

Section 2 Build-Up of Defense Capability in FY2015

Japan will steadily build up its defense capability during FY2015, which serves as the second fiscal year under the NDPG and MTDP, to establish a Dynamic Joint Defense Force, based on these programs.

As part of this build-up, Japan will improve its defense capabilities, focusing on further enhancement of joint functions in order to seamlessly and dynamically fulfill its defense responsibilities, which include providing an effective deterrence and response to a variety of security situations, and supporting stability in the Asia-Pacific region, as well as improving the global security environment. In doing so, Japan will place particular emphasis on the following measures: intelligence, surveillance, and reconnaissance

(ISR) capabilities; intelligence capabilities; transport capabilities; command, control, communication, intelligence (C3I) capabilities; response to attacks on remote islands; response to ballistic missile attacks; response in outer space and cyberspace threats; response to large-scale disasters, etc.; and international peace cooperation efforts, etc.

Furthermore, considering the increasingly severe situation in Japan's public finance, Japan will strive to achieve greater efficiencies and streamlining, while harmonizing these efforts with other measures taken by the Government.

See Fig. III-1-2-1 (Main Aspects of Build-up of Defense Capabilities for FY 2015)

Fig. III-1-2-1 Main Aspects of Build-up of Defense Capabilities for FY2015

Category		Main Programs
I. Effective deterrence and response to various situations	Ensure security of the sea and airspace surrounding Japan	Acquire fixed-wing patrol aircraft (P-1), acquire patrol helicopters (SH-60K), construct a submarine, acquire new airborne early-warning aircraft (E-2D) and acquire part of the Unmanned Aerial Vehicle (Global Hawk) system, etc.
	Response to attacks on remote islands	Deploy a coast observation unit to cover Yonaguni Island, acquire fighter (F-35A), newly establish the 9th Air Wing due to two squadrons added to the fighter aircraft units at Naha Air Base, conduct a study towards the construction of a new destroyer, acquire V-22 Ospreys, acquire an amphibious vehicle (AAV7), upgrade the Osumi-class LST in order to enhance its transport capability in amphibious operations, conduct research to discuss the purpose of multi-functional vessels, promote initiatives such as PFI programs with respect to the use of the private sector maritime transport, etc.
	Response to ballistic missile attacks	Construct an aegis-equipped destroyer, conduct Japan-U.S. cooperative development of advanced ballistic missile interceptor (SM-3 Block IIA), recertify PAC-3 missiles, develop infrastructure for the PAC-3 unit deployment in Ichigaya, etc.
	Response in outer space	Study on the specifications of the capabilities of the Space Surveillance system, empirical research on dual-wavelength infrared sensor technology in outer space, utilize the Advanced Land Observing Satellite-2 "DAICHI-2" (ALOS-2), etc.
	Response in cyber space	Strengthen functions for the cyber exercises environment (cyber range), implement initiatives to introduce serious games (educational games) as a form of practical educational material and educational program etc.
	Response to large-scale disasters	Maintain and strengthen functions of camps and bases that will serve as hubs during a disaster, carry out training on large-scale and special disasters, improve alternative functions in case the Ichigaya building becomes damaged due to a disaster, acquire double arm construction machines, etc.
	Strengthening intelligence capabilities	Enhance HUMINT gathering capabilities, enhance research capabilities in relation to public information gathering through the analysis of big data, strengthen the system related to Defense Attachés, etc.
II. Stabilization of the Asia-Pacific region and improvement of the global security environment	Strengthen bilateral and multilateral cooperation for stabilizing the Asia-Pacific region, and carry out training and exercises as needed and as appropriate. More actively participate in international peace cooperation activities, etc., in order to respond appropriately to global security issues and other issues.	
III. Measures for the strengthening of the Japan-U.S. Alliance	Steadily carry out specific measures such as the relocation of U.S. Marine Corps stationed in Okinawa to Guam, the relocation of Futenma Air Station, and return of the land south of Kadena Air Station.	
IV. Measures for personnel and education	Strengthen recruiting operations and re-employment assistance, raise the staffing rate of SDF reserve personnel and enhance and improve the SDF reserve personnel system, promote successful female personnel through providing support for good work-life balance and improving the work environment	
V. Initiatives for greater efficiency	Introduce long-term contracts for the procurement of equipment etc., review maintenance and improvement methods, purchase defense equipment in bulk, revise specifications for the use of civilian items etc.	
VI. Ministry of Defense reform	Mutually deploy civilian officials and uniformed personnel, strengthen joint operation function, reform internal departments, carry out initiatives to strengthen information dissemination functions, and establish Defense Equipment Agency, etc.	
VII. Other	SDF organization	In order to provide an effective deterrent and respond to various situations, implement projects to reorganize each unit such as the Oceanographic Command etc., and increase the actual number of SDF personnel.
	Promotion of base measures	Steadily implement measures surrounding bases in order to achieve harmony between defense facilities and surrounding communities as well as carry out measures to facilitate and streamline the stationing of U.S. Forces in Japan.
	Strengthening of education and research systems	Conduct next generation fighter aircraft related projects, conduct a study on large vessels and warhead technologies for guided missiles in response to threats to remote islands, conduct a study on high mobility powered suits, and establish an initiative called the Innovative Science & Technology Initiative for Security, etc.
	Promotion of technological research and development	Research fuel cells for unmanned submersible robots, research robots that can be used to counter threats from a nuclear accident, and research radar and firing systems for detecting stealth aircraft, etc.
	Enhancement of medical function	Carry out initiatives towards upgrading SDF hospitals into hubs with enhanced functions, improve first aid capabilities on the frontline while responding to contingencies, and conduct initiatives to contribute to smooth SDF activities in the southwestern region, etc.
	Tax system reform	Extend the period to which tax exemption measures related to the power source of ships used by the SDF and equipment used for communication purposes are applied, and establish special measures to be taken when providing tax-exempt diesel fuel based on the ACSA (Acquisition and Cross-Servicing Agreement), etc.



Amphibious vehicle (AAV7)



Fixed-wing patrol aircraft (P-1)



New airborne early-warning aircraft (E-2D)

Section 3 Defense-Related Expenditures

1 Defense-Related Expenditures and Changes

Defense-related expenditures include spending for maintaining and managing the SDF, improving living conditions in the neighborhoods of defense facilities, and supporting U.S. Forces in Japan.

In FY2015, in light of the increasingly harsh security environment, defense-related expenditures were increased for the second consecutive year in a row in order to reinforce preparedness aimed at protecting the lives and property of the people and the nation's land, sea, and airspace.

In comparison with the previous fiscal year, when including expenses related to SACO (Special Action Committee on Okinawa) 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 95.3 billion yen to 4.9801 trillion yen. If the SACO-related expenses 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) are excluded from the above amount, defense-related expenditures were increased by 38.3 billion yen from the previous fiscal year to 4.8221 trillion yen.

Additionally the supplementary budget for FY2014 contains an appropriation of 211.0 billion yen for improving SDF's disaster response capabilities, securing stable operations of the SDF, and necessary expenses for SDF operations.

- See Fig. III-1-3-1 (Comparison Between FY2014 Budget and FY2015 Budget)
- See Appendix 4 (Trend in Defense-Related Expenditures Over the Past 15 Years)

Fig. III-1-3-1 Comparison Between FY2014 Budget and FY2015 Budget

Category	FY2014	FY2015	
			Fiscal YOY growth (▲indicates negative growth)
Annual expenditure (note)	47,838	48,221	383 (0.8%)
Personnel and food provisions Expenses Material expenses	20,930	21,121	192 (0.9%)
	26,909	27,100	192 (0.7%)
Future obligation (note)	33,594	39,530	5,936 (17.7%)
New contracts Existing contracts	19,465	22,998	3,534 (18.2%)
	14,129	16,532	2,403 (17.0%)

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 4,884.8 billion yen for FY2014 and 4,980.1 billion yen for FY2015; and for future obligation, 3,630.4 billion yen for FY2014 and 4,363.5 billion yen for FY2015.

2 Breakdown of Defense-Related Expenditures

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. While general material expenses account for approximately 20% of the total budget, within that, mandatory costs, such as expenses related to measures to alleviate the burden on local communities hosting U.S. bases in Japan, account for over 40% of the total. As these figures show, the defense-related

expenditures are based on a structure, the breakdown of which cannot be easily altered in a significant manner on a single-year basis.

- See Fig. III-1-3-2 (Relationship between Annual Expenditure and Future Obligation Due to New Contracts)

Personnel and food provision expenses were increased by 19.2 billion yen from the previous fiscal year due to the revision of the remuneration of civil servants based on