximately 5.3 billion yen through making over five-year long-term contracts
- Reduction of approximately 117.6 billion yen through scrutiny of prices and related costs of equipment

The MOD will also study securing of revenues.

Comparison with Other Countries

It is not possible to accurately compare the amounts of defense expenditures of countries due to a number of factors: there is no internationally unified definition of defense expenditures in the first place; even if defense expenditures were publicly disclosed, their overall amount or their breakdown is sometimes unclear; and the budget system varies by country.

On such basis, if Japan’s defense-related expenditures and those of other countries officially published by each government were converted into dollar amounts, using the purchasing power parity of each country reported by the Organisation for Economic Co-operation and Development (OECD), the results would be as shown in Fig. II-4-2-5 (The Defense Expenditures of Major Countries).

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

![Graph showing changes in defense expenditures over ten years for Japan, U.S., ROK, China, and Australia.](image)

Notes: 1. The ratios (rounded to two decimal places) of respective countries’ officially publicized defense expenditures for FY2011 onward when considering their defense expenditures for FY2010 as 1.

2. Regarding Australia, the ratios for 2010 up to 2019 are indicated, as the initial budget for FY2020 was not publicized as of May 2020.