



## Fiscal Status of Shizuoka Prefecture



Shizuoka  
Prefecture

September 2018

# Presentation Highlights

## 1. Shizuoka has active industries and strong economic fundamentals



Overview of Shizuoka (P4 – P11)

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



Fiscal Position of Shizuoka (P12 – P15)

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



Bond Management of Shizuoka (P16 – P20)

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## 2 Fiscal Position of Shizuoka

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## 4 Reference Materials

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# 1 Overview of Shizuoka

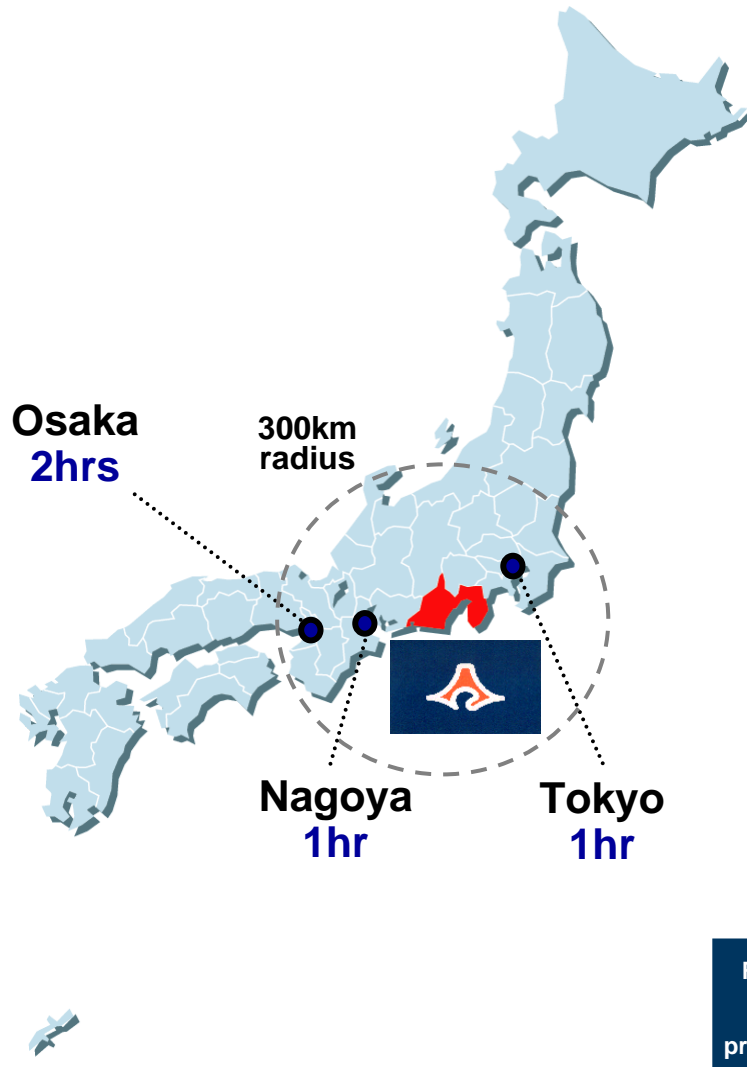
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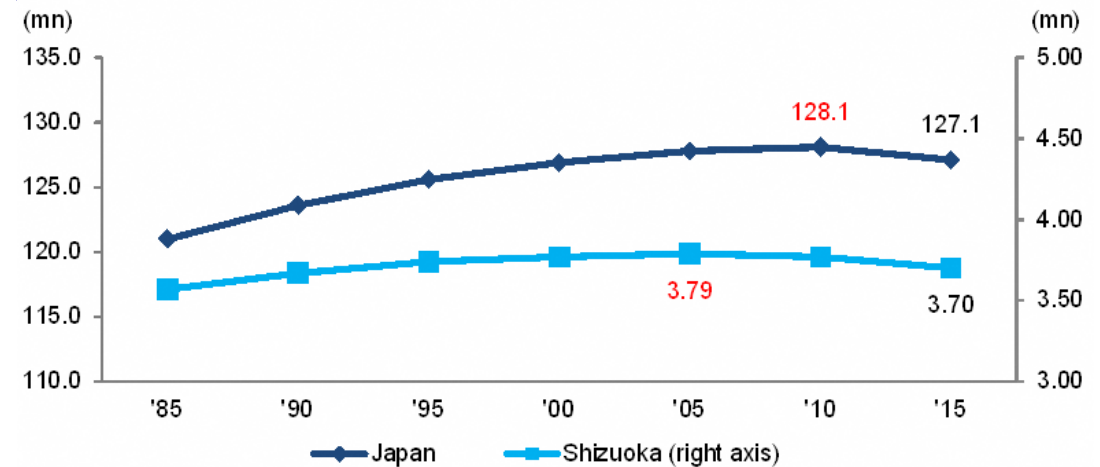
# Location and Scale



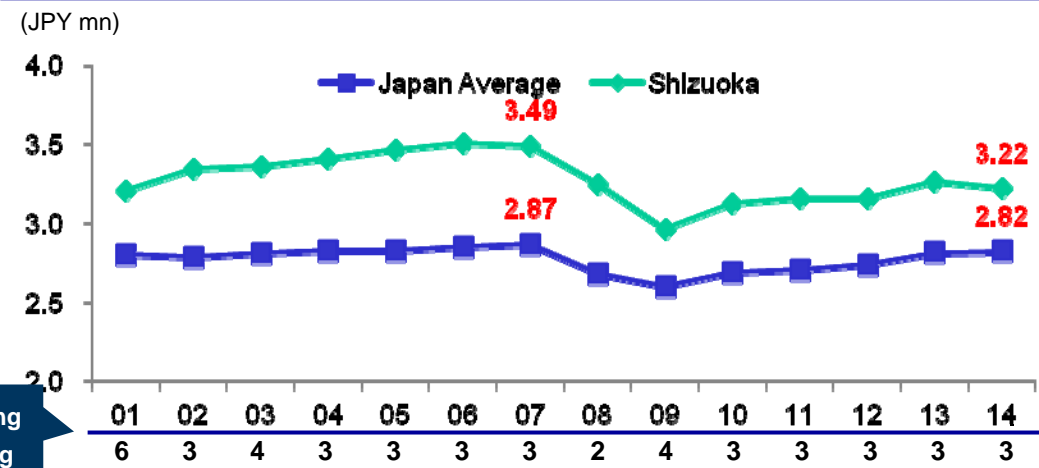
## Located at the center of Japan



## Population trend since 1985



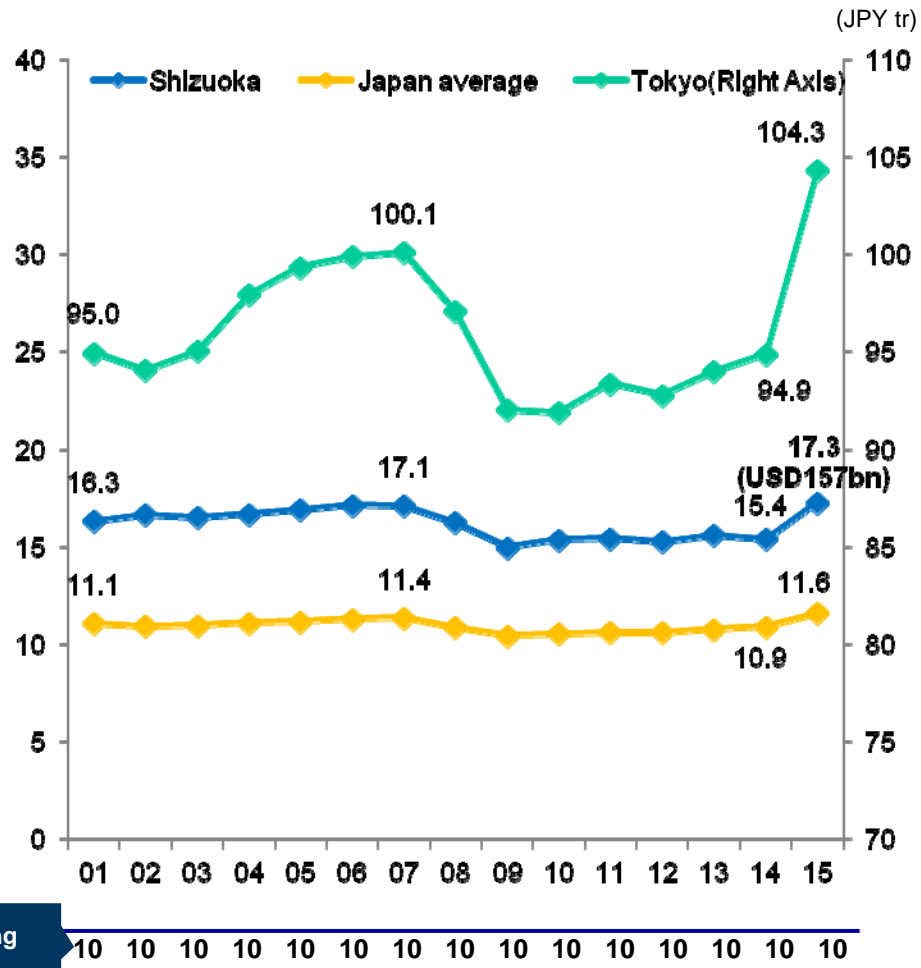
## Per capita income since 2001



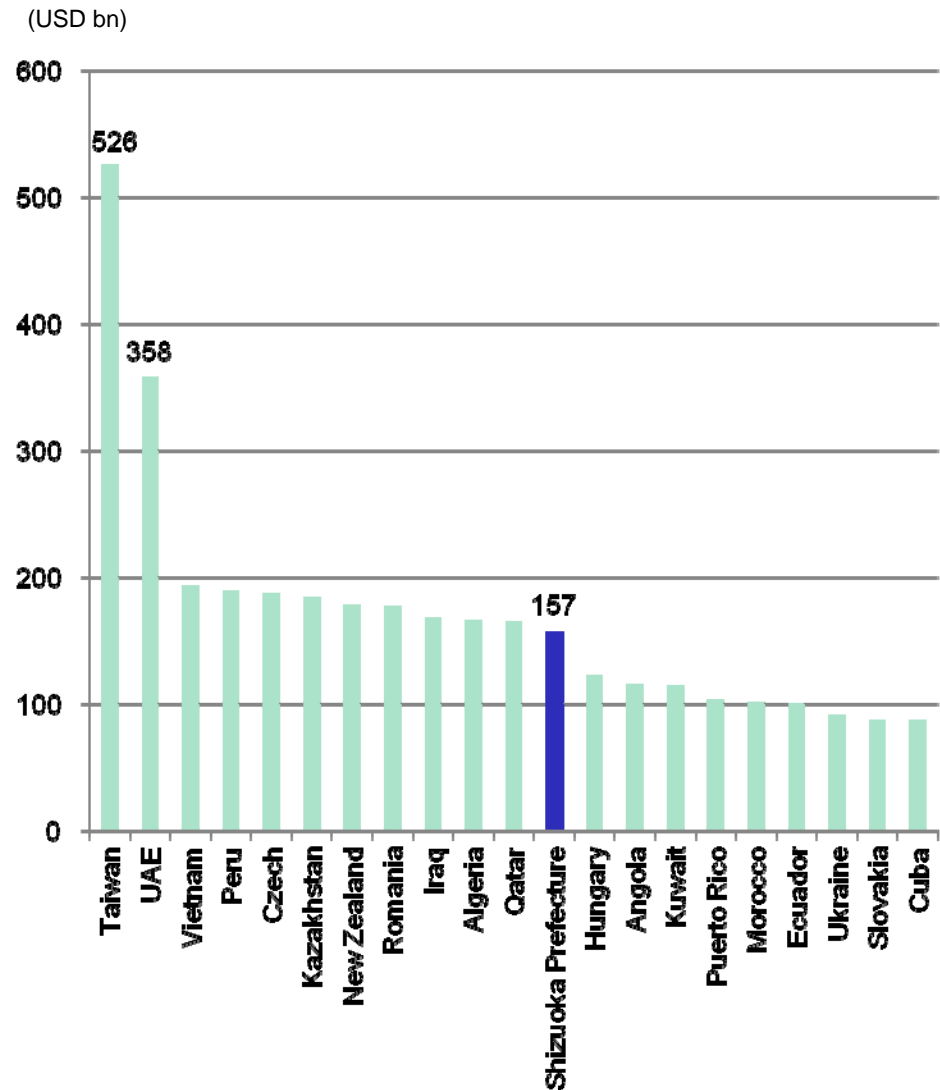
# Economic Scale



## GDP trend since 2001



## GDP about the same as that of Qatar

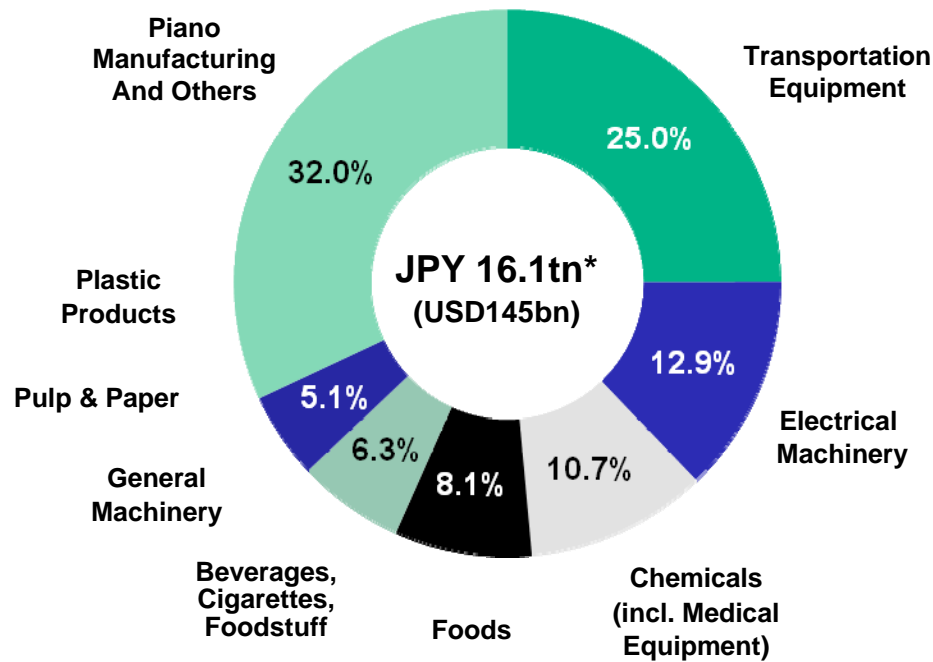


Ranking among prefectures



## Balanced industrial structure

Total revenue from manufactured products (2016)



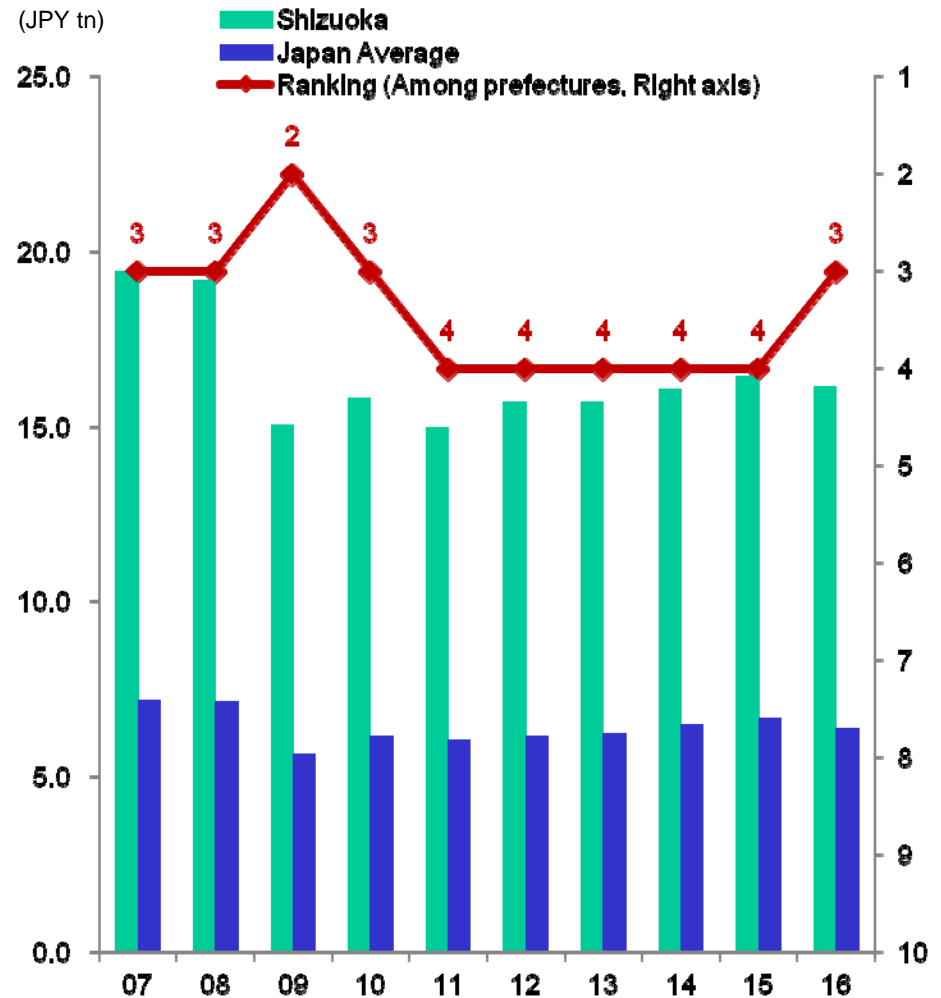
Major Prefectural Companies

**HONDA**  
The Power of Dreams

**SUZUKI**

**YAMAHA**

## Revenue trend of manufactured products



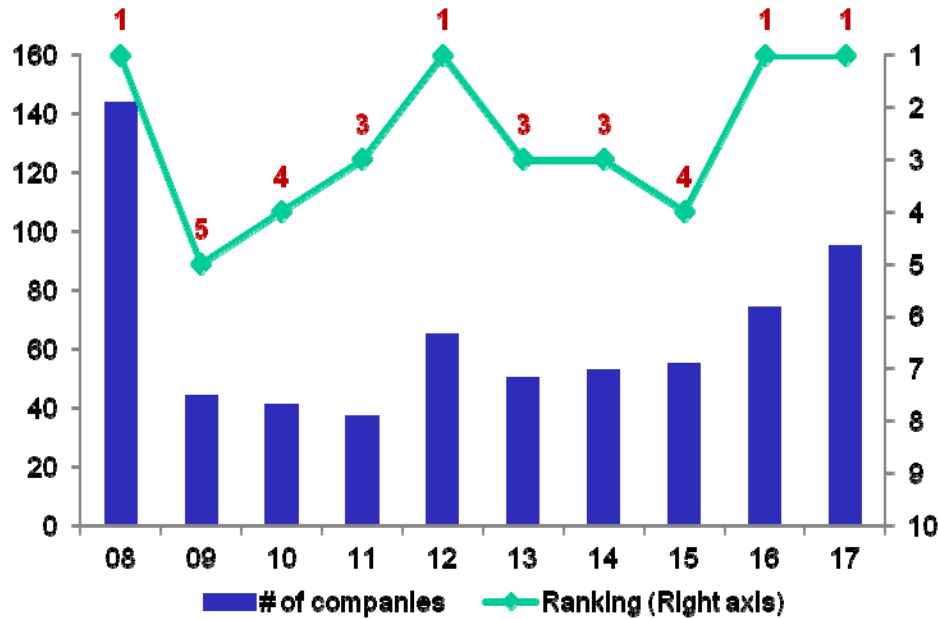
\* JPY16.1tr is approximately same as : USD145bn, AED 530bn, TWD 4.4tr as of Sep 2018



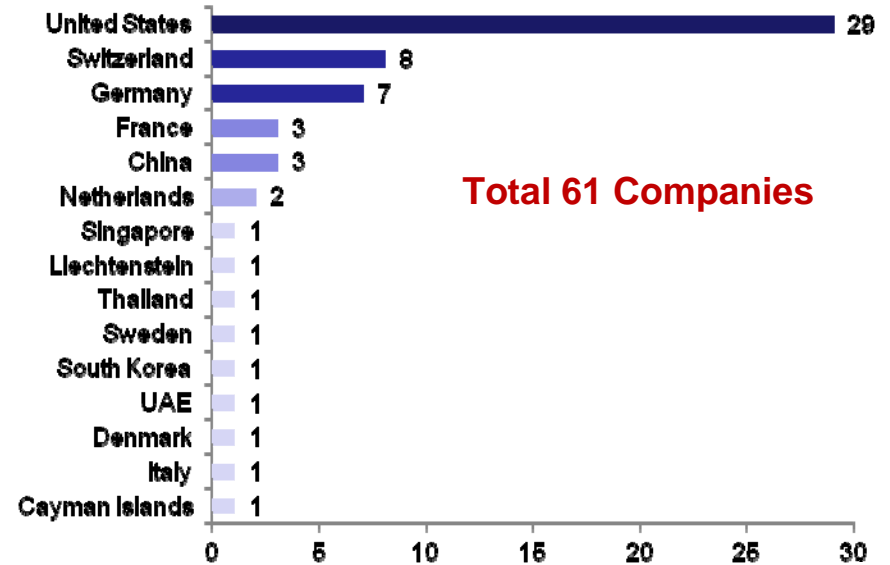
# A Vibrant Industrial District



## High level of industrial locations



## Attracting global companies 2017



## Global company examples



Switzerland



Switzerland



USA



Liechtenstein



Sweden



France



Netherlands

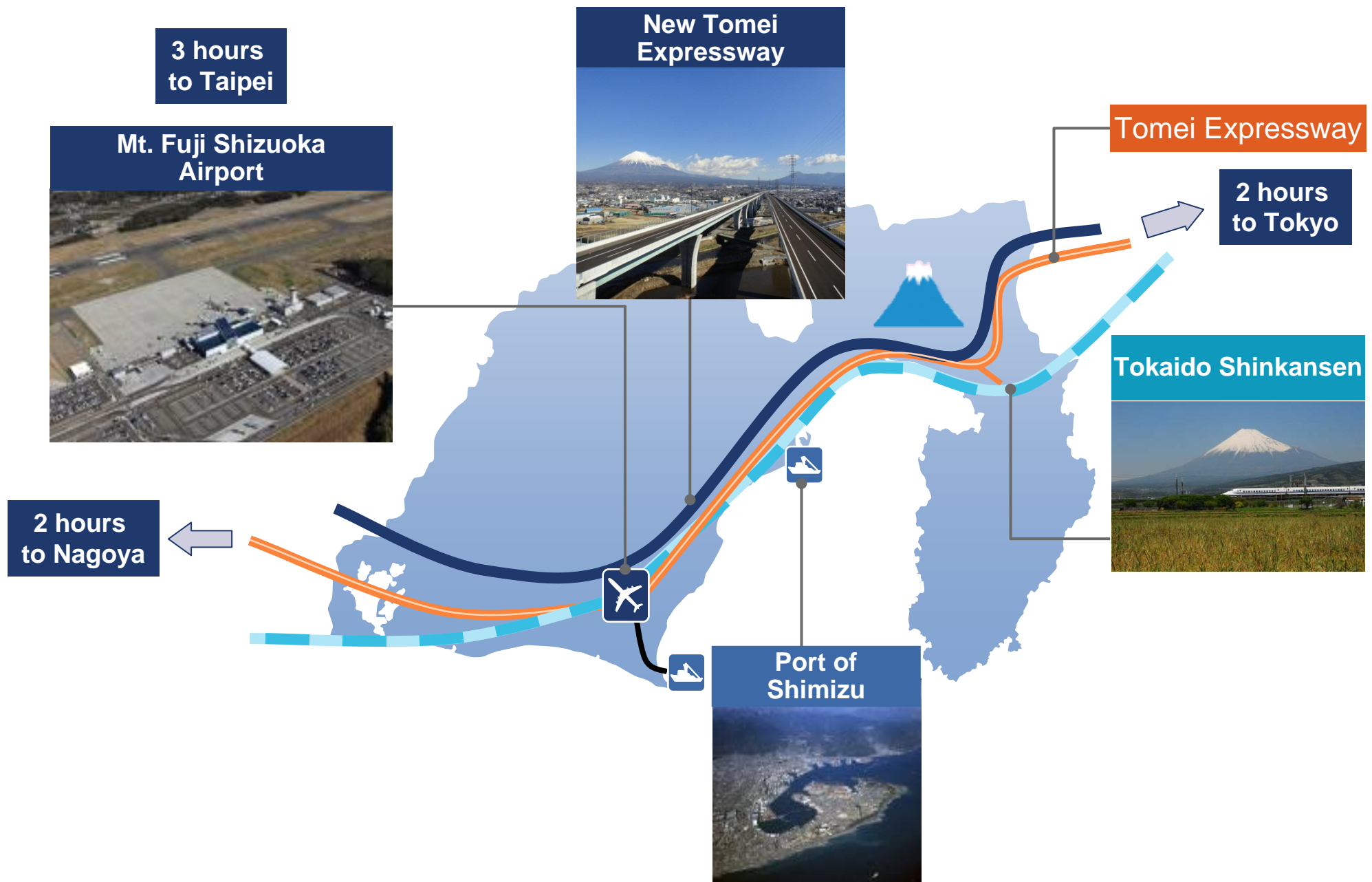


neopharma

UAE



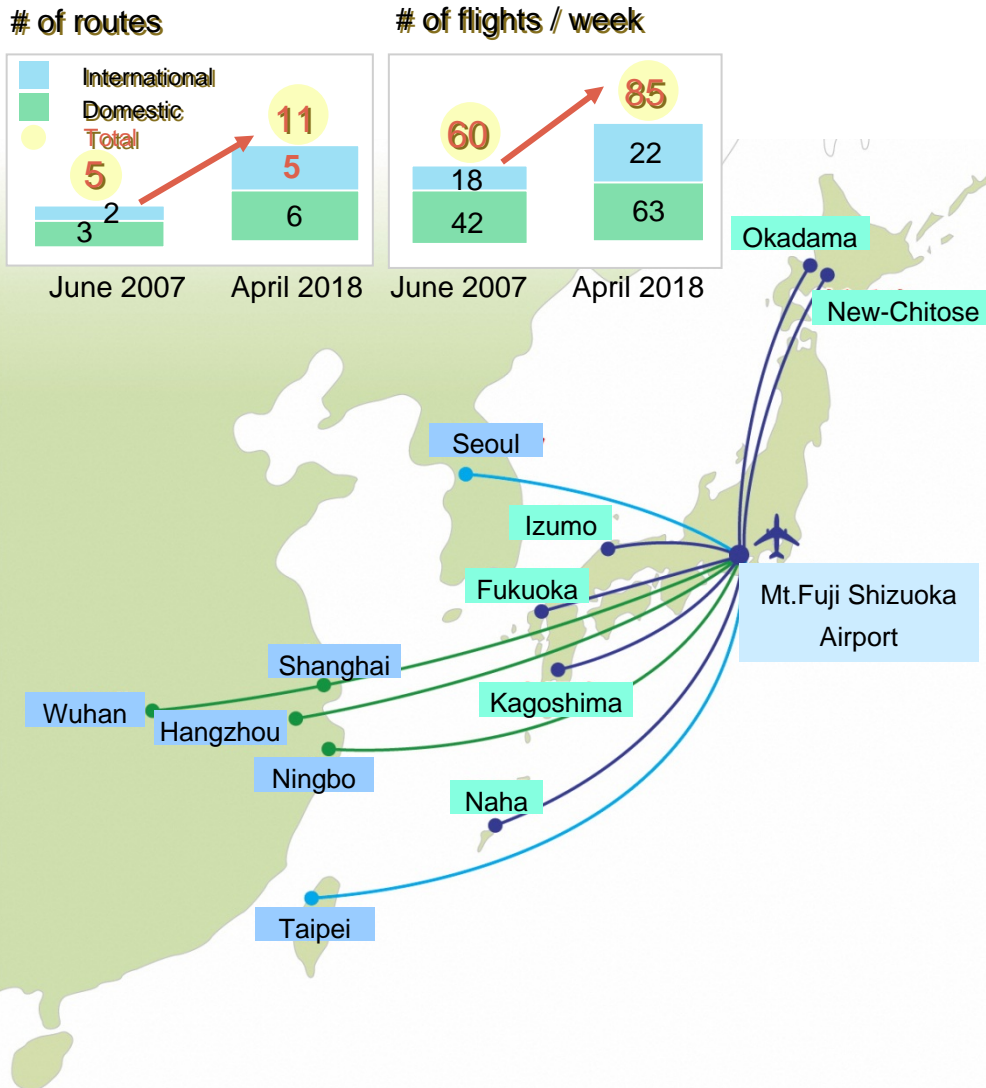
# Transportation Infrastructure



# Improvement of Tourism Infrastructure



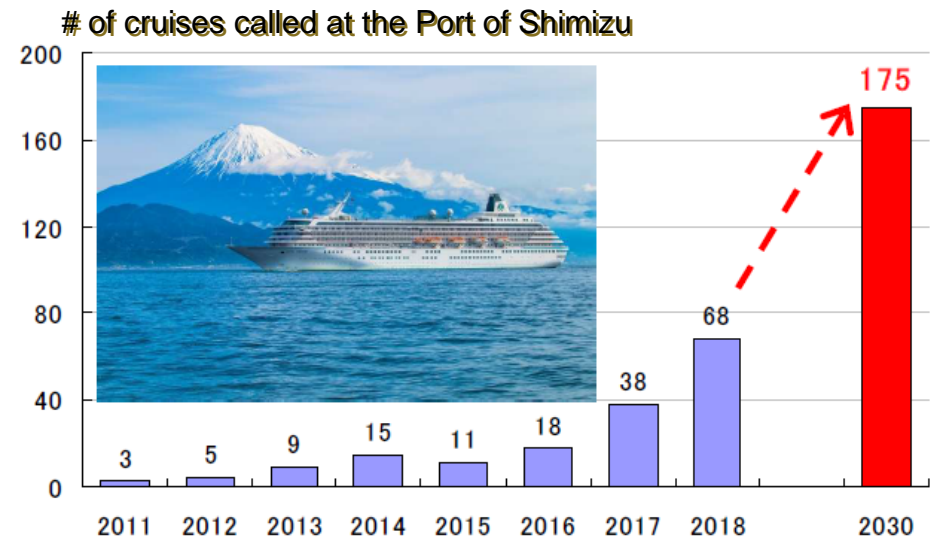
## Mt.Fuji Shizuoka Airport



## Port of Shimizu



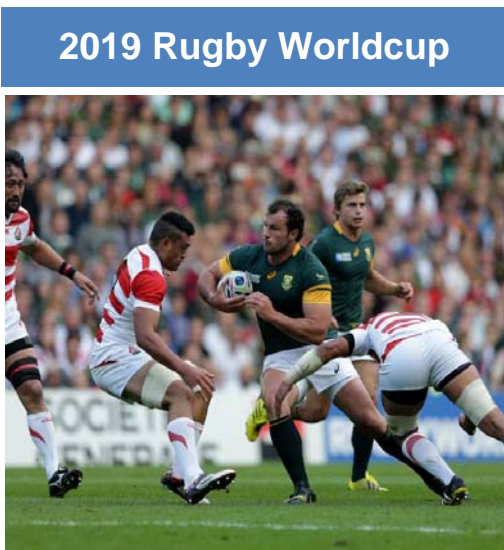
**Ripple Effect**  
 JPY55bn/year  
 600,000people/year



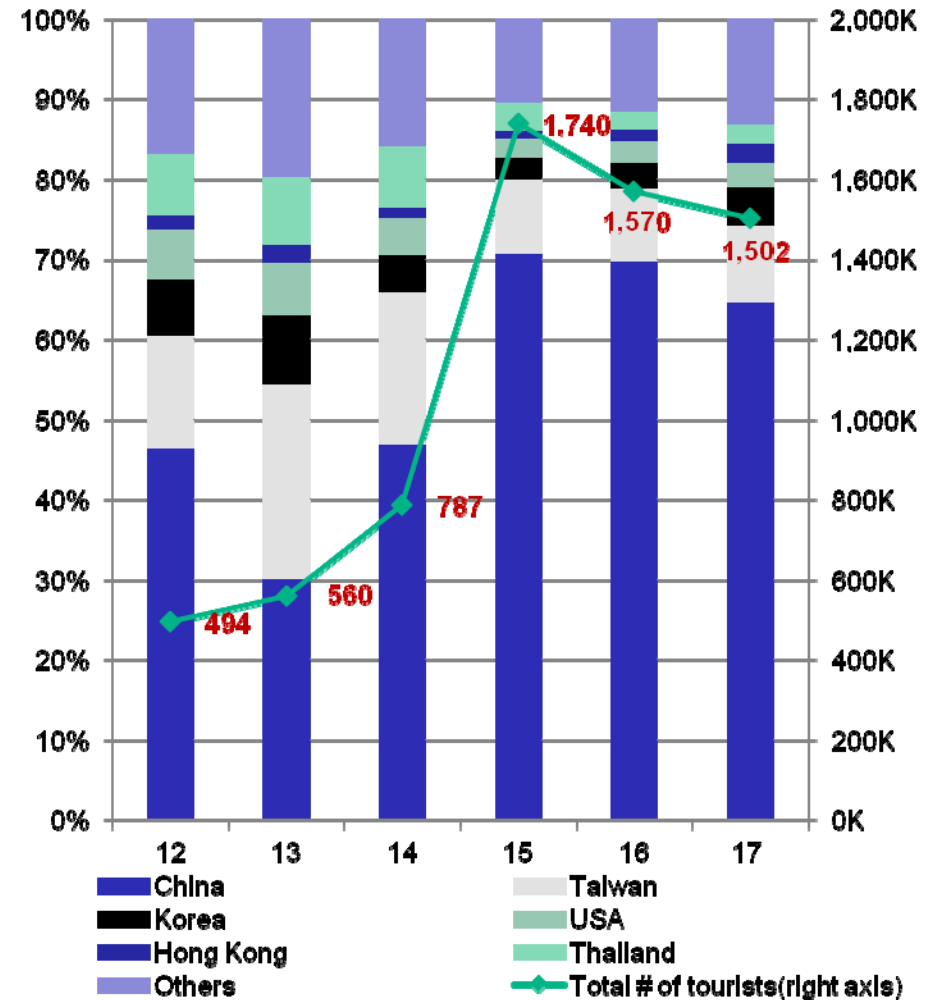
# Abundant Tourism Resources



## Major tourism locations in Shizuoka



## Trend of # of international tourists





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## 2 Fiscal Position of Shizuoka

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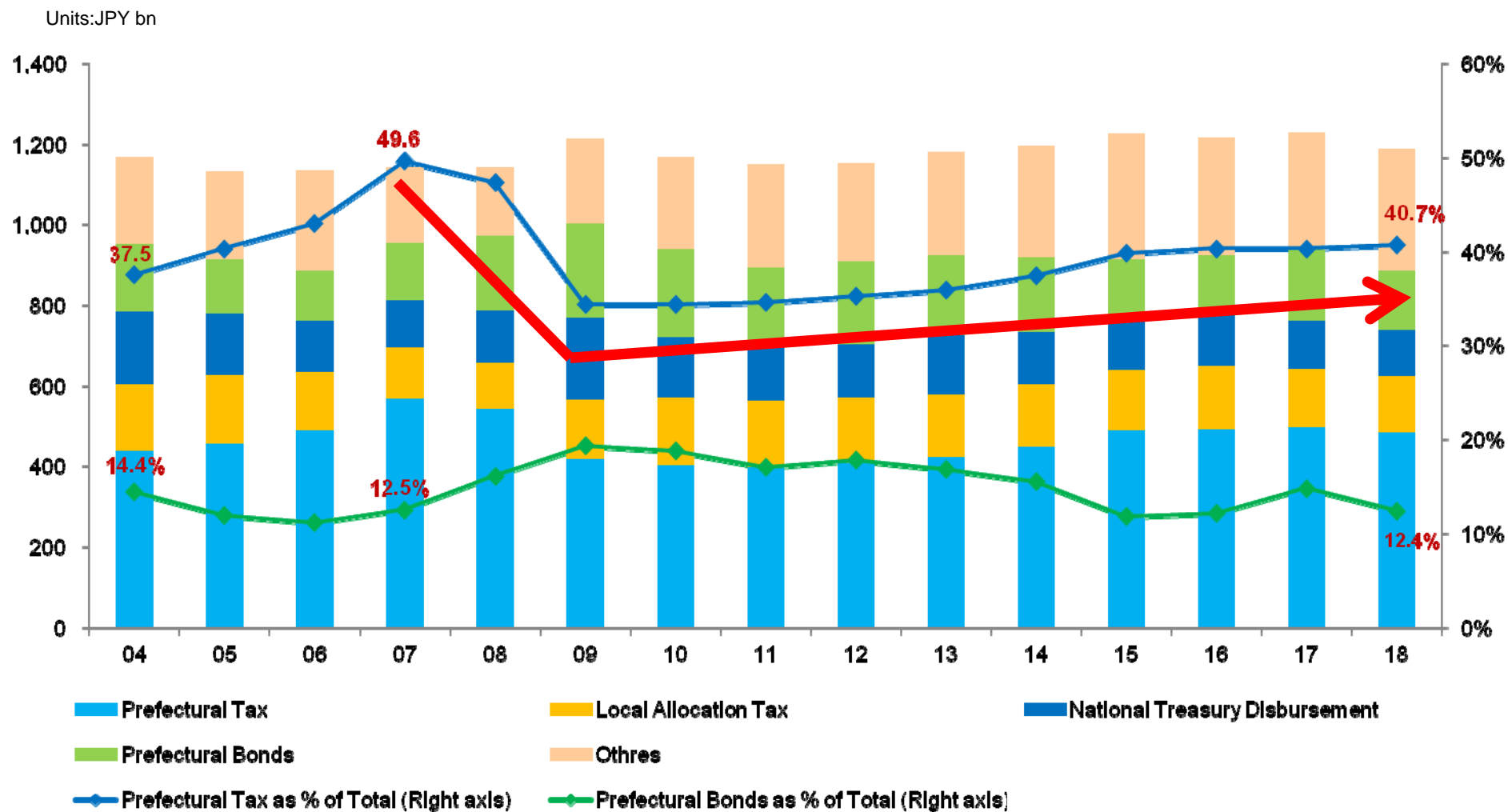


Mt. Fuji in autumn

# Change in Revenue Accounts



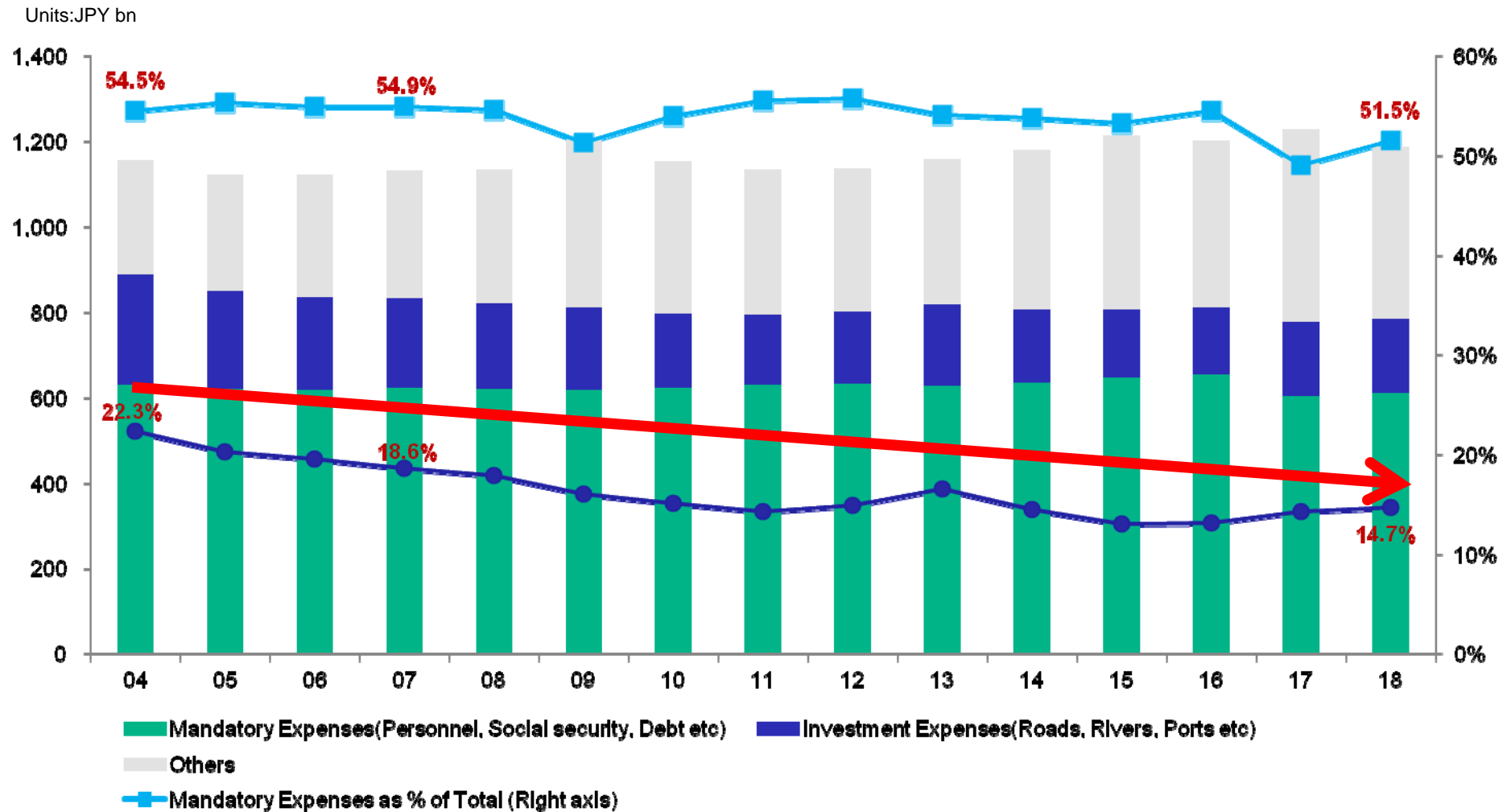
## Tax revenue has been recovering in the recent years



# Change in Expenditure Accounts



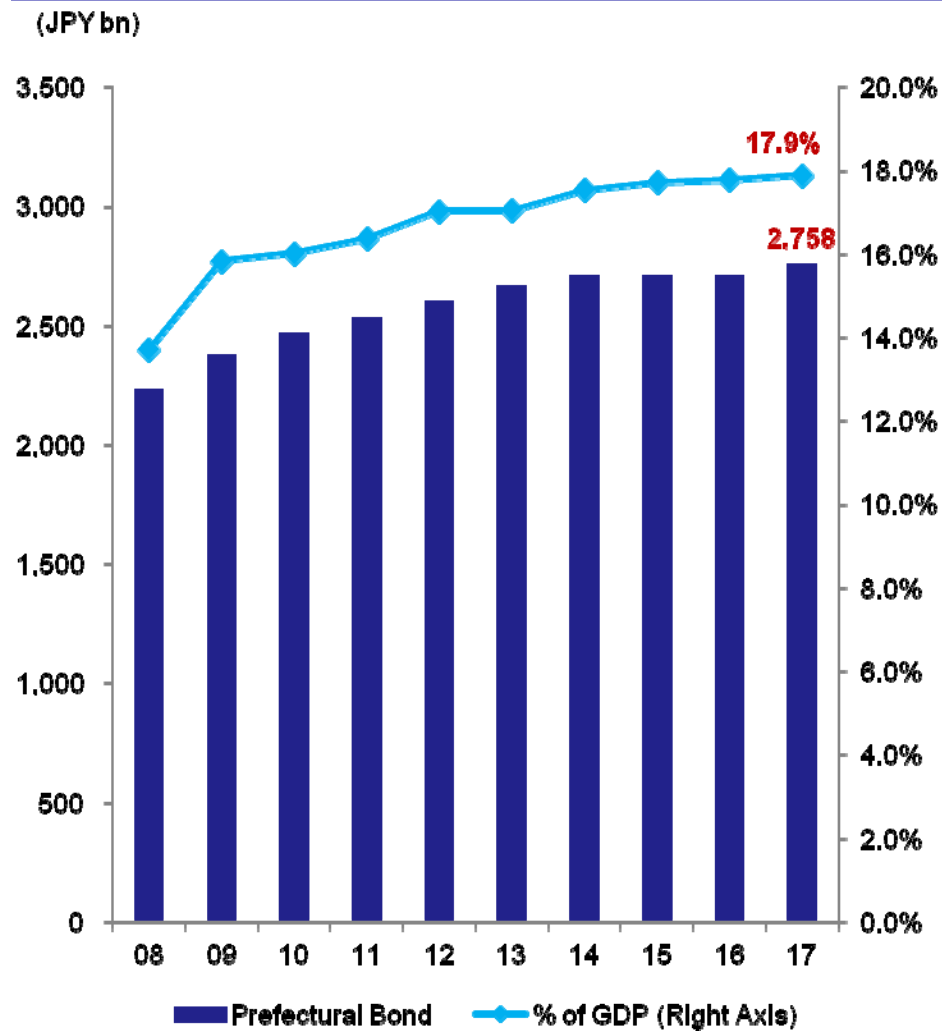
## Reduction in investment expenses through administrative reform



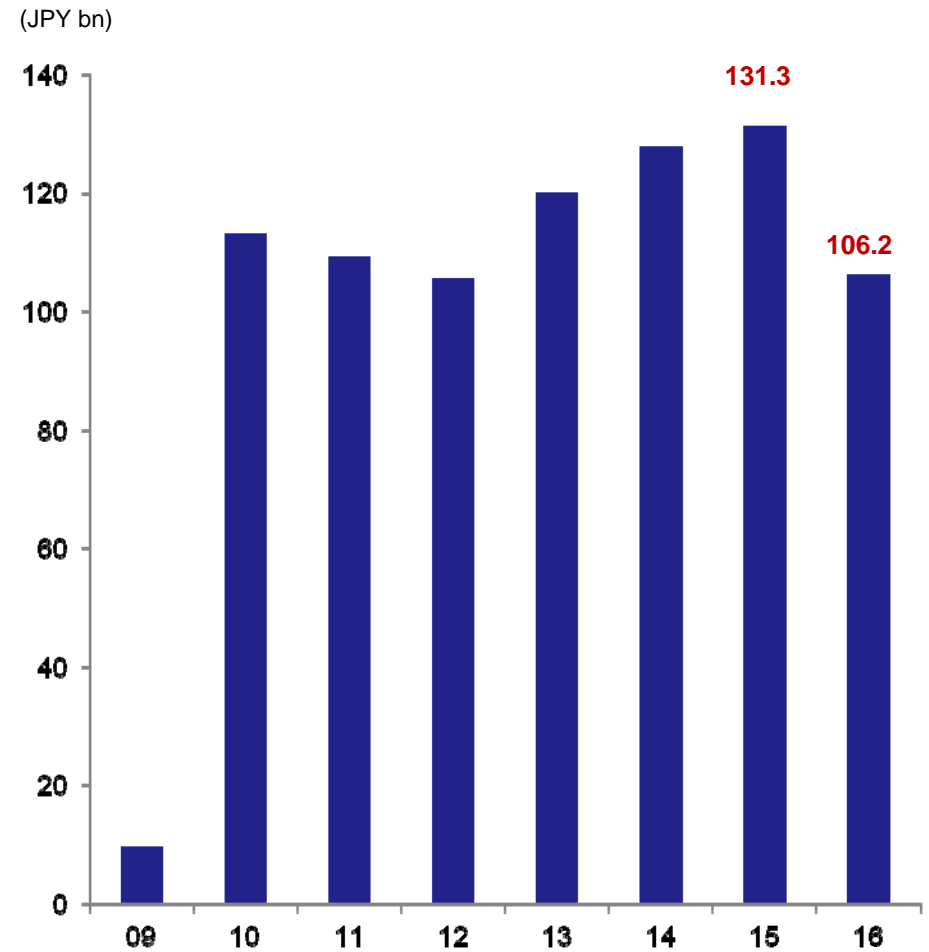
# Status of Debts and PB



## Sound prefectural bond balance



## Continuous surplus in primary balance

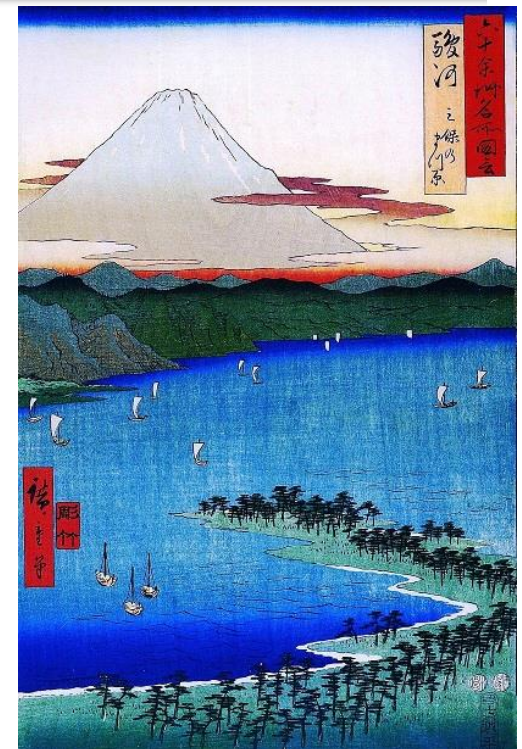




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# 3 Bond Management of Shizuoka

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Fuji 36 HIROSHIGE UTAGAWA “Suruga Mihono-Matsubara”

# Prefectural Bond Summary



## Issuance Policy

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

## Shizuoka Issued Bond Ratings - Same as JGB ratings

Shizuoka



Japan



Moody's

A1

A1

R&I

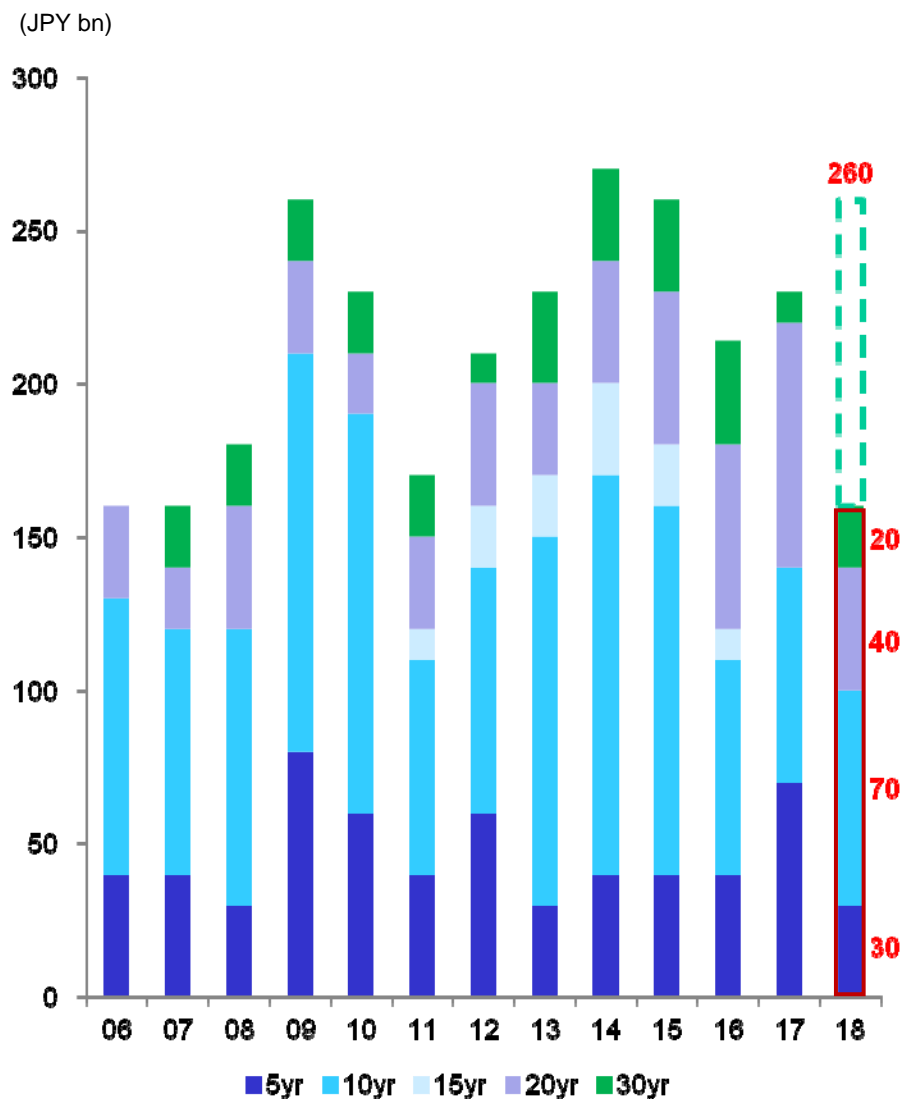
AA+

AA+

# Prefectural Bonds Issuance Plan



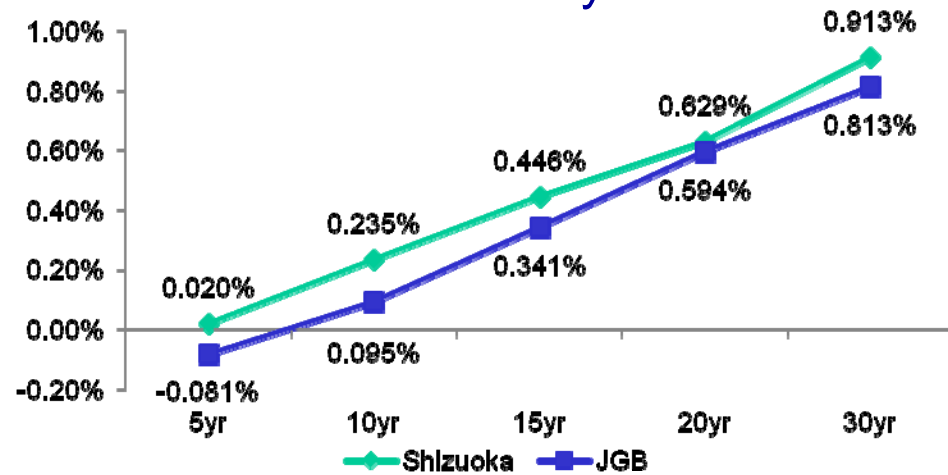
## Issuance amount since 2006



## Recent new issues in 2018

| Launch    | Issue Amount | Tenor          | Yield |
|-----------|--------------|----------------|-------|
| 9/6/2018  | JPY10bn      | 10yr           | 0.239 |
| 8/8/2018  | JPY10bn      | 5yr            | 0.030 |
| 8/3/2018  | JPY10bn      | 10yr           | 0.254 |
| 7/19/2018 | JPY10bn      | 20yr           | 0.530 |
| 7/5/2018  | JPY10bn      | 20yr(Sinkable) | 0.355 |
| 7/4/2018  | JPY10bn      | 10yr           | 0.175 |
| 6/6/2018  | JPY10bn      | 10yr           | 0.195 |
| 5/9/2018  | JPY10bn      | 5yr            | 0.030 |
| 5/9/2018  | JPY10bn      | 10yr           | 0.195 |
| 4/20/2018 | JPY20bn      | 20yr(Sinkable) | 0.378 |
| 4/20/2018 | JPY20bn      | 30yr           | 0.822 |
| 4/4/2018  | JPY10bn      | 5yr            | 0.040 |
| 4/4/2018  | JPY20bn      | 10yr           | 0.170 |

## Shizuoka indicative yield curve\*



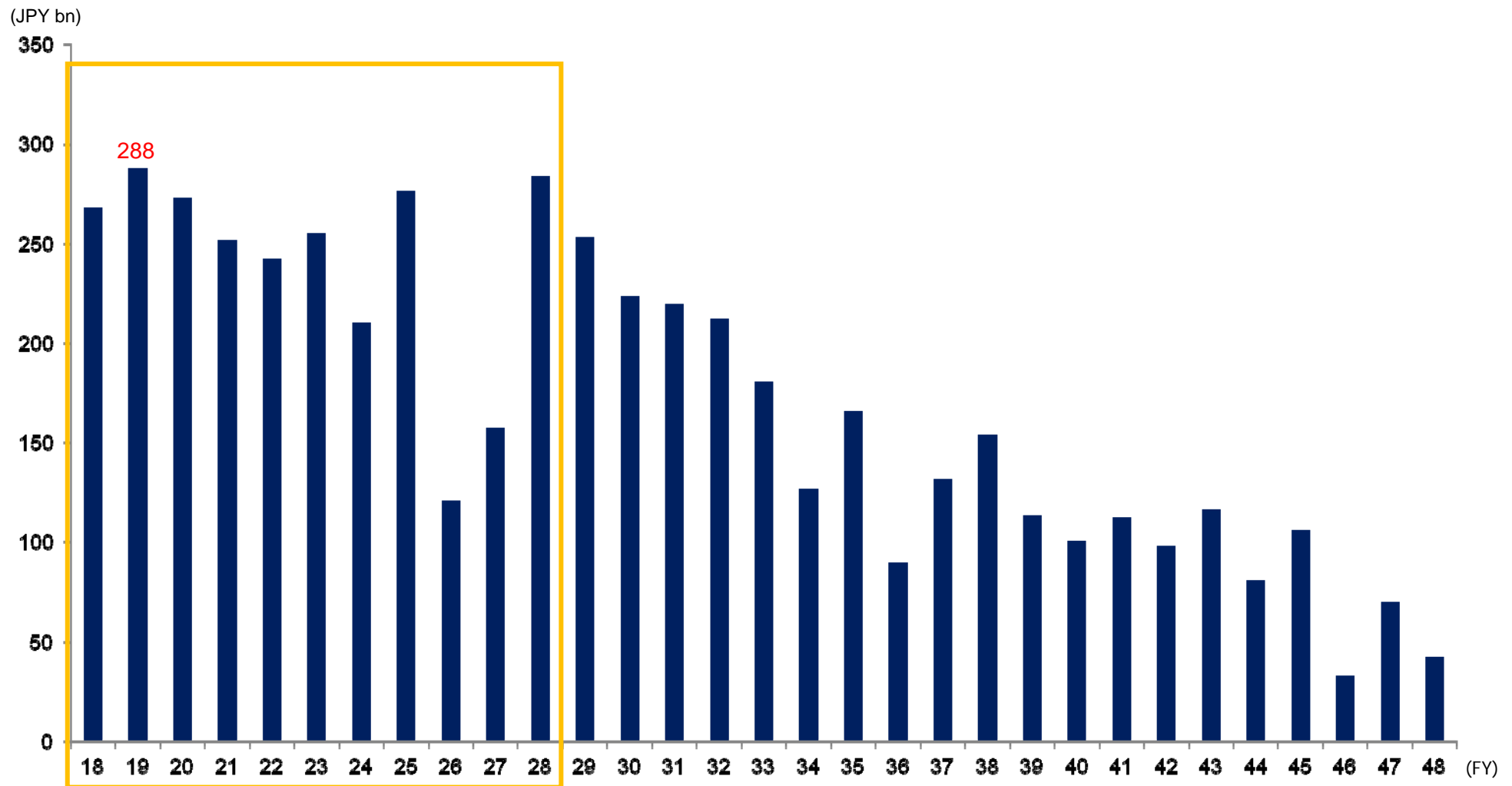
※Non-residents and non-domestic entities are exempted from paying taxes on the interest of transfer local government bonds. The procedures have been simplified from June 2010.

\* As of 13th Aug 2018

# Redemption Schedule



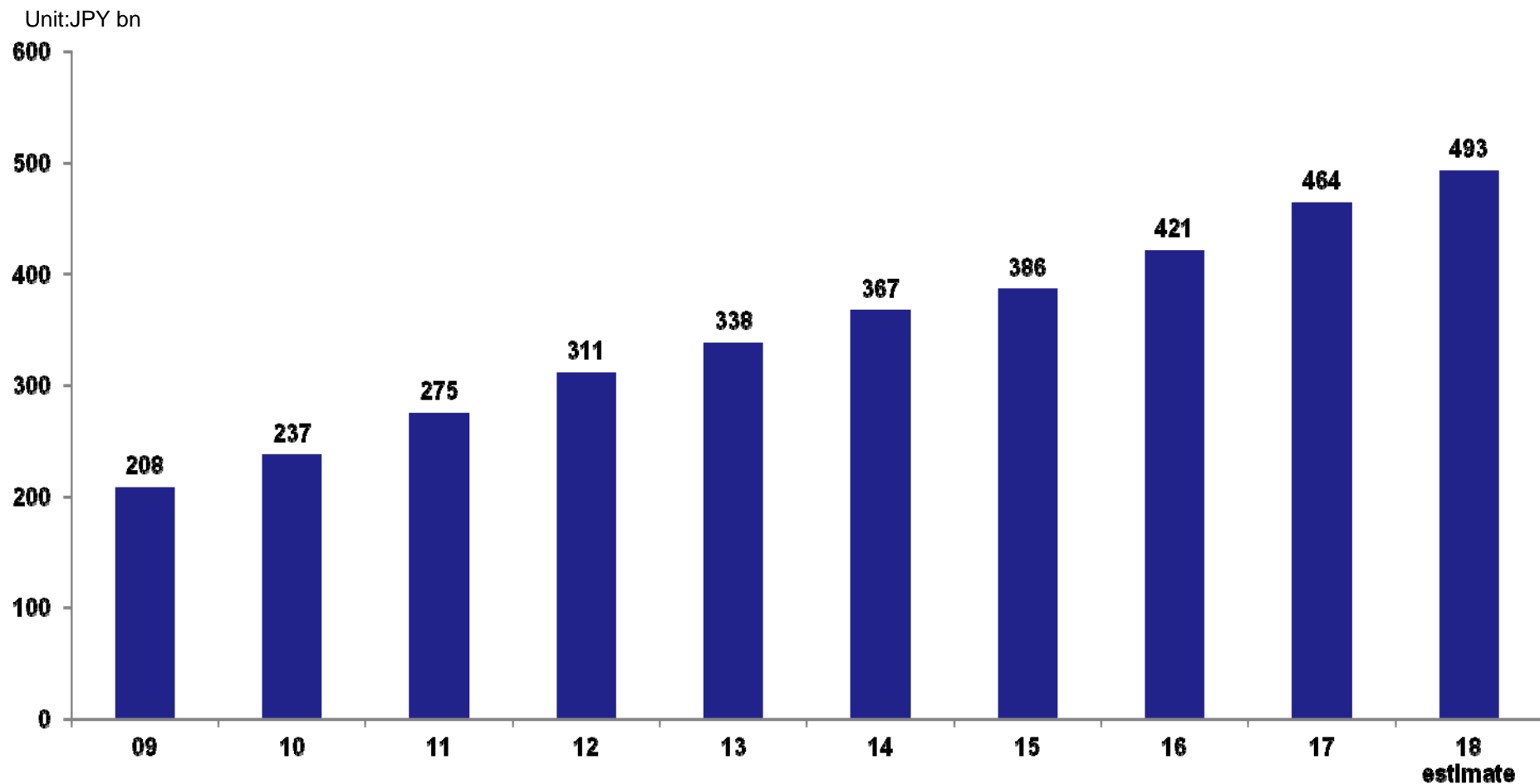
## Shizuoka redemption schedule



# Sinking Fund Reserves



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





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URL: [http://www.pref.shizuoka.jp/a\\_foreign/english/index.html](http://www.pref.shizuoka.jp/a_foreign/english/index.html)

Bloomberg: SHIZUP Govt <GO>



Shizuoka  
Prefecture

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## 4 Reference Materials

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



Sunrise from the top of Mt. Fuji **22**



# Japanese Local Government Bonds

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

## 1. Local Issue Tax System

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

## 2. Bond issuance approval system as an early correction measure

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

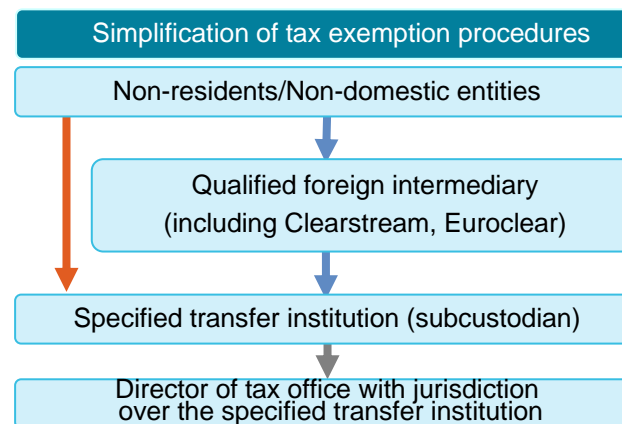
From January 1, 2008, tax exemption measures apply with respect to the interest on transfer local government bonds for non-residents and non-domestic entities which satisfy the prescribed conditions outlined below. Prior to this date, a 15% source deduction was deducted from interest earned on Japanese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

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

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

Furthermore, it is now possible to settle with Euroclear.

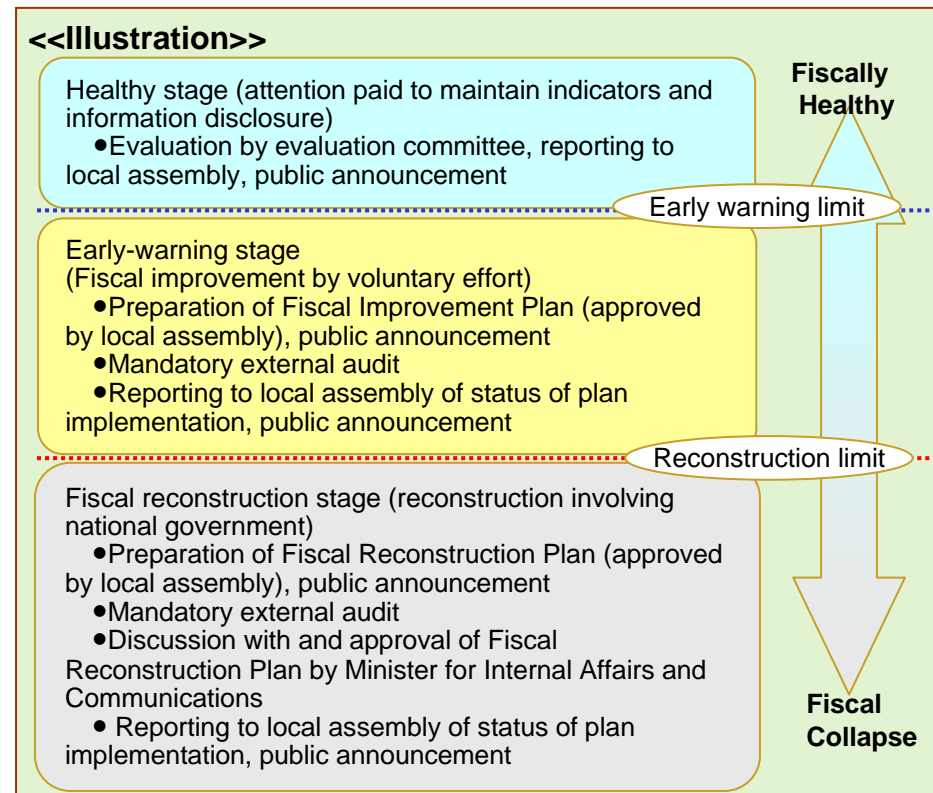
- Simplification of procedures by the elimination of separate individual bookkeeping under certain prescribed conditions, and a change from having to perform tax exemption procedures for each issuer (several) to just each transfer institution.
- Expansion of the range of qualified foreign securities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



# Fiscal Health Indicators

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

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



# General Accounts – Change in Revenue

(Units: JPY bn, %)

| Categories                      | '01   | '02   | '03   | '04   | '05   | '06   | '07   | '08   | '09   | '10   | '11   | '12   | '13   | '14   | '15   | '16   | '17   | '18   |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Prefectural Tax                 | 468   | 418   | 425   | 438   | 457   | 488   | 567   | 541   | 418   | 402   | 398   | 406   | 423   | 448   | 488   | 490   | 496   | 483   |
| % of Total                      | 33.9  | 34.1  | 35.9  | 37.5  | 40.3  | 43.0  | 49.6  | 47.3  | 34.4  | 34.4  | 34.6  | 35.2  | 35.9  | 37.4  | 39.8  | 40.3  | 40.3  | 40.7  |
| Local Allocation Tax            | 207   | 205   | 192   | 165   | 169   | 144   | 128   | 116   | 148   | 168   | 164   | 165   | 156   | 156   | 151   | 159   | 145   | 141   |
| % of Total                      | 15.0  | 16.7  | 16.2  | 14.1  | 14.9  | 12.7  | 11.2  | 10.1  | 12.2  | 14.4  | 14.3  | 14.3  | 13.2  | 13.0  | 12.3  | 13.1  | 11.8  | 11.8  |
| National Treasury Disbursements | 231   | 206   | 190   | 181   | 154   | 127   | 118   | 130   | 202   | 149   | 137   | 131   | 146   | 129   | 127   | 126   | 119   | 115   |
| % of Total                      | 16.8  | 16.8  | 16.0  | 15.5  | 13.6  | 11.2  | 10.3  | 11.4  | 16.6  | 12.8  | 11.9  | 11.4  | 12.3  | 10.8  | 10.3  | 10.4  | 9.7   | 9.7   |
| Prefectural Bonds               | 210   | 194   | 186   | 168   | 135   | 125   | 143   | 184   | 234   | 220   | 195   | 205   | 199   | 186   | 146   | 147   | 182   | 148   |
| % of Total                      | 15.2  | 15.9  | 15.7  | 14.4  | 11.9  | 11.1  | 12.5  | 16.1  | 19.3  | 18.8  | 17.0  | 17.8  | 16.8  | 15.5  | 11.9  | 12.1  | 14.8  | 12.4  |
| Others                          | 264   | 201   | 192   | 216   | 218   | 249   | 188   | 172   | 212   | 230   | 256   | 246   | 257   | 278   | 315   | 293   | 286   | 302   |
| % of Total                      | 19.1  | 16.5  | 16.2  | 18.5  | 19.3  | 22.0  | 16.4  | 15.1  | 17.5  | 19.6  | 22.2  | 21.3  | 21.8  | 23.3  | 25.7  | 24.1  | 23.3  | 25.4  |
| Total                           | 1,380 | 1,224 | 1,186 | 1,167 | 1,133 | 1,134 | 1,143 | 1,144 | 1,215 | 1,169 | 1,150 | 1,153 | 1,180 | 1,197 | 1,227 | 1,216 | 1,228 | 1,187 |

- Fiscal 2018 figures are initial budget estimates, actual figures provided up to Fiscal 2017

# General Accounts – Change in Expenditures

(Units: JPY bn, %)

| Categories                 | '01          | '02          | '03          | '04          | '05          | '06          | '07          | '08          | '09          | '10          | '11          | '12          | '13          | '14          | '15          | '16          | '17          | '18          |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Mandatory Expenses         | 656          | 642          | 626          | 629          | 621          | 617          | 622          | 619          | 618          | 623          | 630          | 633          | 626          | 635          | 648          | 655          | 602          | 611          |
| % of Total                 | 48.1         | 53.0         | 53.5         | 54.5         | 55.3         | 54.9         | 54.9         | 54.6         | 51.3         | 53.9         | 55.5         | 55.7         | 54.1         | 53.8         | 53.4         | 54.5         | 49.0         | 51.5         |
| Personnel Expenses         | 410          | 404          | 390          | 390          | 391          | 392          | 393          | 386          | 377          | 373          | 372          | 368          | 356          | 358          | 363          | 363          | 302          | 302          |
| % of Total                 | 30.1         | 33.4         | 33.4         | 33.8         | 34.9         | 34.9         | 34.8         | 34.0         | 31.3         | 32.3         | 32.8         | 32.4         | 30.8         | 30.4         | 29.9         | 30.2         | 24.6         | 25.4         |
| Social Aid Expenses        | 59           | 61           | 54           | 57           | 56           | 63           | 66           | 69           | 72           | 77           | 81           | 85           | 89           | 93           | 100          | 105          | 110          | 114          |
| % of Total                 | 4.3          | 5.0          | 4.6          | 4.9          | 5.0          | 5.6          | 5.8          | 6.1          | 6.0          | 6.7          | 7.1          | 7.5          | 7.7          | 7.9          | 8.3          | 8.7          | 9.0          | 9.6          |
| Bond Expenses              | 179          | 168          | 173          | 174          | 165          | 158          | 159          | 161          | 168          | 170          | 172          | 171          | 178          | 180          | 181          | 185          | 185          | 186          |
| % of Total                 | 13.1         | 13.9         | 14.7         | 15.0         | 14.7         | 14.1         | 14.0         | 14.2         | 13.9         | 14.7         | 15.1         | 15.1         | 15.3         | 15.2         | 14.9         | 15.4         | 15.0         | 15.7         |
| Disaster Recovery Expenses | 8            | 9            | 9            | 9            | 8            | 4            | 4            | 3            | 1            | 3            | 6            | 8            | 4            | 4            | 4            | 2            | 4            | 10           |
| % of Total                 | 0.6          | 0.7          | 0.8          | 0.8          | 0.7          | 0.3          | 0.3          | 0.3          | 0.1          | 0.2          | 0.5          | 0.7          | 0.3          | 0.3          | 0.3          | 0.2          | 0.4          | 0.8          |
| Investment Expenses        | 369          | 315          | 277          | 258          | 228          | 219          | 211          | 203          | 192          | 173          | 163          | 169          | 191          | 171          | 157          | 157          | 176          | 174          |
| % of Total                 | 27.1         | 26.0         | 23.7         | 22.3         | 20.3         | 19.5         | 18.6         | 17.9         | 16.0         | 14.9         | 14.1         | 14.9         | 16.3         | 14.5         | 12.9         | 13.1         | 14.3         | 14.7         |
| Public/Direct              | 191          | 175          | 150          | 137          | 120          | 111          | 101          | 90           | 89           | 92           | 90           | 94           | 102          | 88           | 82           | 84           | 97           | 92           |
| % of Total                 | 14.0         | 14.5         | 12.8         | 11.9         | 10.7         | 9.9          | 8.9          | 7.9          | 7.4          | 8.0          | 8.0          | 8.3          | 8.9          | 7.5          | 6.7          | 7.0          | 7.9          | 7.8          |
| Standalone                 | 178          | 140          | 128          | 120          | 108          | 107          | 110          | 113          | 103          | 81           | 73           | 75           | 89           | 83           | 75           | 73           | 79           | 82           |
| % of Total                 | 13.1         | 11.5         | 10.9         | 10.4         | 9.6          | 9.6          | 9.7          | 10.0         | 8.6          | 6.8          | 6.2          | 6.6          | 7.5          | 7.0          | 6.2          | 6.1          | 6.4          | 6.9          |
| Others                     | 338          | 254          | 266          | 268          | 273          | 287          | 300          | 312          | 394          | 358          | 342          | 335          | 340          | 374          | 409          | 390          | 451          | 402          |
| % of Total                 | 24.8         | 21.0         | 22.8         | 23.2         | 24.4         | 25.6         | 26.5         | 27.5         | 32.7         | 31.3         | 30.4         | 29.4         | 29.5         | 31.7         | 33.7         | 32.4         | 36.7         | 33.8         |
| <b>Total</b>               | <b>1,363</b> | <b>1,211</b> | <b>1,169</b> | <b>1,155</b> | <b>1,121</b> | <b>1,122</b> | <b>1,132</b> | <b>1,134</b> | <b>1,204</b> | <b>1,154</b> | <b>1,135</b> | <b>1,136</b> | <b>1,157</b> | <b>1,180</b> | <b>1,214</b> | <b>1,202</b> | <b>1,228</b> | <b>1,187</b> |

\*Fiscal 2018 figures are initial budget estimates, actual figures provided up to Fiscal 2017

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

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

# Fiscal Position of Shizuoka – Current Conditions

All four indicators are performing better than the nationally established standards

| 4 Indicators*                   | Description   | Fiscal 2017 | National Standard   |                      |
|---------------------------------|---|-------------|---------------------|----------------------|
|                                 |   |             | Early warning limit | Reconstruction limit |
| Real deficit ratio              | Amount of general account deficit as a proportion of fiscal scale | (Surplus)   | 3.75%               | 5.0%                 |
| Consolidated real deficit ratio | Amount of all account deficits as a proportion of fiscal scale    | (Surplus)   | 8.75%               | 15.0%                |
| Real debt payment ratio         | Public debt expenses as a proportion of fiscal scale              | 13.4%       | 25.0%               | 35.0%                |
| Future burden ratio             | Prefectural bond balance as a proportion of fiscal scale          | 238.4%      | 400.0%              | -                    |

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

# Financial Statements (Fiscal 2016)

## ● Balance Sheet

(Units: JPY bn)

| Assets                            | Amount         | Liabilities                                       | Amount         |
|-----------------------------------|----------------|---|----------------|
| 1 Non-Current Assets              | 3,878.6        | 1 Non-Current Liabilities                         | 3,586.2        |
| (1) Property, plant and equipment | 3,297.1        | (1) Local government bonds                        | 3,172.5        |
| Business assets                   | 1,014.3        | (2) Retirement benefit reserves                   | 329.6          |
| Infrastructure assets             | 2,232.9        | (3) Others  | 84.1           |
| Goods                             | 49.9           |   |                |
| (2) Intangible assets             | 31.1           | 2 Current Liabilities                             | 178.3          |
| (3) Investments and Other Assets  | 550.4          | (1) Current portion of LGB                        | 134.1          |
| 2 Current Assets                  | 199.9          | (2) Bonus provisions                              | 22.9           |
| (1) Cash                          | 78.5           | (3) Others  | 21.3           |
| (2) Accrued Income                | 20.3           | <b>TOTAL LIABILITIES</b>                          |                |
| (3) Funds                         | 84.7           |   |                |
| (4) Others                        | 16.4           | <b>NET ASSETS</b>                                 | <b>Amount</b>  |
|                                   |                | (1) Portion of non-current liabilities            | 3,972.8        |
|                                   |                | (2) Surplus(Deficit)                              | △ 3,659.9      |
|                                   |                | (3) Investments in capital by other organizations | 1.1            |
|                                   |                | <b>Total Net Assets</b>                           | <b>314.0</b>   |
| <b>TOTAL ASSETS</b>               | <b>4,078.5</b> | <b>Total Liabilities And Net Assets</b>           | <b>4,078.5</b> |

## ● Statement of Administrative Costs

|                                      | Amount         |
|--------------------------------------|----------------|
| (1) Business Expenses                | 711.1          |
| Personnel expenses                   | 404.0          |
| Building expenses                    | 254.7          |
| Others                               | 52.4           |
| (2) Moving Expenses                  | 368.8          |
| Subsidyl expenses                    | 347.7          |
| Social security benefit expenses     | 17.3           |
| Others                               | 3.8            |
| <b>Ordinary Expenses A</b>           | <b>1,079.9</b> |
| (1) Fee                              | 66.5           |
| (2) Others                           | 67.6           |
| <b>Ordinary Income B</b>             | <b>134.1</b>   |
| <b>Net Ordinary Expenses C=A-B</b>   | <b>945.8</b>   |
| (1) Loss on Sale of Assets           | 2.0            |
| (2) Provision for Loss on Guarantees | △ 0.1          |
| (3) Others                           | 1.5            |
| <b>Extraordinary Loss D</b>          | <b>3.4</b>     |
| (1) Gain on sale of assets           | 0.7            |
| (2) Others                           | 0.1            |
| <b>Extraordinary Income E</b>        | <b>0.8</b>     |
| <b>Net Expenses C+D-E</b>            | <b>948.4</b>   |

## ● Statement of Changes in Net Assets

|  | Amount       |
|--|--------------|
| Net assets at end of last FY                             | 388.4        |
| Change of Net assets during this FY                      | △ 74.4       |
| Difference of this FY                                    | △ 50.6       |
| Change of external account<br>(Non current assets, etc.) | △ 23.8       |
| <b>Net Assets at end of this FY</b>                      | <b>314.0</b> |

## ● Statement of Cash Flow

|   | Amount      |
|---|-------------|
| (1) Ordinary income and expenditure                 | 44.0        |
| (2) Capital income and expenditure                  | △ 78.6      |
| (3) Financial income and expenditure                | 33.3        |
| (1) Balance of cash during this FY                  | 1.3         |
| (2) Cash at end of last FY                          | 74.5        |
| (3) Cash at end of this FY                          | 73.2        |
| Cash outside of annual account at end<br>of this FY | 5.3         |
| <b>Total cash at end of this FY</b>                 | <b>78.5</b> |