



Fiscal Status of Shizuoka Prefecture



Shizuoka
Prefecture

2016

Presentation Highlights

1. Shizuoka has active industries and strong economic fundamentals



Overview of Shizuoka (P4 – P10)

2. Shizuoka constantly performs administrative reform and sustains a healthy budget



Fiscal Position of Shizuoka (P11 – P14)

3. Shizuoka prefectural bonds have received high credit ratings from two credit rating companies (A1 from Moody's and AA+ from R&I)



Bond Management of Shizuoka (P15 – P19)

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1 Overview of Shizuoka



Sunrise from the top of Mt. Fuji

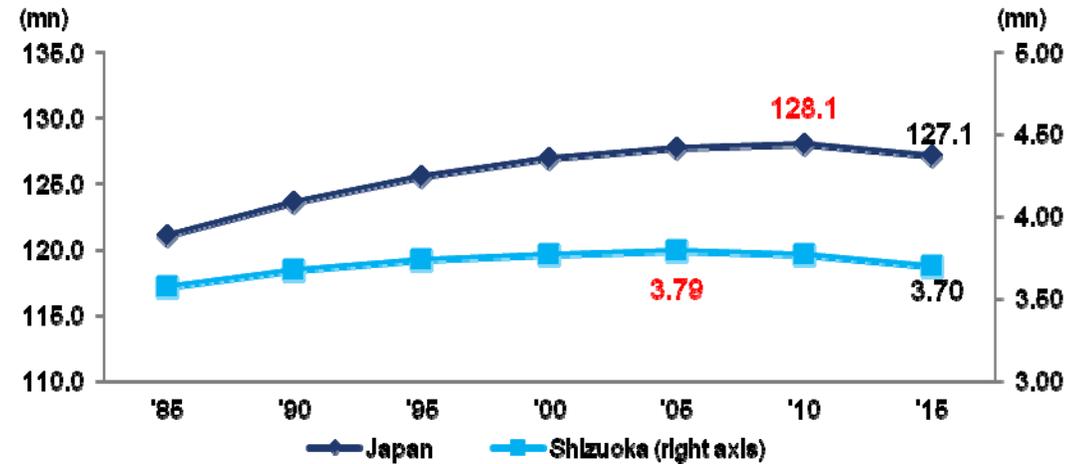
Location and Scale



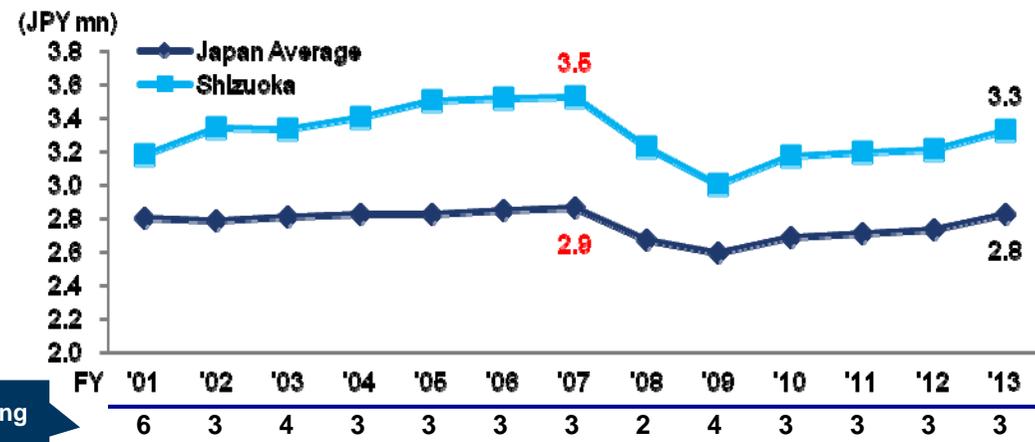
Located at the center of Japan



Population trend since 1985



Per capita income since 2001

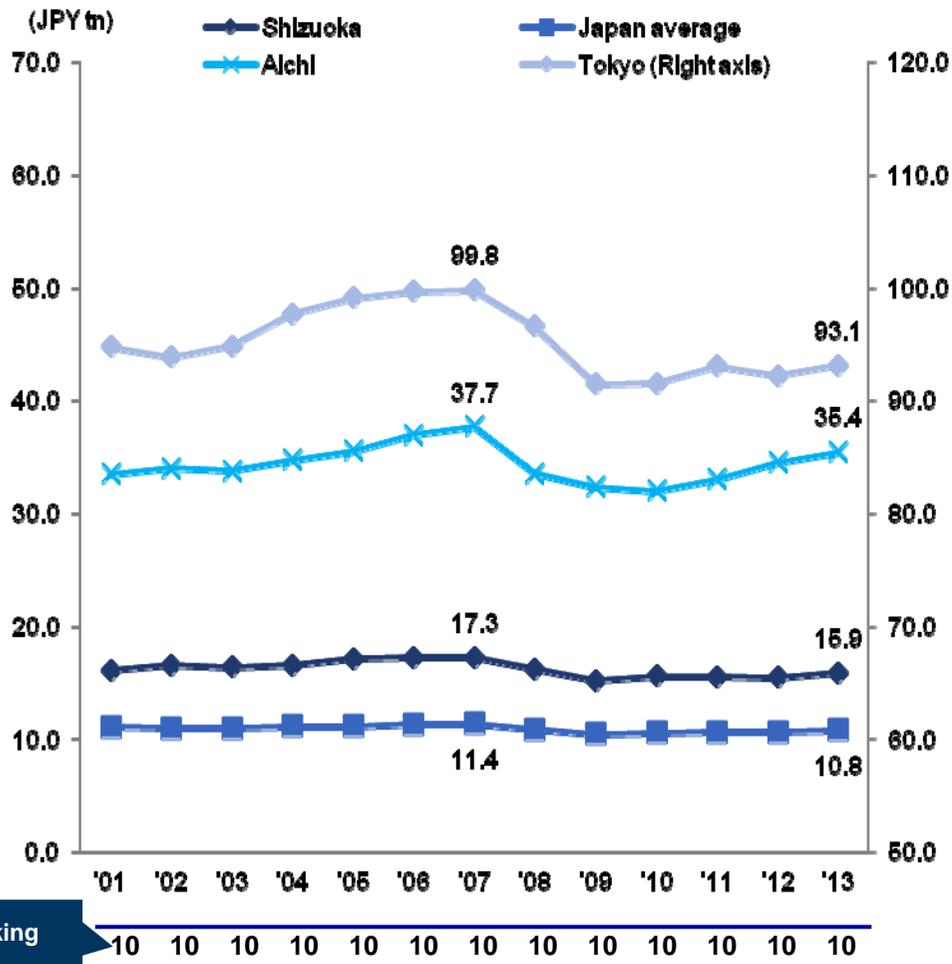


Ranking among prefectures

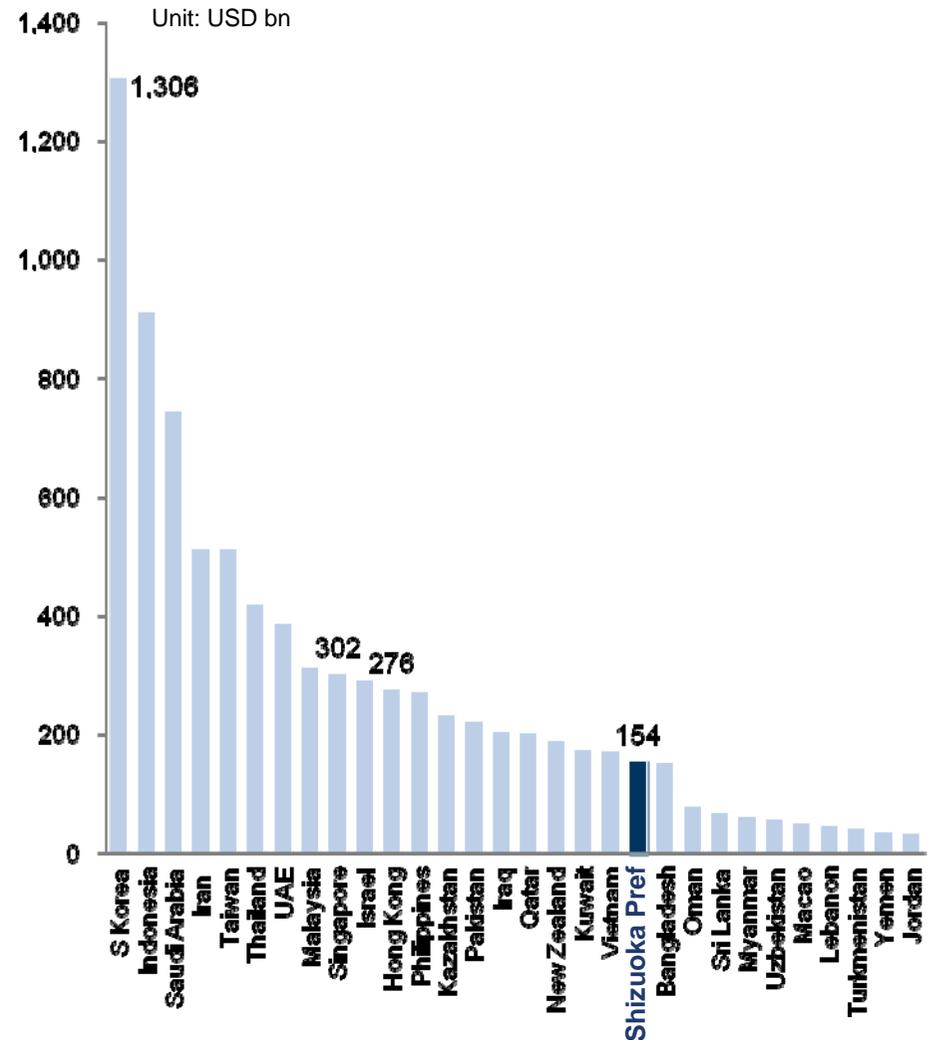
Economic Scale



GDP trend since 2001



GDP about the same as that of Vietnam



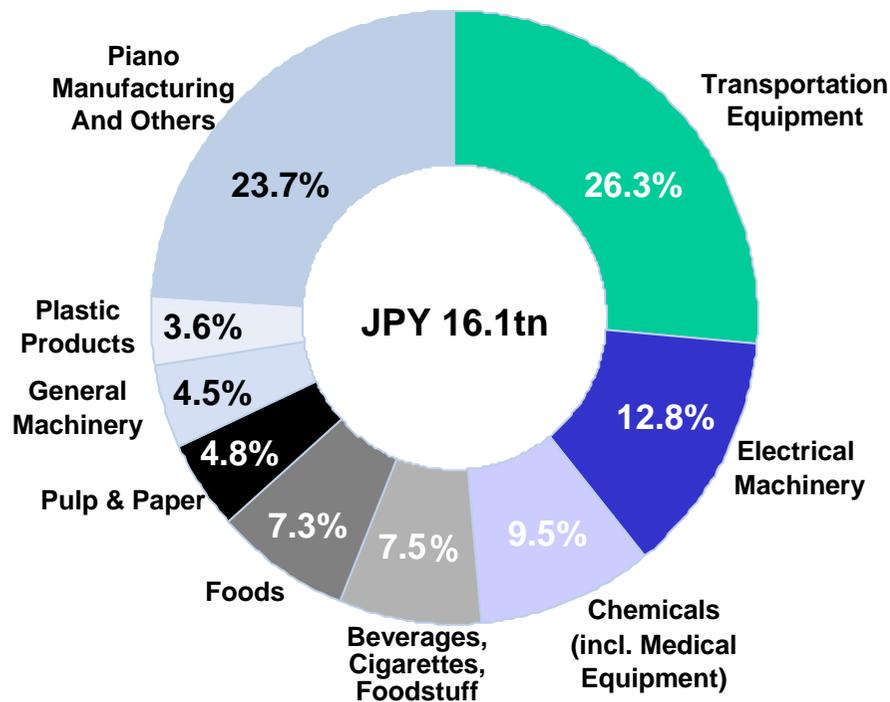
Ranking among prefectures

Stable Economic Foundation

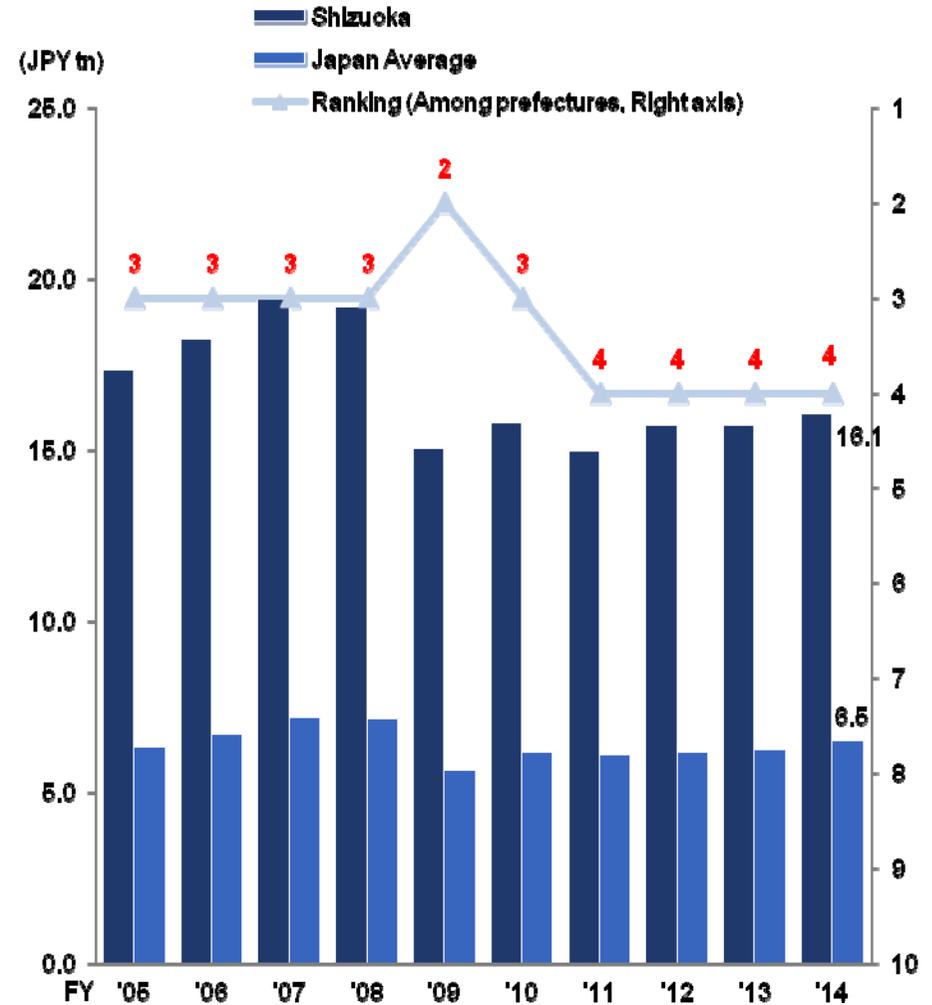


Balanced industrial structure

Total revenue from manufactured products (2014)



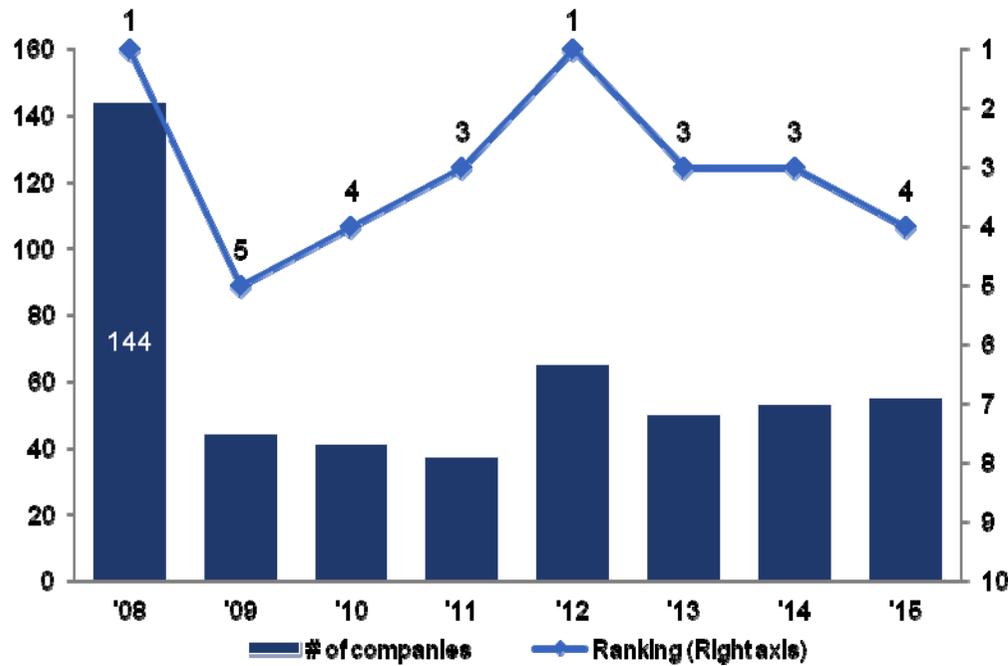
Revenue trend of manufactured products



A Vibrant Industrial District

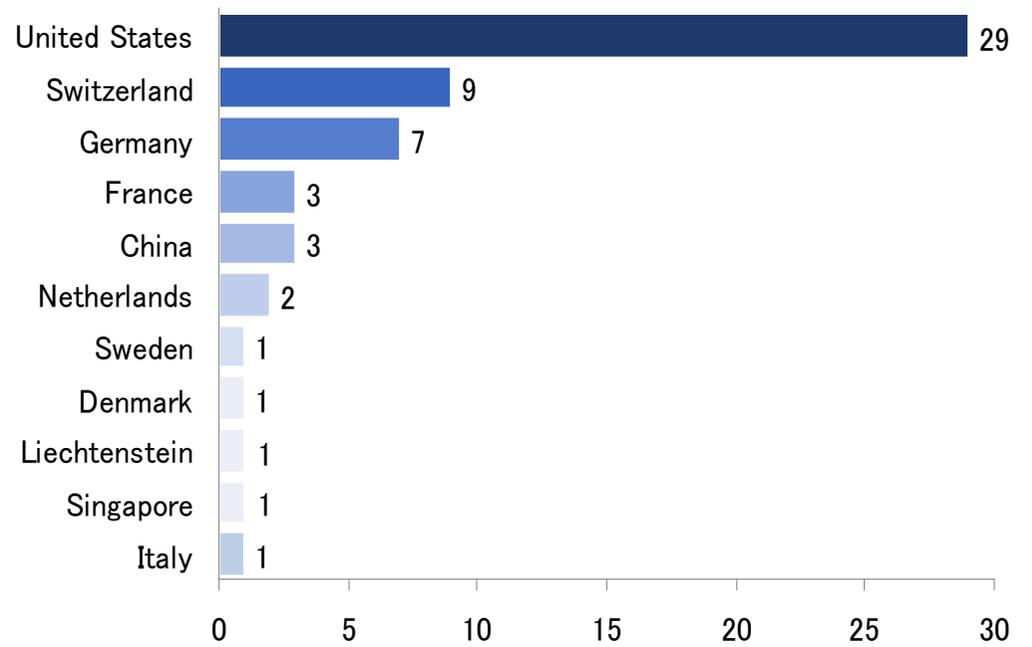


High level of industrial locations

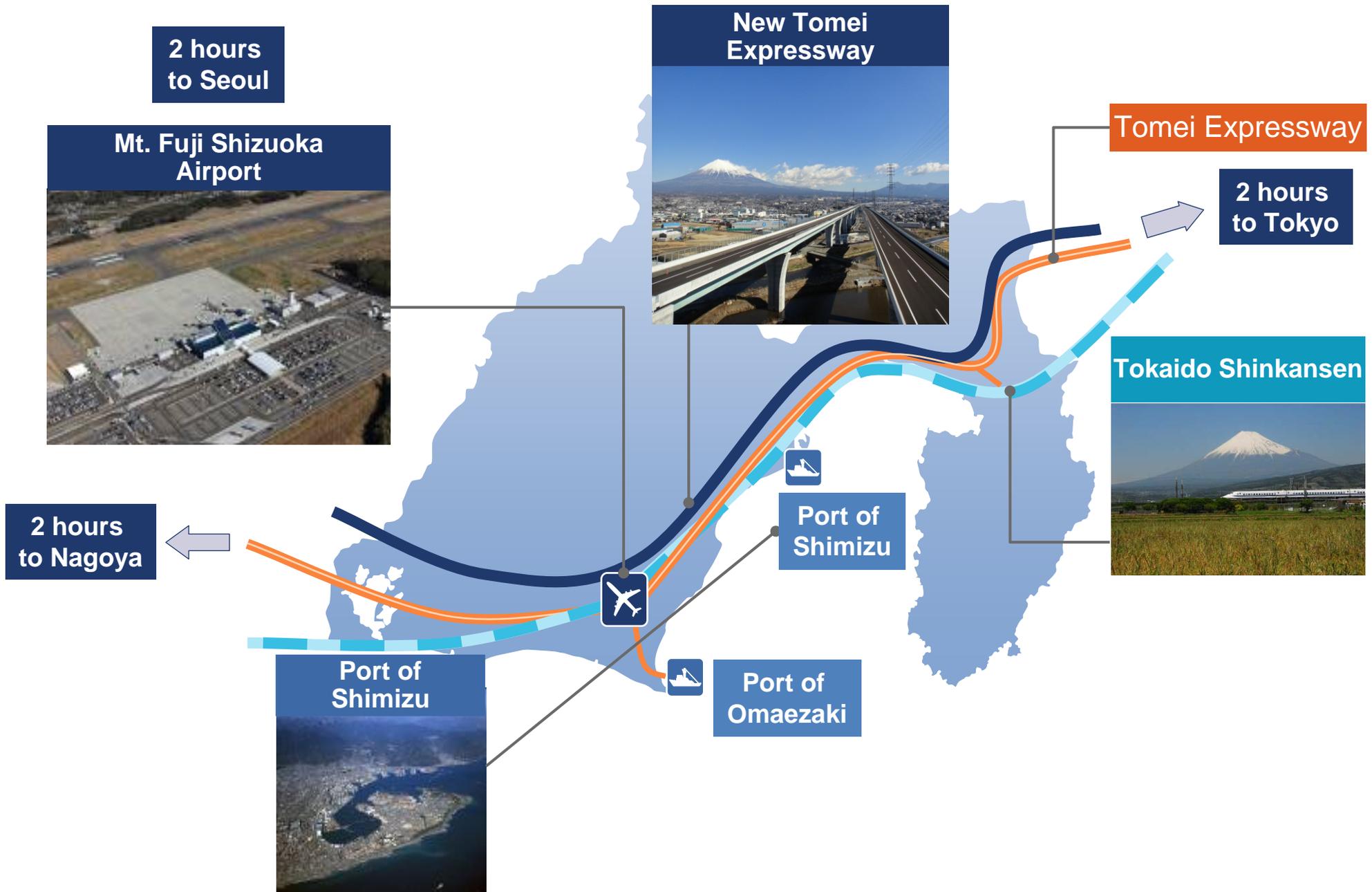


Attracting global companies

No. of global companies in Shizuoka by country



Transportation Infrastructure



Abundant Tourism Resources



Major tourism locations in Shizuoka

Asagiri Food Court and Mt. Fuji



Hot Springs



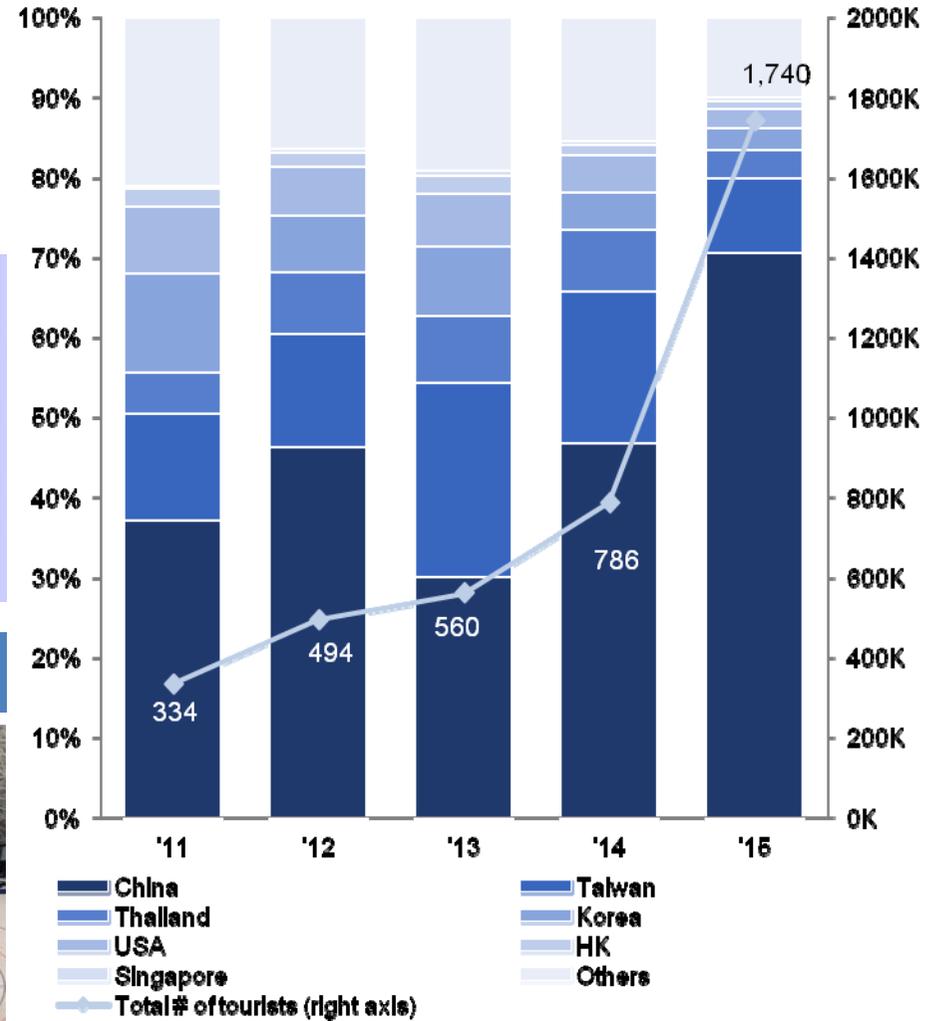
World Heritage Nirayama Reverberatory Furnaces



Izu Velodrome



Trend of # of international tourists



2 Fiscal Position of Shizuoka



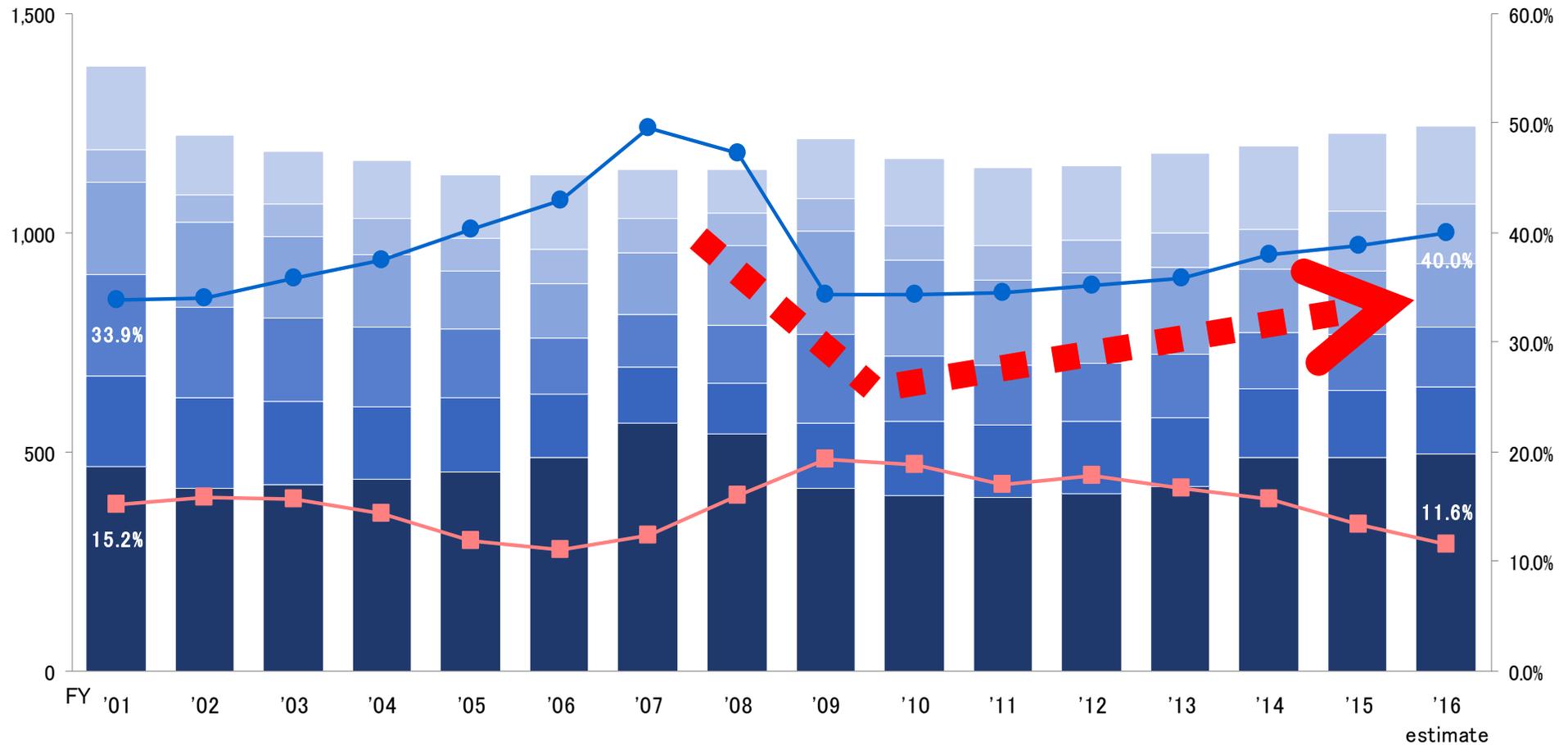
Abt type railway over a lake at Kawane-Honmachi

Change in Revenue Accounts



Tax revenue has been recovering in the recent years

Unit: JPY bn

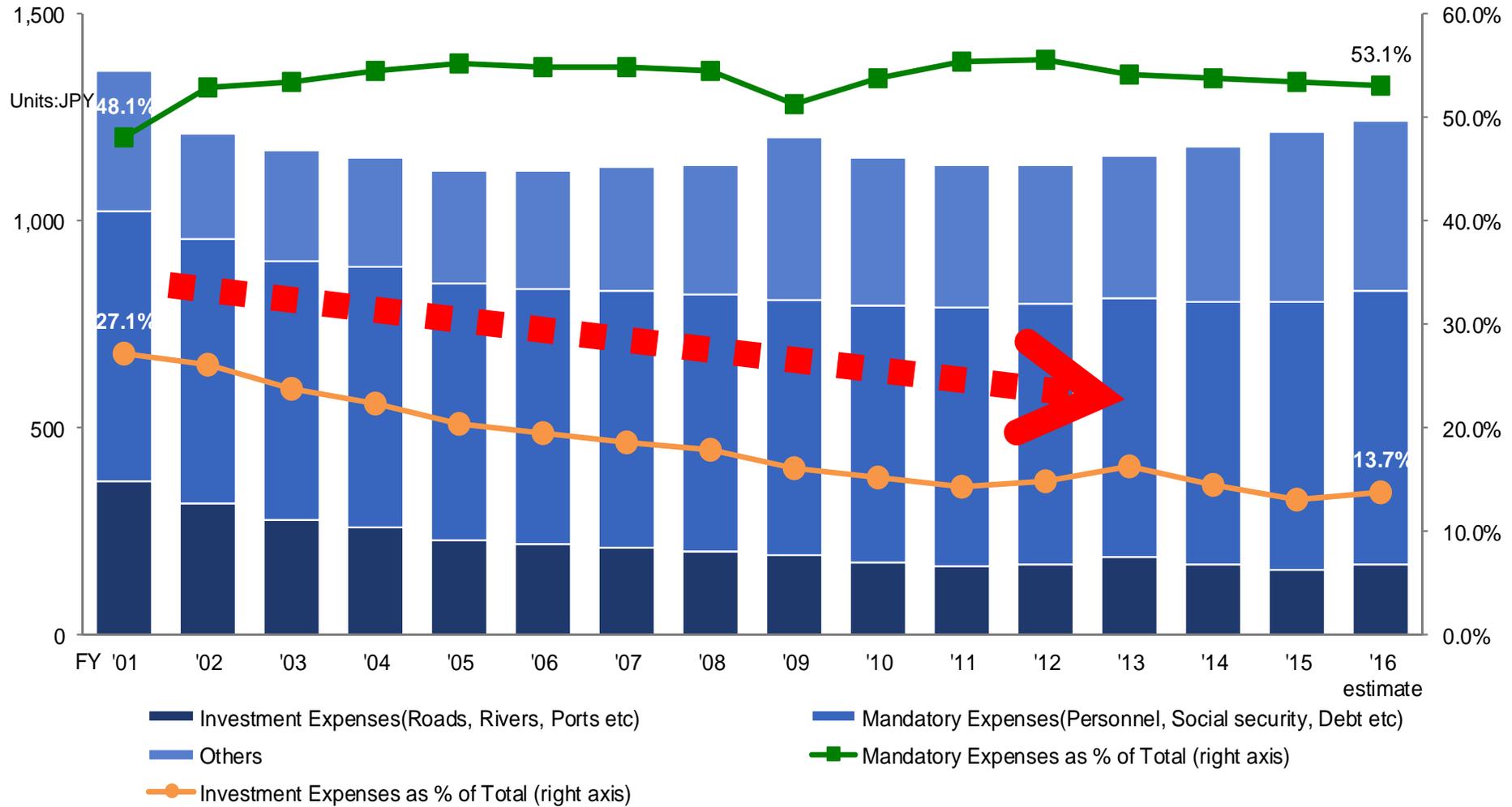


- Prefectural Tax
- Local Allocation Tax
- National Treasury Disbursement
- Prefectural Bonds
- Regional Consumption Tax Settlement Amount
- Others
- Prefectural Tax as % of Total (Right axis)
- Prefectural Bond as of % of Total (Right axis)

Change in Expenditure Accounts



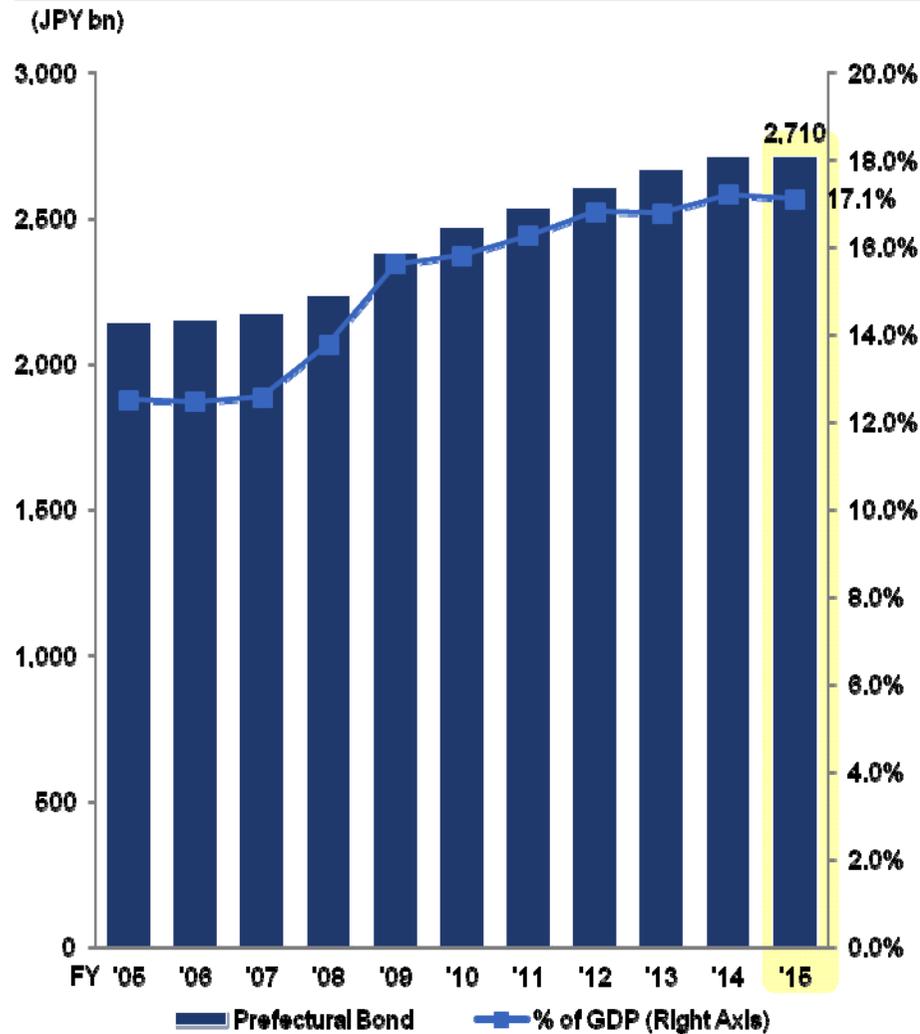
Reduction in investment expenses through administrative reform



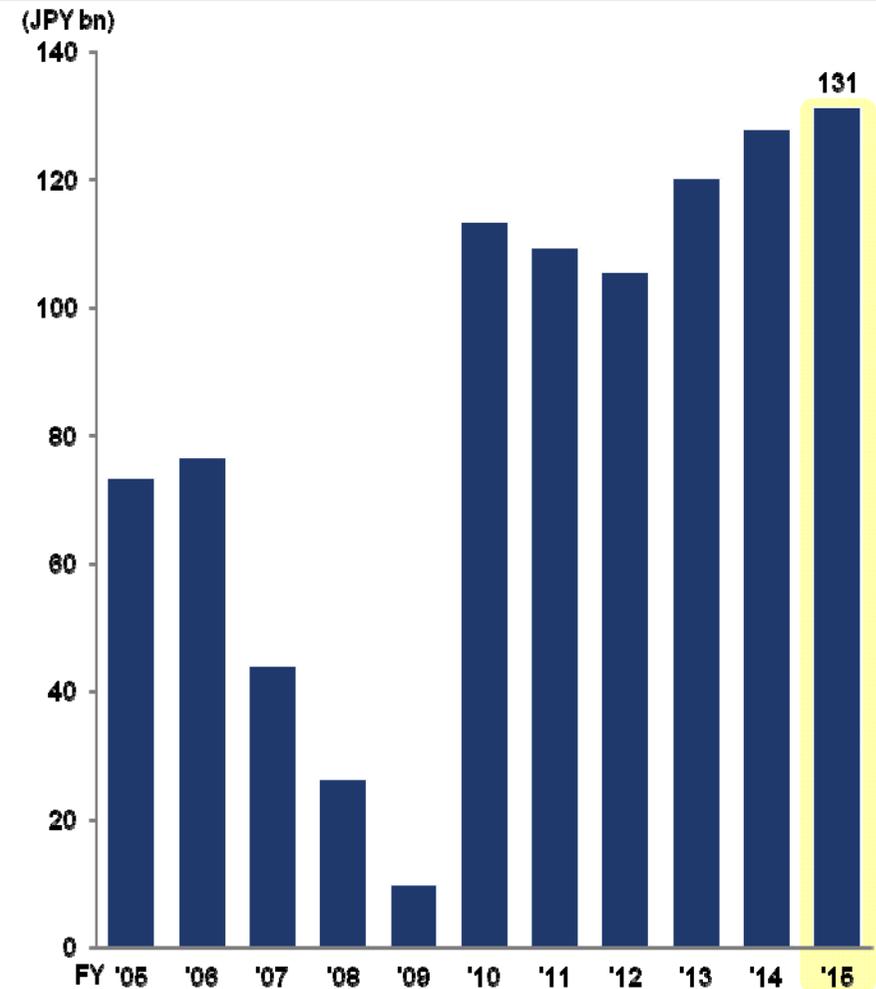
Status of Debts and PB



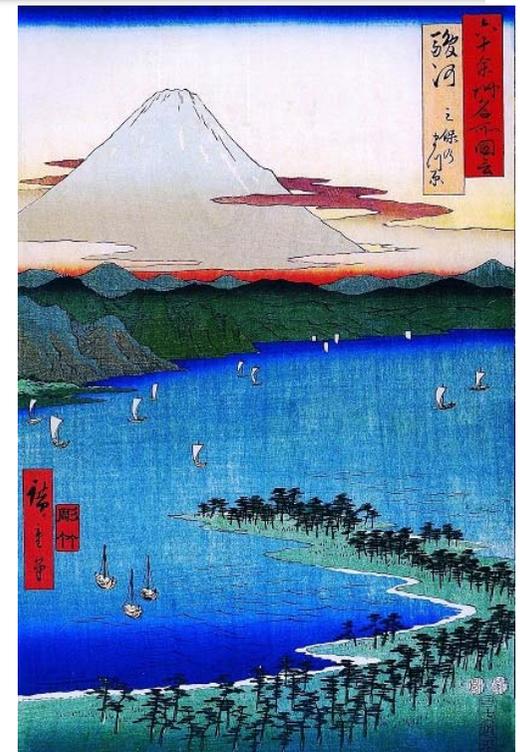
Sound prefectural bond balance



Continuous surplus in primary balance



3 Bond Management of Shizuoka



Fuji 36 HIROSHIGE UTAGAWA "Suruga Mihono-Matsubara"

Prefectural Bond Summary



Issuance Policy

- **Format:** Japanese domestic municipal bond
- **Maturity :** 5y, 10y, 15y, 20y and 30y
- **BIS Risk Weight :** 0%
- **Strong Government Support**

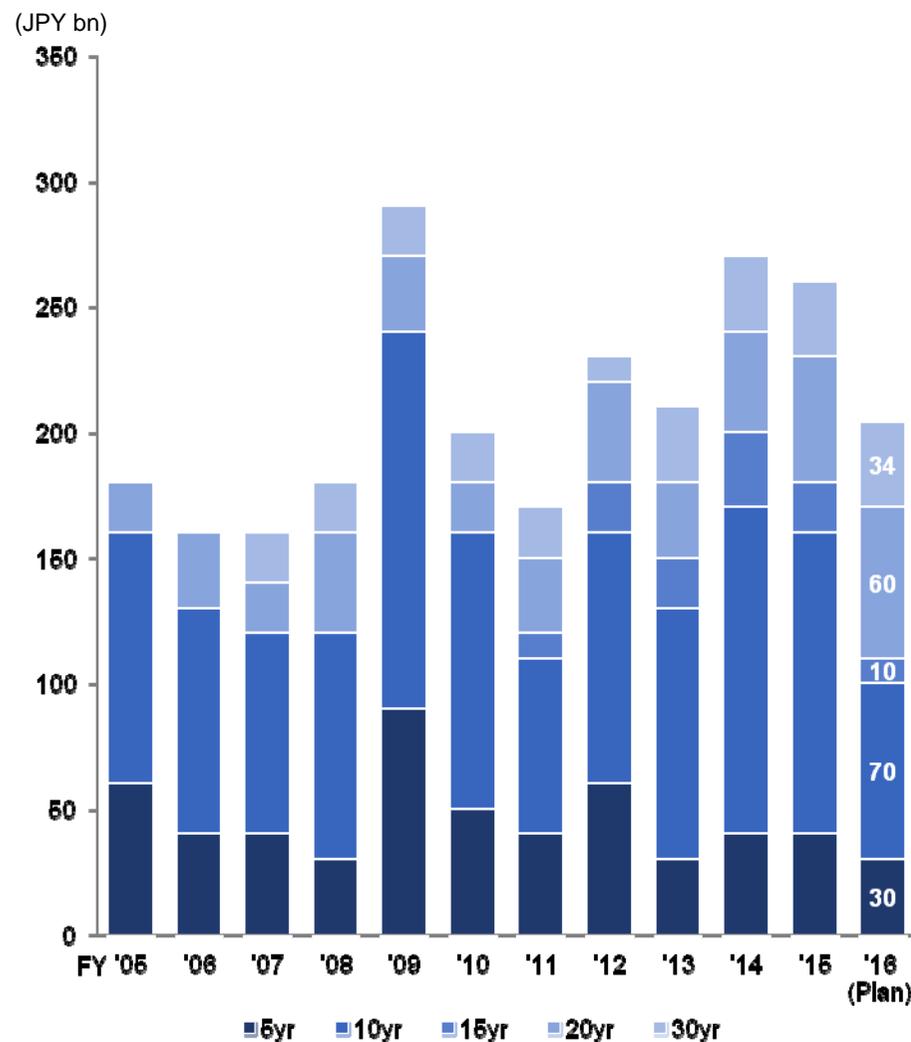
Shizuoka Issued Bond Ratings - Same as JGB ratings

	Shizuoka 	Japan 
Moody's	A1	A1
R&I	AA+	AA+

Prefectural Bonds Issuance Plan



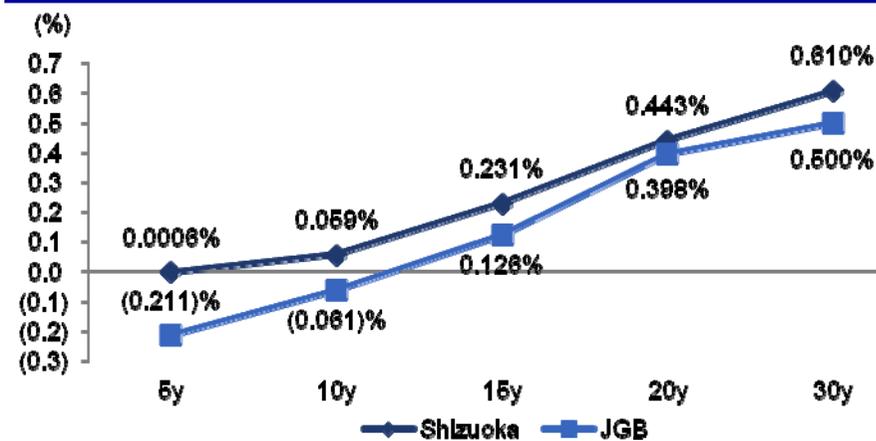
Issuance amount since 2005



Recent new issues in 2016

Launch	Issue Amount	Tenor	Yield
10/20/2016	JPY10bn	20y	0.443%
10/5/2016	JPY20bn	20y(Sinker)	0.186%
10/5/2016	JPY10bn	5y	0.0006%
9/2/2016	JPY10bn	5y	0.001%
7/14/2016	JPY10bn	20y (Sinker)	0.150%
7/6/2016	JPY10bn	10y	0.050%
6/24/2016	JPY20bn	20y	0.230%
6/3/2016	JPY10bn	10y	0.070%
6/3/2016	JPY34bn	30y	0.468%
5/26/2016	JPY10bn	15y	0.190%
5/11/2016	JPY20bn	10y	0.080%
4/6/2016	JPY20bn	10y	0.080%
Total	JPY184bn	-	-

Shizuoka indicative yield curve*



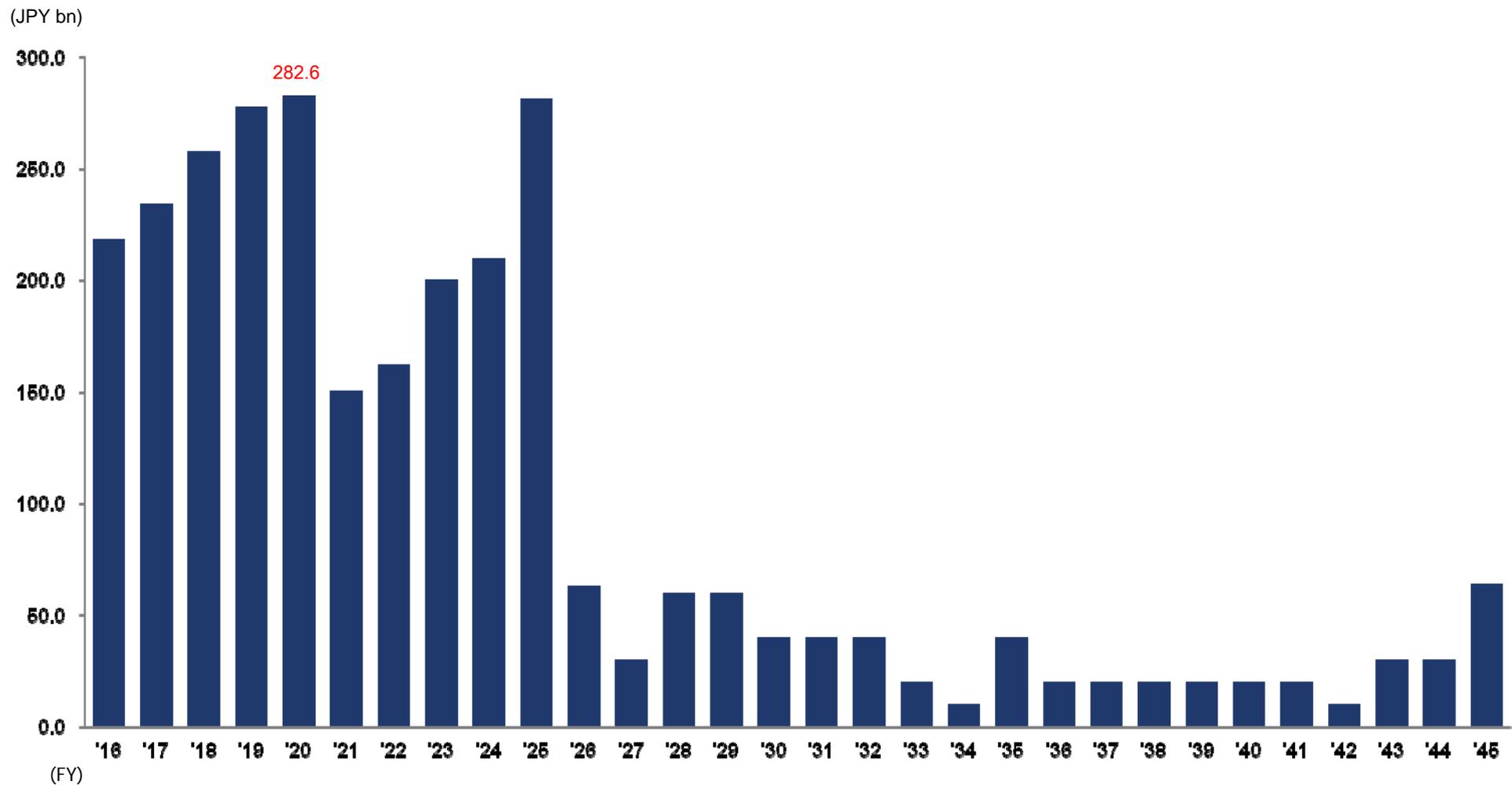
※Non-residents and non-domestic entities are exempted from paying taxes on the interest of transfer local government bonds. The procedures have been simplified from June 2010.

* As of 20 Oct 2016

Redemption Schedule



Shizuoka redemption schedule

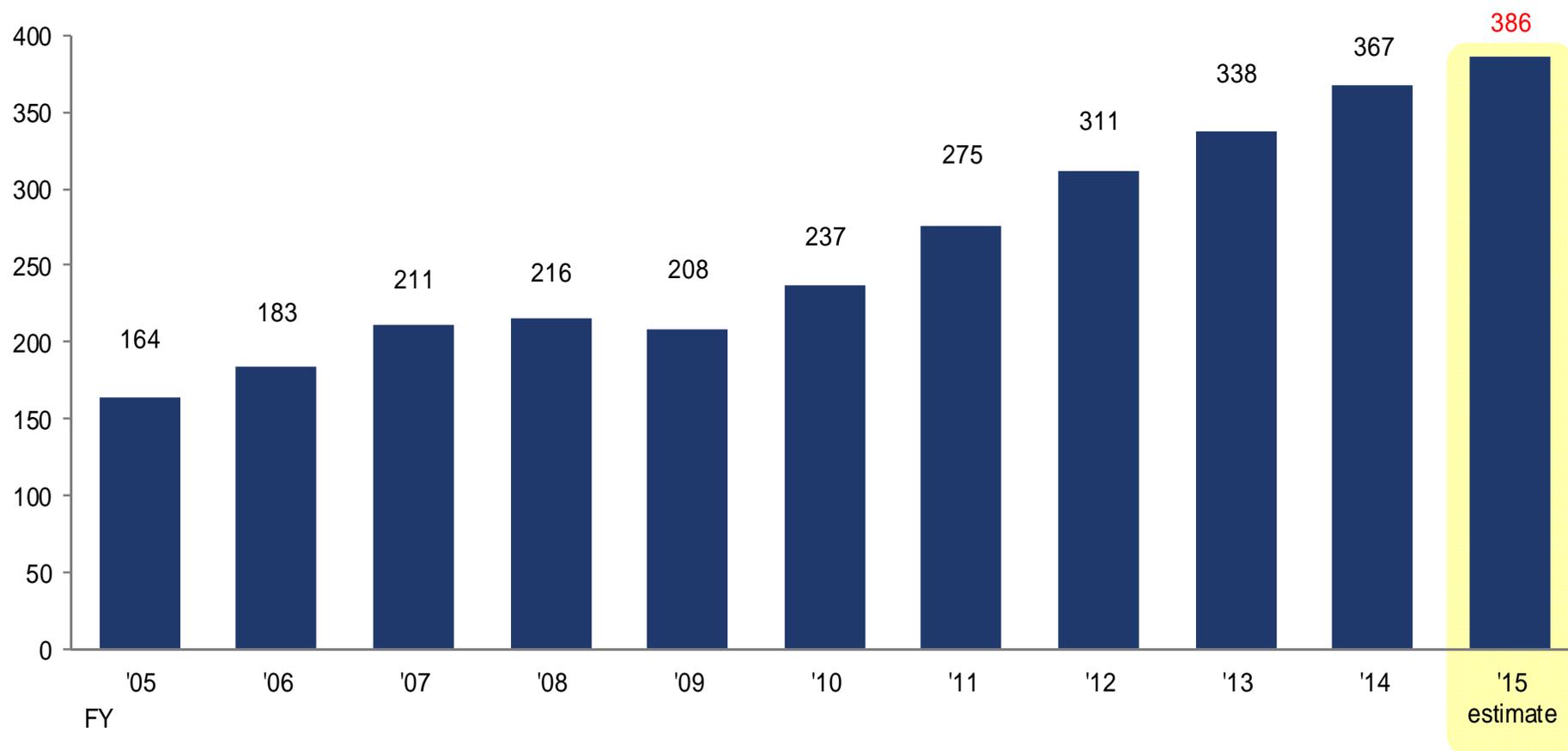


Sinking Fund Reserves



Accumulation of 3.7% (1/27th) of total prefectural bond issuance after 3 year deferral period

(Units: JPY bn)





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URL: http://www.pref.shizuoka.jp/a_foreign/english/index.html

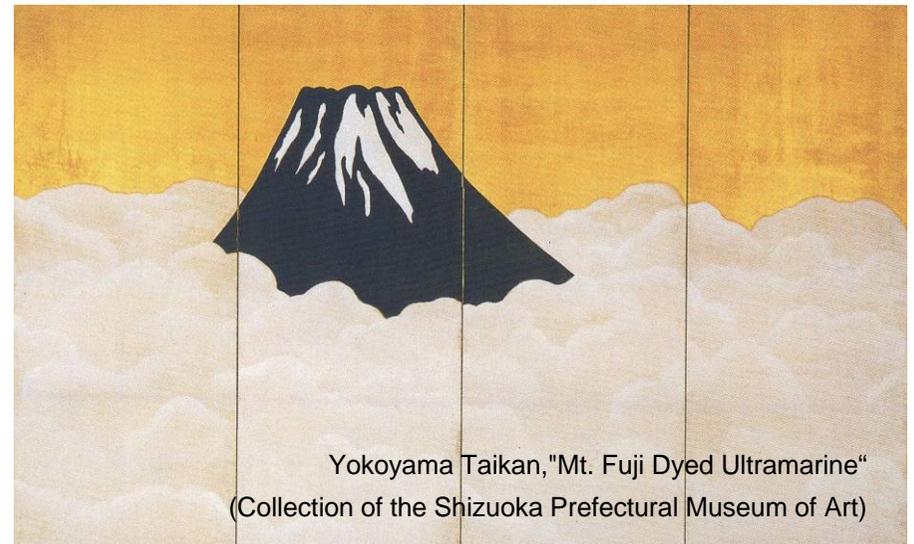
Bloomberg: SHIZUP Govt <GO>



Shizuoka
Prefecture

4 Reference Materials

- Japanese Local Government Bonds
- Fiscal Health Indicators
- General Accounts - Change in Revenues
- General Accounts - Change in Expenditures
- Change in Prefectural Bond Balance
- Change in Primary Balance
- Status of Sinking Fund Reserves
- Financial Statements (Fiscal 2013)



Yokoyama Taikan, "Mt. Fuji Dyed Ultramarine"
(Collection of the Shizuoka Prefectural Museum of Art)

Japanese Local Government Bonds

Japanese local government bonds have a risk weight of zero as a result of powerful national fiscal backing, a tax system designed to prevent failure and other measures as described below.

1 . Local Issue Tax System

- When determining budgets for each fiscal year, the national government sets forth an estimate of revenues and expenditures for all local governments, and guarantees revenue shortfalls.
- As part of this system, the national government provides backing for the redemption of the principal and interest of local government bonds, thereby strengthening the repayment capacity of local government bonds by local governments.

2 . Bond issuance approval system as an early correction measure

- Local governments must discuss with the national government before issuing bonds, and receive confirmation that the new bond issuance is reasonable and will not negatively affect the local governments' future ability to repay principal and interest of local government bonds.

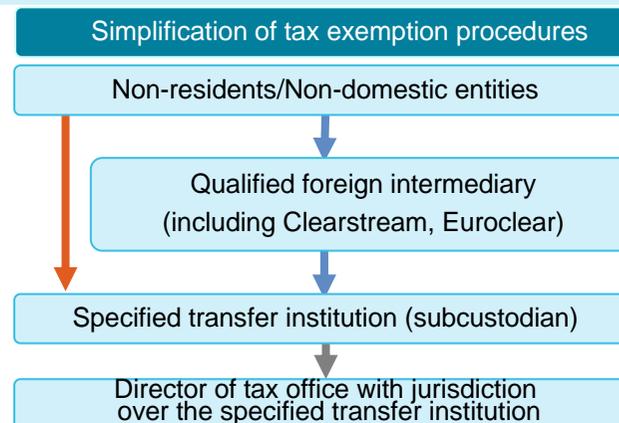
From January 1, 2008, tax exemption measures apply with respect to the interest on transfer local government bonds for non-residents and non-domestic entities which satisfy the prescribed conditions outlined below. Prior to this date, a 15% source deduction was deducted from interest earned on Japanese local government bonds by non-residents etc.

- Cases settled through the Japan Securities Depository Center, Inc.
- In cases of non-residents, non-residents who hold the bonds through a qualified foreign intermediary or qualified account management institution etc.
- Cases where appropriate tax exemption form is submitted

Effective June 2010, the following has been implemented to simplify the tax exemption procedures related to interest earned on transfer local government bonds by non-residents and expand those qualified for tax exemption status.

Furthermore, it is now possible to settle with Euroclear.

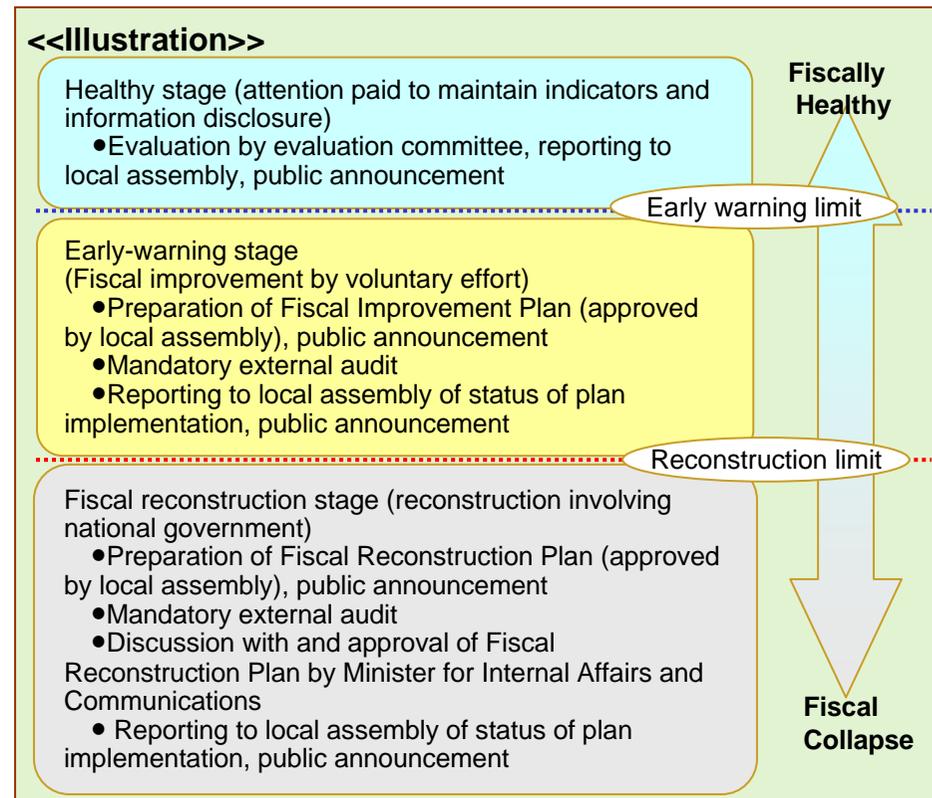
- Simplification of procedures by the elimination of separate individual bookkeeping under certain prescribed conditions, and a change from having to perform tax exemption procedures for each issuer (several) to just each transfer institution.
- Expansion of the range of qualified foreign securities investment trusts, and tax exemption status for redemption profit and loss



Fiscal Health Indicators

- With the implementation in April 2008 of the "Act on Assurance of Sound Financial Status of Local Governments," the fiscal status of local governments are objectively represented, and as a measure to evaluate the fiscal health or need for restructuring, the following four fiscal indicators have been set forth as Fiscal Health Evaluation Ratios, and accordingly, all local governments are required each fiscal year to have their Fiscal Health Evaluation Ratios as based on figures for the previous fiscal year, examined by an evaluation committee, and then report those results to the local assembly and local residents.
- If even one of the Fiscal Health Evaluation Ratios exceeds the early warning limit standard, in addition to an external audit, a Fiscal Improvement Plan must be prepared and improvement efforts will be encouraged; if the 3 indicators excluding the Future Burden Ratio worsens and any one of the indicators exceeds the reconstruction limit, additional national government involvement including the partial limitation on the issuance of bonds may be effected.

Real deficit ratio	Amount of general account based real deficit as a proportion of standard fiscal scale, serving as an indicator of the deficit level, and the extent of deterioration of fiscal management.
Consolidated real deficit ratio	Amount of all account (including public corporation accounts) based real deficit or amount of fund shortage as a proportion of standard fiscal scale, serving as an indicator of the deficit level and the extent of deterioration of fiscal management by combining the deficits and surpluses of all accounts.
Real debt payment ratio	Amount of redemption of principal and interest covered by general accounts as a proportion of fiscal scale, serving as an indicator of the amount payable for local government bonds and cash flow levels.
Future burden ratio	Real debt, including investment entities engaging in local public corporations and loss compensation, to be covered by general accounts as a proportion of fiscal scale, serving as an indicator of the current balance of local government bonds and bonds likely to be paid in the future by general accounts, and the extent of pressure on future finances.



General Accounts – Change in Revenue

(Units: JPY bn, %)

Categories	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Prefectural Tax	468	418	425	438	457	488	567	541	418	402	398	406	423	448	488	496
% of Total	33.9	34.1	35.9	37.5	40.3	43.0	49.6	47.3	34.4	34.4	34.6	35.2	35.9	37.4	39.8	40.0
Local Allocation Tax	207	205	192	165	169	144	128	116	148	168	164	165	156	156	151	153
% of Total	15.0	16.7	16.2	14.1	14.9	12.7	11.2	10.1	12.2	14.4	14.3	14.3	13.2	13.0	12.3	12.3
National Treasury Disbursements	231	206	190	181	154	127	118	130	202	149	137	131	146	129	127	136
% of Total	16.8	16.8	16.0	15.5	13.6	11.2	10.3	11.4	16.6	12.8	11.9	11.4	12.3	10.8	10.3	11.0
Prefectural Bonds	210	194	186	168	135	125	143	184	234	220	195	205	199	186	146	145
% of Total	15.2	15.9	15.7	14.4	11.9	11.1	12.5	16.1	19.3	18.8	17.0	17.8	16.8	15.5	11.9	11.6
Others	264	201	192	216	218	249	188	172	212	230	256	246	257	278	315	311
% of Total	19.1	16.5	16.2	18.5	19.3	22.0	16.4	15.1	17.5	19.6	22.2	21.3	21.8	23.3	25.7	25.1
Total	1,380	1,224	1,186	1,167	1,133	1,134	1,143	1,144	1,215	1,169	1,150	1,153	1,180	1,197	1,227	1,241

- Fiscal 2016 figures are initial budget estimates, actual figures provided up to Fiscal 2015

General Accounts – Change in Expenditures

(Units: JPY bn, %)

Categories	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Mandatory Expenses	656	642	626	629	621	617	622	619	618	623	630	633	626	635	648	659
% of Total	48.1	53.0	53.5	54.5	55.3	54.9	54.9	54.6	51.3	53.9	55.5	55.7	54.1	53.8	53.4	53.1
Personnel Expenses	410	404	390	390	391	392	393	386	377	373	372	368	356	358	363	361
% of Total	30.1	33.4	33.4	33.8	34.9	34.9	34.8	34.0	31.3	32.3	32.8	32.4	30.8	30.4	29.9	29.1
Social Aid Expenses	59	61	54	57	56	63	66	69	72	77	81	85	89	93	100	104
% of Total	4.3	5.0	4.6	4.9	5.0	5.6	5.8	6.1	6.0	6.7	7.1	7.5	7.7	7.9	8.3	8.4
Bond Expenses	179	168	173	174	165	158	159	161	168	170	172	171	178	180	181	186
% of Total	13.1	13.9	14.7	15.0	14.7	14.1	14.0	14.2	13.9	14.7	15.1	15.1	15.3	15.2	14.9	15.0
Disaster Recovery Expenses	8	9	9	9	8	4	4	3	1	3	6	8	4	4	4	8
% of Total	0.6	0.7	0.8	0.8	0.7	0.3	0.3	0.3	0.1	0.2	0.5	0.7	0.3	0.3	0.3	0.6
Investment Expenses	369	315	277	258	228	219	211	203	192	173	163	169	191	171	157	170
% of Total	27.1	26.0	23.7	22.3	20.3	19.5	18.6	17.9	16.0	14.9	14.1	14.9	16.3	14.5	12.9	13.7
Public/Direct	191	175	150	137	120	111	101	90	89	92	90	94	102	88	82	90
% of Total	14.0	14.5	12.8	11.9	10.7	9.9	8.9	7.9	7.4	8.0	8.0	8.3	8.9	7.5	6.7	7.3
Standalone	178	140	128	120	108	107	110	113	103	81	73	75	89	83	75	80
% of Total	13.1	11.5	10.9	10.4	9.6	9.6	9.7	10.0	8.6	6.8	6.2	6.6	7.5	7.0	6.2	6.4
Others	338	254	266	268	273	287	300	312	394	358	342	335	340	374	409	412
% of Total	24.8	21.0	22.8	23.2	24.4	25.6	26.5	27.5	32.7	31.3	30.4	29.4	29.5	31.7	33.7	33.2
Total	1,363	1,211	1,169	1,155	1,121	1,122	1,132	1,134	1,204	1,154	1,135	1,136	1,157	1,180	1,214	1,241

*Fiscal 2016 figures are initial budget estimates, actual figures provided up to Fiscal 2015

*Annual figures include carry over from previous year, and does not include carry over to next fiscal year.

*Real balance is accounting balance less assets to be carried over

Fiscal Position of Shizuoka – Current Conditions

All four indicators are performing better than the nationally established standards

4 Indicators*	Description	Fiscal 2015	National Standard	
			Early warning limit	Reconstruction limit
Real deficit ratio	Amount of general account deficit as a proportion of fiscal scale	(Surplus)	3.75%	5.0%
Consolidated real deficit ratio	Amount of all account deficits as a proportion of fiscal scale	(Surplus)	8.75%	15.0%
Real debt payment ratio	Public debt expenses as a proportion of fiscal scale	14.0%	25.0%	35.0%
Future burden ratio	Prefectural bond balance as a proportion of fiscal scale	223.1%	400.0%	-

* With the exception of the Future burden ratio, if national standards are exceeded, national government authorization and additional national government involvement is required to issue bonds

