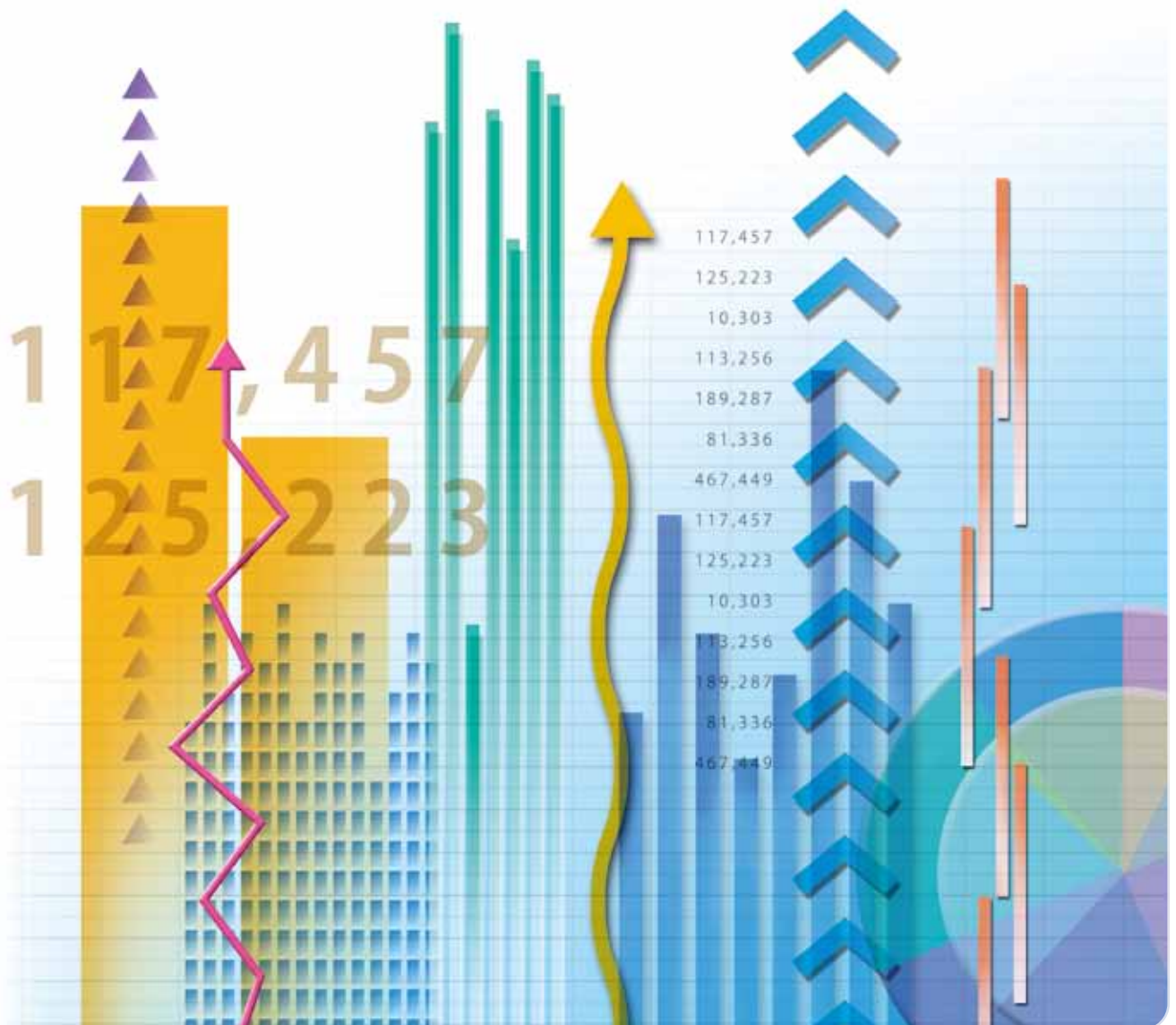


FY2010 Settlement

# White Paper on Local Public Finance, 2012

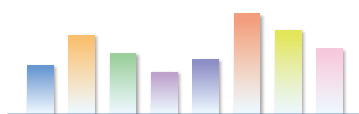
- Illustrated -



Ministry of Internal Affairs  
and Communications

FY2010 Settlement

**White Paper on**  
**Local Public Finance, 2012**  
- Illustrated -



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# 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 brochure describes the status of local public finance (which comprises collectively the finances of individual local governments), the state of settlements for FY2010, and the status of the ratios for determining soundness of local governments, with particular attention given to ordinary accounts.

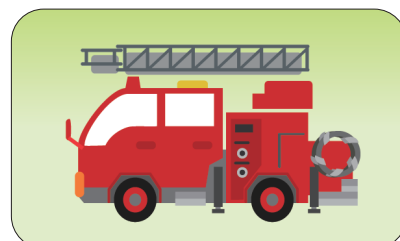
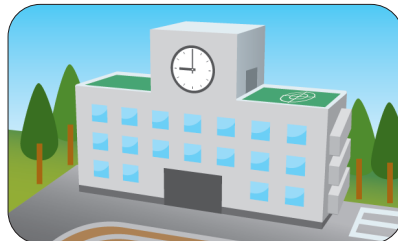
## Classification of the Accounts of Local Governments Applied in the Settlement Account Statistics

Although the accounts of local governments are divided into general accounts and special accounts, the classification of accounts is not uniform between local governments. Accordingly, a uniform method for settlement account statistics has been adopted in this brochure. Accounts are classified as 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



#### Other accounts (Public business accounts)

#### Public enterprise accounts

Water supply, transportation, electrical power, gas, hospitals, sewer systems, residential land development, etc.

National health insurance accounts

Latter-stage elderly medical care accounts

Nursing care insurance accounts

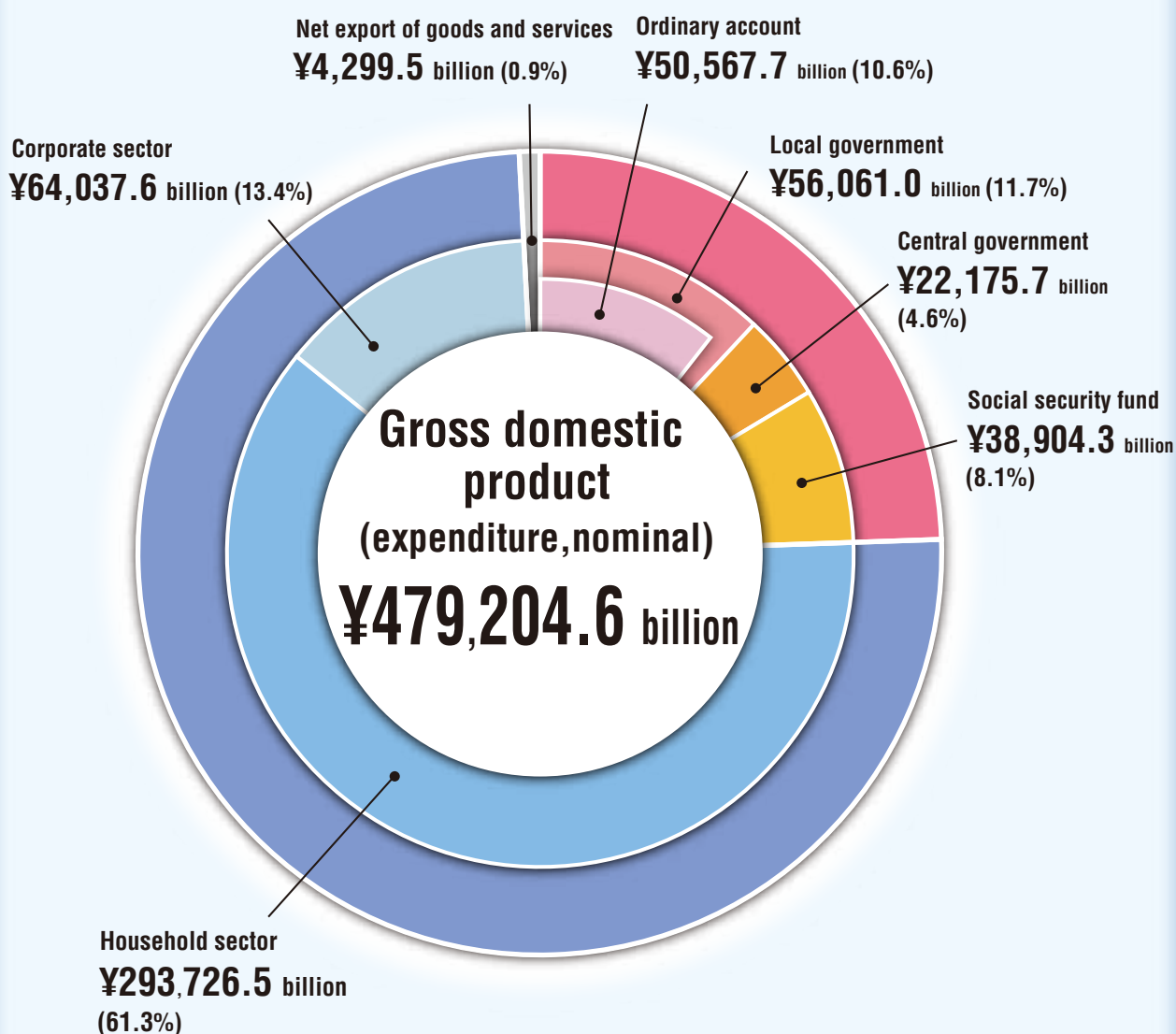
Etc.

## How large is local public finance compared with central government finance?

The ratio of gross domestic product (expenditure) consisting of local public finance is 11.7%, about 2.5 times that of the central government.

### Gross Domestic Product (Expenditure) and Local Public Finance

**Government sector**  
**¥117,141.0 billion (24.4%)**



**Private sector**  
**¥357,764.1 billion (74.7%)**

## In which areas is the share of local expenditures high?

The share of local governments' expenditures is higher than that of central government's expenditures in areas that are deeply related to daily life, such as public health and sanitation, school education, police and fire services, and social education.

### Share of Expenditures by Function of Central and Local Governments (final expenditure basis)

#### Share of expenditures by function

	Local	Central
	<b>58.7%</b>	<b>41.3%</b>
Sanitation expenses <b>3.7%</b>	Public health centers, garbage and human waste disposal, etc. <b>98%</b>	<b>2%</b>
School education expenses <b>9.1%</b>	Elementary and junior high schools, kindergartens, etc. <b>89%</b>	<b>11%</b>
Judicial, police, and fire service expenses <b>4.0%</b>	<b>78%</b>	<b>22%</b>
Social education expenses, etc. <b>2.8%</b>	Community centers, libraries, museums, etc. <b>76%</b>	<b>24%</b>
Public welfare expenses (excluding pension expenses) <b>19.0%</b>	Child welfare, elderly care and welfare, public assistance, etc. <b>72%</b>	<b>28%</b>
Land development expenses <b>9.6%</b>	Urban planning, roads and bridges, public housing, etc. <b>69%</b>	<b>31%</b>
Land conservation expenses <b>1.5%</b>	Rivers and coasts <b>66%</b>	<b>34%</b>
Commercial and industrial expenses <b>6.3%</b>	<b>63%</b>	<b>37%</b>
Disaster recovery expenses, etc. <b>0.2%</b>	<b>49%</b>	<b>51%</b>
Debt service <b>20.3%</b>	<b>40%</b>	<b>60%</b>
Housing expenses, etc. <b>1.9%</b>	<b>39%</b>	<b>61%</b>
Agriculture, forestry and fishery industry expenses <b>2.1%</b>	<b>36%</b>	<b>64%</b>
Onkyu pension expenses <b>0.5%</b>	<b>4%</b>	<b>96%</b>
Pension expenses (of public welfare expenses) <b>6.3%</b>		<b>100%</b>
Defense expenses <b>2.9%</b>		<b>100%</b>
General administration expenses, etc. <b>8.6%</b>	Family register, basic resident register, etc. <b>78%</b>	<b>22%</b>
Others <b>1.2%</b>		<b>100%</b>

# FY2010 Settlement Overview

Revenues and expenditures decreased from the previous fiscal year.

## 1 Revenues

**¥97,511.5 billion** (down ¥854.2 billion, 0.9% year on year)

While revenues from local allocation tax and municipal bonds, etc. increased, revenues from local taxes and national treasury disbursements, etc. decreased, resulting in total revenues decreasing by ¥854.2 billion from the previous fiscal year.

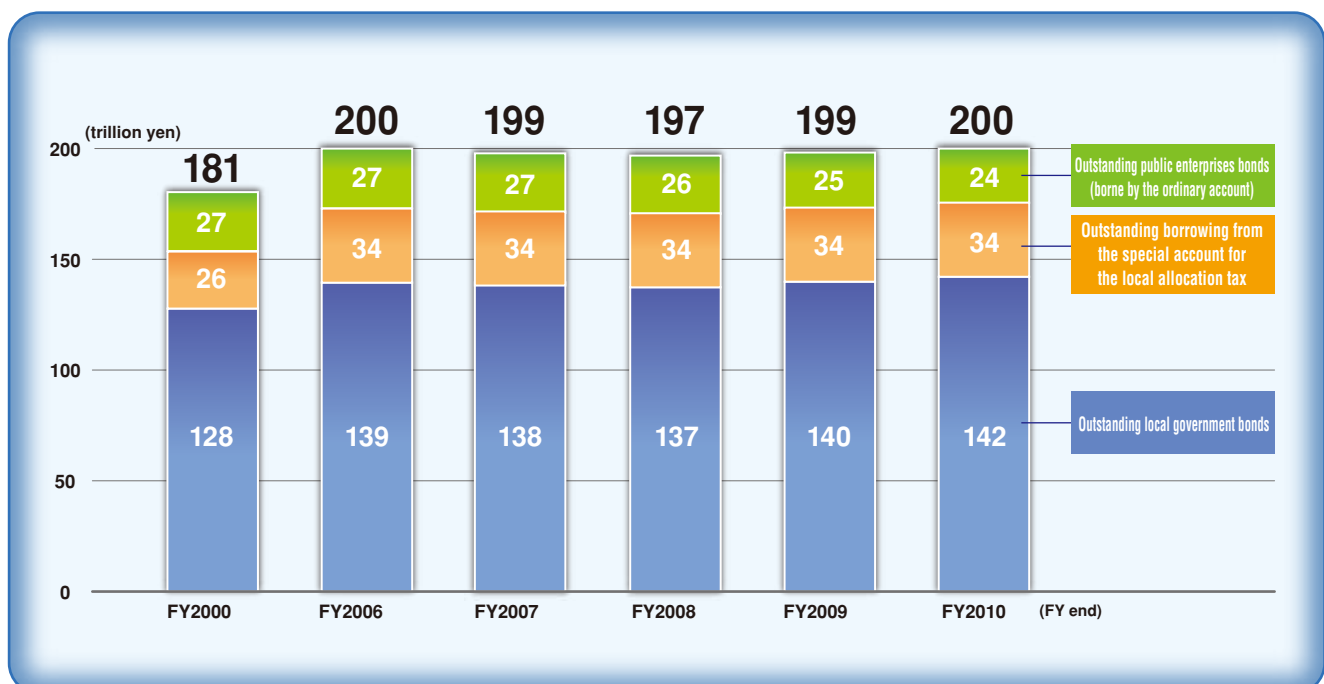
## 2 Expenditures

**¥94,775.0 billion** (down ¥1,331.4 billion, 1.4% year on year)

While public assistance expenses and debt service, etc. increased, personnel expenses, ordinary construction expenses, and other expenses (mainly subsidies, etc. and reserves) decreased, resulting in total expenditures decreasing by ¥1,331.4 billion from the previous fiscal year.

## 3 Trends in Outstanding Borrowing Borne by Ordinary Accounts

Amounts remained at a high level.

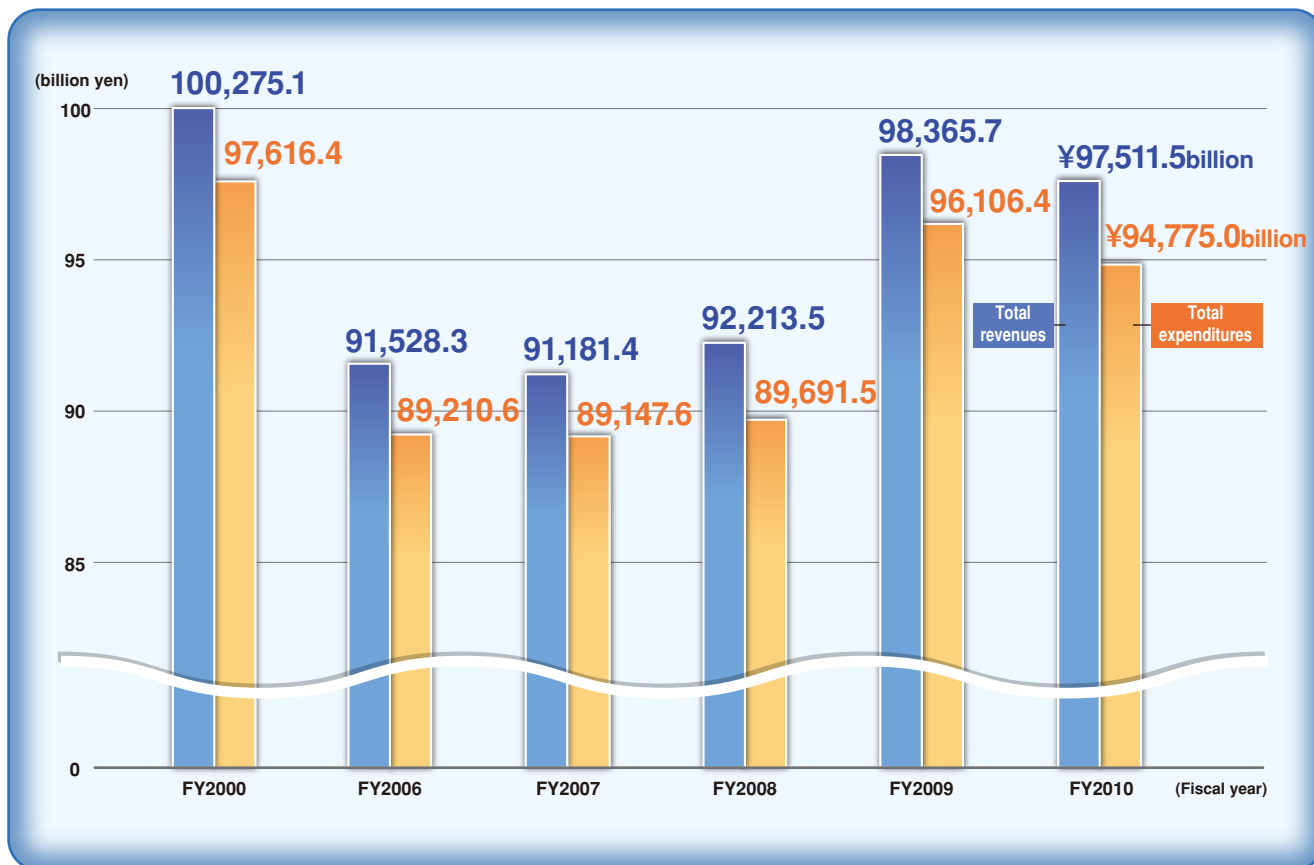


Notes:

1. Outstanding public enterprises bonds (borne by the ordinary account) are estimates based on settlement account statistics.
2. Outstanding local government bonds exclude special fund public investment bonds.
3. 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.

## Scale of Account Settlement

Revenues and expenditures both showed year-on-year decreases in settlement amount. The main factor for the decrease in revenues was a decrease in revenue from local taxes and national treasury disbursements. The main factor for the decrease in expenditures was a decrease in ordinary construction expenses, subsidies, etc., and reserves.



## Revenue and Expenditure Settlement

The real single year balance showed a surplus for the third consecutive year, while the single year balance showed a surplus for the second consecutive year.

Category	Settlement period		No. of local governments with a deficit	
	FY2010	FY2009	FY2010	FY2009
<b>Real balance</b>	<b>¥1,670.2 billion</b>	<b>¥1,444.7 billion</b>	<b>8(8)</b>	<b>13(13)</b>
<b>Single year balance</b>	<b>¥225.8 billion</b>	<b>¥172.0 billion</b>	<b>567(1,278)</b>	<b>579(1,153)</b>
<b>Real single year balance</b>	<b>¥1,039.5 billion</b>	<b>¥238.2 billion</b>	<b>237(917)</b>	<b>440(1,004)</b>

Notes:

- 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.  
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 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.
- The number of local governments with a deficit does not include special districts or inter-municipal/prefectural joint authorities.  
Figures in parentheses indicate the number of local governments including special districts and inter-municipal/prefectural joint authorities.



# Revenues

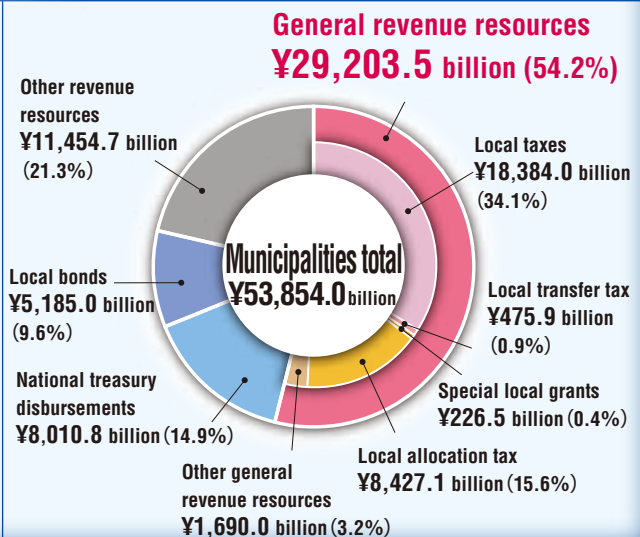
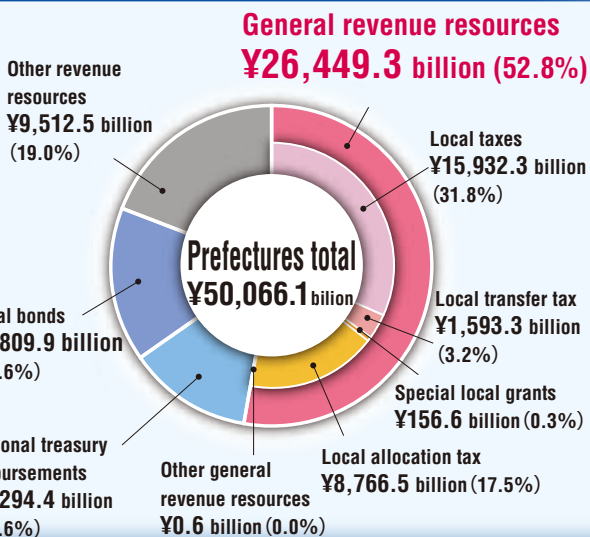
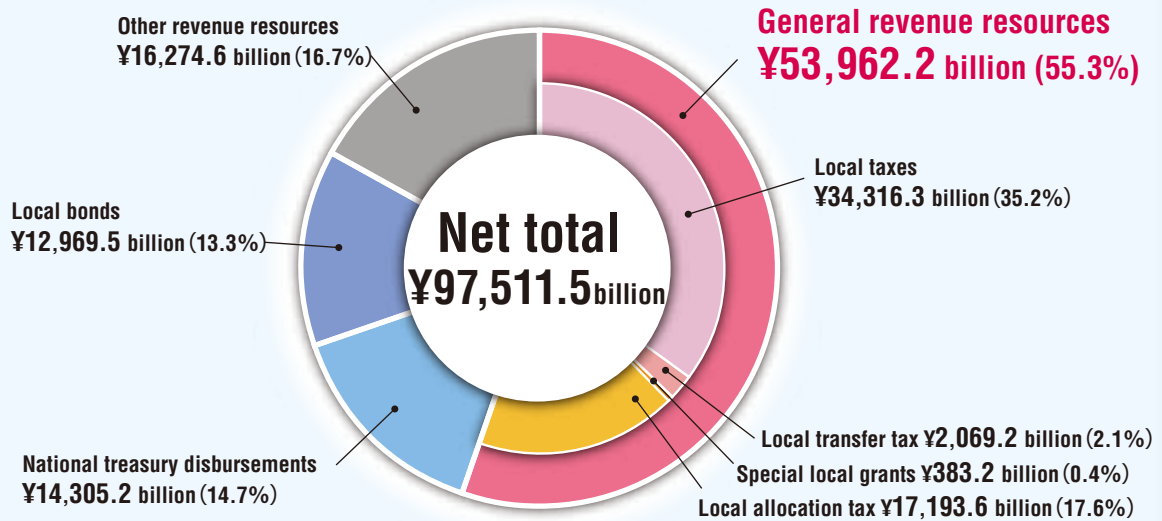
## What are the revenue sources for local governments' activities?

### 1 Revenue Breakdown

The revenue of local governments consists mainly of local taxes (about 35.2%), local allocation tax, national treasury disbursements, and local bonds, in that order.

#### General Revenue Resources

Revenue resources for which the use is not specified, such as local taxes and local allocation tax, are called general revenue resources. Here, the total of local taxes, local transfer taxes, local allocation tax, and special local grants is treated as general revenue resources. It is important for local governments to ensure sufficient general revenue resources in order to handle various administrative needs properly.



<b>Local transfer tax</b>	Collected as a national tax and transferred to local governments. Includes local gasoline transfer tax, etc.
<b>Special local grants</b>	Includes such things as the special grants for the child support allowance and child allowance in response to the increased local burden as a result of the expanded child support allowance system in FY2006 and FY2007 and the establishment of the child allowance in FY2010.
<b>Local allocation tax</b>	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 pg.11, "4. Local Allocation Tax.")
<b>National treasury disbursements</b>	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.
<b>Local bonds</b>	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.

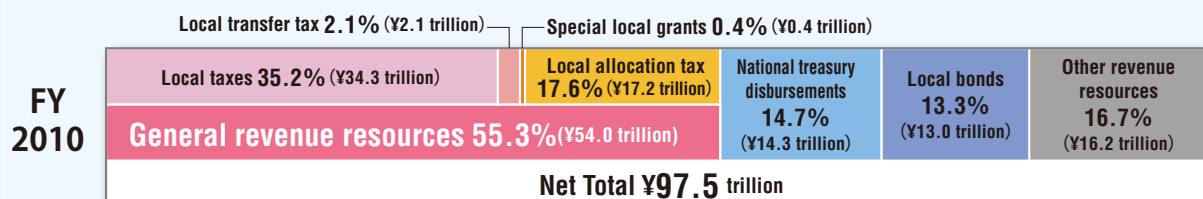
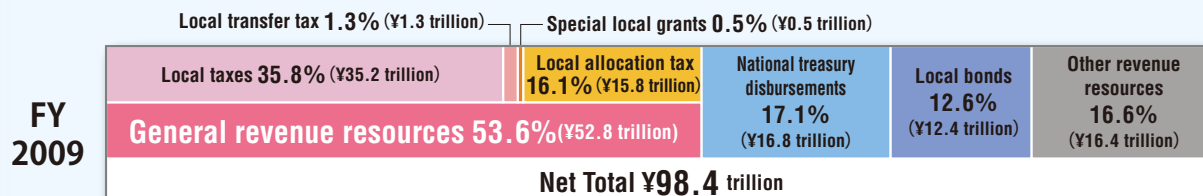
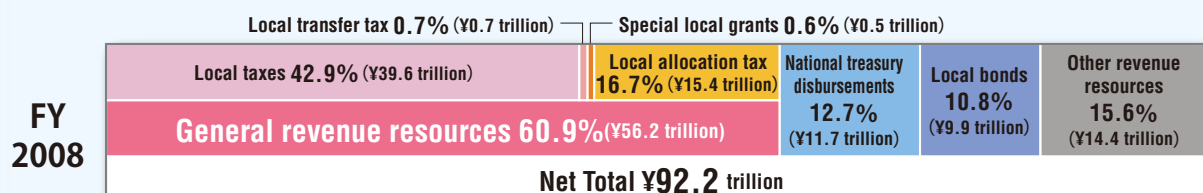
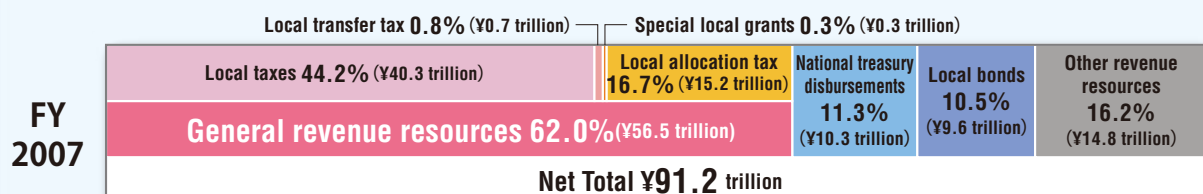
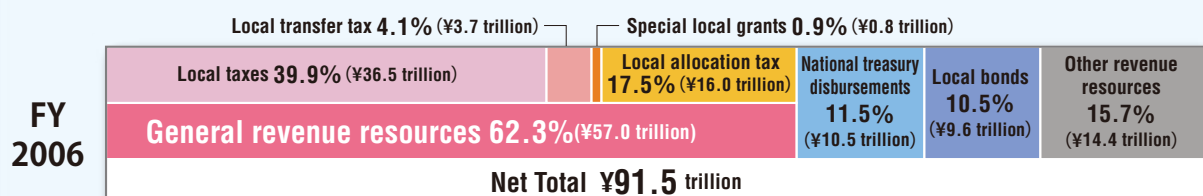
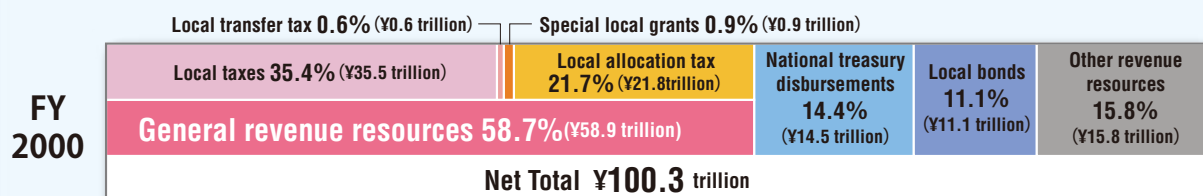
Notes:

1. The figures here are mainly for ordinary accounts. (For the accounts of public enterprises, such as water supply and sewerage businesses, transportation businesses, and hospitals, see "Local Public Enterprises.")
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. "National treasury disbursements" includes "special grants to measures for traffic safety" and "grants to cities, towns and villages where national institutions are located."

## 2 Revenue Trends

General revenue resources constituted approximately 55% of total revenues, a year-on-year increase resulting from an increase in revenue from local allocation taxes, etc. and a drop in revenue from national treasury disbursements.

### Net Total

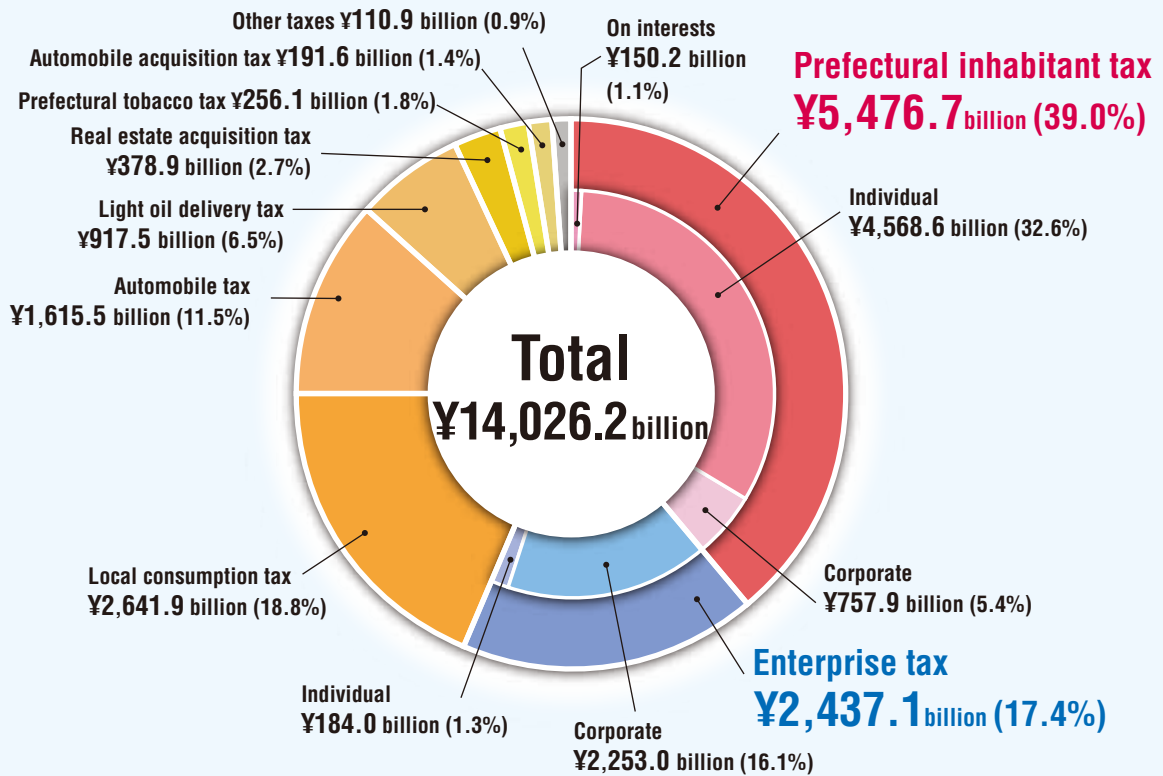


Note: "National treasury disbursements" includes "special grants to measures for traffic safety" and "grants to cities, towns and villages where national institutions are located."

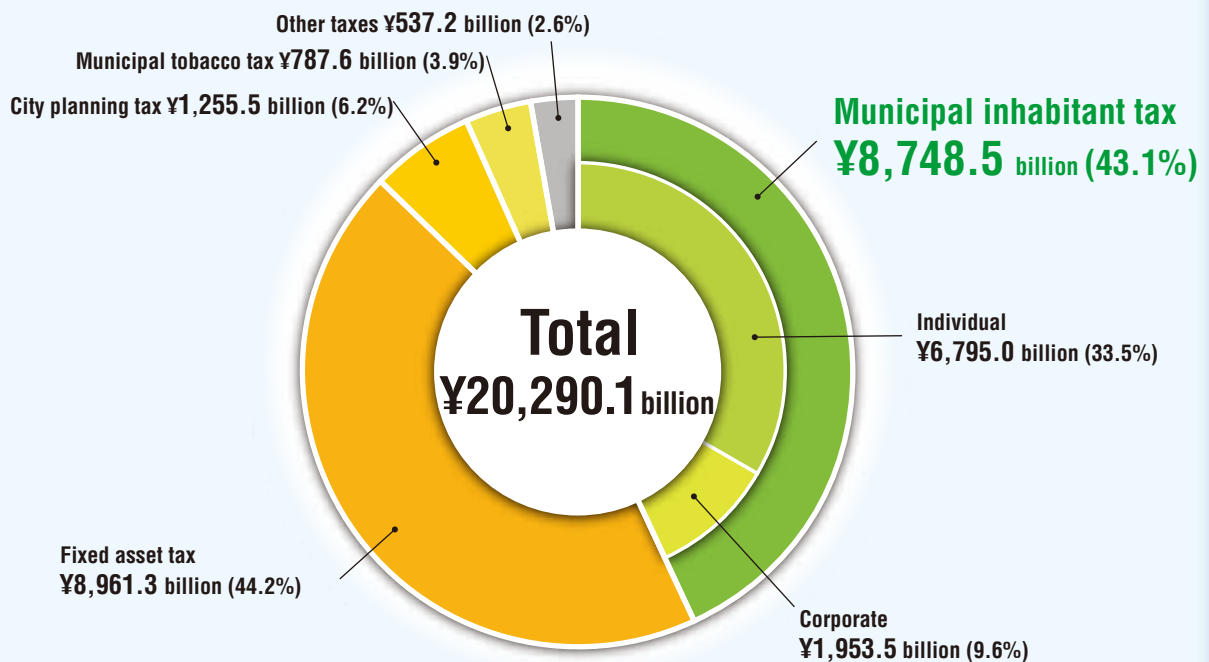
### 3 Local Taxes

Local taxes consist of prefectural taxes and municipal taxes. (In the case of the special wards of Tokyo, the Tokyo Metropolitan Government collects a portion of the municipal taxes.)

#### Composition of Revenue from Prefectural Taxes (FY2010 settlement)



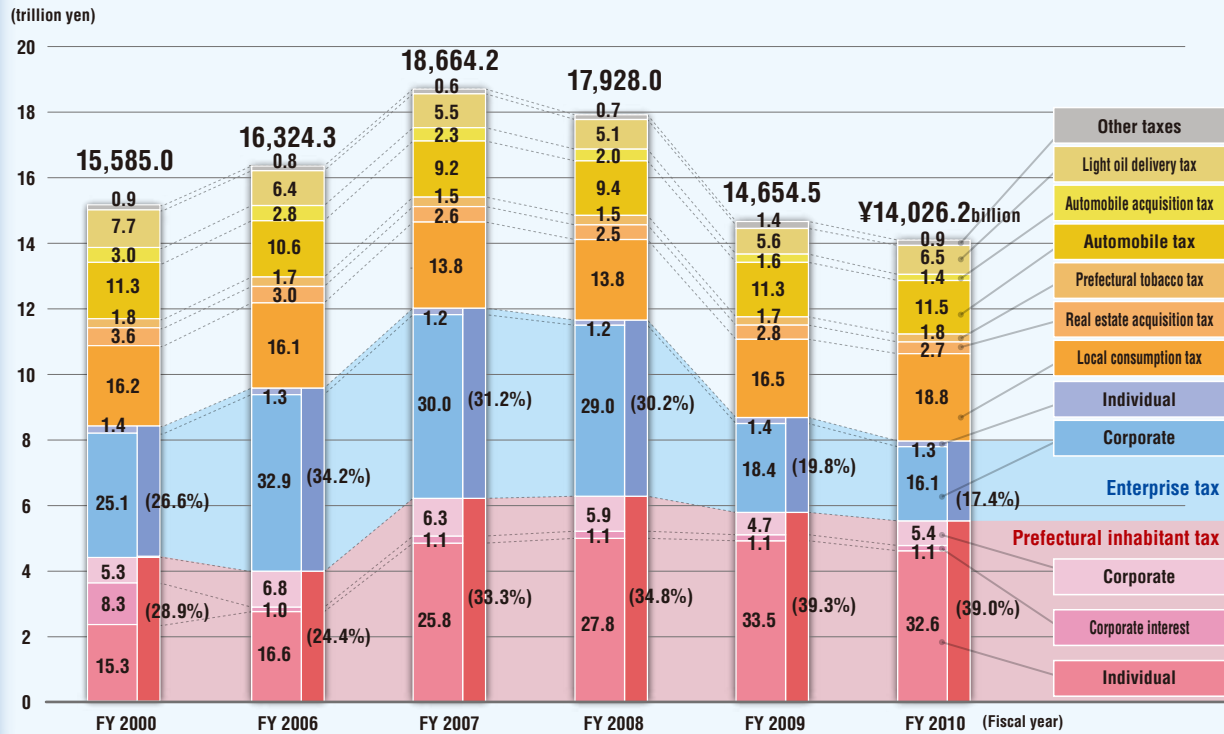
#### Composition of Revenue from Municipal Taxes (FY2010 settlement)



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

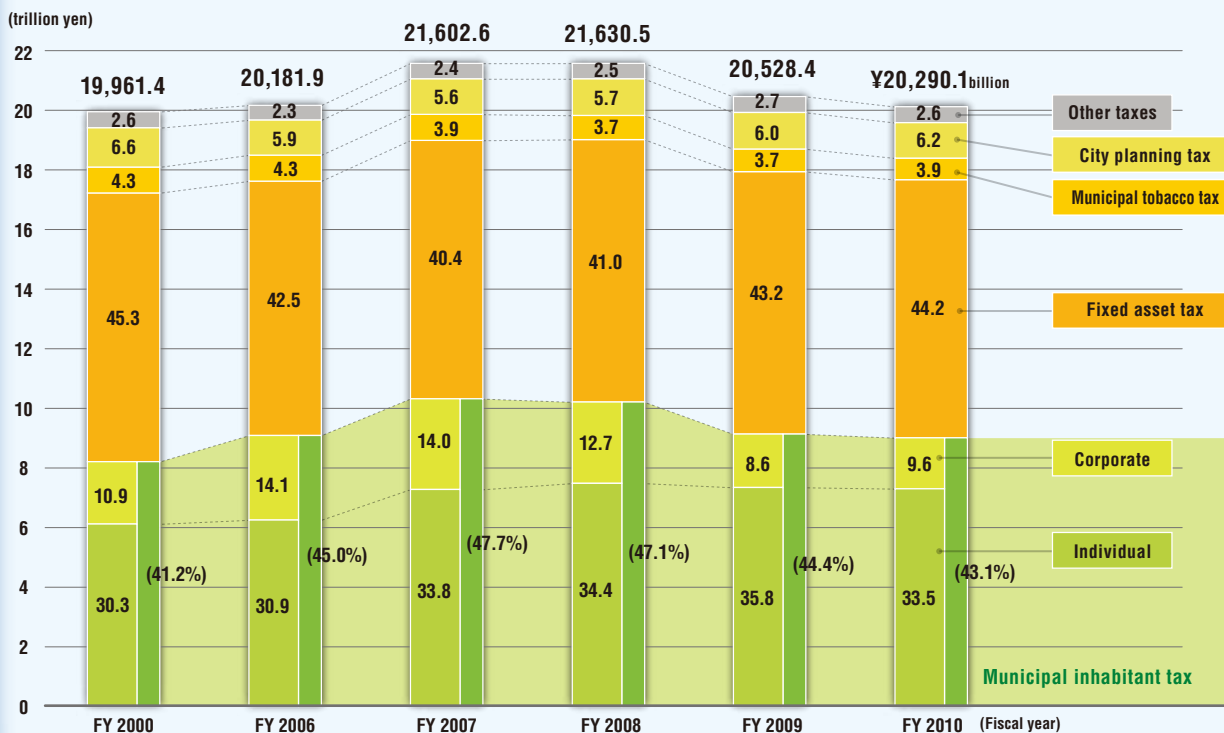
Prefectural tax revenues dropped from the previous fiscal year due to a decrease in revenues from individual prefectural taxes, etc. Municipal tax revenues dropped from the previous fiscal year as revenues from individual municipal taxes, etc. decreased, while revenues from corporate municipal taxes increased.

## Trends in Prefectural Tax Revenues



Note: Figures in parentheses indicate the component ratios of the business tax and prefectural inhabitant tax.

## Trends in Municipal Tax Revenues

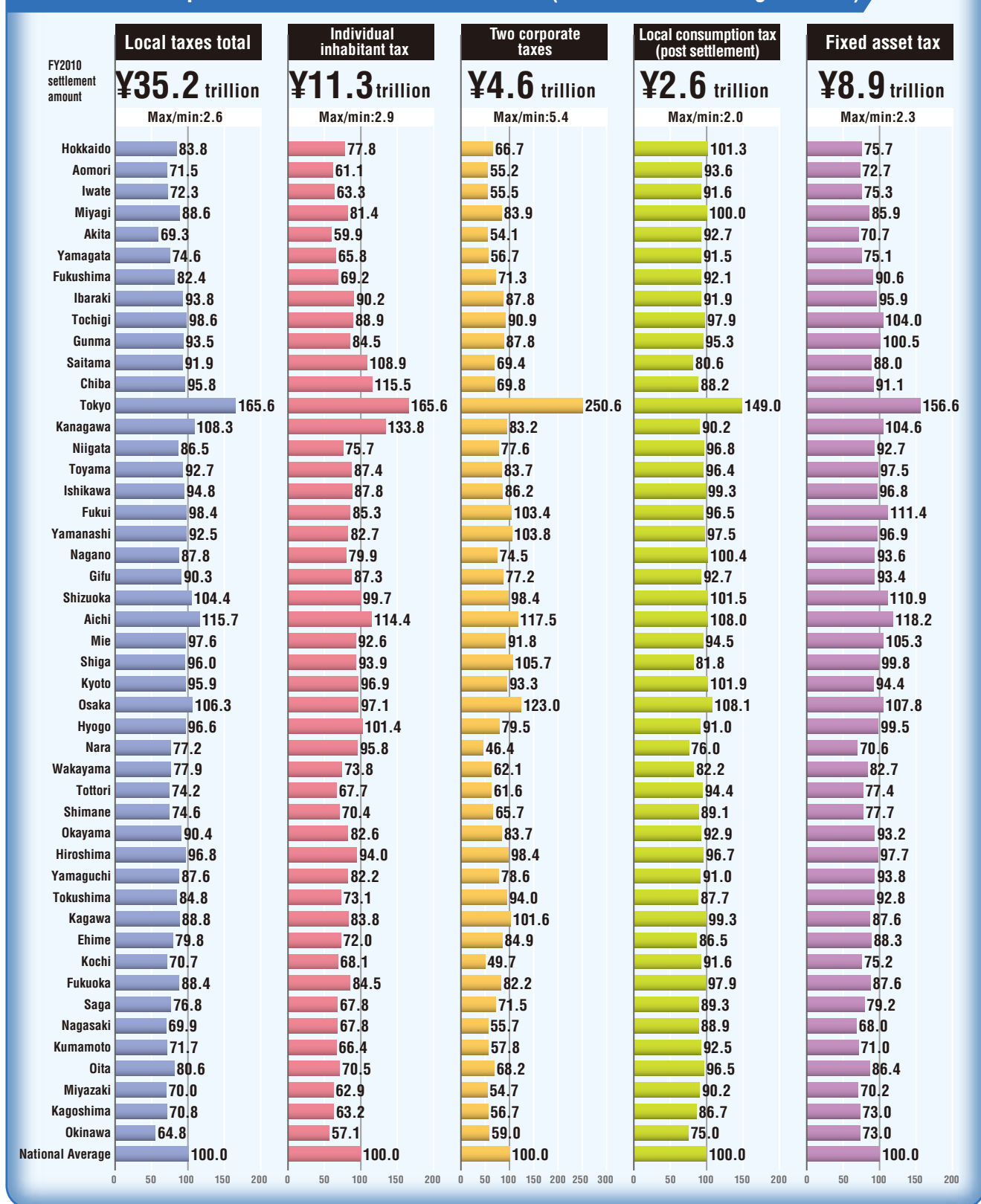


Notes:

- Figures in parentheses indicate the component ratio of the municipal inhabitant tax.
- 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 local tax revenue amounts, with the national average set at 100, Tokyo, the highest, was approximately 2.6 times the amount for Okinawa Prefecture, which was the lowest.

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



Notes:

- "Max/min" indicates the value obtained by dividing the maximum value of per-capita tax revenue for each prefecture by the minimum value.
- Local tax revenue amounts include local corporation special transfer tax, but do not include overassessment, discretionary tax earmarked for general use, or discretionary tax earmarked for special use. Further, the value is the amount after settlement of local consumption tax.
- 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.
- 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, and excludes overassessment.
- Fixed asset tax revenues include prefectural amounts, and exclude overassessment.
- Calculations were made in accordance with the basic resident register population as of March 31, 2011.

## 4 Local Allocation Tax

From the perspective of local autonomy, it would be the 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.

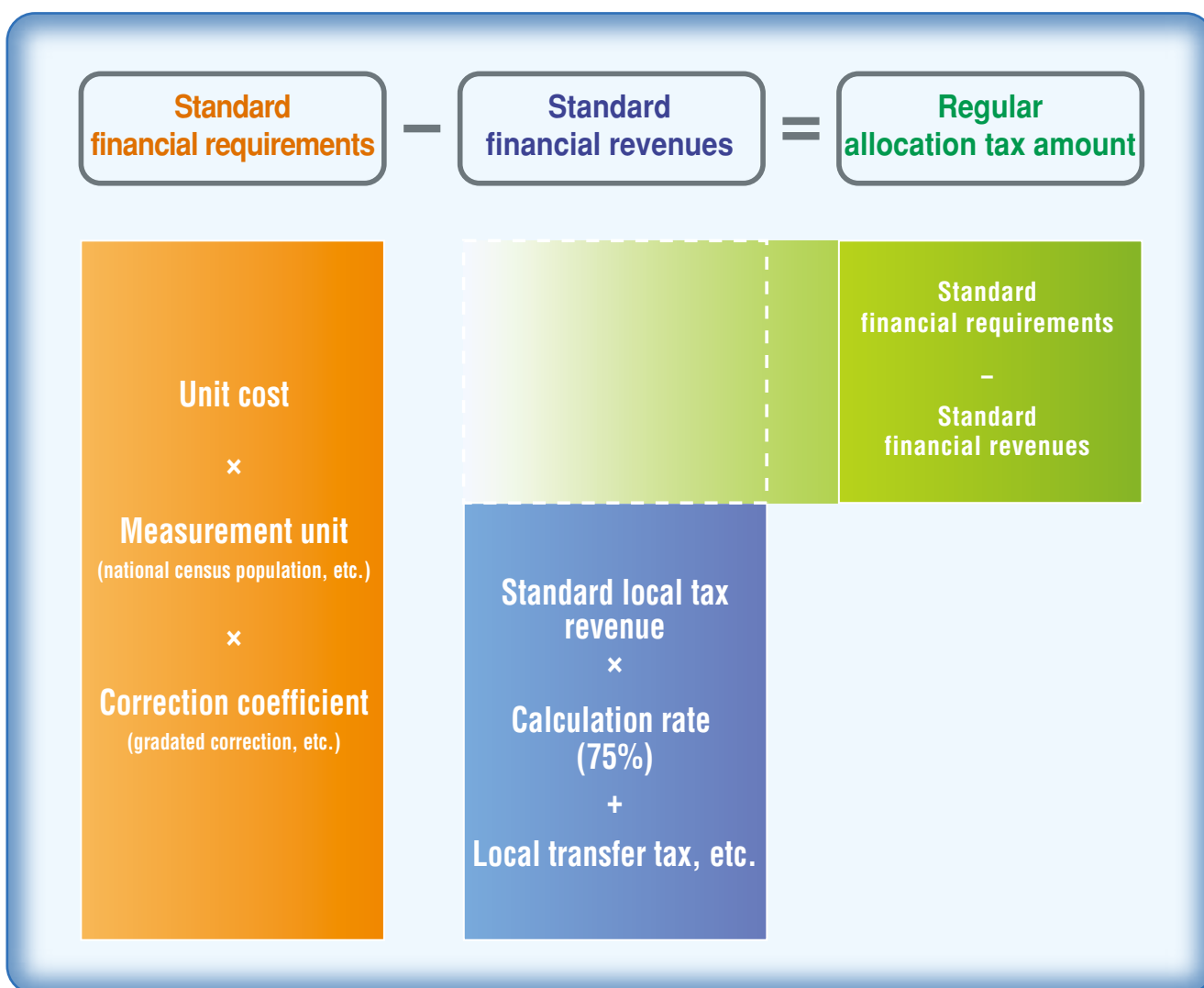
### 1 Determining the total amount of local allocation tax

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 (32% for income tax and liquor tax, 34% for corporate tax, 29.5% for consumption tax, and 25% for tobacco tax).

The total amount of the local allocation tax in FY2010 was ¥17,193.6 billion, up 8.7% 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 using the following mechanism.

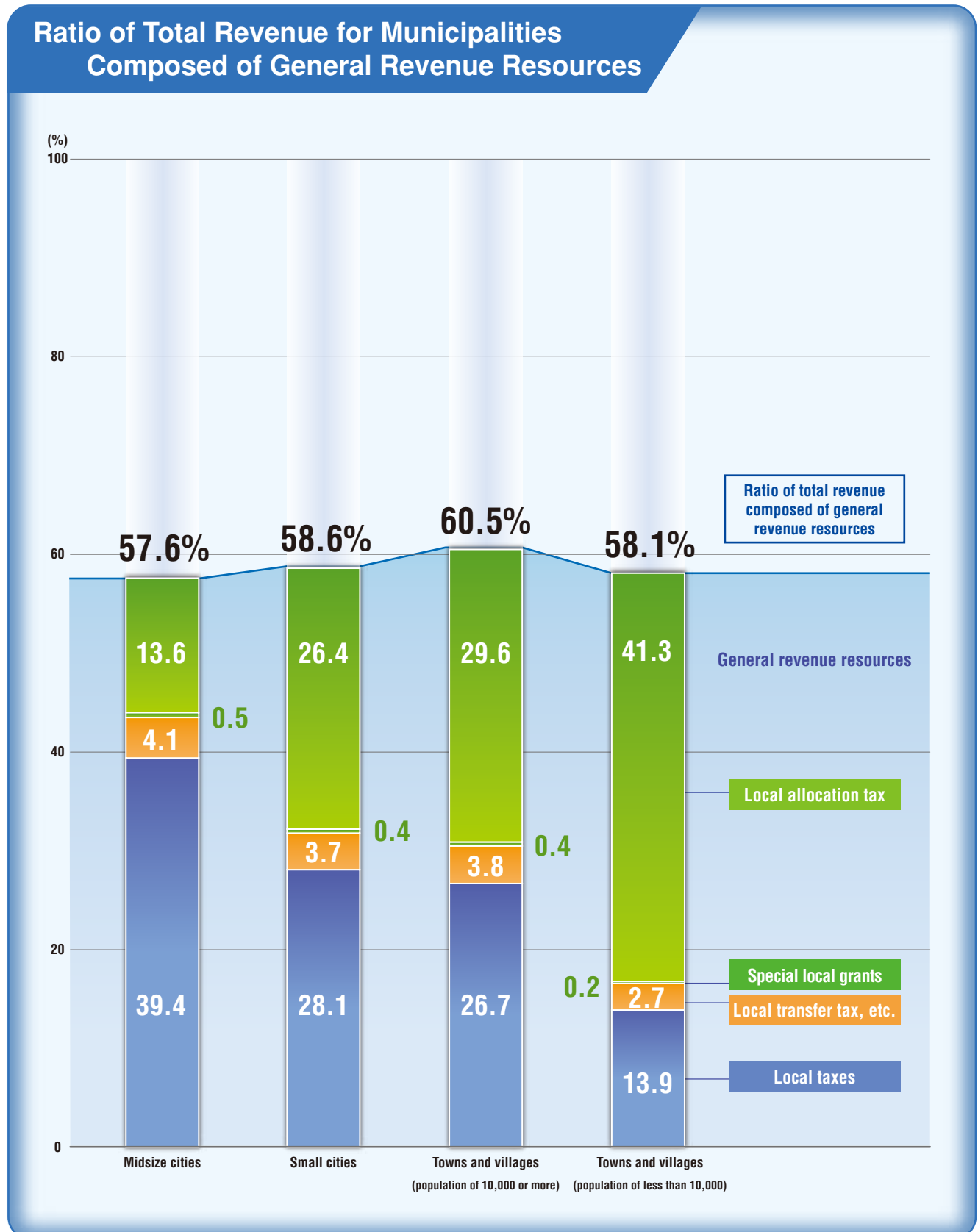


**Notes:**

- 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.
- 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. Owing to the adjustment of revenue resources through the local allocation tax, elements such as the size of population do not create significant differences in the ratio of total revenue composed of general revenue resources.



Notes: A "midsize city" refers to a city with a population of 100,000 or more excluding government ordinance-designed cities, core cities, and special cities, and a "small city" refers to a city with a population of less than 100,000.

# Expenditures

## What are taxes spent on?

### 1 Expenses by Function

When expenses are classified by function, we see that many revenue resources are utilized for public welfare expenses, education expenses, and debt service. In prefectures, such resources are mainly utilized for education expenses, debt service, and public welfare expenses, in that order. In municipalities, they are primarily utilized for public welfare expenses, general administrative expenses, and civil engineering work expenses, in that order.

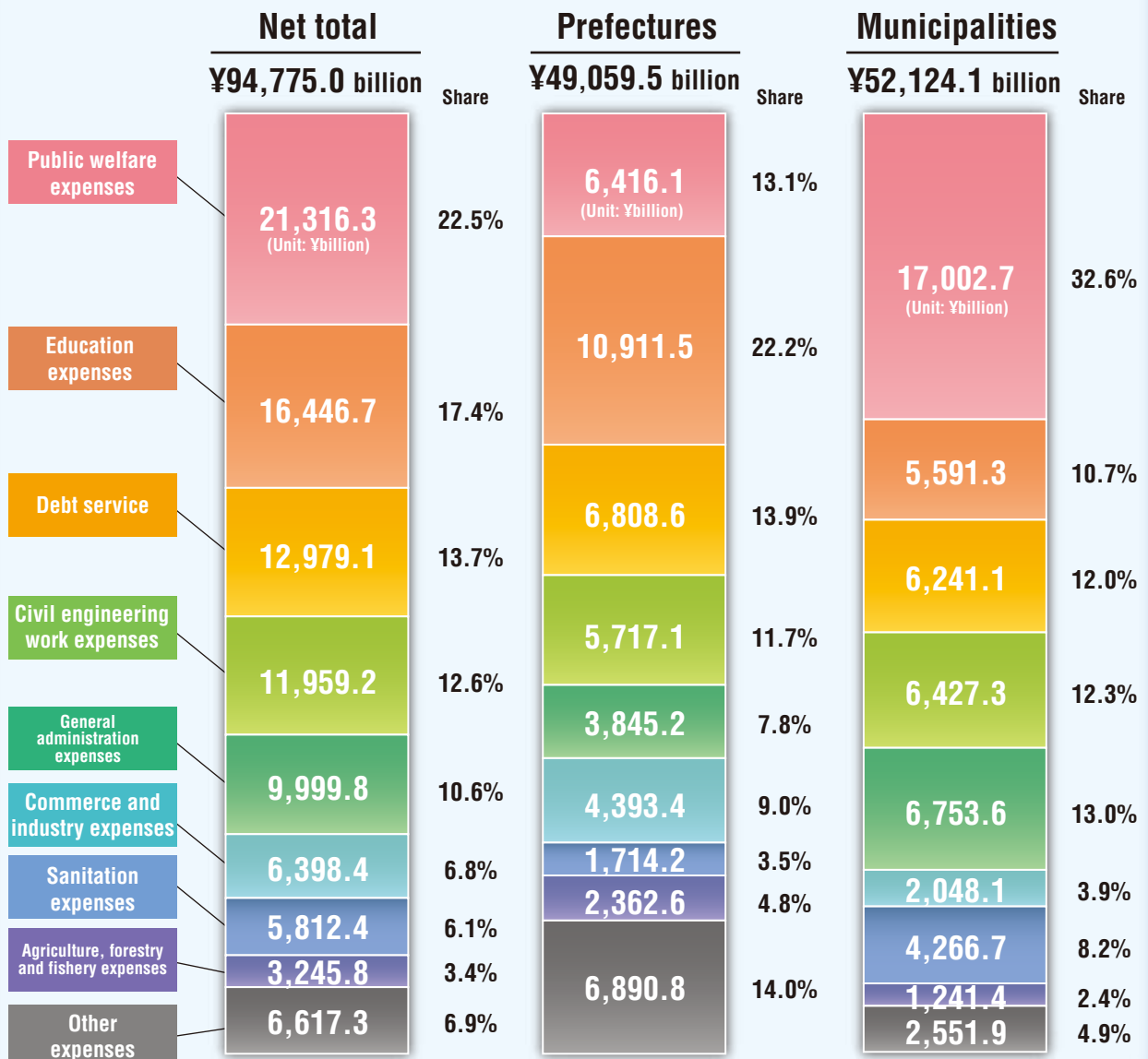
**Public welfare expenses:** Expenses for the construction and operation of welfare facilities for children, the elderly, the mentally and physically disabled, etc., and for the implementation of public assistance, etc.

**Education expenses:** Expenses for school education, social education, etc.

**Civil engineering work expenses:** Expenses for the construction and maintenance of public facilities, such as roads, rivers, housing, and parks.

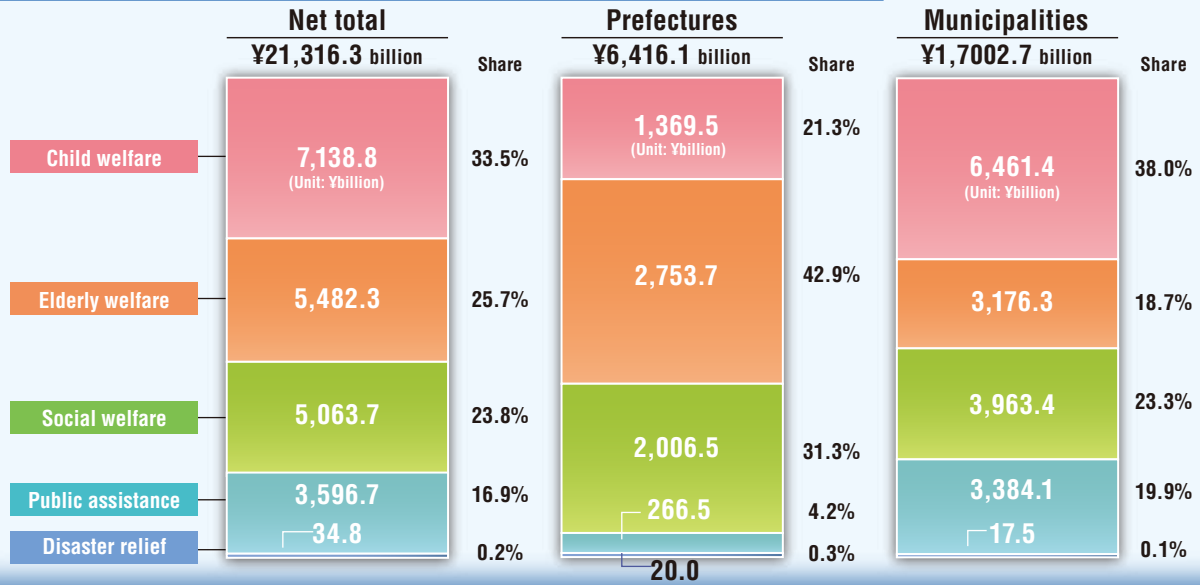
**Debt service:** Expenses for the payment of principal, interest, etc., on debts.

### Composition of Expenditure by Function (FY2010 settlement)

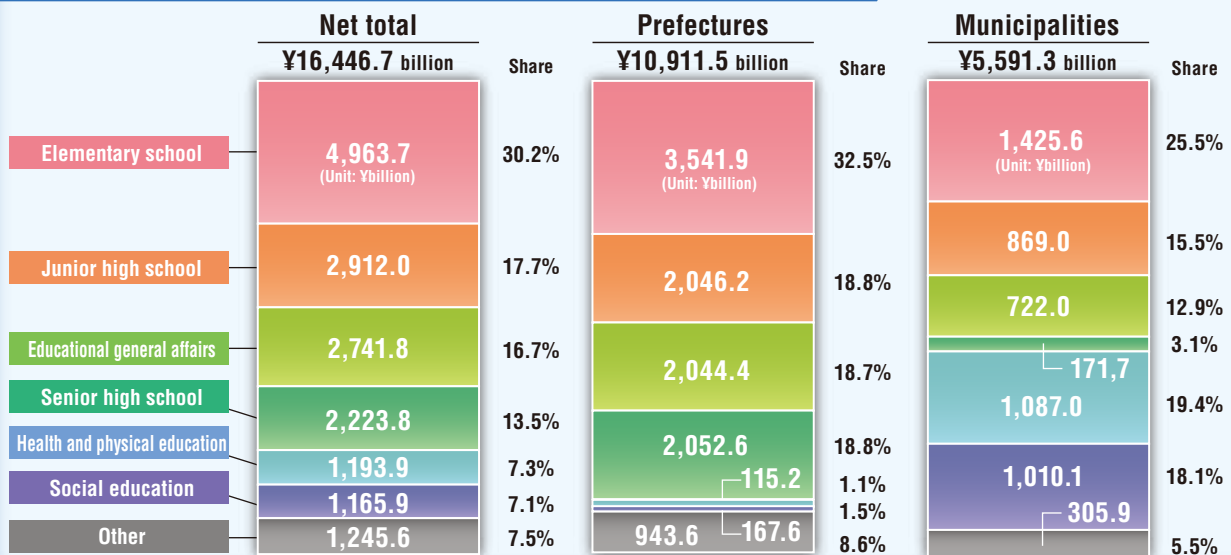




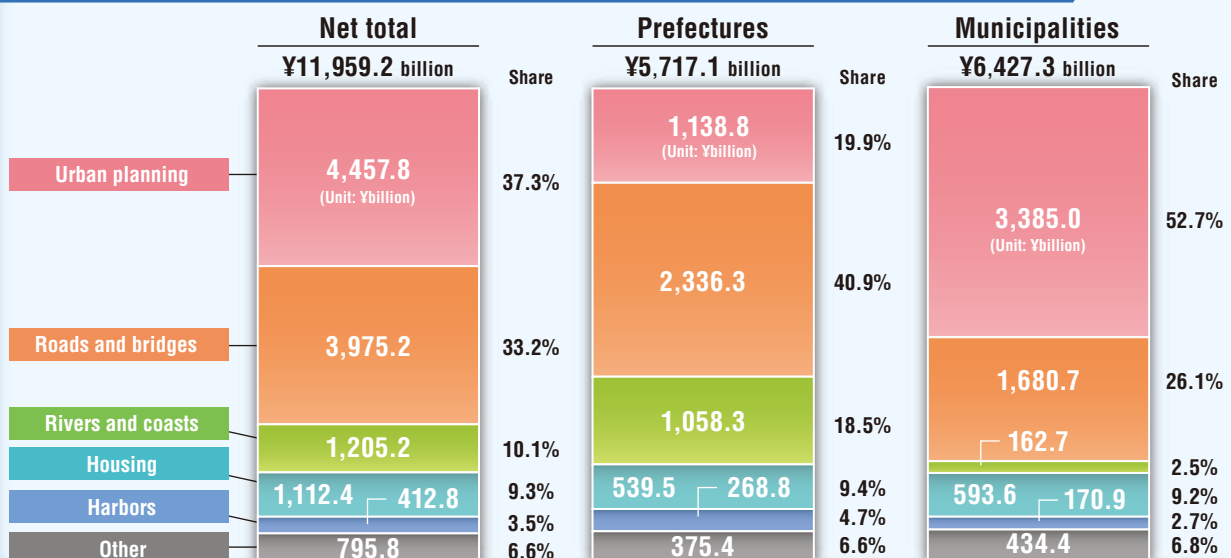
## Breakdown of Public Welfare Expenses by Purpose



## Breakdown of Educational Expenses by Purpose



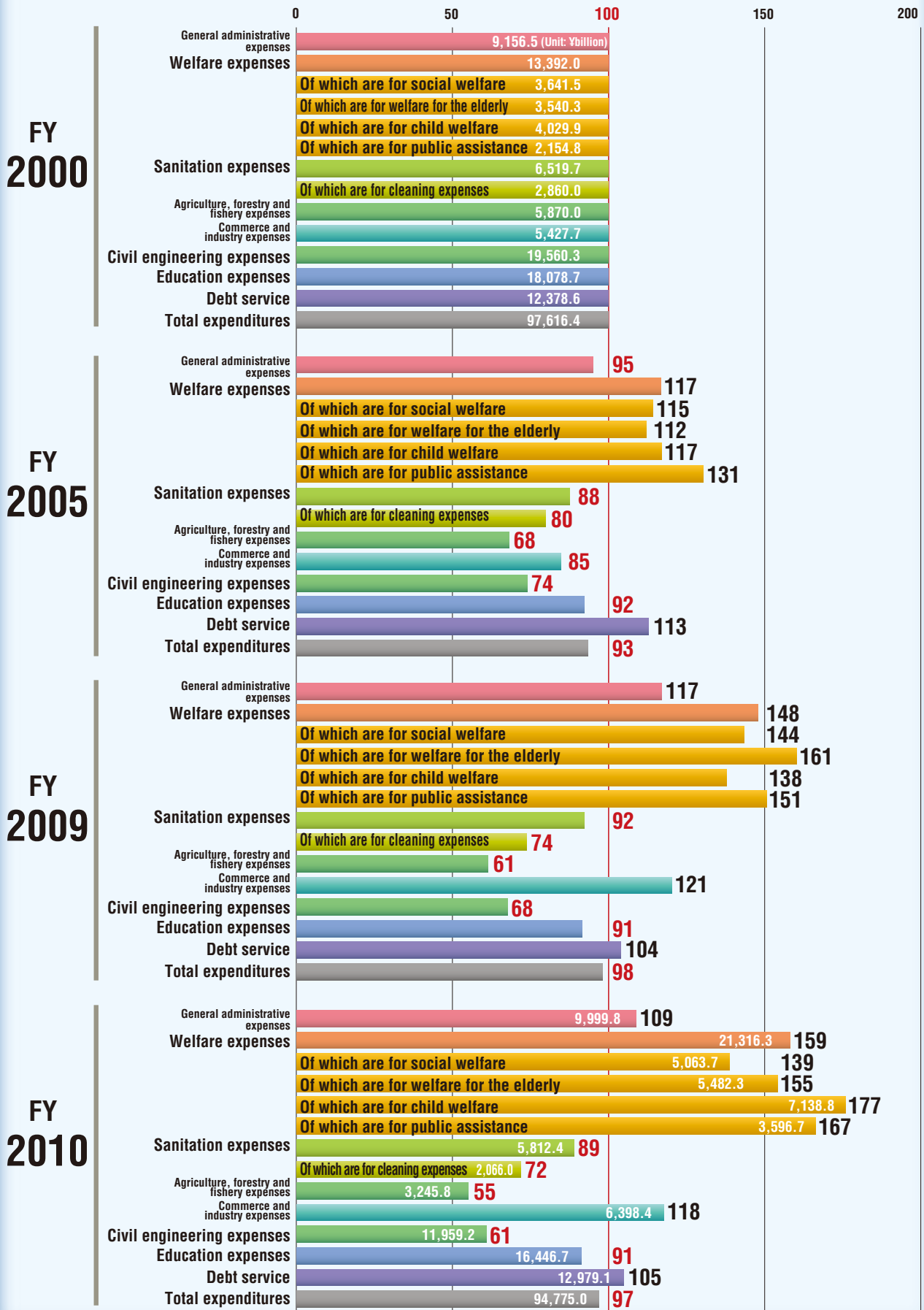
## Breakdown of Civil Engineering Work Expenses by Purpose



# Trends in the Breakdown of Expenditures by Function (ordinary account net total)

In recent years, welfare expenses, debt service, etc., have increased, while there has been a decline in such items as agriculture, forestry, and fishery expenses and civil engineering work expenses.

Ratio with FY2000 set at 100.

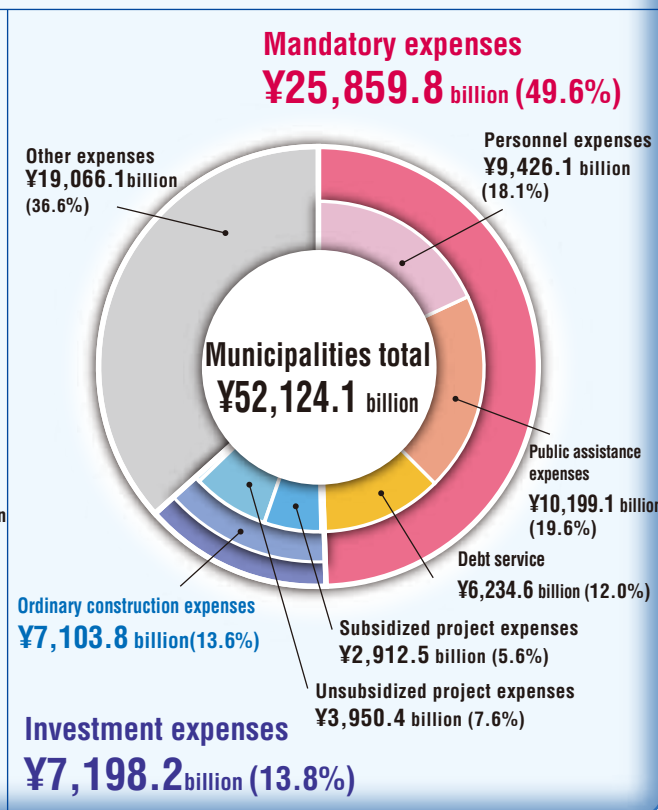
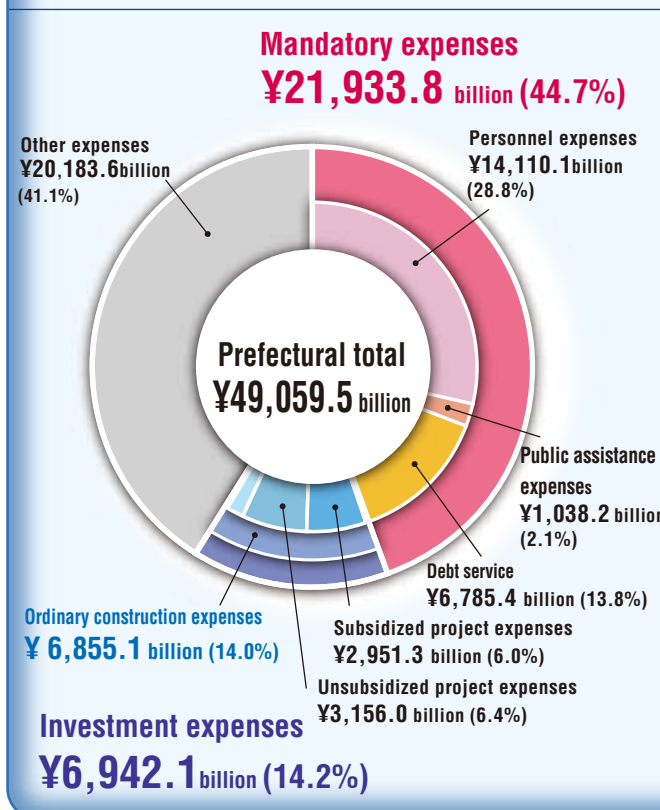
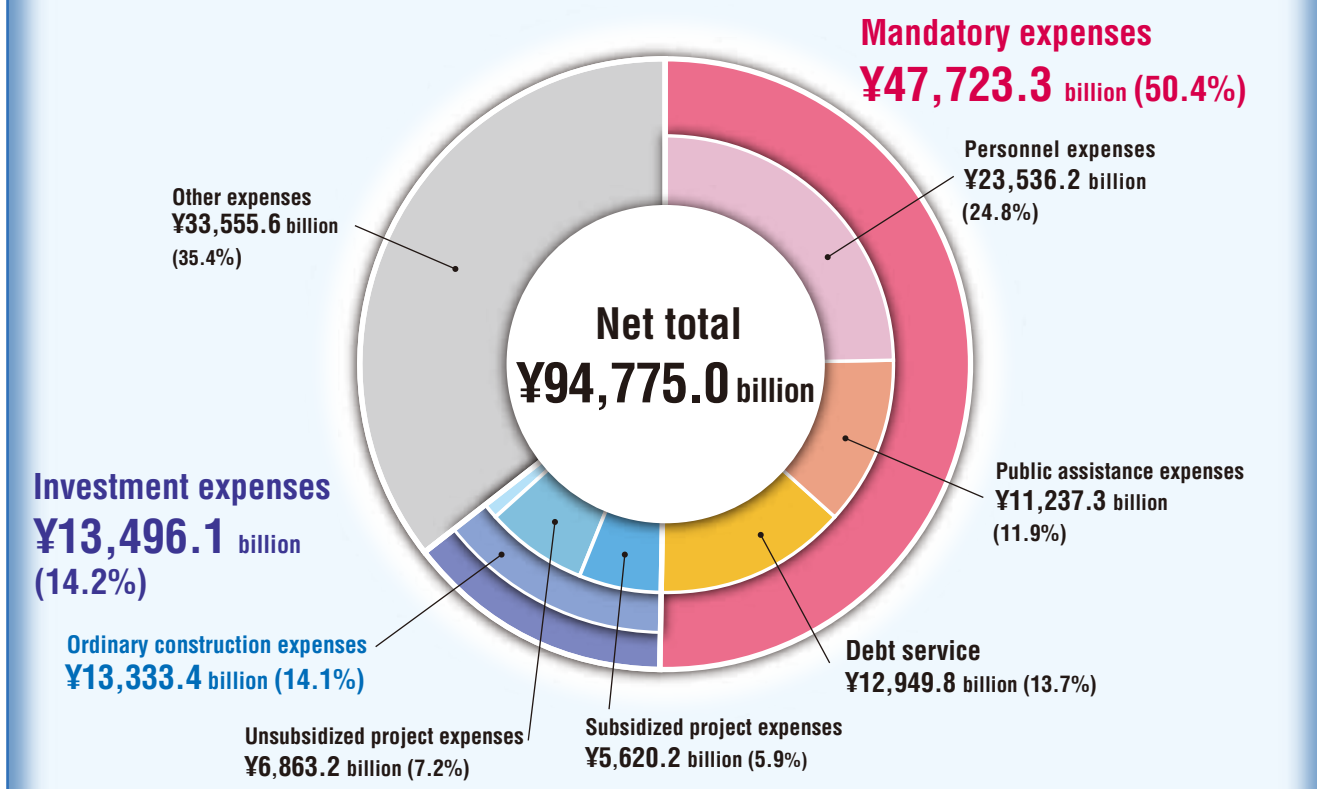


# What are expenses used for?

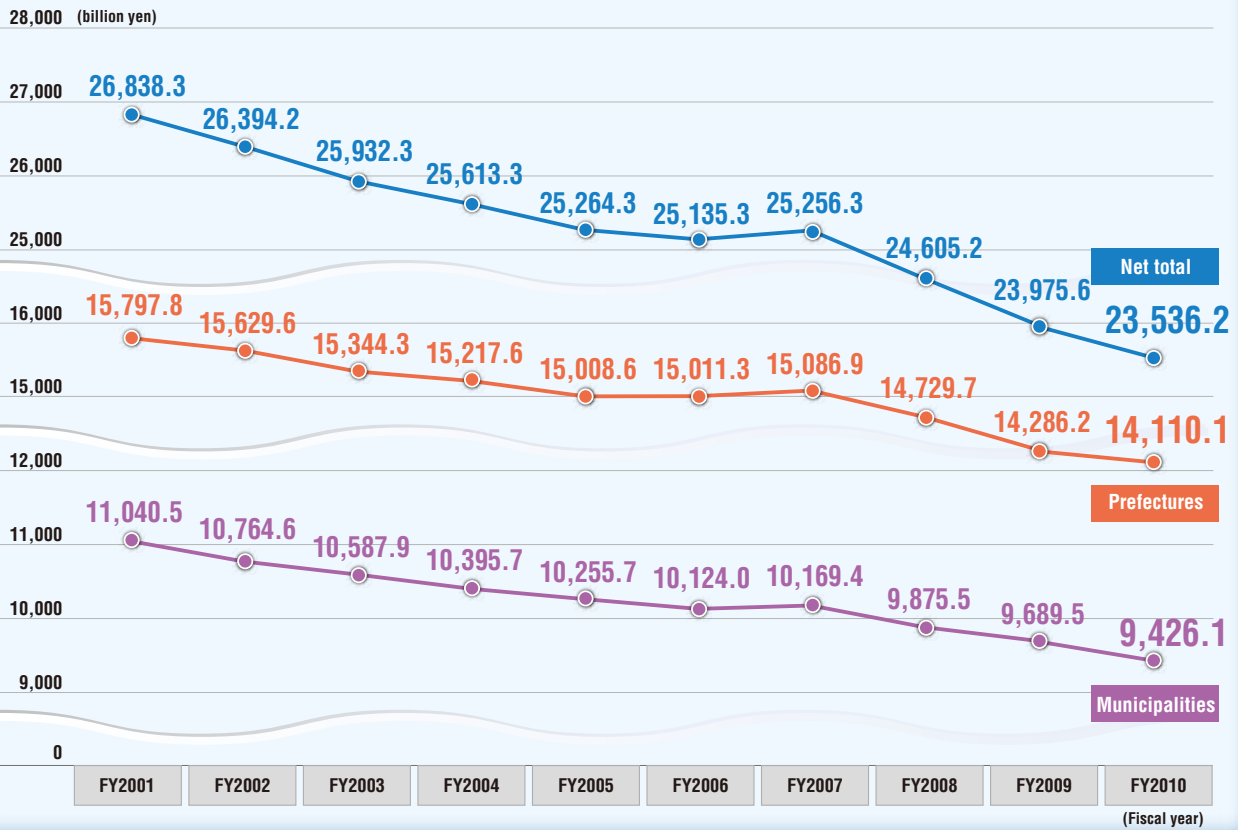
## 2 Expenses by Type

Classified by type, expenses can be divided into "mandatory expenses" (personnel expenses, public assistance expenses, and debt service), the payment of which is mandatory and difficult to reduce at the discretion of individual local governments, "investment expenses," including ordinary construction expenses, etc., and "other expenses."

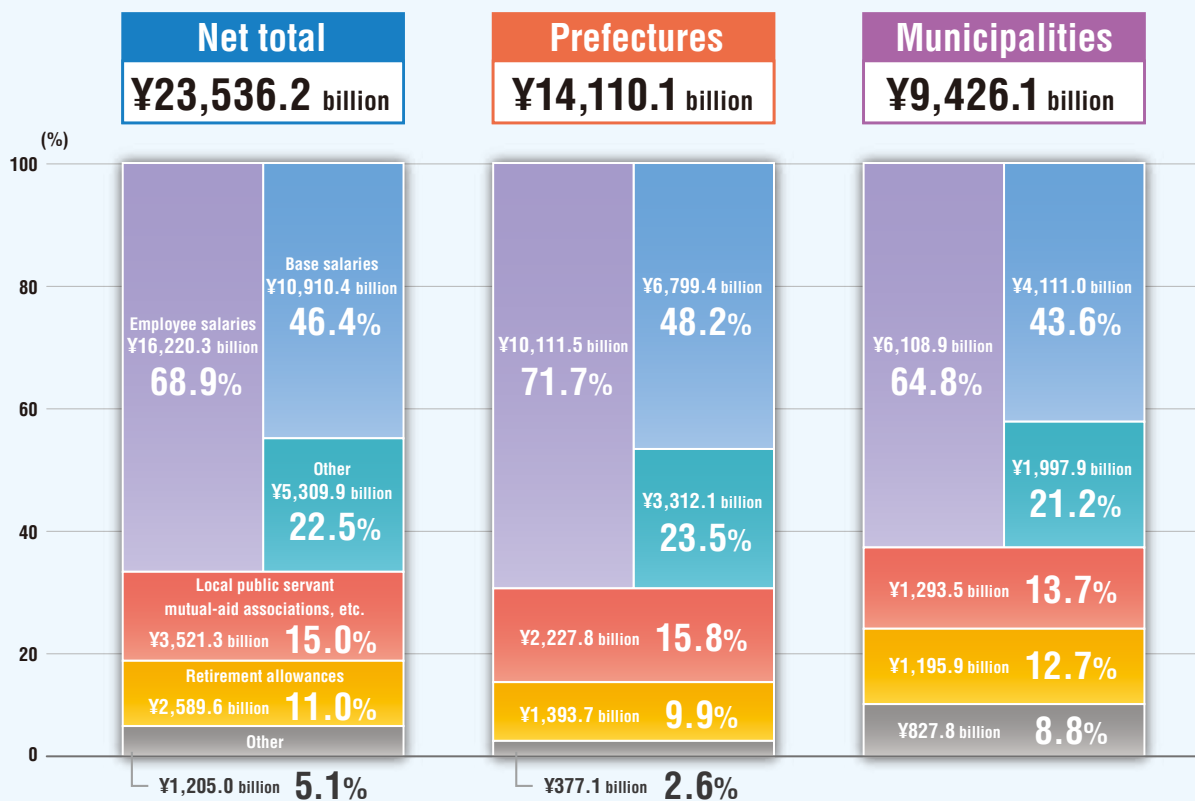
**Composition of Expenditures by Type (FY2010 settlement)**



## Trends in Personnel Expenses



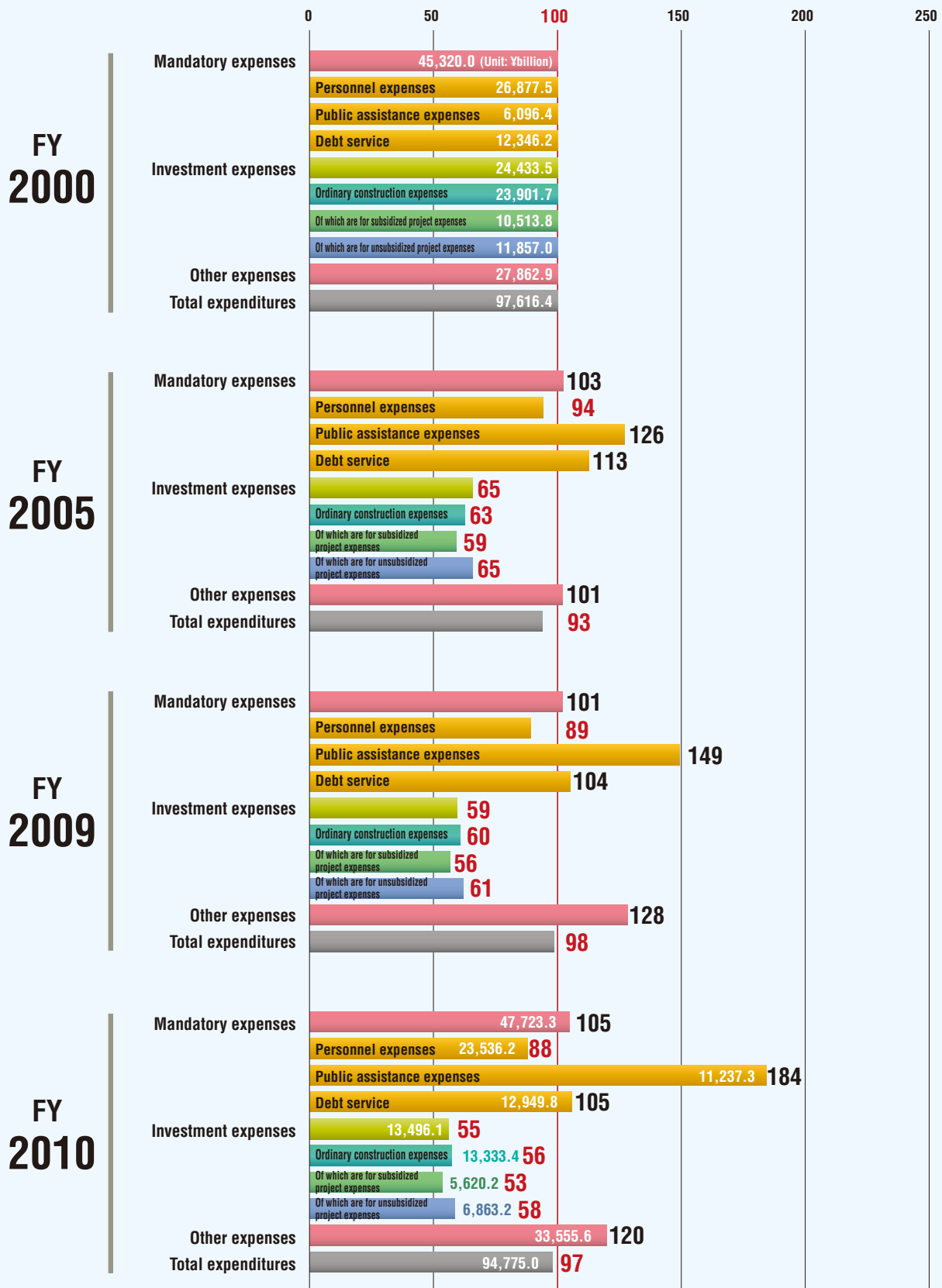
## Breakdown of Personnel Expenses by Item



## Trends in the Breakdown of Expenditures by Type (ordinary account net total)

In recent years, mandatory expenses such as public assistance expenses, debt service, etc., have increased, while there has been a decline in such items as ordinary construction expenses.

Ratio with FY2000 set at 100.



\* Public assistance expenses: Expenses which include child welfare expenses, livelihood protection expenses, etc., aimed at assisting the needy, children, the elderly, mentally and physically disabled, etc., as a part of the social security system.

\* Ordinary construction expenses: Expenses necessary for the construction of infrastructure, such as roads, bridges, parks, schools, etc.

# Flexibility of the Financial Structure

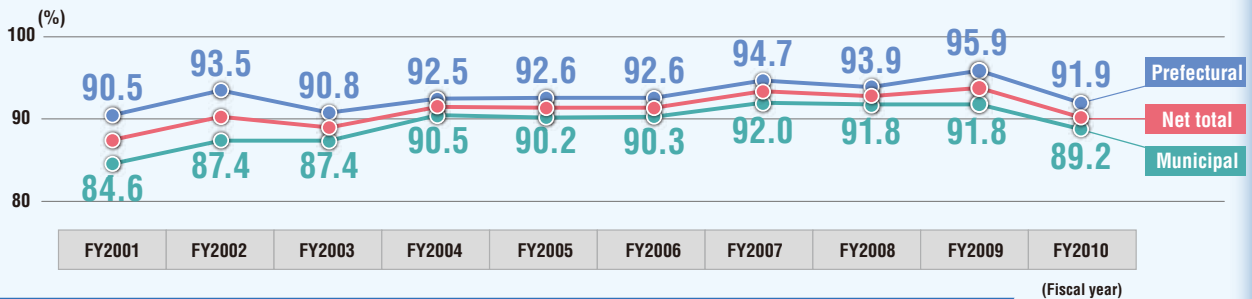
## How financially capable are local governments to respond to local demands ?

In addition to the mandatory expenses, local governments must secure revenue resources to cover projects that address properly issues caused by changes in the social economy and in the public needs, in order to adequately meet the demands of residents. The extent to which these revenue resources have been secured is called the “flexibility of the financial structure.”

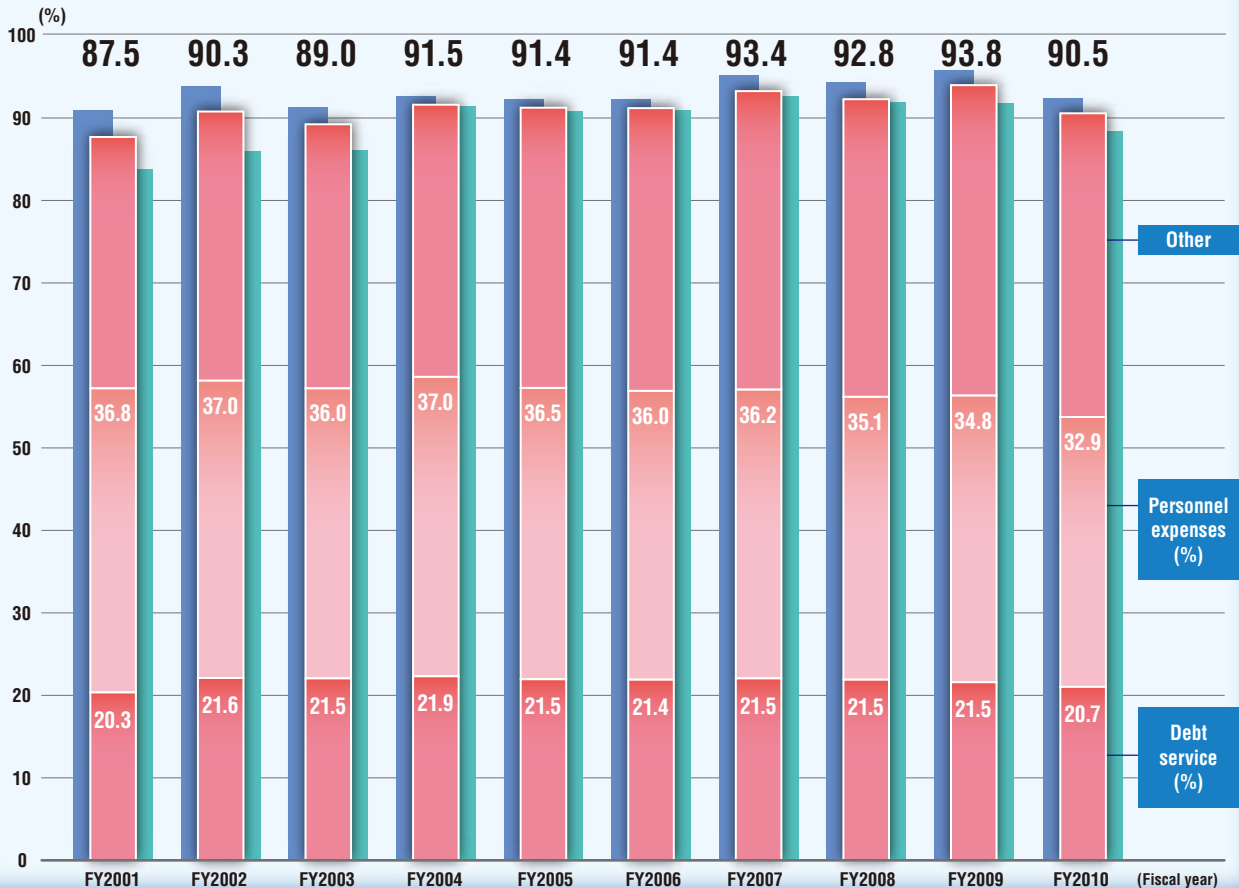
### 1 Ordinary Balance Ratio

The ordinary balance ratio (the weighted average excluding special wards and special districts, etc.) showed a 3.3 percentage point year-on-year decrease to 90.5%.

#### Shifts in the ordinary balance ratio



#### Breakdown of the ordinary balance ratio (Net total)



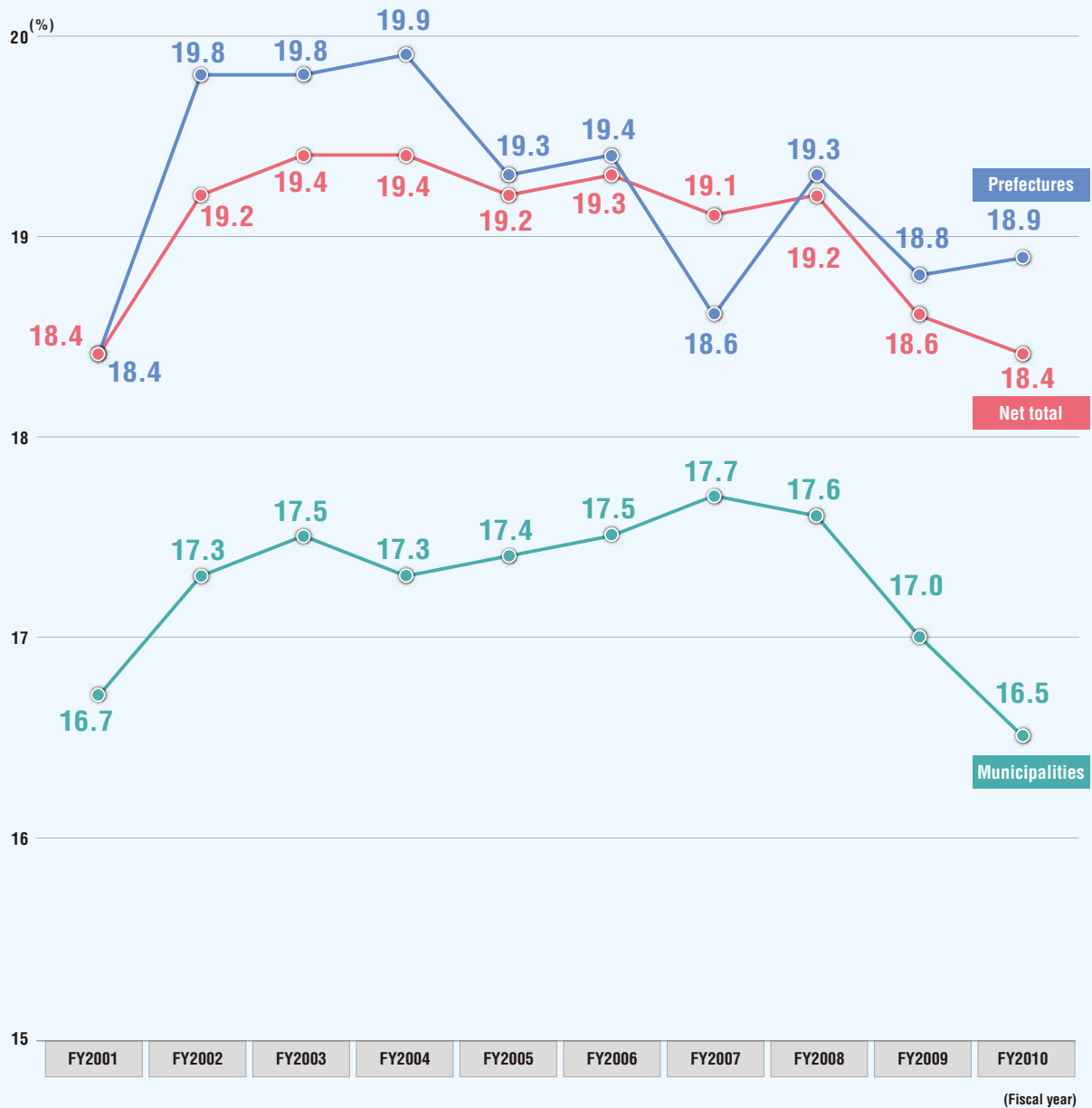
## 2 Real Debt Service Ratio and Debt Service Payment Ratio

Because debt service (which are payments of the principal and the interest on the debts of local governments) lowers financial flexibility in particular, it is necessary to observe closely its trend. The real debt service ratio and debt service payment ratio are indices used to determine the extent of the burden of the debt service.

### State of the Real Debt Service Ratio

For information on the state of the real debt service ratio, please refer to the "Status of the Ratios for Determining Soundness" (page 29).

### Trends in the Debt Service Payment Ratio



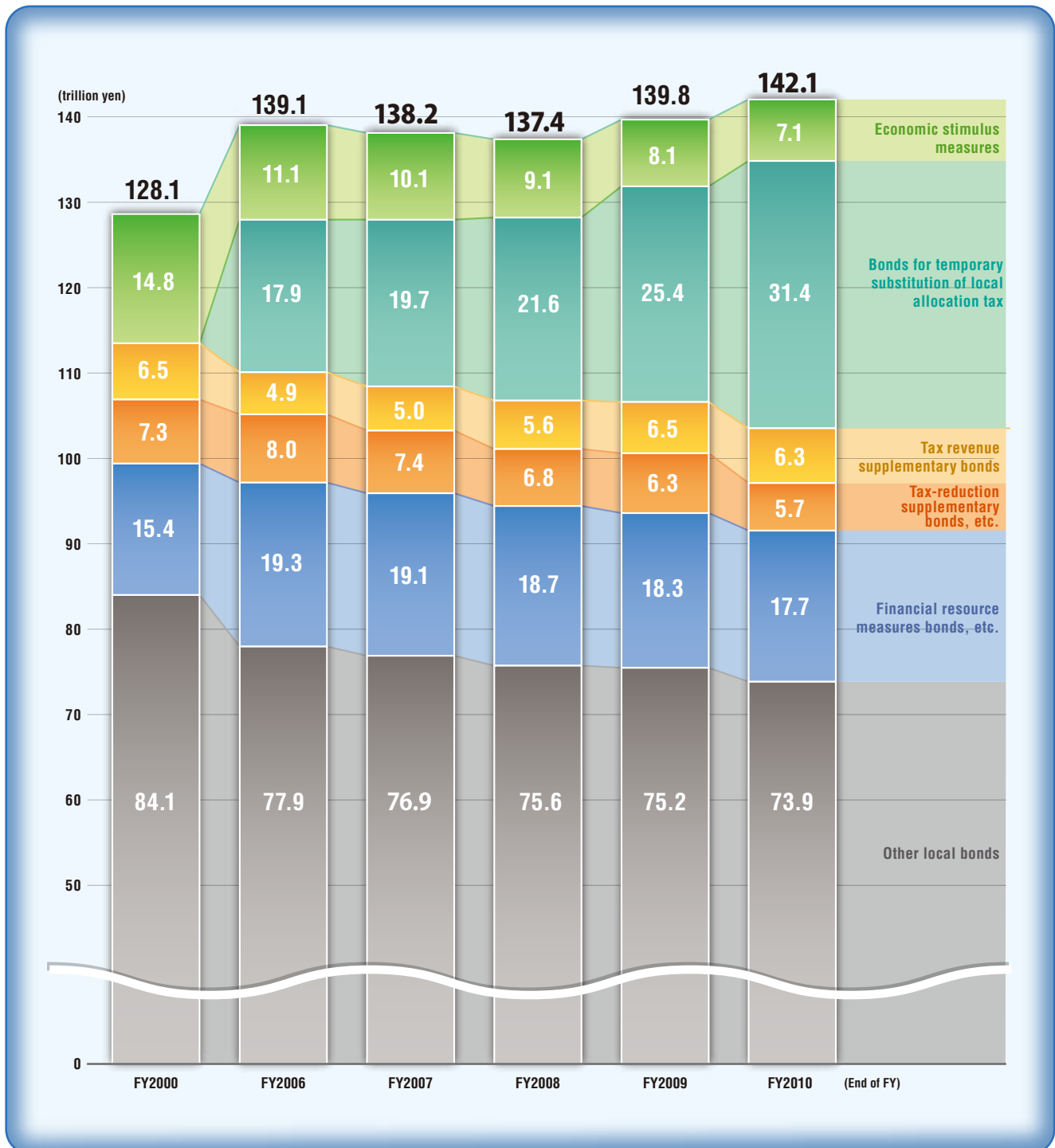
\* Debt service payment ratio: The debt service payment ratio indicates the ratio of general revenue resources allocated for debt service (general revenue resources allocated for public service, including the principal and interest repayments on local bonds) to the total amount of general revenue resources. This index is used to determine the flexibility of the financial structure by assessing the degree to which debt service restrict the freedom of use of general revenue resources.

# Outstanding Local Government Borrowing

## What is the status of debt in local public finance?

### 1 Trends in Outstanding Local Government Borrowing

Outstanding local government borrowing, amounted to approximately ¥142 trillion at the end of FY2010. This figure has been increasing in recent years due to factors such as the issue of bonds for temporary substitution of local allocation tax. The figure is 1.46 times larger than the total revenue and about 2.63 times larger than the total general revenue resources, such as local taxes and local allocation tax.



Notes:

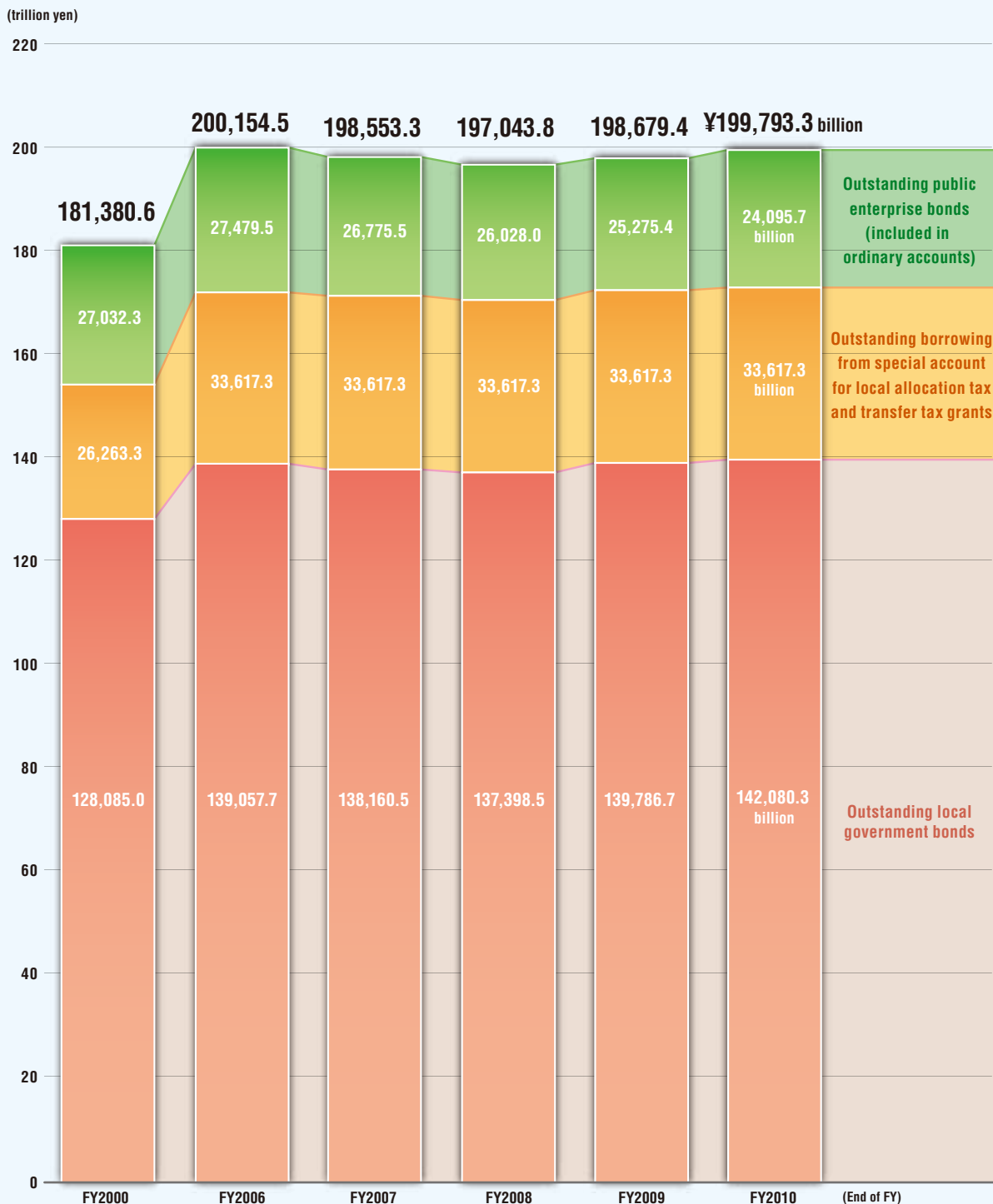
1. Outstanding local government borrowing excludes special fund public investment bonds.
2. Figures for "economic stimulus measures" are estimates.



## 2 Outstanding Local Finance Borrowing

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 approximately ¥200 trillion at the end of FY2010.

### Trends in Outstanding Borrowing Borne by the Ordinary Accounts



Notes:

1. Outstanding local government borrowing excludes special fund public investment bonds.
2. Outstanding public enterprise bonds (borne by the ordinary accounts) are estimates based on settlement account statistics.

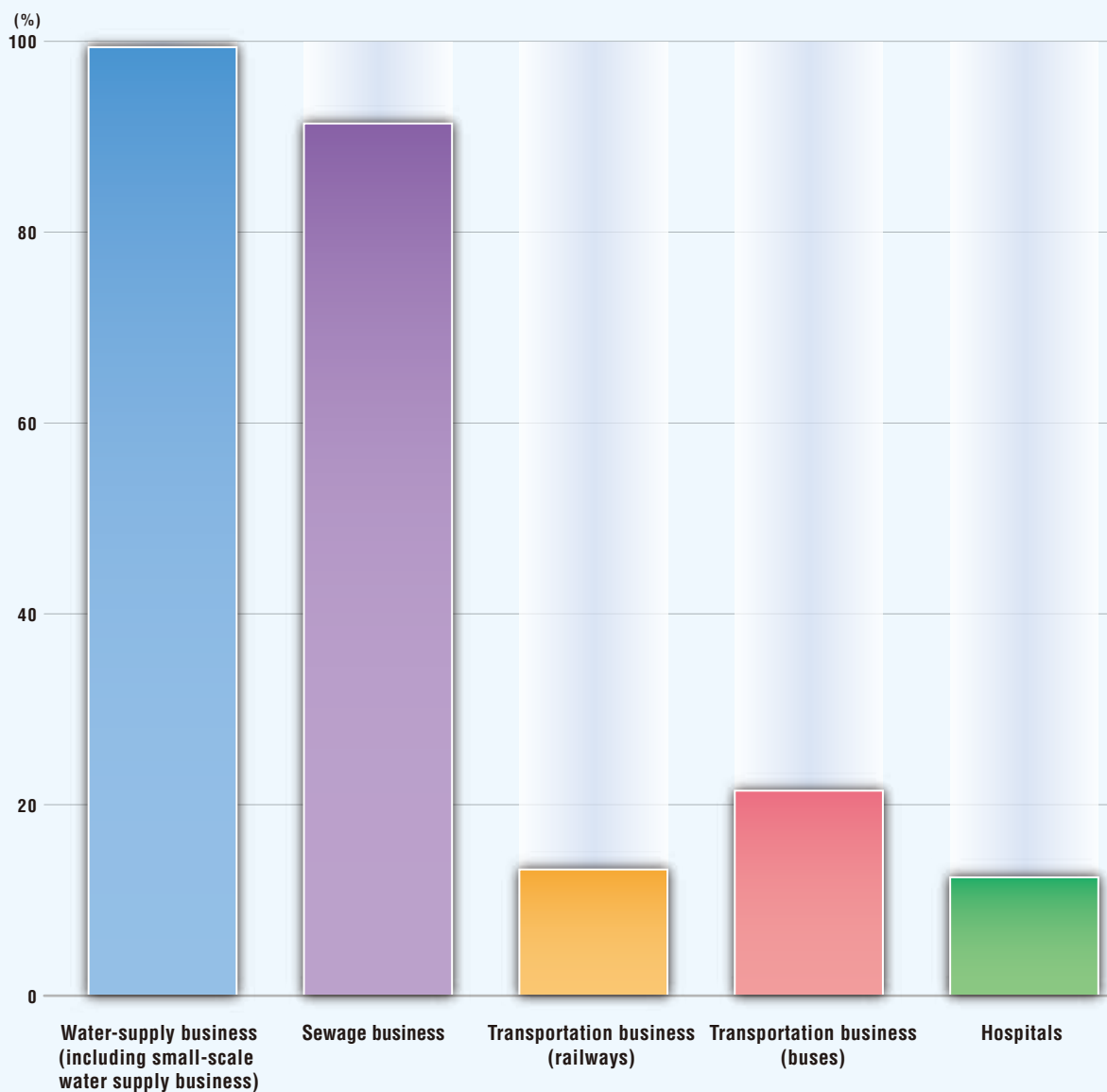
# Local Public Enterprises

## What is the status of local public enterprises?

### 1 Ratio of Local Public Enterprises

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

Current water-supply population	Sewage disposal population	No. of passengers per year	No. of passengers per year	No. of hospital beds
out of 125.63 million	out of 108.90 million	out of 22,724 million	out of 4,476 million	out of 1,593,000
<b>124.93 million</b> (99.4%)	<b>99.45 million</b> (91.3%)	<b>3,002 million</b> (13.2%)	<b>956 million</b> (21.4%)	<b>206,000</b> (12.9%)

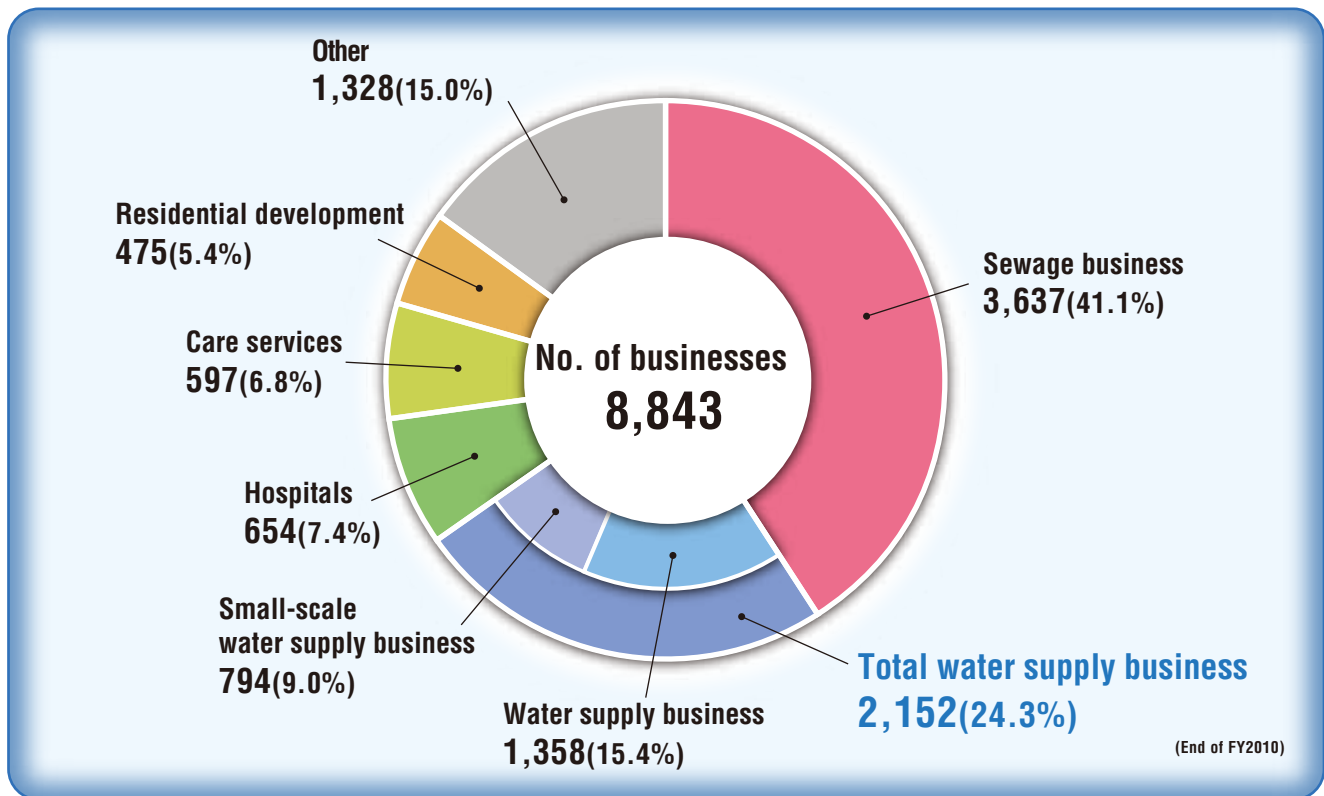


**Notes:**

1. The graph shows the ratio of local public enterprises when the total number of business entities nationwide is set at 100.
2. Figures for the total number of enterprises nationwide have been compiled from statistical materials of related organizations. Figures for local public enterprises have been compiled from figures for the total number of enterprises and settlements for the same fiscal year.

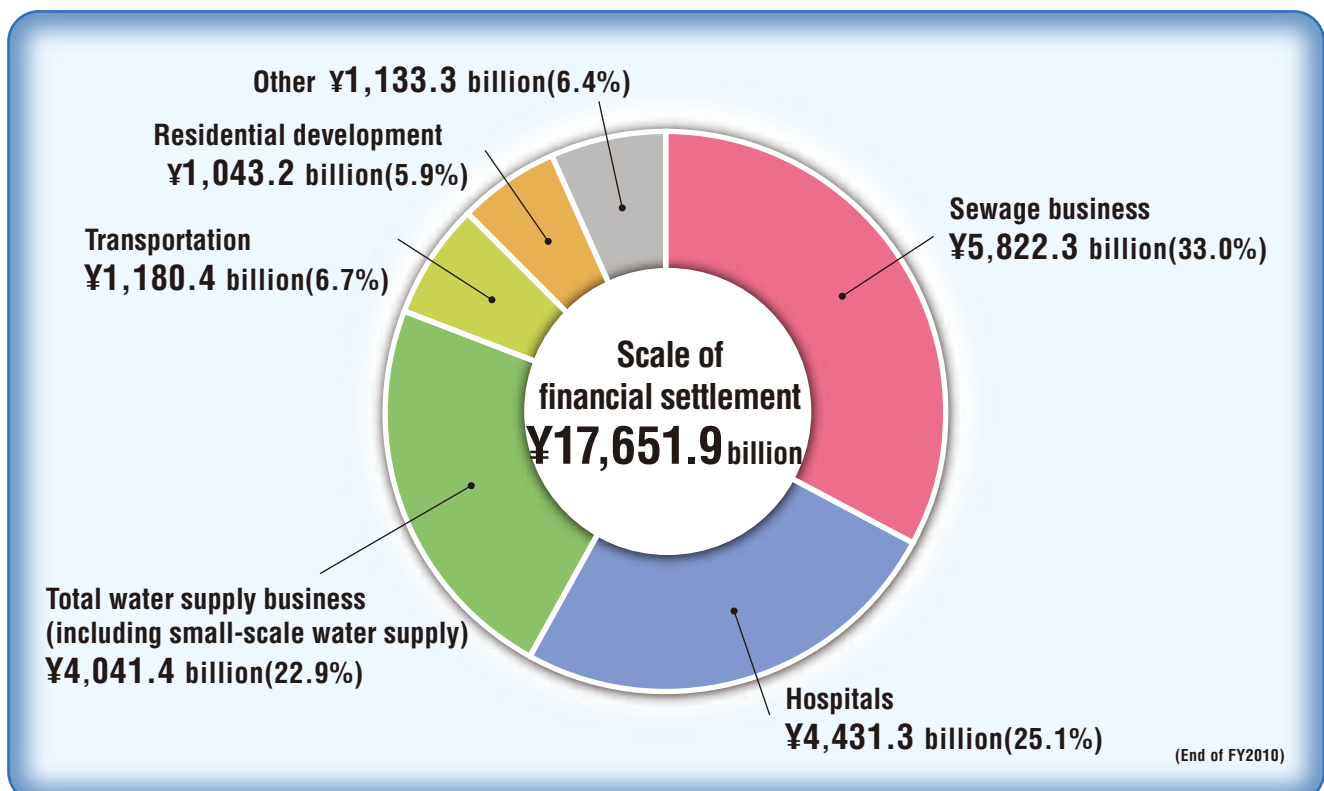
## 2 Number of Businesses Operated by Local Public Enterprises

There are 8,843 businesses that are operated by local public enterprises. By type of business, sewage accounts for the largest ratio, followed, in order, by water supply, hospitals, care services, and residential development.



## 3 Scale of Financial Settlement

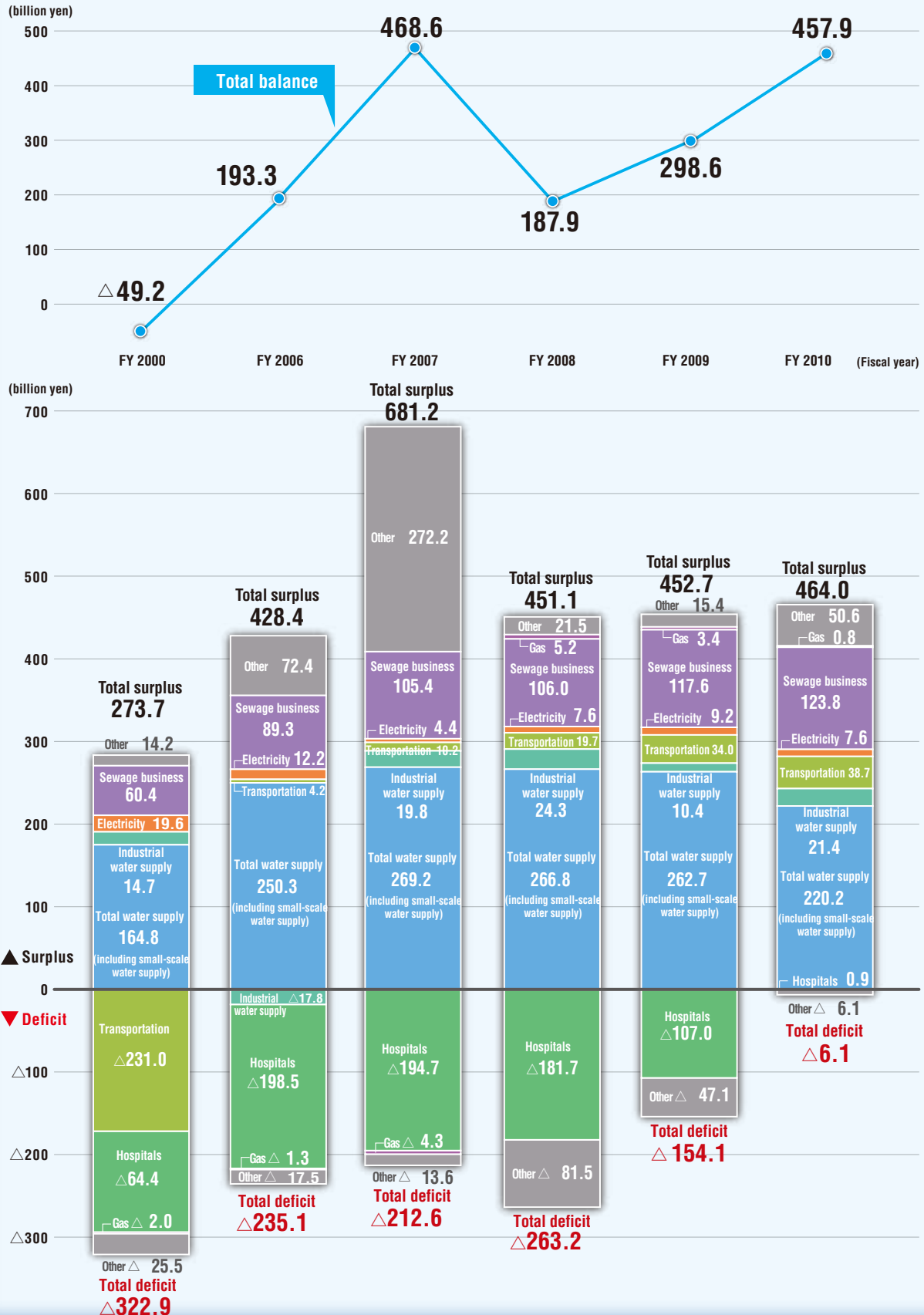
The scale of total financial settlement is ¥17,651.9 billion. By type of business, sewage accounts for the largest ratio, followed, in order, by hospitals, total water supply, transportation, and residential development.



## 4 Financial Status

Local public enterprises had a surplus of ¥457.9 billion. By type of business, total water supply, electricity, and sewage showed a surplus. While hospitals continued to register a deficit in recent years, it has shifted to a surplus.

### Trends in the Financial Status of Local Public Enterprises



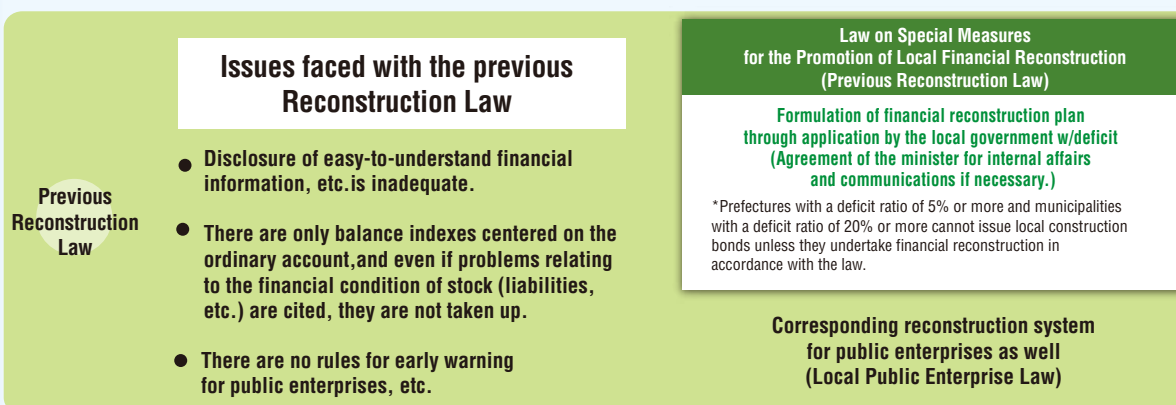
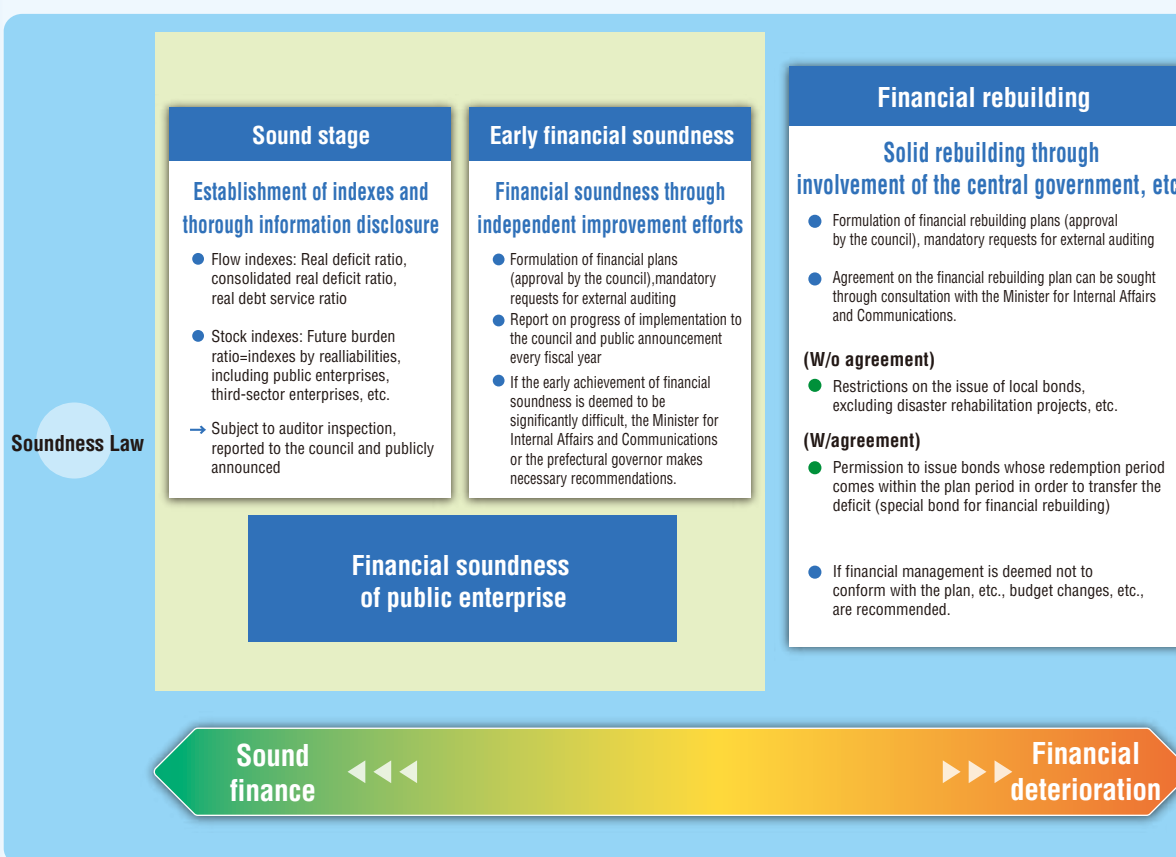
Note: "△" denotes negative figures.

# Promotion of the Soundness of Local Public Finance

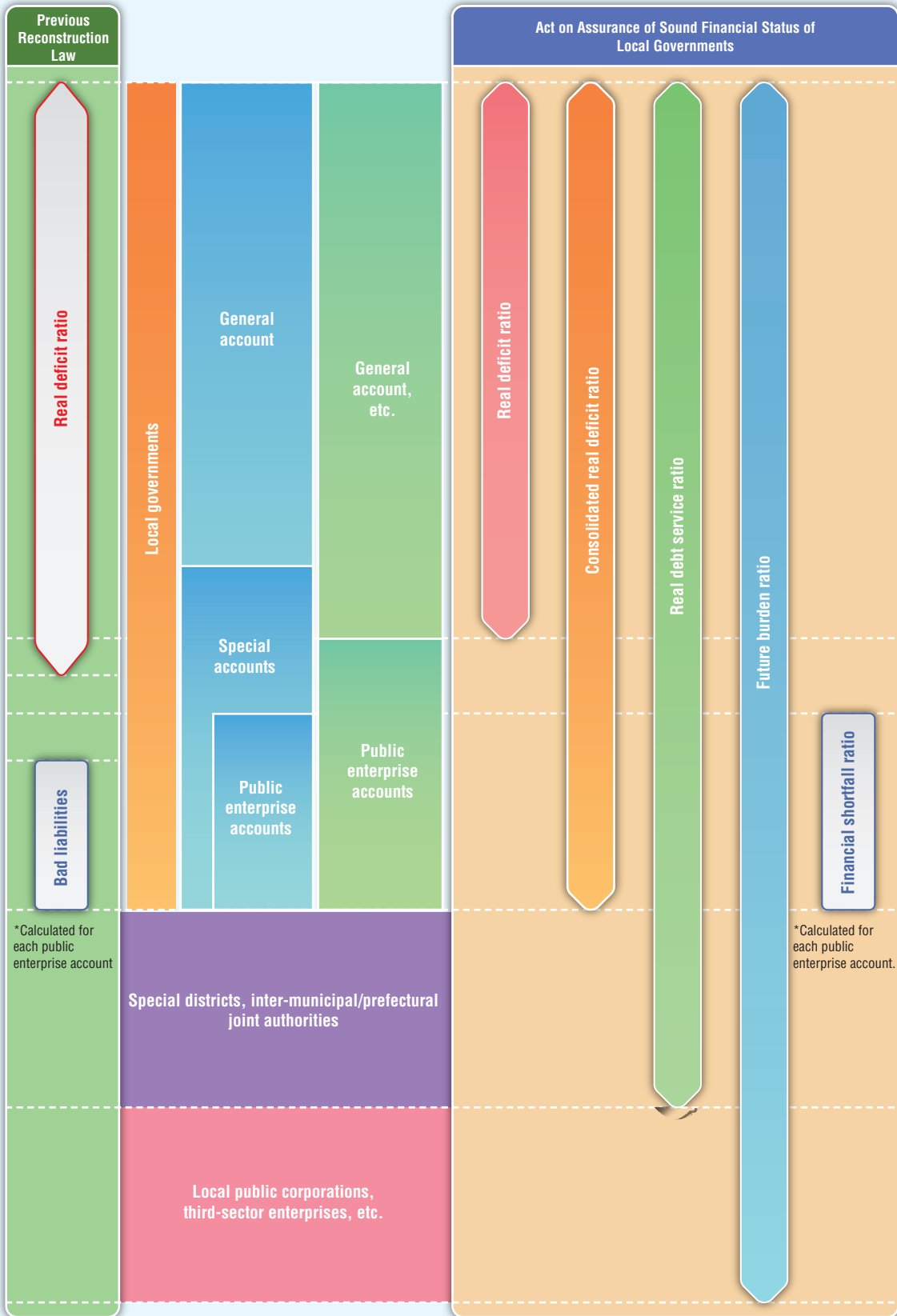
## 1 Overview of the Act on Assurance of Sound Financial Status of Local Governments

Amid extremely severe financial conditions with financial inflexibility caused by such factors as the high standard of debt service expenses concerning bonds issued in the past and the aging of society, the soundness of local public finance is an important issue to tackle. A number of drawbacks were pointed out with the conventional system of financial reconstruction of local governments, including the lack of a legal obligation to disclose comprehensible financial information and of rules for early warning. Accordingly, the system of local government financial reconstruction was thoroughly revised for the first time in about 50 years, and in June 2007, the Act on Assurance of Sound Financial Status of Local Governments (2007, Law No. 94) was enacted as a new system to officially establish and disclose financial indexes and to strive for the early achievement of financial soundness and rebuilding. Financial indexes have been in force since April 2008 and regulations concerning the duty to formulate financial soundness plans, etc. have been in force since April 2009.

### Comparison of the Soundness Law and Previous Reconstruction Law



# Targets of the Ratio for Determining Soundness



## Outline of the Ratio for Determining Soundness

$$\text{Real deficit ratio} = \frac{\text{Real deficit of general account, etc.}}{\text{Standard financial scale}}$$

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 administration has worsened.

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

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

$$\text{Real debt service ratio (3-year average)} = \frac{\begin{array}{l} \text{(Redemption of principal and interest of local bonds + quasi-redemption of principal and interest) -} \\ \text{(special revenue resources + amount included in standard financial requirements pertaining to redemption} \\ \text{and quasi-redemption of principal and interest)} \end{array}}{\begin{array}{l} \text{Standard financial scale -} \\ \text{(amount included in standard financial requirements pertaining to redemption} \\ \text{and quasi-redemption of principal and interest)} \end{array}}$$

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.

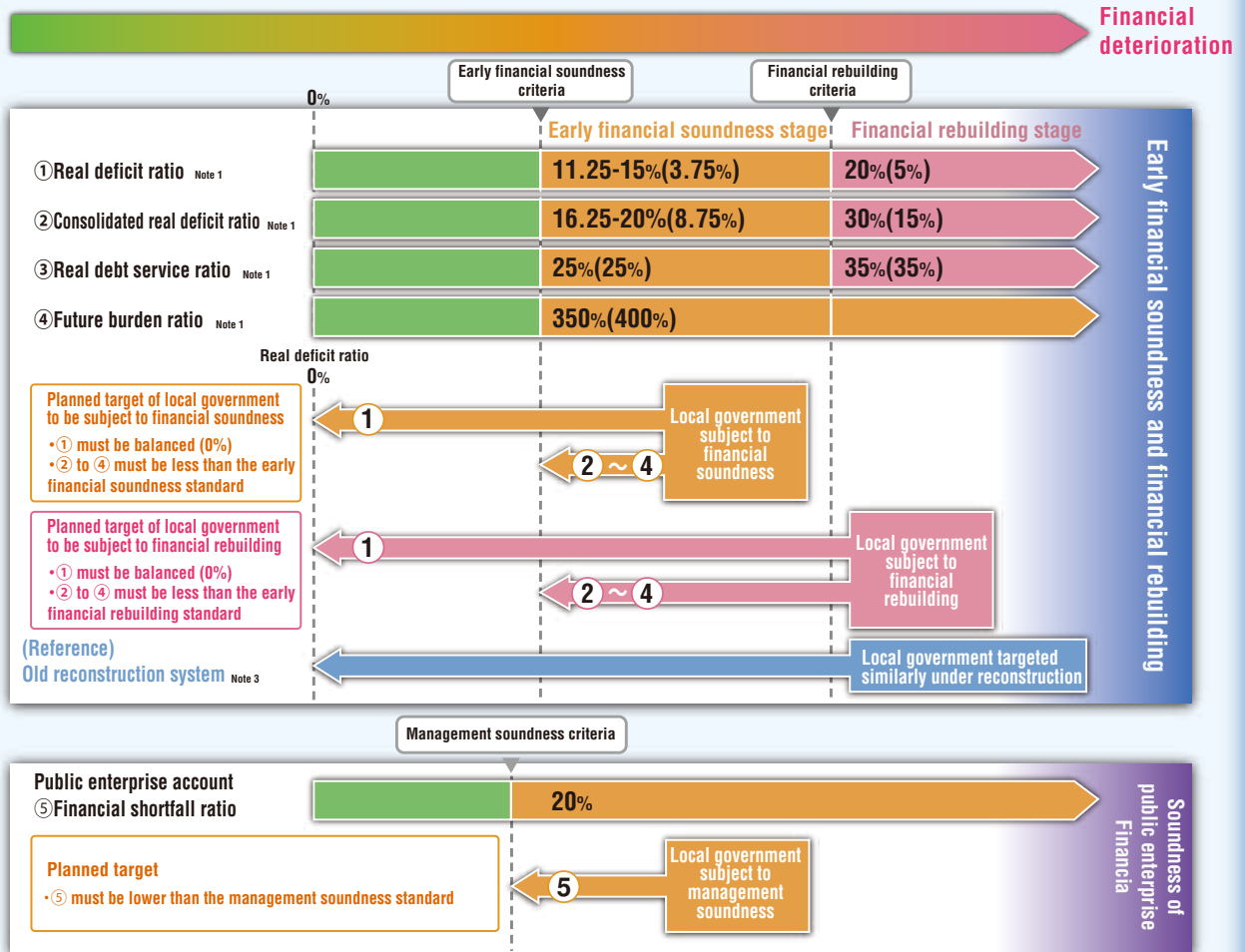
$$\text{Future burden ratio} = \frac{\begin{array}{l} \text{Future burden amount - (amount of appropriable funds + estimated amount of special revenue sources +} \\ \text{amount expected to be included in standard financial requirements pertaining to outstanding local government bonds, etc.)} \end{array}}{\begin{array}{l} \text{Standard financial scale -} \\ \text{(amount included in standard financial requirements pertaining to redemption} \\ \text{of principal and interest and quasi-redemption of principal and interest)} \end{array}}$$

The 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.

$$\text{Financial shortfall ratio} = \frac{\text{Deficit of funds}}{\text{Size of business}}$$

The financial shortfall ratio is an index of the deficit of funds of public enterprises compared to the size of their profit (size of business of public enterprises), and represents the extent to which financial health has worsened.

# Image of Early Financial Soundness, Financial Rebuilding, and Soundness of Public Enterprise Management



**Notes**

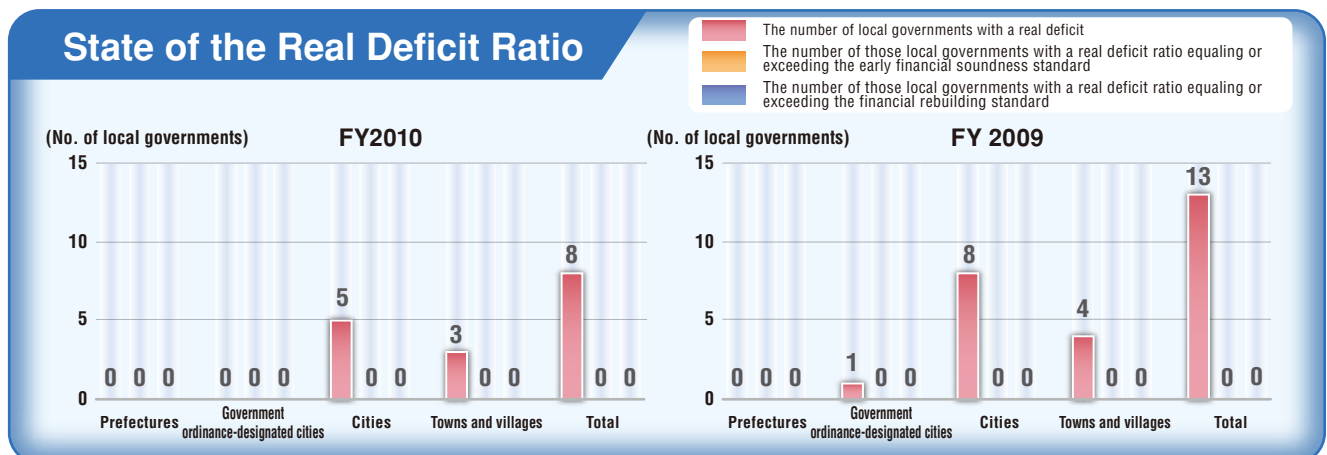
- Figures outside parentheses are the standards for municipalities. Figures inside parentheses are the standards for prefectures. The standards of the Tokyo Metropolitan Government regarding the real deficit ratio and the consolidated real deficit ratio are specified separately.
- Transitional standards have been established for the financial recovery standards for the consolidated real deficit ratio (2009: 40% (25%), 2010: 40% (25%), 2011: 35% (20%)). Transitional measures have been established for the standards for the Tokyo Metropolitan Government as well.
- Under the previous Reconstruction Law, a local government under reconstruction was required to ensure the equilibrium of the real balance.

## 2 Status of the Ratios for Determining Soundness

### 1 Real Deficit Ratio

The following figure shows the status of the real deficit ratio based on FY2010 account settlements.

Eight local governments fall under the category of local governments with a real deficit (i.e., with a real deficit ratio that exceeds 0%). None of these local governments have a real deficit ratio that equals or exceeds the early financial soundness standard.

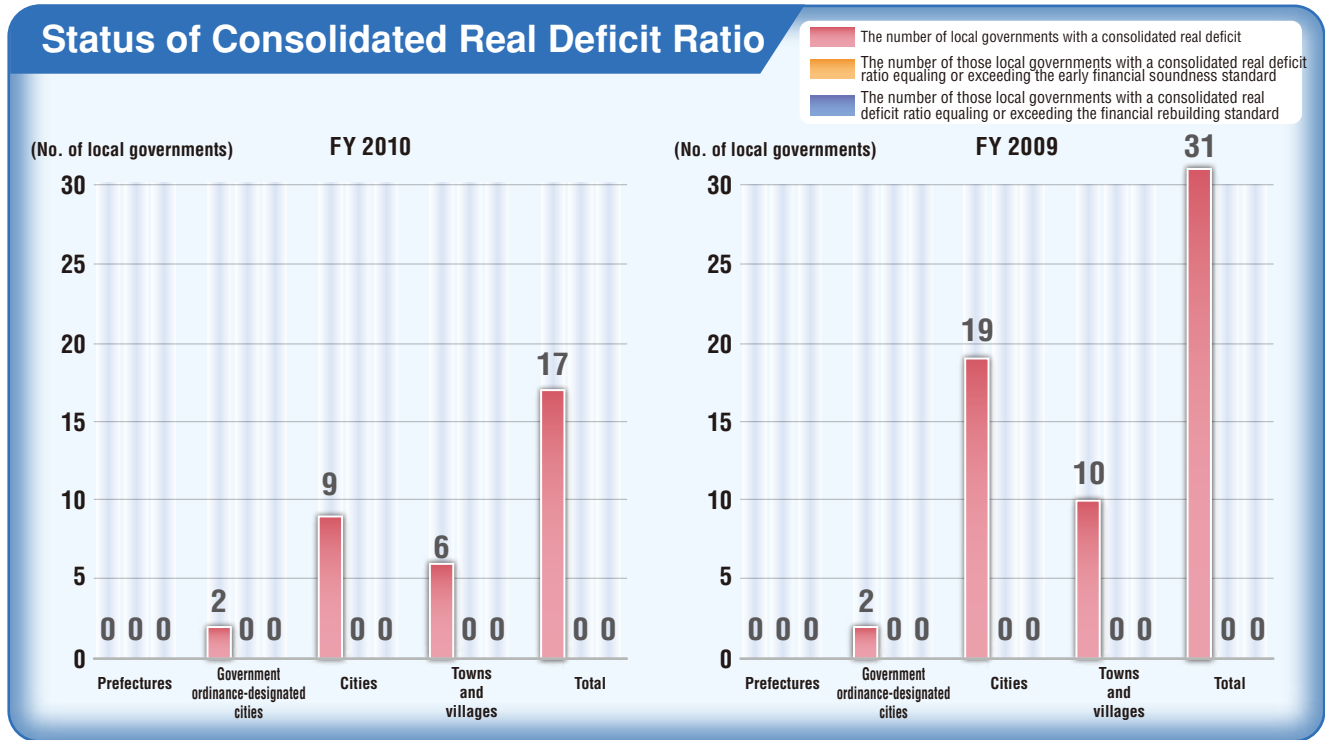




## 2 Consolidated Real Deficit Ratio

The following figure shows the status of the consolidated real deficit ratio based on FY2010 account settlements.

Seventeen local governments fall under the category of local governments with a consolidated real deficit (i.e., with a consolidated real deficit ratio that exceeds 0%). None of these local government have a consolidated real deficit ratio that equals or exceeds the early financial soundness standard.

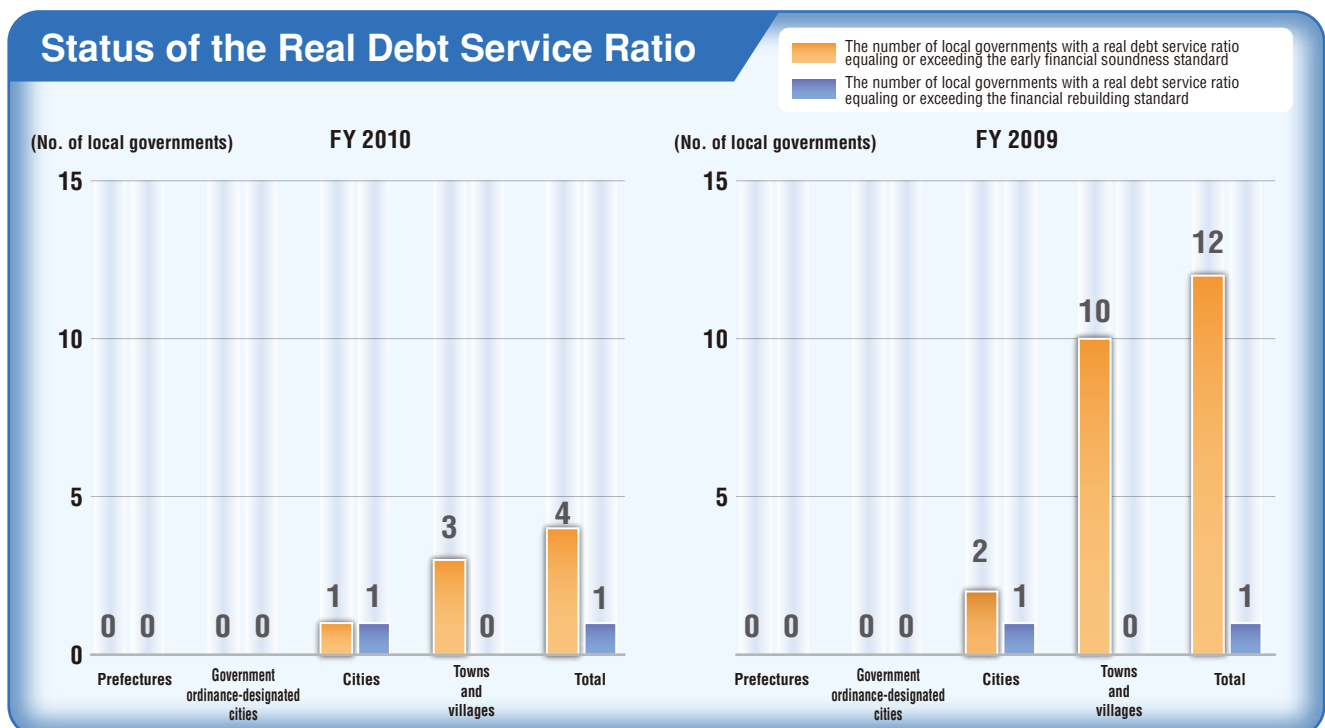


## 3 Real Debt Service Ratio

The following figure shows the status of the real debt service ratio based on FY2010 account settlements.

There are four local governments whose real debt service ratio equals or exceeds the early financial soundness standard.

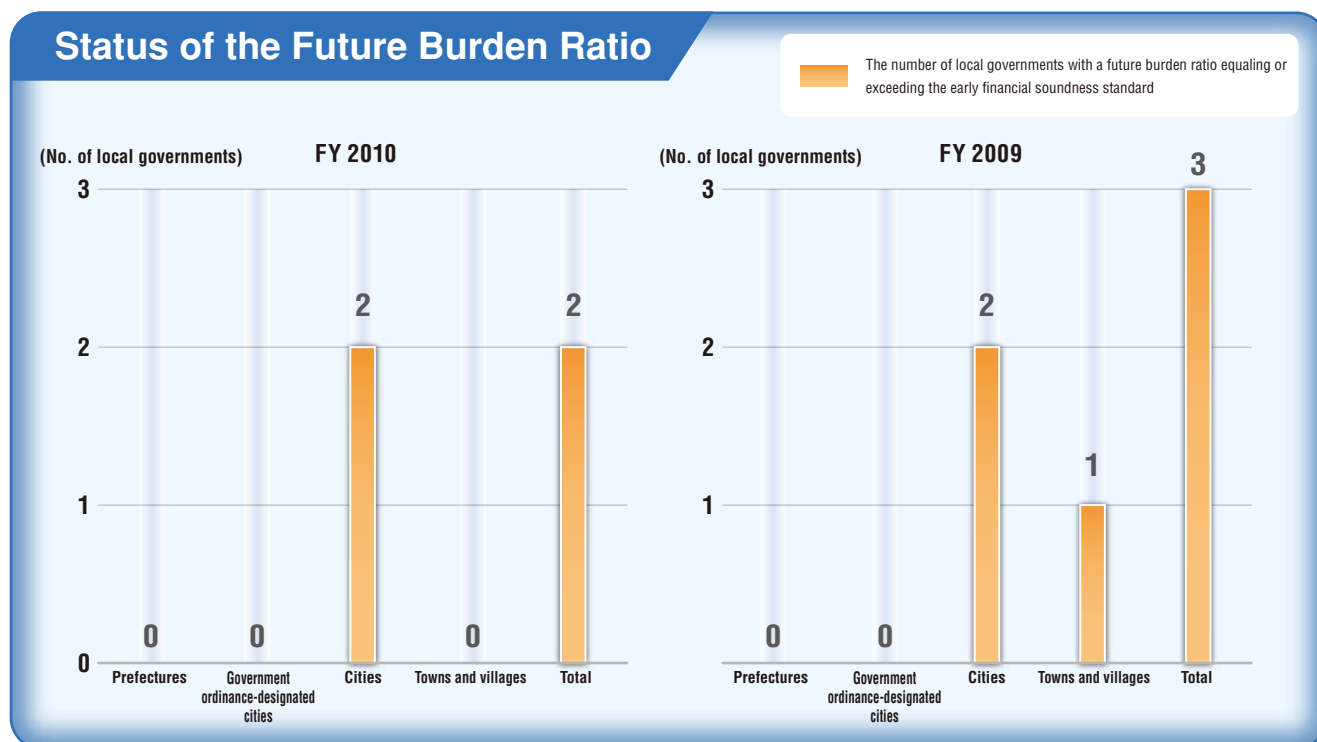
One of these local governments has a real debt service ratio that equals or exceeds the financial rebuilding standard.



## 4 Future Burden Ratio

The following figure shows the status of the future burden ratio based on FY2010 account settlements.

There are two local governments whose future burden ratio equals or exceeds the early financial soundness standards.



## 5 Financial Shortfall Ratio

The following figure shows the status of the financial shortfall ratio based on FY2010 account settlements. The accounts of 119 public enterprises fall under the category of accounts with a financial shortfall (i.e., with a financial shortfall ratio that exceeds 0%).

Thirty-eight of these accounts have a financial shortfall ratio that equals or exceeds the financial soundness standard.

