FY2024 Settlement

White Paper on Local Public Finance, 2026

– Illustrated –



MIC
Ministry of Internal Affairs and Communications

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1 "Net totals of the revenues and expenditures" in this document are the ordinary net account totals of 2,983 organizations (47 prefectures, 1,718 municipalities, 23 special wards, 1,129 partial administrative associations and 113 wide-area local public bodies).
2 Figures for each item that are less than the given unit are rounded off. Therefore, they do not necessarily add up exactly to the total.
3 In FY2011, the revenues and expenditures of ordinary accounts were divided into the regular portion (Overall settlement figures less the Great East Japan Earthquake portion) and the Great East Japan Earthquake portion (Covering the revenues and expenditures related to recovery and reconstruction work and nationwide disaster prevention work).

The Role of Local Public Finance

Prefectures and municipalities (cities, towns, and villages) are the central actors in various areas of public services, including school education, public welfare and health, police and fire services, and public works such as roads and sewage systems, thereby fulfilling a major role in the lives of the citizens of the nation.
This document describes the status of local public finance (which comprises collectively the finances of individual local governments), the state of settlements for FY2024, and the initiatives of local governments towards sound public finances (mainly the status of the ratios for measuring their financial soundness), with particular attention given to ordinary accounts (Public enterprises, such as water supply, transportation, and hospitals are described in the section on Local Public Enterprises).

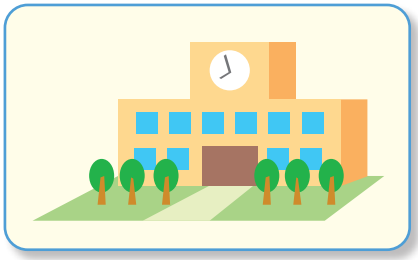
Classification of the Accounts of Local Governments Applied in the Settlement Account Statistics

The accounts of local governments are divided into the general accounts and the special accounts, but classification of these accounts varies between local governments. Therefore, the accounts are classified in a standardized manner into ordinary accounts, which cover the general administrative sector, and other accounts (public business accounts). This makes it possible to clarify the financial condition of local governments as a whole and to make a statistical comparison between local governments.

Local Government Accounts

Ordinary accounts

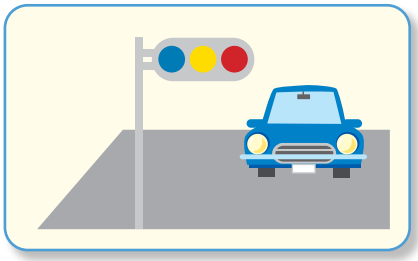
General administrative sector accounts



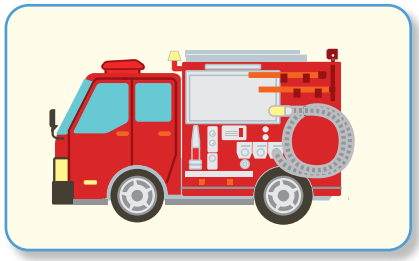
School education



Welfare



Roads



Fire service

Etc.

Other accounts (Public business accounts)

Public enterprise accounts

- Water supply
- Transportation
- Electrical power
- Gas
- Hospitals
- Sewerage systems
- Residential land development

Etc.

National health insurance accounts

Latter-stage elderly medical care accounts

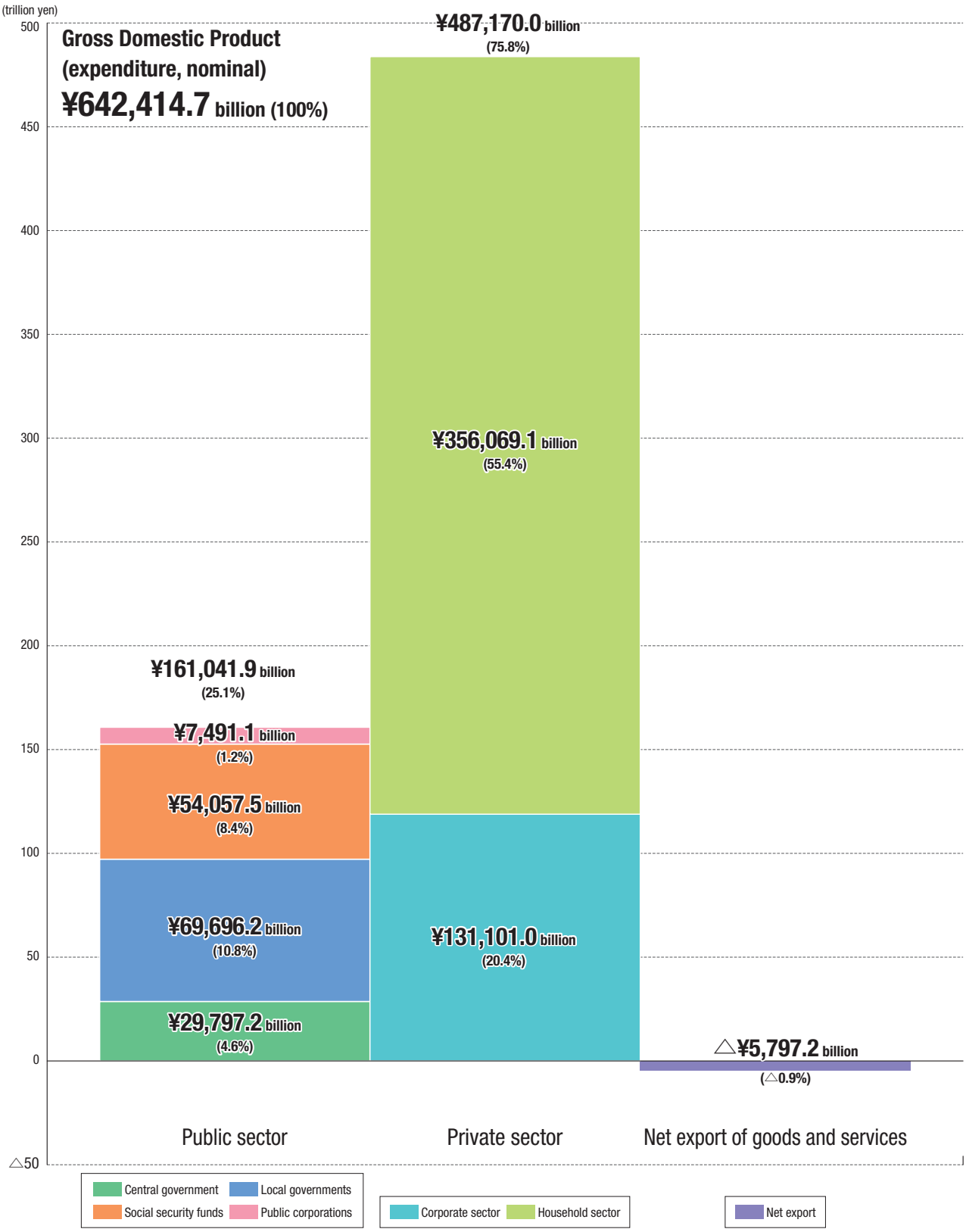
Nursing care insurance accounts

Etc.

How large is local public finance?

The ratio of expenditure by local governments in gross domestic product (nominal) is 10.8%, about 2.3 times that of the central government.

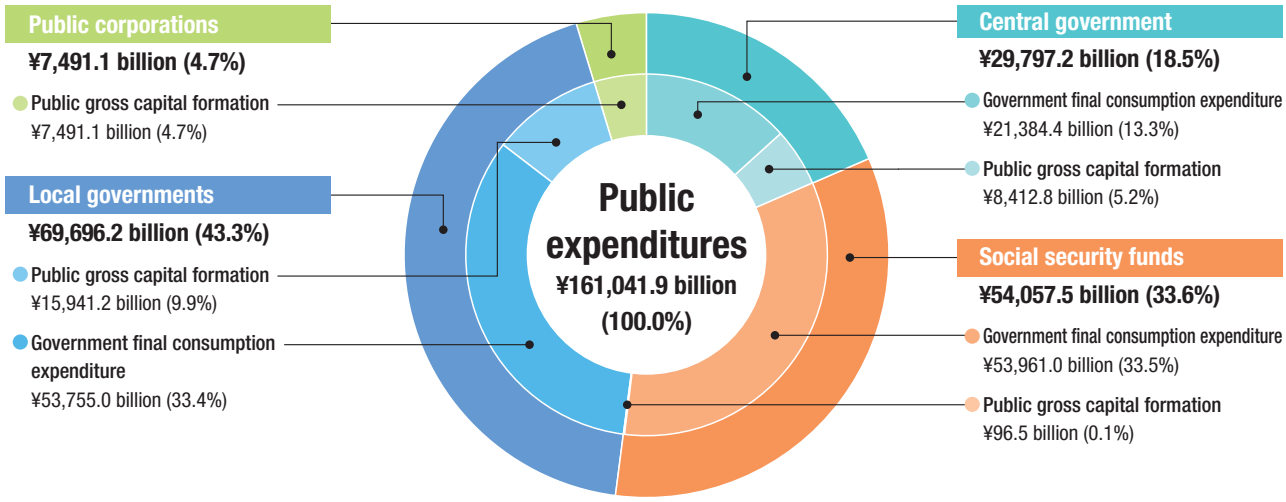
Gross Domestic Product (Expenditure, nominal) and Local Public Finance (FY2024)

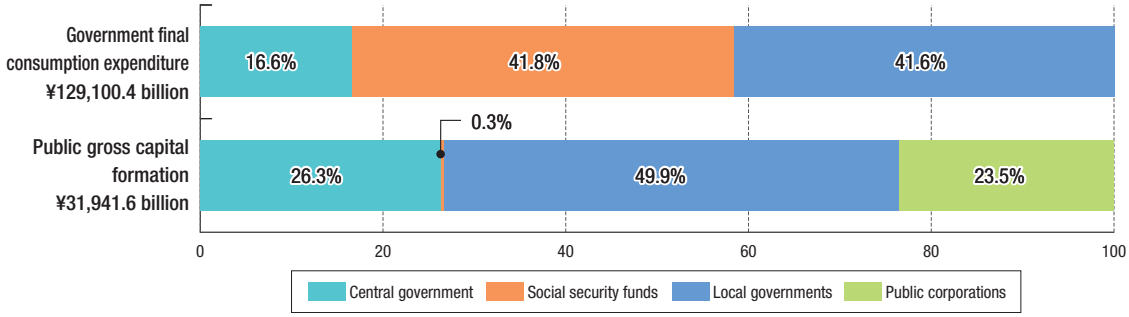


How large is local government expenditure in total public expenditure?

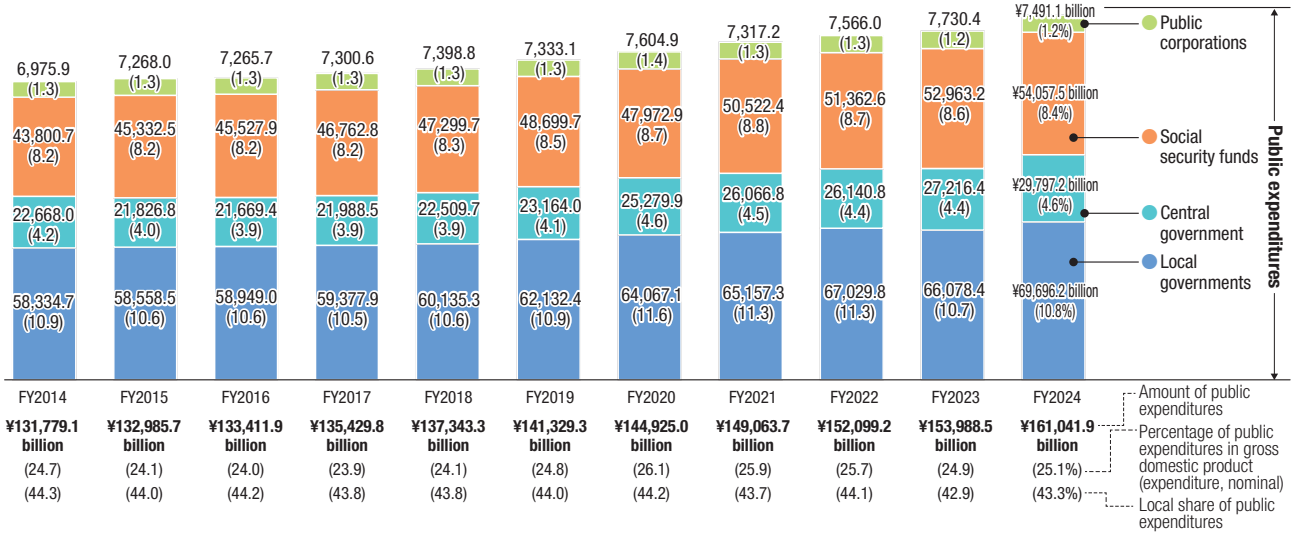
Looking at the breakdown of public expenditure classified by final expenditure entity, local government expenditure accounts for 41.6% of Government final consumption expenditure, and 49.9% of Public gross capital formation. As final expenditure entities, local governments are second only to the central government and play a major role in the national economy.

Breakdown of public expenditures





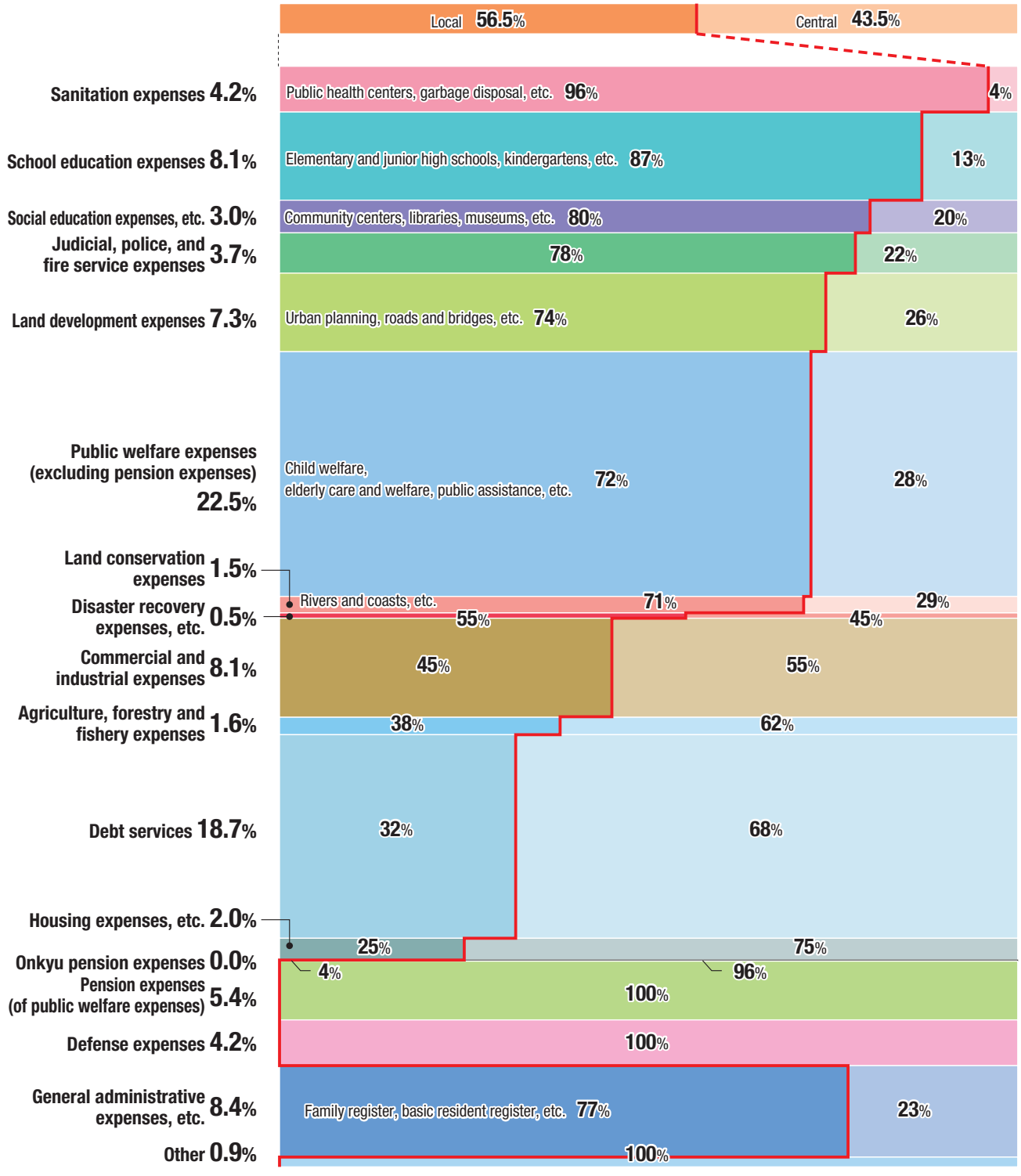
Trends in public expenditures



In which areas is the share of local expenditures high?

The below graph shows central and local governments' expenditures by purpose as a share of net total expenditure, classified by final expenditure entity.
The share of local governments' expenditures is higher in areas that are deeply related to daily life, such as Public welfare, Sanitation, and School education.

Share of Expenditures by Purpose of Central and Local Governments (final expenditure based)



FY2024 Settlement Overview

1 Revenues

¥120,249.1 billion (up ¥3,555.6 billion, 3.0% year on year)

Regular portion ¥119,785.6 billion (up ¥3,628.5 billion, 3.1% year on year)

Great East Japan Earthquake portion ¥463.5 billion (down ¥73.0 billion, 13.6% year on year)

The increase in revenues in the regular portion resulted from an increase in Local taxes and Local allocation taxes, etc.
The decrease in revenues in the Great East Japan Earthquake portion resulted from a decrease in Loan principal and interest income, Transfers in, etc.

2 Expenditures

¥115,982.3 billion (up ¥3,560.3 billion, 3.2% year on year)

Regular portion ¥115,547.4 billion (up ¥3,594.9 billion, 3.2% year on year)

Great East Japan Earthquake portion ¥434.6 billion (down ¥35.0 billion, 7.5% year on year)

The increase in expenditure in the regular portion resulted from an increase in Personnel expenses, Assistance expenses, etc.
The decrease in expenditures in the Great East Japan Earthquake portion resulted from a reduction of Ordinary construction work expenses, Debt service, etc.

3 Revenue and Expenditure Settlement

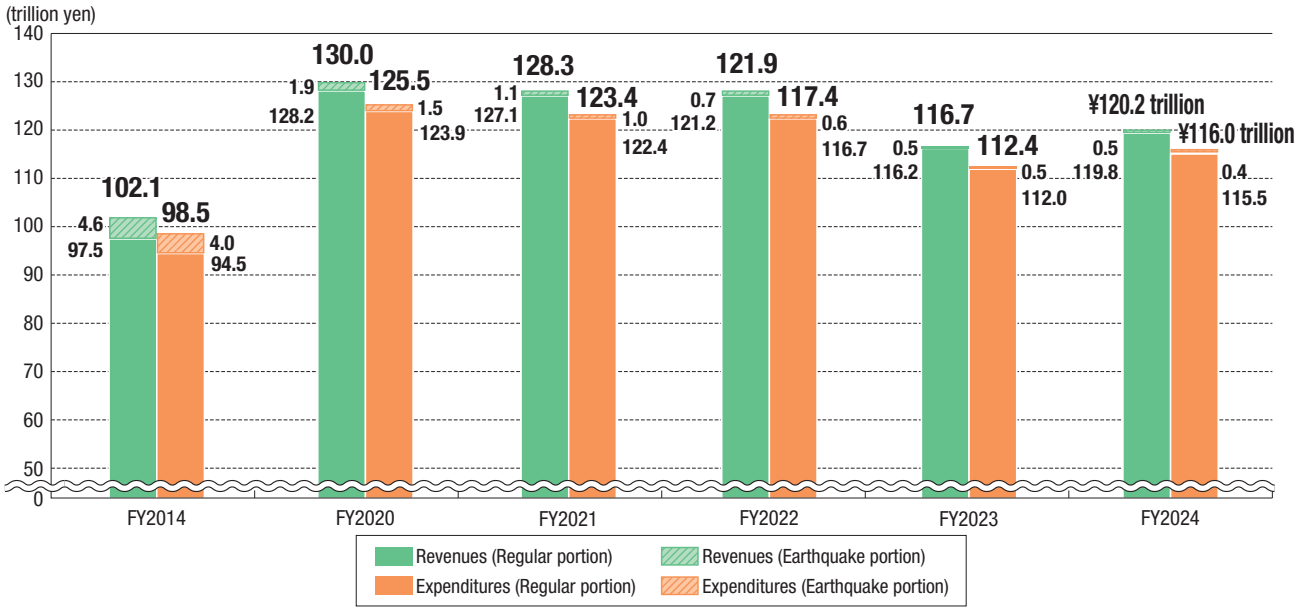
The real balance showed a surplus of ¥2,756.7 billion.

Category	Account Settlement		No. of local governments with a deficit	
	FY2024	FY2023	FY2024	FY2023
Real balance	¥2,756.7 billion	¥2,699.8 billion	1	2
Single year balance	¥58.2 billion	▲¥370.7 billion	1,568	1,604
Real single year balance	¥228.1 billion	▲¥362.5 billion	1,674	1,531

Notes : Real balance refers to the amount calculated by subtracting the revenue resources that should be carried over to the next fiscal year from the income expenditure balance.
Single year balance refers to the amount calculated by subtracting the real balance of the previous fiscal year from the real balance of the relevant fiscal year.
Real single year balance refers to the amount calculated by adding reserves and advanced redemption of local loans for the public finance adjustment fund to the single year balance and subtracting public finance adjustment fund reversals.

4 Trend in Scale of Account Settlement

Both revenues and expenditures of the regular portion have increased year on year.



5 Major Financial Indices

Ordinary balance ratio increased by 0.2 percentage points year on year, to 93.0%.
The Real debt service ratio remained the same as the previous fiscal year at 7.7%.

Category	FY2024	FY2023	Change
Ordinary balance ratio	93.0%	92.8%	0.2
Real debt service ratio	7.7%	7.7%	–

6 Outstanding Borrowing Borne by Ordinary Accounts

Outstanding borrowing, which includes Outstanding public enterprise bonds (borne by ordinary accounts) and Outstanding borrowing borne by the special accounts for Local allocation tax (borne by local governments) in addition to Outstanding local government bonds, amounted to ¥179,524.6 billion (down ¥3,180.3 billion, 1.7% year on year).

Category	FY2024	FY2023	Change amount	Change rate
Outstanding local government bonds	¥137,099.1 billion	¥139,617.5 billion	▲¥2,518.5 billion	▲1.8%
Outstanding local government bonds (bonds for the extraordinary financial measures)	¥45,719.5 billion	¥49,046.1 billion	▲¥3,326.6 billion	▲6.8%
Outstanding public enterprise bonds (borne by ordinary accounts)	¥14,313.2 billion	¥14,475.1 billion	▲¥161.9 billion	▲1.1%
Outstanding borrowing borne by the special accounts for Local allocation tax (borne by local governments)	¥28,112.3 billion	¥28,612.3 billion	▲¥500.0 billion	▲1.7%
Total	¥179,524.6 billion	¥182,704.9 billion	▲¥3,180.3 billion	▲1.7%

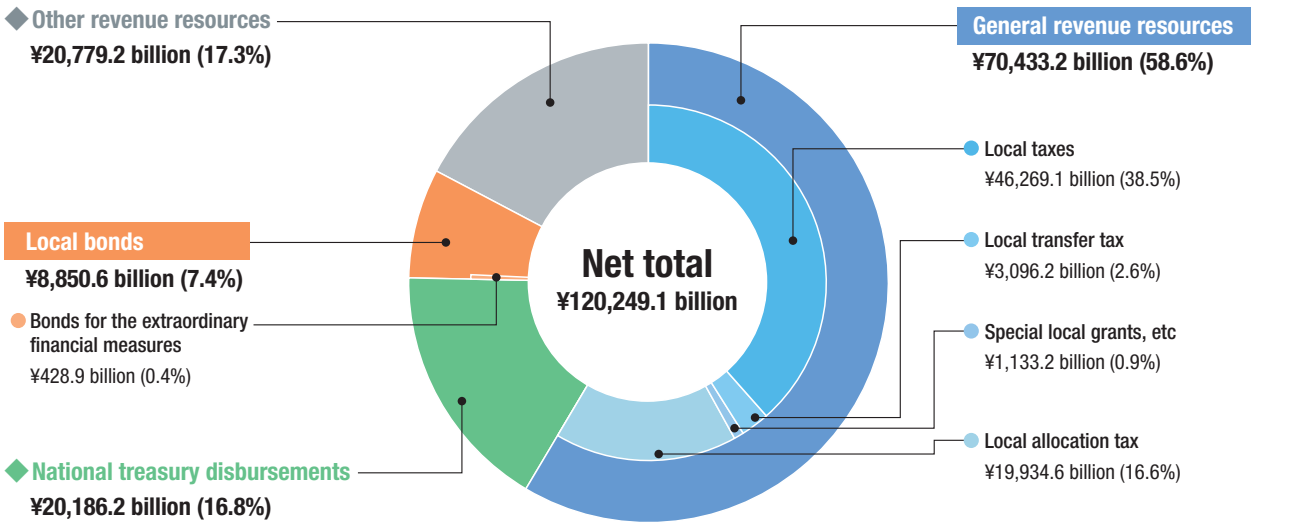
Revenues

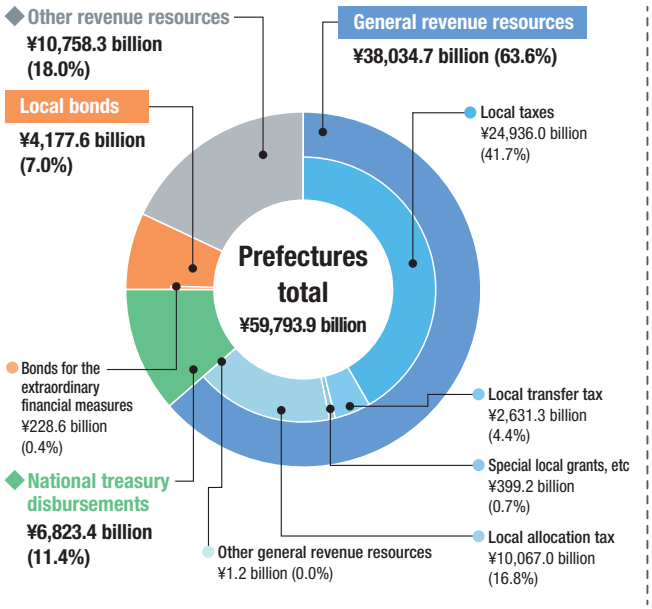
What are the revenue sources for local governments' activities?

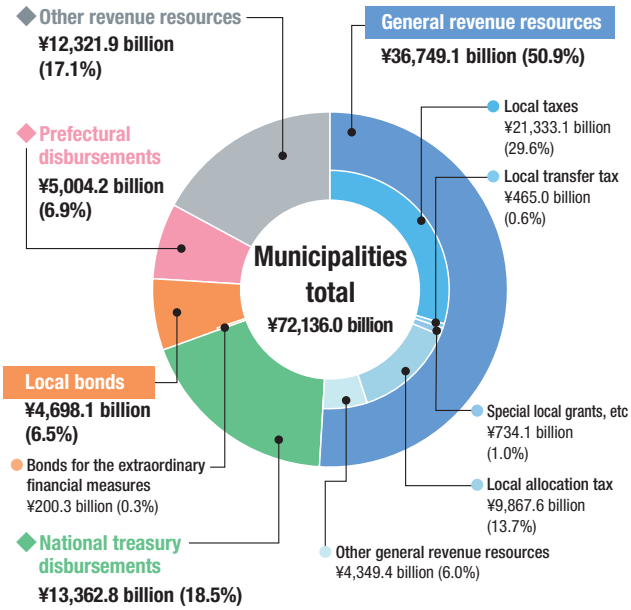
1 Revenue Breakdown

The revenue of local governments consists mainly of Local taxes, National treasury disbursements, Local allocation tax, and Local bonds, in order of share size. Among them, revenue resources which can be spent for any purpose, such as Local taxes and Local allocation tax, are called General revenue resources. It is important for local governments to ensure sufficient General revenue resources in order to handle various administrative needs properly. General revenue resources accounted for 58.6%.

Composition of Revenues (FY2024 settlement)





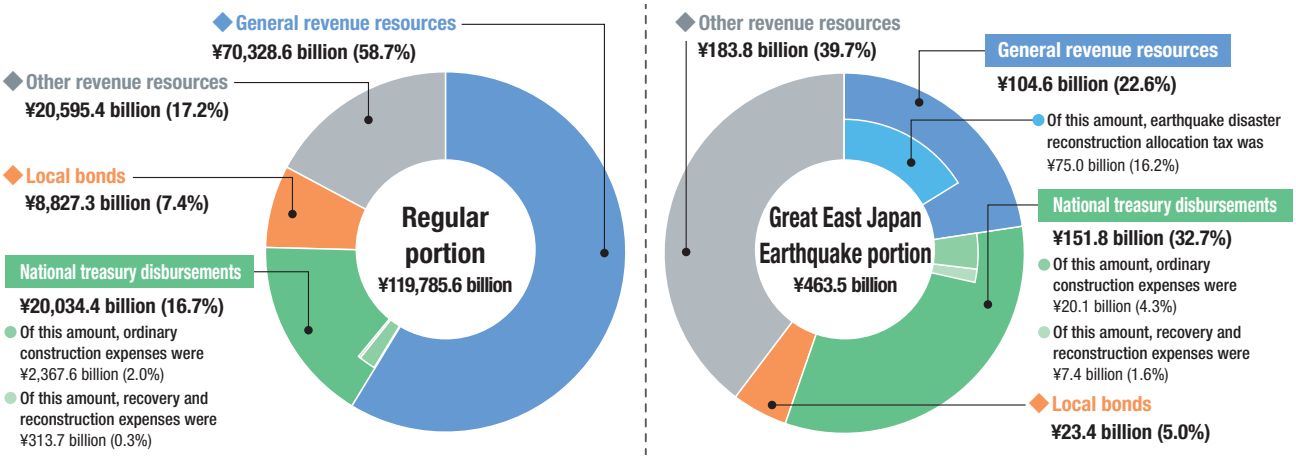


Local transfer tax	:	Collected as a national tax and transferred to local governments. Includes Local gasoline transfer tax, etc.
Special local grants, etc	:	Special grants for reduced revenue provided to cover decreases in revenues of local governments associated with the implementation of special tax deductions for housing loans in individual inhabitant tax.
Local allocation tax	:	An intrinsic revenue source of local governments in order to adjust imbalances in tax revenue among local governments and to guarantee revenue sources so that all the local governments across the country can provide a consistent level of public services. (See page.13, "6. Local Allocation Tax.")
National treasury disbursements	:	A collective term for the national obligatory share, commissioning expenses, incentives for specific policies, or financial assistance, disbursed from the central government to local governments.
Local bonds	:	The debts of local governments to be repaid over a period of time in excess of one fiscal year for which redemption continues for more than one fiscal year.
Bonds for the extraordinary financial measures	:	Local bonds issued as an exception to Article 5 of the Local Finance Law to address shortages of General revenue resources of local governments. Proceeds from these bonds can be used for expenses other than investment expenses.

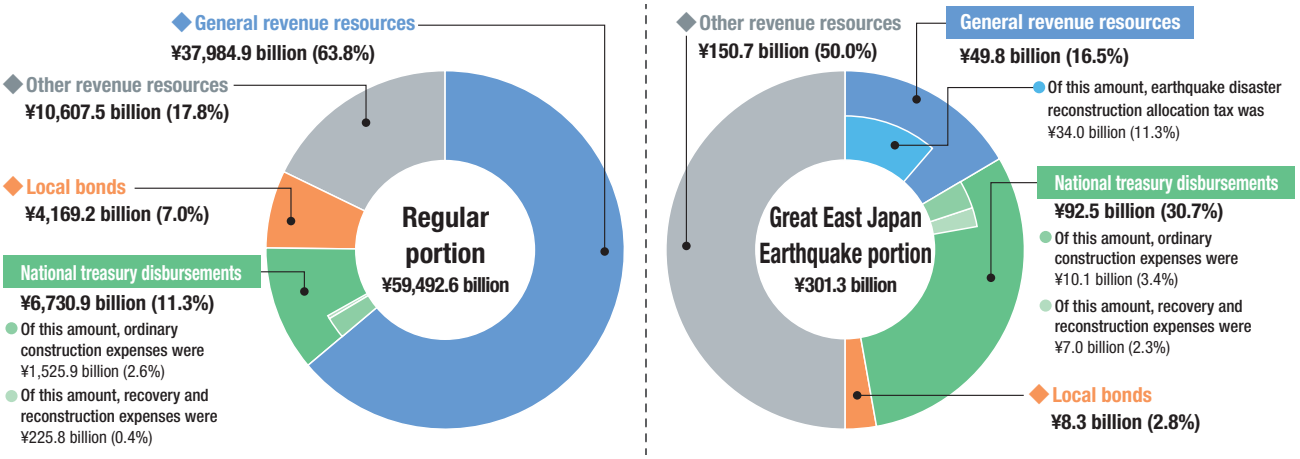
Note: "National treasury disbursements" includes "special grants to measures for traffic safety" and "grants to cities, towns and villages where national institutions are located."

2 Revenues in Regular Portion and Great East Japan Earthquake Portion

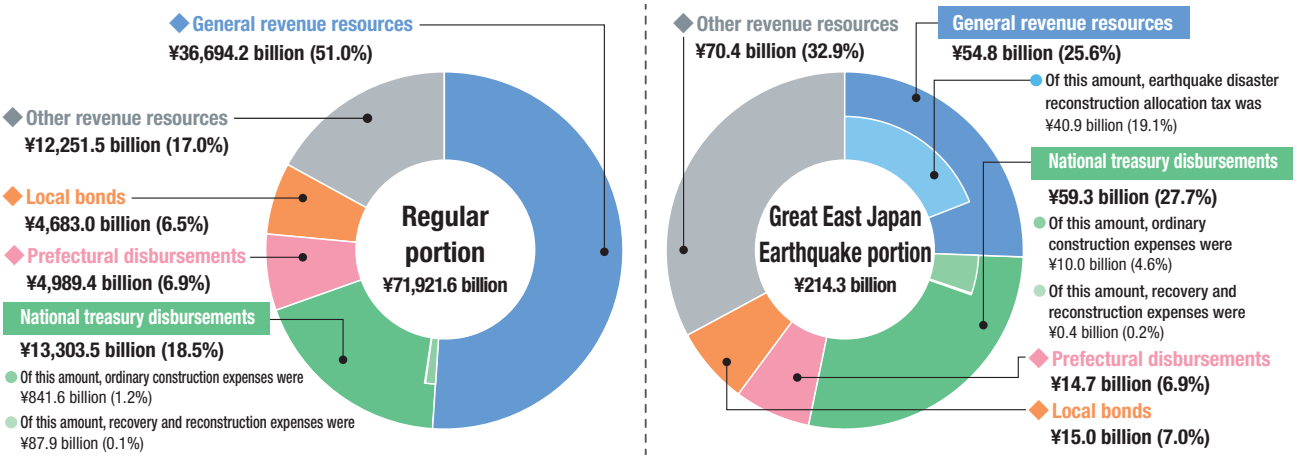
Net Total



Prefectures



Municipalities

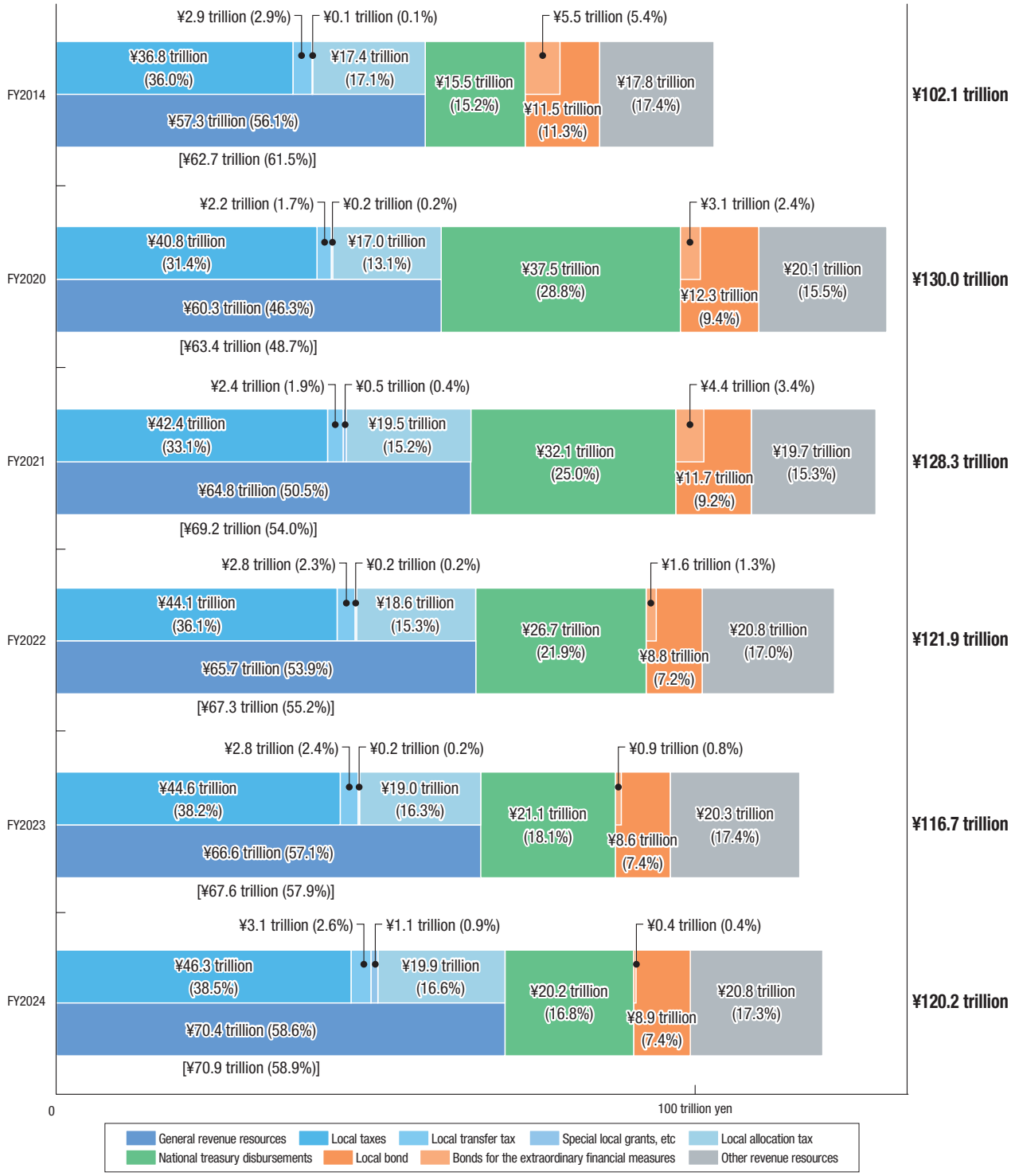


Note: " National treasury disbursements" includes " special grants to measures for traffic safety" and " grants to cities, towns and villages where national institutions are located."

3 Revenue Trends

The ratio of general revenue resources turned upward year on year.

Net Total

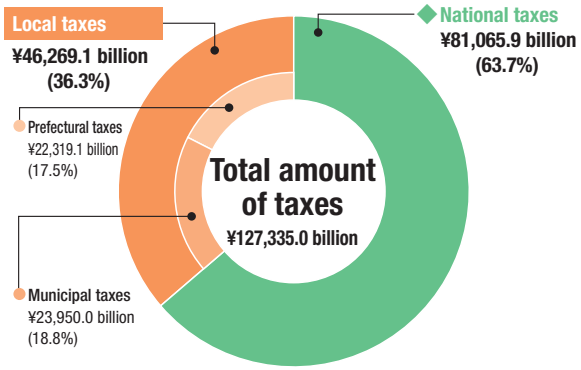


[ ] shows general revenue resources + bonds for the extraordinary financial measures.

Note : "National treasury disbursements" includes "special grants to measures for traffic safety" and "grants to cities, towns and villages where national institutions are located."

4 Ratio of National Taxes and Local Taxes

The total of taxes collected as national and local taxes amounted to ¥127,335.0 billion. Of this amount, national and local taxes accounted for 63.7% and 36.3% respectively.

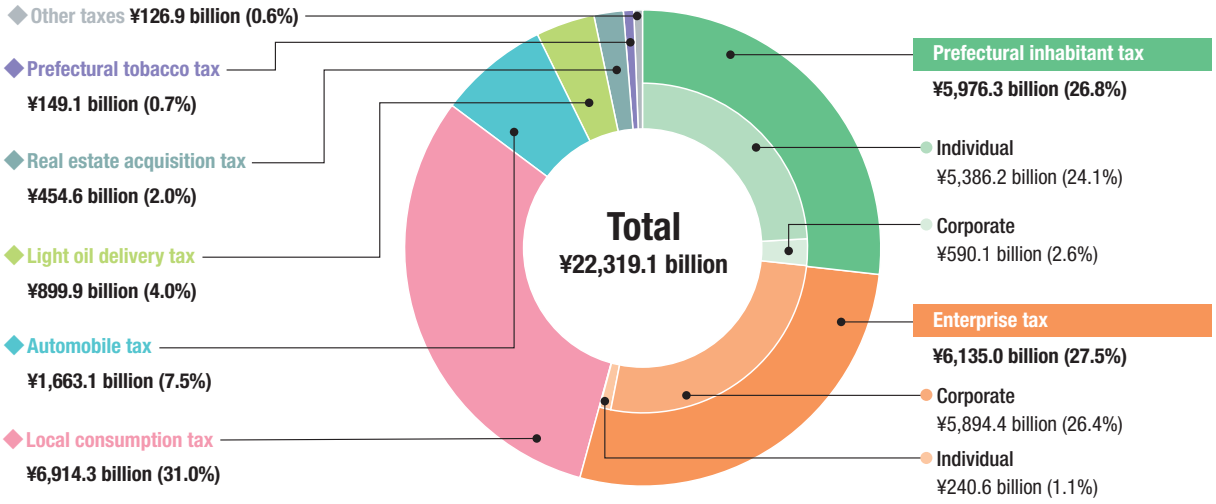


Note: Municipal taxes collected by the Tokyo Metropolitan Government are included in municipal tax revenue figures, but not included in prefectural tax revenue figures.

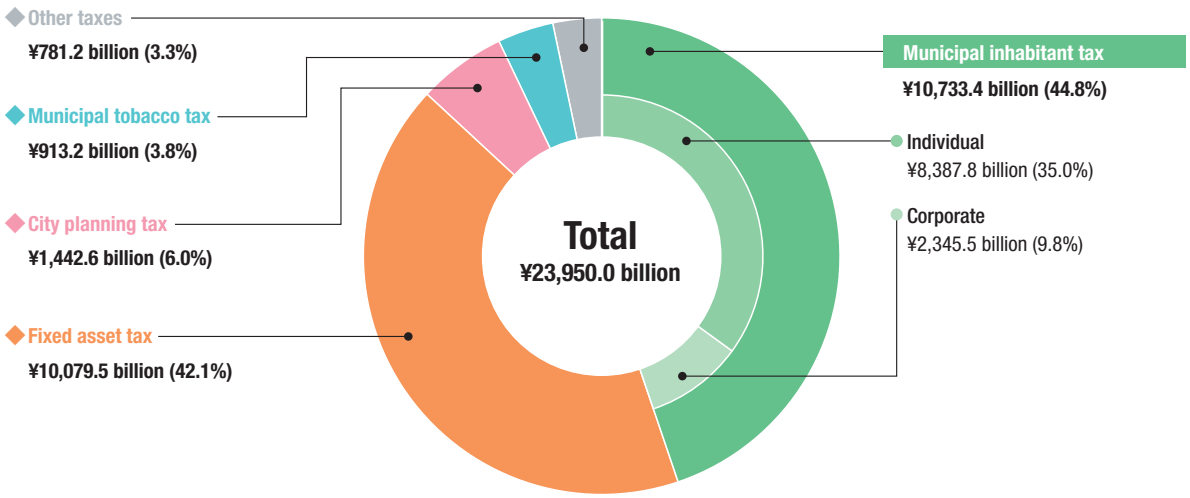
5 Local Taxes

Local taxes consist of prefectural taxes and municipal taxes.

Composition of Revenue from Prefectural Taxes (FY2024 settlement)

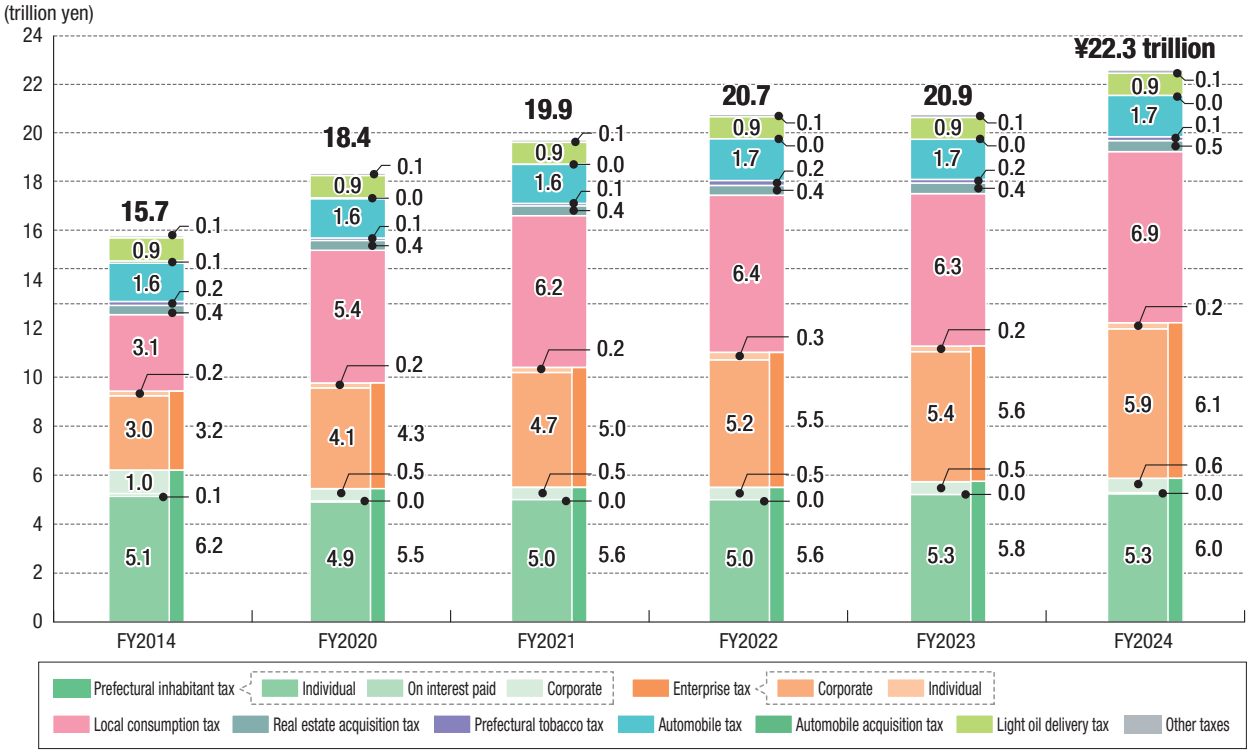


Composition of Revenue from Municipal Taxes (FY2024 settlement)



Prefectural tax revenues increased 6.8% year on year.

Trends in Prefectural Tax Revenues



Municipal tax revenues increased 1.0% year on year.

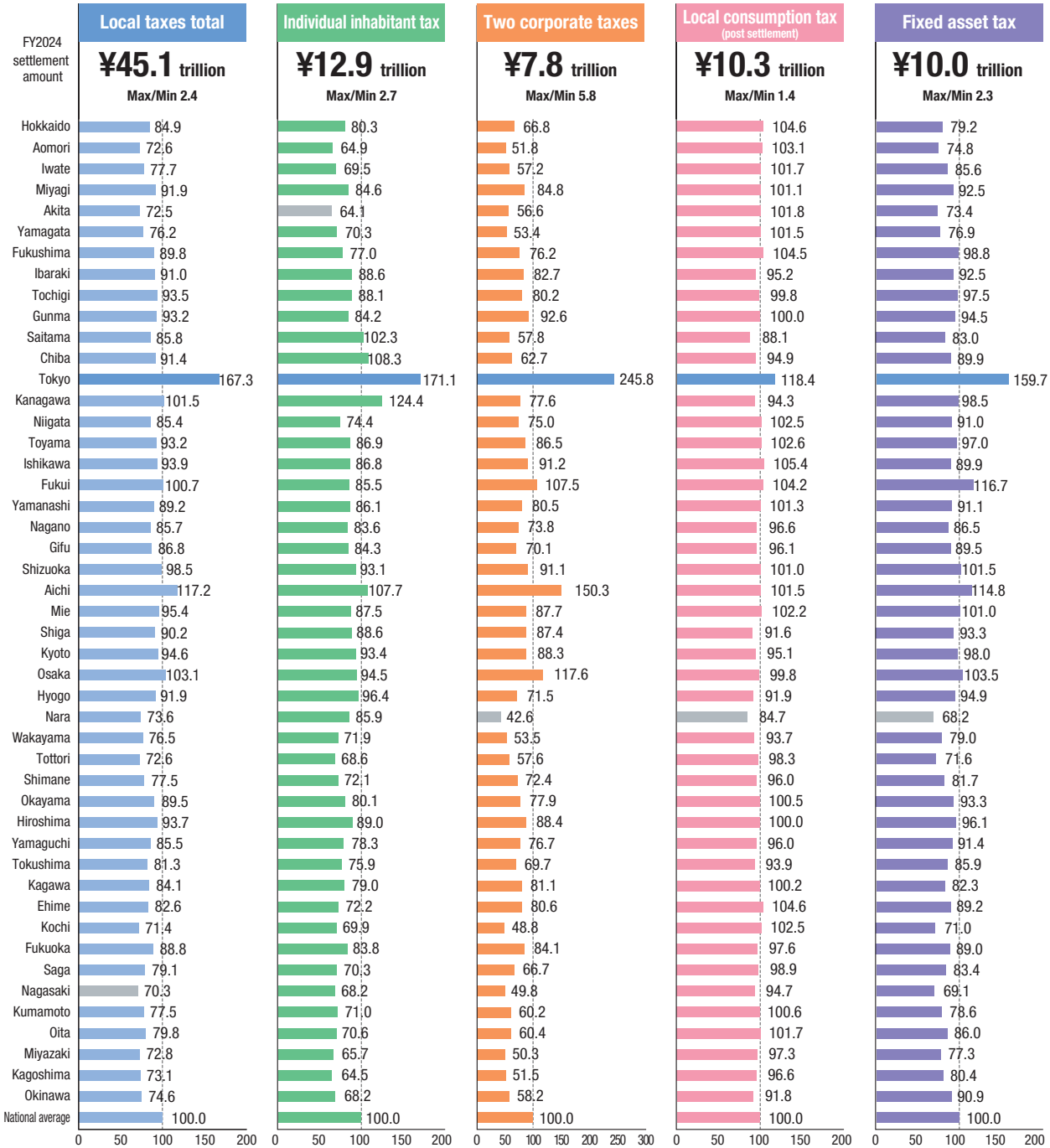
Trends in Municipal Tax Revenues



Note: Municipal tax revenue figures include municipal taxes collected by the Tokyo Metropolitan Government.

In order for local governments to provide public services in response to local needs on their own responsibility and at their own discretion, it is necessary to build a less imbalanced and stable local tax system.
Comparing total local tax revenue, with the national average set at 100, Tokyo, the highest, was approximately 2.4 times the amount for Nagasaki Prefecture, which was the lowest.

Index of Per Capita Revenue in Local Tax Revenue (with national average as 100)



Notes : 1. "Max/Min" indicates the value obtained by dividing the maximum value of per-capita tax revenue for each prefecture by the minimum value.
2. Local tax revenue amounts, not including the amount of special corporation business transfer tax, and exclude overassessment and discretionary taxes, etc.
3. Individual inhabitant tax revenue is the total of the prefectural individual inhabitant tax (on a per-capita basis and on an income basis) and the municipal individual inhabitant tax (on a per-capita basis and on an income basis), and excludes overassessment.
4. Revenue from the two corporate taxes is the total of the corporate prefectural inhabitant tax, the corporate municipal inhabitant tax, and the corporate business tax (excluding special corporation business transfer tax) and excludes overassessment, etc.
5. Local consumption tax is a theoretical value calculated based on the settlement basis applicable to the FY2024 account settlement using pre-settlement tax revenue of FY2024.
6. Fixed asset tax revenues include prefectural amounts, and exclude overassessment.
7. Calculations were made in accordance with the basic resident register population as of January 1, 2025.

6 Local Allocation Tax

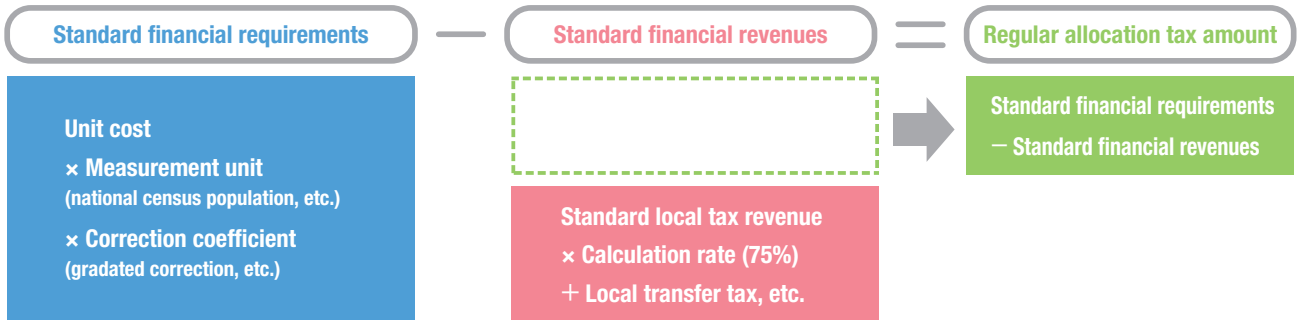
From the perspective of local autonomy, it would be ideal for each local government to ensure the revenue sources necessary for their activities through Local tax revenue collected from their residents. However, there are regional imbalances in tax sources, and many local governments are unable to acquire the necessary tax revenue. Accordingly, the central government collects revenue resources that would essentially be attributable to Local tax revenue and reallocates them as Local allocation tax to local governments that have weaker financial capabilities.

1. Determining the total amount of Local allocation tax

The total amount of the Local allocation tax is determined in accordance with estimates of standard revenue and expenditures in local public finance as a whole, based on a fixed percentage for national taxes (33.1% for Income tax and Corporate tax, 50% for Liquor tax, 19.5% for Consumption tax, and the total amount of Local corporate tax).
The total amount of the Local allocation tax in FY2024 was ¥19,934.6 billion, up 4.9% year on year.

2. How regular Local allocation taxes are calculated for each local government

The Regular local allocation tax for each local government is calculated by the following formula.

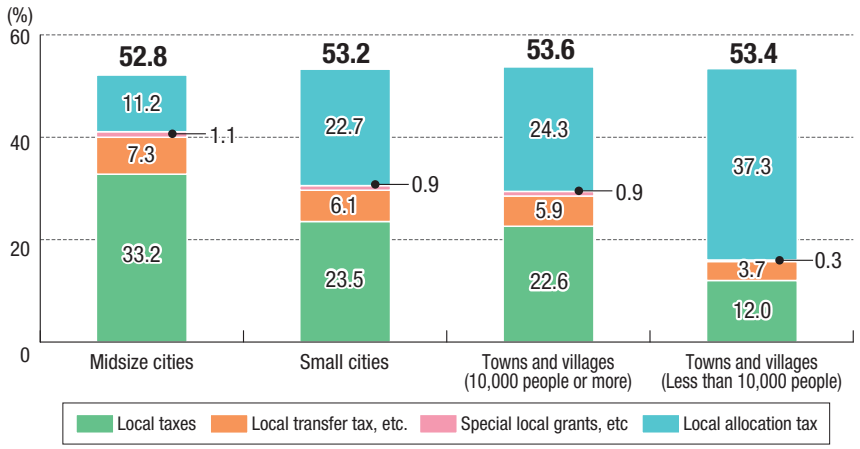


Notes : 1. Standard financial requirements are figured out based on the rational and appropriate service standards for each local government. For this reason, the local share of the services, such as compulsory education, benefits for livelihood protection, and public works which are subject to national obligatory share, is mandatorily included. Beginning in FY2001, part of the Standard financial requirements is being transferred to special local bonds (bond for temporary substitution for local allocation tax) as an exception to Article 5 of the Local Finance Law.
2. Normal local tax revenue does not include Non-act-based tax or over-taxation that sets tax rates above the standard tax rate stipulated in the Local Tax Act.

3. Function of the Local allocation tax

The function of the Local allocation tax is to adjust imbalances in revenue resources between local governments and to ensure their financial capacity to provide standard public services and basic infrastructure to residents across the country.
The adjustment of revenue resources through Local allocation tax makes the ratios of General revenue resources to the total revenues between local governments practically flat regardless of the size of population.

Ratio of Total Revenue for Municipalities Composed of General Revenue Resources



Note : A "Midsize city" refers to a city with a population of 100,000 or more excluding Government-ordinance-designated cities, Core cities, and Special cities at the time of the effective date, and a "Small city" refers to a city with a population of less than 100,000.

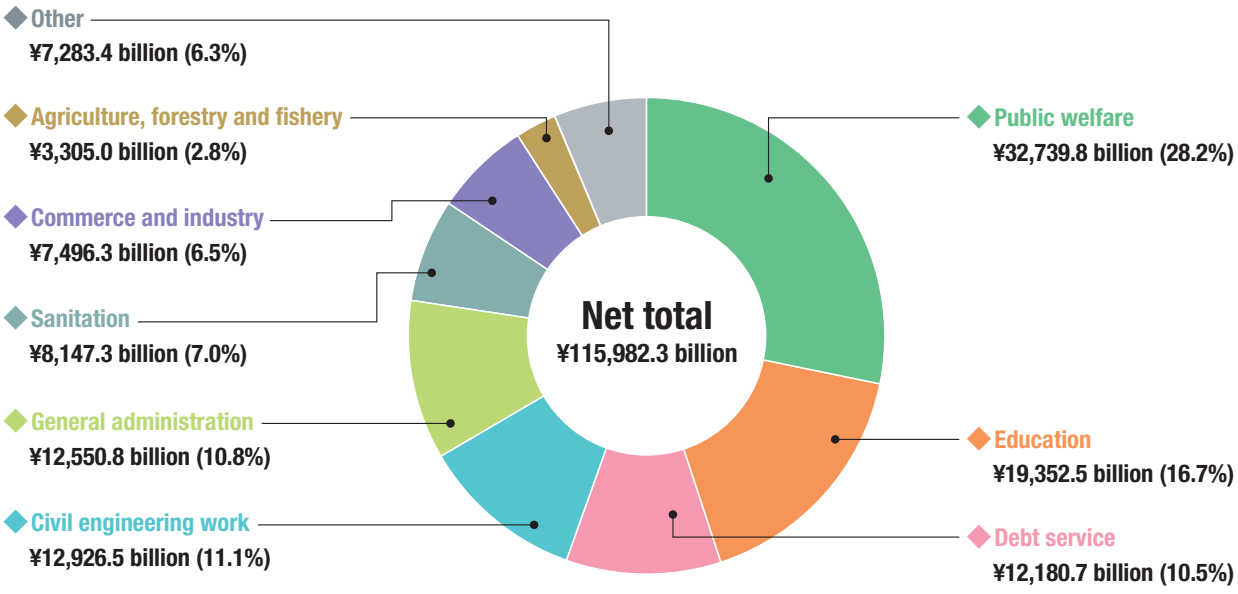
Expenditures

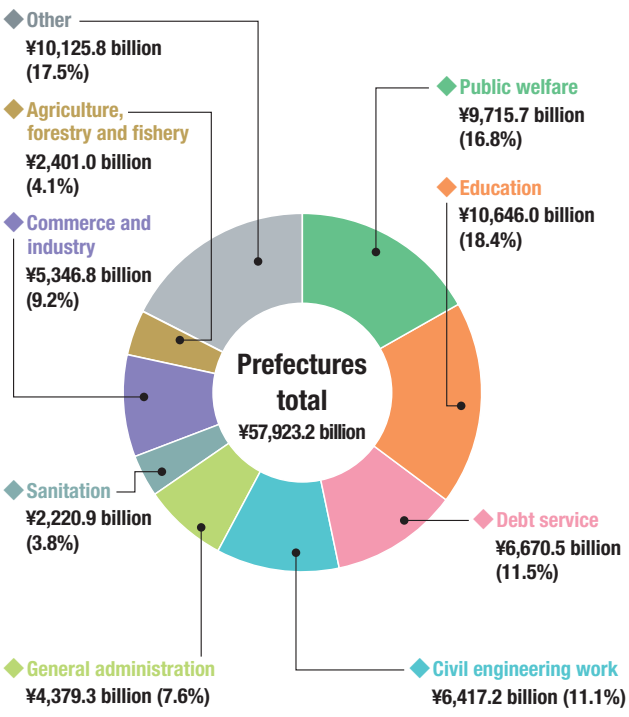
What are expenses spent on?

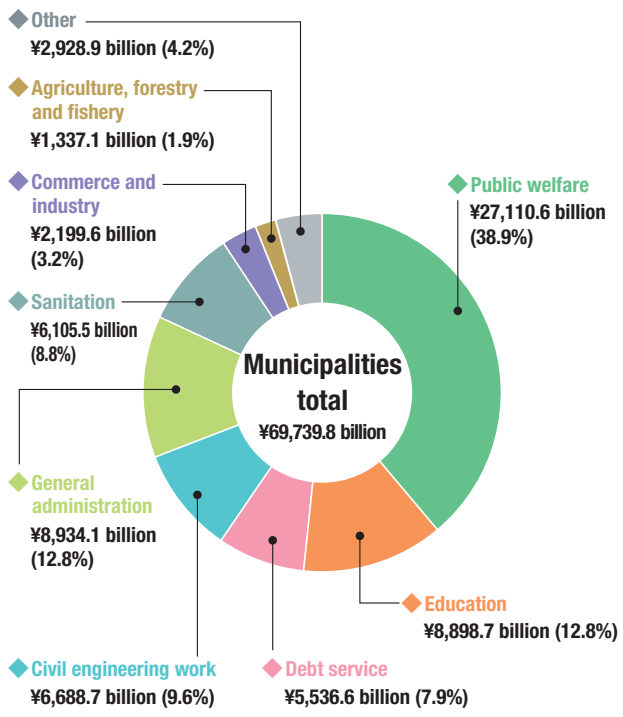
1 Expenses Classified by Purpose

Classifying the expenses by purpose demonstrates that much of public money is appropriated for Public welfare expenses, Education expenses, and Civil engineering work expenses. In prefectures, Education expenses, Public welfare expenses, and Debt service expenses have the highest shares in that order. In municipalities, Public welfare expenses, General administrative expenses, and Educational expenses account for the largest amounts in that order.

Composition of Expenditure Classified by Purpose (FY2024 settlement)



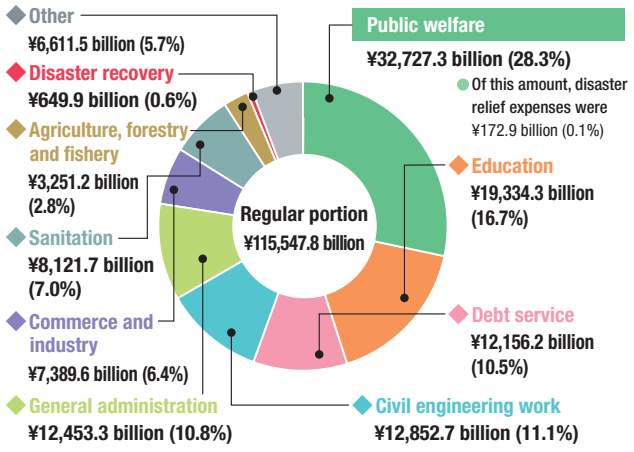


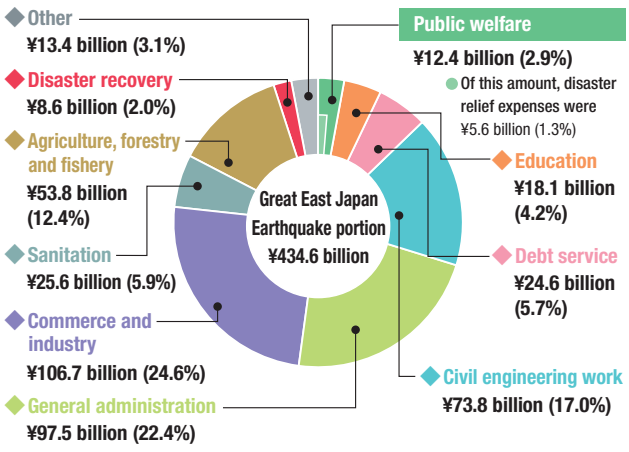


General administration : Expenses for general administration, financial management, accounting administration, etc.
Public welfare : Expenses for the construction and operation of welfare facilities for children, the elderly, the mentally and physically disabled, etc., and for the implementation of public assistance, etc.
Education : Expenses for school education, social education, etc.
Civil engineering work : Expenses for the construction and maintenance of public facilities, such as roads, rivers, housing, and parks.
Debt service : Debt service : Expenses for the payment of principal, interest, etc., on debts.

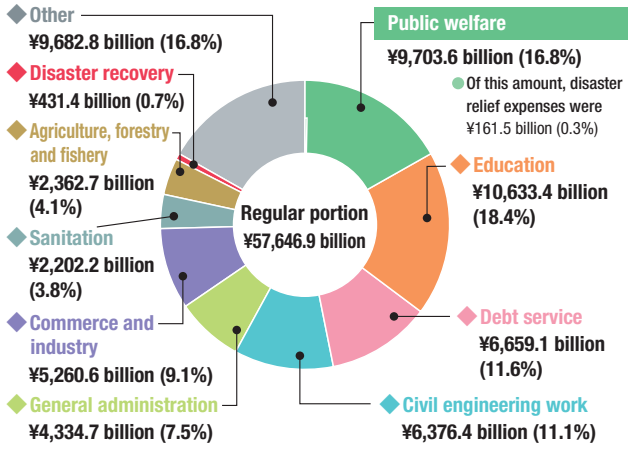
2 Expenditures in Regular Portion and Great East Japan Earthquake Portion (Expenses Classified by Purpose)

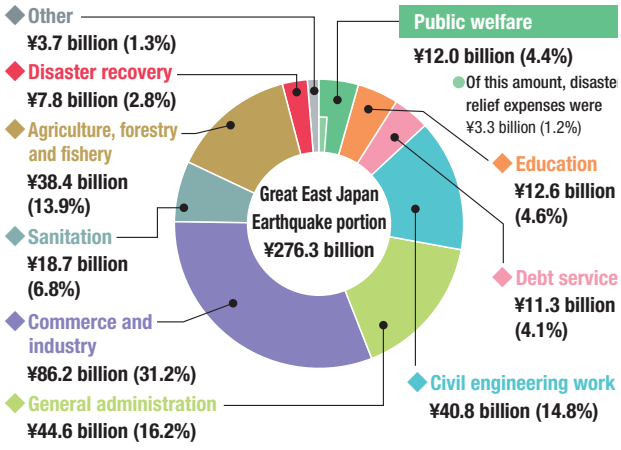
Net total



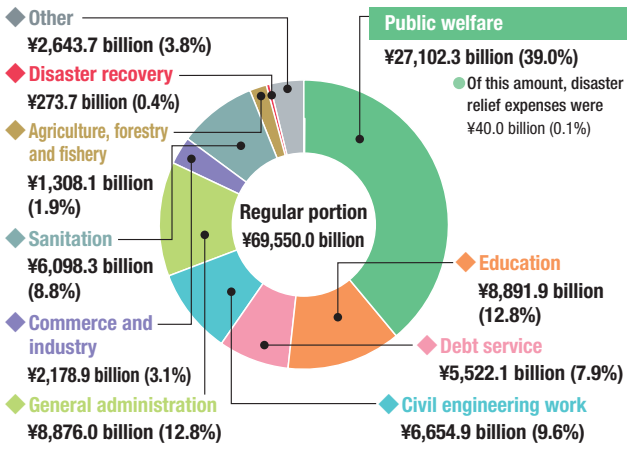


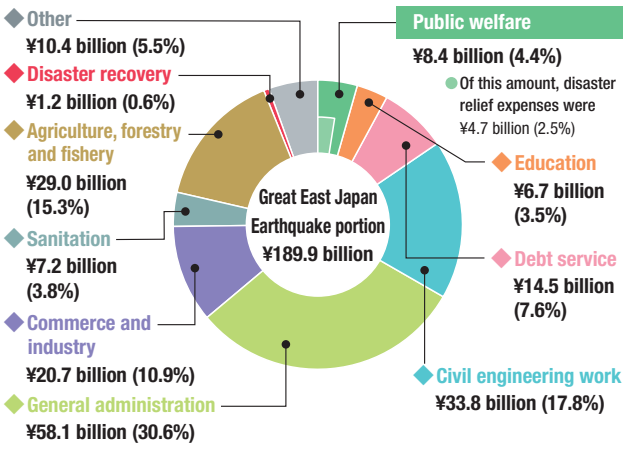
Prefectures





Municipalities

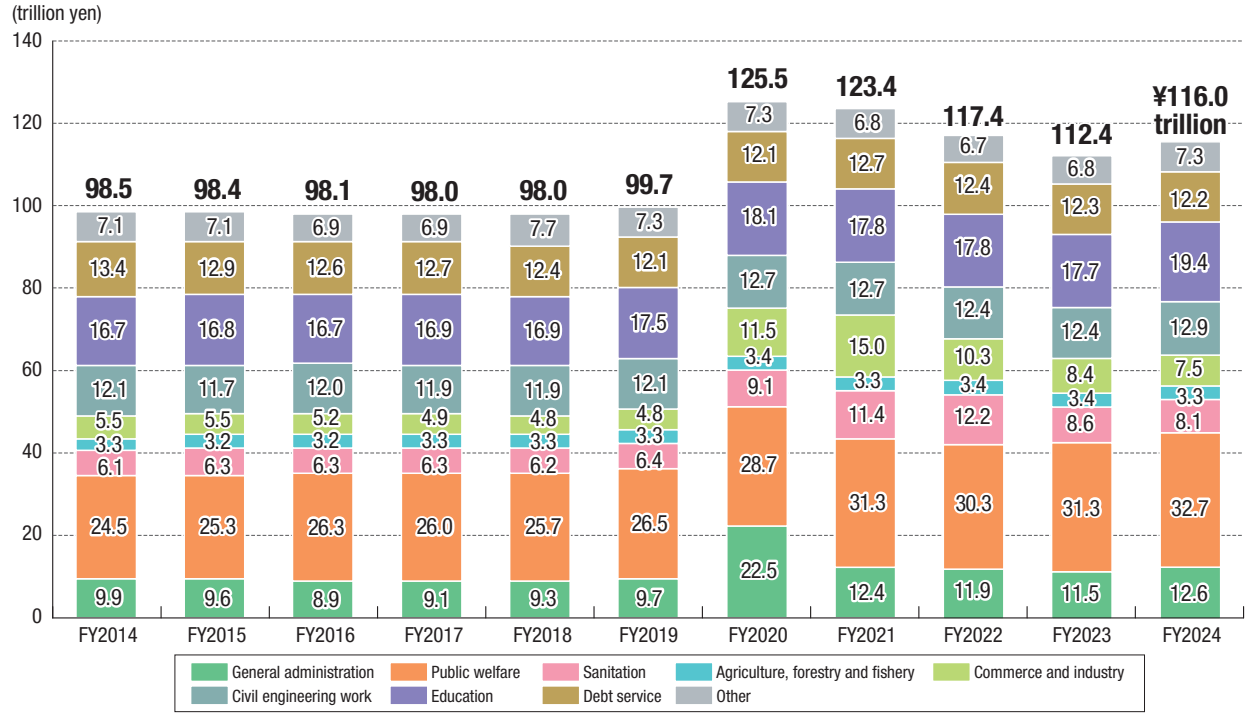




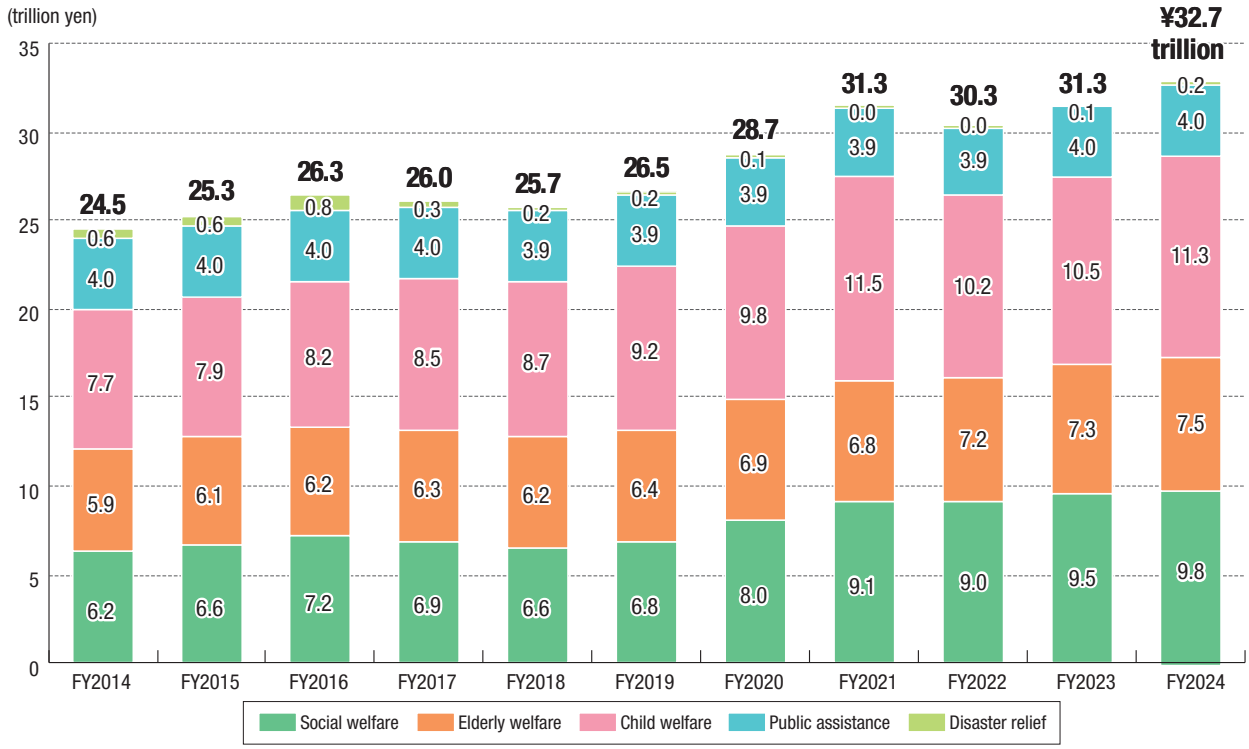
3 Trends in Expenditures Classified by Purpose

The recent trend shows increases in Public welfare.

Trends in Expenditures Classified by Purpose

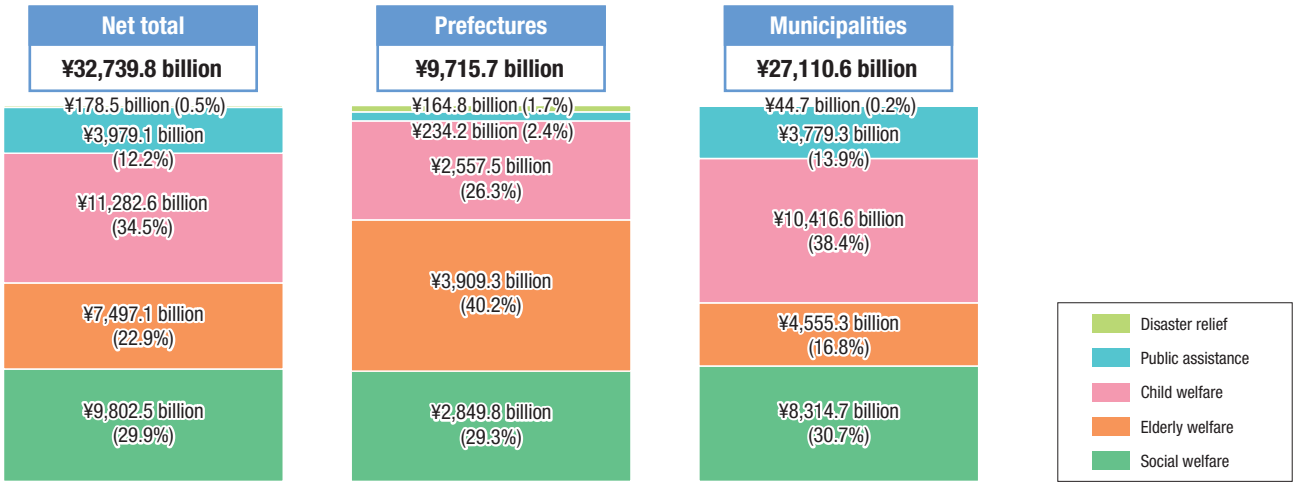


Trends in Breakdown of Public Welfare Expenses by Purpose

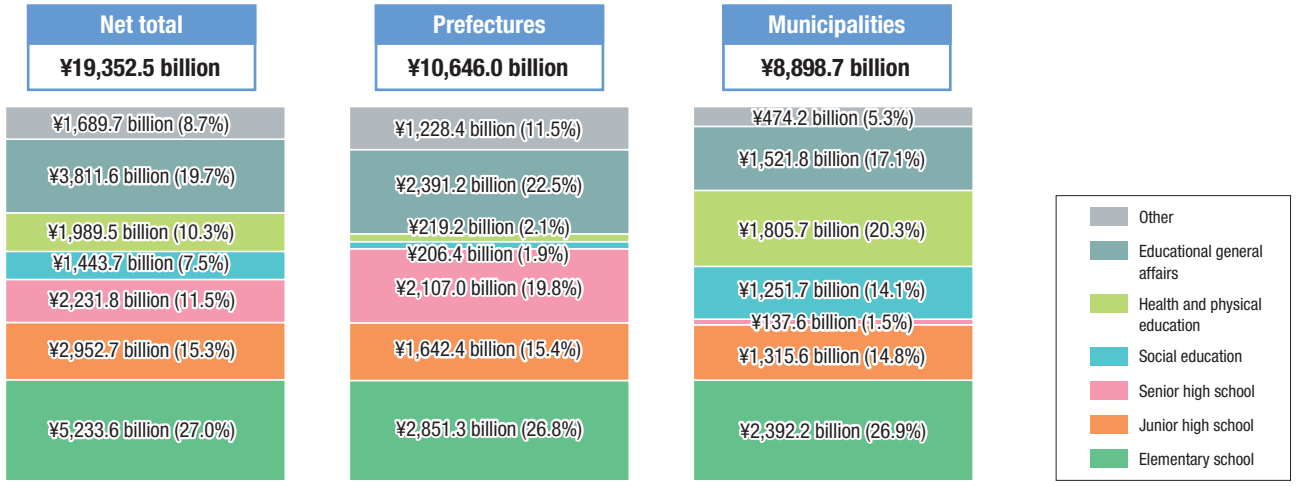


Expenditures

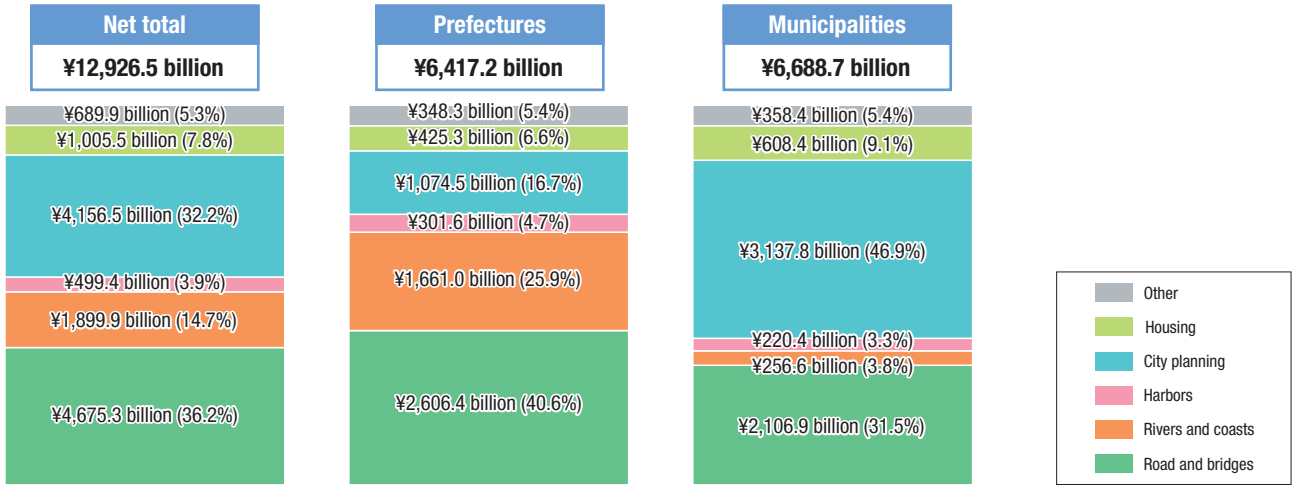
Breakdown of Public Welfare Expenses by Purpose



Breakdown of Educational Expenses by Purpose



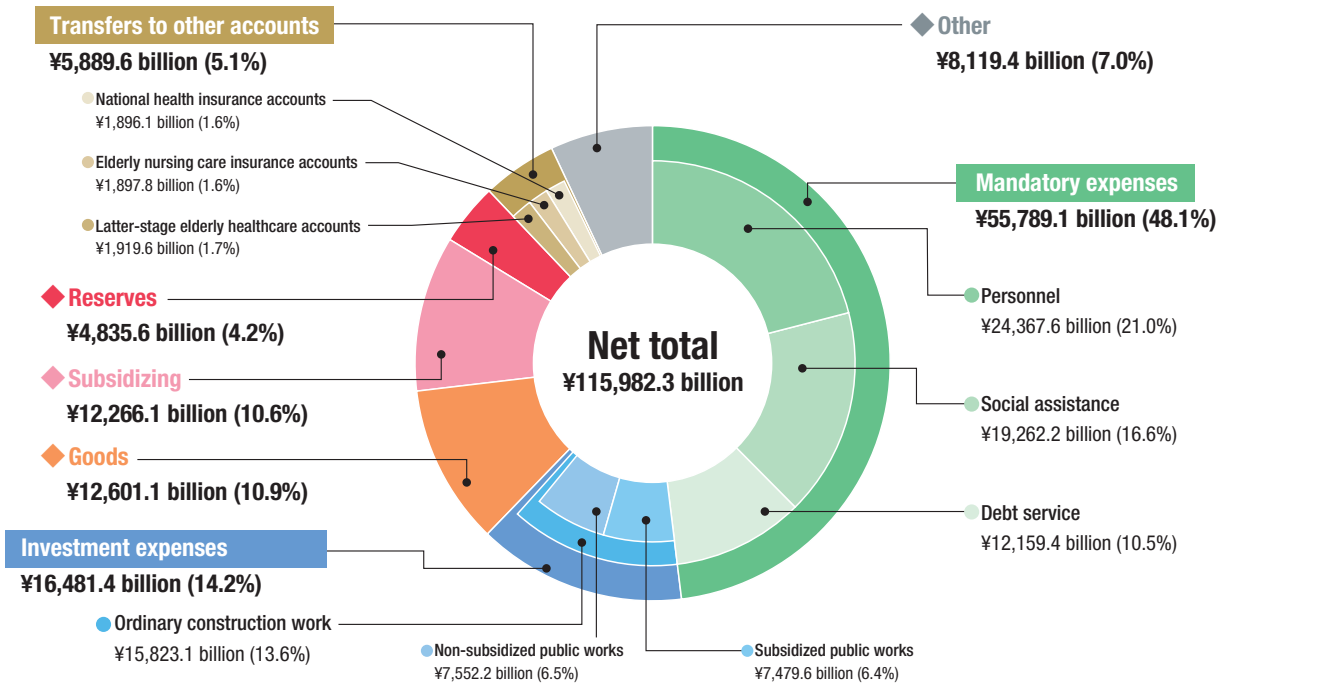
Breakdown of Civil Engineering Work Expenses by Purpose

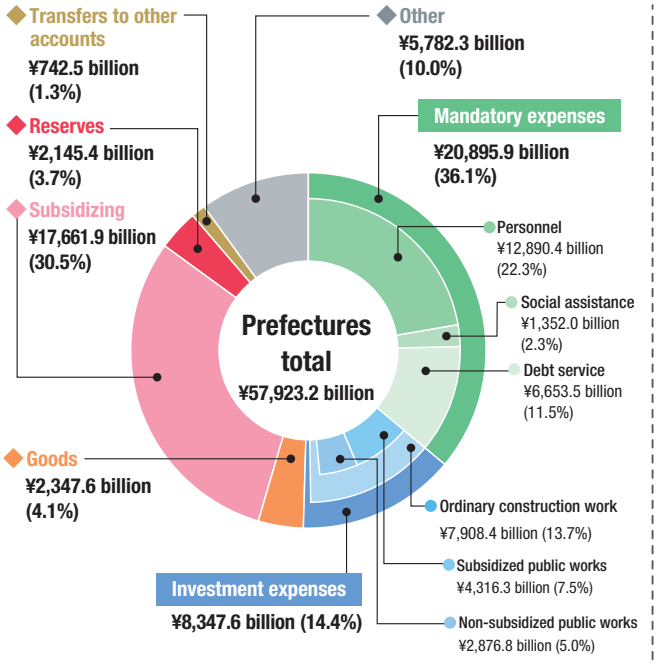


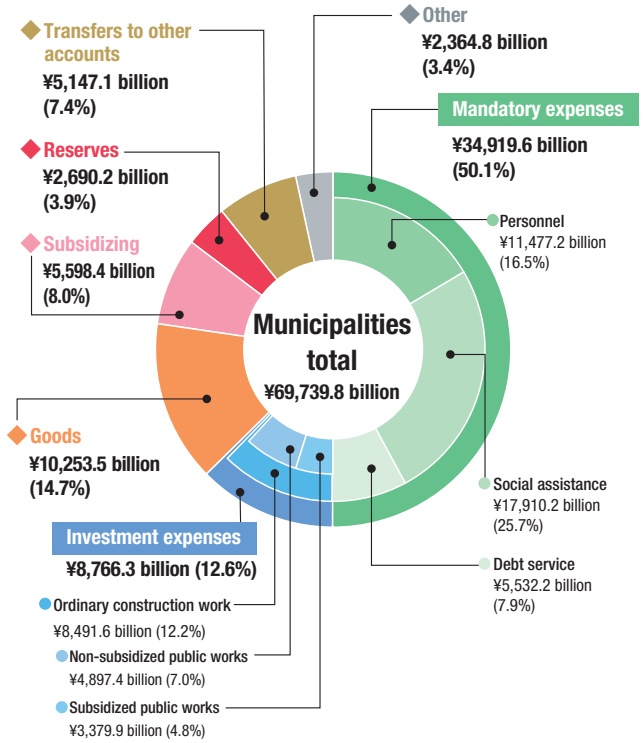
4 Expenses Classified by Type

Expenses are also classified, according to their economic nature, into "Mandatory expenses" (consisting of Personnel expenses, Social assistance expenses, and Debt service), the payment of which is mandatory and the amount of which is difficult to reduce at the discretion of individual local governments, "Investment expenses" including Ordinary construction work expenses, and "Other expenses," (such as Goods expenses, Subsidizing expenses, Reserves, Transfers to other accounts).

Composition of Expenditures Classified by Type (FY2024 settlement)

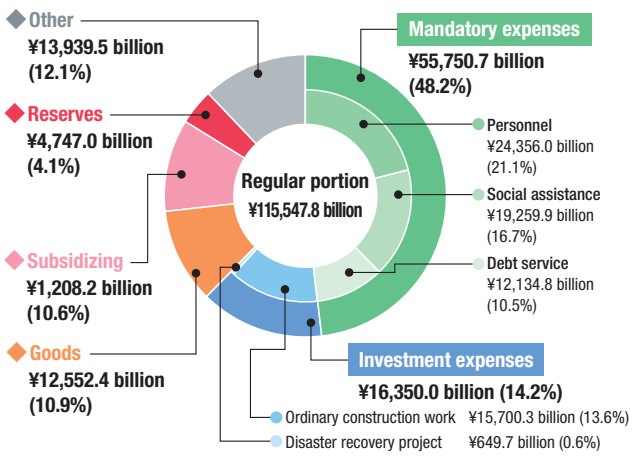


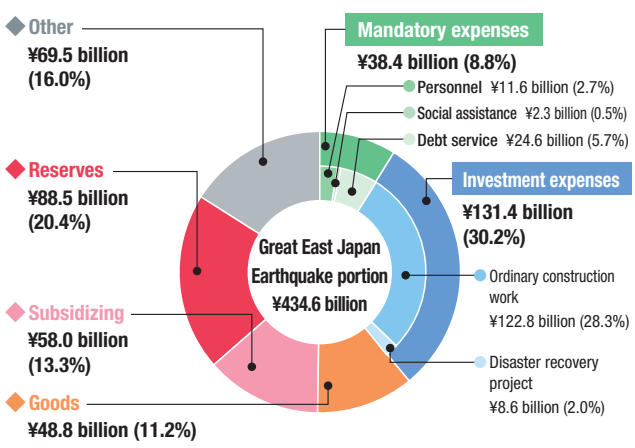




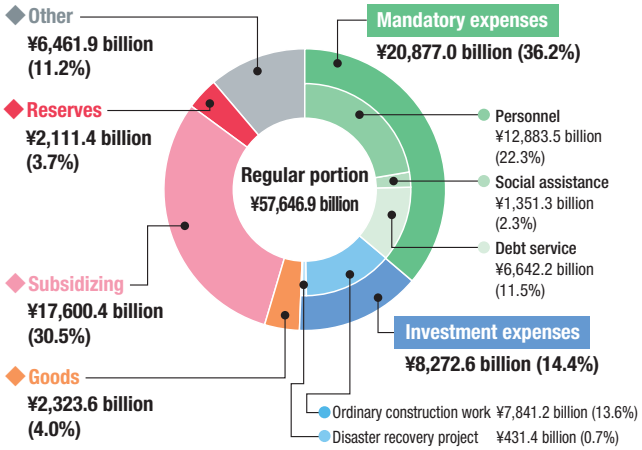
5 Expenditures in Regular Portion and Great East Japan Earthquake Portion (Expenses Classified by Type)

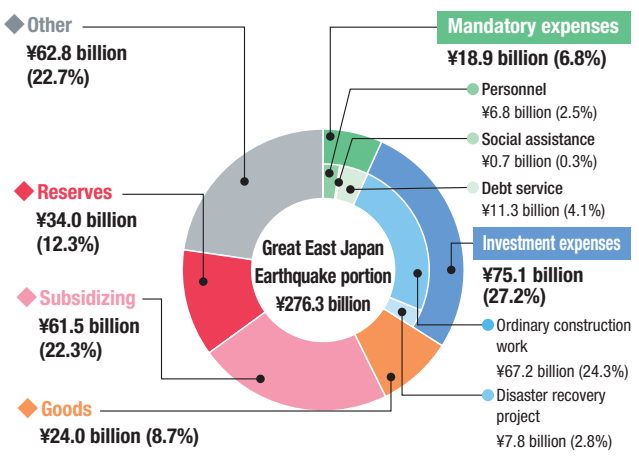
Net total



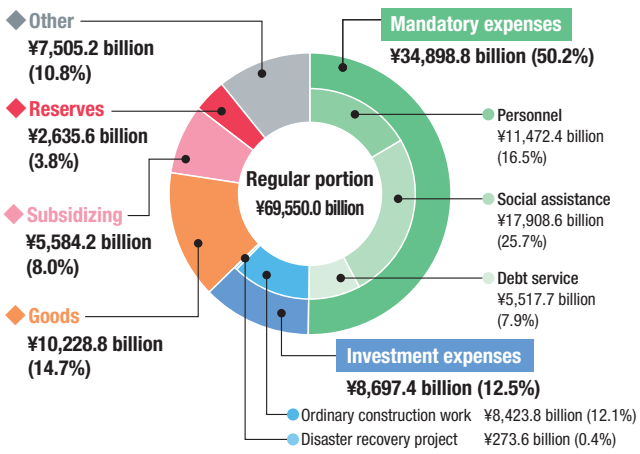


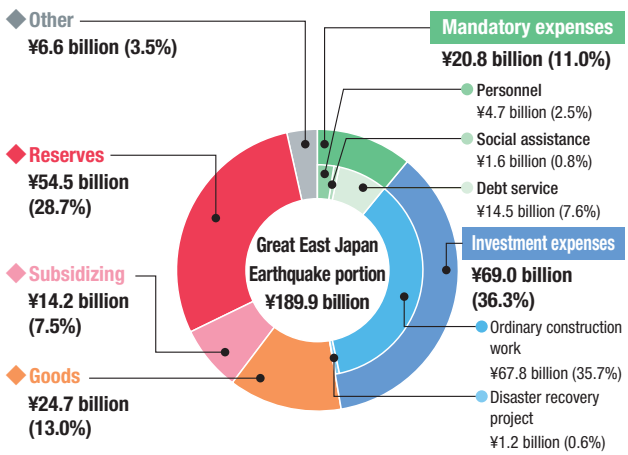
Prefectures





Municipalities

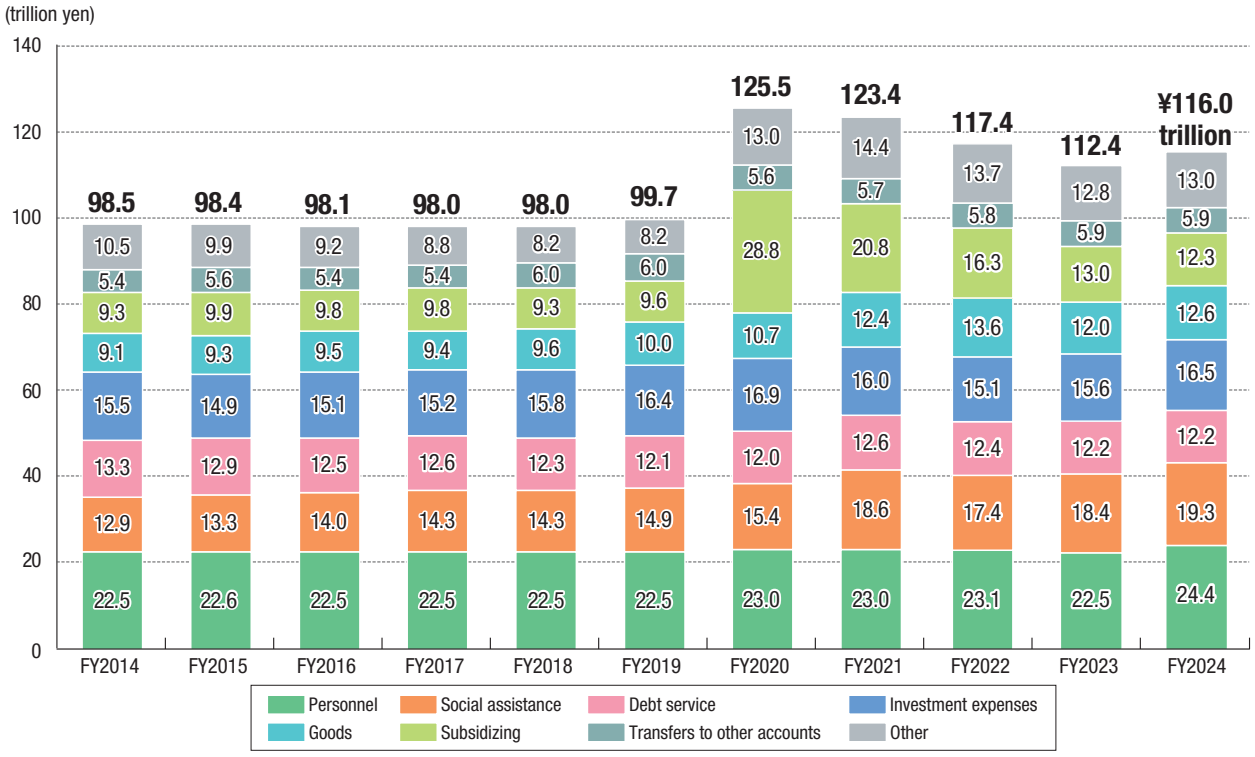




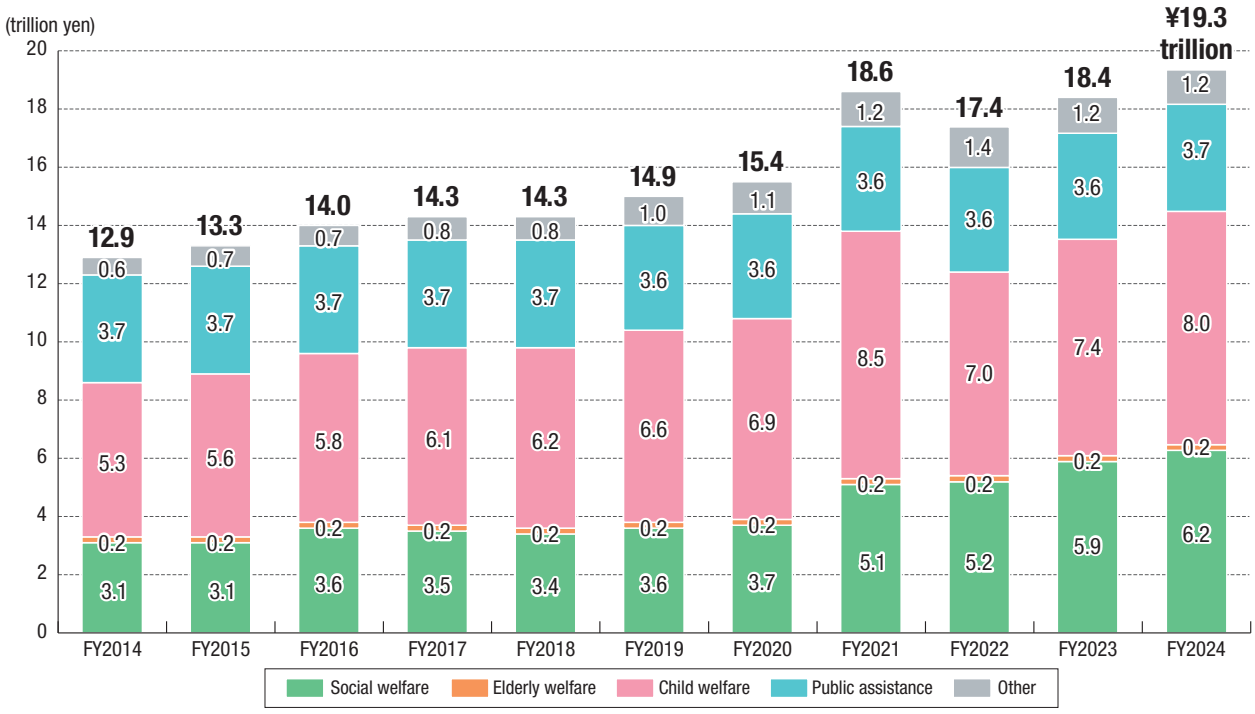
6 Trends in Expenditures Classified by Type

In FY2024, Personnel expenses have increased.
Compared to ten years ago in fiscal year 2014, Social Assistance Expenses have increased.

Trends in Expenditures Classified by Type



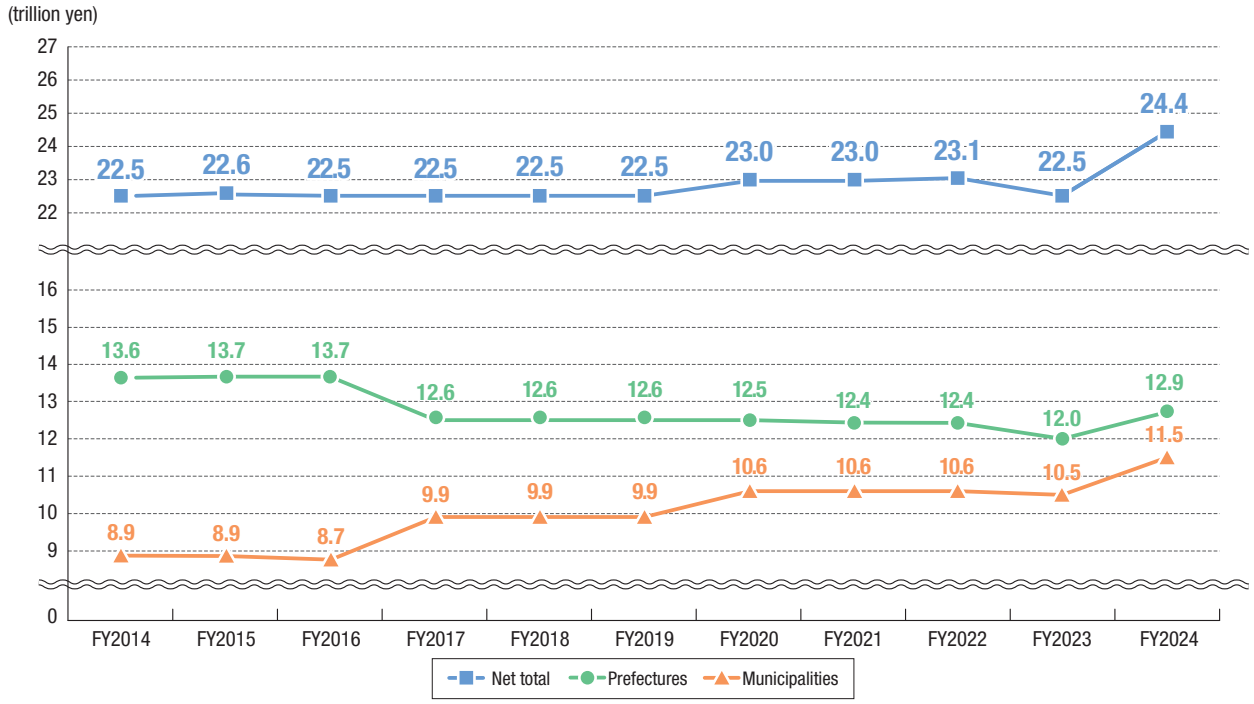
Trends in Breakdown of Social Assistance Expenses by Purpose



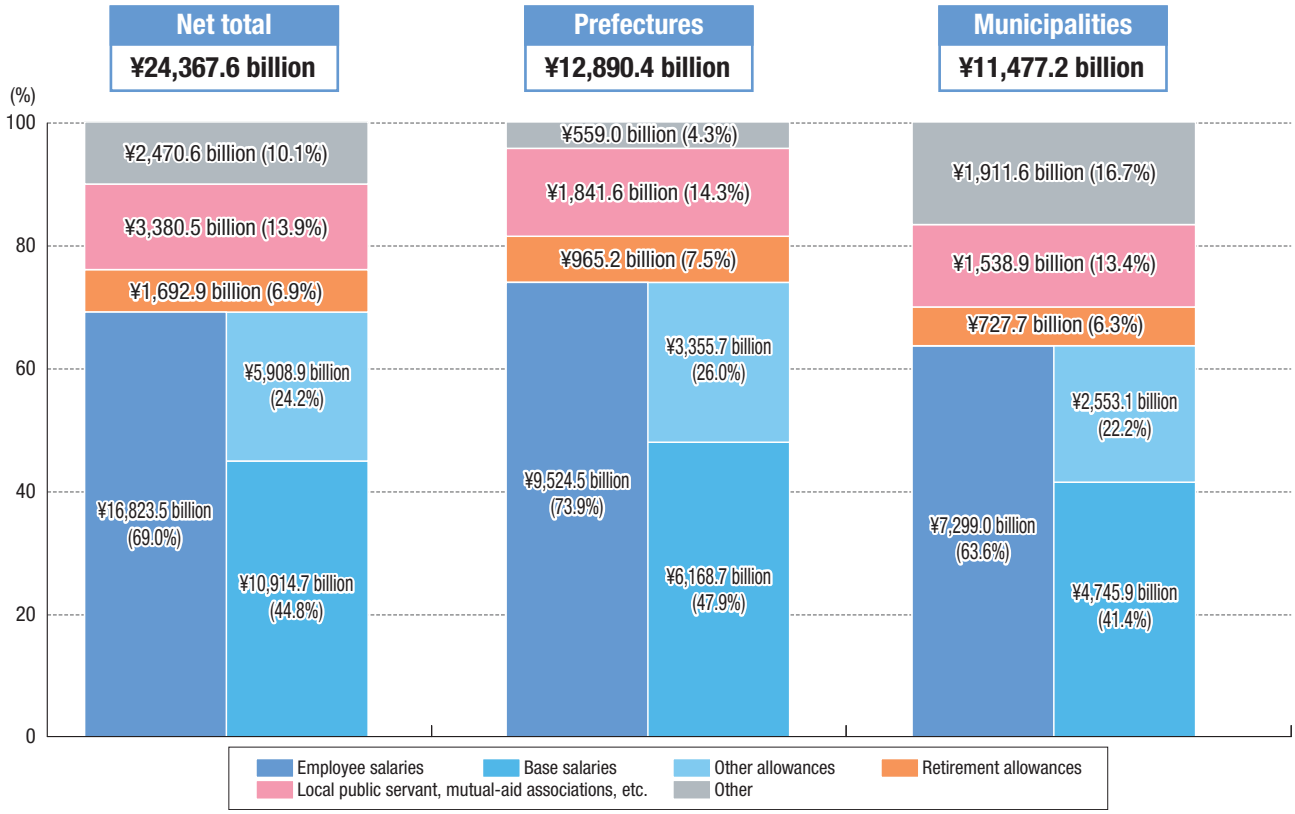
Expenditures

In FY2024, Personnel expenses increased by 8.5% compared to the previous fiscal year due to an increase in retirement allowance resulting from the revision of salaries for local government employees and the extension of the retirement age, etc.

Trends in Personnel Expenses

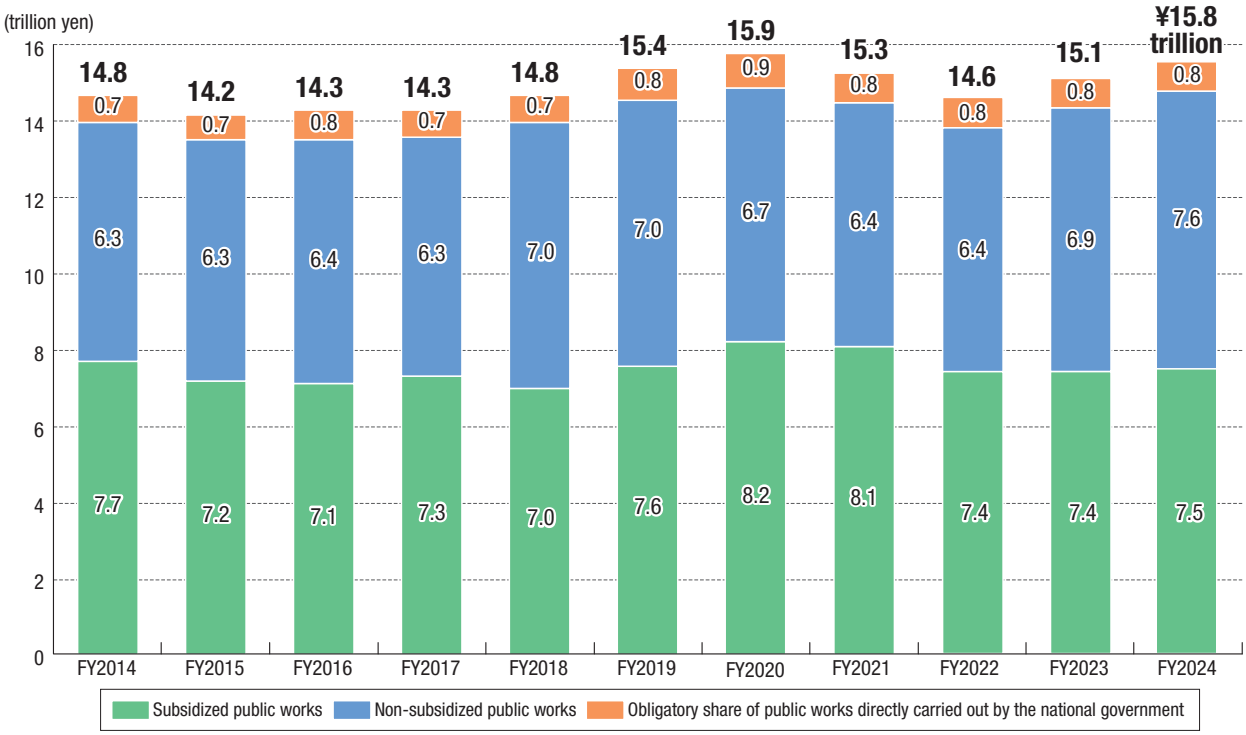


Breakdown of Personnel Expenses by Item

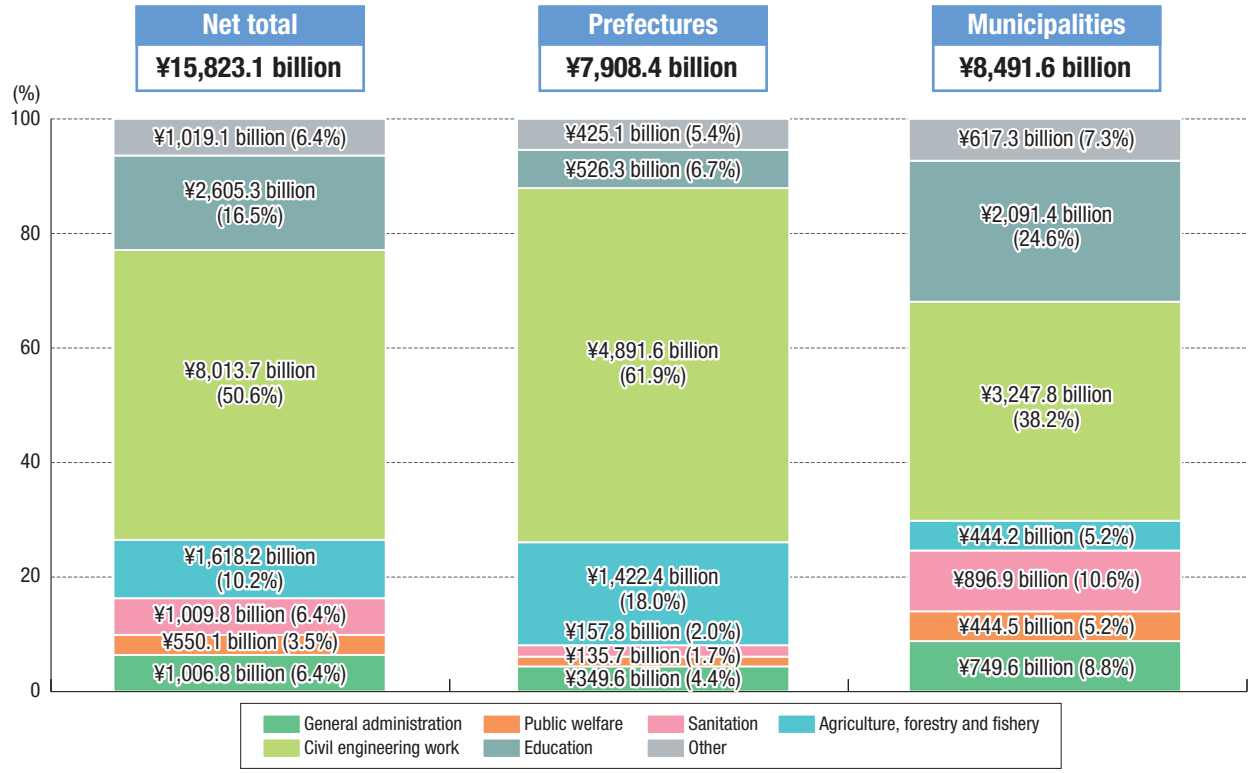


In FY2024, Ordinary construction work expenses increased by 4.9% from the previous fiscal year due to an increase in Unsubsidized public works, etc. In addition, Civil Engineering Work Expenses account for the largest ratio in the breakdown of Ordinary construction work expenses by purpose.

Trends in Breakdown of Ordinary Construction Work Expenses Classified by Type

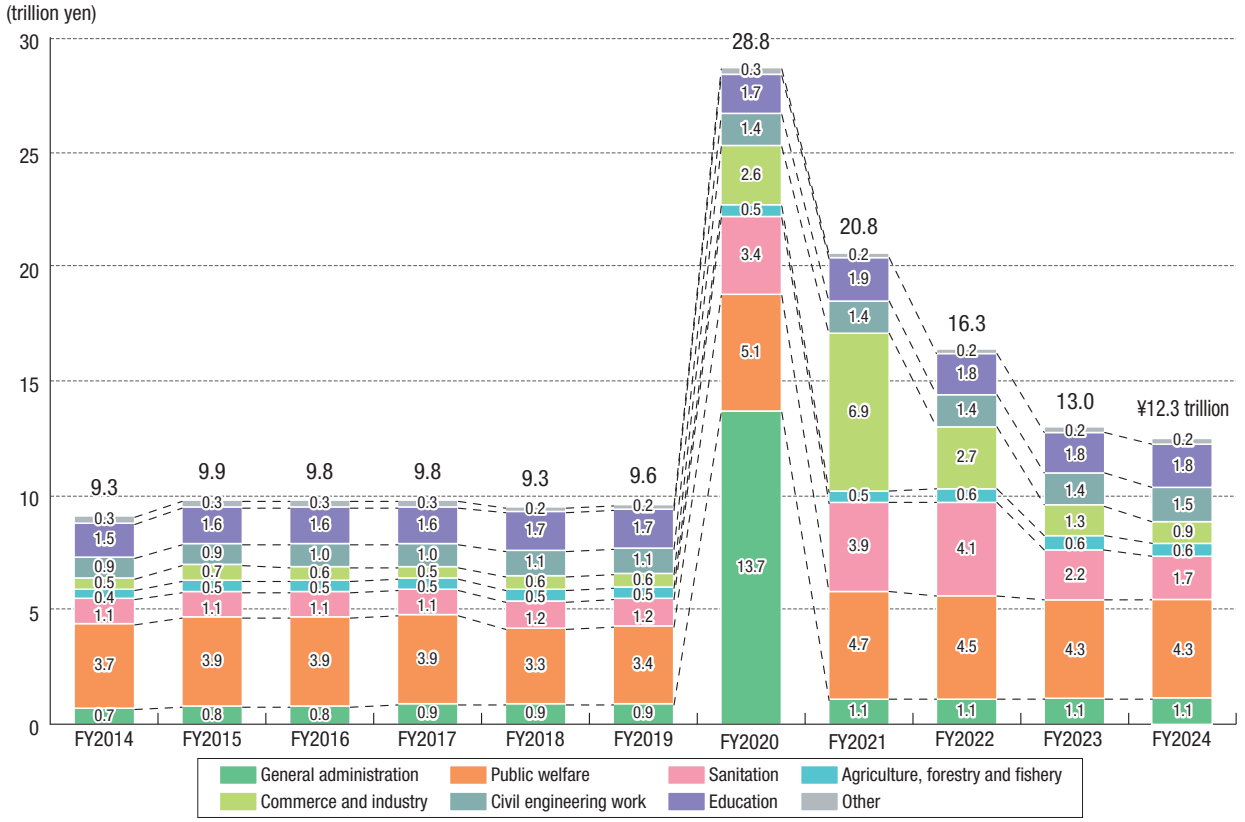


Breakdown of Ordinary Construction Work Expenses by Purpose

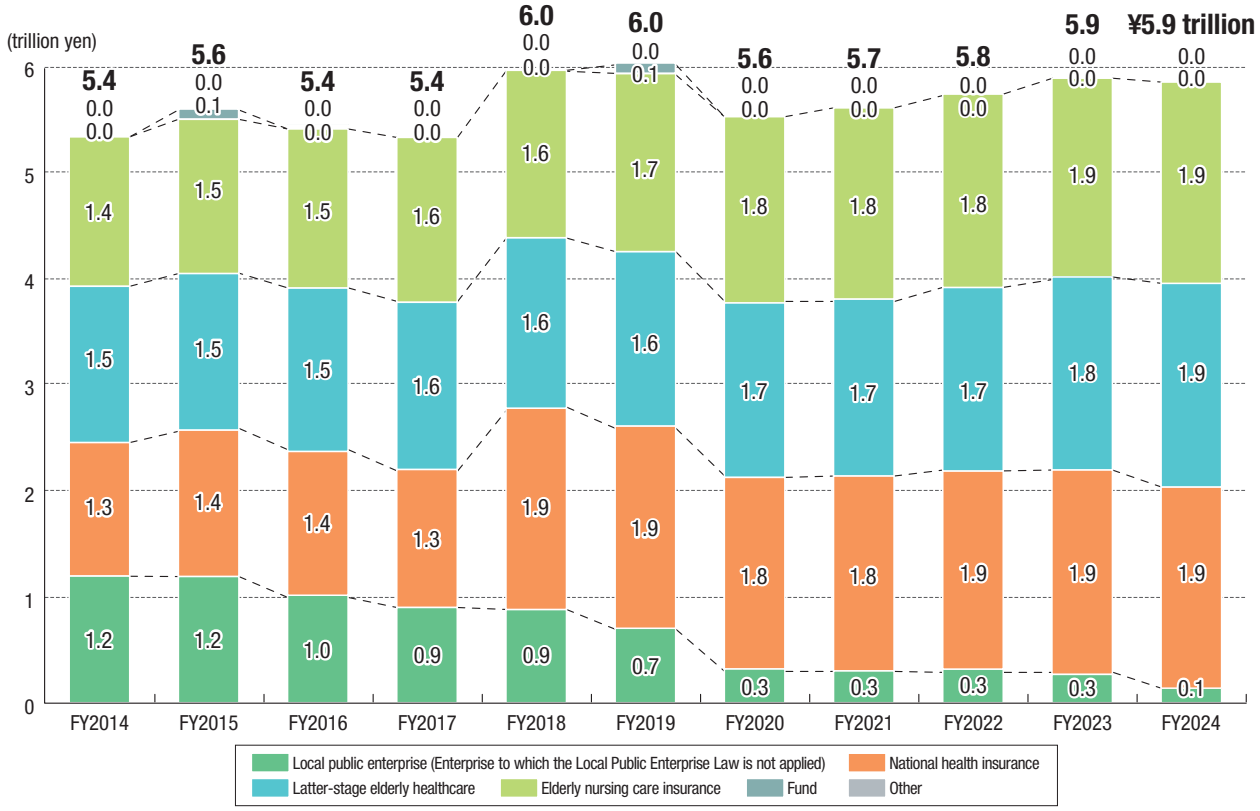


Expenditures

Trends in Breakdown of Subsidizing Expenses by Purpose



Trends in Breakdown of Transfers to Other Accounts



Flexibility of the Financial Structure

How financially capable are local governments to respond to local demands?

It is necessary that local governments have financial resources for not only the Mandatory expenses but also for the expenses for projects to properly address challenges caused by changes in the social economy and administrative needs so that they can adequately meet the needs of their residents. The extent to which the resources for such purposes are secured is called the "flexibility of the financial structure."

1 Ordinary Balance Ratio

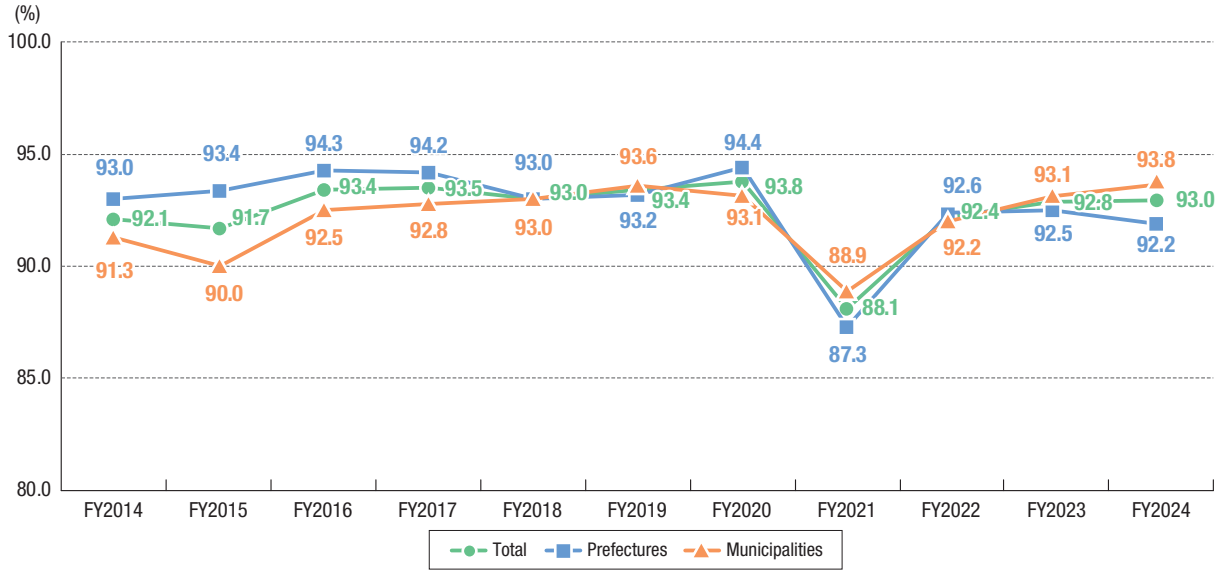
The FY2024 Ordinary balance ratio increased by 0.2 points year-on-year to 93.0%.

$$\text{Ordinary balance ratio} = \frac{\text{General revenue resources allotted to Personnel expenses, Social assistance expenses, Debt service, etc.}}{\text{Ordinary general revenue resources, etc. (Local tax + Regular local allocation tax, etc.) + Special exception portion of loans for covering decreases in Local tax revenues + Bonds for temporary substitution of local allocation tax}} \times 100$$

The Ordinary balance ratio is the proportion of General revenue resources allotted to Ordinary expenses such as Personnel expenses, Social assistance expenses, Debt service and other annually disbursed expenses with regularity to a total amount of Ordinary general revenue resources primarily consisting of Local tax and Regular local allocation tax, Special exception portion of loans for covering decreases in Local tax revenues and Bonds for temporary substitution of Local allocation tax.

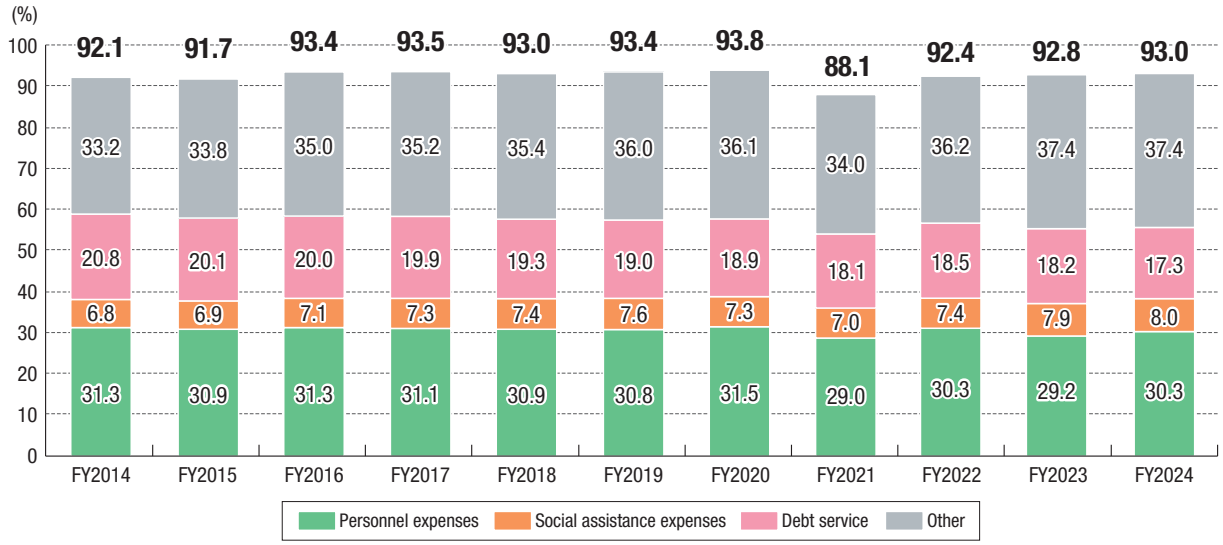
* FY2020 and FY2021 include Extended special exception bonds.

Trends in the Ordinary Balance Ratio



* Special wards and partial administrative associations, etc., are not included in total and municipalities.

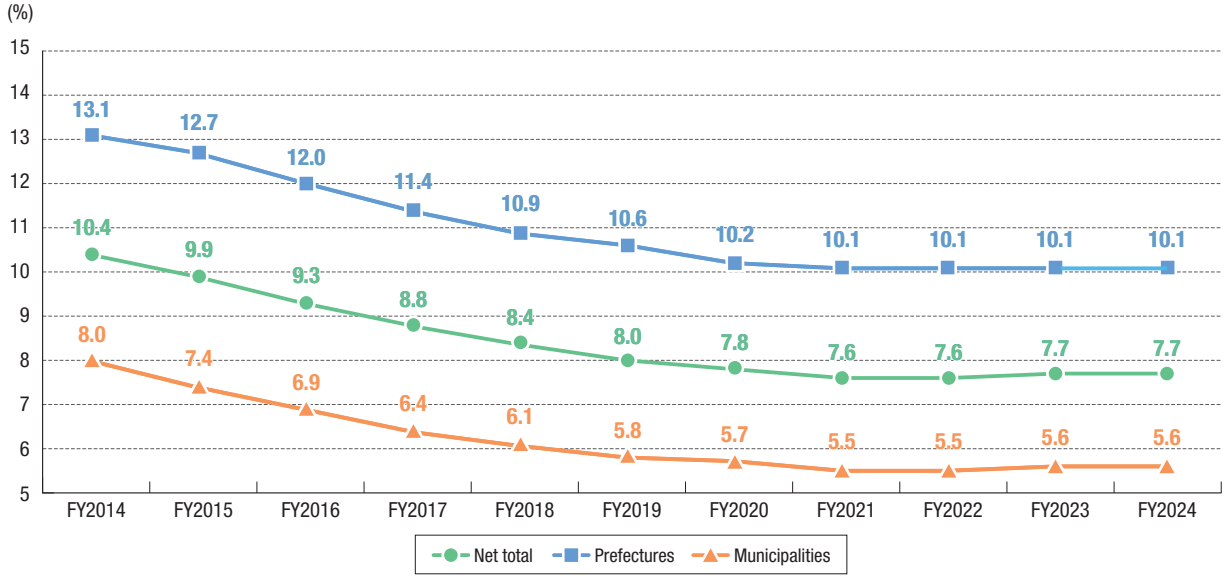
Breakdown of Ordinary Balance Ratio (Total)



2 Real Debt Service Ratio

Close attention should be paid to the trend of the Debt service, which is the expense required to repay the principal and interest of the debts of local governments and has an especially negative impact on financial flexibility.
The Real debt service ratio is an index that measures the extent of the burden related to Debt service.

Trends in the Real Debt Service Ratio



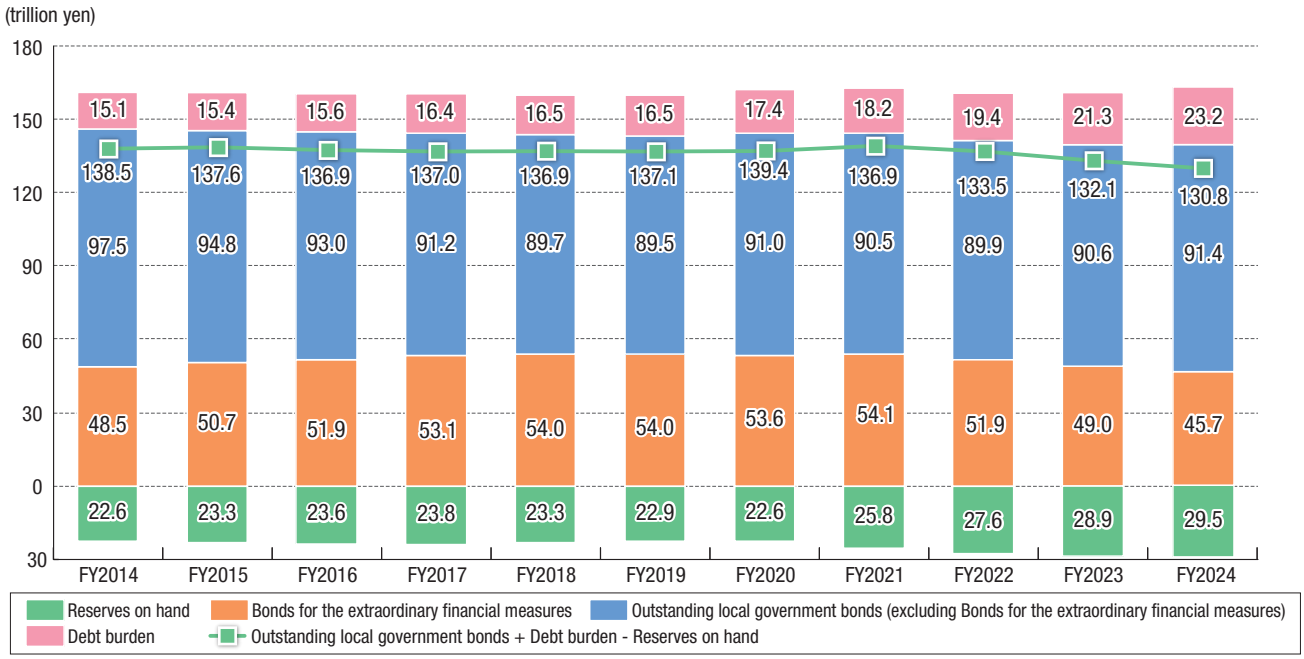
* Real debt service ratio: The real debt service ratio is an index of the size of the redemption amount of debts (local bonds) and similar expenditure, and represents the cash-flow level.

Future Financial Burden

What is the status of debt in local public finance?

1 Trends in Outstanding Local Government Bonds and Debt Burden

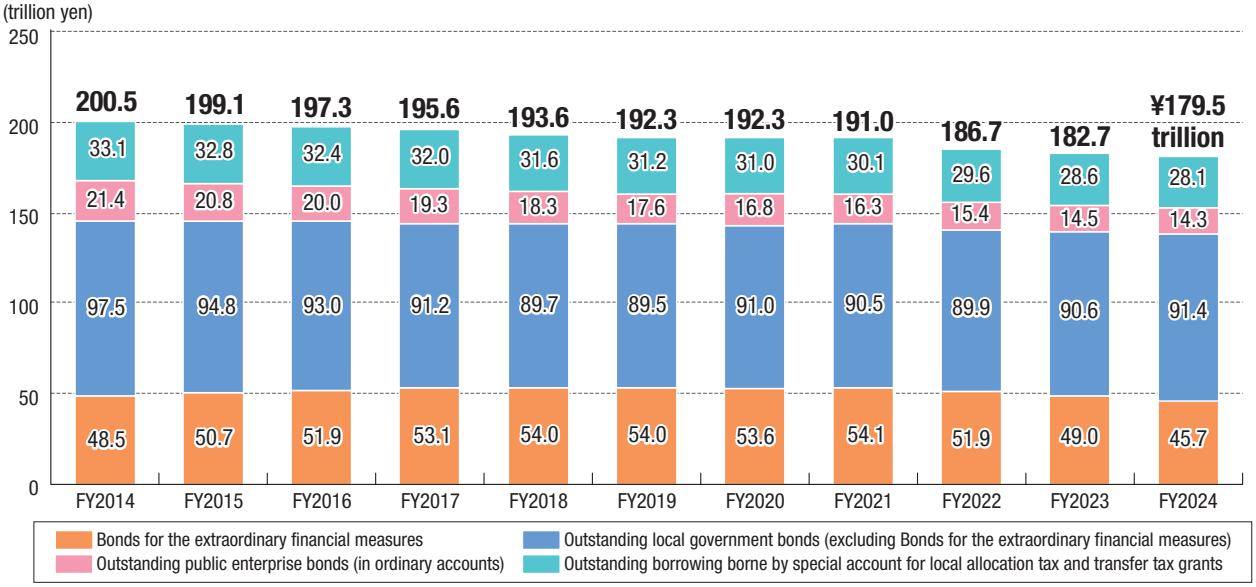
Real future financial burden resulting from outstanding local government bonds and debt burden amounted to ¥130,814.0 billion at the end of FY2024, decreased 1.0% year on year. Out of this, outstanding local government bonds amounted to ¥137,099.1 billion, decreased 1.8% year on year, due to decreased in bonds for the extraordinary financial measures.



Notes : Debt burden is the amount scheduled to be expended in the following fiscal years.

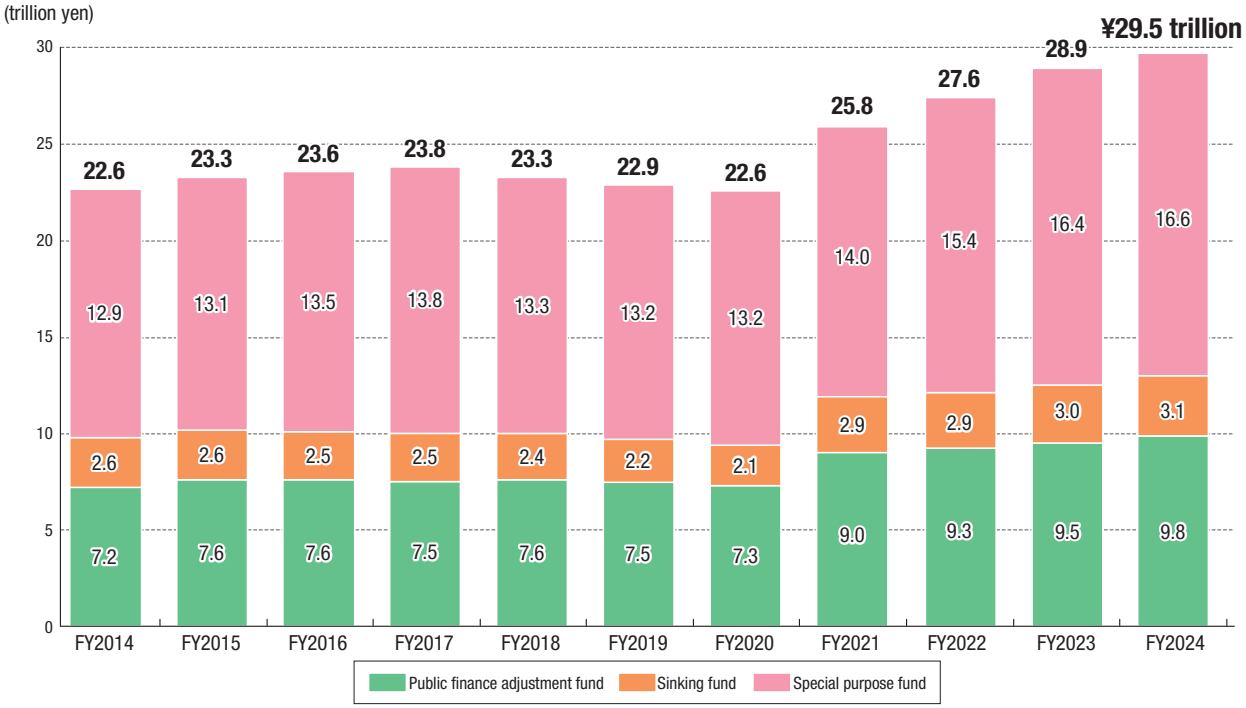
2 Trends in Outstanding Borrowing Borne by the Ordinary Accounts

Outstanding local public finance borrowing, which includes borrowing in the special account for Local allocation tax and Transfer tax for addressing revenue resource shortages, as well as the redemption of Public enterprise bonds borne by the Ordinary accounts, remains at a high level, amounting to ¥179,524.6 billion at the end of FY2024.



3 Trends in Reserves on hand

Reserves on hand at the end of FY2024 stood at ¥29,480.2 billion.



Note : Reserves on hand do not include the amount of reserves for Sinking fund to be appropriated for principal and interest for local government bonds to be redeemed in full on maturity.

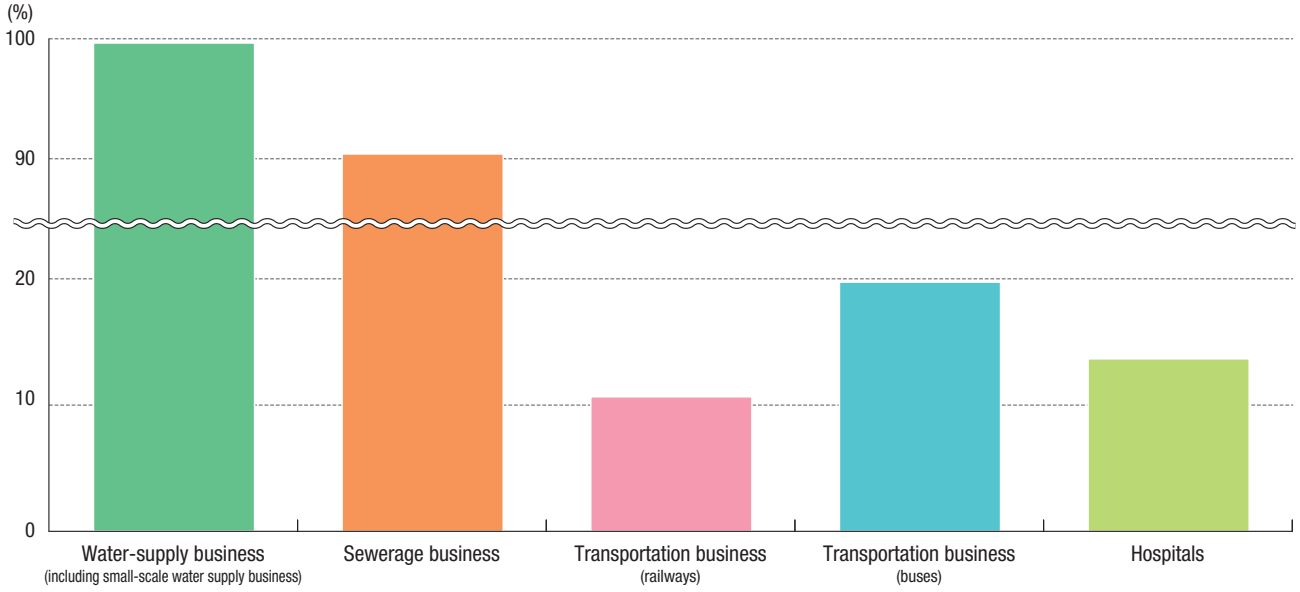
Local Public Enterprises

What is the status of local public enterprises?

1 Roles Played by Local Public Enterprises

Local public enterprises play a major role in improving the standard of living of residents.

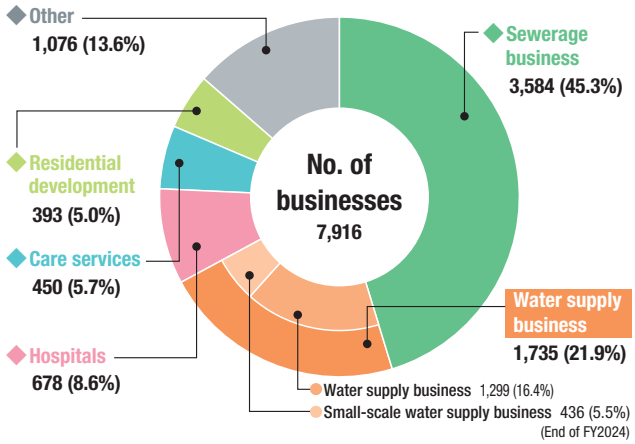
Current water-supply population	Sewerage disposal population	No. of passengers per year	No. of passengers per year	No. of hospital beds
Out of 121.90 million	Out of 116.13 million	Out of 23,377 million	Out of 4,035 million	Out of 1.47 million
121.40 million (99.6%)	100.50 million (90.4%)	2,501 million (10.7%)	797 million (19.7%)	199 thousand (13.6%)



Notes : 1. Law applicable enterprises (including local public enterprise type local incorporated administrative agencies) and business conducted by the law applicable enterprises are included in this graph.
2. The graph shows the ratio of local public enterprises when the total number of business entities nationwide is set at 100.
3. Figures for the total number of enterprises nationwide have been compiled from statistical materials of related organizations.

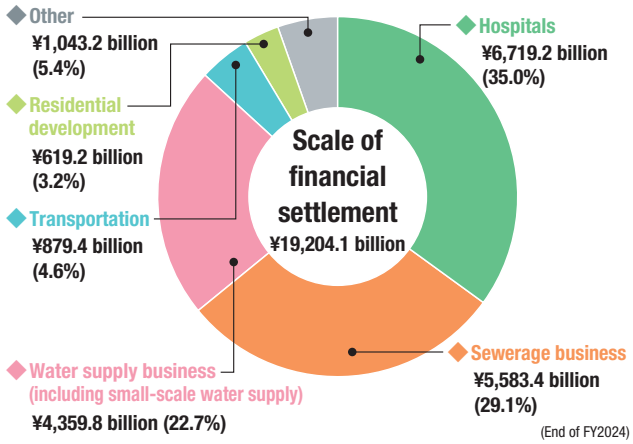
2 Number of Businesses Operated by Local Public Enterprises

7,916 businesses are operated by local public enterprises. By type of business, sewerage accounts for the largest ratio, followed, in order, by water supply, hospitals, care services, and residential development.



3 Scale of Financial Settlement

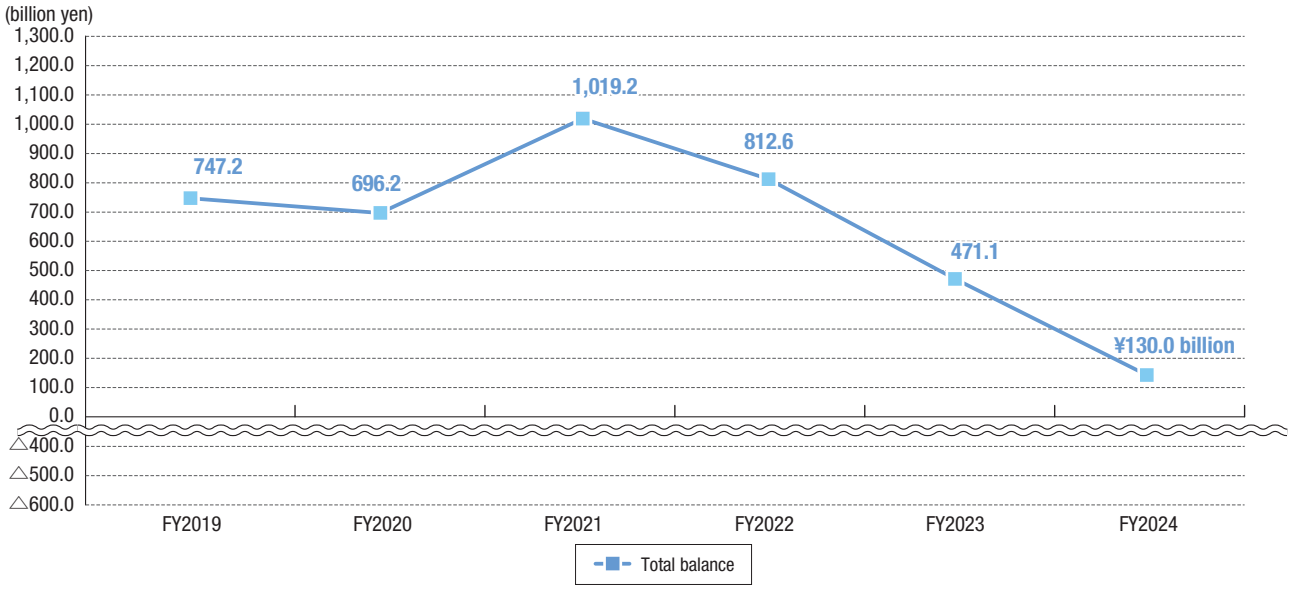
The scale of total financial settlement is ¥19,204.1 billion. By type of business, hospitals account for the largest ratio, followed, in order, by sewerage business, water supply business, transportation, and residential development.

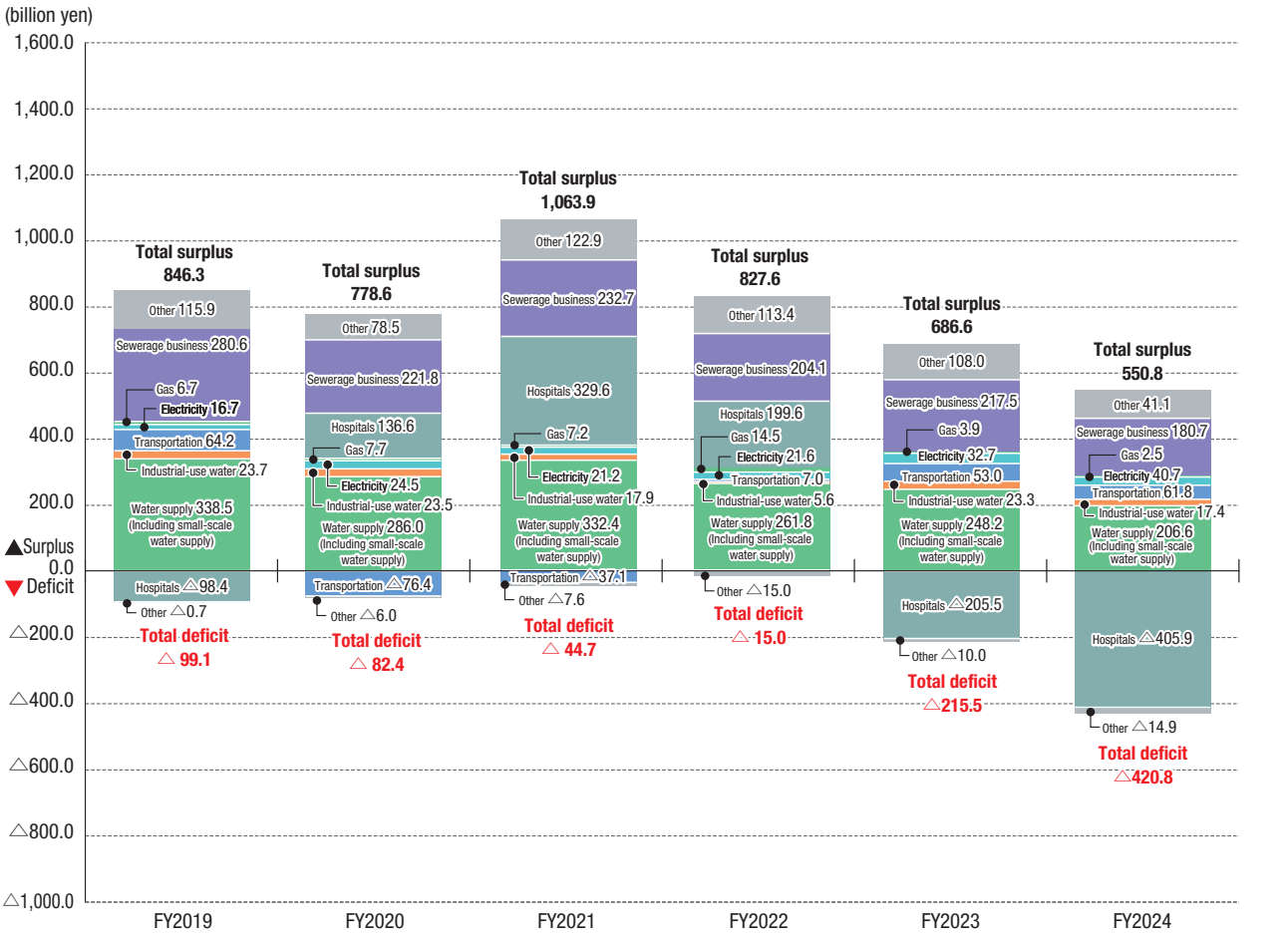


4 Financial Status

Local public enterprises had a surplus of ¥130.0 billion. By major businesses, water supply, industrial-use water, transportation, electricity, gas and sewerage business showed a surplus.

Trends in the Financial Status of Local Public Enterprises





Impact of Great East Japan Earthquake

1 Settlement of Disaster-Struck Organizations

1. Specified Disaster-Struck Prefectures

The total revenues of the nine specified disaster-struck prefectures amounted to ¥10,211.9 billion, decreasing by ¥72.0 billion year on year, or 0.7% (2.2% national increase). Total expenditures of the entities amounted to ¥9,936.1 billion, decreasing by ¥81.1 billion year on year, or 0.8% (2.3% national increase).

*Specified disaster-struck prefectures : Prefectures stipulated in Article 2, Paragraph 2 of the Act on Special Public Finance Support and Assistance to Deal with the Great East Japan Earthquake (Act No. 40 of 2011). These prefectures are Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi, Chiba, Niigata, and Nagano prefectures.

Revenues and expenditures of Specified Disaster-Struck Prefectures

<Current revenues and expenditures of Specified Disaster-Struck Prefectures> (billion yen, %)

Category	FY2024	FY2023	Comparison		(Reference) Nationwide
			Change amount	Change rate	Change rate
Revenues	10,211.9	10,284.0	▲72.0	▲0.7	2.2
Expenditures	9,936.1	10,017.3	▲81.1	▲0.8	2.3

2. Specified Disaster-Struck Municipalities

The total revenues of the 227 municipalities designated as specified disaster-struck municipalities amounted to ¥8,038.0 billion, increasing by ¥240.5 billion year on year, or 3.1% (4.1% national increase). Total expenditures of the entities amounted to ¥7,744.6 billion, increasing by ¥260.8 billion year on year, or 3.5% (4.3% national increase).

*Specified disaster-struck municipalities : Municipalities designated in Appended Table 1 and those designated in Appended Tables 2 and 3 that are other than specified disaster-struck local public bodies of the Japanese government ordinance (No. 127, 2011) concerning Article 2, Paragraphs 2 and 3 of the Act on Special Public Finance Support and Assistance to Deal with the Great East Japan Earthquake. (A total of 227 organizations in 11 prefectures, including, 33 organizations within Iwate Prefecture, 35 organizations within Miyagi prefecture, and 59 organizations within Fukushima prefecture.)

Revenues and expenditures of Specified Disaster-Struck Municipalities

<Current revenues and expenditures of Specified Disaster-Struck Municipalities> (billion yen, %)

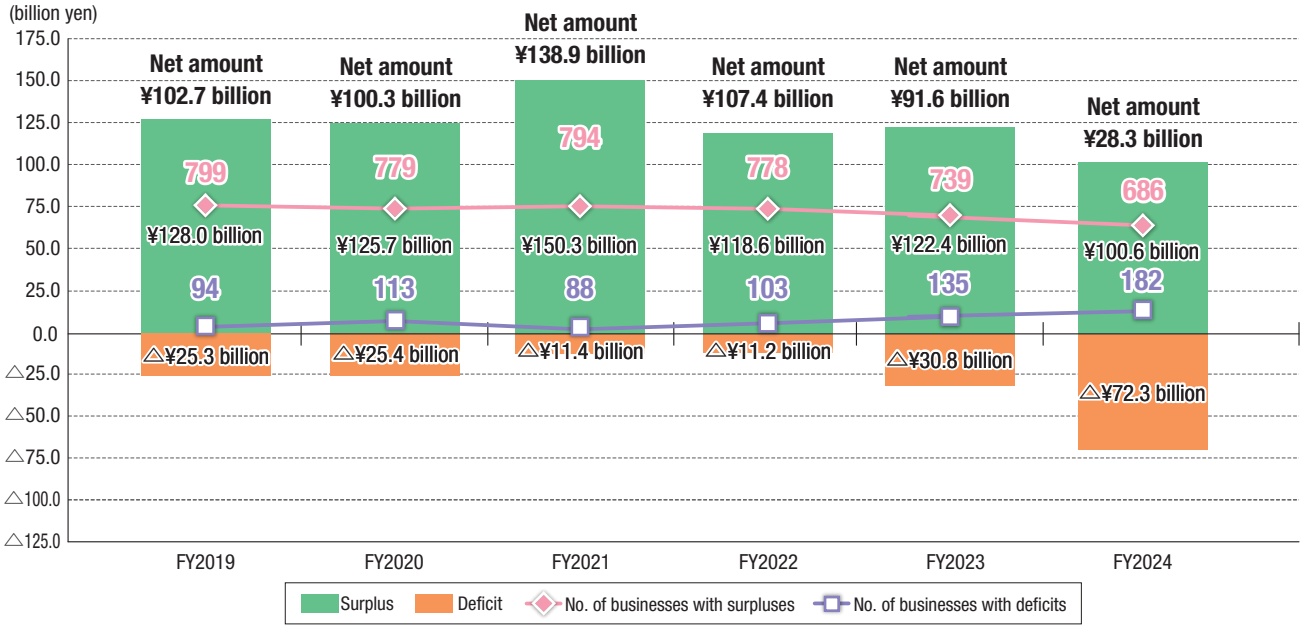
Category	FY2024	FY2023	Comparison		(Reference) Nationwide
			Change amount	Change rate	Change rate
Revenues	8,038.0	7,797.5	240.5	3.1	4.1
Expenditures	7,744.6	7,483.9	260.8	3.5	4.3

2 Financial Status of Businesses of Local Public Enterprises in Disaster-Struck Organizations

Total revenues and expenditures of local enterprises of disaster-struck organizations amounted to a surplus of ¥28.3 billion, a decrease of ¥63.3 billion year on year, or 69.1%. There were 686 businesses with surpluses, or 79.0% of all businesses, while 182 businesses had deficits, or 21.0%.

*Local enterprises of disaster-struck organizations : Nine prefectures stipulated in Article 2, Paragraph 2 of the Act on Special Public Finance Support and Assistance to Deal with the Great East Japan Earthquake, and 178 municipalities stipulated in Appended Table 1 of the Japanese government ordinance concerning Article 2, Paragraphs 2 and 3 of the Act on Special Public Finance Support and Assistance to Deal with the Great East Japan Earthquake (including some labor unions joined by the above bodies).

Financial Status of Businesses of Local Public Enterprises, etc. in Specified Disaster-Struck Organizations



1 Overview of the Act on Assurance of Sound Financial Status of Local Governments

A number of drawbacks were pointed out with the previous system for financial reconstruction of local governments, including the lack of a legal obligation to disclose comprehensible financial information and the absence of rules for early warning. In response, the Act on Assurance of Sound Financial Status of Local Governments was enacted and has been in force since April 2009. The act establishes new indexes and requires local governments to disclose them thoroughly, with the aim of quickly achieving financial soundness or rehabilitating their finances.

Outline of the Act on Assurance of Sound Financial Status of Local Governments

Local governments that do not meet Early financial soundness restoring standard

◆Establishment of indexes and thorough disclosure

- Flow indexes:
  - Real Deficit Ratio
    Ratio of real deficit in the general account against the standard financial scale
  - Consolidation Real Deficit Ratio
    Ratio of real deficit and finance shortfall in all acconts including public enterprise accounts against the standard financial scale
  - Real Debt Service Ratio
    Ratio of debt service and quasi-debt service borne by the general account against the amount based on the standard financial scale
- Stock index:
  - Future Burden Ratio
    Ratio of future liabilities effectively borne by the general account, including those related to local public enterprises, and corporations subject to loss compensation

Financial Shortfall Ratio
Ratio of finance shortfall in each public enterprise against the business scale

Public enterprises that do not meet Criteria for Management Improvement

Early Improvement of Financial Soundness (Local Governments Improving Financial Soundness)

◆Restoring financial soundness through their own efforts

- The local government must formulate a Financial Soundness Improvement Plan (with the assembly's approval and undergo an external audit)
- The progress of implementation of the plan must be reported to the council and published annually
- If the early improvement is deemed to be significantly difficult to achieve, the Minister for Internal Affairs and Communications or the prefectural governor may make necessary recommendations

- The local government must develop a management soundness improvement plan (with the assembly's approval and undergo an external audit)
- The progress of implementation of the plan must be reported to the council and published annually
- If the improvement is deemed to be significantly difficult to achieve, the Minister for Internal Affairs and Communications or the prefectural governor may make necessary recommendations

Improvement of management soundness for public enterprise (Public Enterprises Improving Management Soundness)

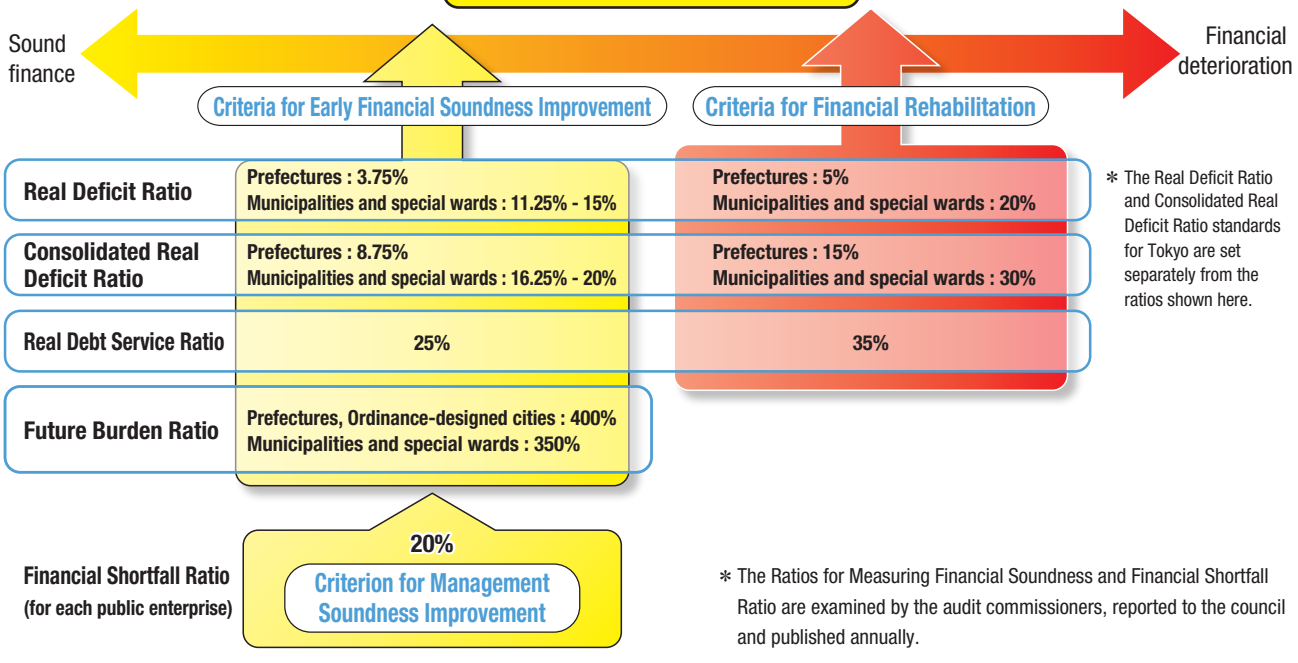
Financal Rehabilitation (Local Governments Rehabilitating Finance)

◆Solid rehabilitation through involvement of the central government, etc.

- The local government must formulate Financial Rehabilitation Plan (with the assembly's approval and undergo an external audit)
- Consent to the Financial Rehabilitation Plan can be sought through consultation with the Minister for Internal Affairs and Communications

  [Without consent]
  Issuance of local bond is restricted, except for expenditure for rehabilitation measures for disasters, etc.

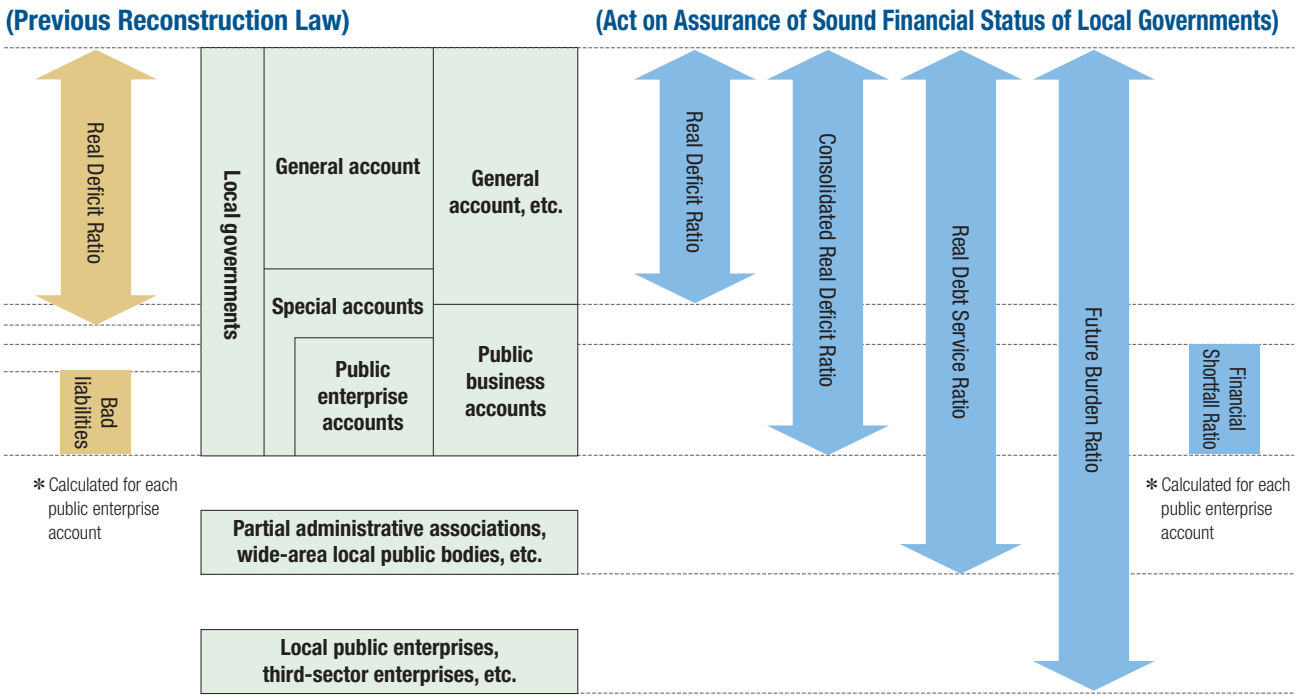
  [With consent]
  Local bonds whose maturities fall within the plan period (Rehabilitation Transfer Special Bond) can be issued to finance the shortfall
- If the financial management is deemed not to conform with the plan, the Minister for Internal Affairs and Communications may make necessary recommendations, such as budget changes



* The Real Deficit Ratio and Consolidated Real Deficit Ratio standards for Tokyo are set separately from the ratios shown here.

* The Ratios for Measuring Financial Soundness and Financial Shortfall Ratio are examined by the audit commissioners, reported to the council and published annually.

Targets of the Ratio for Measuring Financial Soundness



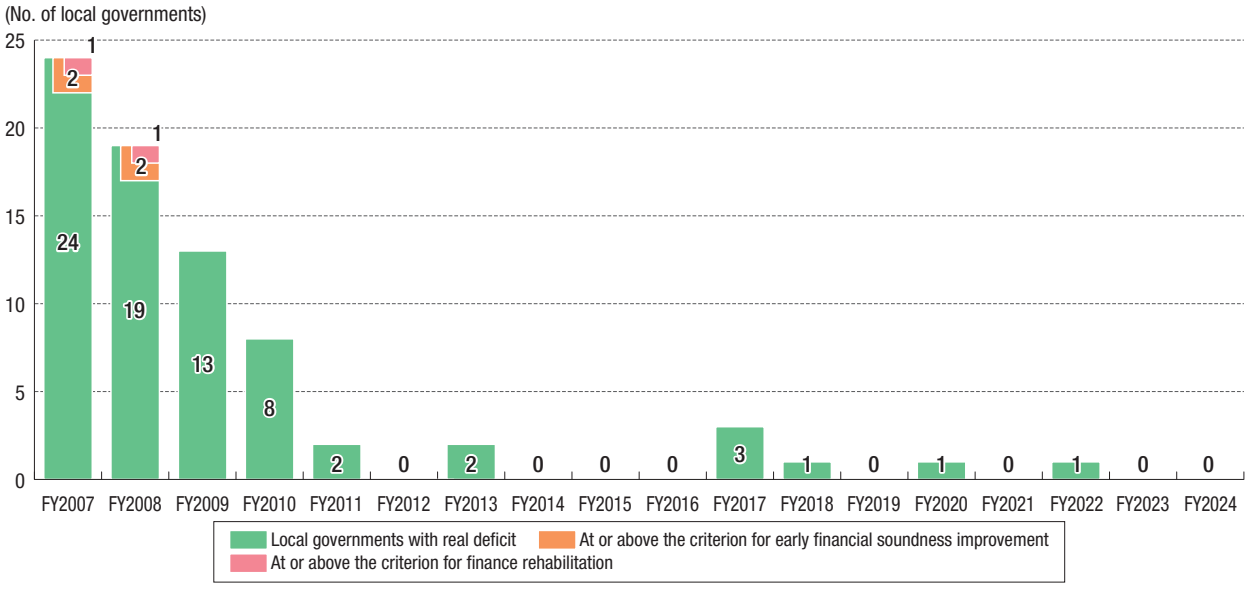
2 Status of the Ratios for Measuring Financial Soundness and Financial Shortfall Ratio

Real Deficit Ratio

The following graph shows the trend in the number of local governments with a real deficit.
Based on FY2024 settlements, none of the local governments had a real deficit (i.e., Real Deficit Ratio is greater than 0%).

$$\text{Real Deficit Ratio} = \frac{\text{Real deficit in General account, etc.}}{\text{Standard financial scale}}$$

The Real deficit ratio is an index of the deficit level of the general account, etc. of local governments offering welfare, education, community-building, and other services, and represents the extent to which financial condition has deteriorated.

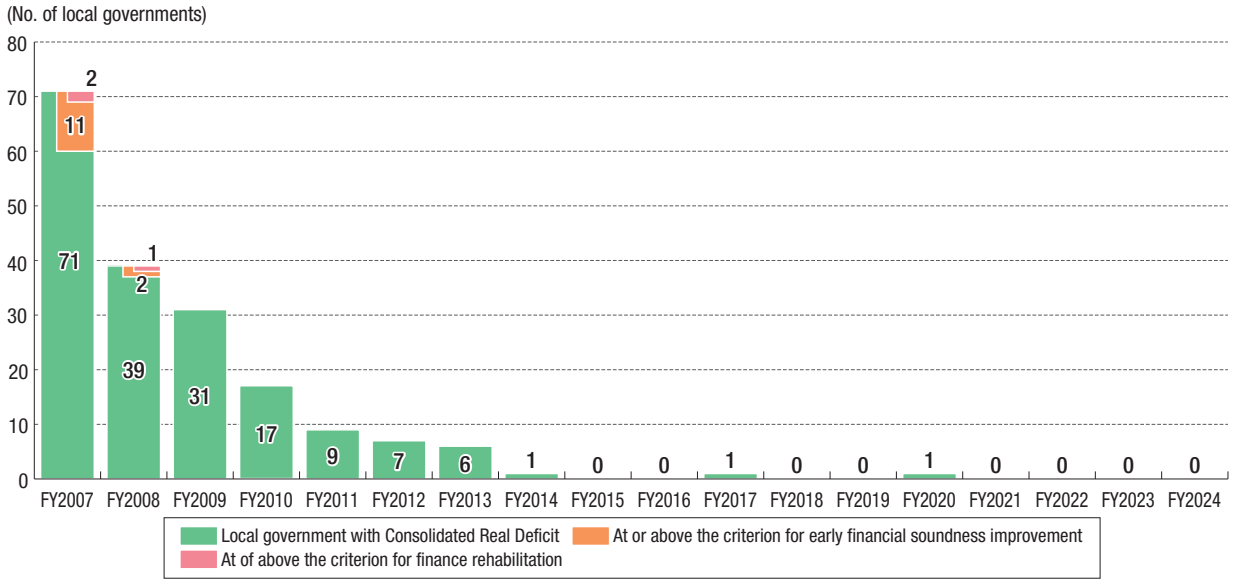


Consolidated Real Deficit Ratio

The following graph shows the trend in the number of local governments with a consolidated real deficit.
Based on FY2024 settlements, no local government had a consolidated real deficit (i.e., Consolidated Real Deficit Ratio that exceeds 0%).

$$\text{Consolidated real deficit ratio} = \frac{\text{Consolidated real deficit}}{\text{Standard financial scale}}$$

The consolidated real deficit ratio is an index of the deficit level for a local governments as a whole by taking the sum of the deficits and surpluses of all accounts, and represents the extent to which financial condition has deteriorated for the local government as a whole.



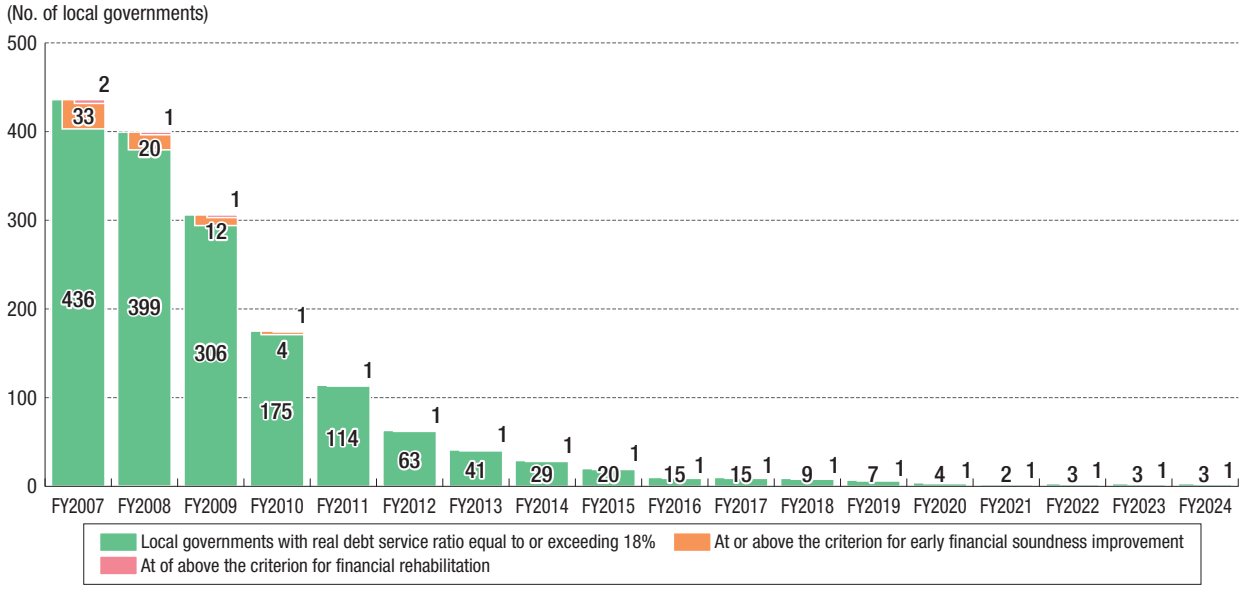
Real Debt Service Ratio

The following graph shows the trend in the number of local governments with a Real debt service ratio equal to or exceeding 18%. Based on FY2024 settlements, there was one city with real debt service ratio equal to or exceeding the criterion for early financial soundness improvement. This local government equals to or exceeds the criterion for finance rehabilitation.

$$\text{Real Debt Service Ratio (3-year average)} = \frac{\text{(debt service + quasi-debt service) – (specific revenue + standard financial requirements for debt service and quasi-debt service)}}{\text{Standard financial scale – (standard financial requirements for debt service and quasi-debt service)}}$$

Real Debt Service Ratio is an index of the size of the redemption amount of debts (local bonds) and similar expenditure, and represents the cash-flow level.

* Local governments with a Real Debt Service Ratio equal to or exceeding 18% are required to obtain the permission of the Minister of Internal Affairs and Communications, etc., to issue local government bonds.

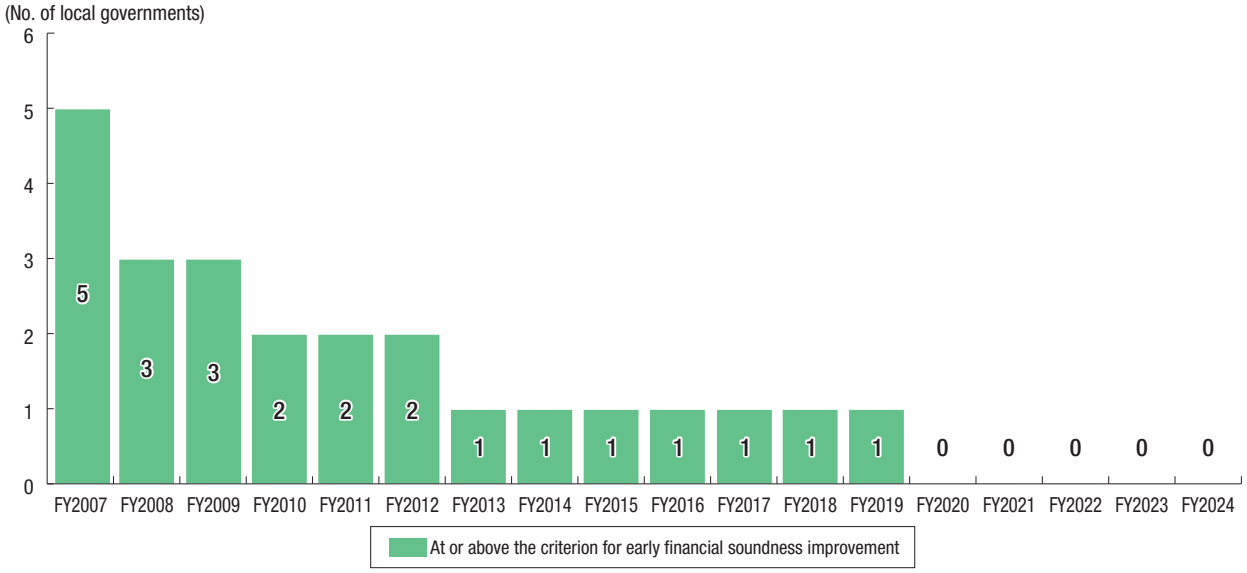


Future Burden Ratio

The following graph shows the trend in the number of local governments with a Future burden ratio equal to or exceeding the criterion for early financial soundness improvement.
Based on FY2024 settlements, no local government with a Future burden ratio equal to or exceeding the criterion for early financial soundness improvement.

$$\text{Future Burden Ratio} = \frac{\text{Future burden amount} - (\text{available funds} + \text{estimated specific revenue} + \text{future standard financial requirements pertaining to outstanding local government bonds, etc.})}{\text{Standard financial scale} - (\text{standard financial requirements for debt service and quasi-debt service})}$$

Future Burden Ratio is an index of the current outstanding balance of burden, including that of debts (local bonds) of the general account, etc. as well as other likely future payments, and represents the extent to which finances may be squeezed in the future. No Criterion for financial rehabilitation is established for the Future Burden Ratio.

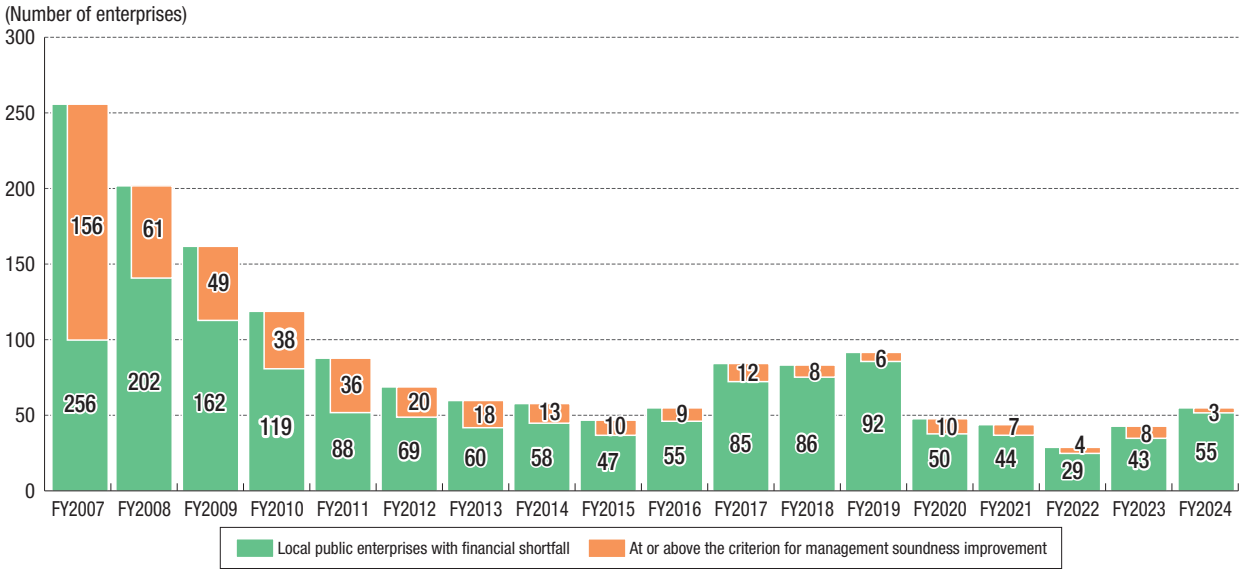


Financial Shortfall Ratio

The following graph shows the trend in the number of local public enterprises with a financial shortfall.
Based on FY2024 settlements, there were 55 local public enterprises with a financial shortfall (i.e., with a Financial shortfall ratio that exceeds 0%). Of these, 3 enterprises had a Financial shortfall ratio that equals or exceeds the criterion for management soundness improvement.

$$\text{Financial Shortfall Ratio} = \frac{\text{Financial shortfall}}{\text{Size of business}}$$

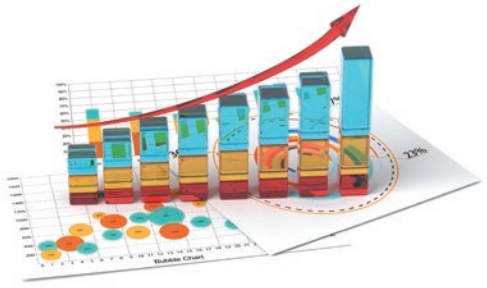
The Financial Shortfall Ratio is an index of the financial shortfall of public enterprises compared to the size of their income, which shows the size of business of local public enterprises, and represents the extent to which financial health has worsened.



FY2024 Settlement

White Paper on Local Public Finance, 2026

– Illustrated –



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