

SAPPORO

# City of Sapporo

## IR Presentation Document

November 2014



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1.

## **Overview of Sapporo and Major Policies**

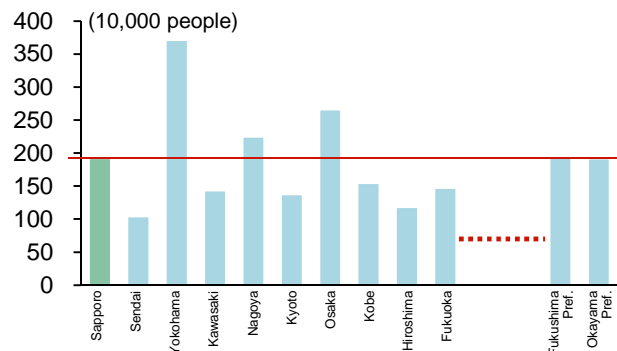


# Profile of Sapporo

Sapporo's population and economy are comparable in size to those of medium-sized prefectures.

## Size of population

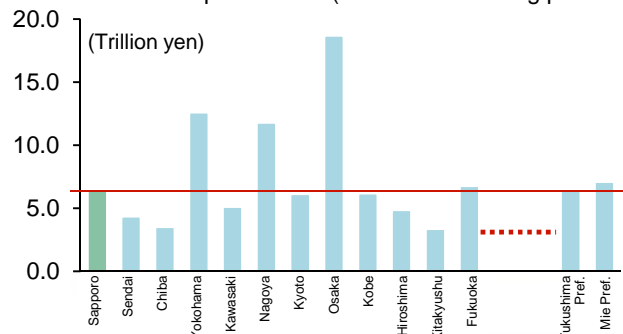
- Population is about 1.93 million people (ranked 4<sup>th</sup> among government-ordinance designated cities).
- Size of population is comparable to those of medium-sized prefectures (ranked 21<sup>st</sup> among prefectures).



Basic Resident Registration Network System as of March 31, 2014

## Size of economy

- Sapporo's total gross production is about 6.4 trillion yen (ranked 5<sup>th</sup> among government-ordinance designated cities).
- As well as the population, its size is comparable to those of medium-sized prefectures (ranked 23<sup>rd</sup> among prefectures).

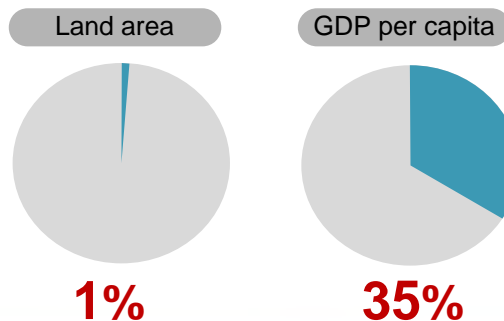


Source: Prefectural economic accounts (actual for FY2011)

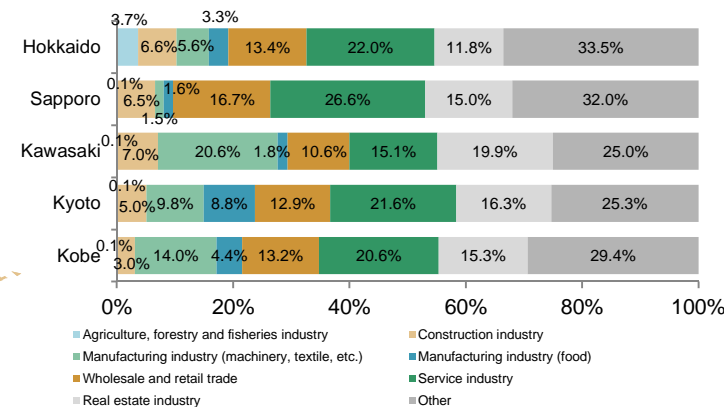


Sapporo's position in Hokkaido

While Sapporo accounts only for 1% of Hokkaido's total land area, its GDP per capita exceeds 30%.



## Industrial composition



Source: Prefectural economic accounts (actual for FY2011)

## Selected brand power

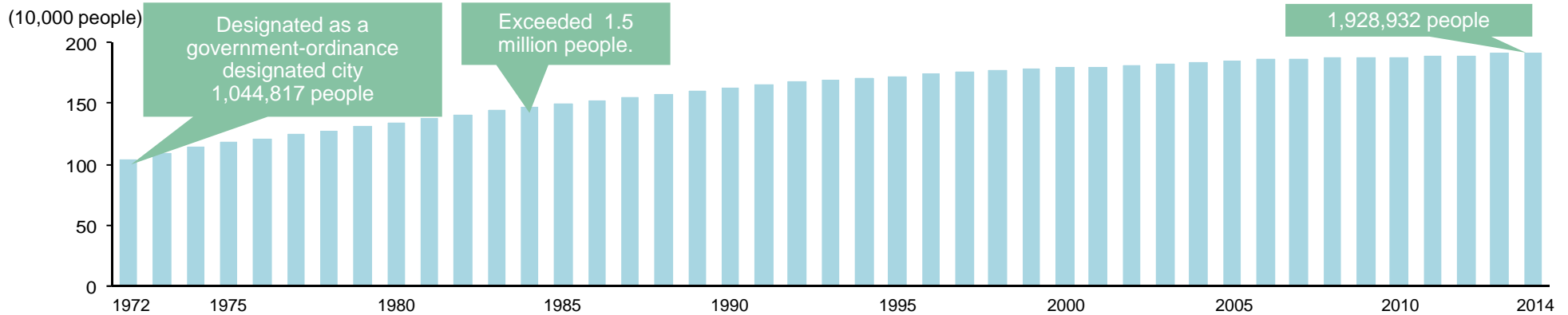
Fiscal year	First	Second	Third	First in prefectures
2006	Sapporo	Kobe	Hakodate	—
2007	Sapporo	Kyoto	Yokohama	—
2008	Sapporo	Hakodate	Kyoto	—
2009	Hakodate	Sapporo	Kyoto	Hokkaido
2010	Sapporo	Hakodate	Kyoto	Hokkaido
2011	Sapporo	Hakodate	Kyoto	Hokkaido
2012	Sapporo	Kyoto	Hakodate	Hokkaido
2013	Kyoto	Hakodate	Sapporo	Hokkaido
2014	Hakodate	Sapporo	Kyoto	Hokkaido

Source: Regional brand survey 2006 - 2014  
\* Prefectures became those surveyed from 2009.

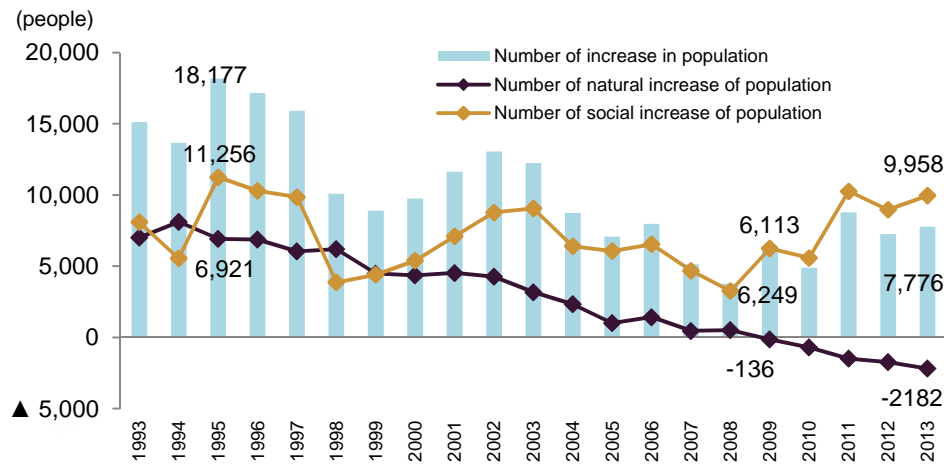
# Population of Sapporo

- The population of Sapporo has increased consistently after being designated as a government-ordinance designated city, but is expected to peak in sometime around 2015 and to tend slowly down since.
- The social increase of population has begun to exceed the natural increase of population since around 1999. In recent years, the situation where the social increase of population has made up for the natural increase of population has continued.

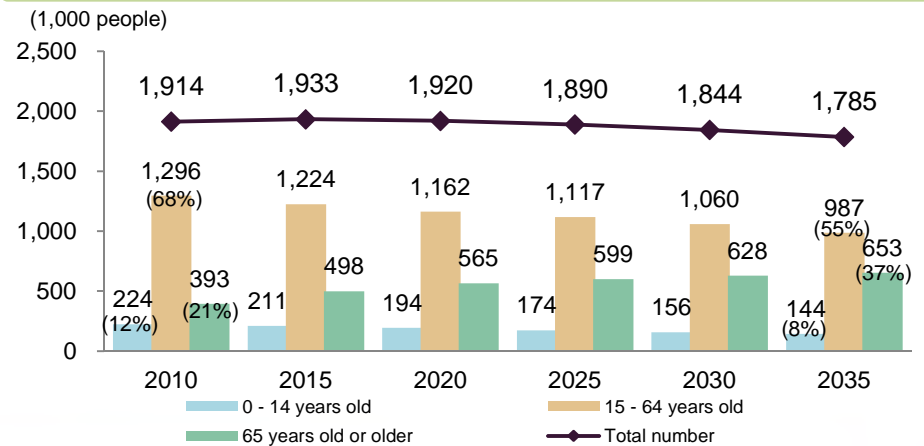
## Population of Sapporo after being designated as a government-ordinance designated city



## Population movement



## Population structure in the future



Source: Statistics Bureau of Ministry of Internal Affairs and Communications "National census", City of Sapporo Mayor's Policy Planning Office, Policy Planning Department, Strategic Planning Section



# Future of Sapporo That We Aim At; Formulating a strategic vision for urban development.

- With dealing with changes in socioeconomic circumstances surrounding the future of Sapporo, formulating the strategic vision for 10 years starting from FY2013 to FY2022, which is positioned as the urban management strategy to open up a *New creative era*.

**Sapporo is now facing a major turning point.**

### Arrival of society whose population will decrease.

Peaking in 2015 and trending down thereafter. Decrease in productive-age population will be prominent in particular.

### Increase in elderly single-person households.

One out of eight households will become an elderly single-person one in 2025.

### Reduction of economic size

With the productive-age population will decrease, the gross production of Sapporo will also decrease accordingly.

### Shift in energy policies

The questionnaire of citizens conducted in 2011 showed their hope that nuclear power generation should be abandoned.

## Strategic vision for urban development (formulated in 2013)

**City image we should aim at**

### The city that creates the future of Hokkaido, and that the world longs for.

- Creativity and challenge to create new value.
- Quest for Sapporo-type lifestyle.
- Realization of an eco-friendly capital which Sapporo can boast to the world.

### The spiritually rich city where people live together hand-in-hand with each other.

- Urban development that promotes human connection and mutual support.
- Collaborating with municipalities in Hokkaido to create its charms.
- The city that can coexist in harmony with the world.

**Three creative strategies, and urban space that supports these strategies.**

### Life and community

- Strategy for creating regional welfare benefits.
- Strategy for creating mutually supporting society.
- Strategy for creating regional management.

### Industry and vitality

- Strategy for creating Sapporo-type industry.
- Strategy for creating urban brand.
- Strategy for creating industrial human resources.

### Low-carbon society and energy conversion

- Strategy for creating low-carbon society.
- Strategy for creating next-generation energy.

### Urban space that supports strategies

- Urban area
- City center
- Base
- Network
- Urban foundation

# Potential of Sapporo (1); Overseas expansion of food and film

Forecasting the curtailment of economic size with the population decrease and the progress of super-aging society that are envisaged in the future, it is important to take the proactive measures for acquiring external demand.

Focusing strategically on acquiring external demand by creating synergetic effects through the collaboration among the support for corporate overseas development, the promotion of inbound tourism, and the city promotion.

## Established the International Economic Strategy Office

Encouraging the overseas expansion of the goods produced in Hokkaido.

Focusing on expanding the acquisition of external demand such as the increase in inbound tourists, etc.

Enhancing the infrastructure of the film industry and the city promotion utilizing image.

Promoting initiatives through utilizing *Hokkaido Food Complex, Comprehensive Special Zones for International Competitiveness Development and Sapporo Contents Special Zones.*

### Project for supporting export specification food manufacturing

Aiming to expand overseas sales outlets for foodstuffs of Sapporo.

Companies to be subsidized	Food manufacturing companies, trading companies for food export, etc. located in Sapporo
Subsidized amount (Subsidy rate)	Up to one million yen (Limited up to the half of the expenses to be subsidized)
Items to be subsidized	Manufacturing, machinery, export expenses, marketing, travel expenses, etc.



Koh-Ippen Iwata Co., Ltd.  
Koh-Ippen miso



Mireica Co., Ltd.  
Sapporo Catalana

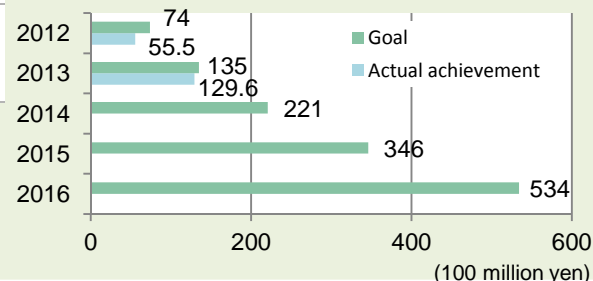


Nishiyama Seimen, Inc.  
Sapporo ramen noodle with soup



Sorachi Co., Ltd.  
Sorachi sauce

[Reference] Sales amount due to the effect of Food Special Zone



### Subsidy for film production provided by Sapporo

- Subsidizing filming costs so as to attract film crews to Sapporo as a location for filming.
- Sapporo is to be used for the production of television programs for overseas as well as that of domestic films such as **"The Detective Is in the Bar 2"**, **"Tears of Grapes"**, etc.
- The track records of aid in FY2013 were 12 cases, of which 11 cases were the television programs for overseas.



### "Beauty Concierge" (Tentative) Due for release in July 2015

- The attraction of location at a planning stage was successfully consummated for the first time since the special zone was designated in December 2011.
- 90% of the location was set in the city center of Sapporo.
- Having aided the arrangement of a new-film-release presentation, advertising of works, etc. starting with subsidizing the expenses related to the preliminary inspection of the location.

# Potential of Sapporo (2); Attraction of enterprises

## Strengths of Sapporo

### Potential that Sapporo has ever had

Less accent of words

Cheap office rent

Lots of universities and colleges with abundant human resources

### Location requirements of call centers

Survey year	Number of companies	Number of employees	Number of employees	
			Number of regular employees	Number of full-time employees
FY2009	49 companies	14,500 people	12,700 people	1,400 people
FY2010	53 companies	18,000 people	13,500 people	1,500 people
FY2011	54 companies	21,400 people	16,800 people	2,200 people
FY2012	62 companies	26,700 people	21,400 people	2,400 people
FY2013	65 companies	26,100 people	20,900 people	2,700 people



## Potential as a backup base in the future

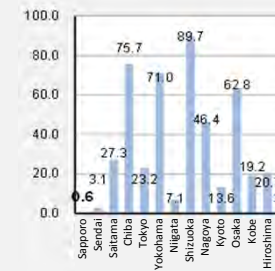
After the Great East Japan Earthquake, private-sector companies have been trying to promote diversification of risk in relation to location requirements, etc.

Located remote from the Tokyo metropolitan area

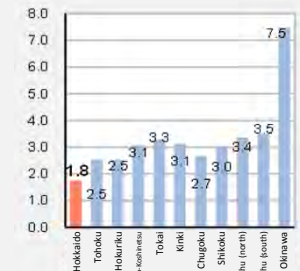
Low risk of natural disasters

Excellent transportation access

Probability of earthquakes measuring 6 or higher in the next 30 years



Number of typhoons that hit a year (average)



Strengthening efforts to aim at the **Relocation of headquarters' functions** and the **Food and advanced technologies fields**.

Source: (Left) Headquarters for Earthquake Research Promotion, (Right) Japan Meteorological Agency

## AXA Life Insurance Co., Ltd. decided to set up the Sapporo Headquarters in 2014!!

- Aiming to strengthen business continuity system.
- Organization with 120 employees
- Important functions such as new insurance policies, payment of insurance claims, personnel management, etc. were relocated.



City of Sapporo

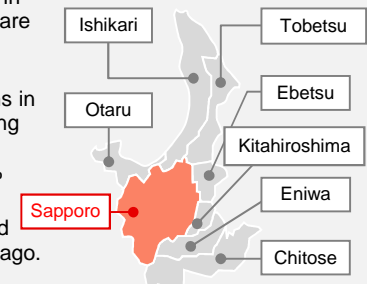
## Promoting attraction of enterprises further by making concerted efforts together with surrounding municipalities!!

### Subsidy for promoting capital investment in Sapporo area.

- Sapporo will subsidize the investments into facilities related to priority areas (biotechnology, renewable energy sources, aerospace, etc.) as well as those in the city center of Sapporo, of course, even if they are made in neighboring municipalities.

[Track record of subsidy]

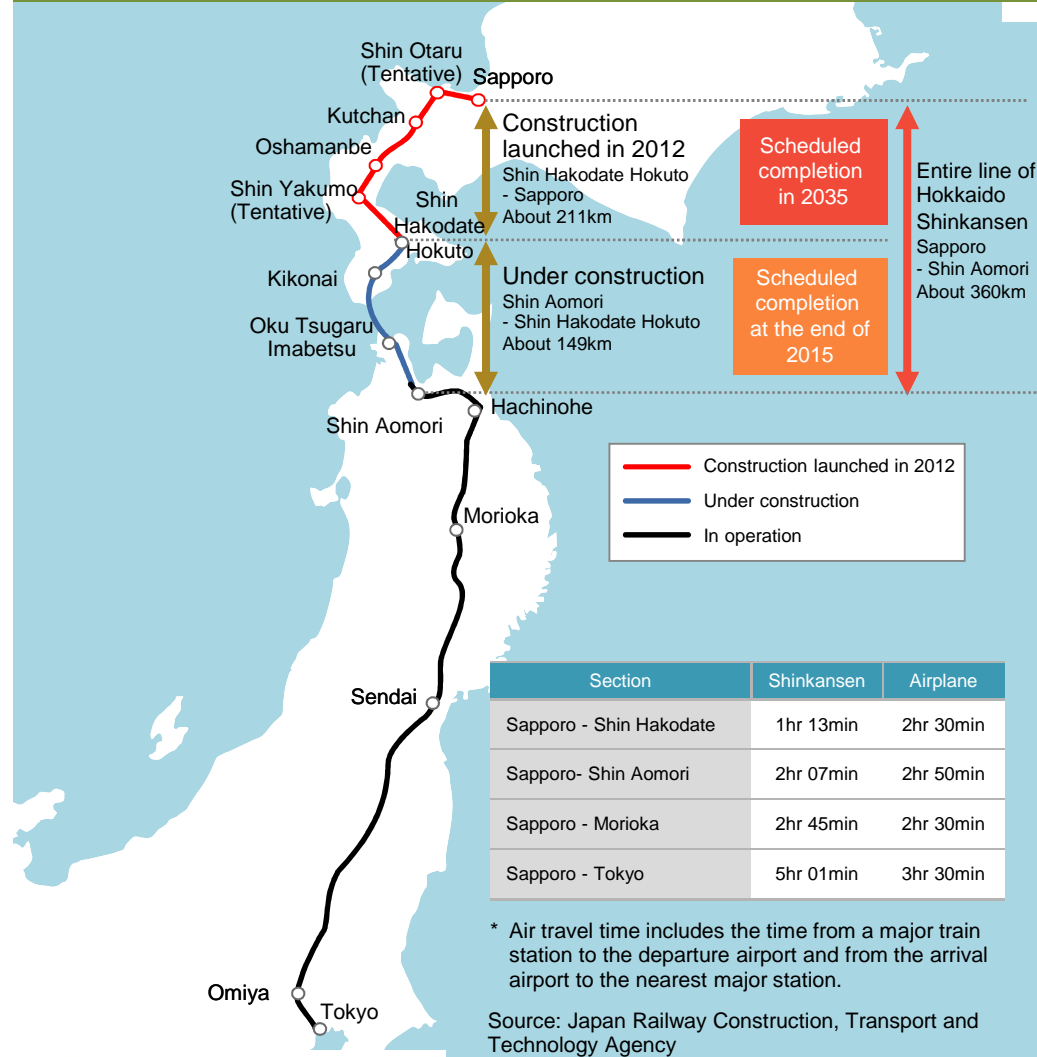
- Unisis Corp; Being scheduled to launch operations in April 2015. Having expanded business by providing high-quality medical needles manufactured with special technologies. Global market share of 30%
- Nakakita Yakuhin Co., Ltd.; Being scheduled to launch operations during 2016. A long-established pharmaceutical manufacturer founded 288 years ago. While basing in Chukyo area, trying to develop in Hokkaido this time to aim to strengthen its business continuity plan.





# Potential of Sapporo (3); Extension of Hokkaido Shinkansen (Bullet Train)

## Revitalizing the flow of people by strengthening the network with Honshu



### Extension project costs and fiscal burden of Sapporo

- Of the total project costs for extension of Sapporo in the amount of 1.67 trillion yen, the burden of Sapporo is about 210 billion yen. This burden of about 210 billion yen is to be financed by the following manners:

Rental fees	State contribution (2/3)		Local burden (1/3)	
	Public works related expenditures		Prefectural burden	Municipal burden
Local government bonds				General Account budget
Tax allocation system 45%		Local burden 45%		10%

### A variety of effects in Sapporo

(The first year after launch)	Central Hokkaido		Southern Hokkaido	Northern Hokkaido	Other regions	Entire Hokkaido
		Sapporo				
Net increase of number of visitors (10,000 people)	36.3	33.3	15.7	13.5	11.4	42.4
Total amount of consumption (100 million yen)	560	535	34	38	31.0	663
Production ripple effects (100 million yen)	778	683	57	65	64.0	964
Share to entire Hokkaido (production)	80.8%	70.9%	5.9%	6.8%	7%	

[Trial calculation] Hokkaido, Department of Policy Planning and Coordination in June 2013

# Changing Cityscape; Creating a bustling city center

- Having increased the flow of people in the heart of the city since when the underground walkway connected between Sapporo Station and Odori in March 2011.
- Planning to liven up the downtown area even further, in part by improving facilities between Sapporo Station and Susukino, and also through the redevelopment of the *Kita 1, Nishi 1 area* and *the Minami 2, Nishi 3 southwest areas*. Encouraging the remodeling of buildings that face the street.

## Improvement of Odori junction



Renewal of the underground crosswalk between Sapporo Station and Odori, in cooperation with privately-owned building owners, etc. (due for complete in spring 2015)  
\*Rendering of completion

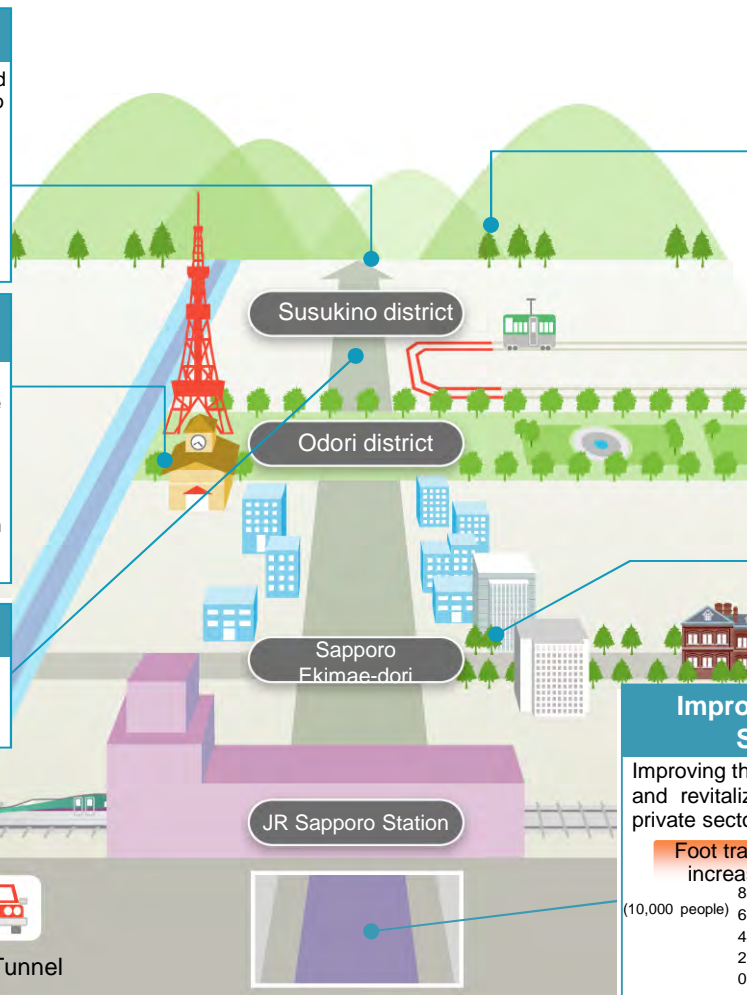
## Improvement of complexes for public gatherings



Developing a center of culture, arts, and creative activities for local residents. (due for completion in 2017)  
\*Rendering of completion Hall with 2,300 seats

## Promoting redevelopment of city center

Actively engaging in redevelopment using private funds in areas such as *Kita 1, Nishi 1 area* and *the Minami 2, Nishi 3 southwest areas*.



## Extension to loop streetcar line



Introducing a new model, low-floor streetcar, and constructing a loop line from Susukino to Odori district (due for launching during 2015)

\*2013 Good Design Award

## Development of Kita 3-jo Akapura



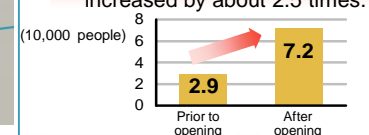
Development of Kita 3-jo street extending from the old Akarenga Government Building to Sapporo Ekimae-dori.

Opened on July 19, 2014

## Improvement of underground walkway in front of Sapporo Station (opened in March 2011)

Improving the underground walkway connecting Sapporo Station and Odori, and revitalizing the city center and regaining its attractiveness through private sector redevelopment.

Foot traffic in front of the station increased by about 2.5 times.



\*2012 Good Design Award

# Creative City Sapporo; Sapporo International Art Festival 2014 taken place

## Declaration of Creative City Sapporo (March 2006)

The city that generates new industries and culture through domestic and international interchange with civilian power rich in creativity



## Participation in UNESCO Creative Cities Network (in November 2013)

- Sapporo was designated as a City of Media Arts in Asia for the first time.
- Intellectual interchange with world creative cities and improvement of the city brand
- Spillover effects to a variety of industries



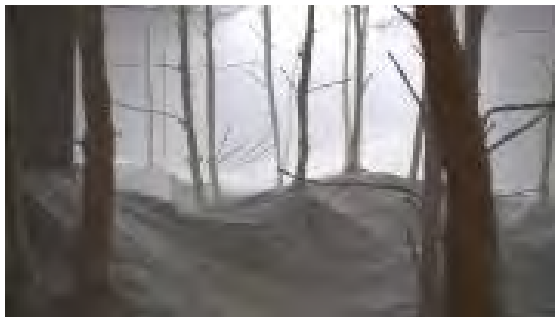
### Other domestic member cities

Craft & folk art	Kanazawa
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Design	Nagoya Kobe
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## Sapporo International Art Festival 2014

- The iconic project inaugurated as the *Creative City Sapporo* for the first time.
- It was opened for 72 days from July 19 to September 28, where the number of visitors reached 478,200 people that was 1.6 times as many as the original target.



(1) [Wald aus Wald (Wood by wood)] Takashi Kuribayashi

## Promotion of *Creative City Sapporo*

Developing human resources to support Sapporo-like culture and arts

Accumulating diverse human resources to lead the *Creative City Sapporo*

Creating lifestyle full of culture and arts

Rediscovering charms of Sapporo and creating new value through power of culture and arts.

Revitalizing community development as well tourism and economy.



(2) [FOGSCAPE #47412] Fujiko Nakatani

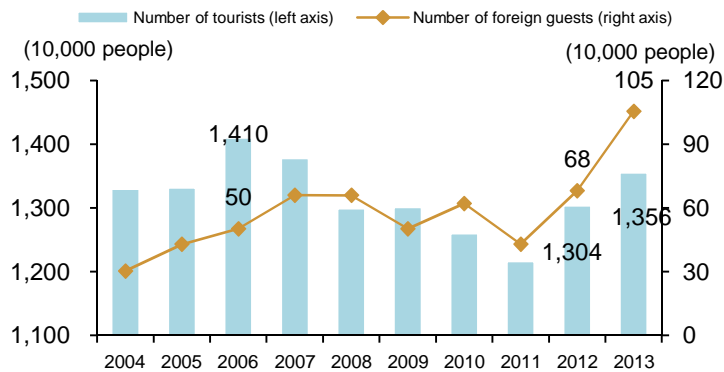
Photo: Keizo Kioku for both (1) and (2)



# Tourism of Sapporo; Aiming at tourist numbers of 15 million people

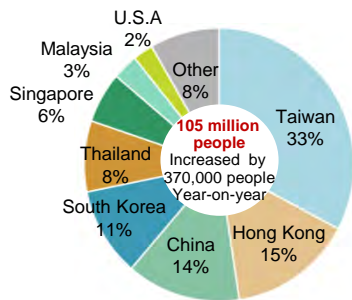
## Tourists visiting Sapporo

- Sapporo aims to achieve the tourist numbers of 15 million people a year by 2022 through formulating the *Plan for Urban Development by Tourism in Sapporo*.
- Strengthening the attraction of foreign tourists focusing on Southeast Asian nations as promising markets in particular.



Source: "Tourism of Sapporo, 2013 edition"

## Breakdown of foreign tourists (by departure place in FY2013)



- About 70% of tourists visiting Sapporo has come from East Asian nations.
- In recent years, the tourists from Southeast Asian nations have increased significantly.
- The tourists from Thailand in particular have increased by 320.4% year-on-year.

Country, region	Number of guests in 2013	Year-on-year
Thailand	88,495	320.4%
Singapore	63,405	179.4%
Malaysia	32,014	216.4%

Source: "Tourism of Sapporo, 2013 edition"



Disseminating the attractiveness of Sapporo to the world.



## Top level involvement in sales targeting at Thailand

- Launched regular flights from New Chitose to Bangkok. (Daily flights from October 2013)
- Exemption of visa for visiting Japan (From July 2013)

Mayor himself strengthened the economic ties with Thailand and conveyed the charm of tourism in Sapporo.



Sapporo made proactive appeal. (The trains wrapped in Hatsune Miku run in the Thailand.)



## Running a wrapping bus in Singapore.

- On the sidelines of the launching of 17 extra flights to and from New Chitose and Singapore (scheduled between December and January), carried out the tourism promotion of Sapporo by using the buses wrapped in Hatsune Miku run.

Sapporo makes proactive appeal. (The buses wrapped in Hatsune Miku will run in Singapore.)

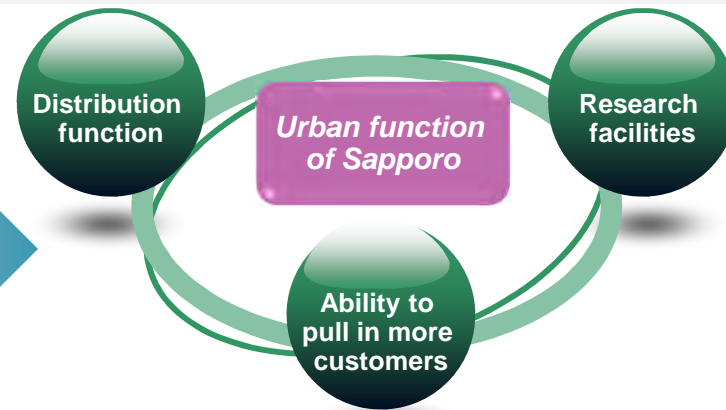
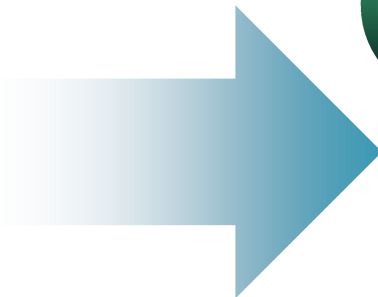


# Collaboration within Hokkaido; No development of Sapporo without development of Hokkaido

## What Sapporo can do to vitalize Hokkaido.

- Sapporo is the place where a variety of charms gather from all over the Hokkaido. Charms of Sapporo are those of Hokkaido themselves.
- Forecasting that the economic base will be weakening due to the decrease in population in the future, it will be indispensable to create an economic environment where Sapporo and other regions will work together to utilize each charm.
- Sapporo is carrying out a variety of initiatives so that municipalities in Hokkaido can leverage Sapporo effectively.

### Lots of attractive resources in Hokkaido



### Sapporo: Instruction manual

- Are you looking for a place for regional PR?
- Please utilize such human resources or research institutes in Sapporo!
- The entire city of Sapporo as PR media in whole!
- <http://www.city.sapporo.jp/kikaku/renkei/torisetsu.html>



### Promotion of sextiary industrialization

#### Networks that are connected one another

- The collaborating matching site for agricultural, commercial and industrial industries of 10 cities in Hokkaido.
- The database that posts the information on operators in the primary, secondary and tertiary industries in Hokkaido who wish to work with other industries.

[Number of participation case]  
 Primary: 13 cases, Secondary: 27 cases,  
 Tertiary: 21 cases

- <http://www.sec.jp/database10/>

#### Project subsidized for promoting revitalization of sextiary industry

- Subsidizing the initiatives where new products development shall be carried out in collaboration with the primary industry in Hokkaido and the secondary and tertiary industries in Sapporo by leveraging resources of farm and marine products in Hokkaido.

[Number of adoption case] 16 cases  
 [Adoption case] Development of the Raw ham yukhoe produced by Hokkaido brand wagyu (Japanese beef) that is edible at home.  
 (Primary producer: Uemura Farm (Shiraoi), Secondary producer: Sapporo Barnaba Foods (Sapporo))



### “Rainbow for Unity”

- An image song was produced so as to let everyone know how the collaboration in Hokkaido had been promoted and share such initiatives with one another.
- It is the RAM WIRE, a group of three people, that produced such a song, who agreed with the idea of the initiatives. Use, its vocal, is from Iwamizawa.





# Ongoing Administrative and Financial Reform Initiatives; Goals and status of progress

- Achieved the benefit of roughly 130.0 billion yen from reforms to fiscal structure and administrative policies carried out in 2005-2006 and 2008-2010.
- The *Plan to Promote Administrative and Financial Reforms (2012-2014)* was drawn up with the goal of establishing a sustainable fiscal structure and to review the allocation of resources to key areas.
- The cumulative benefit amount through the Plan to Promote Administrative and Financial Reforms reached 52.2 billion yen as of FY2013, which exceeded the benefit amount up to FY2014 estimated in the original plan.

<b>2005 - 2006</b>
Fiscal structural reform plan
<b>2008 - 2010</b>
Administrative and fiscal reform plan
<b>2012 - 2014</b>
Plan to Promote Administrative & Financial Reforms

**Reforms achieved in the past**

- The debt of all accounts was reduced by about 478 billion yen.
- The number of employees was reduced by about 2,000 people.
- Urban rapid transit railway business has become profitable on a yearly basis since 2006

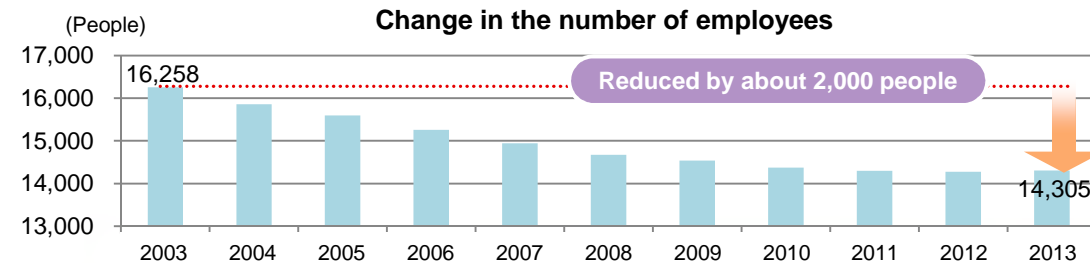
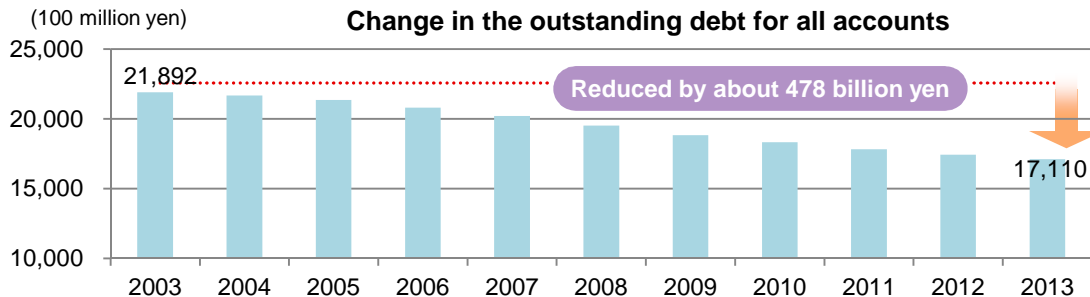
**Plan to Promote Administrative and Financial Reforms (2012-2014)**

(Unit: 100 million yen)

Item	Benefit amount	Cumulative benefit amount 2012-2014	Key measures
Enhancing efficiency of organizational management	146	234	Reducing administrative costs, promoting outsourcing to private sector, etc.
Effective use of fiscal resources	272	170	Leasing or selling lands, drawing down funds.
Reviewing allocation of resources.	30	40	Reducing existing business costs.
Strengthening revenue base.	72	78	Strengthening collection of overdue payments, etc.
<b>Total benefit amount reviewed</b>	<b>520</b>	<b>522</b>	

**Status of benchmarks**

Item	Goal	Results in 2013
Outstanding city bond of all accounts	End of FY2014 to be less than end of FY2010 (Less than 1,833 billion yen)	1,711 billion yen
Public finance adjustment reserve funds	Retaining about 10 billion yen.	17.5 billion yen
Ordinary balance ratio	The level below the average of government-ordinance designated cities.	92.3% (The average of government-ordinance designated cities is 94.6%.)
Independent financial resources (excluding funds carried forward, revenue from interest on loan principal, etc.)	To be comparable with FY2010 (39.2%)	38.9%



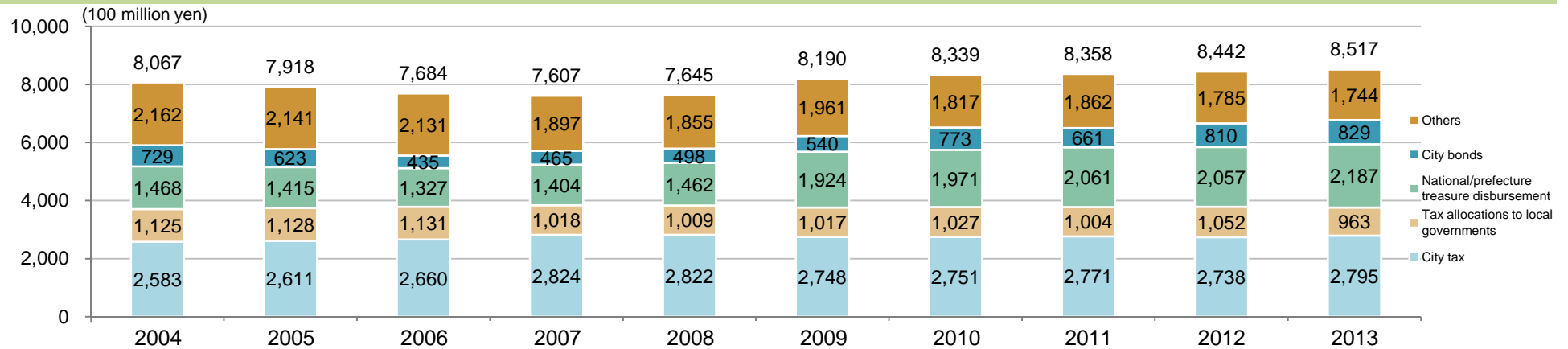
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## **Financial Profile of Sapporo**

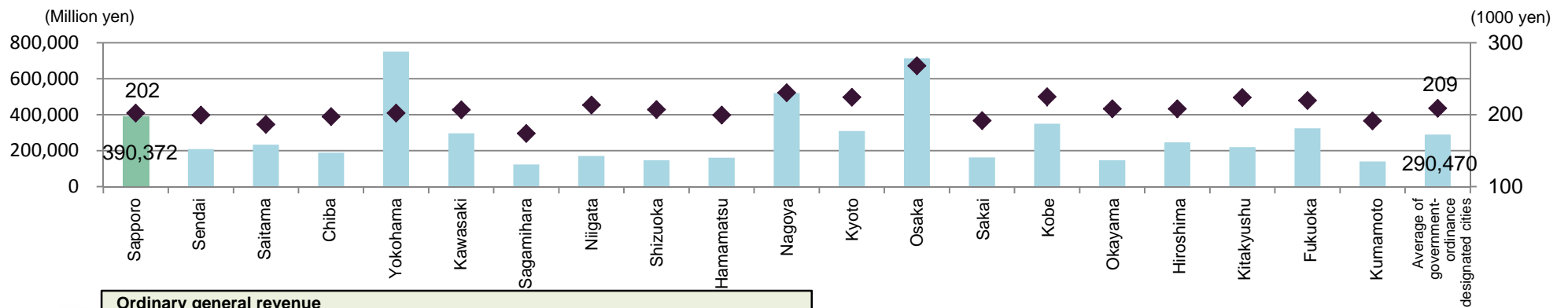
# General Account Closing in FY2013; Status of income and expenditure, and revenue

- The revenue at the settlement of accounts in FY2013 was 851.7 billion yen increased by 0.9% year-on-year.
- Whereas the income of city tax and national treasury disbursement increased, the local grant tax decreased by 8.5% year-on-year.

## Breakdown of revenue



## Ordinary general revenue of government-ordinance designated cities (Ordinary accounting basis)



### Ordinary general revenue

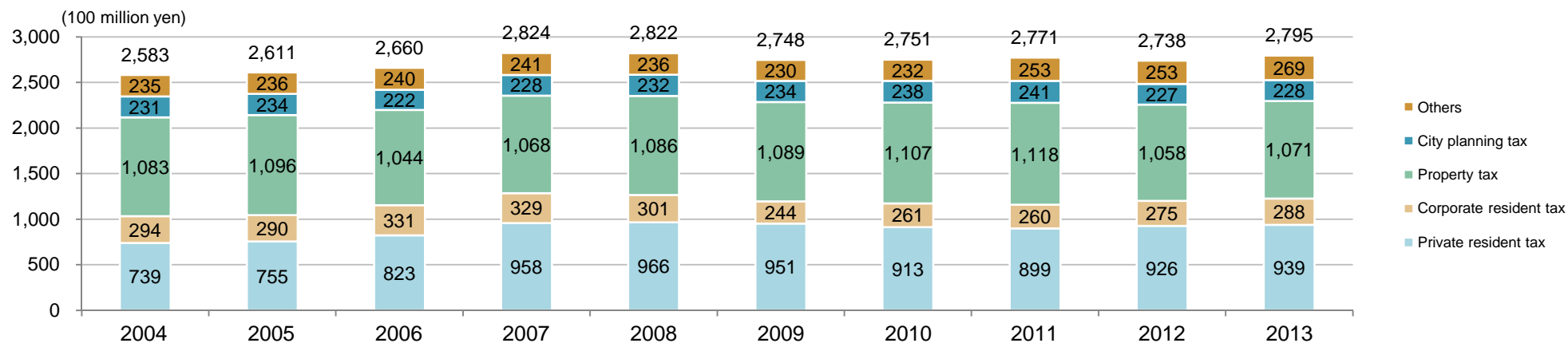
The amount of revenue that is regularly earned every fiscal year and to which no restriction is made for its use at all. For instance, local tax, ordinary local grant tax, recurring usage fee or commission earned, etc.

■ Ordinary general revenue amount (Left axis)

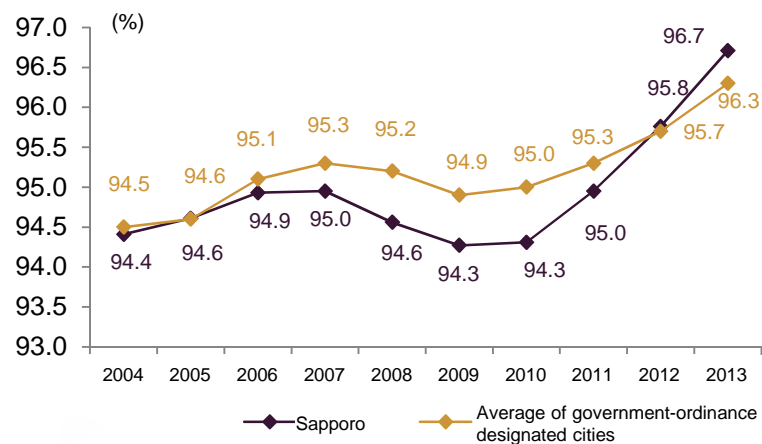
◆ Per capita citizen (Right axis)

# General Account Closing in FY2013; City tax revenue

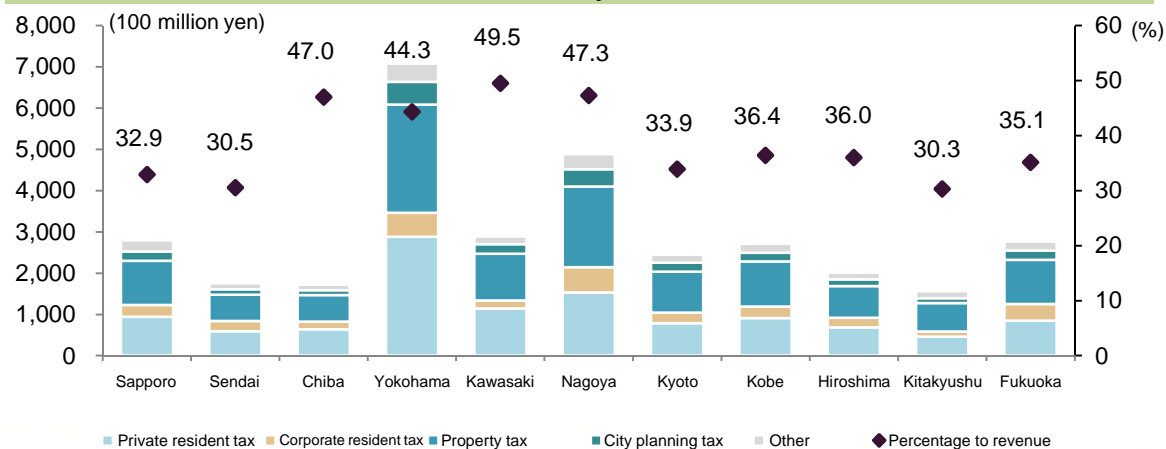
- The income of city tax increased by 5.7 billion yen year-on-year.
- The tax collection rate exceeded the level of the average of government-ordinance designated cities by strengthening the disposition of delinquency in payment.
- However, the percentage of tax revenue to the revenue is still low, and the challenge is how tax sources will be cultivated further from now on.



## Change in ratio of tax revenue



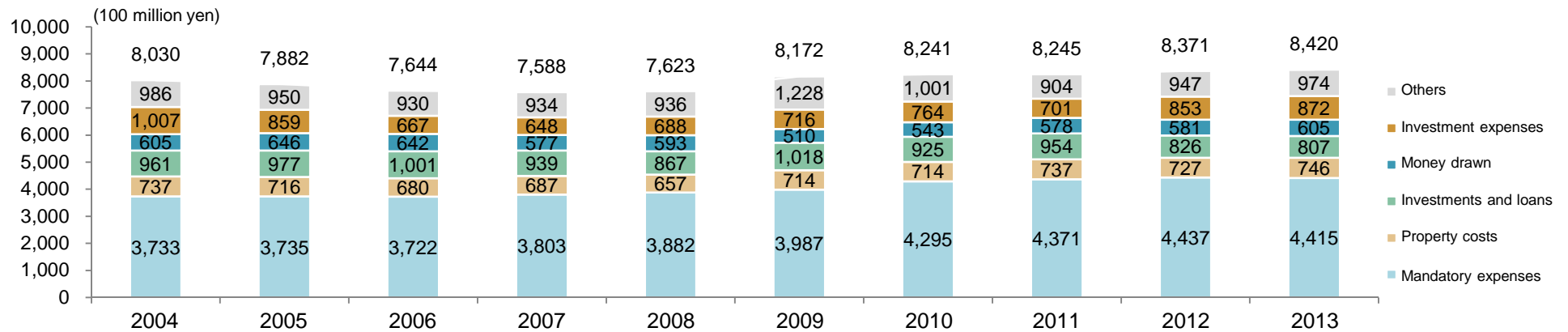
## Tax revenue structure of each city in financial results of FY2013



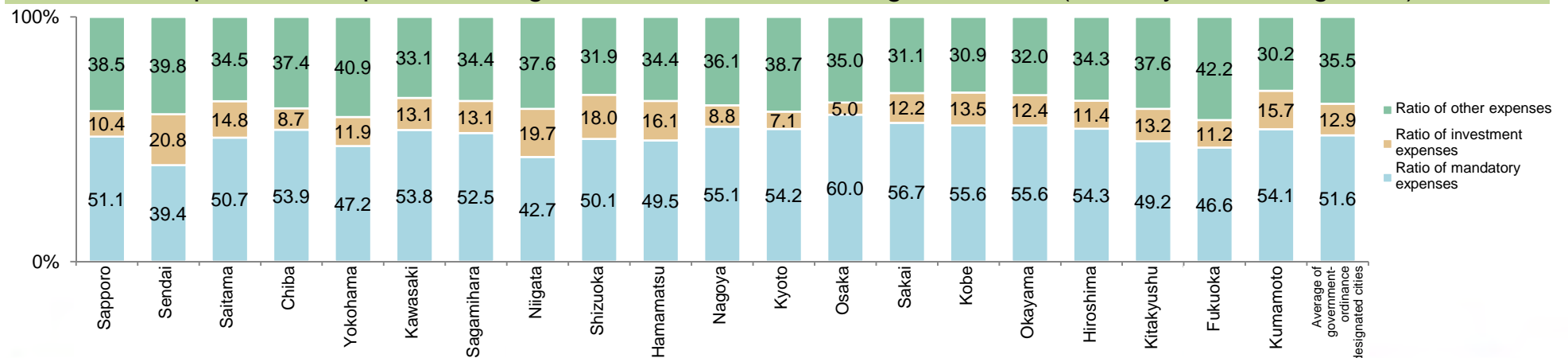
# General Account Closing in FY2013; Expenditure

- The total expenditure was 842 billion yen, increased by 0.6% year-on-year.
- While mandatory expenses decreased the first time in seven years due to the decrease in personnel expenses and debt service costs, the investment expenses increased due to the redevelopment costs for the city center, the seismic retrofitting of schools, etc.

## Change in expenditure of general accounts



## Comparison of expenditure of government-ordinance designated cities (ordinary accounting basis)

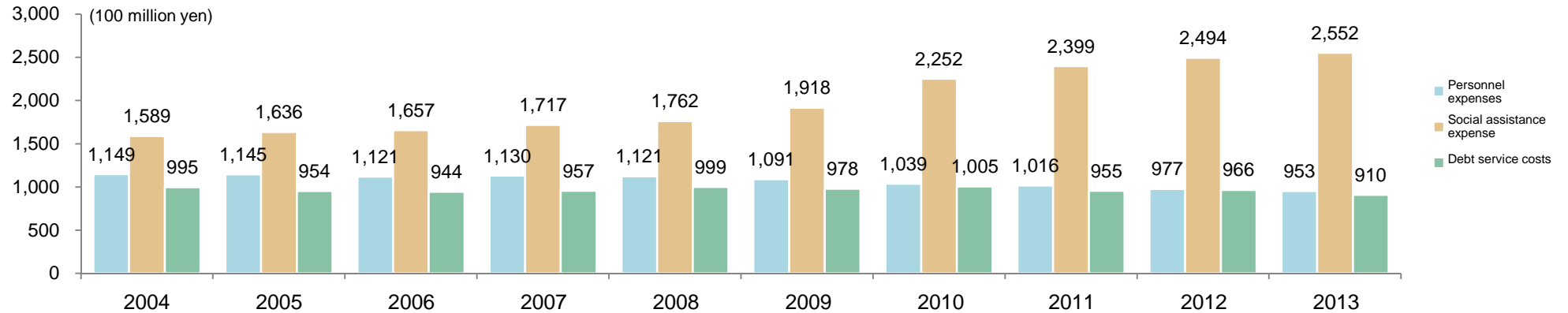




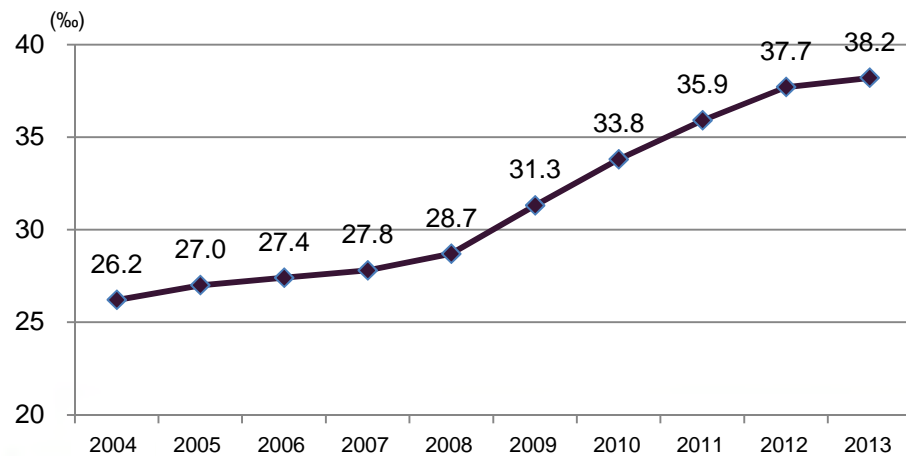
# Mandatory Expenses

- Social assistance expenses have continued to be on the increase due to the increase in livelihood assistance expenses, etc.
- The number of staff members have remained at a low level as compared to other government-ordinance designated cities. The personnel expenses have decreased in six consecutive years due to the review on the retirement allowance, etc., the decrease of the average age of the staff members, etc.

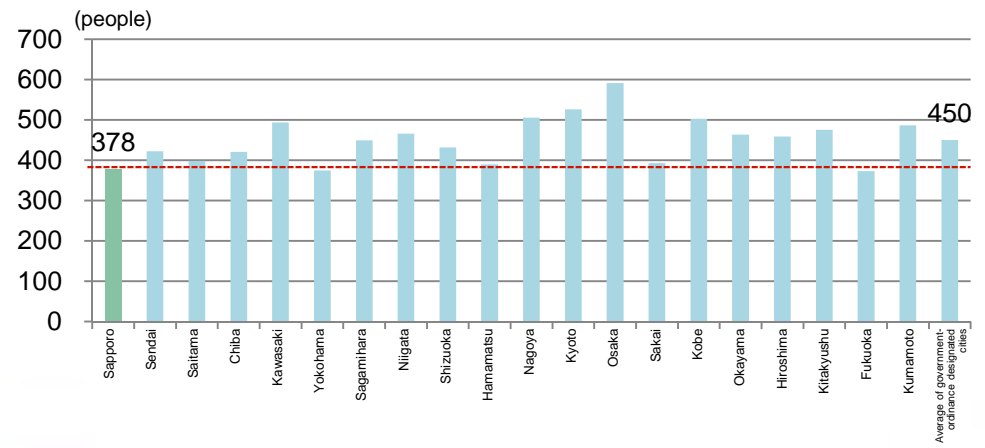
Change in mandatory expenses



Change in ratio of livelihood assistance

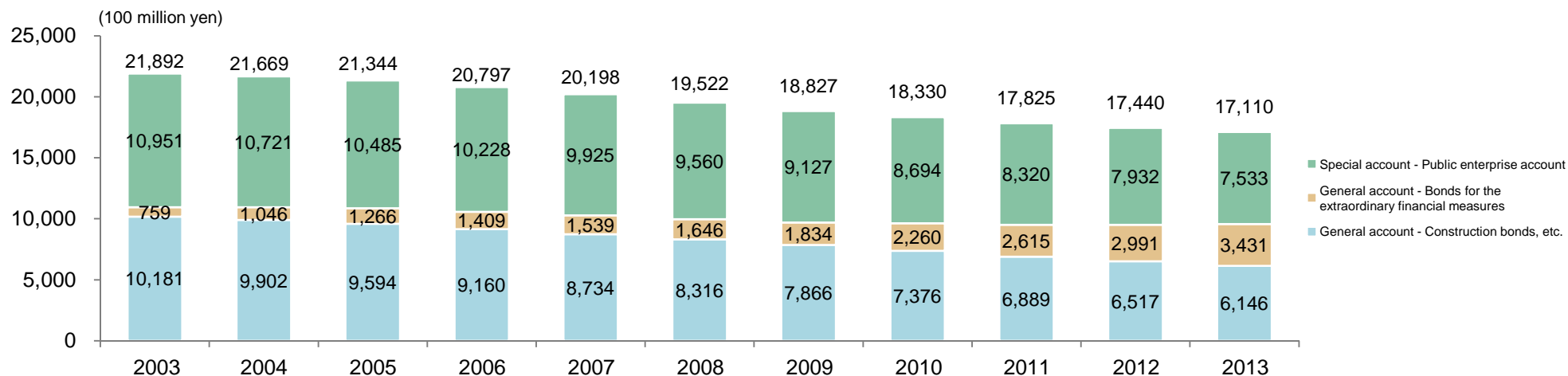


Number of staff members per 100,000 citizens (general administrative staff)

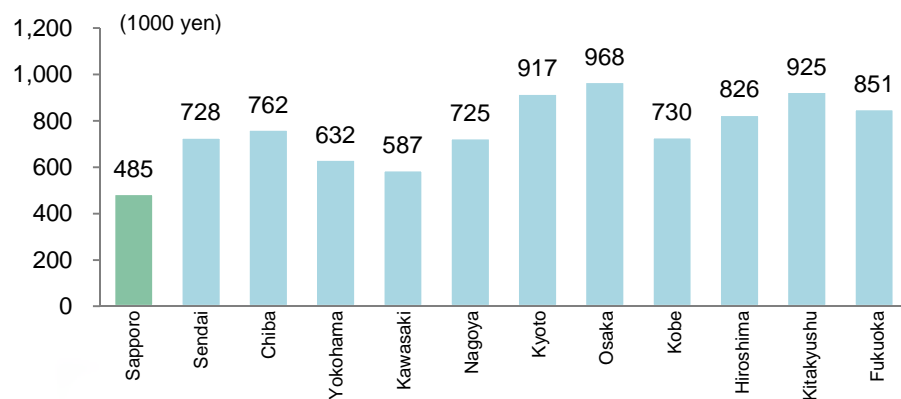


# Change in City Bond Issuance Outstanding

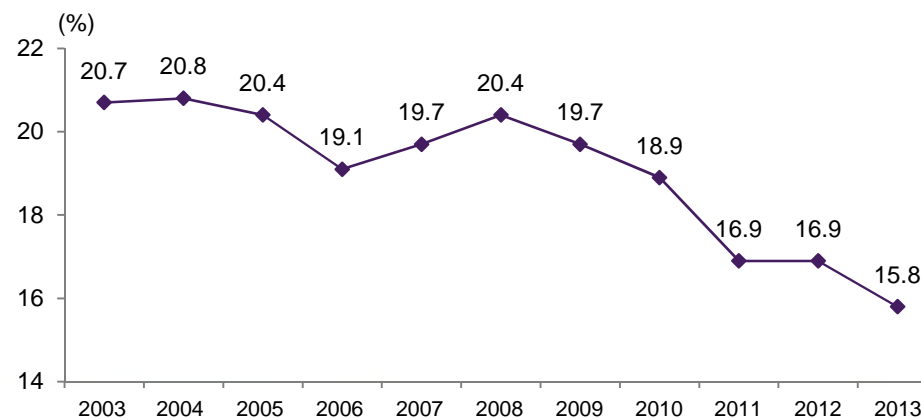
- Bond issuance outstanding for all accounts has decreased in ten consecutive years.
- As for the general account, the issuance of bonds for the extraordinary financial measures increased while the outstanding of construction bonds, etc. decreased. The bond issuance outstanding for general account, therefore, increased by 6.9 billion yen.



Former 12 government-ordinance designated cities:  
City bond issuance outstanding per capita



Change in ratio of debt service costs borne

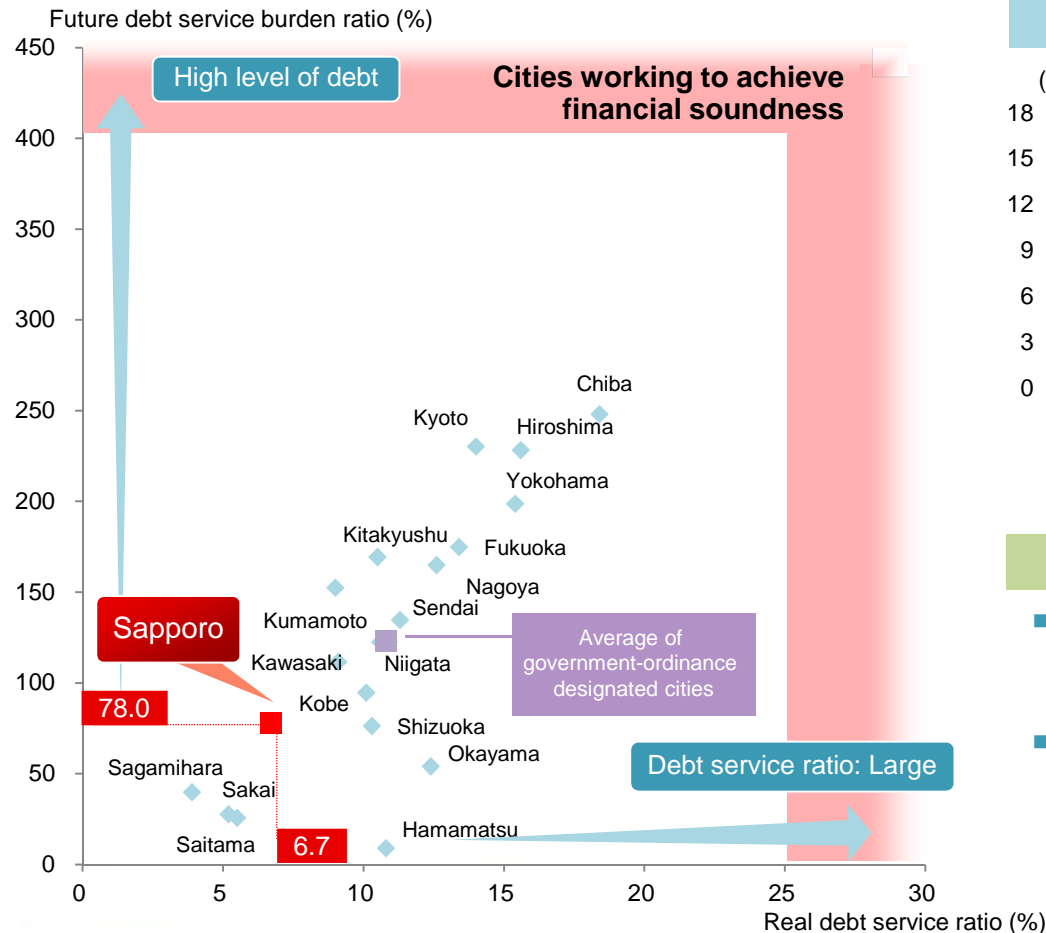


Source: Survey of Local Public Finance in FY2013

# Ratios for Financial Soundness

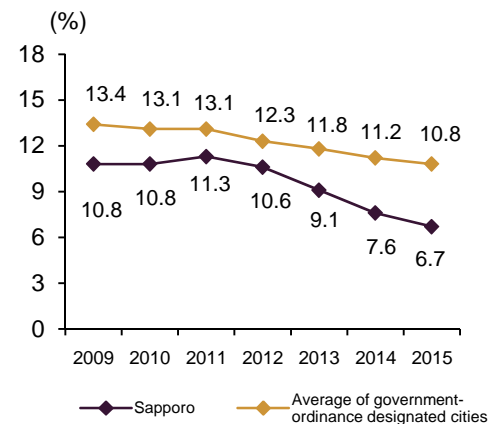
- Both the real debt service ratio and the future debt service burden ratio have changed for the better due to the past continuous measures for improvement.
- Sapporo will continuously strive to maintain its fiscal discipline to sustain a healthy level of debt.

Ratios for determining financial soundness of government-ordinance designated cities (FY2013)

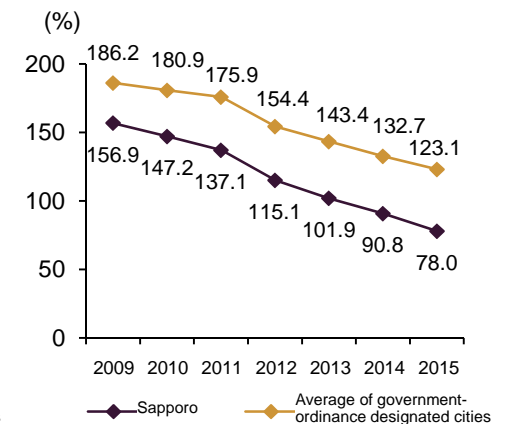


Change in ratio for determining financial soundness

Real debt service ratio



Future debt service burden ratio

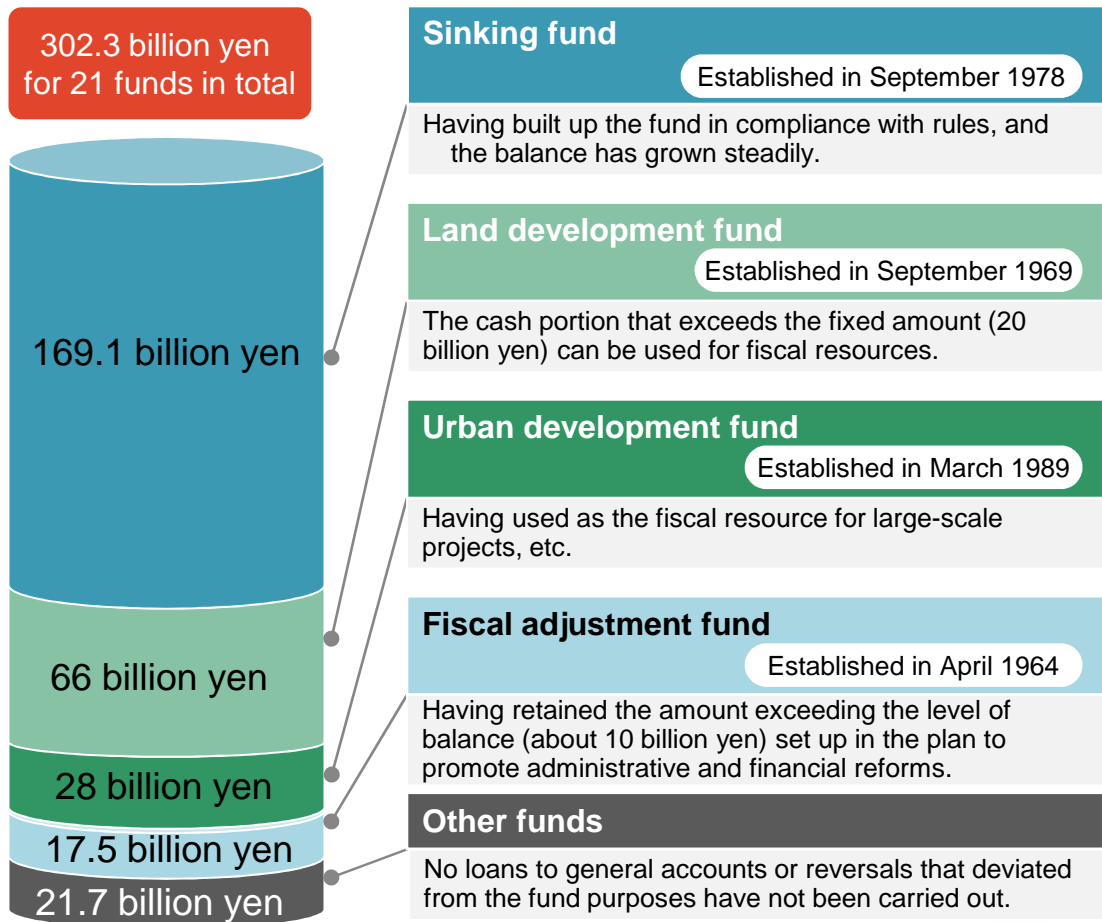


## Other indices

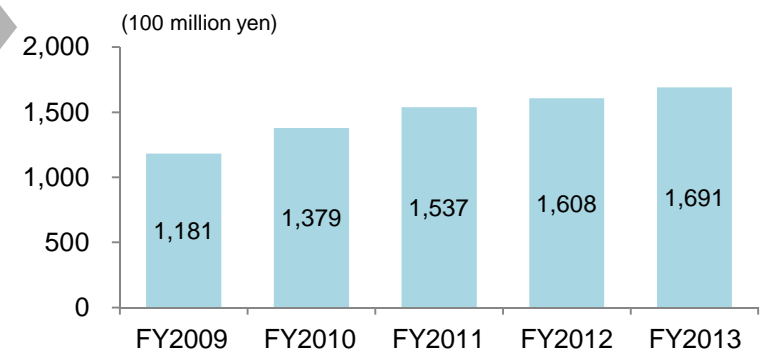
- As for the general account of Sapporo, both the real deficit ratio and the consolidated real deficit ratio have become "Minus" (No deficit has occurred).
- As for the all the public enterprise accounting, their lack of funds ratios have become "Minus" (No deficits have occurred).

# Status of Funds

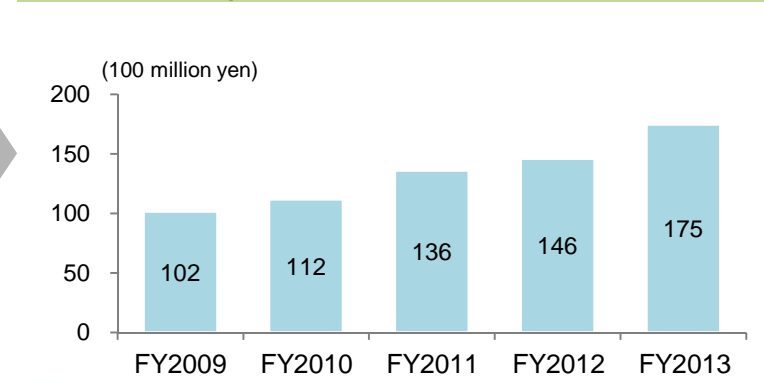
- 21 funds were established. As of the end of FY2013, the outstanding balance was roughly 302.3 billion yen.
- Sapporo has not carried out any loans or reversals on the funds that have deviated from the purposes of establishing the funds.



Change in sinking fund balance



Change in fiscal adjustment fund

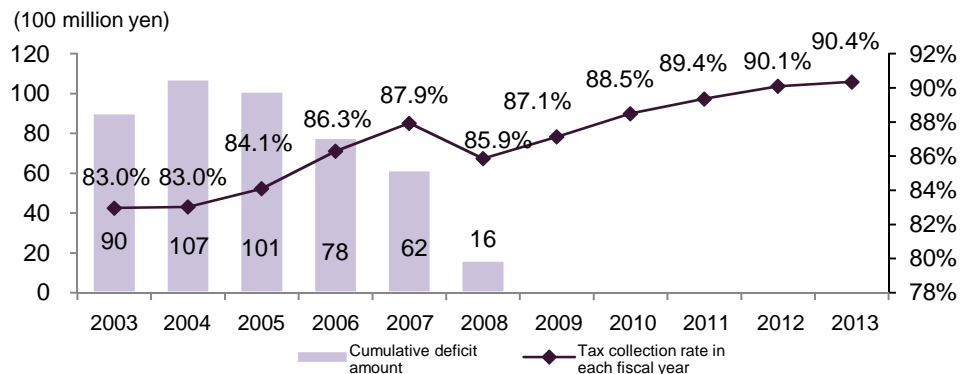


## Special Account (National Health Insurance Account) / Invested Organizations (Dissolution of Land Development Corporation)

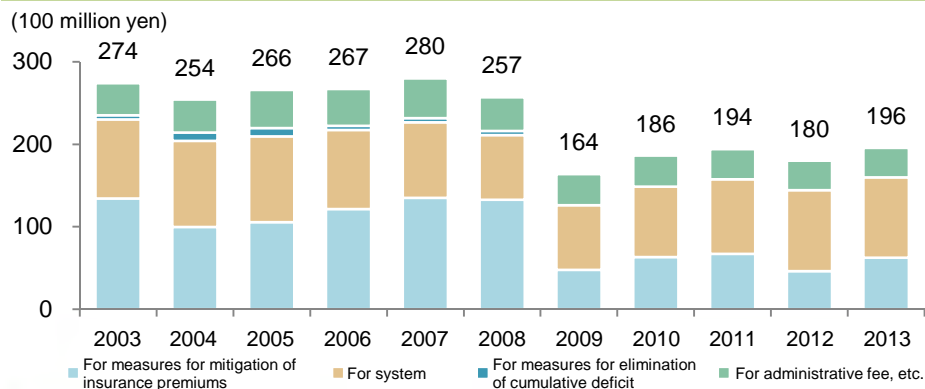
- There are seven special accounts in Sapporo. The national health insurance account eliminated the cumulative deficit in FY2009, and has remained in surplus after that.
- The Land Development Corporation in Sapporo was dissolved in April 2014, and its liquidation was completed in August 2014. Accordingly, there is no need to issue third sector bonds any more.

### Change in cumulative deficit and tax collection rate of the national health insurance account

- The full amount of the cumulative deficit was eliminated at the settlement of accounts in FY2009 due to the increase in revenue such as the improvement of the tax collection rate, etc.
- The tax collection rate has risen continuously since FY2009 through taking preventive measures for insurance premiums in arrears.



### Change in money drawn in the national health insurance account



### Measures taken for invested organizations reform

#### Reform plan for invested organizations (FY2005 – FY2008)

#### New Policies for invested organizations reform (from FY2009)

Integration & consolidation, etc.	Financial participation	Human participation
(Sep. 2005) 38 organizations	(FY2005) 52 billion yen	(April 2005) 182 people
↓	↓	↓
(April 2013) 32 organizations [Decreased by 6 organizations]	(FY2013) 28.8 billion yen [Decreased by 23.2 billion yen]	(April 2013) 46 people [Decreased by 136 people]

### Dissolution of Land Development Corporation

- The dissolution of Land Development Corporation was determined to be completed by FY2014 based on the *Reform Plan for Sapporo Land Development Corporation* (March 2006) formulated in response to the *Reform Plan for Invested Organizations*.
- The dissolution was completed in April 2014 as a result of carrying out the abolition of advance acquisition (2006), the completion of termination of temporary staff (2008), and the completion of debt repayment from Sapporo (2013) in series.

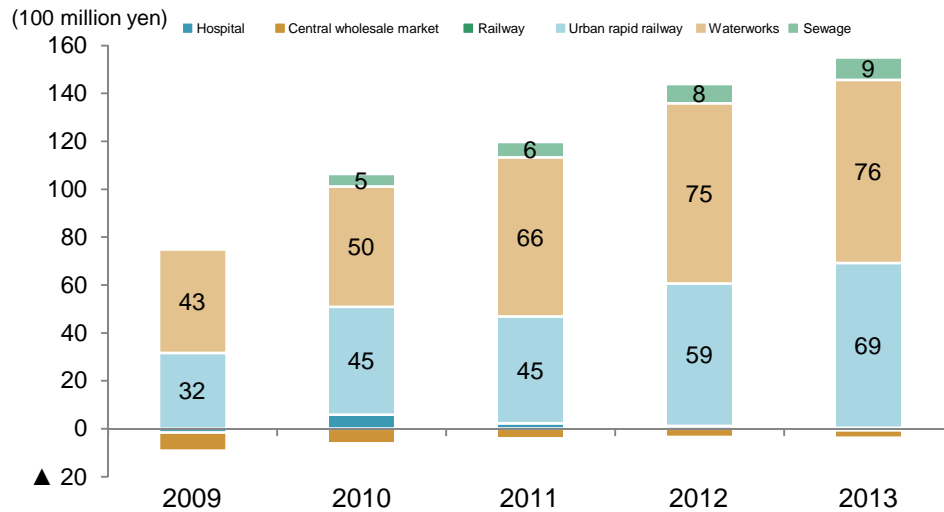
**The liquidation was completed without issuing the reform promotion bonds such as for the third sector, etc. (August 2014)**



# Public Enterprise Accounting

- As a result of dealing with the management improvement, both the operating balance and the current balance of the urban rapid railway business (subway) became surplus in FY2006.
- Based on the management reform plan (from FY2011 to FY2020), the balance of revenue and expenditure of the central wholesale market business is anticipated to become surplus in FY2019.

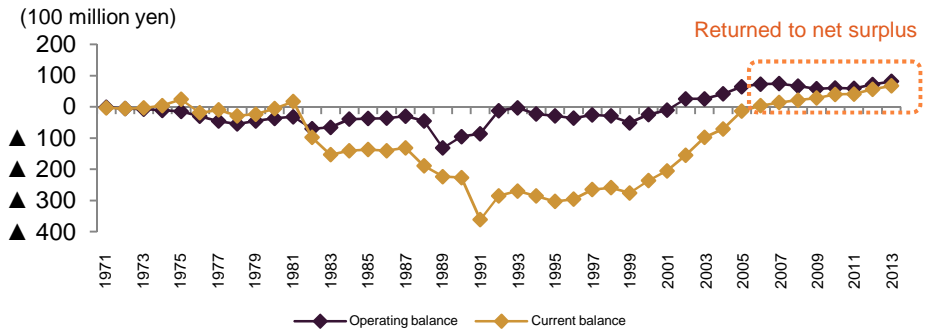
Change in balance of revenue and expenditure in public enterprise accounting



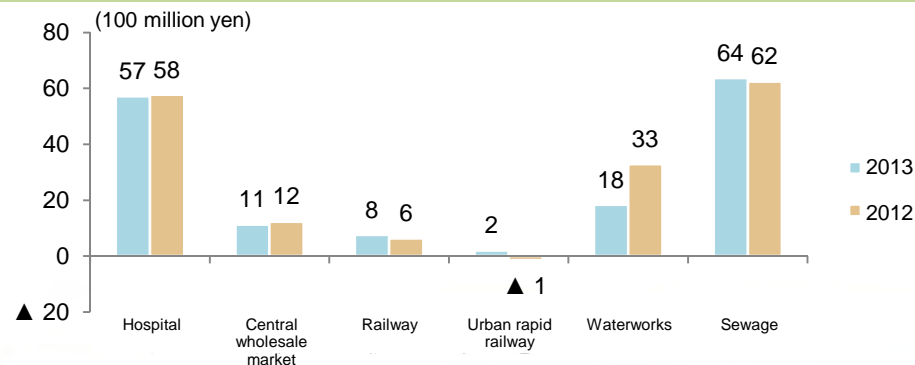
To deal with management improvement of the urban rapid railway business.

- Achieved the improvement of balance of revenue and expenditure in the amount of 28.6 billion yen cumulatively from FY2004 to FY2013 owing mainly to full outsourcing of station operations and switch to one-man operations
- The outstanding of corporate bonds has tended to decrease as major construction projects have already been completed.

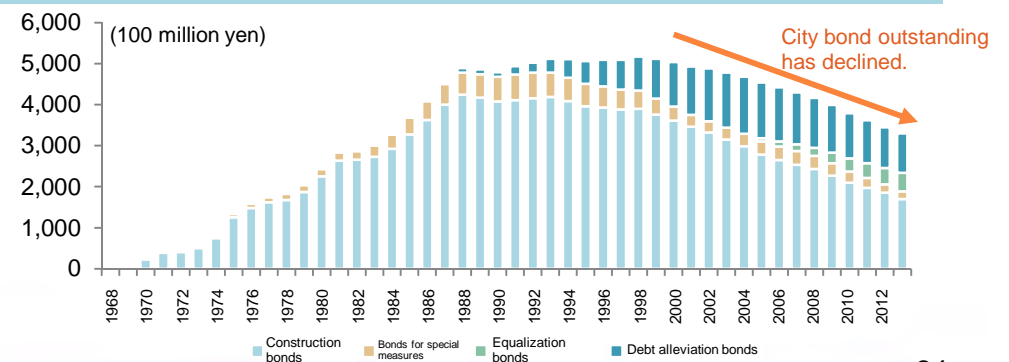
Change in balance of revenue and expenditure



Total funds held in public enterprise accounting (as of the end of each fiscal year)



Change in year-end outstanding of public enterprise bonds

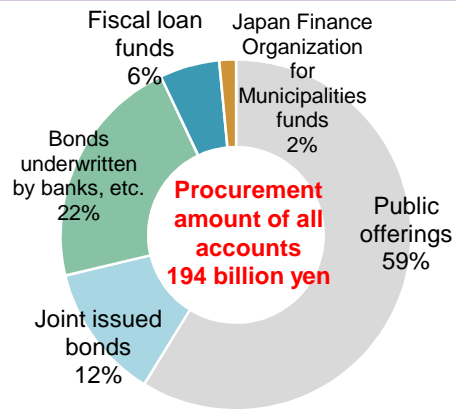


# Track Record of Bond Issuance

- Bonds have continued steadily to be issued in the amount of more than 100 billion yen every fiscal year.
- Developing the products that have met market needs by issuing bonds with diverse maturities.

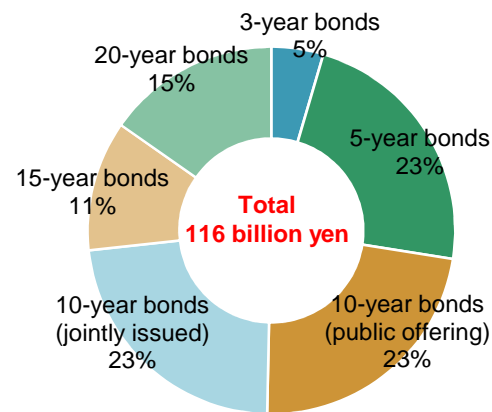
## Track record of city bond issuance in FY2013

### All accounts



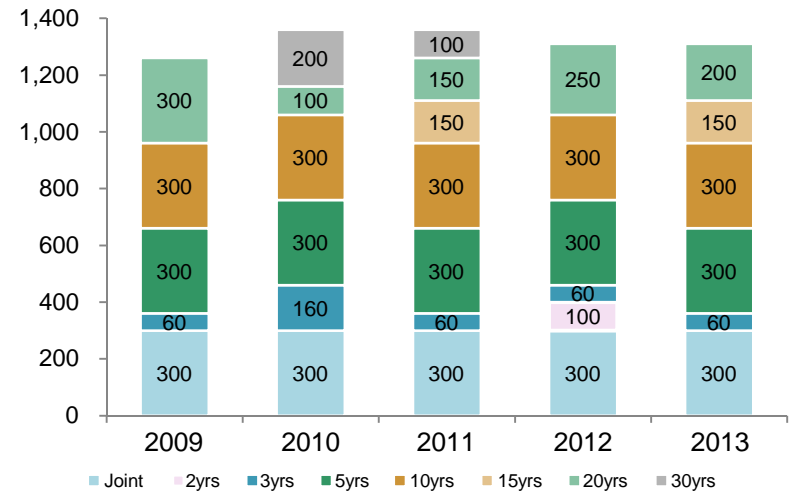
**Public bond offerings 71%**

### Track record of public bond offerings by maturity



## Track record of issuance by FY (by maturity)

(100 million yen)



Year. month	25.6	25.7	25.8	25.11	25.12	26.2	26.3	26.5	26.6	26.7	26.8	26.9					
Maturity [years]	20	5	3	15	10	10	5	3	10	20	5	3	10	15			
Announcement date	June 5	June 7	July 5	Aug. 9	Aug. 7	Nov. 13	Dec. 6	Jan. 31	Feb. 7	March 6	March 7	May 16	June 6	July 4	Aug. 8	Aug. 28	
Issue date	June 14	June 28	July 30	Aug. 20	Aug. 30	Nov. 29	Dec. 26	Feb. 26	Feb. 28	March 17	March 28	May 27	June 30	July 29	Aug. 29	Sep. 22	
Issue amount [100 million yen]	100	100	30	150	100	100	100	30	100	100	100	100	100	30	100	100	
Coupon rate [%]	1.720	0.31	0.21	1.310	0.80	0.66	0.22	0.16	0.68	1.530	0.20	1.524	0.20	0.14	0.54	0.961	
Spread over JGBS [bp]	5.0	3.0	4.7	5.5	4.0	6.0	3.0	4.3	6.0	7.0	2.5	6.0	2.0	5.4	3.5	2.5	
Type	Nationwide	Nationwide	Citizen participation	Nationwide	Nationwide	Nationwide	Nationwide	Citizen participation	Nationwide	Nationwide	Nationwide	Nationwide	Nationwide	Nationwide	Citizen participation	Nationwide	Nationwide

## Time Schedule for Bond Issuance

- Continuing to implement public bond offerings with 5-year or 10-year maturity.
- Sapporo will center on the issuance of 20-year bonds by setting a flexible ceiling of 30 billion yen in this fiscal year as well. The bond issuance will be carried out flexibly given then prevailing market conditions shall be taken into consideration.

### Schedule for public bond offerings issuance in FY2014

(100 million yen)

Time schedule			FY2014											To be determined	
			1Q			2Q			3Q			4Q			
			April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.		Mar.
Public bond offering	10-year bonds	300				100			100			100			
	5-year bonds	200	100						100						
	Flex	300	100 (20yrs)			100 (15yrs)									100
Mini public bonds (3-year)	60				30						30				
Jointly issued city bonds	300	70	50	50				80			50				
<b>Total public bond offerings</b>	<b>1,160</b>	<b>70</b>	<b>150</b>	<b>150</b>	<b>30</b>	<b>200</b>	<b>80</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>50</b>	<b>130</b>	<b>-</b>	<b>100</b>	

# Bond Issuance Management and Creditworthiness

- An external credit rating agency (Moody's) has awarded us the same rating as JGBs, evaluating a high creditworthiness.
- For ensuring stable fund procurement, the system has been established to emphasize the dialogue with markets at various phases during bond issuance management (IR, issuance, debt management).

Moody's Japan

**Aa3**  
(Double A three)

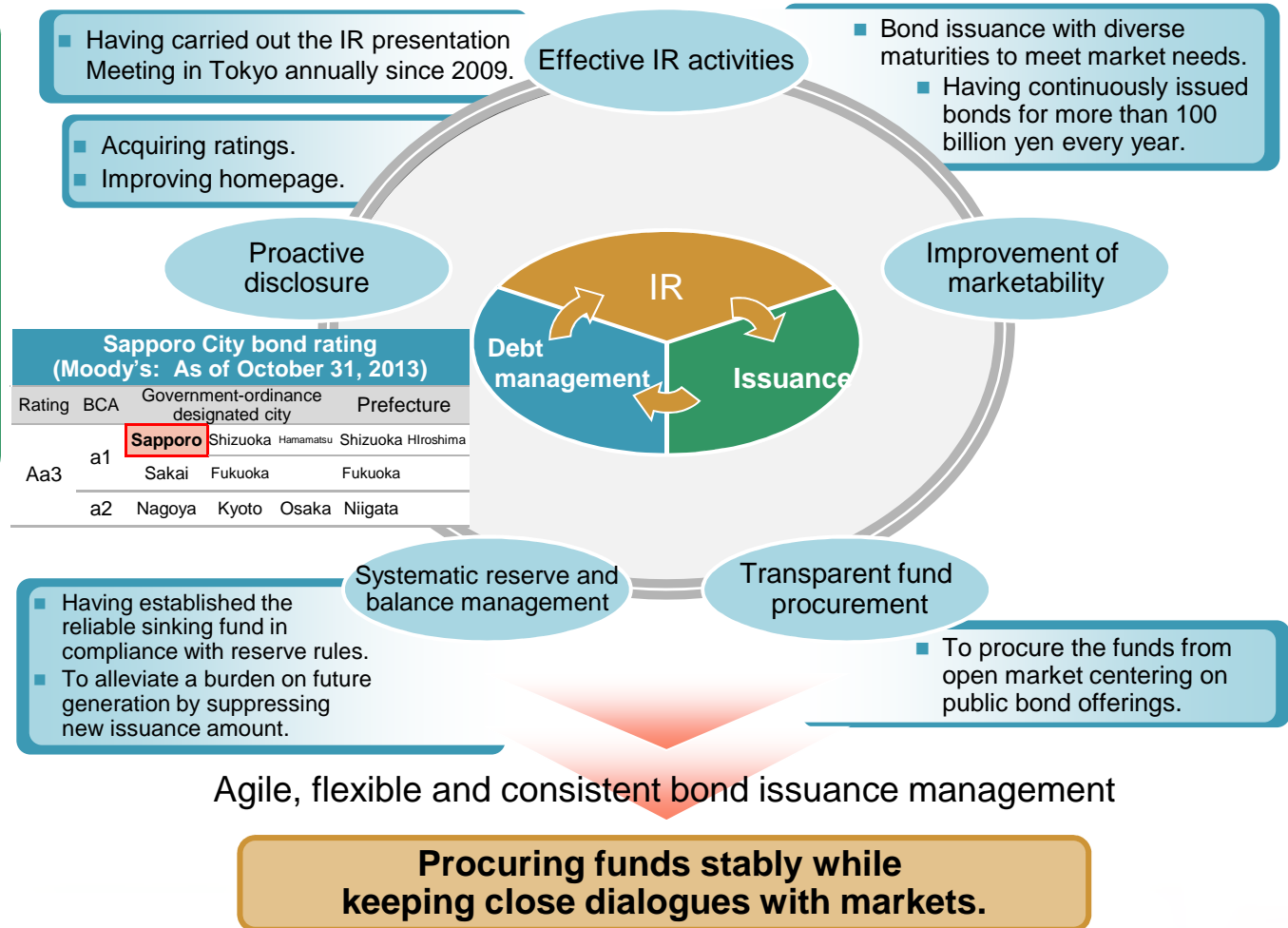
[Outlook: Stable]

\* Same rating as JGBs

**Baseline Credit Assessment (BCA) for municipalities: a1**

## Catalysts supporting our rating

- The continued decline in outstanding debt, and the initiatives to deal with the reduction in overall expenditures including public enterprise accounting and the relevant actual achievements.
- The strong systematic framework such as the monitoring on local finance by the central government and the financial adjustment system.



# Contact Information for Sapporo City Bonds

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FAX : 011-218-5147

E-mail: [kousai@city.sapporo.jp](mailto:kousai@city.sapporo.jp)

URL : <http://www.city.sapporo.jp/zaisei/shisai/>

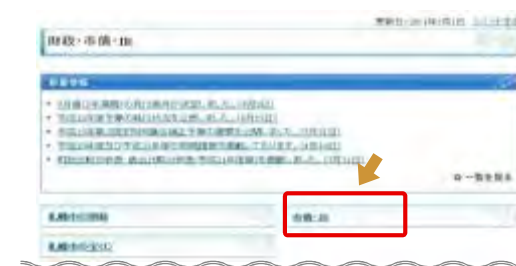
## Sapporo Public Office Top Page



## Municipal government information



## Fiscal, City Bonds, IR



The purpose of this presentation document is to provide an explanation of Sapporo's fiscal and administrative conditions to those investors considering the purchase of Sapporo municipal bonds. This does not constitute an offer to sell or a solicitation of an offer to buy the specified bonds.