

SAPPORO

City of Sapporo

IR Presentation Document

November 2015



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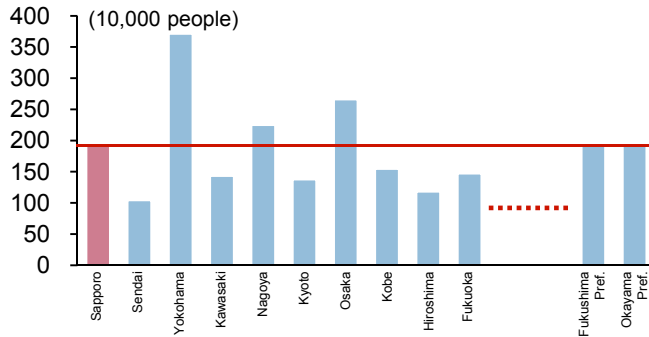
Overview Of Sapporo and Major Policies

Profile of Sapporo

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

Size of population

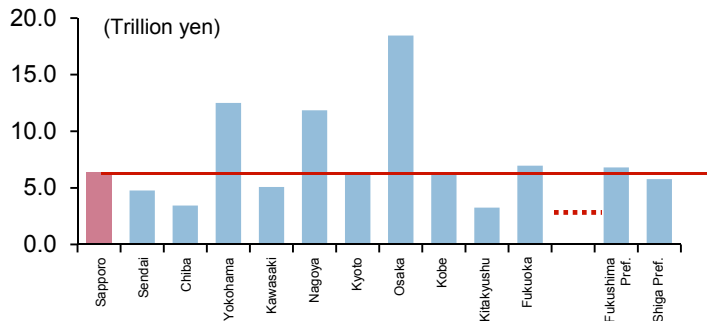
- Population is about 1.93 million (ranked the 4th among government-ordinance designated cities).
- Size of population is comparable to those of medium-sized prefectures (ranked the 21st among prefectures).



Source: Basic Resident Registration Network System as of March 31, 2015

Size of economy

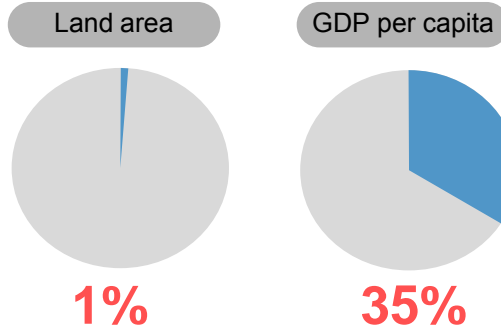
- Sapporo's total gross production is about 6.4 trillion yen (ranked the 5th among government-ordinance designated cities).
- As well as the population, its size is comparable to those of medium-sized prefectures (ranked the 23rd among prefectures).



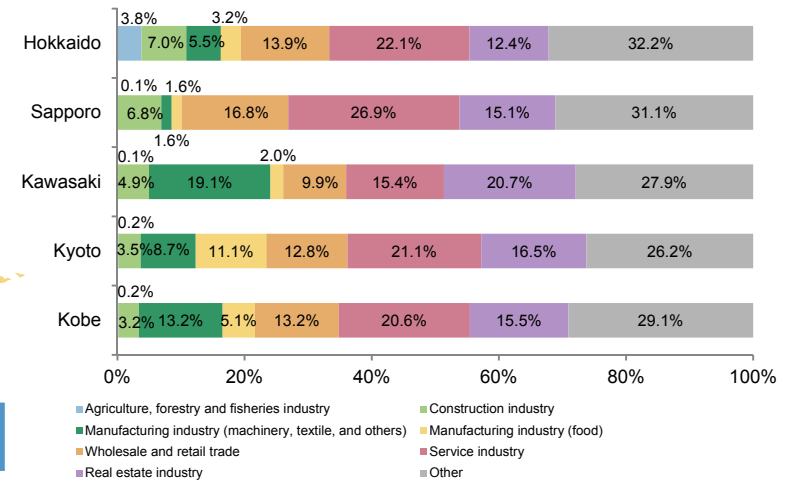
Source: Prefectural economic accounts (actual for FY2012)



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 FY2012)

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
2015	Hakodate	Sapporo	Kyoto	Hokkaido

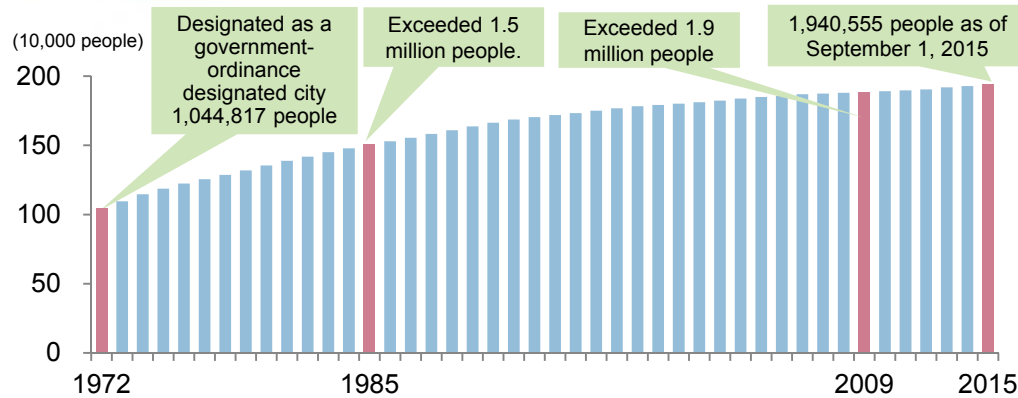
Source: Regional brand survey 2006 – 2015

* Prefectures became those surveyed from 2009.

Population of Sapporo

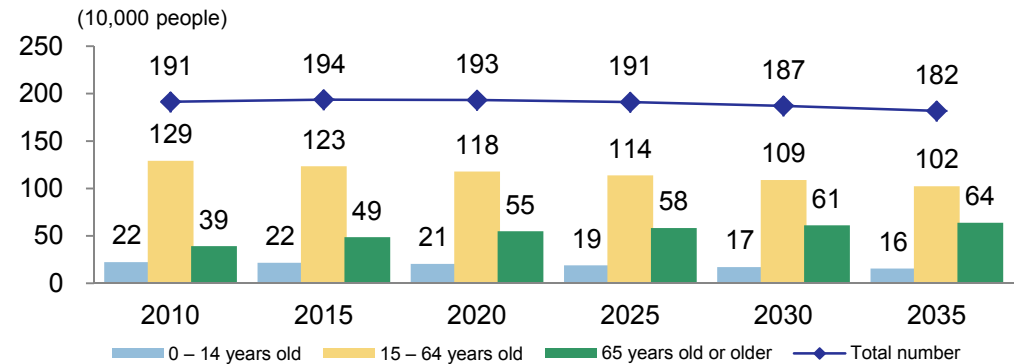
- The population of Sapporo has increased consistently after being designated as a government-ordinance designated city, but the decline in population is expected to begin in the next few years.

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



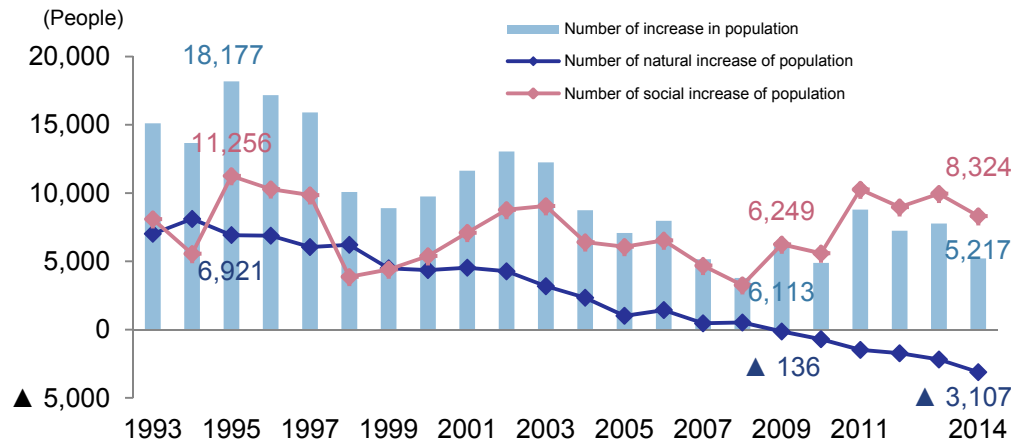
Source: Basic Resident Register as of April 1 every year

Future population projections



Source: Statistic Bureau of Ministry of Internal Affairs and Communications "National Census", Mayor's Policy Planning Office, Policy Planning Department, Strategic Planning Section in Sapporo
* Estimated figures as of May 2011

Population movement



Source: Basic Resident Register (Japanese only)

Main factors of natural decline

- High non-marriage rate and low total fertility rate
- Economic anxious feeling behind both cases

Non-marriage rate of women (Unit: %)

Age	Sapporo	Nationwide
total	28.6	23.3
25-29 years old	67.0	60.3
30-34 years old	42.3	34.5
35-39 years old	30.4	23.1

(As of October 1, 2010)

Total fertility rate

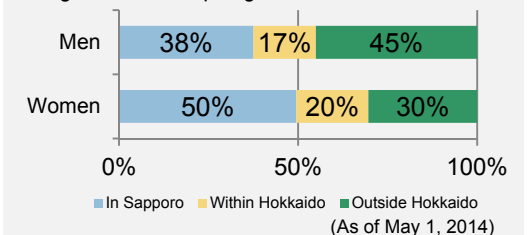
Sapporo	Tokyo	Nationwide
1.14	1.13	1.43

(2013)

Actual situation of social increase

- While Sapporo becomes overrun by in-migrants from other parts of Hokkaido, the out-migrants from Hokkaido to outside Hokkaido are bigger than the in-migrants to Hokkaido.
- Young people in their 20s have moved out from Hokkaido to a great extent compared to other generations.

Place of employment of university graduates and postgraduates.



Future of Sapporo That We Aim At; (Provisional Title) Formulating a creation plan for the future of Sapporo.

Challenges of Sapporo

Low total fertility rate

The number of the youth who have moved out from Hokkaido has been larger than those who have moved in.

(Provisional title) Formulating a creation plan for future of Sapporo

- In the section of population vision, along with the analysis of the current status of population, focusing on the period up to 2060, presenting the future outlook of population and the way how we should aim at in the future.
- In the section of comprehensive strategy, based on the above, presenting the basic targets and measures for the next five years as well as the key performance indicators (KPI).

Future to aim at - Basic policies of Sapporo -

- Realizing the society where the hope of citizens who wish to get married or have children shall come true
- Creating the environment that enables people to take root in each region

Basic target 1

Creating stable employment

Strengthening competition of industries in Sapporo
[By industrial field]

Creating the foundation to support industries in Sapporo
[Cross-industrially]

Cultivating human resources required by each region and let them take root there

Basic target 2

Creating the environment to support marriage, childbirth and nurturing

Seamless support for marriage, childbirth and nurturing

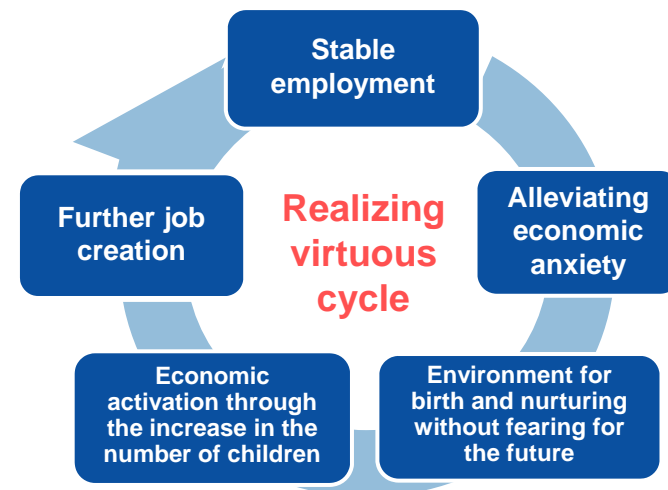
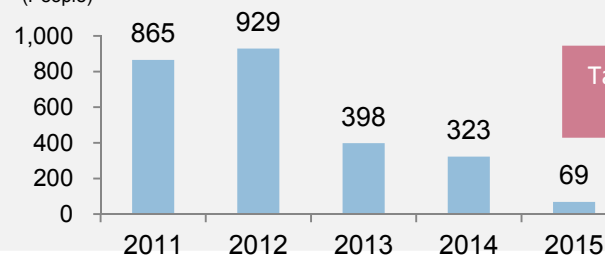
Enhancement of support for children

Creation of the society to support nurturing

Toward making the number of pupils on the waiting list 0

In FY2015, initiatives taken to increase the capacity of nursery schools by 1,006 people

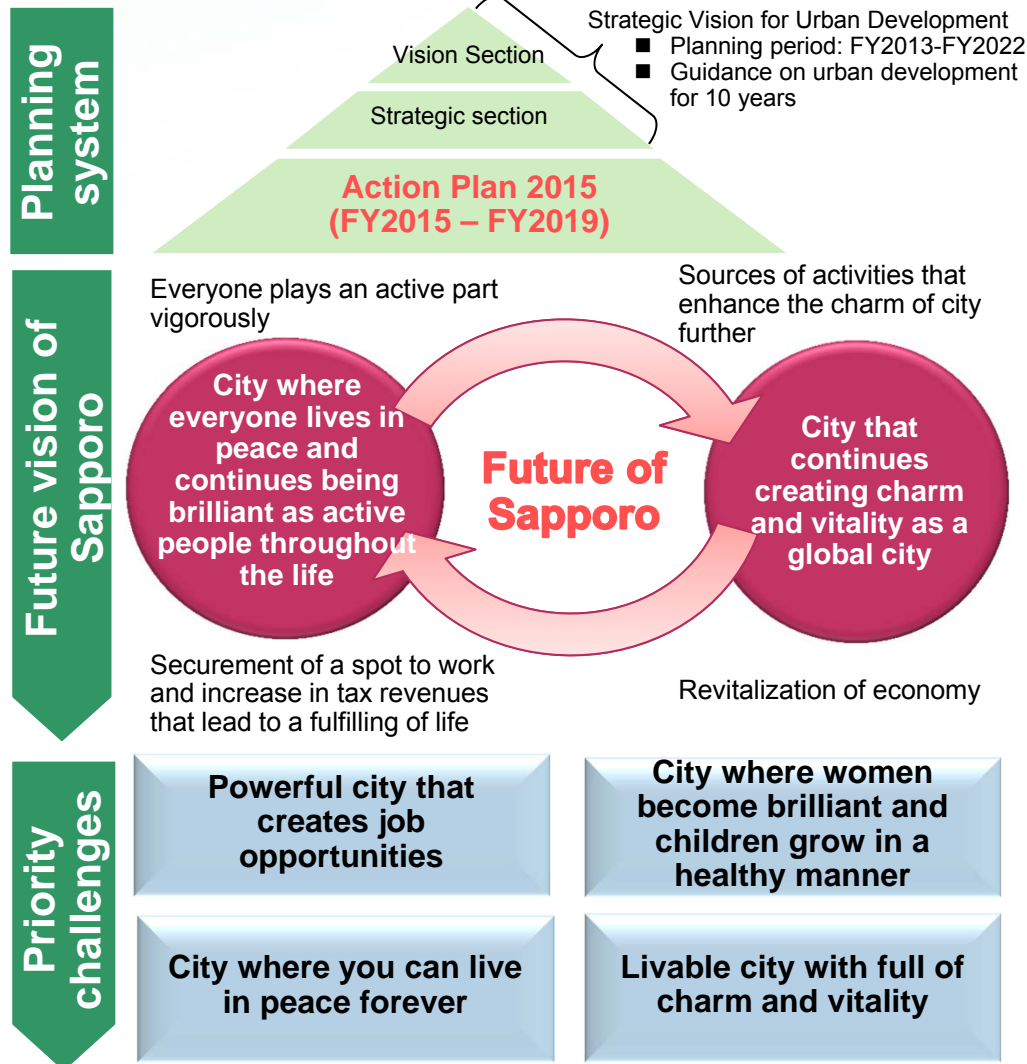
Changes in the number of pupils on the waiting list in Sapporo (People)



Formulating Strategic Vision for Urban Development/Action Plan 2015 (Draft) (1);

- Efforts for the next five years -

- Formulating the **Strategic Vision for Urban Development Action Plan 2015 (Draft)** as the medium-term implementation plan that will promote the realization of the Strategic Vision for Urban Development (the planning period is five years starting from FY2015 to FY2019)
- Incorporating the projects relating to (*Provisional title*) **Creation Plan for Future of Sapporo** into the plan
- Proceeding integrally with the efforts for the urban development and those for the financial and administrative operations

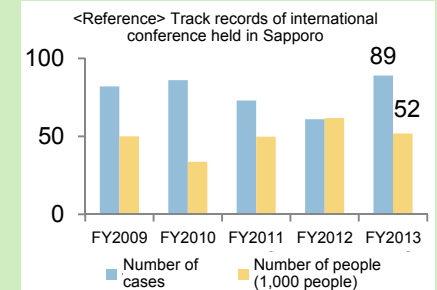


Initiatives for urban development

1

Project for enhancing hospitality and tourism

- Fostering hospitality consciousness of citizens and supporting the improvement of services of business operators and activities of tourism volunteers
- Creating the system to support the extension and/or reconstruction made by accommodation facilities that shall lead to the improvement of guest rooms
- Considering the development of new MICE facilities with international conference centers and exhibition halls



2

Project for supporting child-rearing generation

- Enhancing the support for companies through subsidies for employment of alternate staff of childcare leave, and others
- The medical expenses subsidy system for children was expanded to be applicable to the *Hospital visit of the first grade pupils of primary school*
- *The childcare fee of the second child and subsequent* became free of charge targeting at the children under three years of age
- Subsidizing part of school transportation expenses of senior high school students who live in Sapporo and attend the high schools in the jurisdiction of Ishikari

3

Project for cultivating *the children raised in Sapporo* who will play an important role in future

- Enhancing the small-group guidance on the arithmetic class of about 25 people targeting at senior children at primary school
- Providing primary school pupils with opportunities for experiencing a wide range of winter sports
- Subsidizing the fees of the children in foster homes when they go on to university

Five leading projects

Formulating Strategic Vision for Urban Development/Action Plan 2015 (Draft) (2); Initiatives for the next five years

Initiatives for urban development

4

Project for promoting everyone's active participation in society

- Verifying and reconstructing the existing business related to the support for social participation of the elderly.
- Supporting employment of the elderly through such as job placement services in cooperation with unemployment offices, etc.
- Enhancing the supporting services for outing of physically-handicapped people.

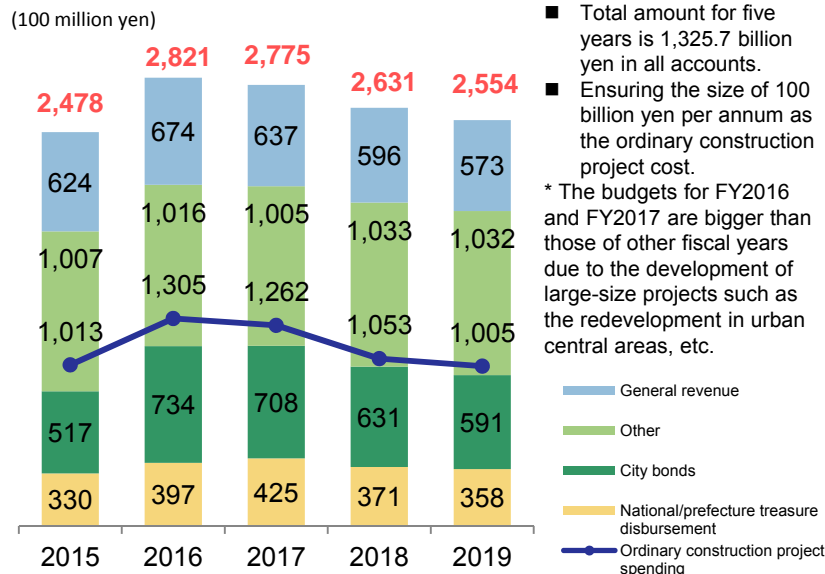
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Project for increasing attractiveness of the capital of Hokkaido as a global city.

- Fostering the momentum for successful bid to host the Winter Olympics and the Paralympics
- Formulating the plan for urban development around Sapporo Station as the exchange base (provisional title), Improving North 5–West 1 and North 5–West 2 areas, etc.
- Promoting the energy saving modeling after the Makomanai district, considering how hydrogen towns should be, etc.

Five leading projects

Planning project expenses



Initiatives for financial and administrative management

Achievements in the past

(Unit: 100 million yen)	Target amount	Cumulative benefit amount during the period
2005 -2006 Fiscal structural reform plan	265	273
2008 -2010 Administrative and fiscal reform plan	306	322
2012 -2014 Plan to promote administrative & financial reforms	520	522

The debt of all accounts was reduced by about 478 billion yen.

The number of employees was reduced by about 2,000.

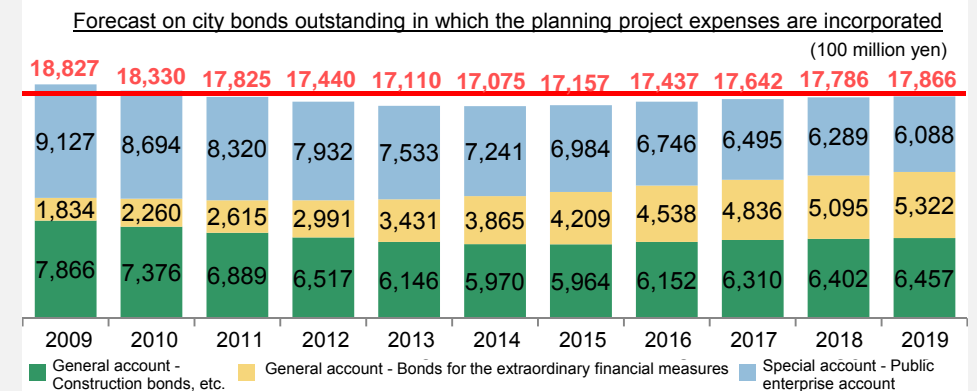
Urban rapid transit railway business has become profitable on a yearly basis since 2006

Initiatives in Action plan 2015

Reform of budget management method	Reform of revenues and expenditures	Strengthening financial foundation
<ul style="list-style-type: none"> ■ Formulating a mid-term financial frame, ensuring the financial resources for project costs and securing viability ■ Strengthening the management functions of each bureau 	<ul style="list-style-type: none"> ■ Reviewing office work operation ■ Considering how the level of services should be ■ Optimizing beneficiary burden ■ Reviewing the money drawn in corporate accounting 	<ul style="list-style-type: none"> ■ Expanding resources for local tax ■ Promoting the fostering of tax revenue sources ■ Improving tax collection rate, credit management. ■ Strategic utilization of public property

Firmly maintaining financial discipline

- Strategically utilizing the funds for financial needs in the future
- Proper management of city bonds (hovering at the level below the balance as of the end of FY2010)



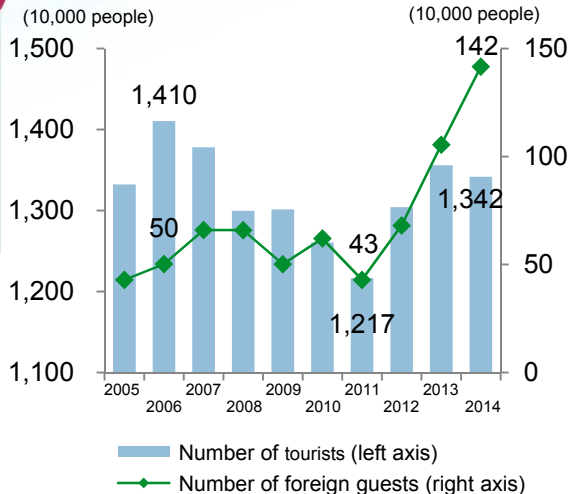
Disseminating Attractiveness of Sapporo; Aiming at the number of tourists of 15 million people

Focusing on tourism industry

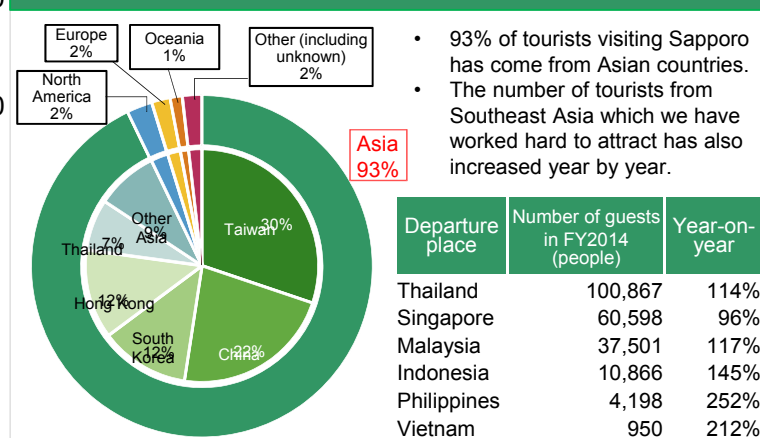
- Tourism industry has economic effects that shall spread to a wide variety of other industries.
- Leading to activating the entire economy in Sapporo.

Creating stable employment.

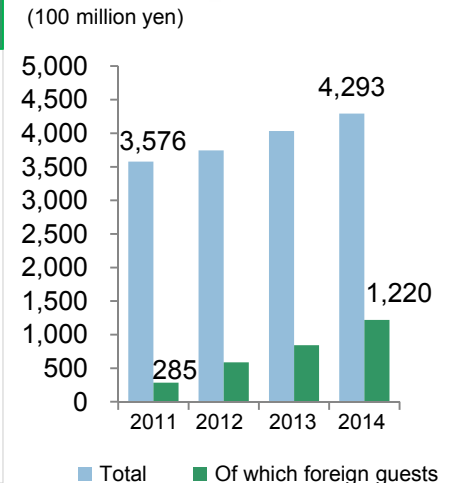
Changes in the number of tourists



Increasing tourists from Asian countries



Total tourism spending in Sapporo



Promoting activities to attract tourists from Asia

China

- Setting Beijing, Shanghai, Guangzhou, and Shenzhen as priority cities
- In Beijing, by leveraging the Beijing Office of Sapporo, developing the promotion through utilizing the relationship with local travel agencies

Vietnam

- Implemented business meetings with local travel companies in Hanoi and Ho Chi Minh City.
- Produced TV programs to publicize each seasonal charm in Sapporo and suburban area, which is scheduled to be broadcasted by a terrestrial television station in Vietnam.

Malaysia

- Launched the regular flights between New Chitose and Kuala Lumpur (Four flights a week from October 2015).
- Broadcasting promotional films to publicize charm of Sapporo on electric signboards in downtown.



Indonesia

- Exhibited a booth of Sapporo in the travel exposition held locally at the end of September 2015.
- Aiming to publicize the travel exposition, broadcasted a promotional film on electric signboards in downtown for a month in September.

Toward improving convenience of visitors coming to Sapporo

Launching of the operation of Sapporo City Wi-Fi

- Launched the operation from October 1, 2015 in order to improve convenience and the degree of satisfaction of foreign tourists.
- It can be available of use at 16 stations of the municipal subway line, the Sapporo Convention Center, and the Odori Park.
- Promoting the development of its use at sightseeing places such as the Maruyama Zoo, Jozankei Hot Spring district, etc.



Initiative for future

- Strengthening the preparations for receiving tourists, which can lead to improving the degree of satisfaction of visitors to Sapporo.

Performance indicators

Overall degree of satisfaction as a tourist destination

Current number	Target number	
FY2014	FY2019	FY2022
23.0%	36.1%	40.0%

Total tourism spending in Sapporo

Current number	Target number	
FY2013	FY2019	FY2022
¥403.4 billion	¥441.4 billion	¥470 billion

Annual number of visitors

Current number	Target number	
FY2013	FY2019	FY2022
13.55 million	14.41 million	15 million

Dreams, Pride and Excitement; Successful bid to host the Winter Olympics and the Paralympics

1972 Name of Sapporo obtained world-class reputation.

- Sapporo held the Winter Olympics in Asia for the first time, which spread the fame of Sapporo all over the world and contributed greatly to the internationalization of the city.
- Through enhancing the athletic facilities, the Ski Jump World Cup and others were held in Sapporo, which led to establishing the position as the base of winter sports.
- In addition to the opening of part of *Hokkaido Expressway* and *Sasson Expressway*, the *Nanboku Line* subway between the city center and Makomanai, where the opening and closing ceremonies of the Olympics were held, was opened.



Opening data

- Period: From February 3 to 13, 1972 (11 days)
- Number of sports: 6 sports 35 events
- Venues: 14
- Nations participating: 35 countries
- Number of athletes and officers: 1,655 people
- Construction costs for related facilities: About 200 billion yen (including expressway and subway)
- Games operating costs: About 8.1 billion yen

2026 For future children

Dreams and pride to the citizens with the power of sports

The Olympics shall change the city.

Vitalizing economy of Sapporo and Hokkaido

- Excitement and joy brought by the Olympics held in the city where you live
- Having a feeling of closeness to the world
- Renewal of athletic and private facilities
- Becoming more people-friendly city by taking advantage of the Paralympics
- The number of tourists expected to visit Sapporo is about 3.77 million.
- With an economic ripple effect of about 770 billion yen, to leading job creation of about 61,000 people.



Assumed timeline for the bid for host city

- FY2015: Considering the outline plan for the Games (basic philosophy, concept for the Games, facility location planning, consultation program, etc.)
- FY2016: Selecting a domestic candidate city (JOC), and launching the bidding committee
- FY2017: The notification of the candidate city to the IOC
- FY2019: The host city shall be determined at the IOC General Meeting
- FY2020: Starting the preparation for the opening of the Games and the development of facilities

Promoting international sporting events to be held in Sapporo.

- Strategically implementing the attraction of sporting events by setting up a regional sports commission
- Attracting people, goods, information, etc. from all over the world by enhancing the attractiveness of the city through holding sporting events

FIS Snowboard World Cup 2016 Sapporo

- Period: February 12 to 14, 2016
- Venues: Halfpipe course in the Sapporo Bankei Ski Area
- Competition events: Snowboard Halfpipe (men and women)
- Nations participating: 20 countries
- Number of athletes participating: Men 60, women 40

2017 Sapporo Asian Winter Games

- Period: From February 19 to 26, 2017
- Venues: Each stadium, ski area, etc. in Sapporo
- Sports: Skiing, Skating, Ice Hockey, Curling, Biathlon



Games mascot Ezomon

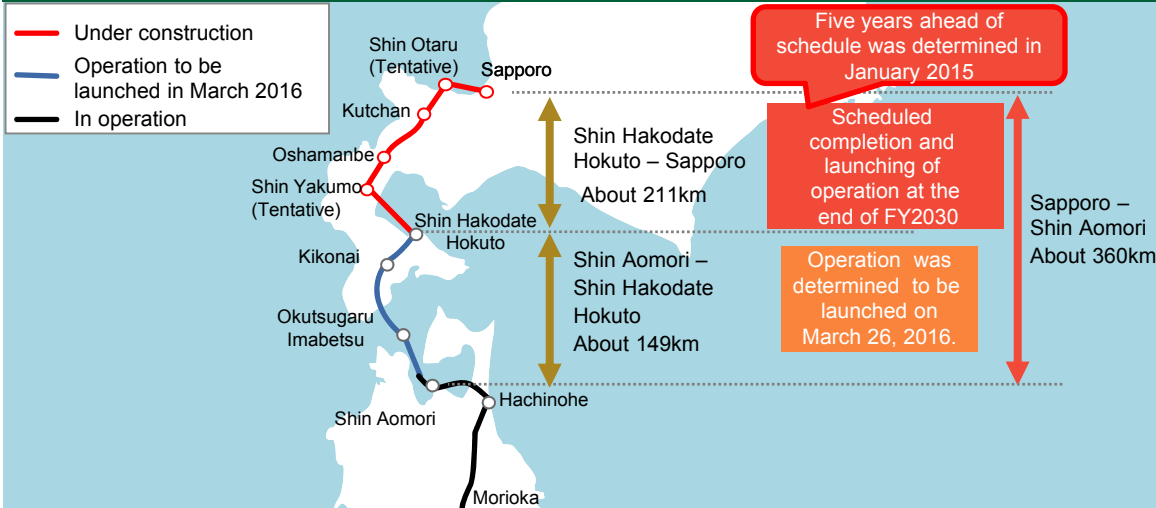
Rugby World Cup 2019

- Period: From September 20 to November 2, 2019
- Sapporo (Sapporo Dome) was selected as one of the host cities (match venue).



Hokkaido Shinkansen (Bullet Train); Improvement of access from home and abroad

Revitalizing the flow of people by strengthening the network with Honshu (main island of Japan)



Extension project costs and fiscal burden of Sapporo

- Of the total project costs for the extension to Sapporo 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%

Section	Shinkansen	Airplane
Sapporo - Hakodate	1hr 13min	About 2hr 30min
Sapporo - Aomori	2hr 07min	About 2hr 50min
Sapporo - Morioka	2hr 45min	About 2hr 30min
Sapporo - Tokyo	5hr 01min	About 3hr 30min

* Travel time required after improvement is calculated based on the materials of New Shinkansen Line Subcommittee of the Council of Transport Policy, the press release of JR East Japan, and the time table of March 2012.
 ** Air travel time includes the time from a major train station to the departure airport and from the arrival airport to the nearest major station.

A variety of effects in Sapporo

(The first year after launch)		Central Hokkaido					Entire Hokkaido
		Sapporo	Southern Hokkaido	Northern Hokkaido	Other regions		
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 Comprehensive Strategy Department in June 2013 (Estimated figures at the time of the operation to be launched in FY2035 before the timeline was determined by 5 years ahead of schedule).

Fostering momentum toward launching of operation

PR events in 300 days (at latest) prior to the launching of Hokkaido Shinkansen Line are to be held.

- To be held in collaboration between Sapporo and Hakodate
- Aiming to foster momentum at the launching of operation



(PR activities at the underground walkway in front of Sapporo Station)

Changing Cityscape

- 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 *North 1-West 1 area* and the *South 2-West 3-Southwest area*. Encouraging the remodeling of buildings that face the street.

Promoting urban improvement through redevelopment projects

Actively engaging in redevelopment using private funds



North 1-West 1 area (due for completion in 2017)



Hall with 2,300 seats

Developing the center of culture, arts, and creative activities for local residents

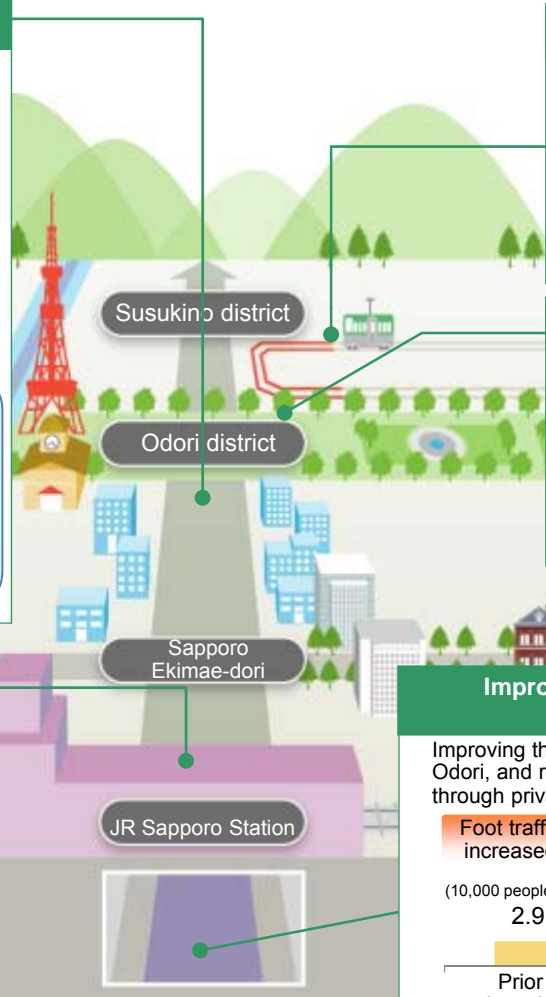


North 8-West 1 area (due for completion in 2019)

- 50 floors above ground and two below
- Building with complex functions such as housing, medical care and welfare facilities, commercial facilities, etc.

South 2-West 3-Southwest area (due for completion in 2019)

- Primarily commercial and business space as well as housing
- Developing convective space corresponding to the extension to loop streetcar line



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

Improvement of Odori junction



Renewal of the underground crosswalk between Sapporo Station and Odori, in cooperation with privately-owned building owners, etc. (services launched in February 2015)

Improving Sapporo Station as the exchange base

In anticipation of the extension of Hokkaido Shinkansen Line to Sapporo, improving Sapporo Station as the exchange base sufficient enough for the entrance of the capital of Hokkaido.

Enhancing the transportation network

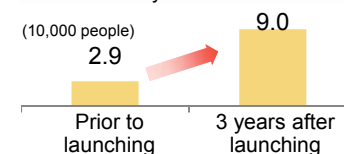
In order to make the effects of the extension of Hokkaido Shinkansen Line at the end of 2030 spread into Hokkaido, aiming to build the smooth traffic network to support civic life, economic activities, and tourism, etc.



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 three times.



*2012 Good Design Award

Creating Foundation to Support the Industries in Sapporo; Attraction of enterprises

Strengths of Sapporo

Potential that Sapporo has ever had

Less accent of words

Reasonable office rent

Abundant human resources with lots of universities and colleges located

Location requirements of call center

Survey year	Number of companies	Number of employees	Number of regular employees	Number of full-time employees	Ratio of full-time employees
2007	42 companies	10,800 people	8,200 people	-	-
2008	46 companies	14,800 people	11,800 people	1,220 people	8.2%
2009	49 companies	14,500 people	12,700 people	1,400 people	9.7%
2010	53 companies	18,000 people	13,500 people	1,500 people	8.3%
2011	54 companies	21,400 people	16,800 people	2,200 people	10.3%
2012	62 companies	26,700 people	21,400 people	2,400 people	9.0%
2013	65 companies	26,300 people	21,000 people	2,800 people	10.6%
2014	64 companies	30,000 people	23,900 people	3,260 people	10.9%



Potential as a backup base in the future

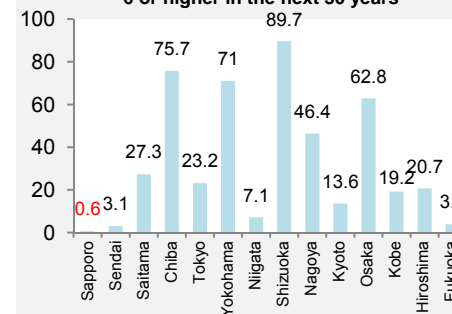
After the Great East Japan Earthquake, private-sector companies have been trying to promote diversification of risk in relation to location requirements, etc.

Located remote from the Tokyo metropolitan area

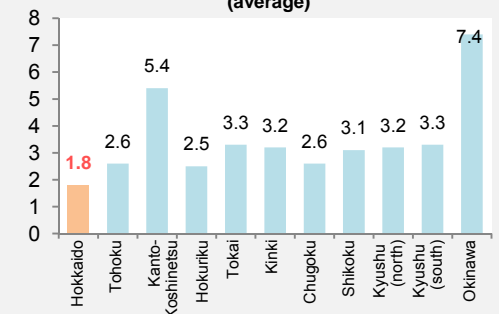
Low risk of natural disasters

Excellent transportation access

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



Number of typhoons that hit a year (average)



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

Strengthening efforts to aim at the "Relocation of headquarters' functions" and the "advanced technologies fields"

AXA Life Insurance decided to set up the Sapporo Headquarters in 2014

- Strengthening business continuity system (Aiming to establish the system that can provide continuous services in any situation through the decentralization of business units and the relocation of important duties)
- Organization with 170 people (seconded employee: 70 people, local employee: 100 people) in charge of important duties, and 500 people including outsourcing personnel
- Important functions such as new insurance policies, payment of insurance claims, personnel management, etc. were relocated and enhanced.

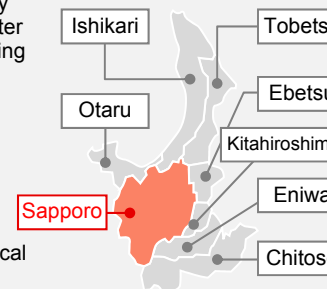
Promoting attraction of enterprises further by making concerted efforts together with surrounding municipalities

Subsidy for promoting capital investment in Sapporo area

- Sapporo will also 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: Launched operations in April 2015. Having expanded business by providing high-quality medical needles manufactured with special technologies. Global market share of 30%
- Nakakita Yakuin 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.



Initiative for future

- In order to strengthen creation of employment, economic revitalization, and industrial base, promoting attraction of enterprises including relocation of headquarters functions, etc.

Performance indicators

Number of companies located that have utilized the measures for attraction of enterprises

(Cumulative total)

Current number	Target number		
	FY2014	FY2019	FY2022
111 companies	160 companies	175 companies	

Strengthening Competitiveness of the Industries in Sapporo; Support of corporate activities

- With the population decrease and the progress of super-aging society expected, it is important to activate the entire industries in Sapporo.

Supporting corporate activities in a cross-industrial manner

Promoting sophisticated and high-value added industries

Strengthening sales force to home and abroad

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



Aiming to expand overseas sales outlets for foodstuffs of Sapporo

Project for supporting food manufacturing for export

Companies to be subsidized

Food manufacturing companies, trading companies for food export, etc. located in Sapporo

[Number of subsidized case]
10 cases in FY2013
9 cases in FY2014
15 cases in FY2015

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.

- [Subsidized case]
- Manufacturing and sales of cold sweets with a new sense by using milk and fruits produced in Hokkaido (SKR-JAPAN Co., Ltd.)
 - Product development and sales plan to meet dietary habits in Southeast Asian countries (bean curd skin, dry gluten, fried dry gluten) (Koyama Seimen Co., Ltd.)

Initiatives for future

Performance indicators

Shipment amount of manufactured goods in grocery manufacturing industry

Current number	Target number	
	FY2019	FY2022
FY2012	FY2019	FY2022
210.9 billion yen	231.4 billion yen	240 billion yen

Gross value-added amount of grocery manufacturing industry

Current number	Target number	
	FY2019	FY2022
FY2012	FY2019	FY2022
89.7 billion yen	92.7 billion yen	94 billion yen

Ratio of the companies that have dealt with globalization

Current number	Target number	
	FY2019	FY2022
FY2014	FY2019	FY2022
12.3%	37.5%	45.0%

Organizing and integrating the departments related to the business promotion on economy, tourism and internationalization

Considering the construction of the organizational structure that shall support a variety of exchanges and economic activities more effectively through the collaboration of each department



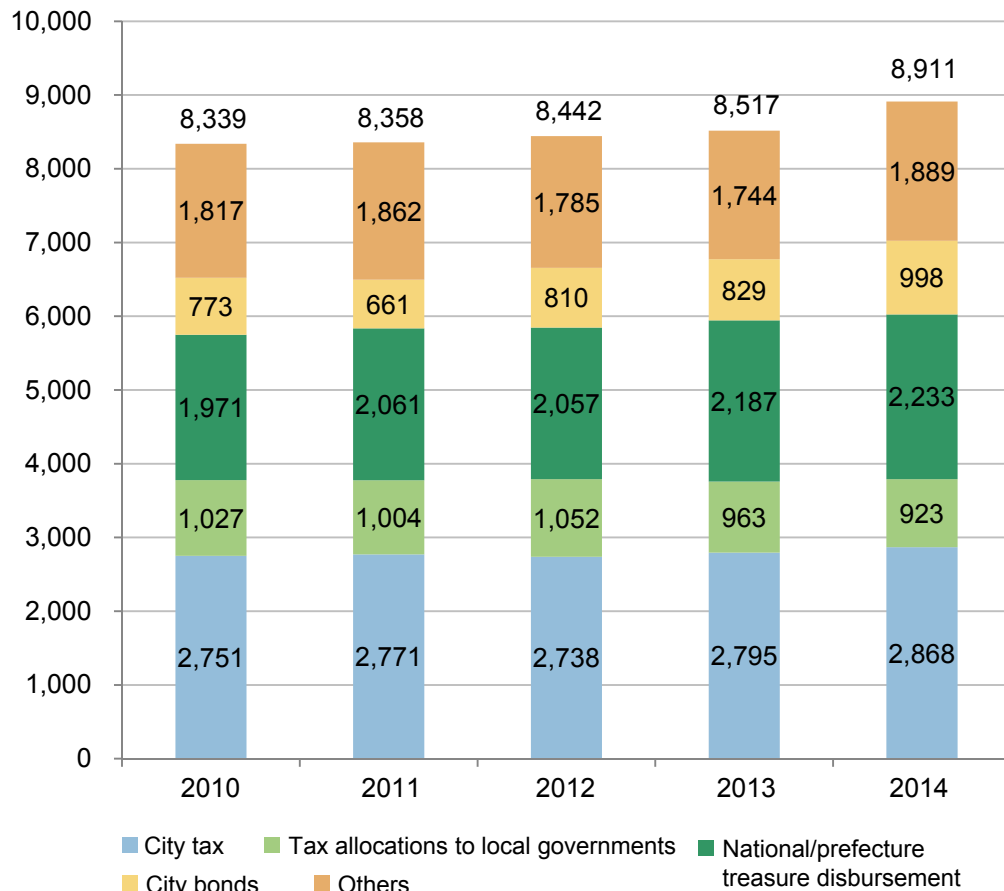
Financial Profile of Sapporo

General Account Closing in FY2014; Status of income and expenditure, and revenue

- The revenue at the settlement of accounts in FY2014 was 891.1 billion yen, up 4.6% year-on-year.
- Whereas the income of city tax and national treasury disbursement increased, the local grant tax decreased by 4.1% year-on-year.

Breakdown of revenue

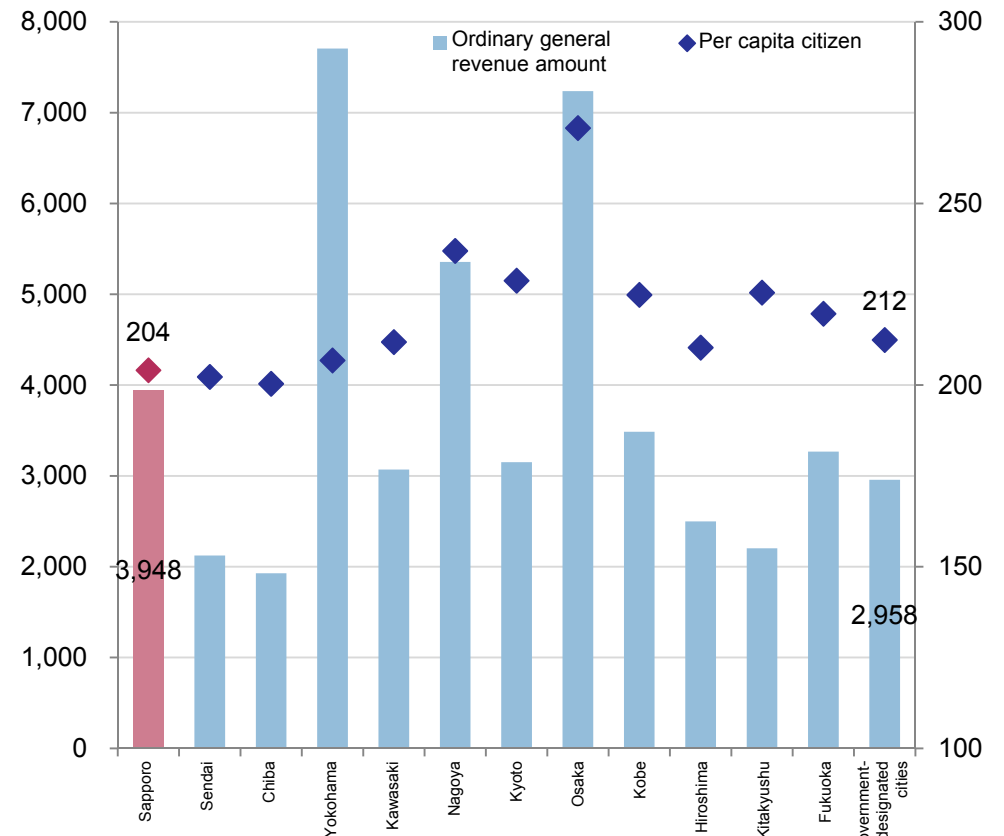
(100 million yen)



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

(100 million yen)

(1,000 yen)



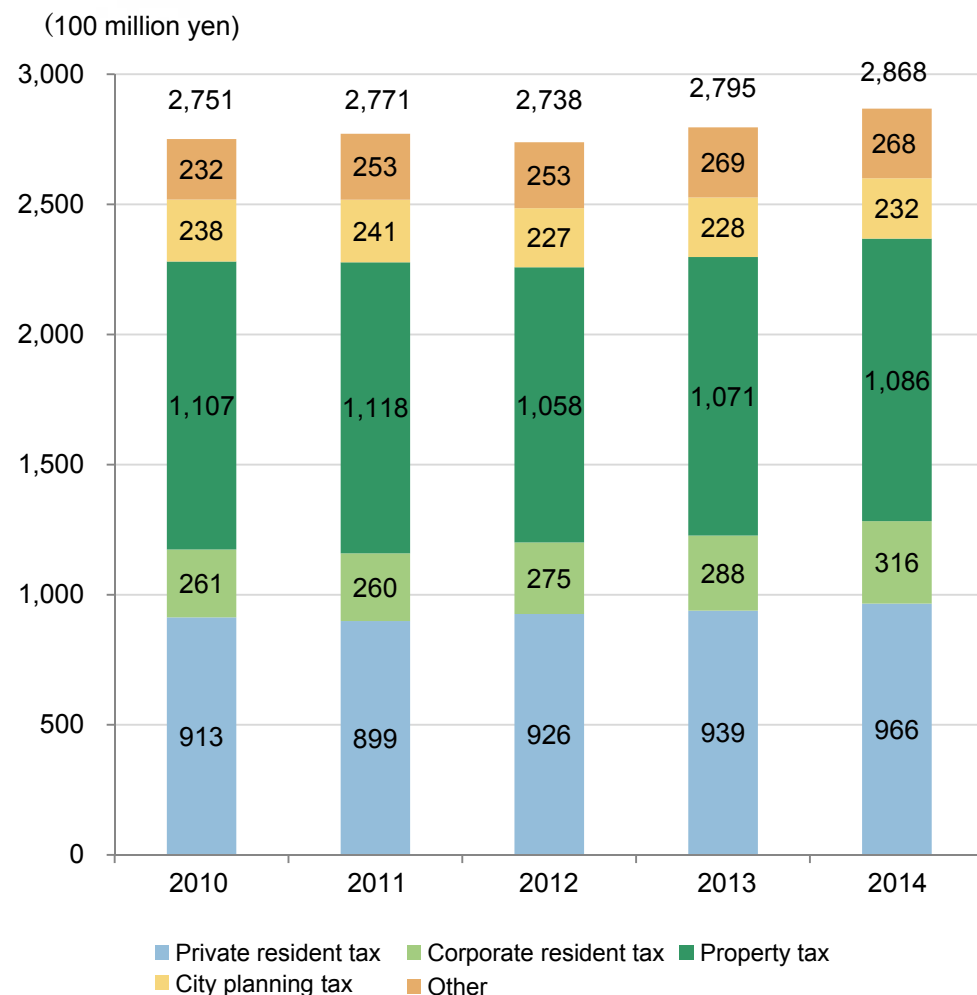
Ordinary general revenue

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.

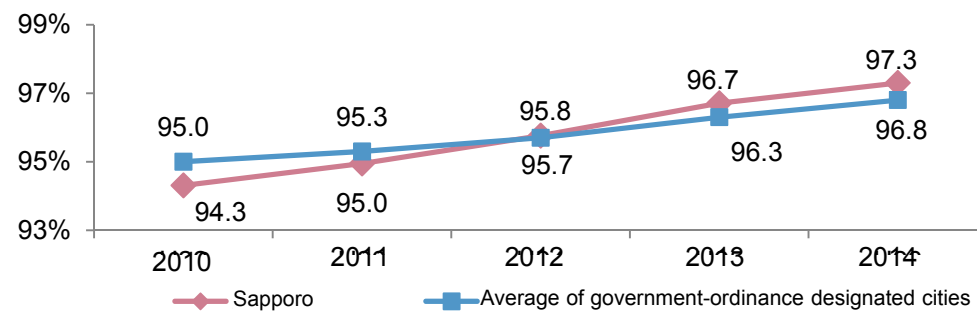
General Account Closing in FY2014; City tax revenue

- The income of city tax increased by 7.2 billion yen year-on-year.
- The tax collection rate exceeded the level of the average of government-ordinance designated cities due to strong disposition of delinquency in payment.
- The percentage of tax revenue to the revenue is, however, still low, and the challenge is how tax sources will be cultivated further from now on.

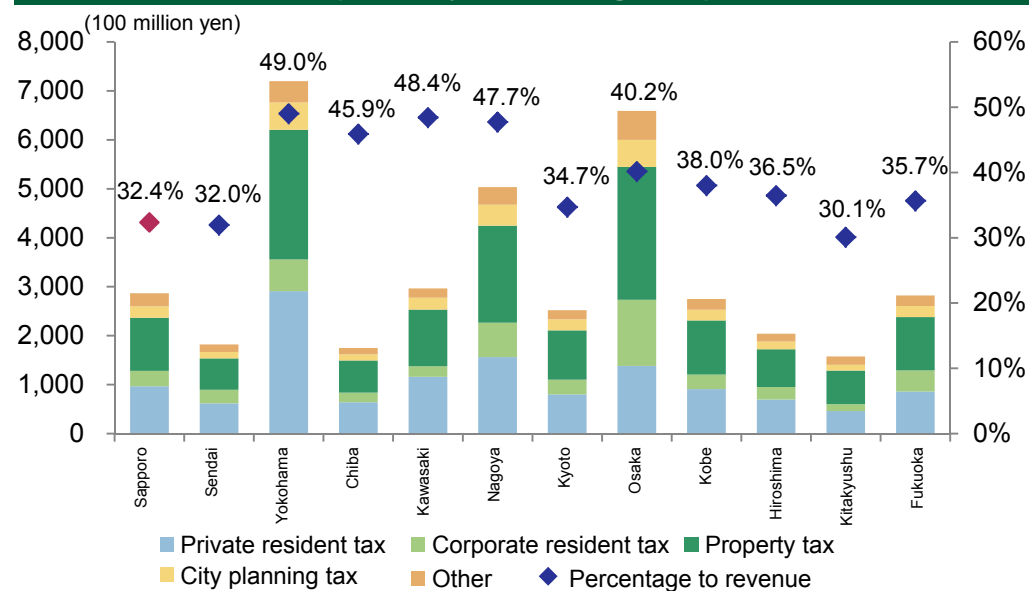
City tax revenues in the most recent five years



Changes in ratio of tax revenue



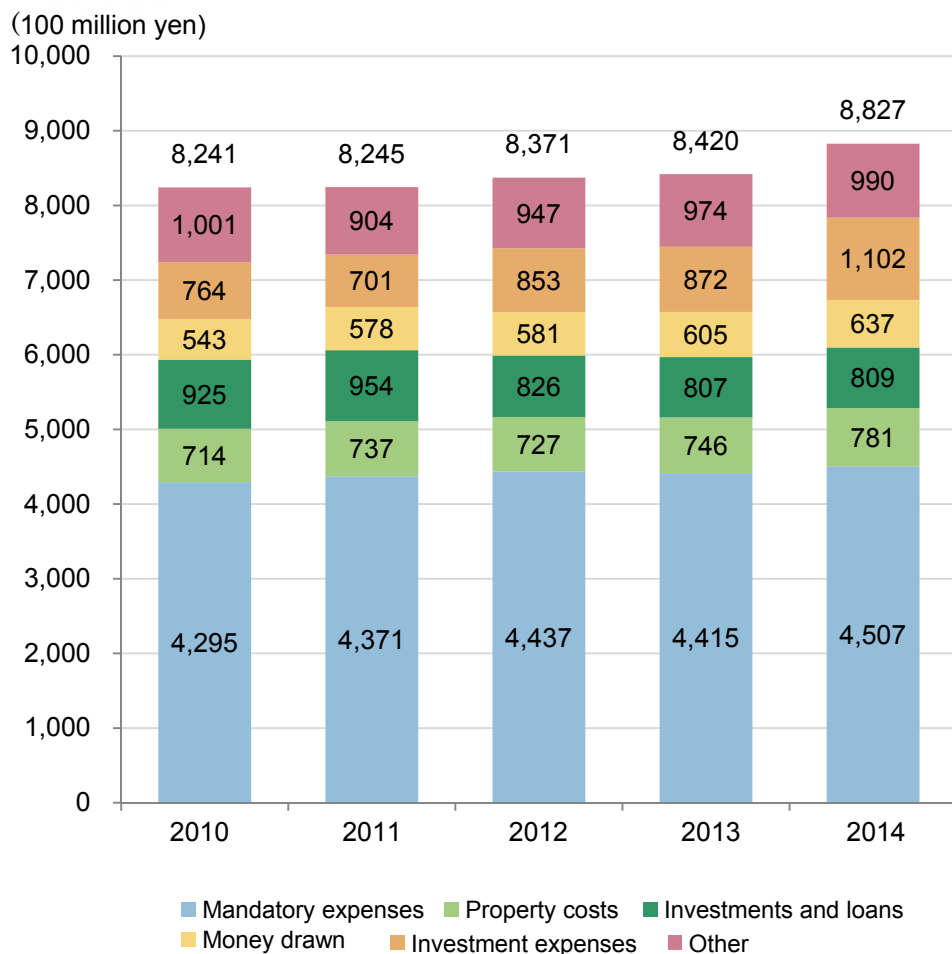
Tax revenue structure of each city in financial results of FY2014 (Ordinary accounting base)



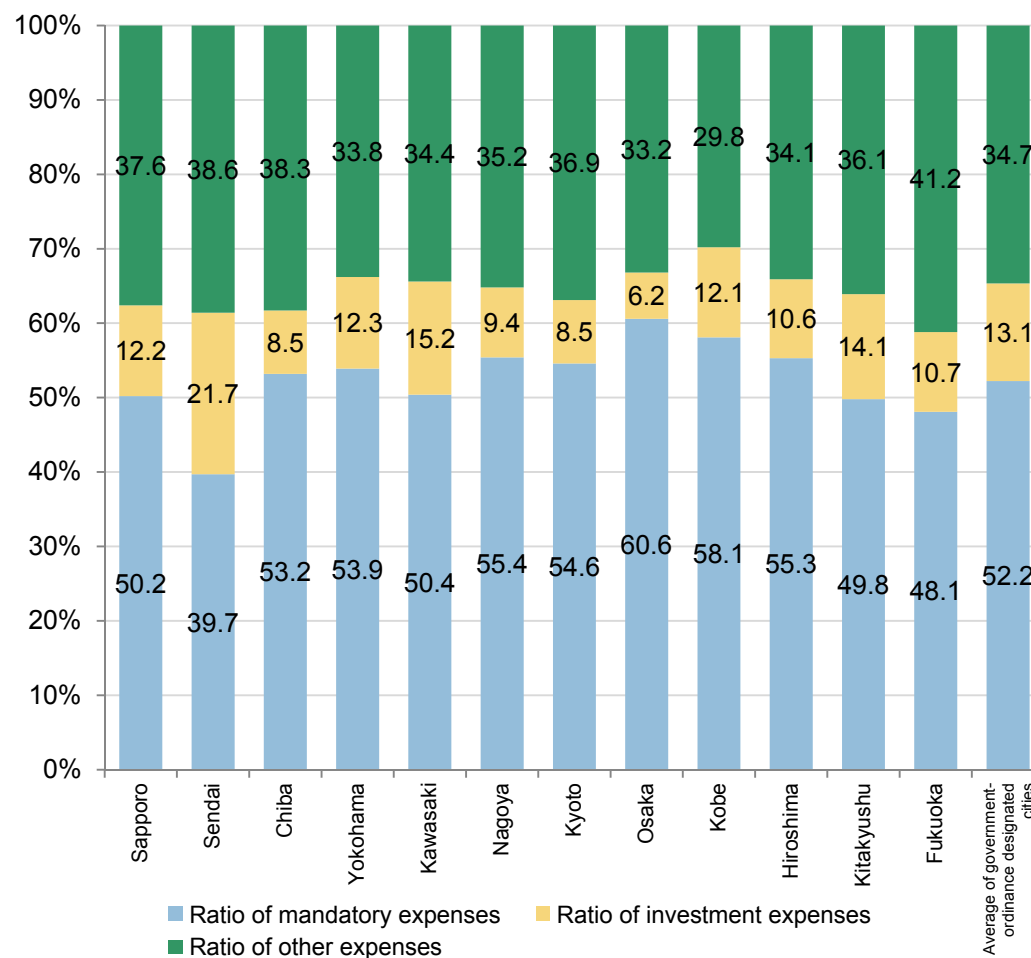
General Account Closing in FY2014; Expenditure

- The total revenue was 882.7 billion yen, up 4.8% year-on-year.
- The investment expenses increased due to the redevelopment costs for the city center and the seismic retrofitting of schools, etc.

Changes in expenditure of general accounts



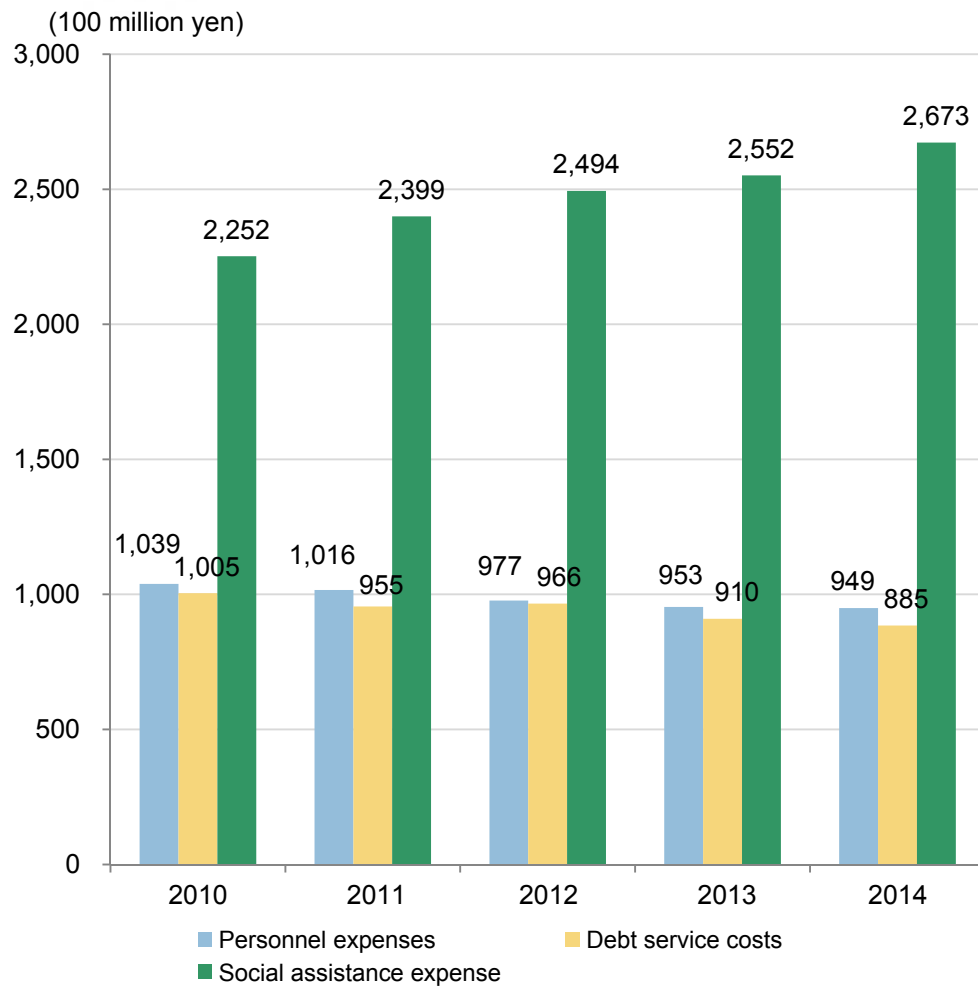
Comparison of expenditure of government-ordinance designated cities (Ordinary accounting basis)



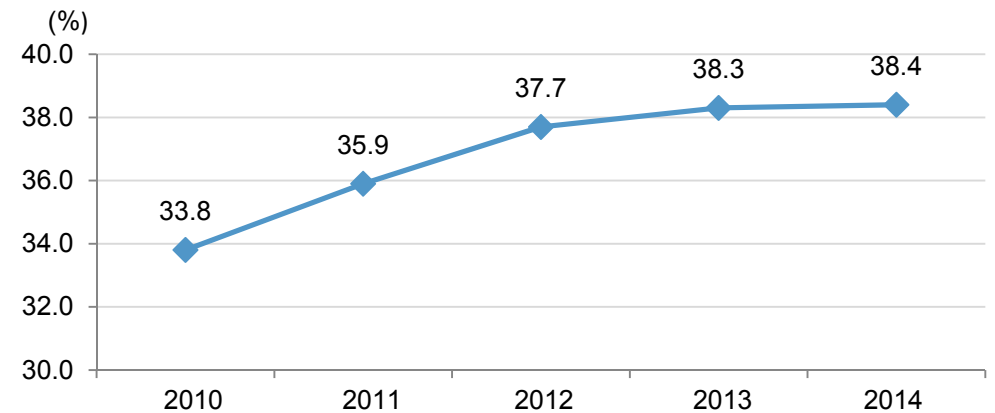
Mandatory Expenses

- Social assistance expenses have continued to be on the rise due to an 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 seven consecutive years due to the review on the retirement allowance, etc., the decrease of the average age of the staff members, etc.

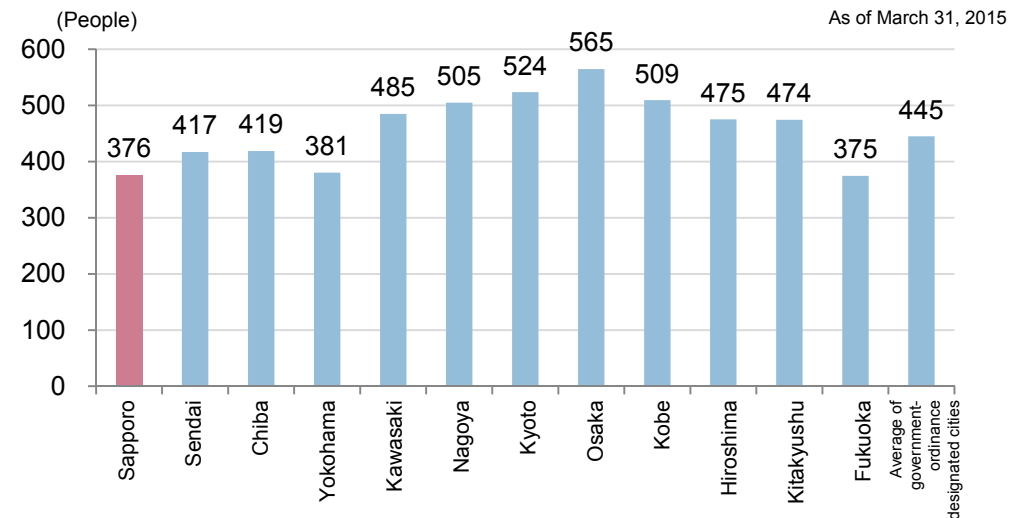
Changes in mandatory expenses



Changes in ratio of livelihood assistance



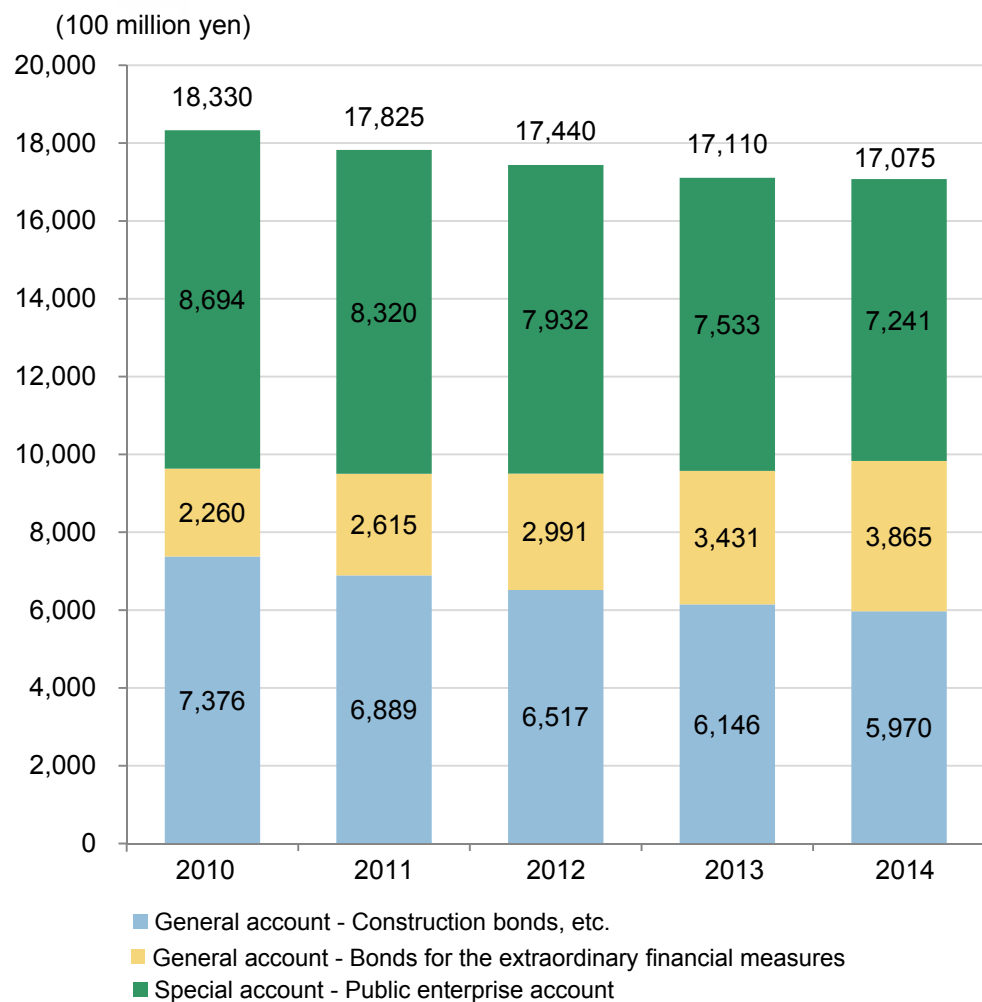
Number of staff members per 100,000 citizens (general administrative staff)



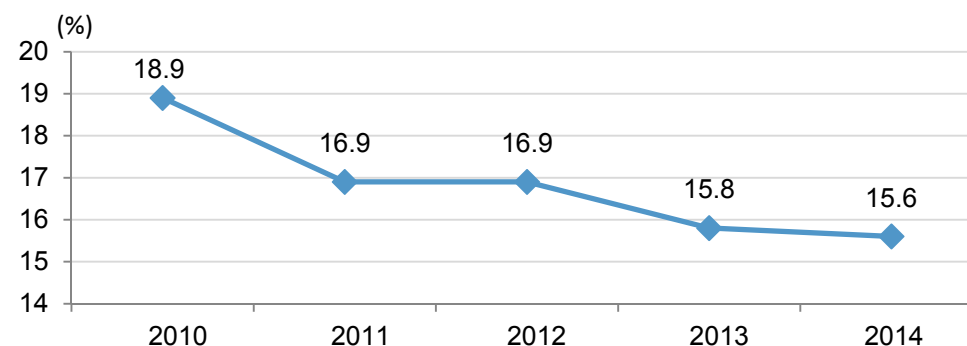
Trends of City Bond Issuance Outstanding

- Bond issuance outstanding for all accounts has decreased in eleven 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 25.8 billion yen.

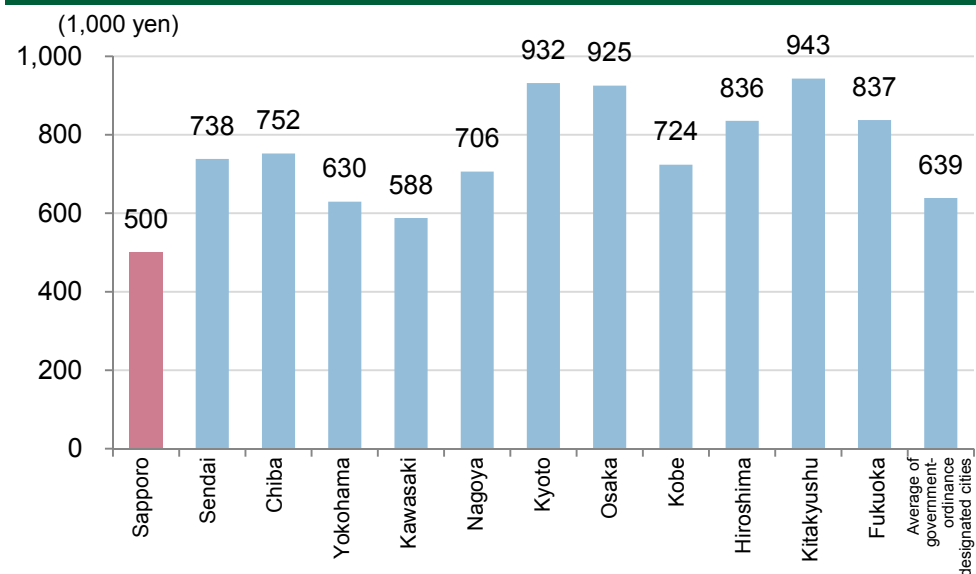
City bond issuance outstanding in most recent five years



Changes in ratio of debt service costs borne



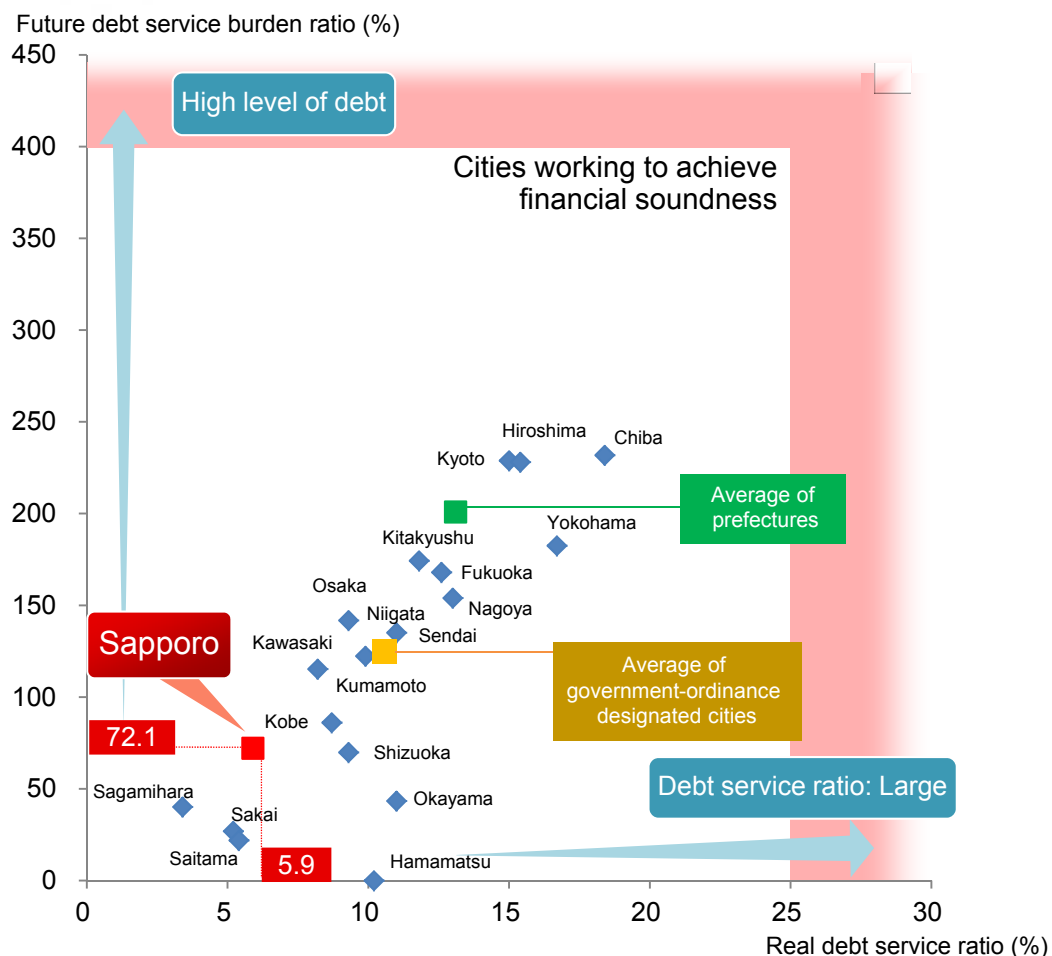
Former 12 government-ordinance designated cities: City bond issuance outstanding per capita (Ordinary accounting basis)



Ratios for Financial Soundness

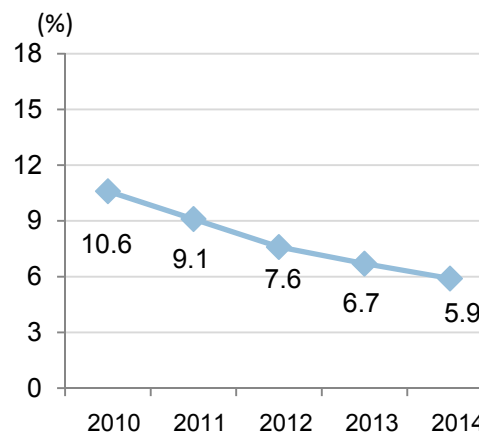
- Both the real debt service ratio and the future debt service burden ratio have changed for the better due to the past continuous measures for improvement.
- Sapporo will continuously strive to maintain its fiscal discipline to sustain a healthy level of debt.

Ratios for determining financial soundness of government-ordinance designated cities (FY2014)

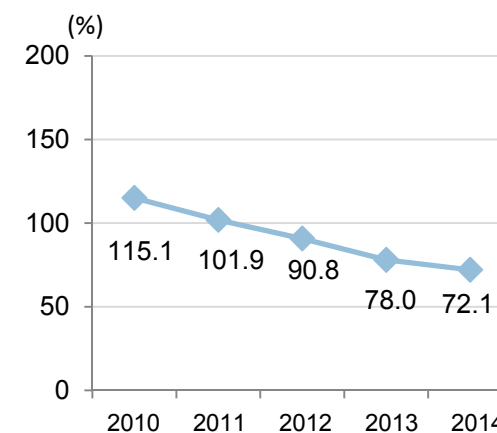


Changes in ratio for determining financial soundness

Real debt service ratio



Future debt service burden ratio



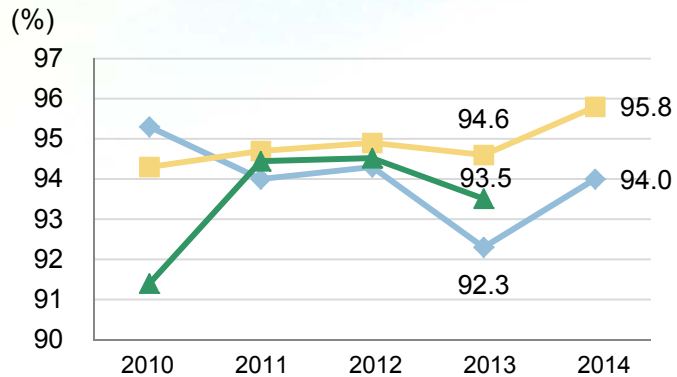
Other indices

- 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).

Comparison with Prefectures

◆ Sapporo ■ Average of government-ordinance designated cities ▲ Average of prefectures that have issued public offering bonds

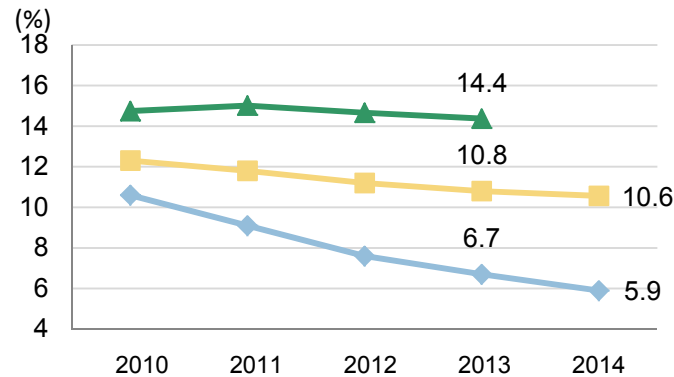
Ordinary balance ratio



* What is the ordinary balance ratio?

The ratio of the general revenues appropriated to ordinary expenses to the total of ordinary general revenues, special deficit-financing bonds, and bonds for the extraordinary financial measures. It indicates that, the higher it becomes, the lower the flexibility of financial structure becomes.

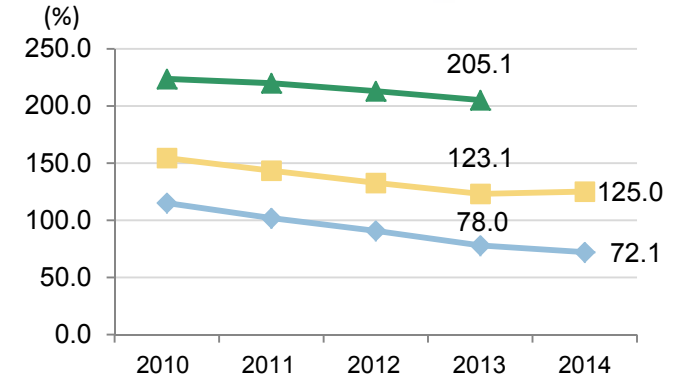
Real debt service ratio



* Restrictions imposed when real debt service ratio deteriorates

- Organizations with more than 18%: Permission of the Ministry of Internal Affairs and Communications required when issuing bonds.
- Organizations with more than 25%: Plan for fiscal soundness shall need to be formulated.
- Organizations with more than 35%: Unless the plan for fiscal soundness can be approved, the issuance of bonds is to be restricted.

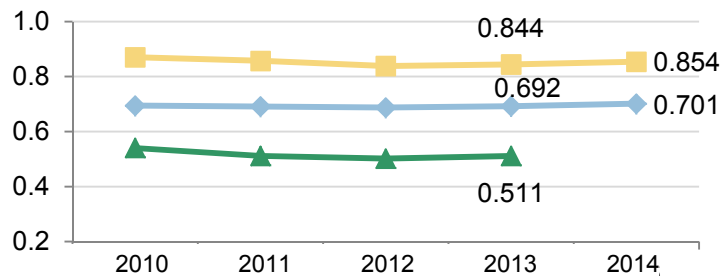
Future debt service burden ratio



* What is the future debt service burden ratio?

The ratio of the debt that is currently being held to the fiscal scale. If it exceeds 400%, such an organization is treated as an organization required for early fiscal soundness, and a plan for fiscal soundness shall need to be formulated.

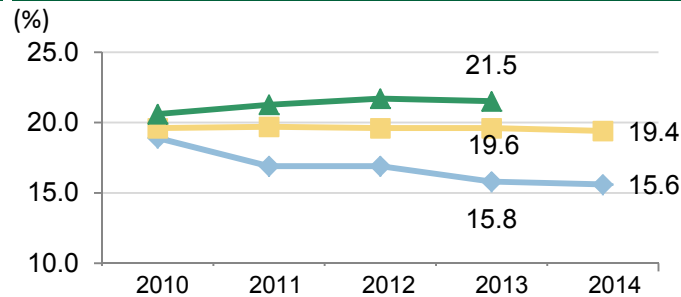
Financial capability index



* What is the financial capability index?

The higher it becomes, the higher the rate of independent revenue sources becomes. If it exceeds 1, such an organization shall not be subject to be subsidized by ordinary local grant tax.

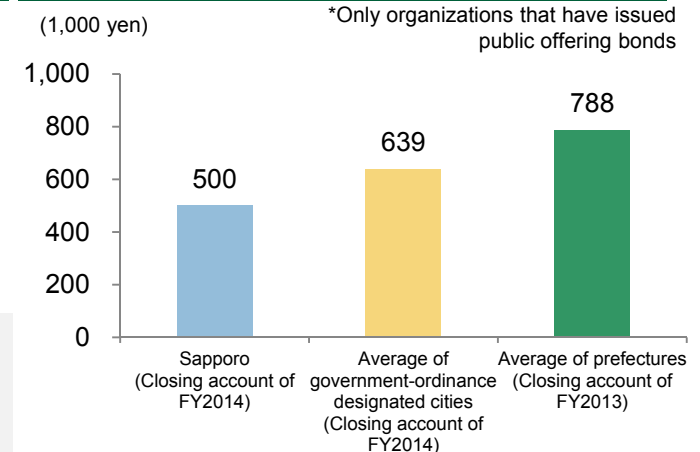
Ratio of debt service costs borne



* What is the ratio of debt service costs borne?

The ratio of the general revenues appropriated to debt service costs to the total general revenues. This is the index that shows the flexibility of financial structure. It indicates that, the higher it becomes, the more the degree of freedom on general revenues is constrained.

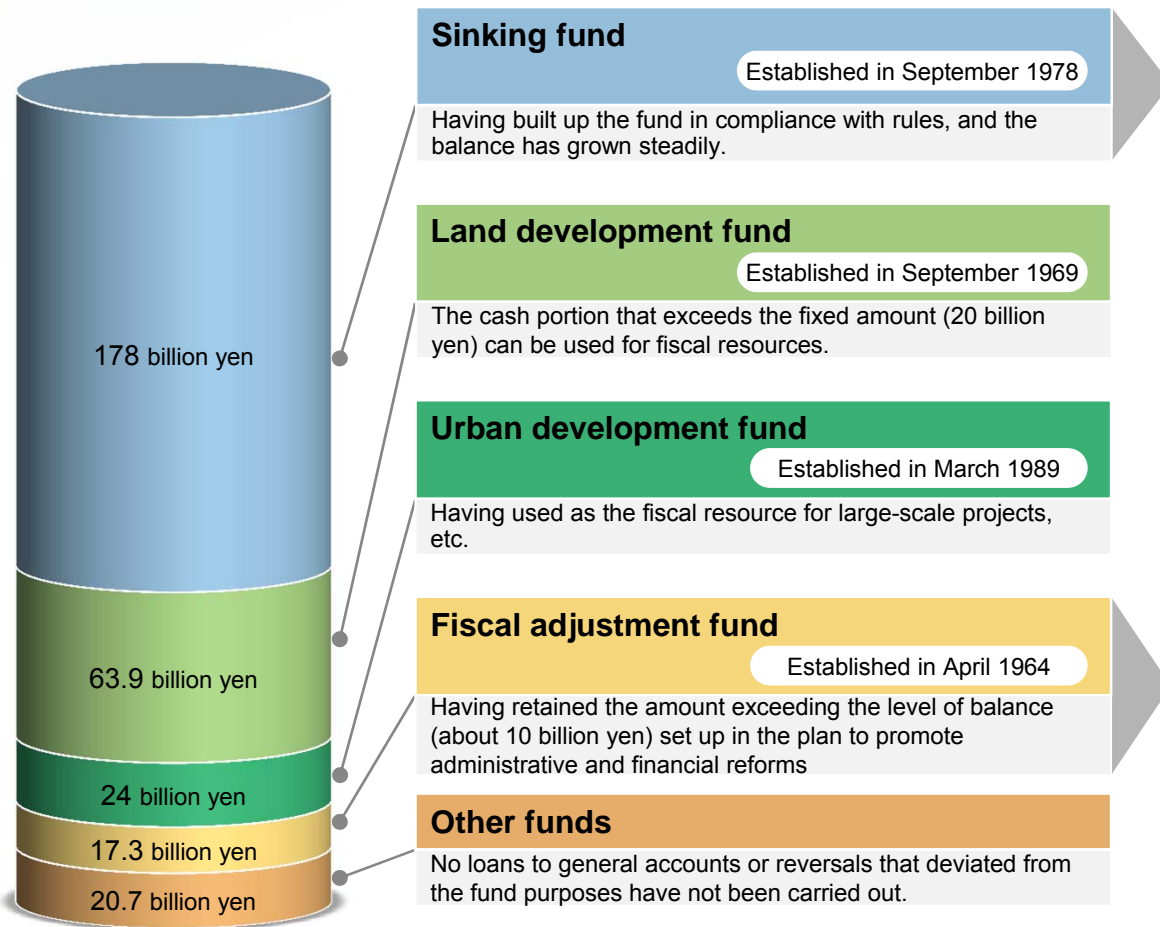
City bond outstanding per capita



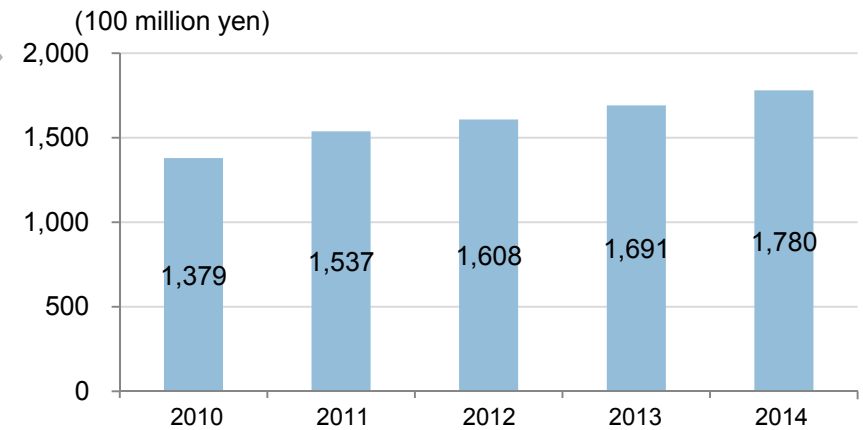
*Only organizations that have issued public offering bonds

Status of Funds

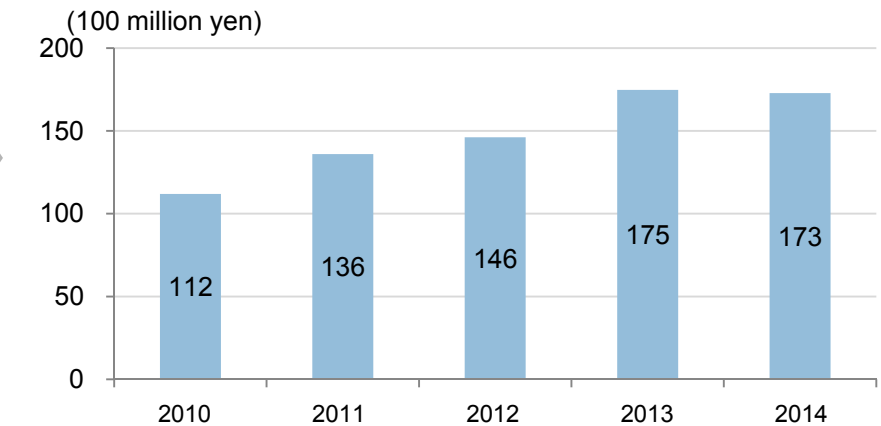
- 21 funds were established. As of the end of FY2014, the outstanding balance was roughly 303.9 billion yen.
- Sapporo has not carried out any loans or reversals on the funds that have deviated from the purposes of establishing the funds.



Changes in sinking fund balance



Changes in fiscal adjustment fund

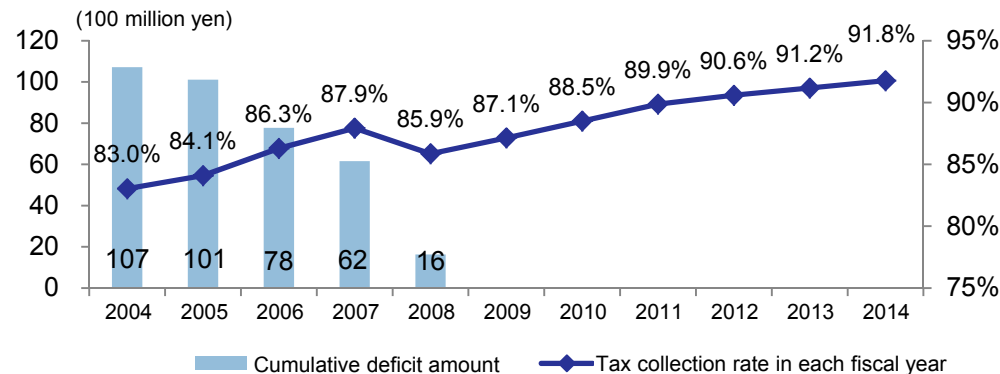


Special Account (National Health Insurance Account) / Invested Organizations (Dissolution of Land Development Corporation)

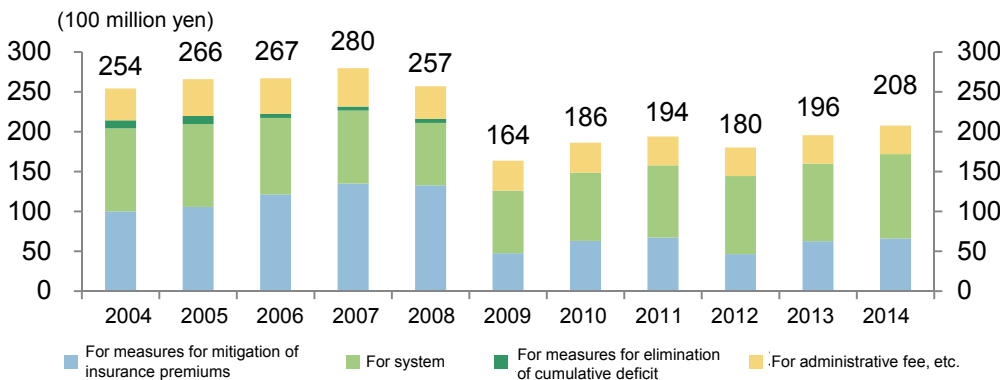
- There are seven special accounts in Sapporo. The national health insurance account eliminated the cumulative deficit in FY2009, and has remained in surplus after that.
- The Land Development Corporation in Sapporo was dissolved in April 2014, and its liquidation was completed in August 2014. Accordingly,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

Changes 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.



Changes 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 2014) 30 organizations	(FY2014) 27.9 billion yen	(April 2014) 43 people
[Decreased by 8 organizations]	[Decreased by 24.1 billion yen]	[Decreased by 139 people]

Dissolution of Land Development Corporation

- The dissolution of Land Development Corporation was determined to be completed in 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 for the third sector, etc. (August 2014)

Public Enterprise Accounting

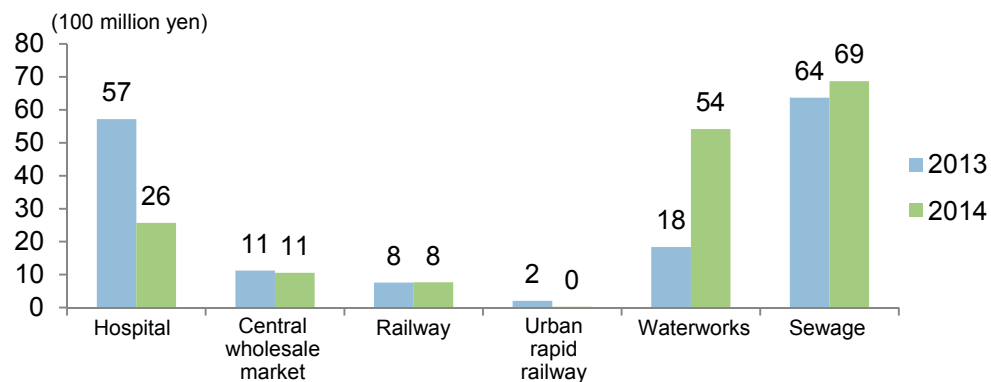
- As a result of dealing with the management improvement, both the operating balance and current balance of the urban rapid railway business (subway) became surplus in FY2006.
- Although there are some accounts whose balance of revenue and expenditure became deficit in FY2014 due to the change of accounting system, all the accounts maintained a surplus in terms of total amount of funds as of the end of the fiscal year.

Changes in balance of revenue and expenditure in public enterprise accounting

(100 million yen)

	2010	2011	2012	2013	2014
Hospital business	6	2	1	▲1	▲61
Central wholesale market business	▲6	▲4	▲3	▲3	▲6
Railway business	▲1	▲0	▲0	0	▲7
Urban rapid railway business	45	45	59	69	8
Waterworks business	50	66	75	76	181
Sewage business	5	6	8	9	3

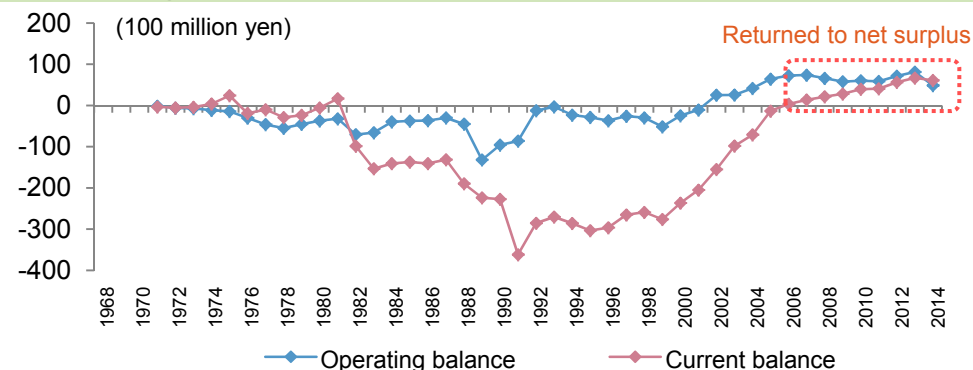
Total funds held in public enterprise accounting (as of the end of each fiscal year)



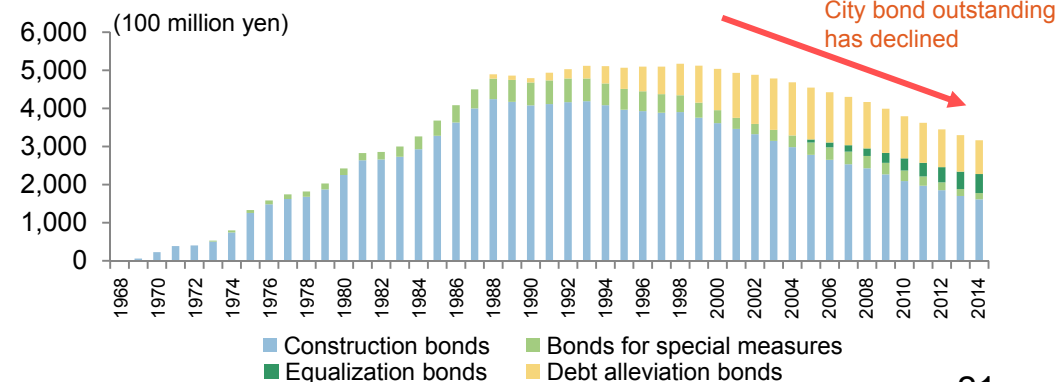
Management improvement of the urban rapid railway business

- 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.

Changes in balance of revenue and expenditure



Changes in public enterprise bonds outstanding at the year-end

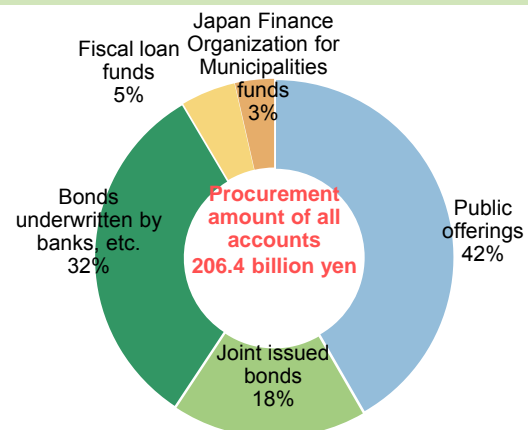


Track Record of Bond Issuance

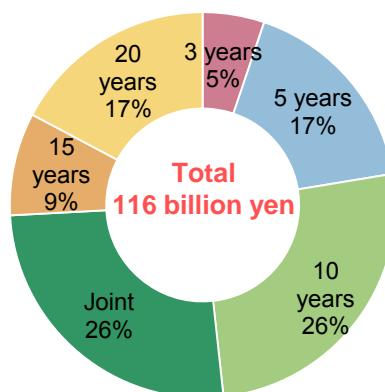
- Bonds have continued steadily to be issued in the amount of more than 100 billion yen every fiscal year.
- Developing the products that have met market needs by issuing bonds with diverse maturities.

Track record of city bond issuance in FY2014

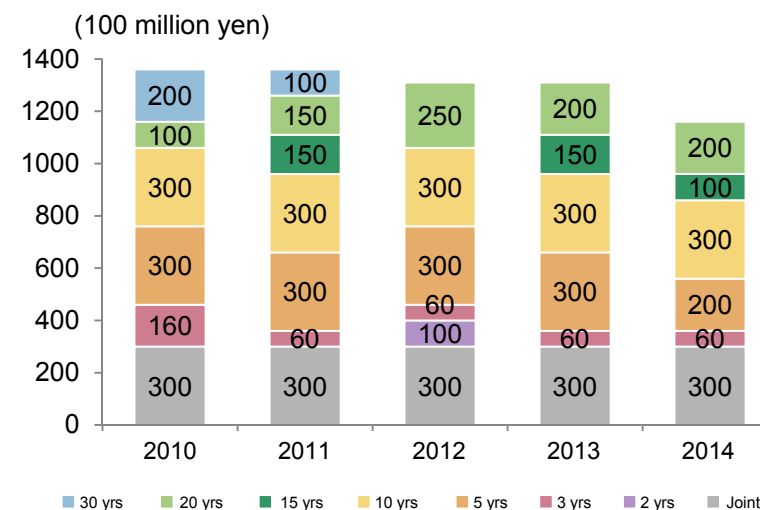
All accounts



Track record of public bond offerings by maturity



Track record of issuance by FY (by maturity)



Public bond offerings 60%

* Including bonds issued in the transfer consolidation period

Year/month	26.5	26.6	26.7	26.8	26.9	26.11	26.12	27.2	27.3
Maturity [years]	20	5	3	10	15	10	5	3	20
Announcement date	May 16	June 6	July 4	Aug. 8	Aug. 28	Nov. 12	Dec. 5	Jan. 30	March 4
Issue date	May 27	June 30	July 29	Aug. 29	Sep. 22	Nov. 28	Dec. 26	Feb. 27	March 20
Issue amount [100 million yen]	100	100	30	100	100	100	100	30	100
Coupon rate [%]	1.524	0.2	0.14	0.54	0.961	0.53	0.102	0.11	1.267
Spread over JGBS [bp]	6	2	5.4	3.5	2.5	2.5	3	9.5	4.5
Type	Nationwide	Nationwide	Citizen participation	Nationwide	Nationwide	Nationwide	Nationwide	Citizen participation	Nationwide

Time Schedule for Bond Issuance

- Continuing to implement public bond offerings with 5-year or 10-year maturity.
- Sapporo will set a ceiling of 30 billion yen for flexible issuance in this fiscal year as well. The bond issuance will be carried out flexibly considering market conditions.

Schedule for public bond offerings issuance in FY2015

(100 million yen)

Time schedule			FY2015												To be determined
			1Q			2Q			3Q			4Q			
			April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
Public bond offering	10-year bonds	300				100			100			100			
	5-year bonds	200	100						100						
	Flex	300				100 (20-year bullet maturity)			100 (20-year redemption)						100
Mini public bonds (3 year)	60				30						30				
Jointly issued city bonds	300	100	70				70			60					
Total public bond offering	1,160	100	70	100	130	100	-	70	100	200	60	130	-	100	

Bond Issuance Management and Creditworthiness

- External credit rating agency (Moody's) has rated us the same 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, and debt management.)

Moody's Japan

A1
(Single A one)

[Outlook: Stable]

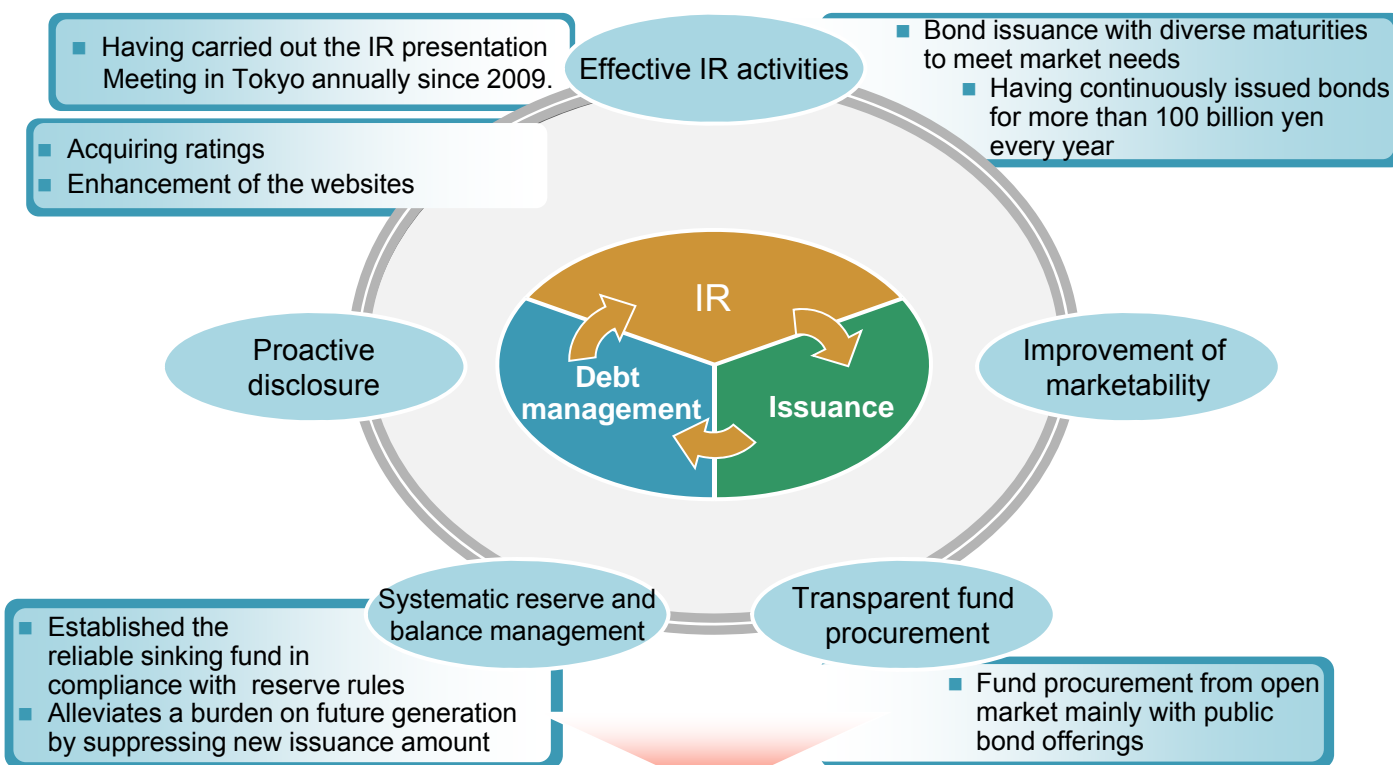
- Same rating as JGBs

Baseline Credit Assessment (BCA)
for municipalities: a2

Sapporo City bond rating
(Moody's: As of October 31, 2015)

Rating	BCA	Government-ordinance designated city	Prefecture
A1	a2	Sapporo Shizuoka Hamamatsu Shizuoka Hiroshima	
		Sakai Fukuoka Fukuoka	
	a3	Nagoya Kyoto Osaka Niigata	

- Catalysts supporting our rating**
- Efforts for continuing reforms aiming at the suppression of expenditure and debt.
 - The strong systematic framework such as the monitoring on local finance by the central government and the financial adjustment system.



Agile, flexible and consistent bond issuance management

Procuring funds stably while keeping close dialogues with markets

Contact Information for Sapporo City Bonds

General Affairs & Fund Management Section Finance Department, Finance Bureau, Sapporo

TEL: 011-211-2216
FAX: 011-218-5147

E-mail: kousai@city.sapporo.jp
URL: <http://www.city.sapporo.jp/zaisei/shisai/>

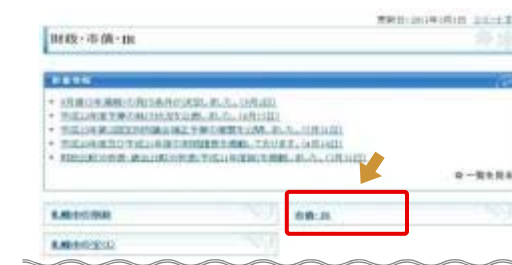
Sapporo Public Office Top Page



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.