

Annual Report on Finance and Municipal Bonds of Fukuoka City

December 2015

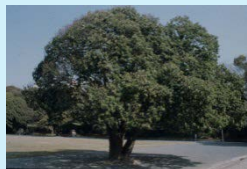
Finance Bureau of Fukuoka City



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Fukuoka City's Trees



Camphor Laurel



Round Leaf Holly

Fukuoka City's Flowers



Cotton Rosemallow



Sasanqua Camellia

Fukuoka City's Birds



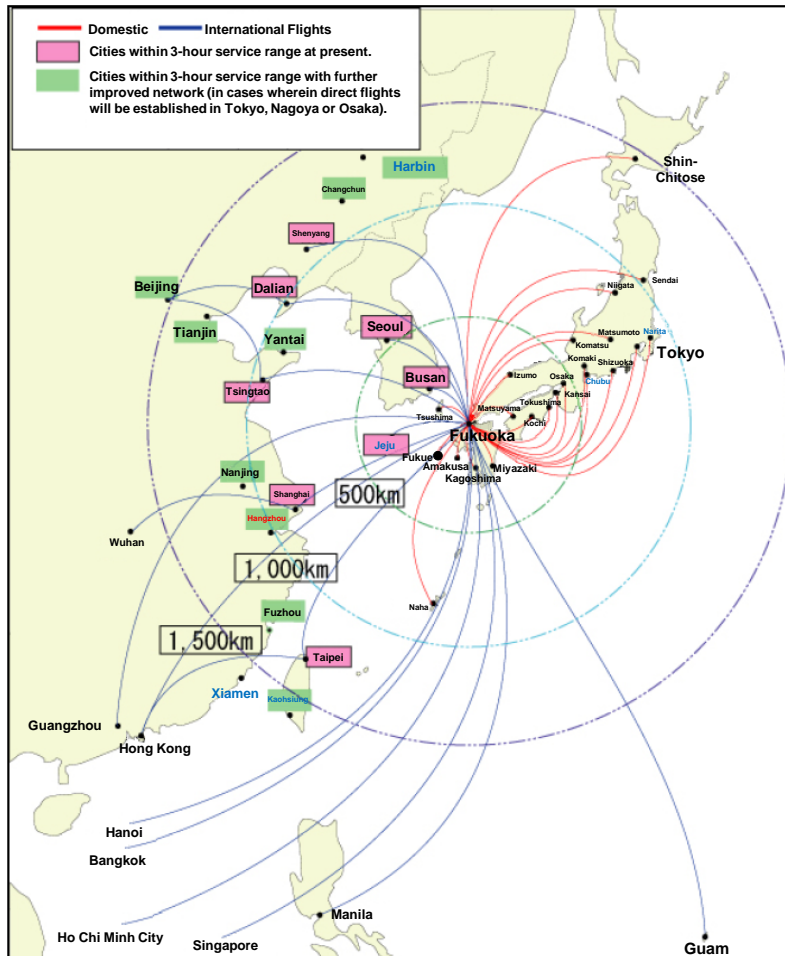
Black-headed Gull



Meadow Bunting

1. Profile of Fukuoka City

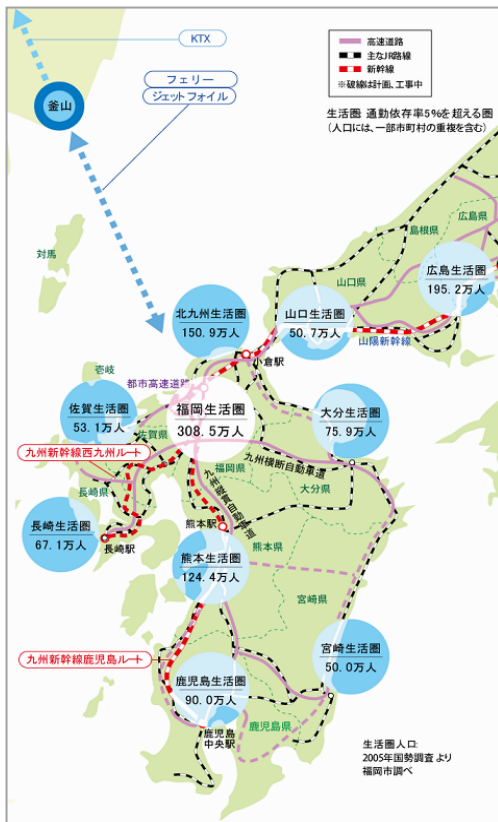
- The population of Fukuoka City is approximately 1.52 million (6th largest among ordinance-designated cities). The number of households is approximately 760,000.
- Geographically, within the 1,500-km radius of Fukuoka City, there are major Japanese cities (Osaka, Tokyo, Sapporo) and major East Asian cities (Busan, Shanghai, Beijing, Taipei, etc.).
- Fukuoka is the best location for exchange with Asian countries such as Korea and China.



2. Economy of Fukuoka City

- Fukuoka City has developed as the center of commerce, business and culture of the Kyushu/Yamaguchi Economic Bloc with 15 million People. The gross production of the city is the fourth largest among ordinance-designated cities, following Osaka, Nagoya and Yokohama.
- In Fukuoka City, there are clusters of branch offices of the national government (e.g. local branch offices), branch offices of large corporations, and corporations in finance and service industries. Due to its historic background as a commercial city since the Middle Ages, approximately 90% of its industrial structure is composed of the tertiary industry, such as wholesale/retail industry and service industry.

Kyushu/Yamaguchi Economic Bloc with 15 Million People

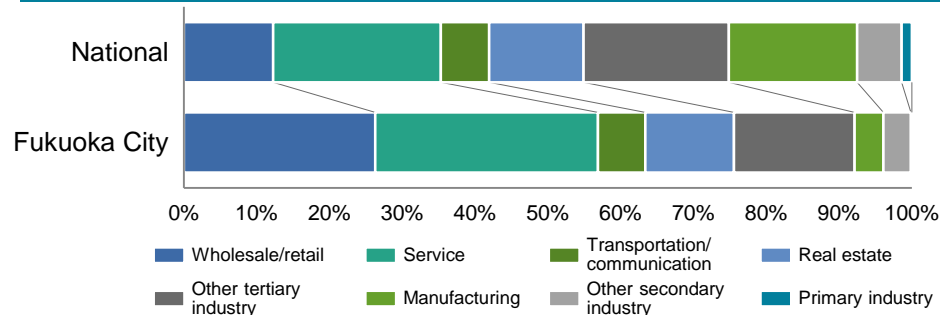


Economic Structure of Fukuoka City

Gross Production	¥6,565,600 million	No.4 /14 ordinance-designated cities Organizations announced as of 2010
Income per Capita	¥3.068 million	No.2 /14 ordinance-designated cities Organizations announced as of 2010
Day/Night Population	111.9%	No.3 /19 ordinance-designated cities
% of Employees in Tertiary Industries	87.4%	No.3 /19 ordinance-designated cities
Sale of Goods	¥1,564,100 million	No.3 /20 ordinance-designated cities

* The figures of "gross production" and "income per capita" are of FY2010; "Day/Night Population" of FY2010; "% of Employees in Tertiary Industries" of FY2009; and "Sale of Goods" of FY2012.

Gross Production by Economic Activity (2010)



Gross Production (2010)

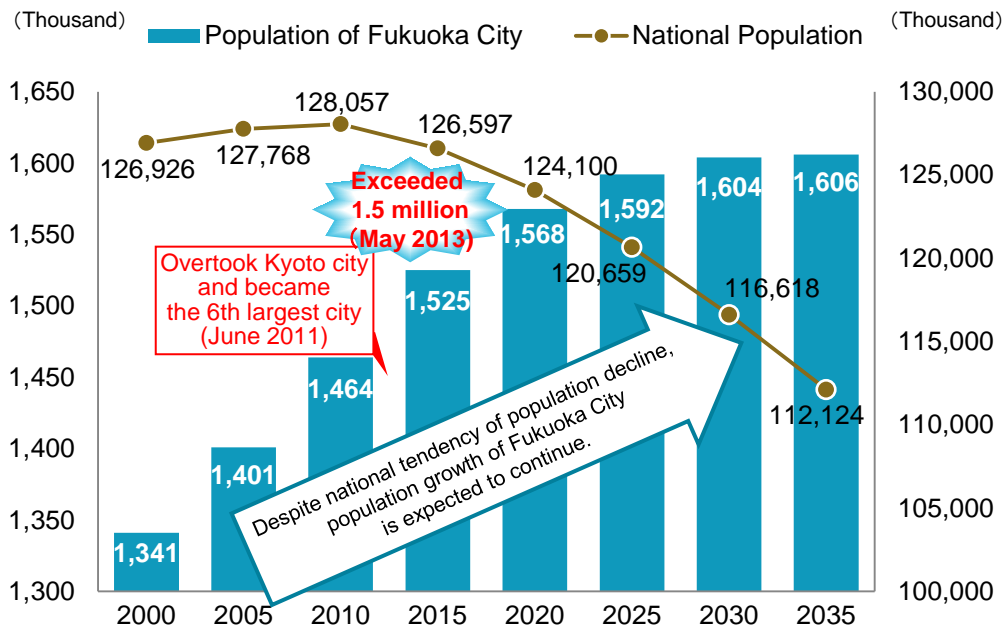
Osaka	18,518.9 billion
Yokohama	12,601.2 billion
Nagoya	11,602.5 billion
FUKUOKA	6,565.6 billion
Sapporo	6,352.5 billion
Kobe	6,241.4 billion
Kyoto	5,637.1 billion
Kawasaki	5,029.4 billion
Hiroshima	4,816.6 billion
Sendai	4,160.4 billion
Saitama	3,965.2 billion
Kitakyushu	3,427.7 billion
Chiba	3,423.4 billion
Okayama	2,700.4 billion

* Niigata city, Sagami-hara city, Sakai city, Shizuoka city, Hamamatsu city, and Kumamoto city do not calculate the gross city production.

3. Strengths of Fukuoka City (1) (Population Growth)

- The population of Fukuoka City has been increasing at a rate of more than 10,000 every year. The population is expected to continue growing in the next 20 years.
 - ※According to the national census results since 2010, Fukuoka has the largest population growth rate and increase in number among ordinance-designated cities (Growth rates: 1) Fukuoka, 2) Sendai, 3) Saitama; Increase in number: 1) Fukuoka, 2) Kawasaki, 3) Sapporo)
- The demographic mix is 13.2% of young population (age 0 to 14), 65.4% of productive population (age 15 to 64), and 20.1% of old age population (age 65+). The average age of 43.0 years old. The City has the youngest and most active age composition among designated cities. (As of April 1, 2015)
- 20 universities and junior colleges are located within Fukuoka City. The ratio of students is 5.1%, which is third highest next to Kyoto City and Tokyo 23 Wards in Japan.

Population Growth of Japan and Fukuoka City *1

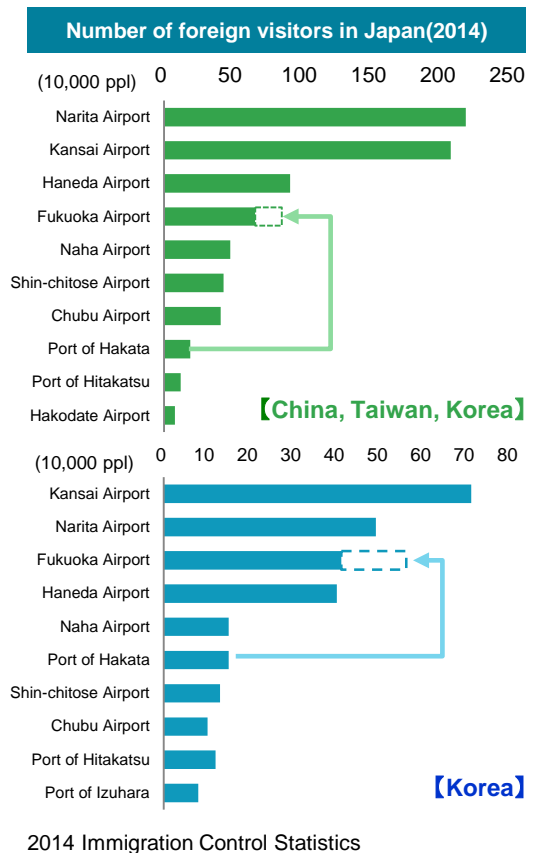


Population growth rate ^{*2}		Ratio of productive population ^{*3}		Average age (years old) ^{*3}	
FUKUOKA	4.1%	Kawasaki	69.3%	Kawasaki	41.5
Kawasaki	2.9%	FUKUOKA	68.2%	FUKUOKA	41.9
Saitama	2.7%	Sapporo	67.5%	Sendai	42.3
Sendai	2.4%	Sendai	67.2%	Sagamihara	42.8
Sapporo	1.5%	Sagamihara	67.1%	Saitama	42.8
Hiroshima	1.0%	Saitama	66.5%	Hiroshima	43.1
Osaka	0.9%	Yokohama	66.2%	Yokohama	43.4
Okayama	0.7%	Osaka	65.1%	Okayama	43.6
Sagamihara	0.7%	Nagoya	64.7%	Nagoya	43.8
Yokohama	0.6%	Hiroshima	64.4%	Chiba	44.0
Kumamoto	0.6%	Niigata	63.9%	Sakai	44.3
Chiba	0.5%	Kobe	63.5%	Sapporo	44.4
Nagoya	0.5%	Okayama	63.4%	Kyoto	44.6
Sakai	▲0.4%	Kyoto	63.4%	Hamamatsu	44.7
Kyoto	▲0.5%	Sakai	63.1%	Osaka	44.8
Kobe	▲0.7%	Chiba	63.1%	Kobe	45.0
Niigata	▲0.9%	Hamamatsu	62.3%	Niigata	45.3
Hamamatsu	▲1.4%	Shizuoka	62.1%	Shizuoka	45.9
Shizuoka	▲1.7%	Kitakyushu	61.3%	Kitakyushu	46.1
Kitakyushu	▲2.0%				

* 1. Fukuoka City's estimation based on "Population Projection for Japan" (January 2012, National Institute of Population and Social Security Research)
 * 2. The "Population growth rate" represents growth rate of the estimated population of 2015 from the 2010 National Census.
 * 3. The figures of the "ratio of productive population" and "average age" are based on 2010 National Census.

3. Strengths of Fukuoka City (2) (Transportation Networks)

- Fukuoka City has a compact layout of the airport, harbor, rail lines (conventional and Shinkansen), expressways, and other transportation networks.
- The urban transportation network has further improved since the opening of entire lines of Kyushu Shinkansen (Kagoshima route) (in March 2011) and completion of the Fukuoka City Outer Ring Road (July 2012).
- Fukuoka Airport ranks third in Japan in terms of the number of passengers (about 19.70 million) and fifth in terms of trade (¥801.1 billion). The airport has flights to 24 overseas cities, mainly in Asia.
- The Port of Hakata served about 870,000 international passengers in 2014, and has been ranked first in number in Japan every year since 1993.

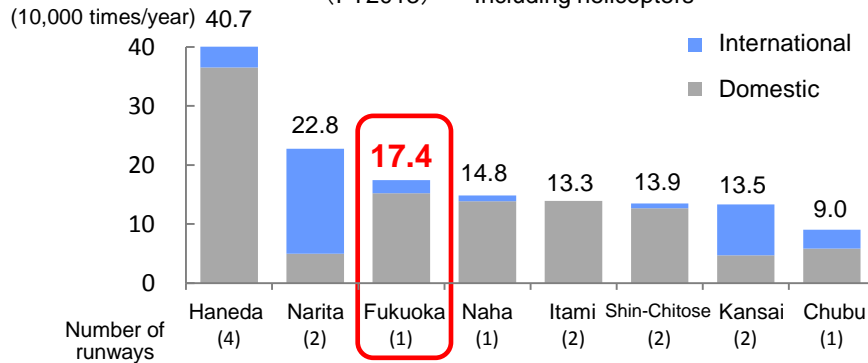


4. Improved Functionality of Fukuoka Airport

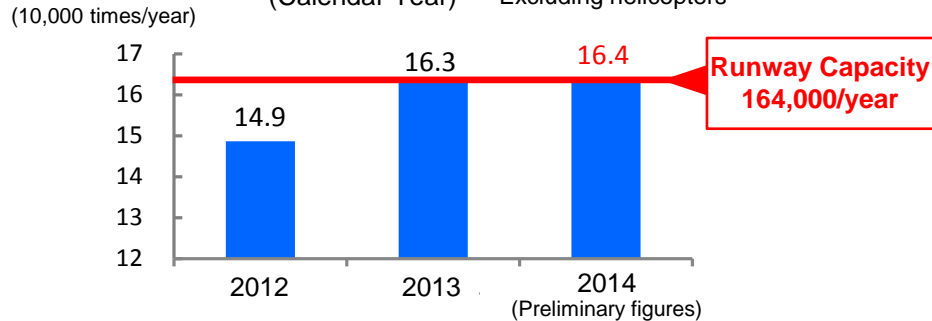
- The annual number of takeoffs and landings at Fukuoka Airport is the third largest in Japan (number one among the airports that have only one runway).
- The number of takeoffs and landings in 2014 was approximately 164,000, and it is becoming very crowded. In order to respond to the future air traffic demand, it is necessary to strengthen its function.
- The Japanese government is planning to increase the number of runways, and the environmental impact assessment (environmental assessment) process began in FY2012. The estimated total cost is ¥164.3 billion, out of which, Fukuoka City is expected to cover approximately ¥20 billion, based on the estimates from the cost sharing in the past.

Current Status of Fukuoka Airport

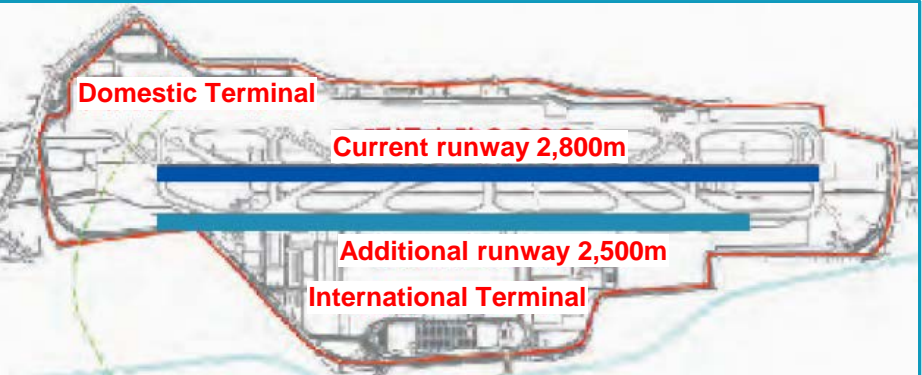
Annual Number of Takeoffs and Landings in Major Airports in Japan (FY2013) *Including helicopters



Trends of Number of Takeoffs and Landings at Fukuoka Airport (Calendar Year) *Excluding helicopters



Initiatives to Improve the Functionality of Fukuoka Airport

Current Vision	Add a 2,500-meter runway to the existing airport. Capacity: 188,000 flights per year
	
Project Cost	¥160 billion (Estimate)
Business Plan	Present: In the process of Environmental Impact Assessment (from FY2012) Business plan to start by the end of FY2015 (Business period will be about 10 years.)

5. Overseas Recognition

Ranked 12th among the World's 25 Most Livable Cities (2015) UK MONOCLE magazine 2015 "Quality of Life: the Most Livable Cities in the World Ranking"



- Fukuoka City has been chosen for 8 consecutive years in the "Quality of Life: The Most Livable Cities in the World Ranking," which is annually published in the UK global information magazine, "MONOCLE."

【 Fukuoka City 】 Article (Excerpt from "MONOCLE")

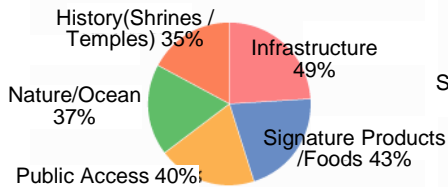
More than half of the city is covered in greens, with mountains, the ocean and fields close by. Its crime rate is low, small businesses are energized in the city and commuting by bicycle is currently popular. Fukuoka, which is a port city in Kyushu, is experiencing a construction boom and it is expected that the city, which has gone through rapid development, will become even better. The capability of the city mayor is also having a positive impact.

TOP 25 Most Livable Cities			
1	Tokyo	8	Helsinki
2	Vienna	9	Munich
3	Berlin	10	Zurich
4	Melbourne	11	Copenhagen
5	Sydney	12	FUKUOKA
6	Stockholm	13	Singapore
7	Vancouver	14	Kyoto

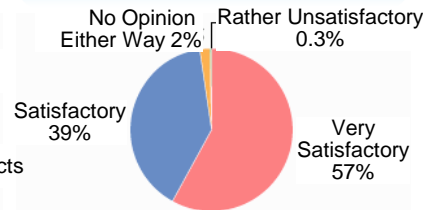
Number One in the Number of International Convention Held among Ordinance-designated Cities

Reputation among Foreign Convention Participants

Attractiveness of Fukuoka

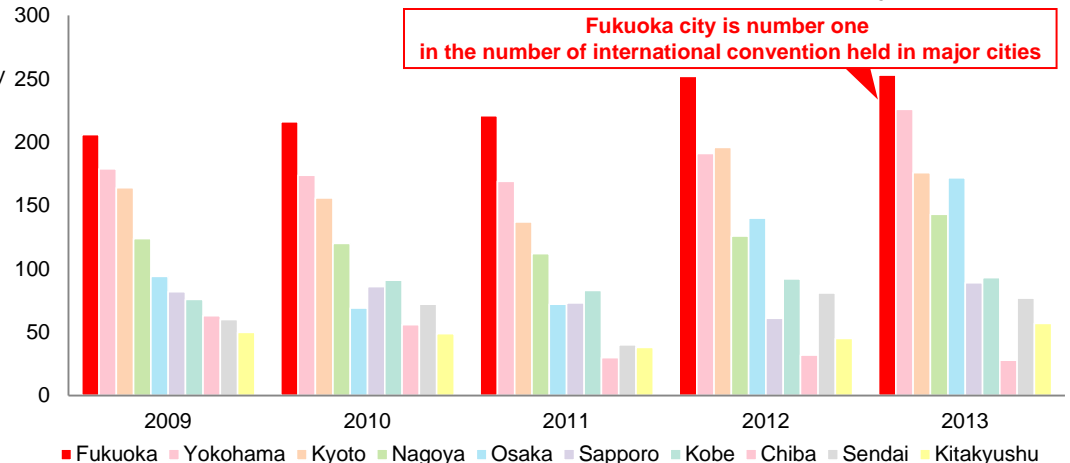


Impression of Fukuoka



Fukuoka Int'l Congress Center Marine Messe Fukuoka Fukuoka Kokusai Center

Trends in Number of International Convention Held in Major Cities



6. FY2014 Financial Results

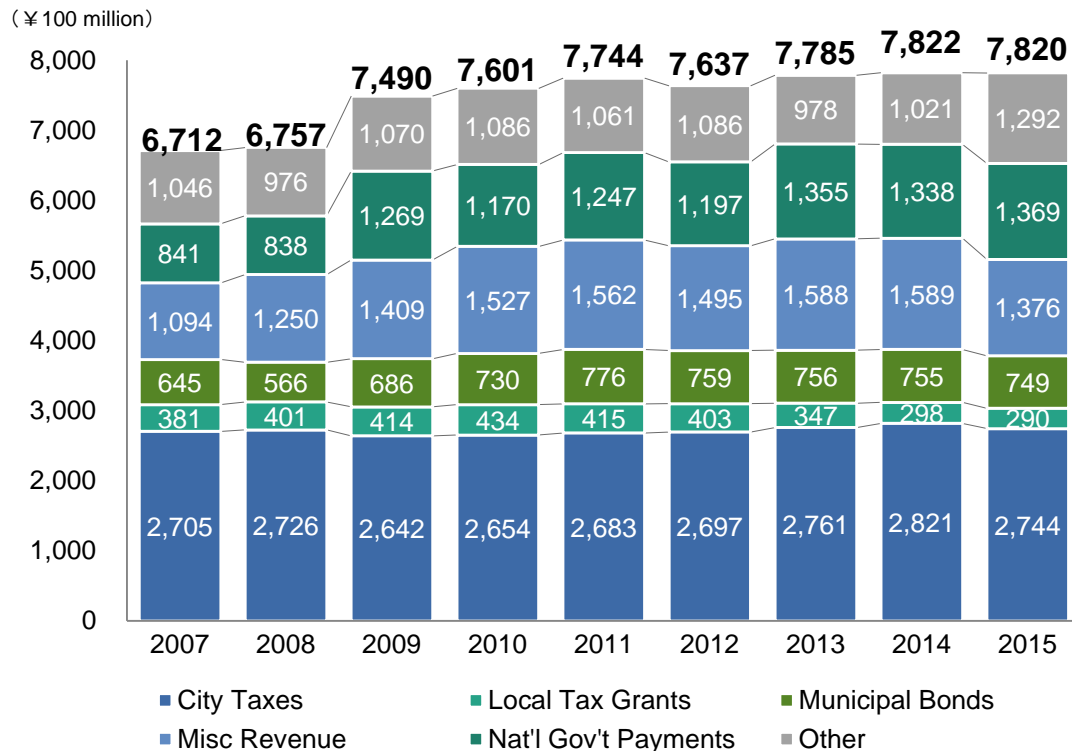
Category		FY 2014 Results (A)	FY 2013 Results (B)	YoY Change (C) = (A) - (B)
General Account	Revenue	¥ 782.2 billion	¥ 778.5 billion	¥ 3.7 billion
	Expense	¥ 771.1 billion	¥ 766.8 billion	¥ 4.3 billion
Special Account	Revenue	¥ 902.8 billion	¥ 813.3 billion	¥ 89.5 billion
	Expense	¥ 899.8 billion	¥ 809.9 billion	¥ 89.9 billion
Corporate Account	Revenue	¥ 207.6 billion	¥ 180.2 billion	¥ 27.4 billion
	Expense	¥ 250.8 billion	¥ 210.8 billion	¥ 40.0 billion
Total	Revenue	¥ 1,892.7 billion	¥ 1,772.1 billion	¥ 120.6 billion
	Expense	¥ 1,921.7 billion	¥ 1,787.5 billion	¥ 134.2 billion

*Totals may not match sums of individual figures due to rounding.

7. Revenue (General Account)

- Tertiary industries account for about 90% of Fukuoka City's gross production, giving the city a comparatively stable tax base.
- Fukuoka ranks highly among ordinance-designated cities in terms of the ratio of independent revenue sources, mainly city taxes.
- The city expects city tax revenue to increase 6.0 billion yen (2.2%) from the FY2013 settlement due to higher corporate municipal tax revenue from improved corporate earnings and increased property tax revenue from a rise in newly constructed houses.

Revenue Breakdown



*Results for FY2014, initial budget for FY2015

Major Revenue Sources for Ordinance-designated Cities (2014)

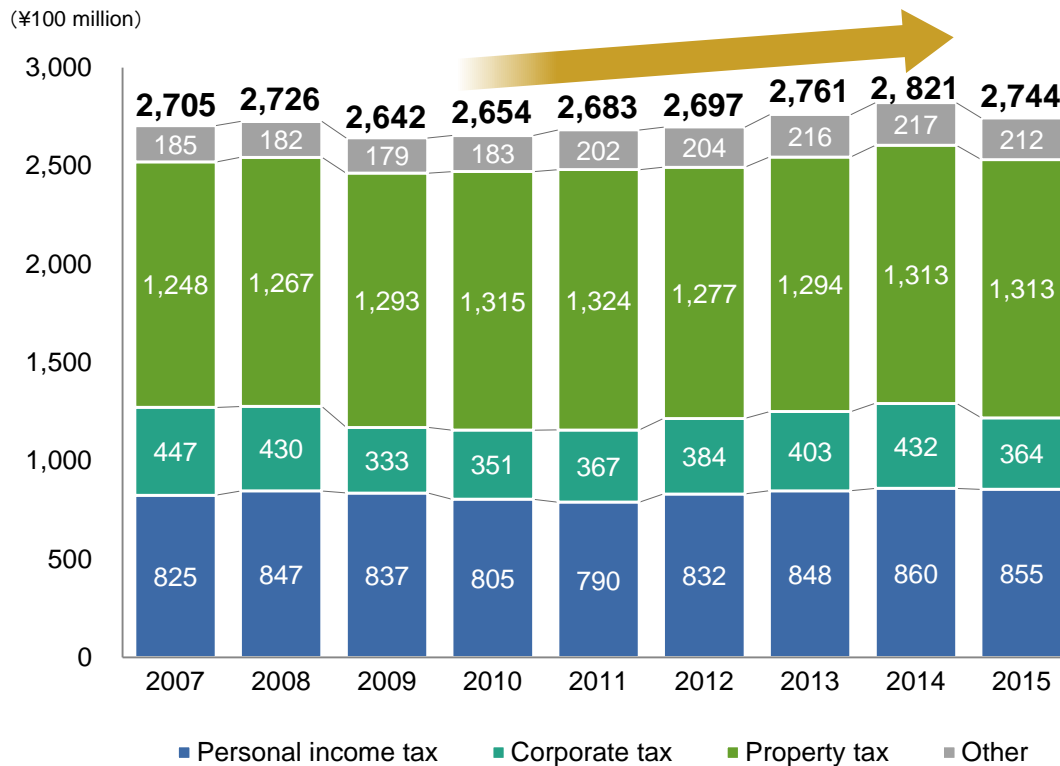
Independent revenue pct.	Local allocation tax	Municipal bonds
Nagoya 65.9%	Kawasaki 0.3%	Osaka 7.4%
Kawasaki 63.9%	Nagoya 0.6%	Nagoya 7.9%
Chiba 62.7%	Saitama 1.4%	FUKUOKA 9.8%
Yokohama 61.9%	Yokohama 1.7%	Hamamatsu 10.2%
Osaka 61.3%	Chiba 2.0%	Yokohama 10.3%
Saitama 61.3%	Osaka 2.2%	Chiba 10.4%
FUKUOKA 61.1%	Sagamihara 3.5%	Kawasaki 10.5%
Sendai 58.4%	FUKUOKA 3.8%	Sendai 11.1%
Sagamihara 56.4%	Shizuoka 4.4%	Kobe 11.3%
Shizuoka 56.3%	Sendai 5.0%	Sapporo 11.3%
Hamamatsu 55.6%	Hiroshima 6.7%	Saitama 11.9%
Kyoto 54.6%	Sakai 6.7%	Kyoto 12.0%
Kobe 53.5%	Kyoto 7.3%	Sagamihara 12.2%
Hiroshima 51.5%	Kobe 7.7%	Hiroshima 12.3%
Kitakyushu 49.4%	Hamamatsu 7.7%	Kitakyushu 13.4%
Sapporo 48.4%	Okayama 9.0%	Shizuoka 13.8%
Niigata 48.2%	Kitakyushu 10.1%	Sakai 13.8%
Okayama 47.6%	Sapporo 10.4%	Kumamoto 14.5%
Sakai 45.9%	Niigata 11.0%	Okayama 16.7%
Kumamoto 43.6%	Kumamoto 11.6%	Niigata 17.4%

* To compare with the other cities, the figures are calculated on the general account basis.

8. Tax Revenue

- The tax revenue base is relatively stable due to the steady annual population increase. Furthermore, Fukuoka City ranks highly among ordinance-designated cities with respect to tax revenue per capita.
- In the FY2014 settlement, tax revenue is expected to increase to 282.1 billion yen, up 6.0 billion yen, or 2.2%, from the previous fiscal year, reflecting the increase in the number of tax payers with salary income, improvement in corporate earnings and the impact of newly constructed houses and extended houses.

Fukuoka City Tax Revenue



*Results for FY2014, initial budget for FY2015

Tax Revenue at Ordinance-designated Cities (FY2014)

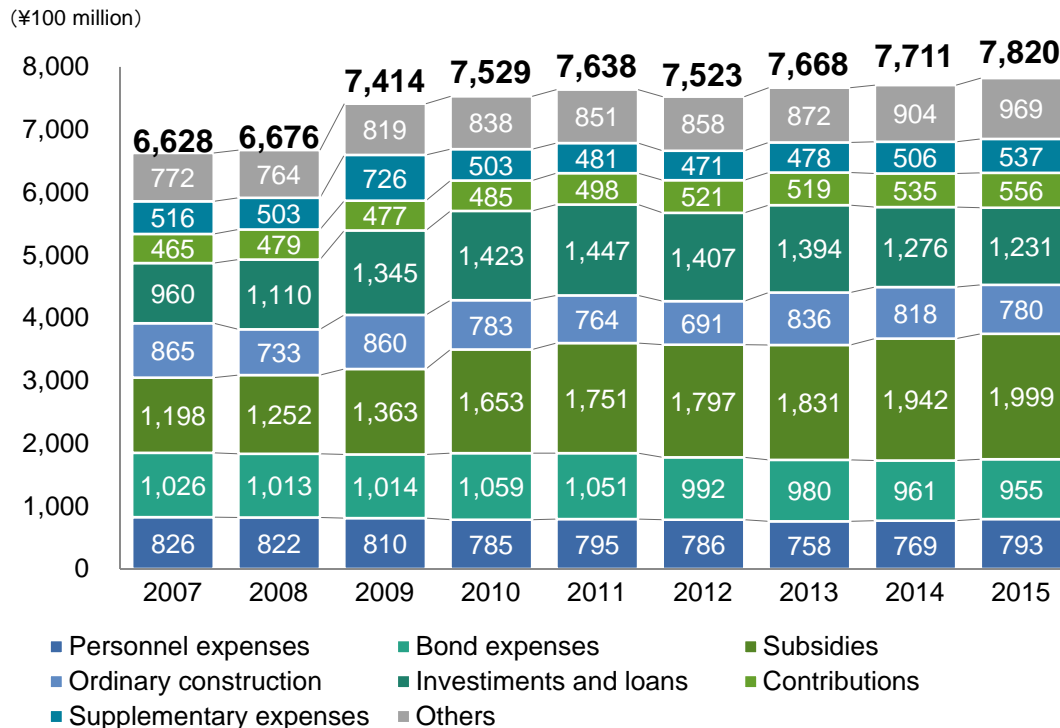
City	Tax per capita (Yen)	<Reference>	
		Tax revenue (Million yen)	Population
Osaka	246,842	659,256	2,670,766
Nagoya	222,748	503,508	2,260,440
Kawasaki	205,162	296,559	1,445,484
Yokohama	193,424	719,972	3,722,250
FUKUOKA	189,823	282,136	1,486,314
Chiba	181,824	174,983	962,376
Saitama	178,591	225,182	1,260,879
Shizuoka	178,461	127,734	715,752
Kyoto	177,614	252,119	1,419,474
Kobe	177,328	275,006	1,550,831
Sendai	172,884	182,135	1,053,509
Hiroshima	171,772	204,133	1,188,398
Hamamatsu	162,056	131,317	810,317
Kitakyushu	161,276	157,555	976,925
Okayama	159,958	112,935	706,027
Sakai	156,593	132,747	847,719
Sagamihara	156,389	111,841	715,145
Niigata	150,375	120,964	804,413
Sapporo	148,128	286,778	1,936,016
Kumamoto	133,791	98,325	734,917

- Estimated population as of January 1, 2015.
- Tax per capita = tax (round down to closest million yen) / population

9. Expenditure (General Account)

- Among mandatory expenses, personnel expenses make up an extremely small portion as Fukuoka City has engaged for long in outsourcing trash collection, privatizing of day-care centers, etc.
- On the other hand, bond expenses continued to stay at a high level in spite of a steady reduction in municipal bond outstanding amount. Subsidies such as public assistance, welfare for people with disability and operational cost for day-care centers are also on a rise.
- In the FY2014 settlement, social assistance expenditure has increased about 6% compared to the previous year due to the start of temporary welfare benefit payment and temporary special benefit payment to child-rearing households, and an increase in number of people with disabilities.

Expenditure Breakdown*



*Results for FY2014, initial budget for FY2015

Mandatory Expenses as a % of Total Expenditures At Ordinance-designated Cities (FY2014)

Personnel expenses	Bond expenses	Subsidies
FUKUOKA 9.8%	Sapporo 9.2%	Sendai 16.7%
Sapporo 10.8%	Sagamihara 9.2%	Niigata 18.6%
Sendai 11.9%	Sakai 9.4%	Shizuoka 19.9%
Kitakyushu 12.7%	Kumamoto 10.8%	Hamamatsu 21.9%
Osaka 12.7%	Saitama 10.9%	Chiba 23.4%
Yokohama 13.7%	Niigata 10.9%	Saitama 23.6%
Sakai 13.9%	Sendai 11.1%	Kitakyushu 24.2%
Niigata 14.2%	Kawasaki 11.5%	FUKUOKA 24.7%
Chiba 14.5%	Kyoto 12.0%	Okayama 25.3%
Hiroshima 14.8%	Okayama 12.1%	Kawasaki 25.7%
Kawasaki 14.9%	Hiroshima 12.7%	Nagoya 25.9%
Nagoya 15.4%	Kitakyushu 12.8%	Kobe 26.2%
Kyoto 15.4%	Yokohama 13.3%	Yokohama 26.9%
Okayama 15.6%	FUKUOKA 13.6%	Sagamihara 27.0%
Saitama 16.1%	Nagoya 14.1%	Kyoto 27.2%
Shizuoka 16.2%	Hamamatsu 14.1%	Hiroshima 27.8%
Hamamatsu 16.3%	Shizuoka 14.5%	Kumamoto 29.0%
Kumamoto 16.3%	Chiba 15.3%	Sapporo 30.2%
Kobe 16.4%	Kobe 15.5%	Osaka 31.6%
Sagamihara 16.8%	Osaka 16.3%	Sakai 32.5%

* To compare with the other cities, the figures are calculated on the general account basis.

10. FY2014 Special Accounts Summary

- For FY2014, actual balance of special accounts was approximately ¥2.9 billion surplus, a decrease of approximately ¥0.2 billion from the previous fiscal year (approximately ¥3.1 billion).
- Transfer from general account (excluding municipal bond management special account) was approximately ¥41.5 billion, an increase of approximately ¥1.4 billion from the previous fiscal year.

Unit : ¥Million

Account Category	Revenue	Expenditure	Difference	Carry-forwards	Effective Income	Inflow from General Account	Outflow to General Account
Latter-stage Elderly Healthcare	16,026	15,921	105	0	105	3,207	0
National Health Insurance	146,505	146,311	194	11	183	17,538	0
Nursing Care Insurance	89,397	88,539	858	0	858	12,775	0
Mother-infant Welfare Loans	1,220	502	718	0	718	18	0
Community Sewage	425	425	0	0	0	271	0
Chuo Wholesale Market	13,882	13,875	7	0	7	3,006	0
Port Maintenance	25,836	25,592	245	1	243	59	0
City-run Ferry	1,597	1,597	0	0	0	673	0
Hakozaki Land Readjustment	1,275	1,275	0	0	0	1,273	0
Ito Land Readjustment	3,420	3,348	72	0	72	774	0
Kashii Station Land Readjustment	5,809	5,645	164	164	0	1,697	0
Advanced Purchase of Public Lands	3,997	3,997	0	0	0	0	0
Parking Lots	518	518	0	0	0	217	0
Property Ward	236	236	0	0	0	0	0
City-run Boat Racing Arena	85,903	85,265	638	0	638	0	1,500
Special Account for City Hospital Institute Business Debt Management	14,288	14,288	0	0	0	0	0
City Bond Management	492,464	492,464	0	0	0	96,690	75,522
Total	902,798	899,798	2,999	176	2,824	(41,509) 138,199	77,022
FY 2013 Balance	813,321	809,856	3,465	341	3,124	(40,113) 138,749	76,921

* The "Special Account for City Hospital Institute Business Debt Management" was established in FY2010 (as a result of a new law concerning the hospital business).

* Figures in parentheses under "Inflow from General Account" exclude municipal bond management special account.

* Totals may not match sums of individual figures due to rounding.

11. FY 2014 Profit and Loss for Corporate Account

Unit : ¥Million

Corporate Account Name		Sewer	Water	Industrial Water	High-speed Rail (subway)
Income Statement	Operating Revenue	42,979	30,951	202	26,698
	Operating Expense	40,837	27,076	175	25,780
	Operating Income	2,142	3,874	27	917
	Non-operating Income	11,561	3,596	6	5,851
	Non-operating Expense	8,810	2,806	11	4,895
	Ordinary Income	4,893	4,665	22	1,874
	Net Income/Loss				
Extraordinary Income	135	1,725	15	0	
Extraordinary Loss	225	3,747	0	8,263	
Net Income	4,803	2,644	37	▲ 6,389	
Earnings Surplus	23,719	40,923	485	▲ 142,488	
Of which, Additions from General Account	17,258	283	-	1,817	
Subsidies	-	213	-	1,817	
Contributions	17,258	70	-	-	
Other					
Capital Inadequacy	-	-	-	-	
Future Burden on General Account	198,989	2,785	-	78,973	

* Totals may not match sums of individual figures due to rounding.

Corporate Account Name		Sewer	Water	Industrial Water	High-speed Rail (subway)	
Balance Sheet	Assets	Fixed	781,671	343,109	1,374	376,922
		Current	24,201	14,057	193	975
		Total	805,871	357,166	1,567	377,897
	Liabilities	Fixed	616,591	187,379	637	341,955
		Current	42,381	15,986	81	46,768
		Total	658,973	203,365	718	388,723
	Equity	Paid-in Capital	101,052	93,136	279	120,766
		Retained Earnings	45,847	60,665	570	▲ 131,592
		Total	146,899	153,801	849	▲ 10,826
	Liabilities + Equity	805,871	357,166	1,567	377,897	

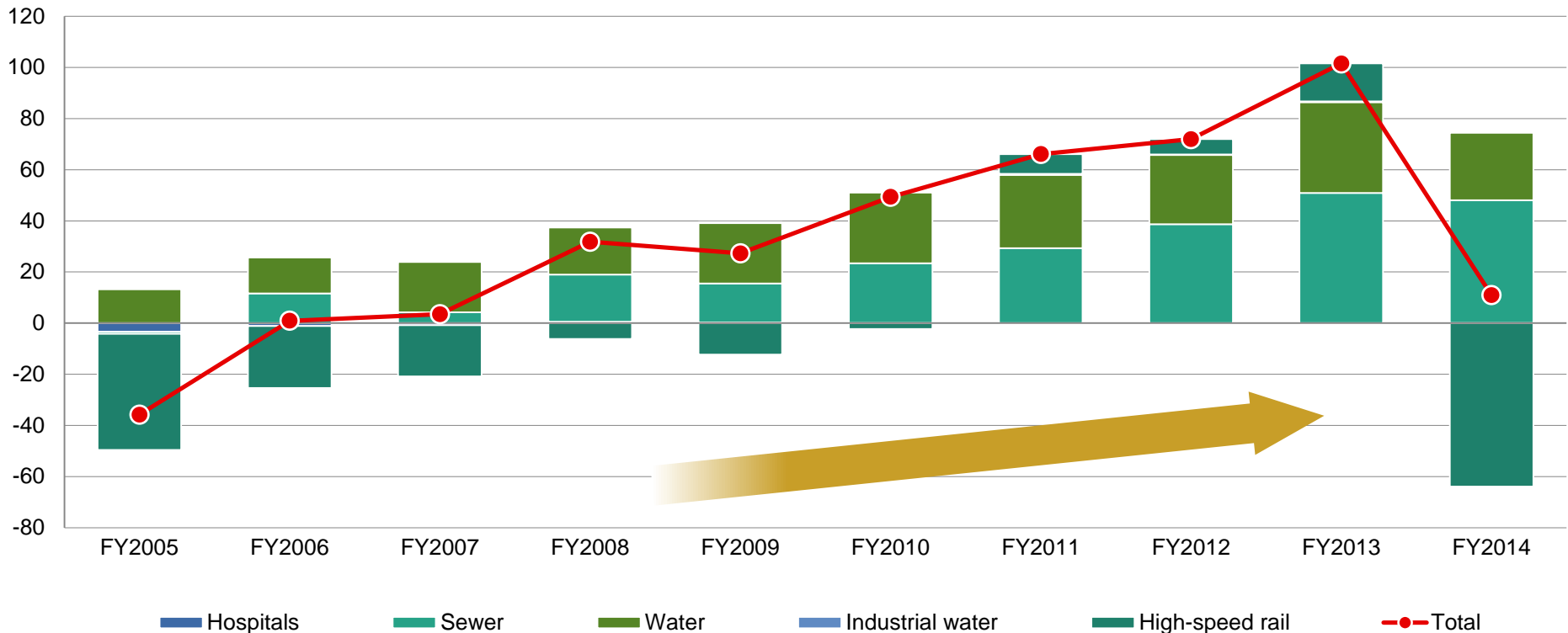
- In FY2014, accounting standards were changed for corporate accounting. Borrowed capital and part of surplus funds, which were booked under shareholders' equity in FY2013, are categorized under fixed liabilities from FY2014.

12. Trends of Profit/Loss for Corporate Account

- As a whole, Fukuoka City has maintained surplus for the corporate account.
- Although high-speed rail business had been having negative earnings since subway Line No. 3 opened in 2005, the balance became positive in 2011 and remains in surplus since then. Losses for FY2014 are ¥6.4 billion due to the posting of extraordinary losses following the revision of the accounting standards.
- Hospital business has been separated from the municipal accounting since 2010 when it became an independent administrative institution.

Trends of Profit and Loss for Corporate Account (Settlement)

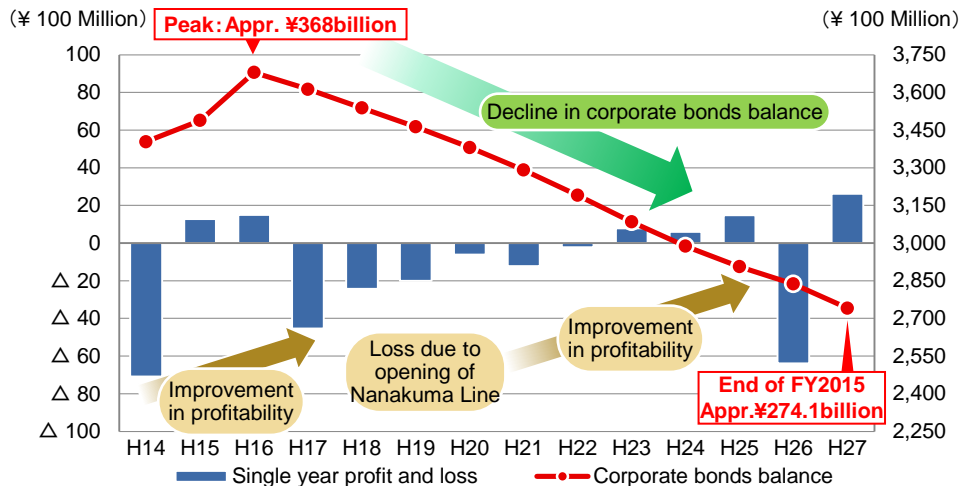
(¥ 100 Million)



13. Status of Fukuoka Municipal Subway

- Although the revenue has reported deficit since 2005 mainly due to increased capital cost by opening of the Nanakuma Line (February 2005), the performance has improved gradually as defrayment of capital cost decreases. In FY2011, the revenue balance became surplus after the entire route of the Kyushu Shinkansen Line was opened and large-scale commercial facility was opened. In FY2013, the revenue balance also became surplus. The current long-term estimates are that the single year profit and loss will become surplus in FY2018 and accumulative profit and loss will become surplus in FY2040.
- The corporate bond outstanding has been decreasing annually after an all-time high of approximately ¥368 billion at the end of FY2004. At the end of FY2015, it was approximately ¥274.1 billion, and it is anticipated to continue decreasing in the future.
- With respect to extension of the subway Nanakuma Line between Tenjin-Minami and Hakata, the national government approved provision of subsidy in FY2012 and Fukuoka City obtained the permission for rail business, etc. In FY2013, we carried forward the procedures required for commencement of work, such as construction work approval, etc., and began construction. It will take 7 years for construction, and planned opening year is FY2020.
- Losses for FY2014 were ¥6.4 billion due to the posting of extraordinary losses following the revision of the accounting standards.

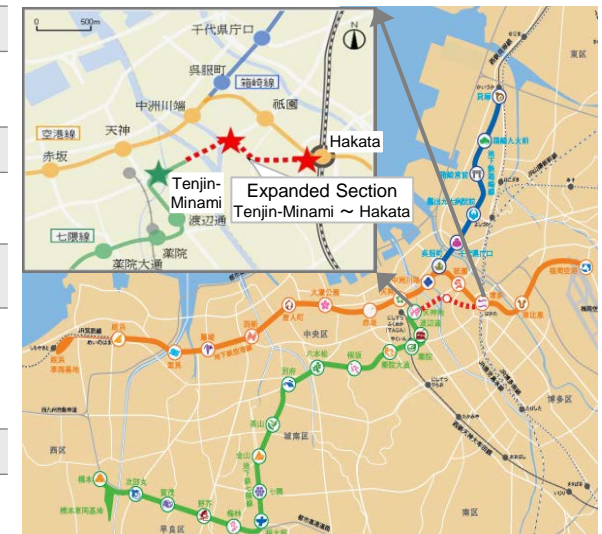
Trends of Profitability (Single Year Profit and Loss)



*Results for FY2014, initial budget for FY2015

Overview of the Nanakuma Line Extension Project (Tenjin-Minami and Hakata)

Construction distance	about 1.4km
Operating distance: about 1.6km	
Project cost	Approx. ¥45 billion
Number of users extended section:	Approx. 68,000 persons (Fresh users: Approx. 21,000 persons/day)
Planned opening year	FY2020



14. Operations of Extra-governmental Organizations

- At present, there are 33 extra-governmental organizations of Fukuoka City to which the city has contributed to 25% or more of the total capital/funds, etc.
- Between FY 2004 and the end of FY 2012, the city has cut back 12 out of 43 organizations – except for ACROS Fukuoka, whose major investor is Fukuoka Prefecture – based on the First and Second Extra-governmental Organization Act Plan.
- In FY2013, Fukuoka City developed the Third Extra-governmental Organization Act Plan (FY2013 to FY2016). We will continue cutting back extra-governmental organizations.

Fukuoka City Extra-governmental Organizations <FY2014 Financial Results>

	Organization	Ownership	Total net assets or Total net profit (Million yen)	Out of which, general net assets or earning surplus (Million yen)		Organization	Ownership	Total net assets or Total net profit (Million yen)	Out of which, general net assets or earning surplus (Million yen)
1	Fukuoka City Land Development Public Corp.	100%	2,036	1,996	18	Fukuoka City Facility Development Corp. (foundation)	100%	222	22
2	Fukuoka-Kitakyushu Expressway Public Corp.	37%	222,226	928	19	Hakata Kaiin Kaikan	40%	213	181
3	Fukuoka City Housing Public Corp.	100%	3,232	1,414	20	Fukuoka City Disaster Prevention Association (foundation)	100%	11	1
4	Fukuoka Pref. Road Public Corp. ※Extra-governmental organization of Fukuoka Pref.	28%	26,669	-	21	Fukuoka City Water Service Public Corp. (foundation)	67%	16	1
5	Fukuoka Asian Urban Research Center (Public interest incorporated foundation)	100%	32	2	22	Fukuoka City Transportation Business Promotion Association	100%	241	231
6	Fukuoka City International Foundation (foundation)	28%	4,013	176	23	Fukuoka City School Meals Public Corp. (foundation)	50%	52	42
7	Fukuoka City Foundation for Arts and Cultural Promotion (foundation)	100%	660	93	24	Fukuoka Clean Energy Co., Ltd.	51%	8,826	3,969
8	Fukuoka City Sports Association (former Sports Promotion Organization) (foundation)	73%	241	23	25	Port of Hakata Development Co., Ltd.	51%	12,693	6,293
9	Fukuoka City Social Welfare Foundation	100%	219	91	26	Hakata Port Terminal Co., Ltd.	51%	4,571	3,871
10	Fukuoka Environment Foundation	100%	2,365	2,345	27	Fukuoka City Education Promotion Association (foundation)	47%	1,133	836
11	Institute of Systems, Information Technologies and Nanotechnologies (ISIT) (foundation)	83%	505	205	28	Hakataza Theater Co., Ltd.	27%	434	▲606
12	Fukuoka City SME Employee Welfare Association (foundation)	100%	224	214	29	Fukuoka Soft Research Park Co., Ltd.	47%	5,215	▲1,713
13	Fukuoka Convention & Visitors Bureau (foundation)	95%	823	27	30	Fukuoka Tower Co., Ltd.	33%	3,726	726
14	Fukuoka Convention Center (foundation)	93%	8,007	7,506	31	Fukuoka Underground Mall Development Co., Ltd.	49%	10,928	3,489
15	Fukuoka City Marine Processing Public Corp. (foundation)	100%	100	90	32	Sun Selco Building Management Co., Ltd.	30%	141	91
16	Fukuoka City Greenery Association (foundation)	100%	1,460	278	33	Fukuoka City Hospital Organization (Local incorporated administrative agency)	100%	4,925	4,262
17	Hakata Station Area Readjustment Project Museum (foundation)	100%	601	108	34	ACROS Fukuoka (Public interest incorporated foundation)※Extra-governmental organization of Fukuoka Pref.	33%	954	98

*Abolished or integrated organizations (Second Extra-governmental Organization Act Plan)
 FY2010 Fukuoka City Sports Promotion Foundation was integrated with Fukuoka City Sport Association.
 FY2011 Fukuoka City Sewage Research Center was abolished.
 FY2012 Fukuoka City Healthy Living Foundation and Fukuoka City Umizuri-Park Management Foundation were abolished.
 FY2014 Yokatopia Foundation and the Fukuoka International Association merged to launch Fukuoka City International Foundation.
 FY2015 Fukuoka City Disaster Prevention Association (foundation) was abolished.

15. Operations of Three Fukuoka Public Corporations (FY2014)

- All of the three public corporations of Fukuoka City continues stable operation, having substantial retained earnings.
- Fukuoka City Housing maintains stable operation centering on rental housing business and municipal housing management business. [Number of managed housing as of the end of FY2014: rented housing 199, municipal housing 31,392]
- Fukuoka-Kitakyushu Expressway has redeemed 27% of the roads under its management (as of the end of FY2014). It has also sets aside “allowance for losses from road business” of approximately ¥24.5 billion in preparation for money-losing risk in future. [Road extension as of the end of FY2014: 106.3 km (out of which, Fukuoka Expressway 56.8 km)].
- Fukuoka City Land Development is engaged in acquisition of sites, etc. related to the state projects other than city business. However, as of the end of FY2014, we only hold lands for the city projects. (Land owned as of the end of FY2014: Approx. ¥8.1 billion for city projects)

Public Corporation Name		Fukuoka City Housing	Fukuoka-Kitakyushu Expressway	Fukuoka City Land	
Investments	Capital	10	221,298	40	
	Of which, investment by Fukuoka City	10	81,901	40	
	(% of total)	100	37	100	
	Number of investors	1	3	1	
Balance Sheet	Assets	Fixed assets	3,837	1,249,103	1,040
		Current assets	3,522	5,749	8,870
		Deferred assets	0	860	0
		Total assets	7,359	1,255,712	9,910
	Liabilities	Current Liabilities	1,297	88,787	351
		Fixed Liabilities	2,830	580,808	7,523
		Allowances based on special laws (special reserves)	0	363,892	0
		Total liabilities	4,127	1,033,487	7,874
	Equity	Capital	10	221,298	40
		Retained earnings	3,222	928	▲18
Legal reserves		0	0	2,014	
Total equity		3,232	222,226	2,036	
Total Liabilities and Equity		7,359	1,255,712	9,910	

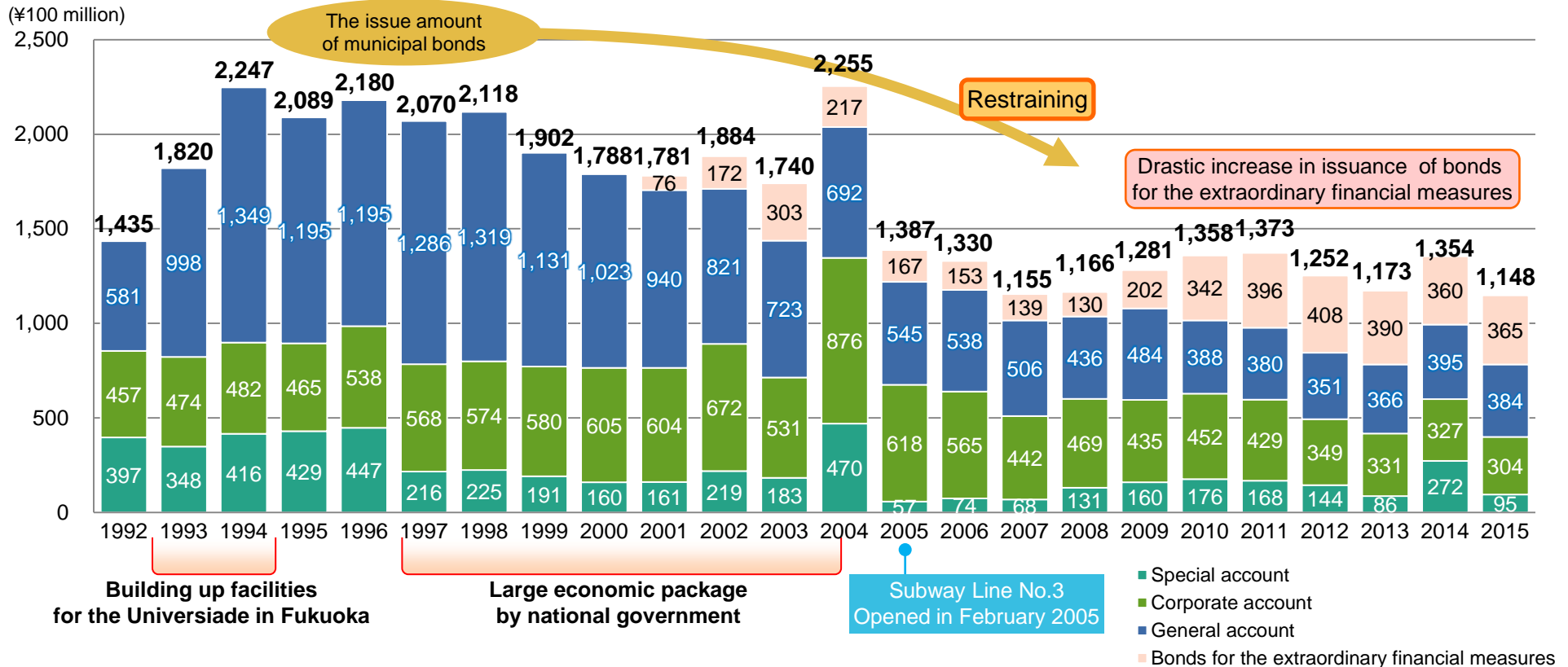
Public Corporation Name		Fukuoka City Housing	Fukuoka-Kitakyushu Expressway	Fukuoka City Land	
Income Statement	Ordinary Income/Expense	Operating revenue (a)	6,790	57,176	2,554
		Operating expenses (b)	6,554	47,087	2,538
		General and administrative expenses (c)	91	1,406	47
		Operating income (d=a-b-c)	145	8,683	▲30
		Non-operating income (e)	25	52	13
		Non-operating expenses (f)	30	8,685	0
	Ordinary income (g=d+e-f)	140	50	▲18	
	Extraordinary Items	Extraordinary gain (h)	48	0	0
		Extraordinary loss (i)	99	0	0
		Income before legal reserves (j=g+h-i)	88	50	▲18
		Reversal of legal reserve (k)	0	0	0
		Provisions for legal reserves (l)	0	0	0
		Income taxes (m)	0	0	0
		Net income (n=g+h-i-m)	—	50	▲18
Net income – Housing Public Corp. (n=j+k-l-m)		88			

* Totals may not match sums of individual figures due to rounding.

16. Trends of Municipal Bond Issues

- The amount of bonds issued by the municipality has been restrained to almost half of the peak amount for all accounts. Bonds for the extraordinary financial measures (a substitute measure of the local allocation tax) have been increasing FY2009, this is because the allotment of temporary financial measure bonds (from the government to designated cities with relatively good financial strength) has increased significantly.
- In FY2014, we were able to restrain the municipal bond issuance by controlling the issue of temporary financial measure bonds and by utilizing temporary grants from the government.

Trends of Municipal Bond Issues (All Accounts)



*Results for FY2014, initial budget for FY2015

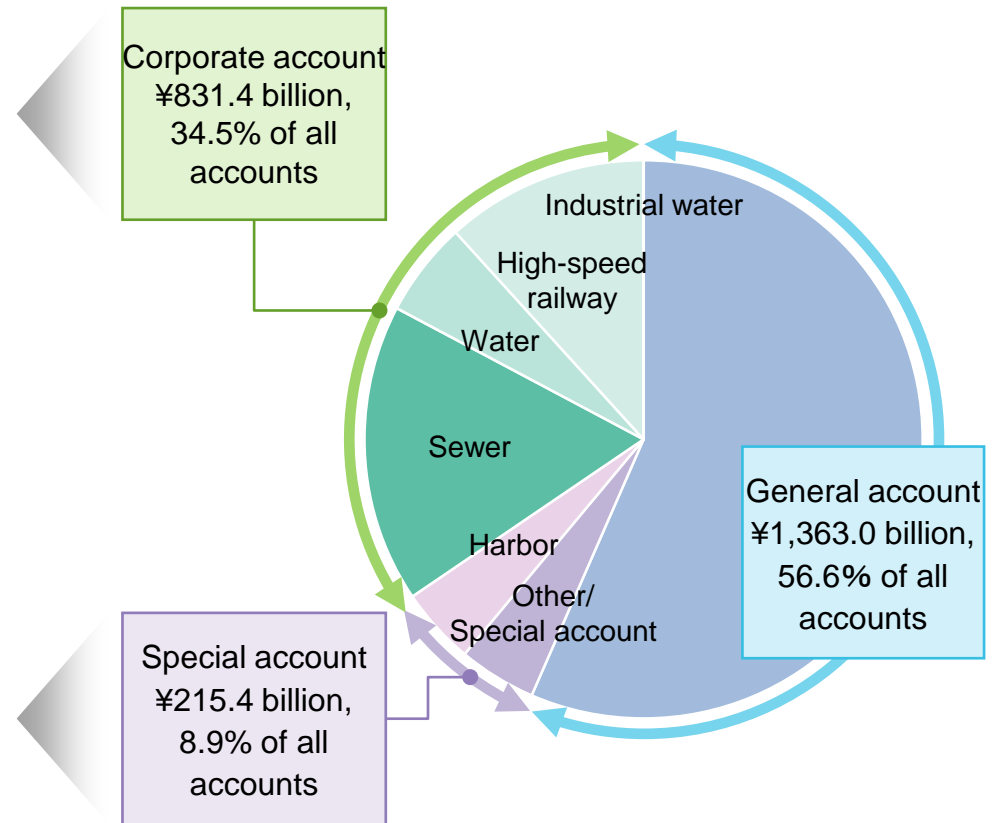
17. Outstanding Municipal Bonds by Account

- The general account represents about 57% of Fukuoka City's outstanding bonds and the corporate account represents about 35%.
- Sewer and High-speed railway (subway) business have increased percentages in the corporate account.

Corporate Account	Bonds outstanding (100 million yen)	Pct. for all accounts (%)
Sewer	4,163	17.3
Water	1,326	5.5
Industrial water	5	0.0
High-speed rail (subway)	2,820	11.7
Total	8,314	34.5

Corporate Account	Bonds outstanding (100 million yen)	Pct. for all accounts (%)
Mother-infant Welfare fund	52	0.2
Community Sewage	17	0.1
Chuo Wholesale Market	387	1.6
Port Maintenance	1,069	4.4
City-run Ferry	5	0.0
Hakozaki Land Readjustment	78	0.3
Ito Land Readjustment	156	0.6
Kashii Station Land Readjustment	130	0.6
Advanced Purchase of Public Lands	35	0.1
Parking Lots	18	0.1
City-run Boat Racing Arena	0	0.0
Special Account for City Hospital Institute Business Debt Management	207	0.9
Total	2,154	8.9

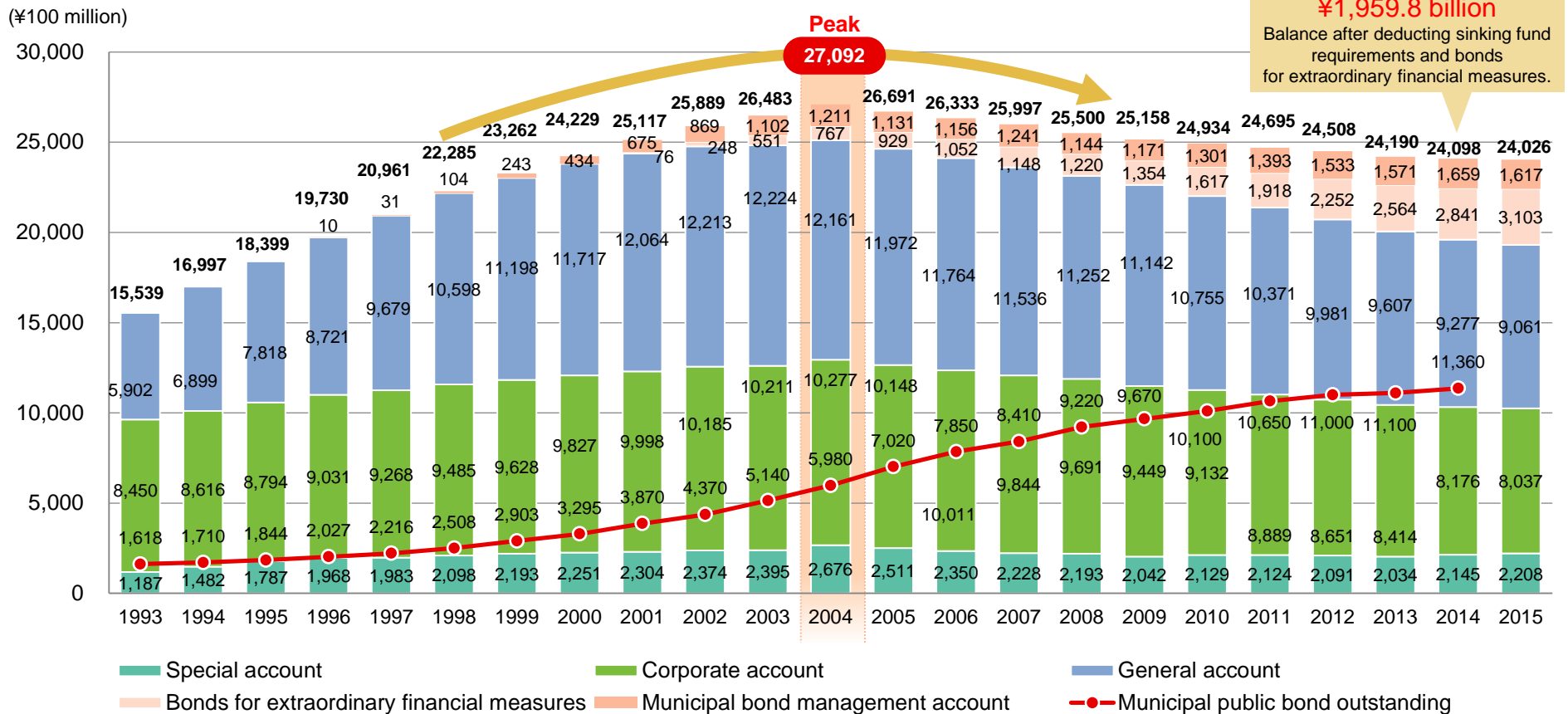
Outstanding Bonds by Account (FY2014)



* Municipal outstanding bonds include an amount equivalent to the value of the sinking fund.

18. Trends of Outstanding Municipal Bond

- As a result of consistent efforts to restrain the issue amount of municipal bonds, the amount of outstanding bonds that peaked out in FY2004 is declining in total. We will continue making efforts to restrain the issue amount of municipal bond.
- The outstanding municipal bond in all accounts was less than ¥2.0 trillion at the end of FY2014, excluding sinking fund requirements as redemption resource of municipal bond and bonds for the extraordinary financial measures.



*Results for FY2014, initial budget for FY2015

19. Major Financial Indicators (FY2014)

- The personnel expenses ratio of Fukuoka City is the lowest among ordinance-designated cities.
- As a result, the mandatory expense ratio is high-ranking, and the ordinary revenue/expenditure ratio, an indicator of fiscal flexibility, is in the top half of these cities.

Mandatory expense ratio	
Sendai	39.7%
Niigata	43.7%
FUKUOKA	48.1%
Kitakyushu	49.7%
Sapporo	50.2%
Shizuoka	50.6%
Saitama	50.6%
Kawasaki	52.1%
Hamamatsu	52.3%
Okayama	53.0%
Sagamihara	53.0%
Chiba	53.2%
Yokohama	53.9%
Kyoto	54.6%
Hiroshima	55.3%
Nagoya	55.4%
Sakai	55.8%
Kumamoto	56.1%
Kobe	58.1%
Osaka	60.6%

Ordinary revenue/expenditure ratio	
Okayama	87.5%
Kumamoto	90.6%
Hamamatsu	91.7%
Shizuoka	91.9%
FUKUOKA	93.3%
Sapporo	94.0%
Niigata	94.6%
Kobe	95.1%
Sakai	95.3%
Saitama	96.7%
Chiba	97.4%
Yokohama	97.4%
Hiroshima	97.7%
Sagamihara	98.1%
Sendai	98.2%
Osaka	98.8%
Nagoya	99.3%
Kawasaki	99.7%
Kyoto	99.8%
Kitakyushu	101.6%

Financial capacity index	
Kawasaki	1.00
Nagoya	0.98
Saitama	0.97
Yokohama	0.96
Chiba	0.95
Sagamihara	0.94
Osaka	0.92
Shizuoka	0.90
Hamamatsu	0.88
Sendai	0.87
FUKUOKA	0.86
Sakai	0.84
Hiroshima	0.82
Okayama	0.78
Kobe	0.78
Kyoto	0.78
Niigata	0.73
Kitakyushu	0.71
Sapporo	0.70
Kumamoto	0.70

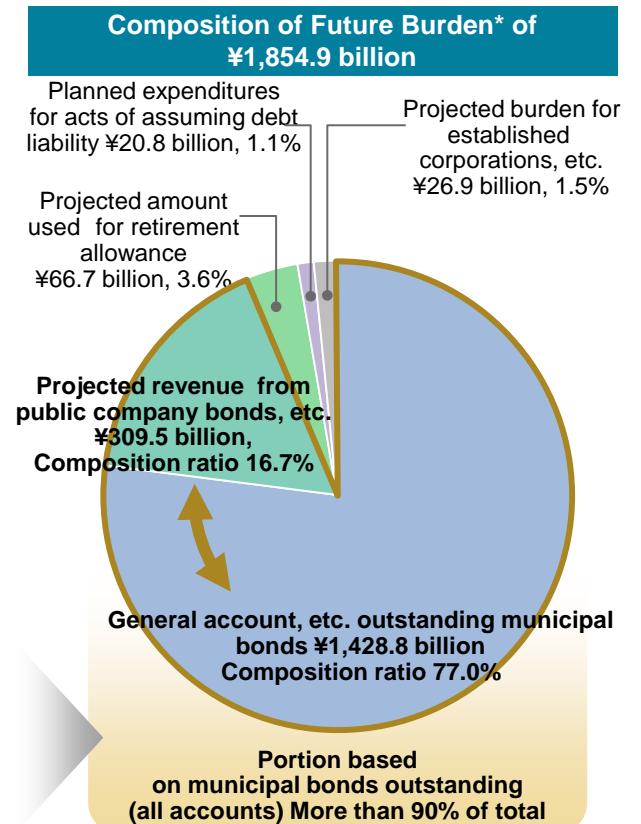
Effective bond expense ratio	
Sagamihara	3.4%
Saitama	5.2%
Sakai	5.4%
Sapporo	5.9%
Kawasaki	8.2%
Kobe	8.7%
Shizuoka	9.3%
Osaka	9.3%
Kumamoto	9.9%
Hamamatsu	10.2%
Sendai	10.8%
Niigata	11.0%
Okayama	11.0%
Kitakyushu	11.8%
FUKUOKA	12.6%
Nagoya	13.0%
Kyoto	15.0%
Hiroshima	15.4%
Yokohama	16.9%
Chiba	18.4%

- Mandatory expense ratio = $\text{Personnel expenses} + \text{Subsidies} + \text{Bond expenses} / \text{Total expenditures}$
- Ordinary revenue/expenditure ratio = $\text{General revenue sources for ordinary expenditures} / \text{Total general revenue sources}$
- Financial capacity index = Past 3 years average of standard fiscal revenue/standard fiscal demand
- Effective bond expense ratio = $[\text{Bond expenses (interest and redemptions of municipal bonds)} + \text{Effective bond expenses}] / \text{Average over past three years for general revenue sources (revenue sources with no designated use)}$
- Effective bond expenses = Ordinary expenditures, etc. used for redemptions of public corporation bonds, etc.

20. Ratios to Judge Financial Soundness (4 indicators)

- All the indicators have improved every year. The trend continued in FY2014 settlement and the indicators fell below the early fiscal soundness standards.
- Since the effective bond expense ratio went under 18% in FY2008 settlement, Fukuoka City has been reclassified from “authorized entity” to “consultative entity” for bond issuance starting from the FY2009.
- Regarding the future burden ratio, more than 90% of the inclusion belongs to outstanding municipal bonds, and we expect it to decline steadily by future initiatives to reduce balance of municipal bonds.

Indicator	Fukuoka City			Early fiscal soundness standards	Fiscal revitalization standards
	FY 2012 settlement	FY 2013 settlement	FY 2014 settlement		
Effective deficit ratio (Deficit of general account)	—	—	—	11.25%	20%
Effective consolidated deficit ratio (Deficit of all accounts)	—	—	—	16.25%	30%
Effective bond expense ratio (Burden for repayment of debt)	14.6% ↓	13.4% ↓	12.6% ↓	25%	35%
Future burden ratio (Amount of outstanding debt that may become a future burden for the general account, including extragovernmental organizations)	191.9% ↓	174.8% ↓	168.0% ↓	400%	



* Amount of future burden: Amount of effective debt that will become a future burden on the general account, etc.

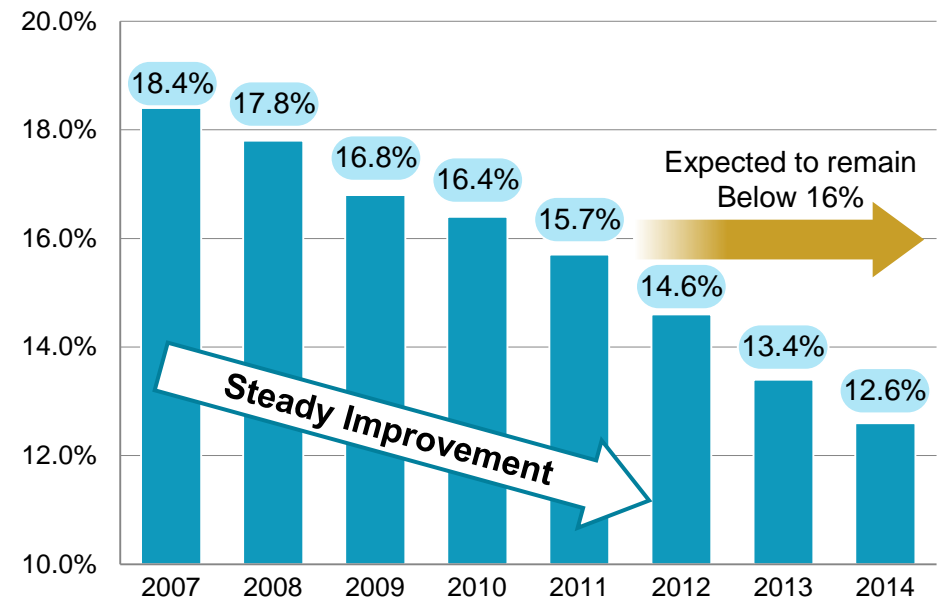
21. Ratios to Judge Financial Soundness (Outlook for effective bond expense ratio)

- Through progressive restraint of municipal bond issuance below the capital redemption amount, we expect reduced outstanding municipal bond and reduced burden of bond expense in the future with the effective bond expense ratio.

Initiatives in FY2014 Results Forecast (General Account)

Restrain bond issuance	Approximately ¥75.5 billion (— ¥ 0.1 billion vs. FY2013)
Redemptions of principal	Approximately ¥80.8 billion (— ¥ 1.0 billion vs. FY2013)
Interest from bond reduction fund appropriated for bond redemptions	Approximately ¥3.1 billion (± ¥ 0.0 billion vs. FY2013)

Projections for Effective Bond Expense Ratio



22. Measures to Improve Financial Soundness and Progress

- From FY2008 to FY2011, based on the “Fiscal Renewal Plan”, Fukuoka City has produced certain results by promoting proactive initiatives in restoring soundness both in terms of revenue and expenditure.
- Continuously from FY2013, we have been engaging in further reforms for administrative and financial soundness based on the new “Administrative and Fiscal Reform Plan” (from FY2013 to FY2016).

Fiscal Renewal Plan

Plan period **FY2008 – FY2011**

Fundamental Stance

- ① Drive more reforms for an earlier prospect towards fiscal soundness
- ② Convert into fiscal management that is suitable for the city's capacity
- ③ Proactive disclosure/offer of fiscal information that are easier to understand

Objectives

- (1) Establish a sustainable fiscal structure (Reduce amount of municipal bonds outstanding)
 - Progressively reduce amount of municipal bonds issued each fiscal year to achieve a **steady decline in bonds outstanding per capita**.
- (2) Establish a consistently flexible fiscal structure (eliminate problem of insufficiency of revenue sources)
 - Avoid fiscal rigidity by restricting growth in mandatory expenses

Fiscal Soundness Goals

- Hold municipal bond issues in the FY2011 general account to **between ¥45 billion and ¥50 billion**.
 - Reduce municipal bonds outstanding to **about ¥2 trillion** over the next decade (was ¥2.6 trillion in FY 2008), bringing bonds per capita to less than ¥1.5 million.
- Eliminate the revenue shortfall of **¥56.6 billion** that is expected until FY2011.

Progress

Restraining Municipal Bond Issuance

- Gradual restraining of municipal bond issuance **▲¥5.6 billion**

FY2008 **¥56.6 billion** → FY2011 **¥51.0 billion**

(Excluding the increased amount for bonds for the extraordinary financial measures)

- Outstanding municipal bond (all accounts) **▲¥ 80.5 billion**

End of FY2008 **¥2.55 trillion** → End of FY2011 **¥2.4695 trillion**

- Actual public bond ratio

FY2008 **17.8%** → FY2011 **15.7%**

Dissolving Revenue Shortfalls

- Review of revenue/spending **¥10.6 billion**
 - Compression of assets/debt **¥9.3 billion**
 - Reform of system/methods **¥9.0 billion**
- Review
¥28.9 billion**

* Furthermore, dissolve revenue shortfalls by adding increase in extra ordinary financial measures, local grant tax, etc.

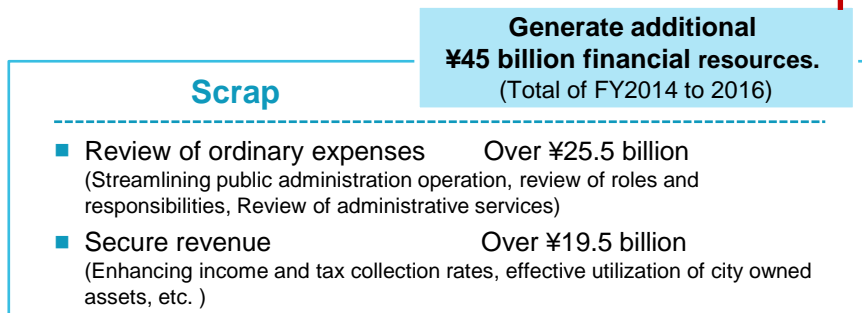
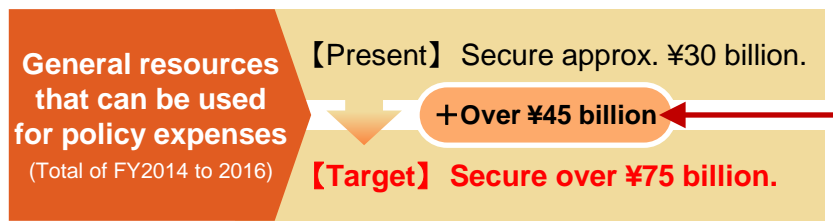
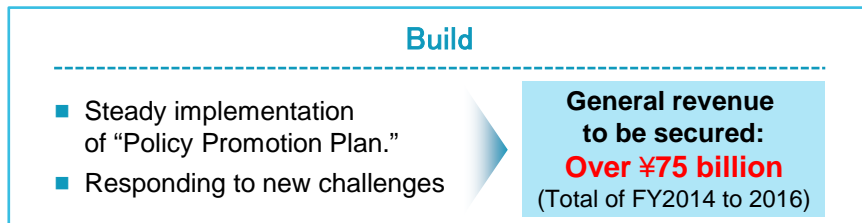
23. “Administrative and Fiscal Renewal Plan” - Actions for “Sound Financial Management”

Administrative and Fiscal Renewal Plan Period: 4 years from FY2013 to FY2016

- To achieve **sound financial management**, we optimize the priorities of our projects within the limited financial resources, and while securing administrative services needed for civic life, we secure financial resources needed to promote important measures and respond to new challenges.

Numerical target (1) Secure financial resources for policy expenses

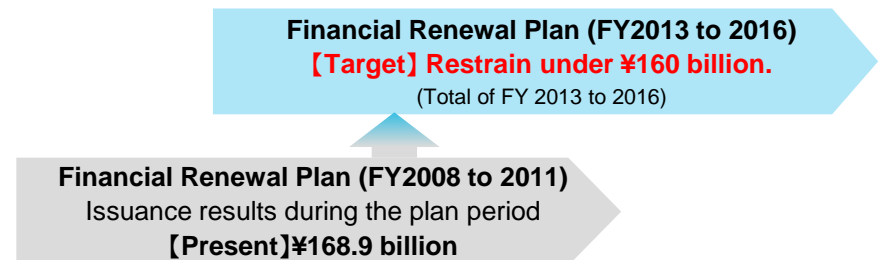
- To set the goal to build our resources to promote important measures and to respond to new issues with **“build and scrap” spirit**, instead of responding to declining resources.



Numerical target (2) Restrain municipal bond issuance

- To maintain our path of reducing municipal bond issuance and will reduce outstanding municipal bond in medium and long term.
- To restrain the amount of municipal bond issuance in general account **below** ¥160 billion as a total of FY2013 to 2016. (excluding bonds for the extraordinary financial measures)

Municipal bond issuance in the general account (excluding bonds for the extraordinary financial measures)



Bonds for the extraordinary financial measures

- We ask the national government to abolish it. We also restrain issuance against maximum issuance of the bond as much as possible.

Entire municipal bond issuance amount

- We keep the issue amount of the entire municipal bond below the principle redemption amount and will not increase the outstanding amount.

24. Startup City Fukuoka

- Fukuoka City has been selected as a National Strategic Special Zone for Global Startups and Job Creation. (March 2014)
- The aim is to improve the rate of establishing business by offering support for startups, promote innovation by attracting MICE and create new business.

Startup means (1) starting a new company
(2) starting a new business within a company
(3) making a new company grow large in a short period of time

MICE is a collective term for Meeting (company meetings, trainings), Incentive (compensation, invitation tours), Convention (international conferences), Event/Exhibition, and other such business events where large numbers of visitors are expected to interact

Initiative that leverages the National Strategic Special Zone system - Energizing Japan from Fukuoka -

First Five Years of Startup

- Lower effective corporate tax rate
- Hiring of highly skilled foreign personnel (review of residence qualifications, etc.)
- Lifting the ban on practice by foreign doctors (considering accepting foreign doctors with high medical skills to attract foreign companies)
- Clarification of employment terms (utilization of guidelines to prevent labor-related disputes in advance and establishment of consultation centers, etc.)

25. Industrial Clusters for City Development (Attraction of domestic and international enterprises)

【Actions to attract enterprises to Fukuoka City】

- Corporations are attracted using Fukuoka City's appealing characters and potentials, such as the startup city's great business environment and its no. 1 rate of new business formation, and the abundant human resources from the city's concentration of higher educational institutions
- We carry out strategic actions to attract enterprises in the growing industries, such as creative industry (e.g. IT, digital contents) and environmental energy industry (e.g. research and development of the solar battery and the hydrogen energy).

Target

We aim to create 3,000 new jobs
by establishing 50 new companies every year.

★Results of 2014 : 52 new companies, creating approximately 1,290 new jobs.

Site Location Support System

Max. ¥3 billion for site location subsidy

- This is the largest site location subsidy among the ordinance-designated cities.

※Number of applications: FY2012: 15, FY2013: 20, FY2014: 25

Target industries

- Knowledge creating industry
- Health, medicine, welfare related industry
- Environment/energy related industry
- Business in Asia
- Logistics related businesses
- Urban-oriented industry
- Function of head office etc.
- Large-scale facilities to collect customers



Examples of New Companies

Name of corporation	Contents	Characteristics
<Knowledge creating industry > Amazon Japan Co., Ltd.	Call Center	Amazon.co.jp's third customer service center in Japan
<Head office > MassMutual Life Insurance Company (FY2014)	Head office, Call Center	Establishment of the Fukuoka Head Office for enhancing business continuity during large-scale disasters and for strengthening the sales structure
<Head office > WORLD HOLDINGS CO.,LTD. (FY2014)	Head office	Establishment of the Fukuoka headquarters taking into account the acceleration in Asia strategy
<Logistics related industry > ASKUL Co., Ltd. (FY2013)	Logistics facility	Warehouse, Distribution center

New companies are coming to Fukuoka City one after another,
looking for highly skilled human resources and businesses with Asian countries !

26. Credit Ratings of Fukuoka City

- Fukuoka City obtained credit ratings on April 8, 2008 with an aim to enhance assessment of the city in the market.

Rating Agency: Moody's Japan K.K.	
Debt denominated in yen	A1/[Outlook: Stable]
Credit standing as a local government	BCA (Base Line Credit) : a2

* As of Jan, 2015

Ratings of Other Municipalities

	Domestic currency bond rating	BCA
Fukuoka City	A1	a2
Fukuoka Pref.	A1	a2
Shizuoka Pref.	A1	a2
Hiroshima Pref.	A1	a2
Sapporo City	A1	a2
Shizuoka City	A1	a2
Hamamatsu City	A1	a2
Sakai City	A1	a2
Niigata Pref.	A1	a3
Nagoya City	A1	a3
Osaka City	A1	a3
Kyoto City	A1	a3

For BCA, Fukuoka City receives high evaluation.

- a2 Higher ranking
- a3 Lower ranking

Evaluation By Rating Agency




- Fiscal conditions have improved steadily. The financial reform has further accelerated under the "Fiscal Renewal Plan."
- Municipal bonds outstanding (all accounts) have decreased; the trend will continue over the medium term.
- Fukuoka City is a cornerstone of Kyushu economy.
- Growth potentiality of local economy (e.g. population growth, attraction of enterprises).

* Municipalities that have obtained credit ratings from Moody's Japan are given.

FY2015 Fukuoka City Plan for Municipal Bond Public Offerings

Amount to be issued **¥ 140 billion**

(100 million yen)

Maturities/Types	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
10-year (nationwide)							100					100	200
5-year (nationwide)			100			100			100				300
5-year (spot)													100
10-year (joint issue)	80	80								70	70		300
Total	80	80	100			100	100		100	70	70	100	900
Ultra long-term bonds (spot)													100
Flex													400
Total	First half 360+α					Second half 440+β						1,400	

* There may be changes to both the amounts to be issued and the months for bond issues.

Contact

Please feel free to contact for any inquiry.

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Information on city
administration



Finance
citizen participation



Municipal debt and public sale