

Fukuoka Prefecture Fiscal Outline

January 13th, 2010



Fukuoka Prefecture

1. Overview of Fukuoka main industrial support projects and facilities of Fukuoka

Promotion of northern Kyushu production base of 1.5 mn cars

In northern Kyushu, there are not only accumulations of car-related industries such as Nissan Motor Company Kyushu Factory, Toyota Motor Kyushu. Inc., Daihatsu Motor Kyushu Co., Ltd., but also world's most advanced companies to develop vehicles, design production line, and develop built-in software.

In Fukuoka, the government and the private sector work on "further accumulation of car-related industry" and "promotion of brain base" and aim at one of the largest car production base in Asia

Promotion of Silicon Sea Belt Fukuoka

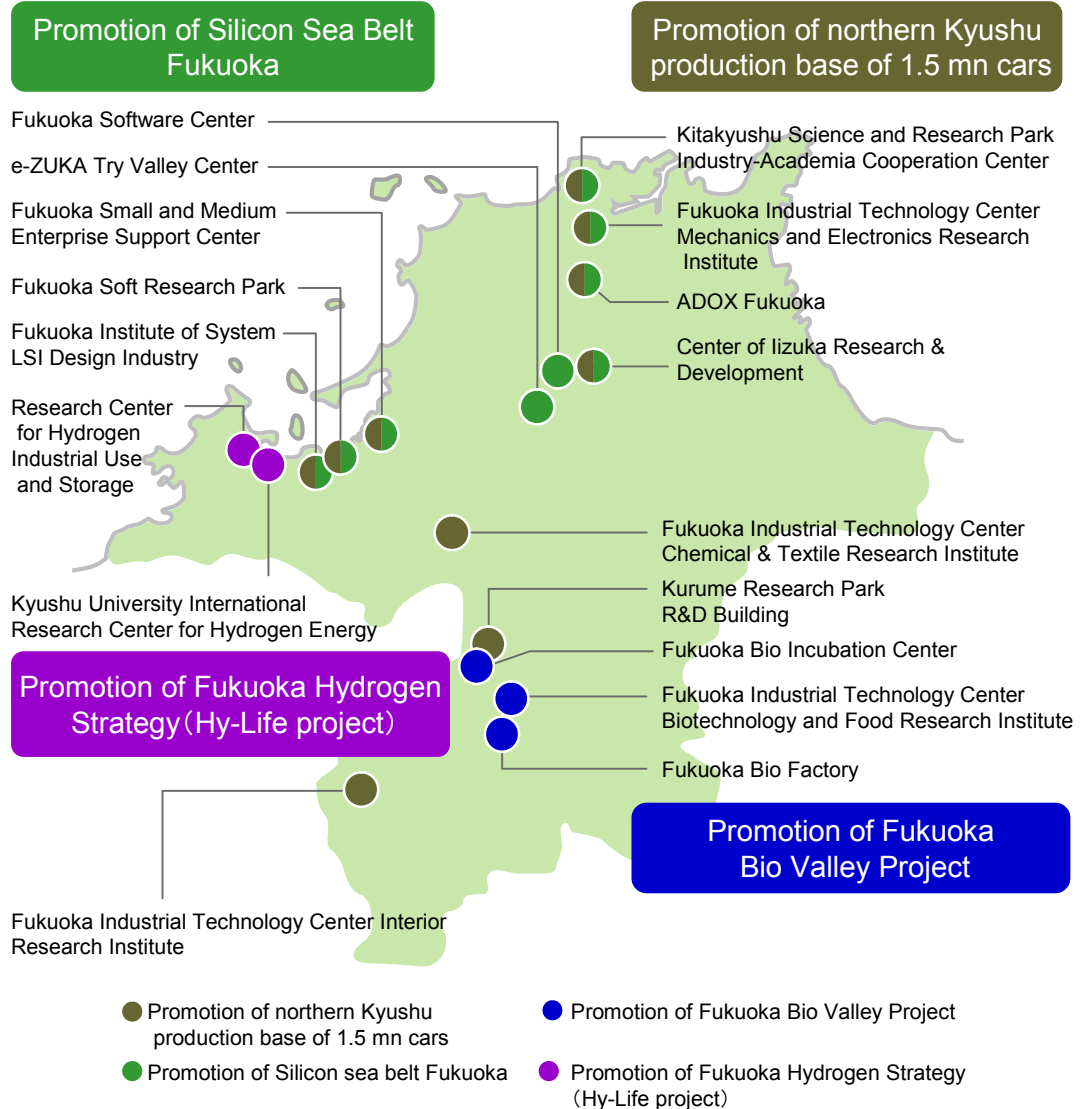
Fukuoka aim at world-leading development base of advanced system LSI in "Silicon Sea Belt"(the largest semiconductor production area in the world).

Promotion of Fukuoka Bio Valley Project

Fukuoka is aiming at a formation of 「Bio Cluster」, which is an accumulation of bio venture companies and research institutions around Kurume (in southern Fukuoka) to develop bio-related industries with other Asian countries.

Promotion of Fukuoka Hydrogen Strategy (Hy-Life project)

To realize eco-friendly hydrogen energy society, Fukuoka organized industry-academic-government "Fukuoka Strategy Conference for Hydrogen Energy" before any other prefectures. Fukuoka forms a world-leading base of hydrogen by developing Fukuoka Hydrogen Strategy (Hy-Life project) which comprehensively promotes development and spread of hydrogen energy such as R&D, social proof and cultivation of human resources.



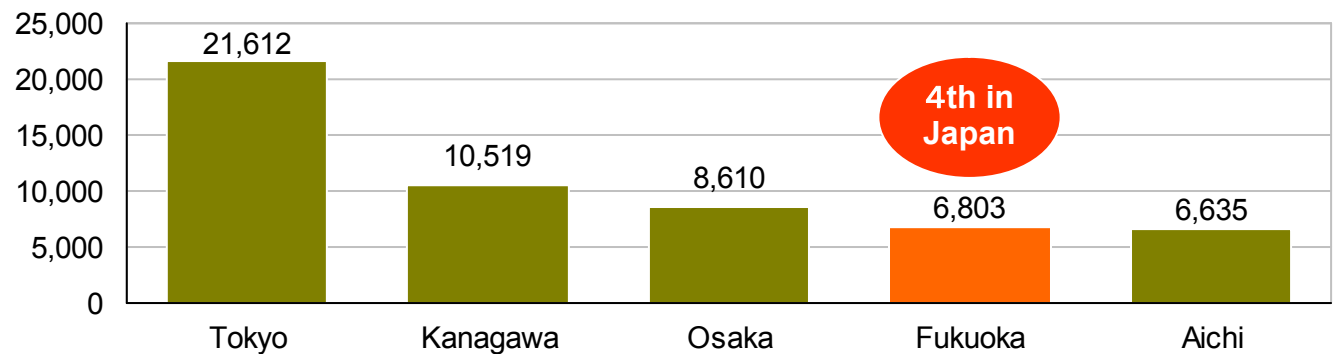
1. Overview of Fukuoka merits of Fukuoka

1 Fulfilling educational institutions to train various human resources and talented human resources

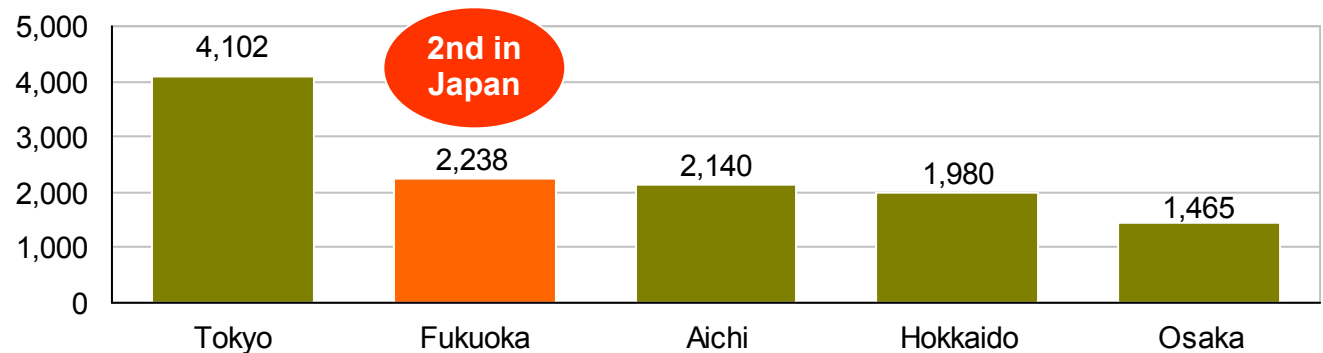
- There are lots of talented young human resources who have high education and technical skill, and are full of will to work. Especially, There are many students in science and engineering courses, and a lot of freshmen every year.

Lots of human resources in science and engineering courses

- FY2008 Enrollment limit of universities (science and engineering courses)



- FY2008 Enrollment limit of national universities (science and engineering courses)



※National School Data Research Institute「Comprehensive List of National School(2008)」

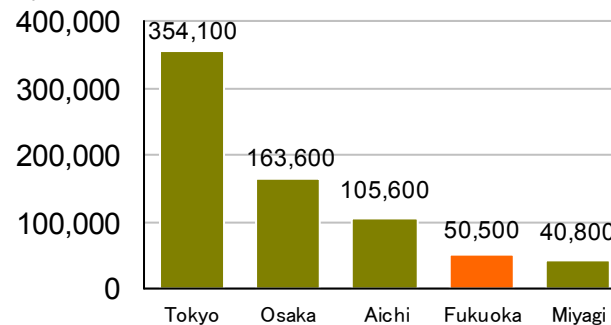
1. Overview of Fukuoka merits of Fukuoka

2 Comfortable life and low-priced business environment

- Housing environment and consumer price are very reasonable in Fukuoka. Comfortable life is an appeal of Fukuoka and appreciated by foreign countries.

Low-priced housing environment

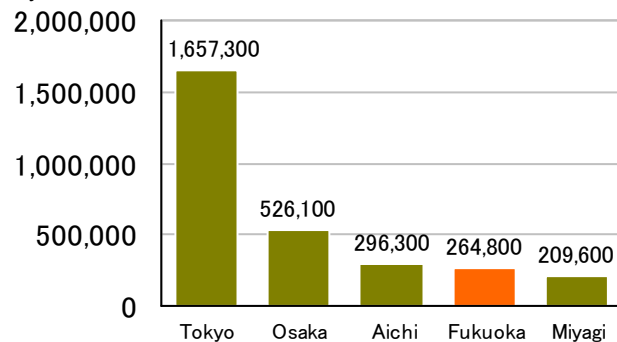
- Average price of residential area (yen/m²)



※ Ministry of Land, Infrastructure, Transport and Tourism
「FY2007 Land price survey by prefectural governments」

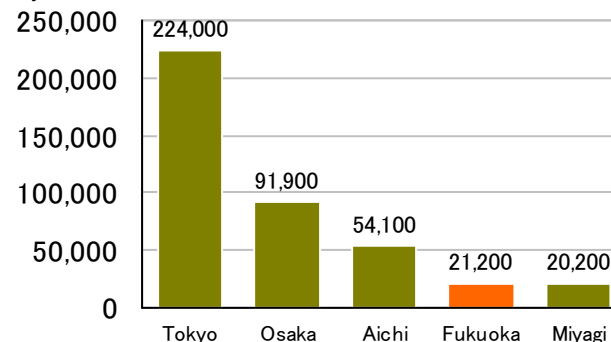
Average price of land

- Commercial area (yen/m²)



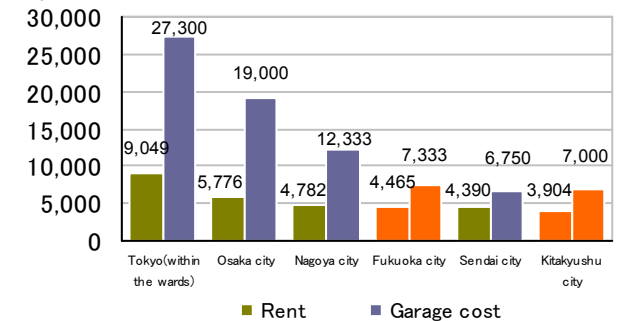
※ Ministry of Land, Infrastructure, Transport and Tourism
「FY2007 Land price survey by prefectural governments」

- Industrial area (yen/m²)



※ Ministry of Land, Infrastructure, Transport and Tourism
「FY2007 Land price survey by prefectural governments」

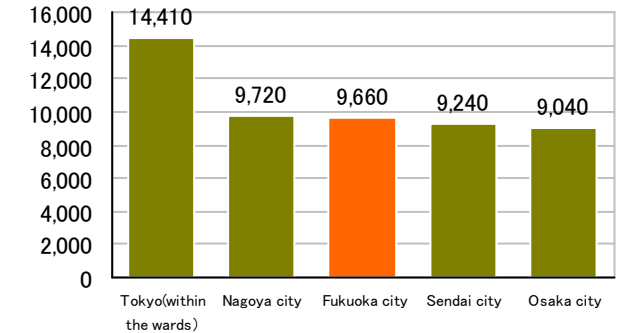
- Rent and garage cost (monthly amount) (yen/tsubo*)



※ Ministry of Internal Affairs and Communications Statistics Bureau「Retail Price Survey (July 2008)」

Office rent (monthly average rent)

(yen/tsubo*)



※ CB Richard Ellis
「Office Market Report 2008 Summer Vol.46」

* 1 tsubo ≒ 3.3 m²

2. FY08 Ordinary accounts

■ Real balance

- **Approx 1.7bn yen surplus** in FY 08. **33 straight year** of real balance surplus.

■ Revenue

- Prefectural tax revenue declined by weakening economy and the expiration of the temporary rate about revenue for road construction. In contrast, local allocation tax increased to make up for reduced tax revenues and fill the local tax gap between local areas. Also, national treasury disbursement increased in order to practice employment measures and economic policy packages.

■ Expenditures

- Despite unsubsidized ordinary construction expenses increased for job creation and revitalization of the local economy, **the increase rate of Expenditures was controlled** by reducing labor cost and reviewing work procedures, etc.

FY08 Budget Settlement

(Unit: Mn yen)

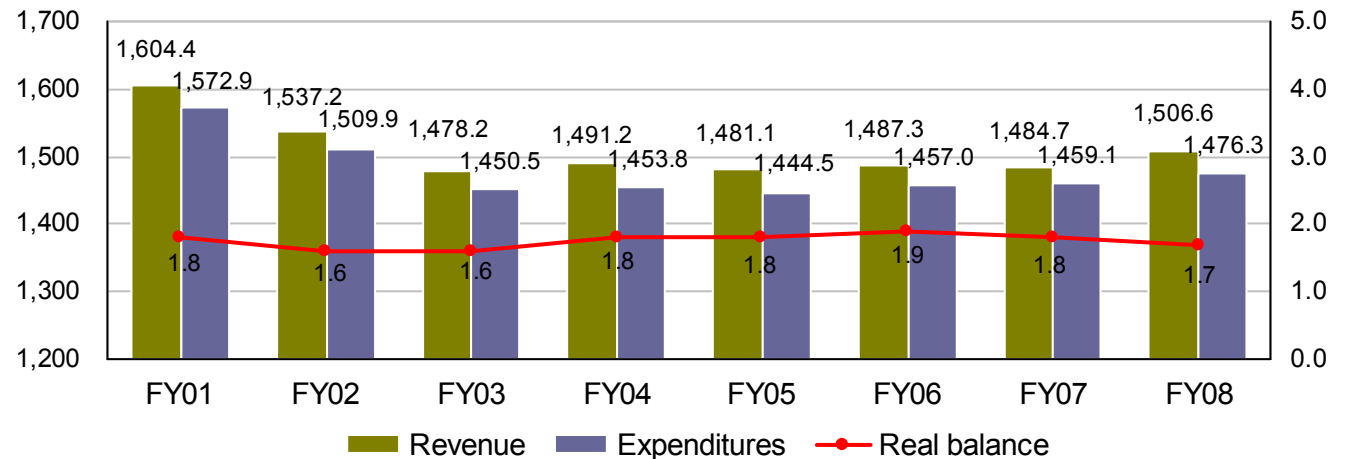
Item	Amount
Total revenue (a)	1,506,574
Total expenditures (b)	1,476,349
To be rolled over to FY09 (c)	28,479
Real balance (a) – (b) – (c)	1,746

※Real balance = Difference between revenue and expenditures minus resources to be rolled over to next fiscal year

Ordinary Accounts, FY01~FY08

(Revenue, expenditures, Bn yen)

(Real balance, Bn yen)



2. FY08 Ordinary accounts

FY07, FY08 Ordinary accounts

Item	(Unit: Bn yen, %)			
	FY08 Settlement(a)	FY07 Settlement(b)	Change (a)–(b)	Rate of change (a)/(b)
Total revenue	1,506.6	1,484.7	21.9	101.5
(1) Prefectural tax	598.6	622.5	-23.9	96.2
Dual corporate taxes	183.0	199.8	-16.8	91.6
Other	415.6	422.7	-7.1	98.3
(2) Local special allocations	8.0	4.7	3.3	170.9
(3) Local allocation taxes, etc.	343.0	325.5	17.5	105.4
Local allocation tax	262.7	264.1	-1.4	99.5
Temporary fiscal measures bonds	51.3	42.1	9.2	121.8
Revenue Shortfall bonds	29.0	19.3	9.7	150.1
(4) From national coffers	206.2	181.8	24.4	113.4
(5) Prefectural bonds (excl temporary fiscal measures bonds)	148.6	141.3	7.3	105.2
(6) Other	202.1	208.9	-6.8	96.8
Of this, provision from three funds	11.0	17.1	-6.1	64.3
Total expenditures	1,476.3	1,459.1	17.2	101.2
(1) Mandatory costs	748.0	750.5	-2.5	99.7
Personnel expenses	518.5	525.8	-7.3	98.6
Of this, retirement allowances	46.6	46.1	0.5	101.1
Welfare costs (welfare benefits)	55.4	53.3	2.1	104.0
Public debt expenses	174.0	171.4	2.6	101.5
(2) Investment-related expenses	241.9	243.0	-1.1	99.6
Subsidized ordinary construction expenses	123.6	127.2	-3.6	97.1
Unsubsidized ordinary construction expenses	117.2	114.1	3.1	102.7
Disaster reconstruction expenses	1.2	1.6	-0.4	72.4
(3) Other	486.5	465.6	20.9	104.5
Elderly medical care, etc.	88.8	80.8	8.0	109.8
National health insurance-related	31.4	37.0	-5.6	84.8
Tax-related allocatons	72.6	81.2	-8.6	89.4
fund requirements	33.4	6.2	27.2	535.9
Other	260.3	260.3	0.0	100.0

- Prefectural tax
The second-highest level of account settlement, in spite of dual corp taxes down 16.8 bn yen due to economic slowdown, and light oil delivery tax and car acquisition tax down 2.4 bn yen according to the expiration of the temporary rate about revenue for road construction.

- Local special allocations
Up 1.7 bn yen because of compensation for reduced revenue of residence tax due to special tax deductions of housing loan, etc. and up 1.5 bn yen because of compensation for reduced revenue during the expiration of the temporary rate about revenue for road construction.

- Local allocation tax, etc.
Extraordinary financial countermeasures bonds increased and local allocation tax decreased because the increase of prefectural expenditures for revitalization of local areas according to corrective measure to the local tax gap was totally compensated by extraordinary financial countermeasures bonds.
Fukuoka Prefecture was obliged to increase the issue of reduced revenue coverage bonds to cover local tax allocations because dual corp taxes decreased more than the prospected revenue under Local Fiscal Plan.

- national treasury disbursement
Up because of the foundation of subsidies for provisional special fund to urgent job creation projects and job revitalization special fund for hometown, and local revitalization/life countermeasure provisional subsidies by national economic policy.

- Prefectural bonds (excl temporary fiscal measures bonds)
Up due to the construction of Kyushu Shinkansen lines scheduled to be open in FY2010 and the execution of Unsubsidized ordinary construction for job creation and boosting the area's economy.

- Personnel expenses
Down due to cutting employees (602 persons), etc.

- Investment-related expenses
Down in total because subsidized ordinary construction expenses decreased, despite unsubsidized ordinary construction expenses increased for job creation and boosting the area's economy.

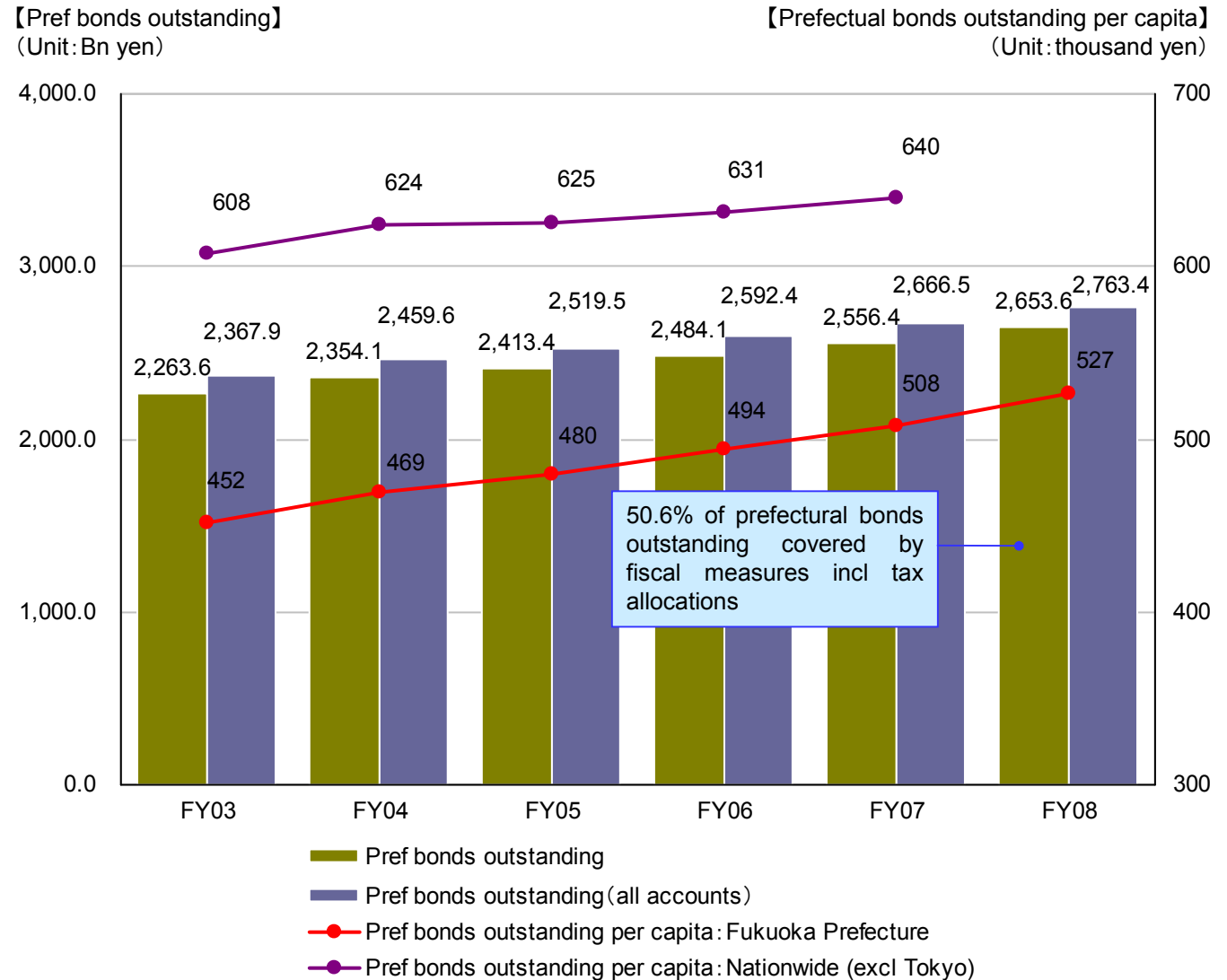
- Elderly medical care, etc. and National health insurance-related
While prefectural cost for elderly medical care increased, national health insurance-related cost decreased according to the foundation of elderly medical system.

- Tax-related allocatons
Local consumption tax grant and automobile acquisition tax grant, etc. for municipal governments decreased due to reduced tax revenues

- fund requirements
Up due to fund accumulated for implementing economic policy about emergency employment and job creation of the home land, etc.

3. Bonds outstanding

- Prefectural bond issuances increased by 26.2 bn yen, because Fukuoka Prefecture was forced to issue extraordinary financial countermeasures bonds and reduced revenue coverage bonds (substitute for local tax allocations) due to the influence of the unprecedented economic crisis, and increased unsubsidized ordinary construction expenses as employment and economic policy.
- Prefectural bonds outstanding per capita **remain below national average**. (8th lowest in Japan, FY07)



4. Fund balances

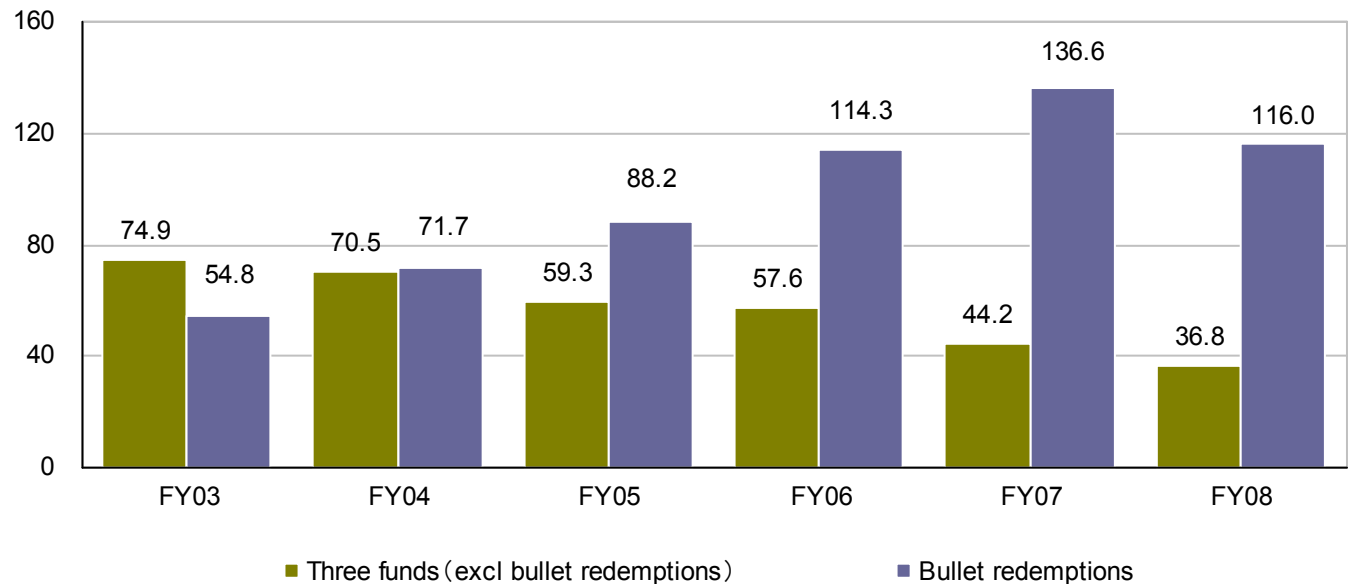
Balance of three funds

- Balance of three funds (incl Fiscal Adjustment Fund) is 36.8 bn yen, more than the estimate balance (26.0 bn yen) in New Fiscal Structure Plan due to efforts to cut expenses.

Debt Service Fund (Bullet redemptions)

- Fukuoka established Public Bond Management Special Account and is clearly accumulating reserves for bullet redemptions.
- These reserves are not used for resource adjustments or loans.
- Debt Service Fund balance decreased from the previous fiscal year, because the amount allocated to redeeming local government bonds was larger than the reserve in FY2008.

【Fund balances】
(Unit: Bn yen)



※Three funds: Fiscal Adjustment Fund, Debt Service Fund (excl bullet redemptions), and Public Facilities Fund

5. Public enterprise accounts

FY08 results

- All public enterprise accounts are sound, with positive real balances (capital surplus).

(Unit: Mn yen)

Corporation	Total revenue (revenue)	Total costs (expenditures)	Net income/loss (net balance)	capital surplus (real balance)
Hospital project account	2,406	2,424	-18	2,034
Electricity project account	508	460	48	2,026
Industrial water project account	1,598	1,289	309	1,882
Industrial land development project account	2,636	4,673	-2,037	1,540
Port facilities management project account	10,629	9,798	1,123	0
River basin sewerage project account	20,883	22,058	1,928	1,369

Prefectural hospital reform

- Hospital projects receive 4.0bn yen in allotments every fiscal year and had been a big drain on the general account. In FY03, **all prefectural hospitals were privatized** under the Transfer and Privatization Plan in a unprecedented reform effort.
- Under the Plan, the Asakura Hospital Gastroenterological Treatment Center and Onga Hospital were handed over to private operators, and the Dazaifu Hospital Psychiatric Treatment Center was privatized in April 2005. Yanagikawa Hospital and Kaho Hospital were transferred to private operators in April 2007.
- Fukuoka Prefecture has completed the privatization of all five prefectural hospitals.

6. Main affiliated bodies

Main public enterprises (FY08)

- All public enterprises in which Fukuoka Prefecture has a stake are soundly managed. The Land Development Corporation has adopted the Management Improvement Plan to reduce surplus debt.

(Unit: Mn yen)

Item		Fukuoka Land Development Corp	Fukuoka Roads Corp	Fukuoka-Kitakyushu Expressway Corp	Fukuoka Housing Supply Corp
Share conditions	Capital stake	30	29,747	214,882	5
	Of this, from pref	30	22,357	107,441	4
	Controlling share	100	75	50	76
	Shareholders	1	2	3	7
Balance Sheet	Assets	23,553	105,941	1,234,357	72,246
	Debts	23,612	76,194	1,018,805	56,607
	Capital stake	-59	29,747	215,552	15,639
	Total debt, assets	23,553	105,941	1,234,357	72,246
PL statement	Current income	50	0	47	537
	balance brought forward etc.	-139	0	623	6,016
	Unappropriated income for the period	-89	0	670	6,553

Semi-public sector*(FY08)

- Conditions of the 37 bodies with 25%+ capital stakes by Fukuoka Prefecture are outlined as follows.
- Only one with negative capital or net assets, and it is planning to improve management and eliminate debt.

(Unit: Mn yen)

	Capital/net worth	Prefectural equity stake	Prefectural subsidies	Prefectural loans
(36 bodies)	89,881	49,870	6,106	25,371
(1 body)	-925	280		
total	88,956	50,150	6,106	25,371

*business enterprises jointly capitalized by both a local government and a private owner

7. Fiscal Health Assessment and Capital Shortfall Ratios

■ The Local Government Financial Soundness Law stipulates that the following ratios are used to gauge the fiscal health of local issuers:

(1) real deficit ratio

(2) consolidated real deficit ratio

(3) real public debt expense ratio

(4) future burden ratio

■ Also, the **(5) capital shortfall ratio** was established for assessing fiscal health of public enterprises.

■ The local government must draft a financial health improvement plan if any ratios exceed Early Financial Stabilizing Body Standards and a financial recovery plan must be drafted if any ratios exceed Financial Rebuilding Body Standards.

Fiscal Health Assessment	FY08	FY07	Early Financial Stabilizing Standard	Financial Rebuilding Standard
(1) real deficit ratio	—%	—%	3.75%	5.00%
(2) consolidated real deficit ratio	—%	—%	8.75%	15.00%
(3) real public debt expense ratio	13.9%	13.7%	25%	35%
(4) future burden ratio	255.4%	243.8%	400%	

capital shortfall ratio	FY08	FY07	Management Stabilizing Standard
(5) capital shortfall ratio (6 public enterprise accounts)	All public enterprises have no capital shortfall.	All public enterprises have no capital shortfall.	20%

■ **Fukuoka Prefecture does not have any real deficits in ordinary or public project accounts.**

■ **Fiscal conditions are sound, as it is within Financial Rebuilding Body standards under real public debt expense ratio and future burden ratio, and well within Early Financial Stabilizing Body standards.**

7. Fiscal Health Assessment and Capital Shortfall Ratios

1 Real deficit ratio

- The ratio of ordinary account real deficit to standard fiscal size in ordinary account.

$$\text{Real deficit ratio} = \frac{\text{Real deficit in ordinary accounts}}{\text{Standard fiscal size amount}}$$

Standard fiscal size amount = Standard projected revenue (projected total of prefectural tax, local transfer tax, ordinary allocation tax, temporary fiscal measure bonds, local special allocation, traffic safety measure allocations)

※FY08: 883.3bn yen

Early financial stabilizing standard	3.75%
Financial rebuilding standard	5.00%

- Does not apply, as Fukuoka Prefecture has a 1.7bn yen surplus.

2 Consolidated real deficit ratio

- The ratio of real deficit in all accounts (ordinary accounts and public project accounts) to standard fiscal size in all accounts.

$$\text{Consolidated real deficit ratio} = \frac{\text{Real deficit in ordinary accounts} + \text{Real deficit in public project account}}{\text{Standard fiscal size amount}}$$

→ Ordinary account real deficit: Fukuoka Prefecture has a 1.7bn yen surplus in ordinary account.

→ Public enterprise account real deficit: As detailed on slide 9, no capital shortfalls in public enterprise accounts.

Early financial stabilizing standard	8.75%
Financial rebuilding standard	15.00%

- Does not apply, as Fukuoka Prefecture has ordinary account real balance surplus. Also, no fund shortfalls in any public project account.

7. Fiscal Health Assessment and Capital Shortfall Ratios

3 Real debt servicing expense ratio

- Ratio of real public debt expenses in ordinary accounts to standard fiscal size. (average of last three years)

FY08	FY07
13.9%	13.7%

Early financial stabilizing Standard	25%
Financial rebuilding Standard	35%

$$\text{※Real debt servicing expense ratio} = \frac{(A+B) - (C+D)}{E-D} \text{ 3-year average}$$

A: Redemption funds for local government bonds (excl pre-maturity redemption)

B: Based on local bond redemption funds (expenditures from general account for public enterprise redemption funds, construction costs redemption funds for mutual aid association, etc.)

C: Special resources for principal, interest repayment source

D: Amount calculated in standard fiscal demand amount related to principal, interest redemption

E: Standard fiscal size

- Real debt servicing expense ratio of Fukuoka Prefecture is well below Early Financial Stabilizing Standard of 25%

7. Fiscal Health Assessment and Capital Shortfall Ratios

4 Future burden ratio

- Ratio of real burden to be borne in future by ordinary accounts (incl public enterprises) to standard fiscal size.

FY08	FY07
255.4%	243.8%

Early financial stabilizing Standard 400%

【Reason for rise】

Because of debt payment added to future burden (A), for a policy in which the debt payments should be set to contribution for Government-Operated Land Improvement Projects was decided by the Ministry of Internal Affairs and Communications in FY2008.

$$\text{※Future payment ratio} = \frac{A-B}{C-D}$$

A: Future burden (3.4737trn yen)

- Current balance of ordinary account local govt bonds
- Planned expenditures based on debt payments (excl joint bonds, etc.)
- Estimated rollover from ordinary account for public enterprise operations
- Necessary retirement funds assuming all workers retire voluntarily
- Funds for public enterprises (roads corp, highway corp, land reclamation corp), local independent administrative corps (3 public university corps)
- Payments for indemnity contract holders

B: Resources that can be used for future burden ratio (1.4620trn yen)

- Funds that can be used
- Special resources that can be used
- Estimated amount calculated in standard fiscal demand related to local govt bonds outstanding

C: Standard fiscal size (883.3bn yen)

D: Amount calculated in standard fiscal demand amount related to principal, interest redemption (95.9bn yen)

■ Future burden ratio is 255.4%, well below Early Financial Stabilizing Standard of 400%

7. Fiscal Health Assessment and Capital Shortfall Ratios

5 Fund shortfall ratio

- Ratio of a public enterprise's shortfall in funds to project scale.

$$\text{※Fund shortfall ratio} = \frac{\text{Fund shortfall}}{\text{Project scale}}$$

Management stabilizing Standard 20%

Fukuoka Prefecture Public Enterprise Accounts

- Hospital project account
- Electricity project account
- Industrial water project account
- Industrial land development project account
- Prefecture port facility management special account
- River basin sewerage project special account

Does not apply, as no fund shortfalls in any public enterprise

7. Fiscal Health Assessment and Capital Shortfall Ratios

Fukuoka Prefecture's fiscal structure

Controlling expenditures through fiscal structural reform

Controlling rise in expenditures through reducing personnel, reviewing projects based on New Fiscal Structure Reform Plan, despite higher expenditures by Social welfare costs such as Public debt expenses, Welfare costs and implements of economic measures.

Maintaining fiscal soundness

Ordinary account real balance surplus, and no capital shortfalls in public enterprise account. Also, real public debt servicing ratio and future burden ratio are well short of 「Early Financial Stabilizing Body Standards」. Prefecture is fiscally sound.

Securing independent revenue sources

Share of independent revenue sources, those are prefectural tax, usage fees, handling changes and property revenue, etc. still has been 52.7 % (more than 50 %), though the share in total revenue has dropped by the increase of national treasury disbursement due to execution of economic policy and the use of local government bonds.

8. Fukuoka Prefecture New Fiscal Structure Reform Plan

- Fukuoka Prefecture unveiled the New Fiscal Structure Reform Plan in FY07, outlining strategy to cut projected fiscal deficit and build stable fiscal base for future. Undertaking both fiscal and administrative reform.

1 Reform period	FY07 ~ FY11 (5 years)
2 Reform plan	<p>(1) Implement Fiscal Structure Reform covering all expenditures, revenue and aiming for 'Decimal Point Precision' detailed in administrative reform outline</p> <p>(2) Plan detailed strategy to match new needs for administration and reduce projected fiscal shortfall</p> <p>(3) Prioritize, improve efficiency of social capital and limit bond issuance. Start to reduce outstanding bond balance in FY10.</p>
3 Reform measure details	<p>(1) Reduce personnel expenses (~45.0bn) Cut 2,500 workers, review work allowances, etc.</p> <p>(2) Reassess administrative work (~84.0bn) Annual review of 5.0bn yen+ projects during reform plan</p> <p>(3) Control share of construction costs (~27.0bn) Limit construction costs by prioritizing work, boosting efficiency</p> <p>(4) Control increasing welfare costs (~26.0bn) Control costs from national medical system reform, implement own control measures</p> <p>(5) Capture fiscal revenue (~28.0bn) Boost measures to capture prefectural taxes, sell/use land holdings</p>

- **Estimated balance of 3 funds in New Reform Structure Plan was 26.0bn yen in FY08– 10.8bn yen less than plan (36.8bn yen) due to cutting costs and reducing fiscal shortfall in line with budget.**
- **Reducing fiscal shortfall has met targets smoothly.**

9. Overview of FY09 Fukuoka Initial Budget (Ordinary Accounts)

FY07, FY08 Ordinary accounts

- Fourth straight year of increased total revenue, 1,589.2 bn yen. 54.3 bn yen and 3.5% increase year-on-year.
- General expenditure except public debt expenses and tax related subsidies, etc. is 1,223.5 bn yen. 48.9 bn yen and 4.2% increase year-on-year.

Item	(Unit:Bn yen, %)			
	FY09 Initial budget(a)	FY08 Initial budget(b)	Change (a)–(b)	Rate of change (a)/(b)
Total revenue	1,589.2	1,534.9	54.3	103.5
Prefectural tax	631.8	721.9	▲ 90.1	87.5
excl the influence of local company special tax	662.3	721.9	▲ 59.6	91.7
Local allocation taxes, etc.	383.0	326.0	57.0	117.5
Local allocation tax	279.3	264.7	14.6	105.5
Temporary fiscal measures bonds, etc.	103.7	61.3	42.4	169.2
Local transfer taxes, etc.	41.6	11.5	30.1	361.5
Of this, local company special transferred tax	31.3	-	31.3	-
From national coffers	182.7	175.9	6.8	103.9
Prefectural bonds(excl temporary fiscal measures bonds provision from three funds)	139.0	133.7	5.3	103.9
provision from three funds	12.4	14.8	▲ 2.4	83.8
Other	198.7	151.1	47.6	131.5
Total expenditures	1,589.2	1,534.9	54.3	103.5
Personnel expenses	520.4	523.7	▲ 3.3	99.4
Social welfare costs	227.5	220.9	6.6	103.0
Public debt expenses	177.8	174.0	3.8	102.2
Investment-related expenses	220.2	225.4	▲ 5.2	97.7
administrative purpose cost	237.4	186.7	50.7	127.2
municipal subsidies	187.9	186.3	1.6	100.9
Other	18.0	17.9	0.1	100.7
Of this, general expenditures	1,223.5	1,174.6	48.9	104.2

- Prefectural tax, etc.
Down 59.6 bn yen due to reduction of dual corp taxes according to downturn in economy. (excl the influence of local company special tax.)
- Local allocation taxes, etc.
Up(57 bn yen) due to decreasing tax and 1 trillion increase by Local Fiscal Plan
- Personal expenses
Down 3.3 bn yen due to reduction of employees
- Social welfare costs
Up 6.6 bn yen due to rising welfare benefits, etc.
- Public debt expenses
Up 3.8 bn yen due to rising interest payment, etc.
- administrative purpose cost
Up 50.7 bn yen due to increase of expenditure for finance to small and medium-sized enterprise promotion funds.

Progress of Fiscal Structure Reform Plan (FY09 initial budget)

- About cutting fiscal deficit based on New Fiscal Structure Reform Plan, amount is 27.1 bn yen (target: 20 bn yen) in FY09 initial budget.

Item	(Unit: bn yen)			
	Target	FY09	Result	FY09
Reduction of personnel expenses	8.0	2.0	11.4	4.3
Reassessing administrative work	17.0	5.0	20.4	6.8
Controlling share of construction costs	6.0	2.0	6.5	2.8
Controlling increase of social welfare costs	5.0	5.0	5.1	5.1
Capturing fiscal revenue	6.0	6.0	8.1	8.1
Total	42.0	20.0	51.5	27.1

10. FY09 Publicly offered local Bond Issuance Plans

Various maturities

Monthly issuance alternating between 5-year and 10-year bonds

3yr, 5yr, 10yr and super-long (20yr, 30yr) bonds to meet the varied needs of investors.

Flex Frame

A “Flex Frame” offers greater flexibility to better meet the needs of investors.

(Unit: 100 mil yen)

	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
3yr							100				100
5yr		100		100		100		100		100	500
10yr	100		100		100		100		100		500
Super long			20yr 200				300				400 500
Flexible					100 200						200 100
Total	100	100	300	100	100	100	200	100	100	100	1,700

11. Main Characteristics of Bond Offering

1 Pricing date fixed on the 10th of every month for 5-year and 10-year bonds

- Regular schedule to ease investment allocation planning

2 “Competitive managing underwriter” method allows standardized negotiations in setting bond terms (10-year bonds).

- Competitive Managing Underwriter method
Two managing underwriters responsible for the majority(80%) of the issues distribute to investors and determine appropriate terms and conditions of bonds.
- There are 12 underwriting institutions (including 2 managing underwriters) to increase the number of investors.

3 Continuous adoption of “comprehensive lead manager group” method (Super long term bonds)

- Fukuoka Prefecture strives to reflect investor needs in determining bond issuing schedule and other conditions.
- In “comprehensive lead manager group” method, We name lead managers for super-long bonds early in the year, and to maintain a continuous dialog with investors throughout the year.

“comprehensive lead manager group” method relationship diagram

Fukuoka

Fukuoka and comprehensive lead manager group check investor needs and launch environment through year, and discuss maturities of super-long bonds and launch timing.

comprehensive lead manager group

Comprehensive Lead Manager
(Lead Manager of all launches)

Comprehensive
Joint Lead Mgr

Comprehensive
Joint Lead Mgr

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- Through the above initiatives together with continuous IR activities, Fukuoka Prefecture strives to have a closer and more continuous dialogue with investors, aiming to achieve a highly transparent and flexible bond issuance program.

12. Fukuoka Receives the CAPITAL EYE Award



- Fukuoka Prefecture received the CAPITAL EYE Award 「Best Issuer of FY2008(Local Government Bond Section)」.
- We were judged to be the local government bond issuer that most contributed to the development of the capital market.

Reasons for Selection

- We served as a role model in the local government bond market, which saw a change from the uniform pricing method to the individual pricing method in FY2006.

1 Introduction of “comprehensive lead manager group” method

- We tried to better communicate with investors not by deciding an underwriter for each super long-term bond issuance, but by nominating a group of lead managers at the beginning of FY2008.

2 Flexible issuance management after Lehman Brothers shock

- We managed bond issuance more flexibly after the Lehman Brothers shock. For example, we improved, before any other local government, the previous bidding method for 5-year bond issuance in order to issue at a lower rate.

3 Fixed launching dates

- We decided to launch 5-year bonds and 10-year bonds on the 10th of each issuing month. This made it easier for investors to determine their investment plans.