

# Financial Condition of Hiroshima Prefecture

**2007**



**Hiroshima Prefecture**



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Hiroshima  
Prefecture

# 1 Profile of Hiroshima Prefecture and its Industrial Revitalization

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# Profile of Hiroshima Prefecture

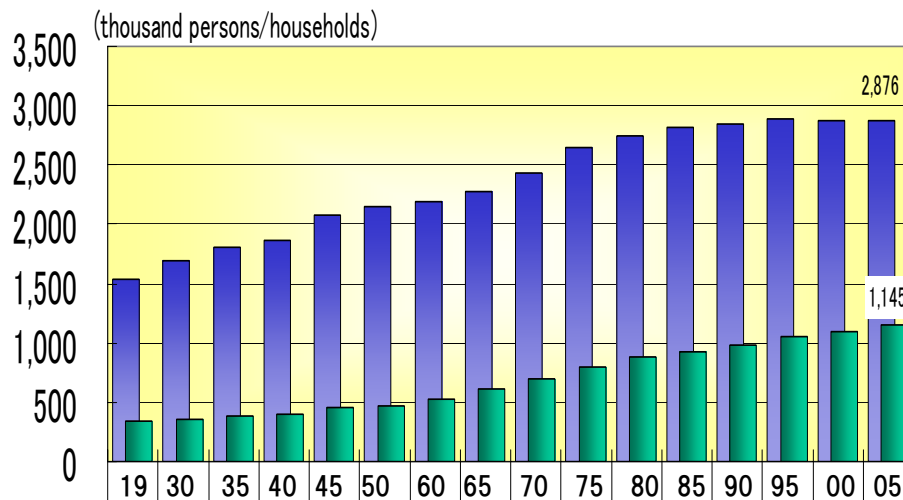


## 【Profile】

- Hiroshima Prefecture has every aspect of geomorphic characteristics of Japan, mountains, sea, rivers, valleys, plains, basins and others, and the climate ranges from severe coldness like northern districts to mild warmness like southern districts depending on the area. This provides a variety of local products as well as pleasure of sports, which led Hiroshima to be called as a “smaller version of Japan”.
- Along with **core industrial (especially the automobile industry) and commercial activities** centering around the Hiroshima Urban Zone (Hiroshima-shi, Kure-shi and others) and the Bingo Urban Zone (Fukuyama-shi, Onomichi-shi), **agriculture and fishery industries are also active blessed with affluent nature like sea and mountains.**
- **International recognition of Hiroshima is extremely high with two World Heritages**, namely Itsukushima Shrine and the Atomic Dome within the prefecture, attracting a lot of tourists from home and abroad.
- **Its population is ranked 12<sup>th</sup> in the nation** with approximately 2.88 million people, and **Hiroshima-shi, the largest city in Chugoku and Shikoku Districts** is its prefectural capital.

**No.1 in the nation**

## 【Changes in population and households】



Source: Ministry of Internal Affairs and Communication “National Census”

【Major industrial, agricultural and fishery products ranked No.1 in the nation (2004)】

Industrial Products (Shipment value, etc.)	Billion Yen	Share
Aluminum/Aluminum die-casting alloy	823	19.2%
Printing machinery	689	25.6%
Oxygen gas	112	17.7%
Rubber gloves	19	34.5%
Goods for basketball, volleyball, rugby, soccer, etc.	58	64.5%
Painting goods (brush, oil paint, canvas, etc.)	59	36.6%
File	11	73.5%

Source: Ministry of Economy, Trade and Industry “Industrial statistics”

Farm and Marine Products (Amount of crop/production)	Ton	Share
Cultured oyster	116,540	49.8%
Black porgy	552	14.7%
Lemon	3,205	65.0%
Stone leak (2002)	2,124	49.5%

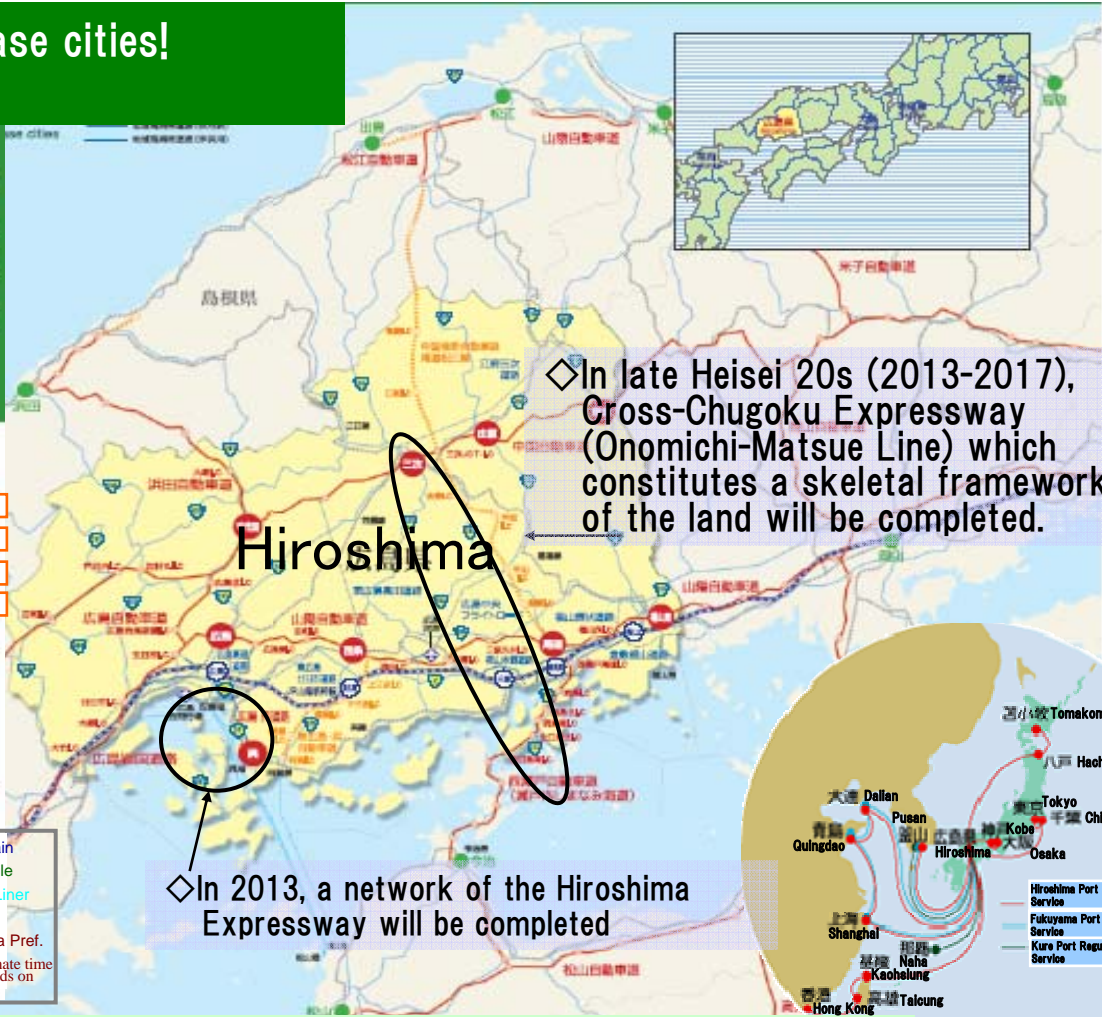
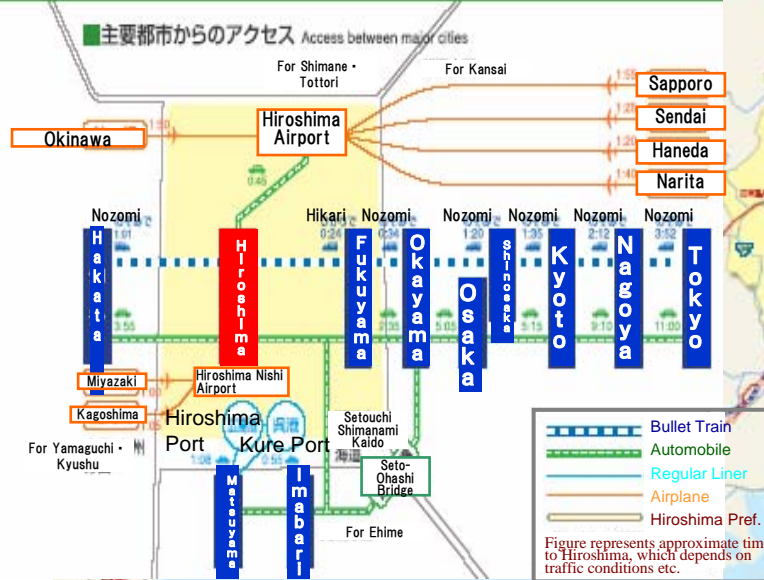
Source: Agriculture, Forestry and Fishery Department, Hiroshima Pref. “Trends of Agriculture, Fishery and Forestry in Hiroshima Pref.”



# ◆ Its Function as Nucleus Base

Hiroshima is closely located to base cities!  
Access (land route)

- 県政のビジョン Vision of prefectural administration
- 中国横断自動車道尾道松江線や東広島・呉自動車道などの高規格幹線道路や地域高規格道路の整備  
Development of high-standard regional routes and high-standard major arterials such as the Onomichi-Matsue Line of the Chugoku Transverse Expressway, and Higashihiroshima-Kure Expressway
  - 市町の中心地から高速道路のインターチェンジへ20分で到達できる「高速I.C.20分交通圏」の整備  
Development of "20-minute expressway interchange transit zones," which enable drivers to reach an expressway interchange in 20 minutes from the center of a municipality
  - 広島空港、広島港、福山港といった物流拠点へのアクセス道路の整備  
Development of access roads to distribution centers such as Hiroshima Airport, Hiroshima Port, and Fukuyama Port

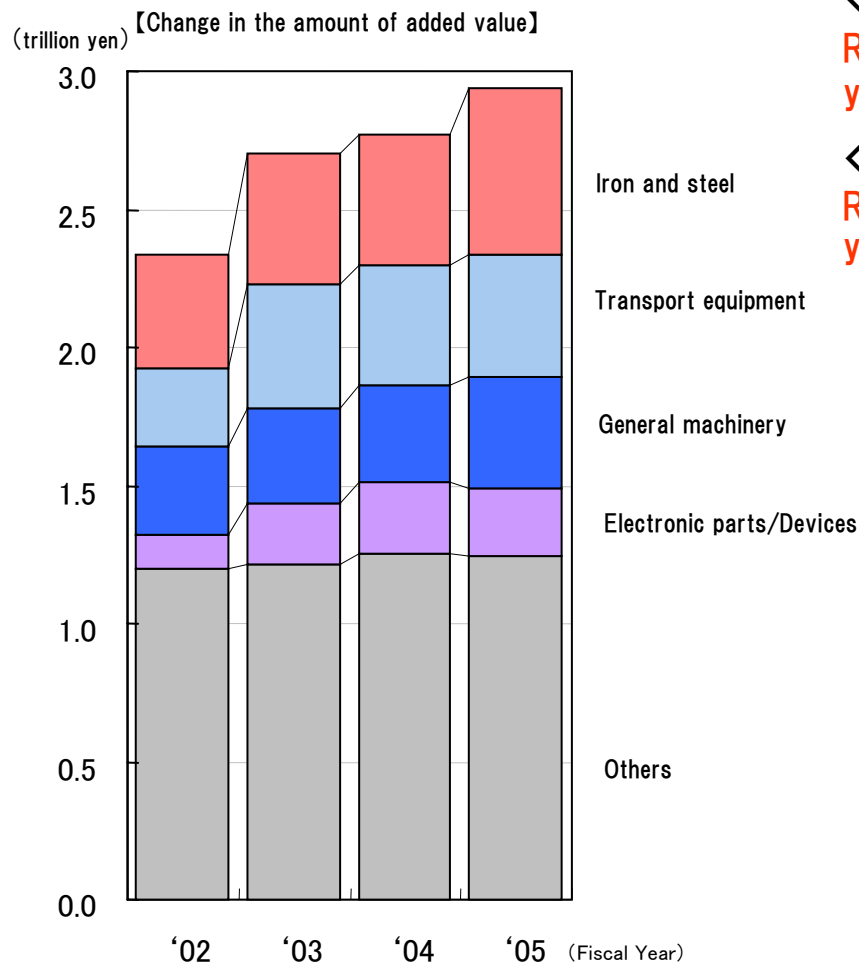


As the core prefecture in Chugoku Shikoku Districts, Hiroshima Prefecture is equipped with the nucleus function as a base for a broad regional network of traffic such as expressways, airports and ports.

# ◆ Sustained Development of Key Industries



## ■ Sign of recovery for manufacturing industry



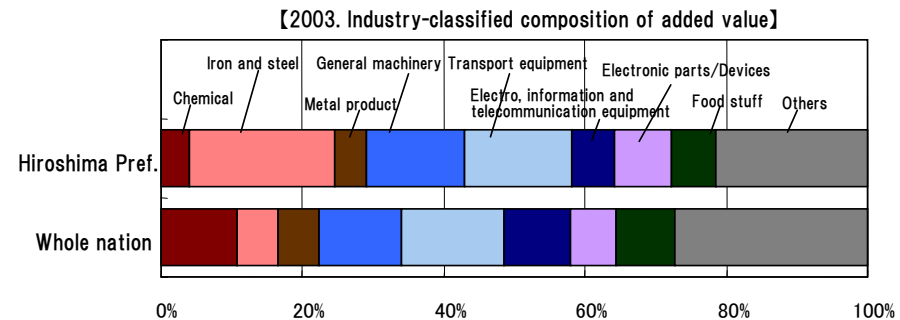
<Value of shipment of products, etc. (2004-2006)>

Ranked No.1 in Chugoku-Shikoku-Kyushu for 3 consecutive years (Ranked 12<sup>th</sup> in the nation)

<Amount of added value (2003-2006)>

Ranked No.1 in Chugoku-Shikoku-Kyushu for 4 consecutive years (Ranked 12<sup>th</sup> in the nation)

(Targeted value) Amount of added value of manufacturing industries in Hiroshima  
 [From ¥2,773.6 billion in 2004 to ¥2,840.0 billion in 2010]  
 ⇒ Already accomplished in 2005 (¥2,936.4 billion)

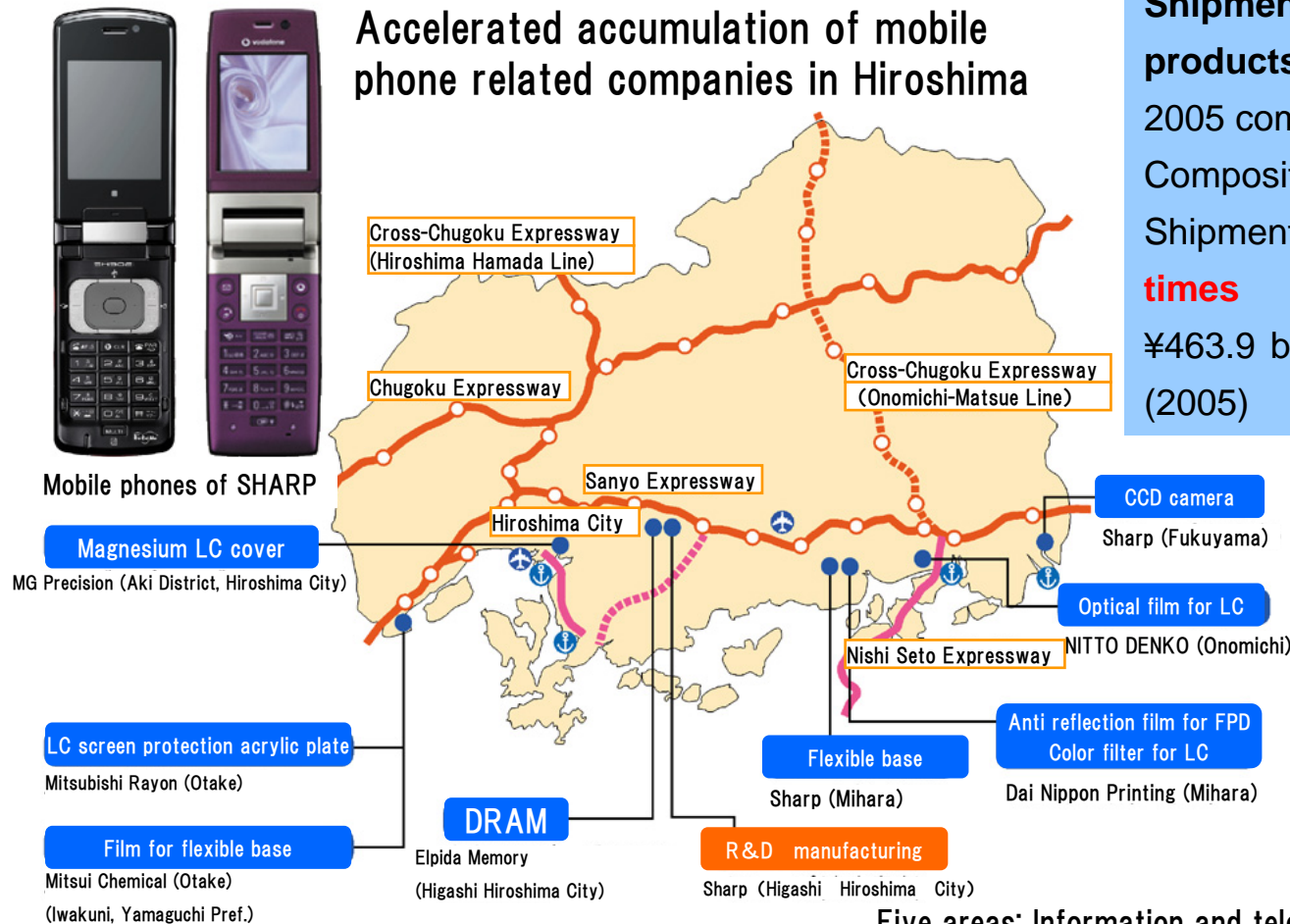




# ◆ Creation of New Industries (1)

## ■ Accumulation of emerging growth industries and creation of venture companies

Accelerated accumulation of mobile phone related companies in Hiroshima



Shipment value of manufactured products (electric machinery) (1990-2005 comparison)  
 Composition ratio: 5.2% ⇒ 14.7%  
 Shipment value: **enlarged about 2.5 times**  
 ¥463.9 billion (1990) ⇒ ¥1,144.1 billion (2005)

(Target value)  
 Amount of added value in 5 areas (\*)  
 ¥1,439.6 billion (2003)  
 ↓  
 ¥1,920.0 billion (2010)

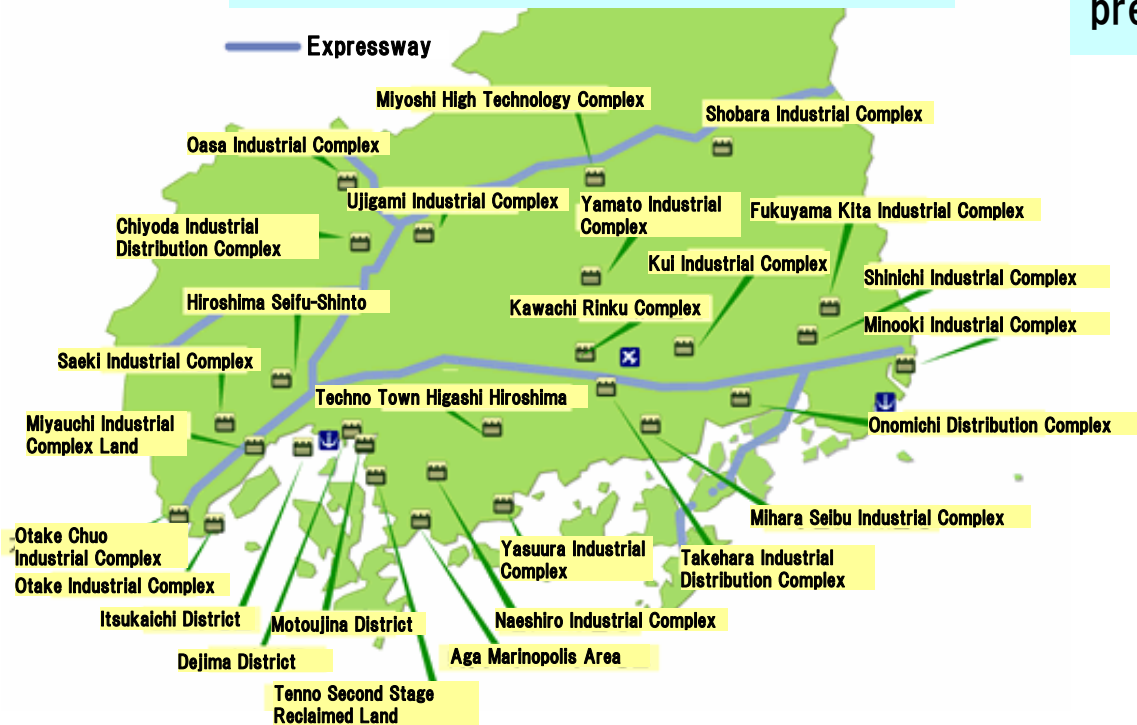
Five areas: Information and telecommunication, environment, new manufacturing technology, medical, welfare and biotechnology



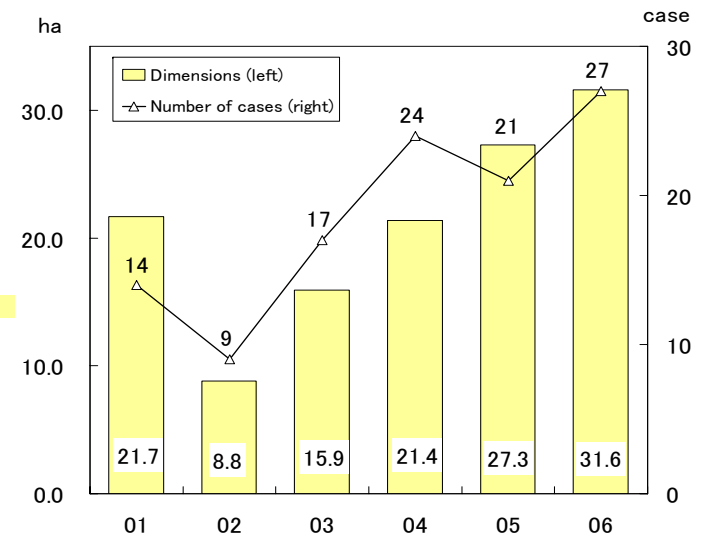
# ◆ Creation of New Industries (2)

## ■ Promotion of business advance

### Industrial complexes in Hiroshima



### Situation concerning the advance in industrial complexes managed by prefecture (Location agreement base)



(Target value)

Number of business advances in the prefecture and dimensions (Accumulated)

From **49 cases, 75.9ha** (2004) to **157 cases, 208ha** (2005-2008)





# ◆ Creation of New Industries (3)

## Support system of Hiroshima Prefecture to promote corporate advance (extract)

Division	Subject of subsidy	Subject area・complex	Condition of recipient	Subsidy amount (Formula)	Limit
Land	Equivalent to Land price	Pref. owned industrial complex	Manufacturing, sales, R&D, service industry, etc.	Land price x (max) 25%	None
Tax	Equivalent to real estate acquisition tax	Pref. owned industrial complex	Manufacturing, sales, R&D, service industry, etc.	Equivalent to real estate acquisition tax of land・building	None
Building・Facility	New plant, new distribution facility, new or increased software industry	Pref. owned industrial complex, public distribution complex and all areas in the prefecture	Manufacturing, sales, R&D, service industry, etc., which satisfy certain conditions like floor space and amount of capital investment	【Pref. owned industrial complex】 Capital investment amount (excluding land price) x 15%	【Prefecture owned】 ¥500 million
				【Other public complex】 Capital investment amount (excluding land price) x 10%	【Others】 ¥100 million
				【Private land】 Capital investment amount (excluding land price) x 5%	

In order to realize earlier attraction of companies in response to their increasing interest in investment, the supplemental budget was amended in the prefectural assembly in September.

**先端産業 広島に集まれ**

広島県は電機や半導体、自動車関連などの先端技術分野の企業を誘致するため、三原市と北広島町で千五〜二六畝の大規模用地を整備する。山林を新たに造る計画を盛り込んだ。三原市では県有地を売却し、工業団地に整備する。北広島町は千代田工業・流通団地内に建設された用地を一つにまとめる。段差などを解消し、計画を早める。山林を新たに造る計画を盛り込んだ。三原市では県有地を売却し、工業団地に整備する。北広島町は千代田工業・流通団地内に建設された用地を一つにまとめる。段差などを解消し、計画を早める。山林を新たに造る計画を盛り込んだ。

### 県、電機・半導体・車関連を誘致 三原・北広島に大規模用地

中国自動車道千代田IC、千代田工業・流通団地、本郷IC、広島空港、山陽自動車道、開発予定の山林、広島市、広島IC、本郷IC、広島空港、山陽自動車道、開発予定の山林

集積が沿岸部を中心に進んでいる。最近ではエルピーダメモリやシャープなど大手電機企業なども進出している。県は産業構造を多様化するため、昨年五月に藤田雄山知事を本部長とする産業集積促進戦略本部を設置し、先端企業の誘致活動を強化している。

ただ、景気拡大で既存の団地の分譲が進み、利便性が高い大規模用地が不足していた。新規造成工事で受け入れ体制の整備を急ぎ、他の自治体との誘致競争に対応する考えだ。

# ◆ Major Investments and Entrants of Different Industries in Agriculture



## ○ Recent major investments related to semiconductor and electric machinery

2003	MAEKAWA MFG. CO., LTD., Higashi-Hiroshima Plant (¥1.2 billion)
	NITTO DENKO CORPORATION, Onomichi-Plant (¥10.0 billion)
2004	Elpida Memory, Inc. (¥500 billion *until full operation of the new plant)
	Sharp Corporation, Higashi-Hiroshima (R&D) (¥2.4 billion)
	Sharp Corporation, Mihara (¥8.2 billion)
	Dai Nippon Printing Precision Device Co., Ltd., Mihara Plant (¥25.0 billion)
2005	NITTO DENKO CORPORATION, Onomichi Plant (¥14.0 billion)
	Dai Nippon Printing Co., Ltd. (¥15.0 billion)
2006	Elpida Memory, Inc. (¥300 billion)
	MAEKAWA MFG. CO., LTD., Higashi-Hiroshima Plant (¥1.0 billion)
	DAISEL CHEMICAL INDUSTRIES, LTD., Otake Plant. (¥40.0 billion)

## ○ Recent major entrants in agriculture by different industries

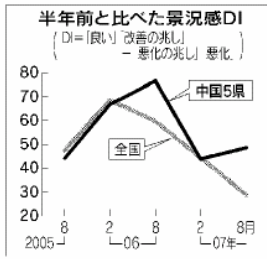
Location	Company name	Item	Site area	Entrant timing
Etajima City	Green Farm Okimi Co., Ltd.	tomato	1.5ha	Jun. 17, 2002
	Okimi Vegeta Co., Ltd.	strawberry	1.2ha	Dec. 16, 2002
Sera Town	Sera Saien Co., Ltd.	tomato	32.6ha	Mar. 10, 2000
	Marugo Organic Farm Co., Ltd.	soybean	45.0ha	Mar. 4, 1994
	Nihon Noen Co., Ltd.	leaf lettuce	8.5ha	May 14, 2003
	Seramum Co., Ltd.	chrysanthemum	7.8ha	Apr. 16, 1997
Ashiwara City	Green Kakuei Co., Ltd.	Welsh onion	4.9ha	May 31, 2001
Kita Hiroshima Town	Andelsen Co., Ltd.	apple	4.3ha	Oct. 26, 2006
	Mishima Shokuhin Co., Ltd.	red perilla	5.1ha	Oct. 30, 2006

# ◆ Recent Economic Situation ~from newspaper articles



2007年08月17日 日本経済新聞地方経済面

中国新聞 2007年6月26日 火曜日 面名 朝一 17 1ページ



## 地域経済 本社調査

# 5県景況感 全国2位

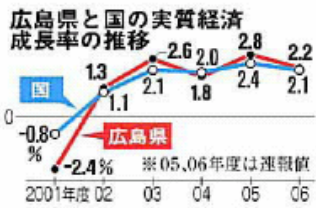
## D1プラス 63.6 製造業がけん引

日本経済新聞社が地域経済を代表する全国五百社のトップを対象に実施したアンケートで、中国五県の景況感を示す業況判断指数(DI)はプラス六三・六となった。全国十地区では東海(プラス八六・二)に次ぐ高水準で、輸出増などを追い風に製造業で強気の見方が目立つ。一方、個人消費の見方は強弱が入り交じっている。(経済面参照)

### 個人消費は強弱交錯

DIは足元の景況が「拡大している」と答えた企業の割合から、「悪化している」と答えた割合を引いた値。中国五県の企業では「悪化の兆し」もしくは「悪化」と回答した企業は七割で、景況感の回復は幅広い業種に及んでいない。半年前と比べ拡大し

また、全体の七〇%が「今後の景況感」に好影響を与えようという見方を示した。また、「ガソリン価格の高騰や、株価下落の影響が消費者心理を冷やす懸念もある」との指摘が中期的に企業の金利差すとの懸念が根強い。



## 06年度2.2% 5年連続プラス

経済成長率速報 県内総支出から3カ月ごとの経済成長率を推計し、各年度の数値をまとめる。生産・分配・支出から総合的に算出し、取りまとめに約1年半かかる確率に

広島県の二〇〇六年度の実質経済成長率は2.2%(速報値)で、五年連続でプラス成長だったことが二十五日、県のまとめで分かった。住宅着工や企業の設備投資など民間需要がけん引し、国

# 広島県成長率国を上回る

県は〇五年度の2.8%から0.6ポイント増。推計値で0.3ポイント増。1%で、広島県がわずかに上回った。県内総支出は二兆九千六百二十億円。うち民間需要は八兆千四百九十九億円で1.0%増えた。マンショ

## 住宅着工・設備投資が好調

住宅着工は二兆七千八百四十一億円。自動車や工作機械などの投資が活発で1.9%増えたが、伸び率は〇五年度の8.2%増から鈍化した。主に家計での消費を示す民間最終消費は五兆九千三百六億円で0.9%増。デジタル家電などの販売が好調だった。

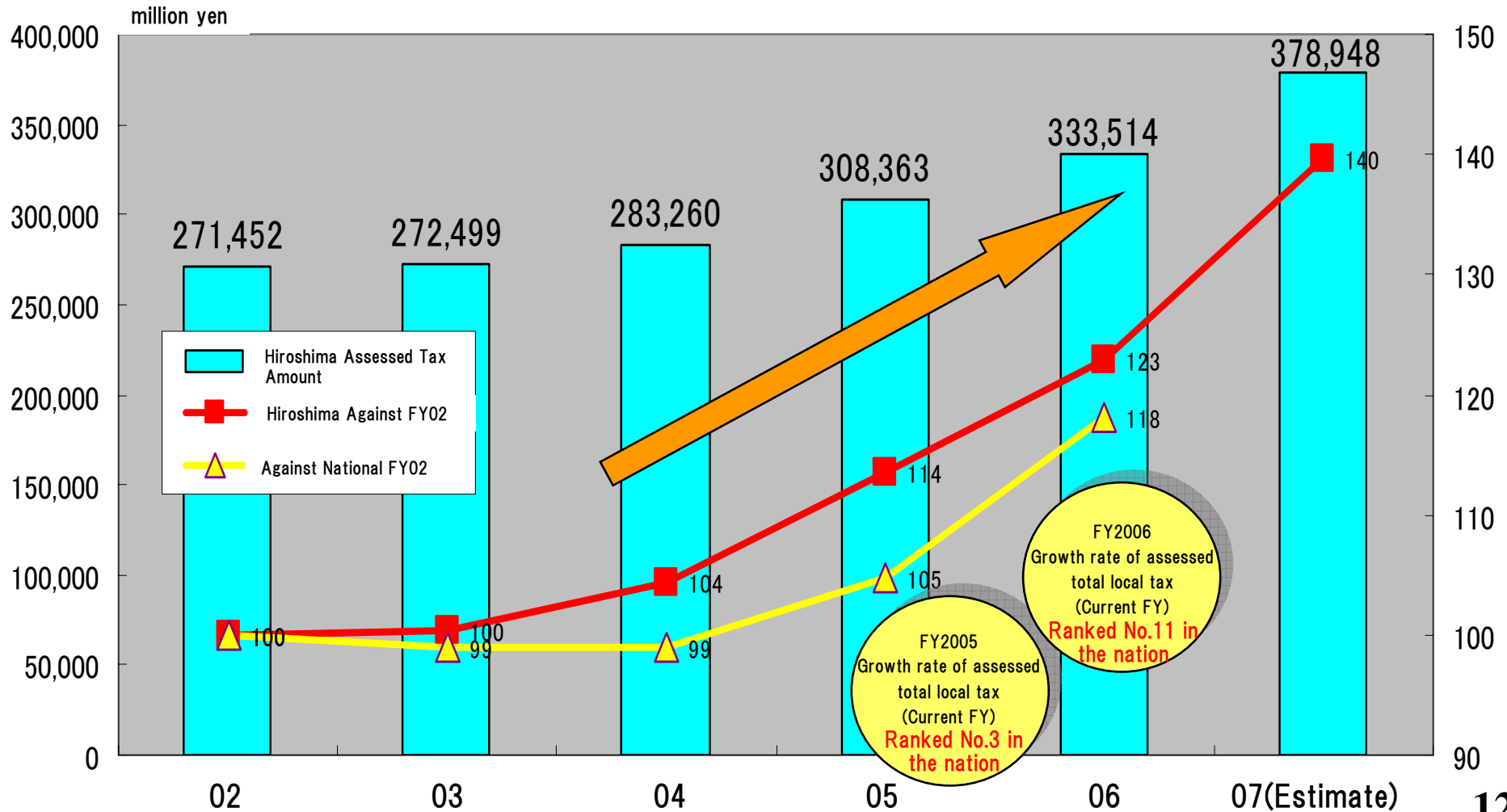
公的需給は二兆八千三百七十億円で横ばいだった。公共工事を示す公的固定資本形成が、五千七百三十億円で0.2%減。中国横断自動車道尾道松江線の建設などで、国の9.6%減と比べ下げ幅が小さかった。

# Tax Revenue Situation

Assessed tax amount: Current year base



■ Tax revenue has been recovering every year due to increased revenue mainly from two corporate taxes, and the rate of growth is significantly higher than the national average.





Hiroshima

Prefecture

## 2. Commitment to Administrative and Fiscal Reform

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# ◆ Hiroshima Style Decentralized Administration System

## Hiroshima Prefecture Decentralized Reform Promotion Program

Formulated: November 15, 2004

Period: 2005—2009 (5 years)

Constitution: **Collective designation of the 3 plans below**

### Promotion Plan for Decentralized Reform

- Mergers of base municipalities (cities, towns and villages) have progressed  
⇒ Bigger municipalities
  - 86 cities, towns and villages ⇒ 23 cities and towns
- Review division of roles between public administration and the private sector
  - Abolition of administrative works, transfer to private sector
- Transfer administrative works and authority to base municipalities
- Propose system reform to the government
  - Transfer of administrative works from the prefecture to the central government
  - Early transition to doshusei (regional system)

### Second Administration System Reform Promotion Plan

- Establishment of a decentralized administration system
  - Revision of administrative works
- Establishment of an efficient and streamlined prefectural government
  - Organizational restructuring of prefecture
  - Proper control of a fixed number of employees
    - Reduce approximately 10% of the employees (approximately 2,800) in five years between 2005 and 2009
- Residents and performance oriented organization culture
  - Review of results of measures and resident participation
  - Human resources development

### Second Medium-term Fiscal Management Policies

- Target
  - Early solution of revenue shortfall
  - Early achievement of a primary balance
- Measures for achieving fiscal soundness
  - Reduction of personnel expenses and internal administrative expenses
  - Reduction of ordinary construction works expenditures and subsidies
  - Secure independent revenue source such as prefectural tax revenue



# ◆ Specific Promotion of Reforms

## Progress of mergers between municipalities

■ Number of cities, towns and villages in the prefecture

86 (2002) → 23 (March 2006)

• More than 90% of the population live in cities.

## Promotion of private-sector consignment

■ Utilization of designated administrator system

• Introduced to 19 facilities in FY2005

~Degree of introduction was ranked 4<sup>th</sup> in the nation.

• Introduced to 133 facilities in FY 2006

■ Comprehensive revision of nonclerical works

• Security work, telephone operator work, road inspection work, etc. 18 businesses have been consigned to private sector

~Revision of all administrative works is the first-ever attempt in Japan

## Transfer of official works and authority from prefecture to base municipalities

«Basic Policy» Promote **transfer of 189 official works** based on the Decentralization Promotion Plan

1 Transfer to all base municipalities

2 Complete transfer within planned period.

Period of plan: FY2005- FY 2009

3 Transfer in accordance with situations of municipalities.

Individual program is formulated.

### 【Distinctive cases】

- Set up municipal welfare offices
- Acceptance of passport application and issuance
- Administrative work on the “Law to help self-support of disabled people”
- Transfer of authority on the roads
- Reinforce building certification work

## Comprehensive revision of administrative works

■ Conduct thorough revision of **all works (2,610 works)** of the prefecture from a fundamental standpoint.

• Perspectives of the revision- “Necessity,” “Effectiveness,” “Efficiency,” etc.

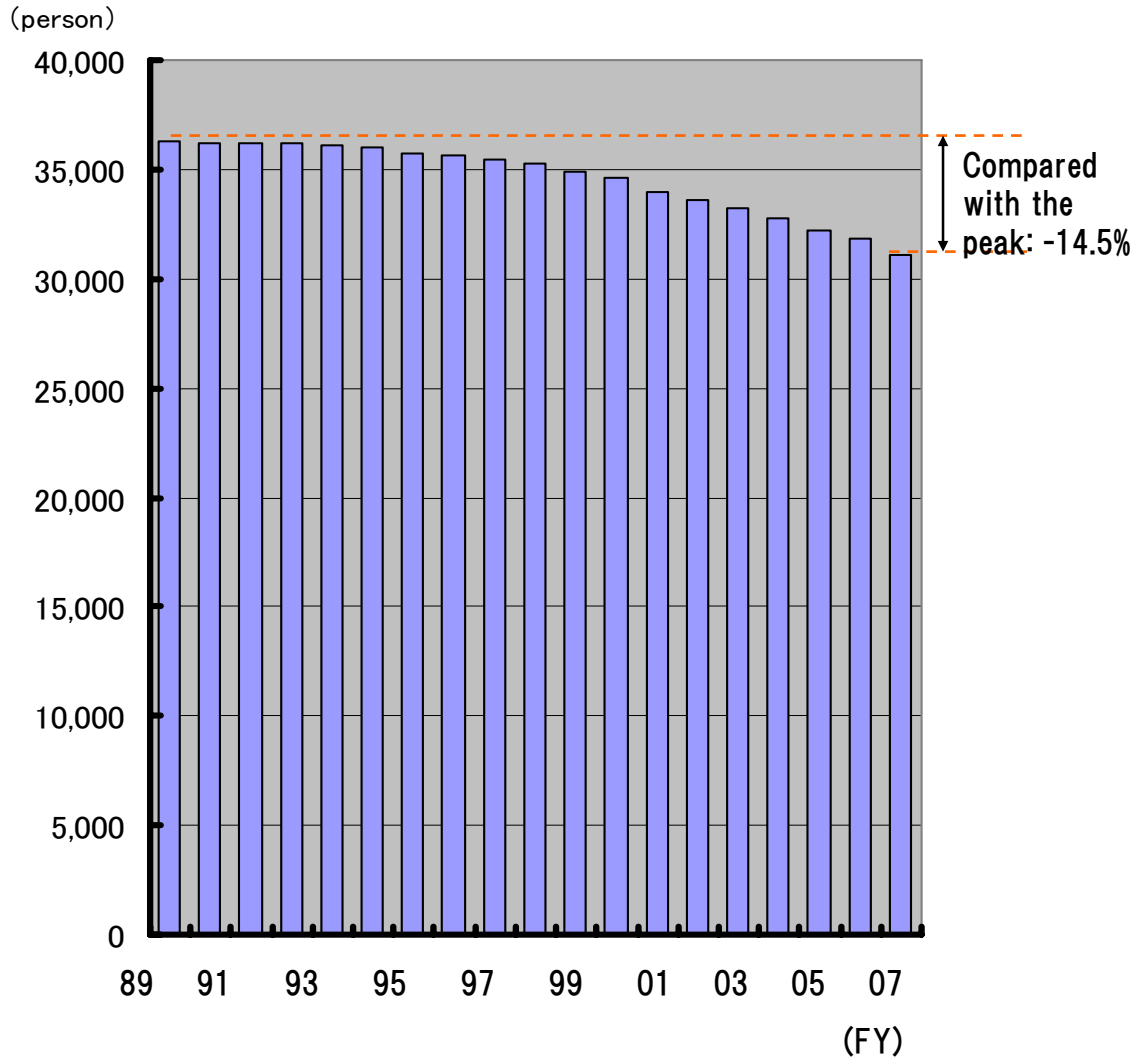
• Results of the revision (Implement in 3 years until FY2009)

All administrative works	Number of reviewed works		Amount of the effect of revision (General account budget)
	Abolition/Completion	Others	
2, 610	1, 192	206	Amount of the effect including personnel expenses is ¥19.9 billion.

# Personnel Downsizing of Hiroshima Prefecture



## <Change in the number of prefectural government employees>



■ So far, we have carried out personnel downsizing with a pace faster than the national average, and we have posted a target for future higher than the government guideline.

① Actual results: 1999-2004

National average of municipalities -4.6%

Hiroshima Prefecture -6.3%

Total fixed number base (Including teachers and police officers)

② Target for the next 5 years

Government guideline (2005-2010) -4.6%

Hiroshima Prefecture (2005-2010) -6.9%

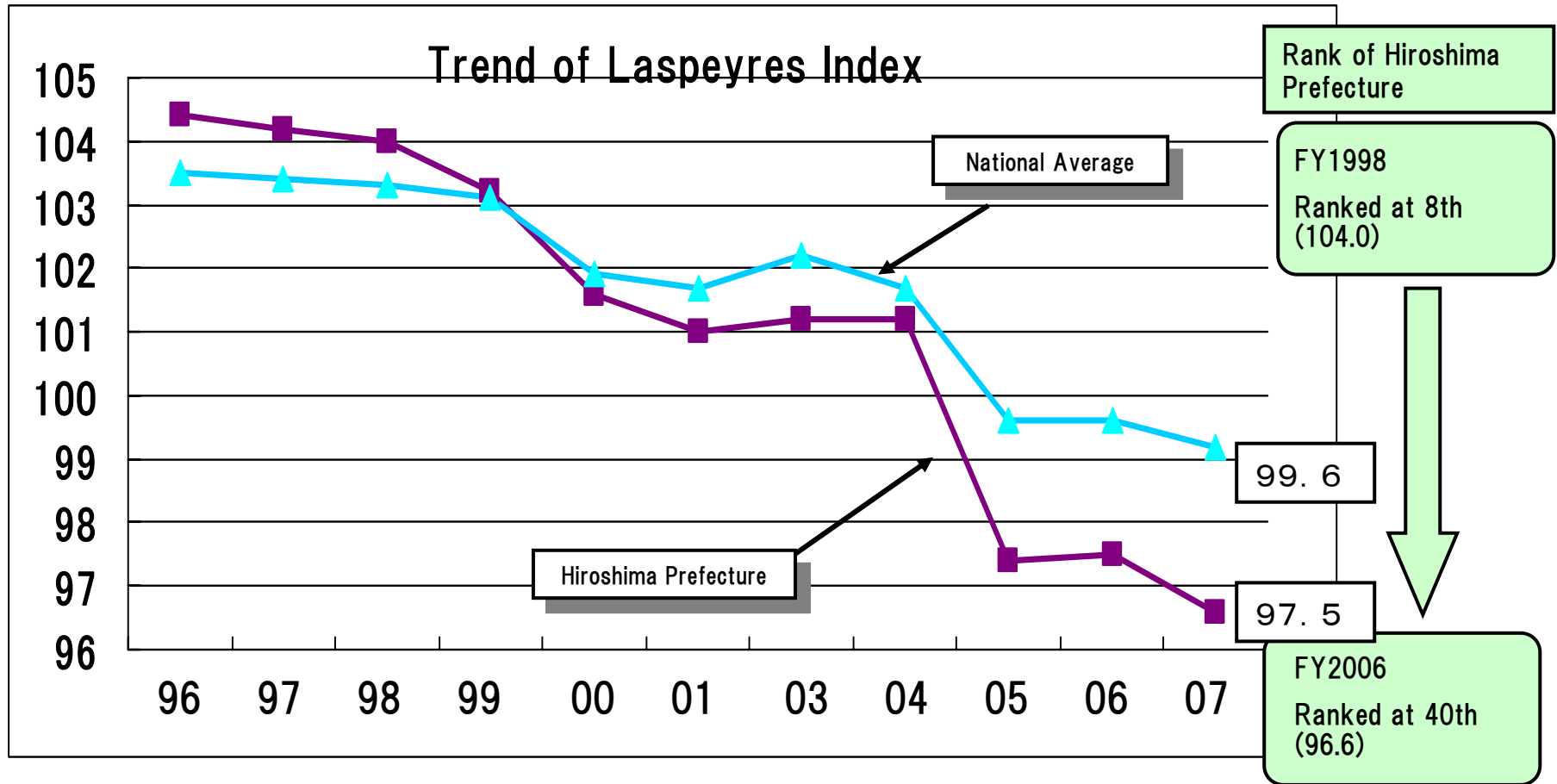
Hiroshima Prefecture (2004-2009) -8.4%

\*Total fixed number base (excluding undecided police officers)





# ◆ Salary Level of Hiroshima Prefecture



## ◆ Efforts toward Financial Soundness



- In accordance with the “measures for materialization” toward financial soundness formulated in FY2003, we accomplished a reduction of targeted ¥39.3 billion during the 3 years between FY2004 and FY2006 by way of all-out internal efforts like restraint of personnel expenses and revision of measures such as reducing public works, etc.
- In continuation, we have formulated "new measures for materialization" in FY2006, and we engage in a reduction of approximate ¥39.0 billion during FY2006 and FY2009.

Item		Content	2009 (billion yen) Target amount of effect
Expenditure	Internal effort		180
	Restraint of personnel expense	Review number of employees, measures to restrain salary, etc., revision of various benefits	139
	Cut in internal administration expenses	Cut based on results of comprehensive review of administrative works	41
	Revision of measures		180
	Cut in ordinary construction works expenditure	Planned reduction of public works, 35% cut in investment expenditures other than public works compared with FY2006.	116
	Review of administrative works	Cut based on results of comprehensive review of administrative works	64
Revenue	Securement of revenue	Reduction in the amount of unsettled revenue, securement of revenue from sale of assets, etc.	30
<b>Total</b>			<b>390</b>



Hiroshima  
Prefecture

## **3 Outline of Initial Budget for Fiscal Year 2007**

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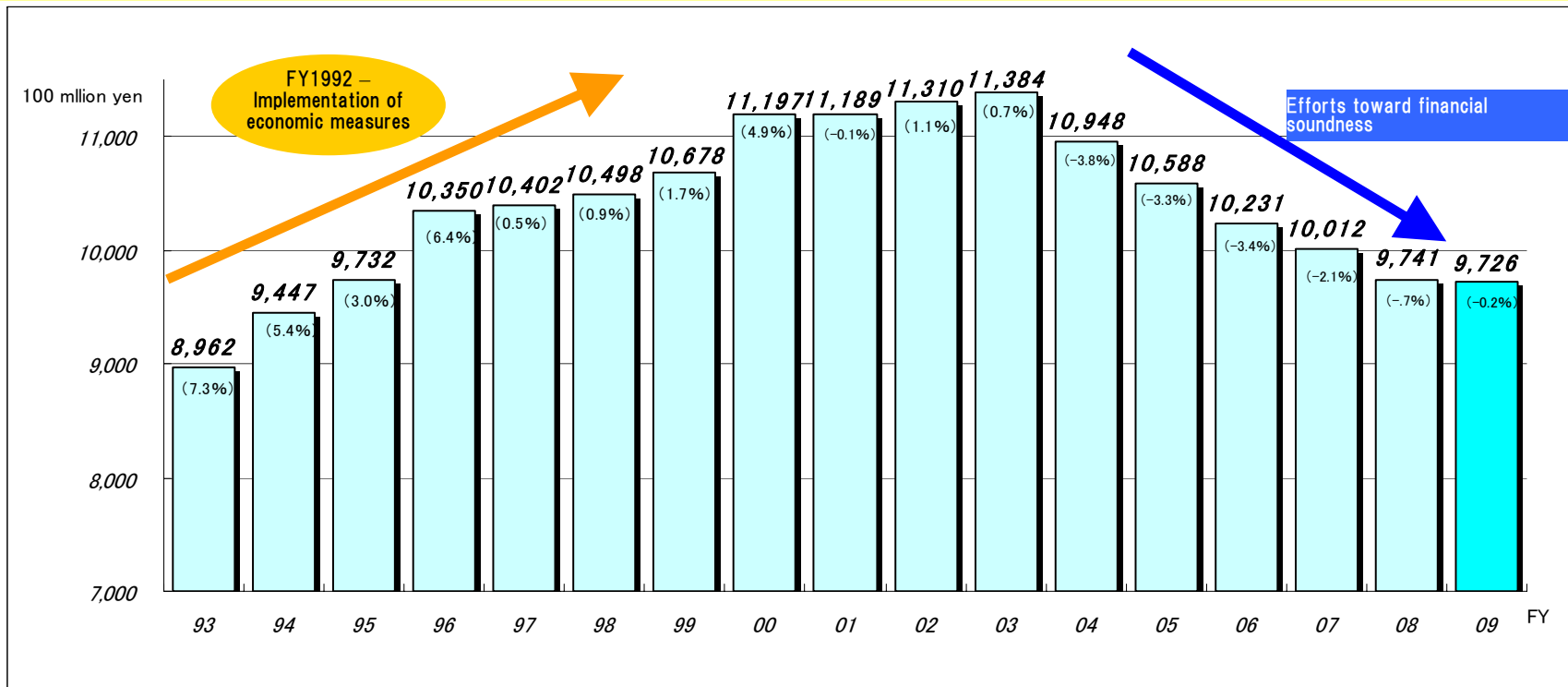
# ◆ Scale of Budget

~FY2007~



**General account ¥972.6 billion (- ¥1.49 billion or -0.2% compared with the previous year)**

- Austere budget for 6 consecutive years since FY2002 (A level approximately ¥160 billion less than the peak in FY2001)
- A reduction of ¥1.49 billion (-0.2%) compared with the previous year
- Realized streamlined scale of budget by selective concentration of measures along with fundamental restraint in expenditures (efforts toward financial soundness)



## ◆ Characteristics of the Budget ~Promotion to create energetic and lively Hiroshima~



In the midst of difficult environment, we engage in a steady promotion to “create energetic and lively Hiroshima” by “selection and concentration” of measures

- Japan is now in a state of transition to a “society with a declining birth rate and increased aging, and resultant decrease in population,” a “mature and globalizing economic society” and a “decentralized, regional cooperative society.” In view of the situation and in order to cope with issues which need to be addressed with initiatives or in a concentrated manner, we have formulated an execution plan for measures which require renewed commitment from 8 points of view as “New measures for implementation.” We plan to actively promote these new measures for 3 years starting from the FY2006.

Item	New measures for implementation	Perspective
Human resource development	① Human resource development of future generation	Human resource development to create independent citizens and those who may contribute to social and economic development of Hiroshima
Vitalization	② Creation of new industries	Establishment of competitive industrial structure by creation of emerging growth industries, etc.
	③ Exchange and settlement: Development of intermediate and mountainous areas	Promotion of exchange and settlement under decreasing population, and vitalization of intermediate and mountainous areas
	④ Reinforce merits as a nucleus base	Commitment with initiatives to the merits of Hiroshima as nucleus base
Reassurance	⑤ Child-raising/Advanced medical care	Preparation of a child-raising environment suitable for the trend of a declining birth rate and an increase in aging
	⑥ Environment creation/health risk management	Commitment with initiatives to environment creation, and securing a system to offer reliable medical care
	⑦ Disaster Prevention/Crime Prevention	Create cities well prepared for disasters and crimes through cooperation and tie-up with various parties concerned
Create capacity for self-government	⑧ Hiroshima Style Decentralization Plan	Further promotion of Hiroshima Style Decentralization Reform as the top runner in the nation



Hiroshima  
Prefecture

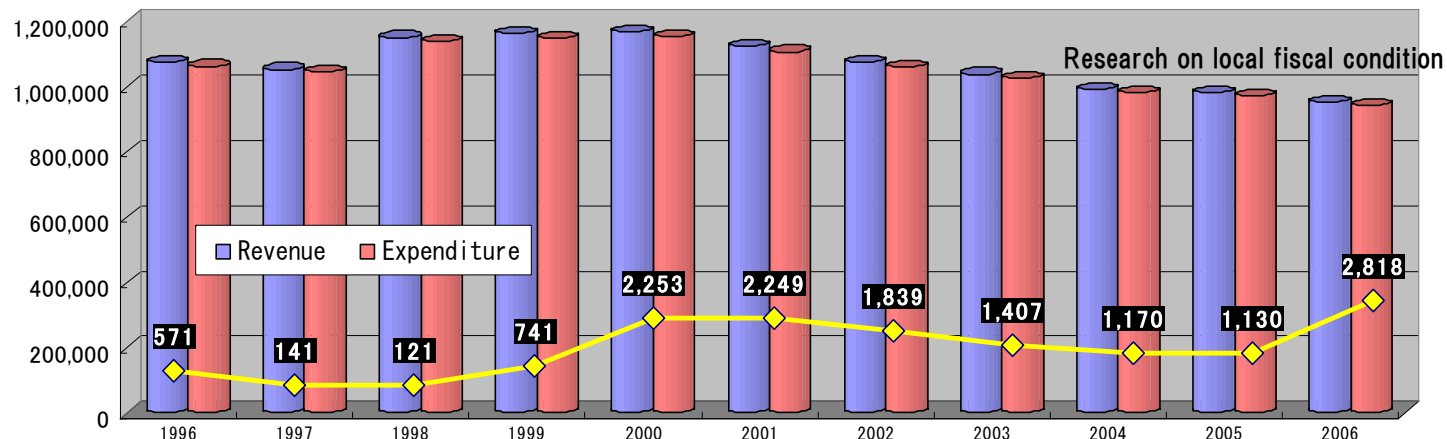
## **4 Situation of Financial Results for Fiscal Year 2006**

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# Trends of Financial Results



(million yen)



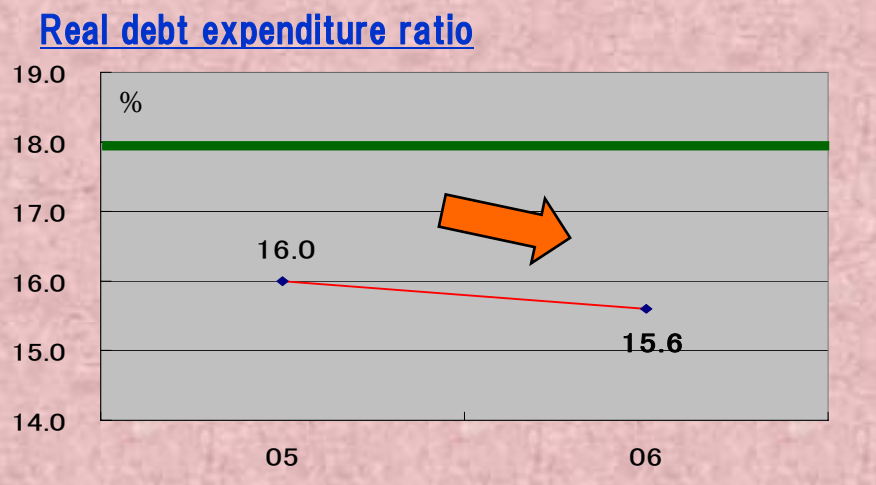
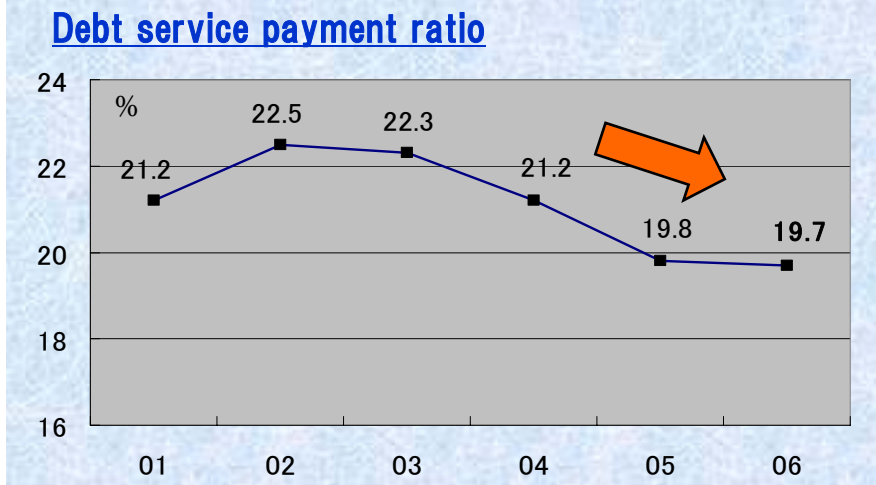
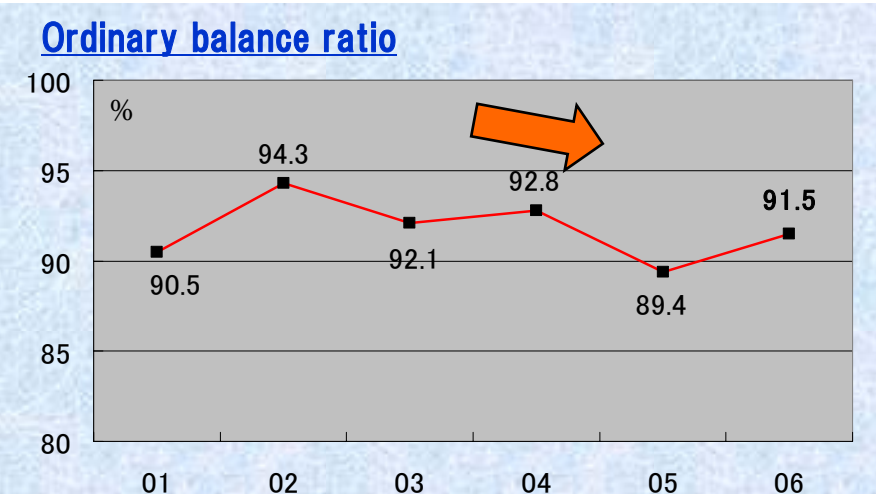
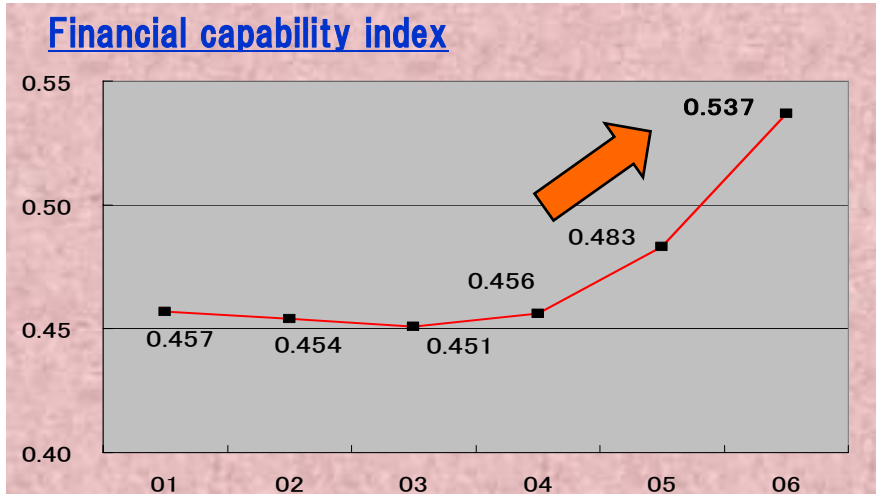
Real balance has been in black consistently since FY1987

Item		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenue	General revenue resources	527,557	522,520	538,789	567,841	605,096	577,888	541,398	524,903	528,186	567,718	584,155
	National treasury disbursement	217,580	217,744	241,378	249,094	249,364	238,347	203,651	192,339	175,583	153,877	129,843
	Local bonds	159,147	173,910	220,363	188,165	175,049	178,137	193,328	197,675	176,659	152,030	140,520
	Others	170,612	139,445	151,220	158,411	138,671	129,932	138,295	124,219	112,258	109,730	99,190
	<b>Revenue</b>	<b>1,074,896</b>	<b>1,053,619</b>	<b>1,151,750</b>	<b>1,163,511</b>	<b>1,168,180</b>	<b>1,124,304</b>	<b>1,076,672</b>	<b>1,039,136</b>	<b>992,686</b>	<b>983,355</b>	<b>953,708</b>
Expenditure	Obligatory expenses	471,075	486,904	502,252	514,879	522,399	526,224	527,511	514,807	497,176	488,198	482,251
	Public debt payment	92,908	99,592	114,394	131,810	137,450	143,721	146,992	144,445	136,410	136,612	135,599
	Investment expenses	337,604	304,883	354,415	347,739	335,052	283,097	265,894	244,365	214,756	197,297	182,513
	Others	254,815	254,327	284,464	287,194	297,198	298,685	267,551	266,870	269,420	287,301	279,479
	<b>Expenditure</b>	<b>1,063,494</b>	<b>1,046,114</b>	<b>1,141,131</b>	<b>1,149,812</b>	<b>1,154,649</b>	<b>1,108,006</b>	<b>1,060,956</b>	<b>1,026,042</b>	<b>981,352</b>	<b>972,796</b>	<b>944,243</b>
<b>Real balance</b>	<b>571</b>	<b>141</b>	<b>121</b>	<b>741</b>	<b>2,253</b>	<b>2,249</b>	<b>1,839</b>	<b>1,407</b>	<b>1,170</b>	<b>1,130</b>	<b>2,818</b>	

# ◆ Financial Indicators



■ In FY1996, financial indices improved due to efforts toward financial soundness and recovered tax revenue centering on two corporate income taxes.





# ◆ Special Account Settlement



Administrative costs	359	337	22	For rational management of supply procurement and communication
Public land acquisition business	434	434	0	For clear distinction using public land advanced procurement bonds
Debt management	192,697	192,697	0	For efficient accounting through the uniform management of redemption work of public debt
Mother and Child/Widow welfare fund	486	312	174	Loan for living and school expenses addressed to fatherless families, etc.
SME support fund	10,627	7,423	3,204	Loan to support strengthening of a managerial base and start-up of small and medium sized enterprises
Agriculture extension fund	504	171	333	Loan to support improvement of agriculture management
Coast fishery extension fund	126	0	126	Loan to support development of the coastal fishery
Prefectural forestry expenses	125	125	0	For corporate management of forests owned by the prefecture
Forestry extension fund	749	500	249	Loan to promote tree thinning, etc.
Port and harbor special preparation business	19,772	19,144	628	For the smooth management of the port and harbor preparation business, and its clarification in accounting
River basin sewerage business expenses	9,065	9,064	1	For the smooth management of the river basin sewerage business, and its clarification in accounting
Prefectural housing business expenses	5,813	5,669	144	For the smooth management of the prefecture owned housing business, and its clarification in accounting
High school scholarship	844	562	282	For the smooth management of the high school etc. scholarship loan business, and its clarification in accounting
<b>Total</b>	<b>257,239</b>	<b>251,821</b>	<b>5,418</b>	

# ◆ Situation of Corporate Accounting Settlement and Balance Sheet



■ Following last year, revenue expenditure and receipt for both the hospital business and land development business were in the red due to increased medical expenses and a fall in land prices, etc., and we need to improve profitability. The water-supply business for industrial use and water-supply business for city use are managed stably.

(million yen)

Item		Hospital	Water-supply for industries	Land development	Water supply for city use	Total
Revenue expenditure and receipt	Revenue	19,993	2,538	15,096	11,561	49,188
	Expenditure	21,122	2,514	20,453	9,492	53,581
	Gap (Net income for FY06)	-1,129	24	-5,357	2,069	-4,393
Capital expenditure and receipt	Revenue	2,226	317	11,361	1,276	15,180
	Corporate bonds	1,006	134	11,308	690	13,138
	Expenditure	2,874	932	21,772	8,396	33,974
	Redemption	1,798	361	19,426	5,274	26,859
	Gap	-648	-615	-10,411	-7,120	-18,794
Balance Sheet	Assets	29,053	24,504	77,586	156,843	287,986
	Fixed assets	24,777	20,856	68,909	149,376	263,918
	Liquid assets	3,871	3,648	7,888	7,467	22,874
	Others	405	0	789	0	1,194
	Liabilities	3,387	1,910	6,742	2,684	14,723
	Fixed assets	238	1,232	5,974	1,299	8,743
	Liquid assets	3,149	678	768	1,385	5,980
	Capital	25,666	22,594	70,844	154,159	273,263
	Capital, etc.	22,220	4,024	37,610	47,517	111,371
	Corporate bond	28,094	9,400	46,441	52,298	136,233
Surplus	-24,648	9,170	-13,207	54,344	25,659	
Cash flow		484	2,153	6,458	4,933	14,028

\* Cash flow: Liquid assets - Liquid liabilities - Allowance

\* Revenue expenditure and receipt includes tax, Balance Sheet exclude tax.



## ◆ Financial Results of Companies with More than 1/2 Capital Contribution

■ With respect to 3 local public corporations (4 bodies), they are managed stably with all their single year balances in the black. Above all, revenue expenditure balance of the Land Development Public Corporation at the end of FY2006 ended up with ¥18.6 billion, making it one of the few excellent corporations in the nation (Amount of Capital + Surplus is ranked NO. 2 in the nation).

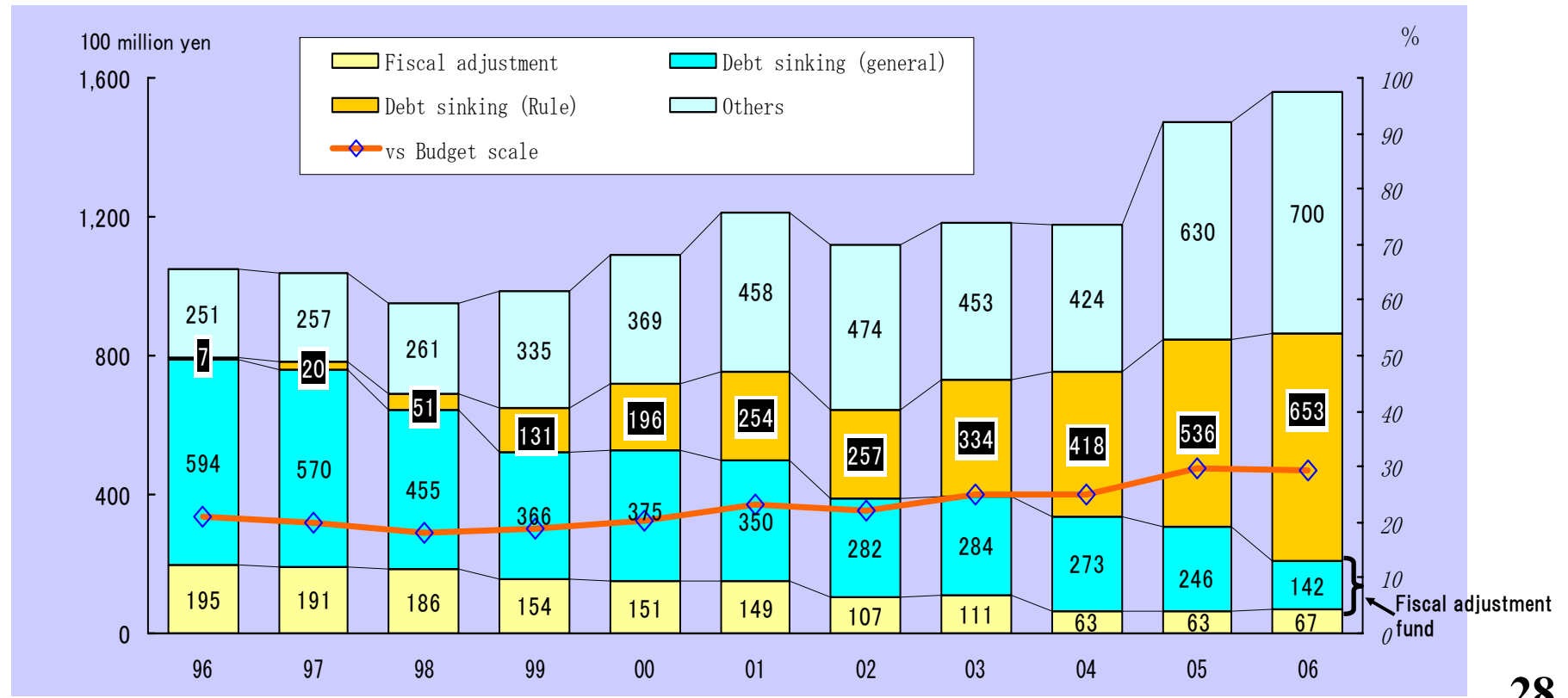
(million yen)

Item		Hiroshima Prefecture Land Development Public Corporation	HIROSHIMA PREF ROAD PUBLIC CORP	Hiroshima expressway public corporation	Hiroshima Prefectural Housing Corporation	16 other entities	Total
Single year balance	Revenue	8,656	6,099	6,076	3,819	20,428	45,078
	Expenditure	8,570	6,099	6,076	3,452	20,748	44,945
	Gap	86	0	0	367	-320	133
Carryover from previous year		18,504	0	121	2,533	2,508	23,666
Net balance at end of FY2006		18,590	0	121	2,900	2,188	23,799
Capital, etc.	Capital	30	6,325	54,210	10	5,195	65,770
	Investment of prefecture	30	6,325	27,105	8	3,747	37,215
	Equity position	100.0%	100.0%	50.0%	83.0%	72.1%	56.6%
B a l a n c e  s h e e t	Total assets A	27,114	25,154	257,622	27,505	77,682	415,077
	Total liabilities B	8,494	18,829	203,292	21,322	56,061	307,998
	Total capital C	18,620	6,325	54,330	6,183	21,621	107,079
	Assets A/Liabilities B	3.19	1.34	1.27	1.29	1.39	1.35
Outline of business, etc.		Acquisition, management and disposal of public use land and public land	Maintenance and management of toll road business	Construction, maintenance and management of designated city expressways	Construction, sale in lots, lease and management of housing		



# ◆ Trends of Balance of Funds

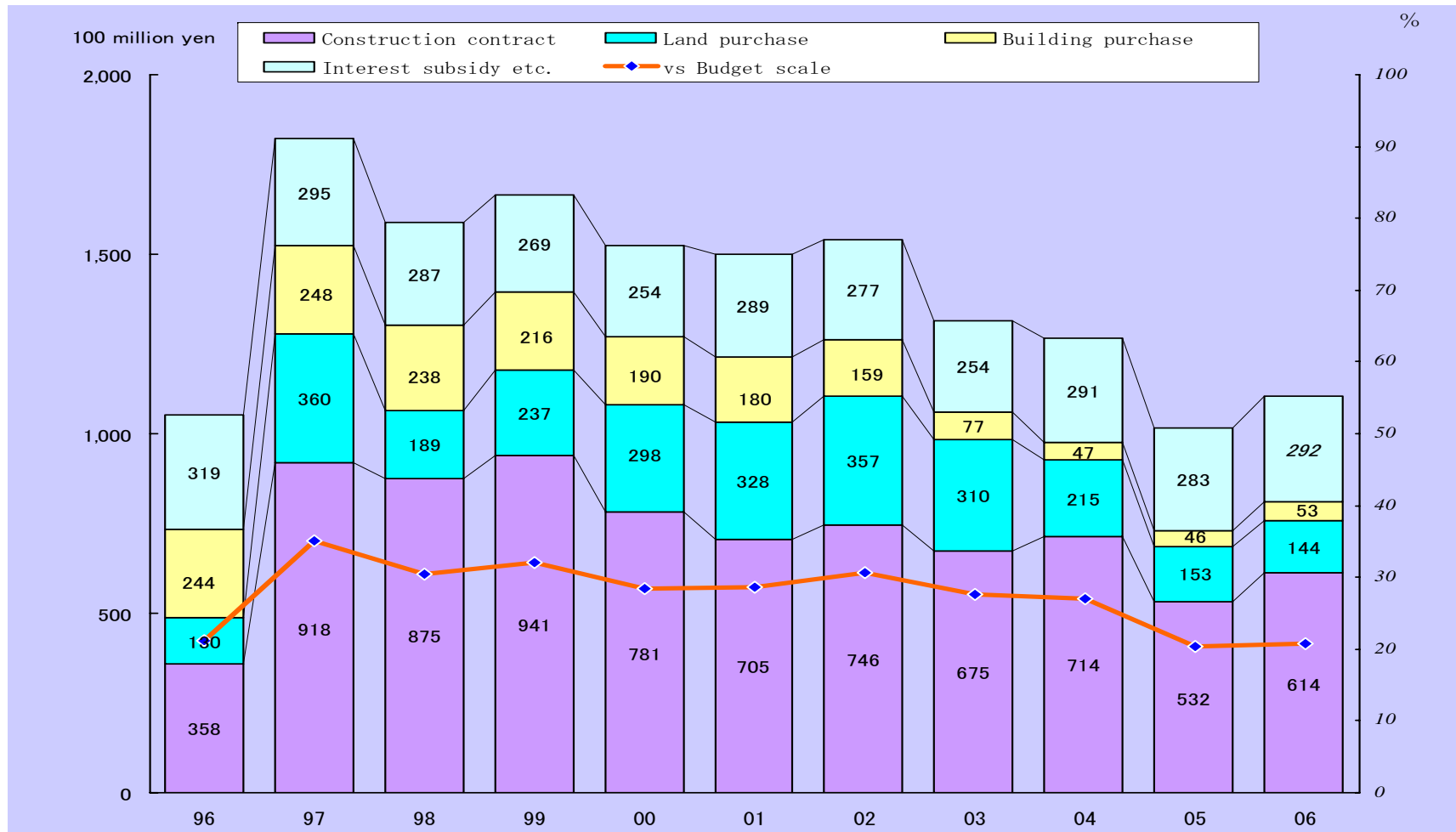
- The sinking fund is a fund to prepare for bullet repayment at maturity by reserving each year.
  - ⇒ Hiroshima Prefecture strictly observe to appropriate the theoretical sinking fund for redemption for publicly offered bonds.
- The fiscal adjustment fund and sinking fund (general) are compensatory funds in case of unexpected increases in expenditure such as a substantial reduction in tax revenue due to recession or disaster, but they tend to be reduced and the balance at the end of FY2006 was ¥20.9 billion.
- Other funds increased due to temporary appropriation of sinking fund (special) in preparation for liquidation of tax allocation from next fiscal year on as a result of substantial increase of revenue from two corporate taxes, etc.



# ◆ Behavior of Debt Burdening



- Debt burdening increased substantially in 1997 due to revision of major public works for economic measures, but afterward it tended to decline.
- Debt burdening behavior is intended to achieve smooth implementation of business taking advantage of various systems.

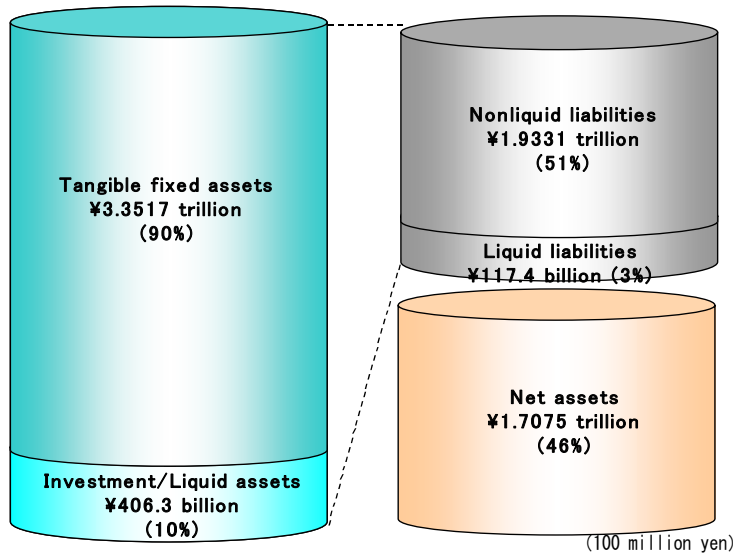


# Balance Sheet of Hiroshima



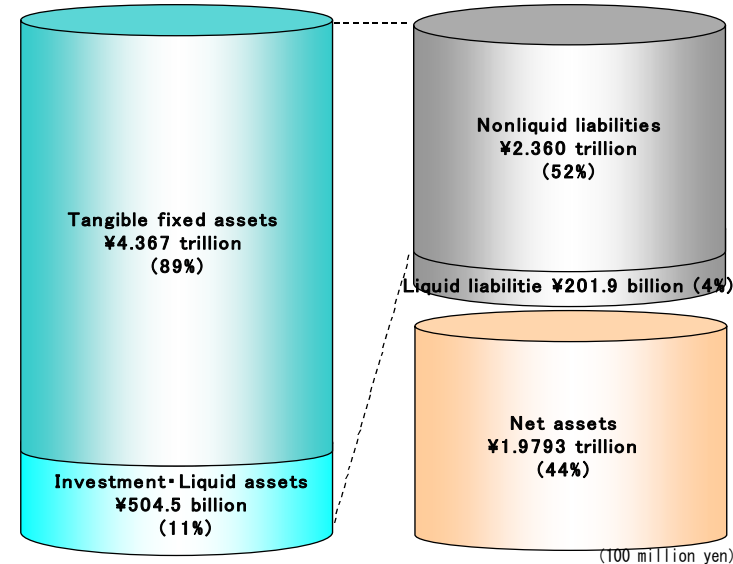
FY 2005

Ordinary Account B/S



[Assets]		37,580		[Liabilities]		20,505	
① Tangible fixed assets	33,517	89%		① Nonliquid liabilities	19,331	51%	
Government office and road, etc.				Local bond and reserve for retirement allowance			
② Investment, etc.	3,554	9%		② Liquid liabilities	1,174	3%	
Investment and loan				Redemption money for next year			
③ Liquid assets	509	1%					
Yearly cash account and fund				<b>[Net assets]</b>	<b>17,075</b>	<b>45%</b>	
				① National treasury disbursement	9,598		
				② General account budget, etc.	7,477		
<b>Total assets</b>	<b>37,580</b>			<b>Total liabilities</b>	<b>20,505</b>		
				<b>- net assets</b>	<b>17,075</b>		

Consolidated B/S



[Assets]		45,412		[Liabilities]		25,619	
① Tangible fixed assets	40,367	89%		① Fixed liabilities	23,600	52%	
② Investment, etc.	3,375	7%		② Liquid liabilities	2,019	4%	
③ Liquid assets	1,653	4%					
④ Deferred account	17	0%		<b>[Net assets]</b>	<b>19,793</b>	<b>44%</b>	
<b>Total assets</b>	<b>45,412</b>			<b>Total liabilities and net assets</b>	<b>45,412</b>		

※Scope of consolidation covers ordinary account, public corporation account, special Account and major invested companies.



Hiroshima  
Prefecture

# 5 Hiroshima Prefectural Bond

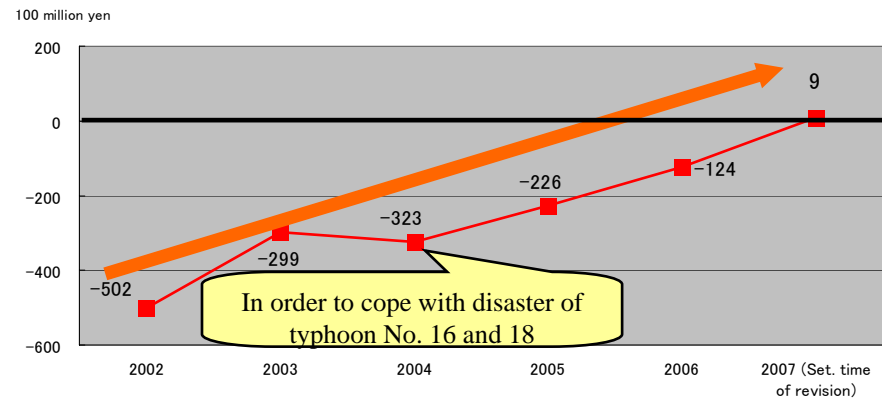
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# ◆ Trends of primary balance

- Primary balance surplus has been achieved in the initial budget for FY2007
  - ~ In the “Second mid-term Financial Management Policy” formulated in FY2006, “early achievement of primary balance surplus” was posted as one of the fundamental objectives of fiscal soundness.
  
- We engage in achieving primary balance surplus on settlement base as an important subject.
  - ~ Primary balance on settlement base has been improved consistently from FY2002 in spite of an increased deficit due to increased issuance of bonds mainly to cope with disaster in FY2004
  
- ⇒ As of September of FY2007 when revision was made, it was a surplus of ¥900 million.

## ■ PB (Settlement base) 2007 indicates after revision to date



(100 million yen)

Item	02	03	04	05	06	07 (Sep. time of revision)
Redemption of principal (A)	964	1,012	940	903	943	1,055
Issue amount of local bond (B)	1,466	1,311	1,263	1,129	1,067	1,046
Primary balance (A - B)	-502	-299	-323	-226	-124	9

Both redemption of principal and issue amount of local bond do not include temporary financial measure bond and tax reduction compensation bond.

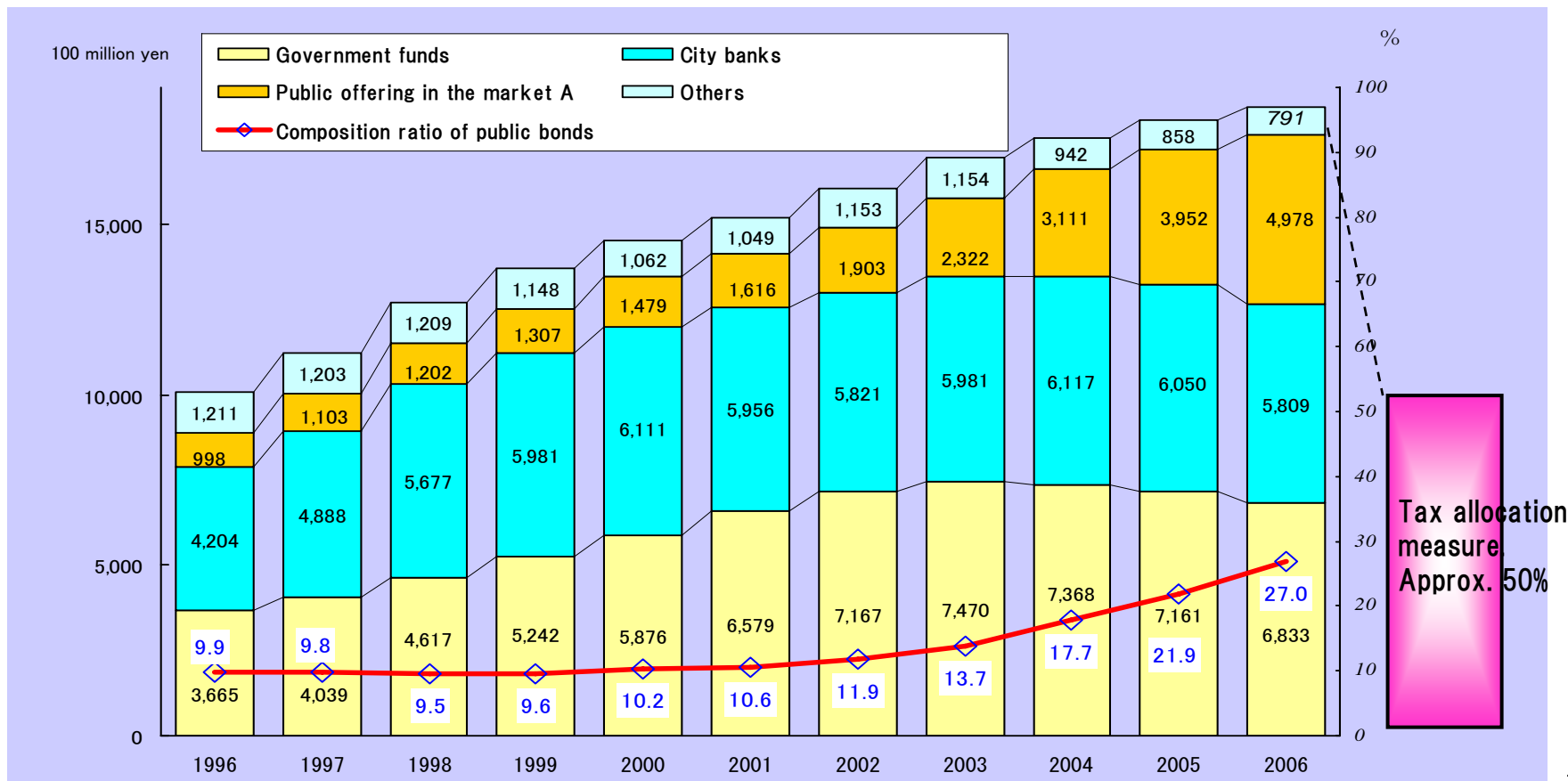
○ Definition of primary balance of Hiroshima  
 : Balance of redemption amount of principal and issue amount of local bond (excluding temporary financial measure bond etc.)  
**Black:** Redemption amount of principal > Issue amount of local bond  
 ⇒ Reduced balance of local bond  
**Red:** Redemption amount of principal < Issue amount of local bond  
 ⇒ Increased balance of local bond  
 ※ Definition of the state (Ministry of Finance):  
 Basic financial revenue and expense  
 : Balance of revenue such as tax revenue excluding local bond and expenditure excluding redemption amount of both principal and interest





# ◆ Trends of Balance of Prefectural Bonds

- Since FY1992 when bubble effects of the economy collapsed, issue amount of prefectural bonds increased drastically in order to cope with economic measures and revenue shortage of the local finance with a resultant substantial increase in the balance.
- In recent years, while issue amount of ordinary bonds has decreased following efforts to cut public works and others in a regular manner, the balance still remains at a high level due to an increase in special bonds issuance such as temporary financial measure bonds.
- Balance in FY2006 is 3.47 times of the standard fiscal scale (ranked at 16th in the nation), and the balance per resident is ¥642 thousand (ranked at 30th in the nation).  
(Reference) Standard fiscal scale ¥530.9 billion (ranked at 13th in the nation), population 2,867,423 persons (ranked at 12th in the nation)



Tax allocation measure  
Approx. 50%

# ◆ Issuance of Public Offering Bond



- Issue amount of public offering bonds in the market has been increasing every year since FY2002 in order to diversify method of fund raising.
- In FY2007, we are engaged in enlarging issue amount and issuance of 20 year bonds in order to enhance liquidity.
- We also place emphasis on improvement of bond issuance management such as introduction of a manager selective syndication method to traditional syndication method.

## ○ Individual bond issuance schedule in FY2007

Maturity	Issue month	Amount
10 year bond	May. 2007	¥10 billion
	Aug. 2007	¥20 billion
	Jan. 2008	¥20 billion
	Mar. 2008	¥20 billion
20 year bond	Oct. 2007	¥15 billion
Total		¥85 billion

- Expanded amount of individual bond issuance  
~ Enhance liquidity  
(2006) ¥60 billion ⇒ (2007) ¥80 billion
- Issuance of ultra long-term bond  
~ We aim at expansion of investor base  
Issuance of the first 20 year bond

- To respond to investor demand, initial scheduled issue amount ¥10 billion was increased to ¥15 billion

## (Reference) Market public offering bond Trend of issue amount

(100 million yen)

Item		96	97	98	99	00	01	02	03	04	05	06	07
Individual issue bond	(10 year bond)	190	200	200	250	250	300	400	200	400	400	600	700
	(20 year bond)	—	—	—	—	—	—	—	—	—	—	—	150
Joint issue bond		—	—	—	—	—	—	—	400	560	600	600	600
Total		190	200	200	250	250	300	400	600	960	1,000	1,200	1,450



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