

Sapporo City Finances



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Overview of Sapporo

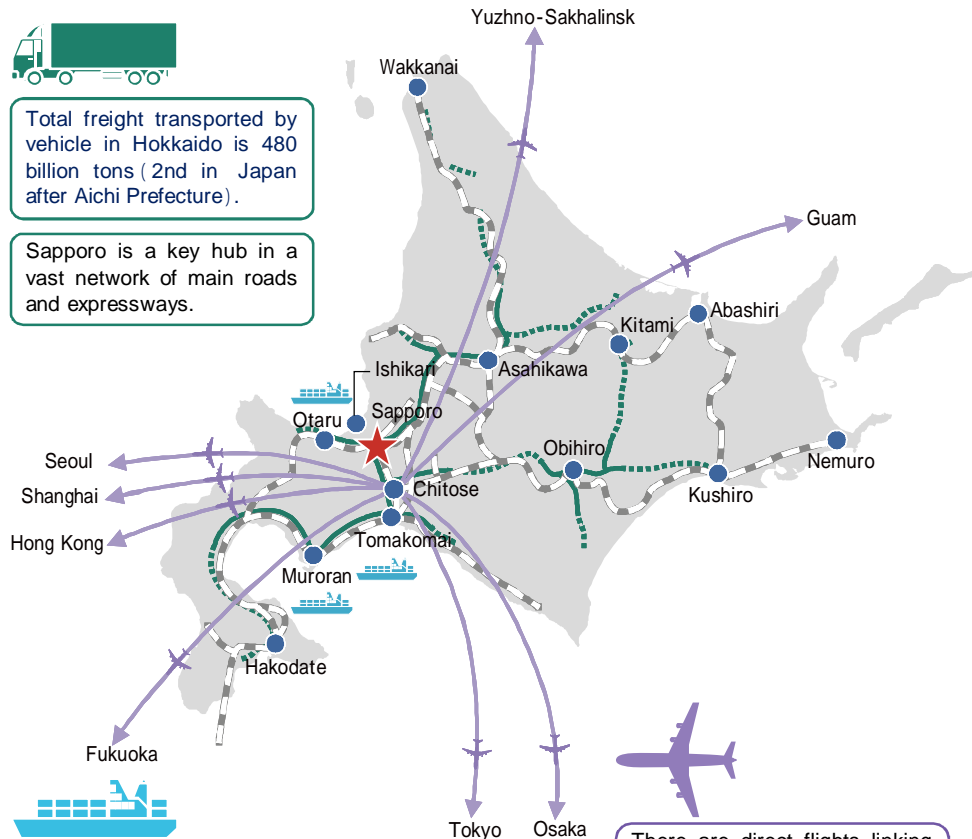
A City Full of Possibilities

Easy Access, Efficient Distribution



Total freight transported by vehicle in Hokkaido is 480 billion tons (2nd in Japan after Aichi Prefecture).

Sapporo is a key hub in a vast network of main roads and expressways.



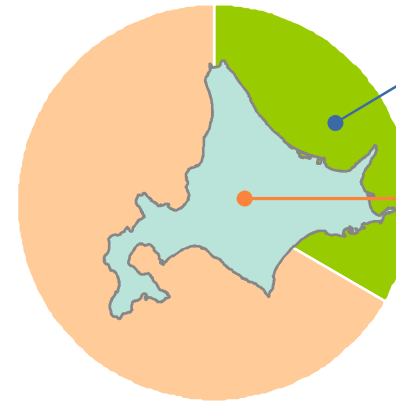
-Total marine freight for Hokkaido is 60,000,000 tons (3rd in Japan after Aichi and Fukuoka prefectures).

Sapporo is near many key ports and harbors such as Ishikari, Otaru, Tomakomai and Muroan.

There are direct flights linking Sapporo with Seoul, Yuzhno-Sakhalinsk, Shanghai and other international destinations.

There is only a 36 minute commute between New Chitose Airport and Sapporo Station.

Home to 1/3 of Hokkaido's Population



Sapporo
Population 1,898,473

Hokkaido
Population 5,569,252

Percentage of Hokkaido's Population in Sapporo

Approx. 34.1%

Source: Basic Citizen Registry as of late September 2008

53 Daily Flights to Tokyo (as of November 2008)

Osaka (Kansai) : 8 flights/day
Osaka (Itami) : 3 flights/day

Fukuoka:
3 flights/day

Nagoya:
12 flights/day

Tokyo:
53 flights/day

Domestic Airport	Flights to Tokyo, Haneda
New Chitose	53
Fukuoka	46
Itami (Osaka)	29
Kansai (Osaka)	16
Okinawa	25

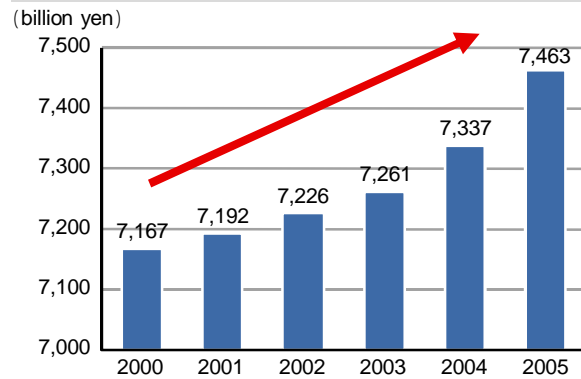
Overview of Sapporo

A City Where is Continuously Growing

Gross Product of City (real)

Approx. 7.5 trillion
5th among govt ordinance cities

Gross City Product

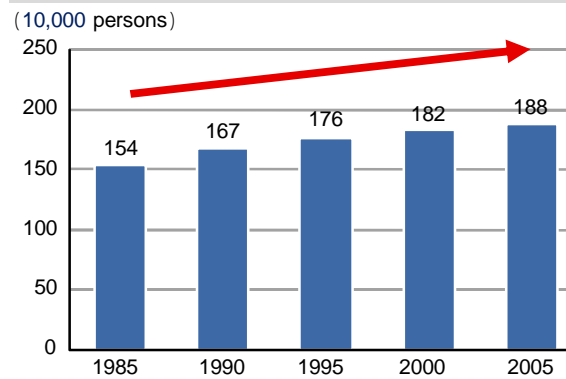


Source : FY05 Sapporo City Annual Economic Report
(Real: chain-linking method)

Population of Approx. 1.9 Million (current)

4th among govt ordinance cities

Sapporo Population

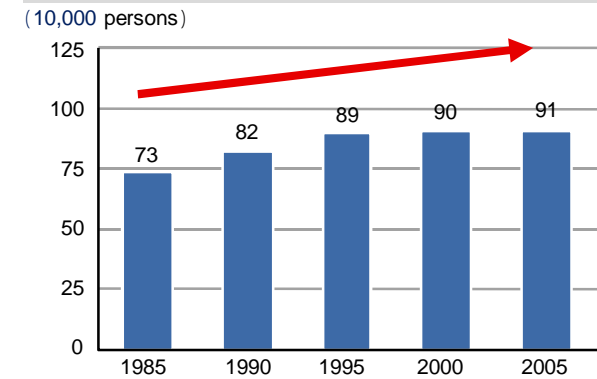


Source : Population Census, Statistics Bureau,
Ministry of Internal Affairs and Communications

Working Population of Approx. 910,000

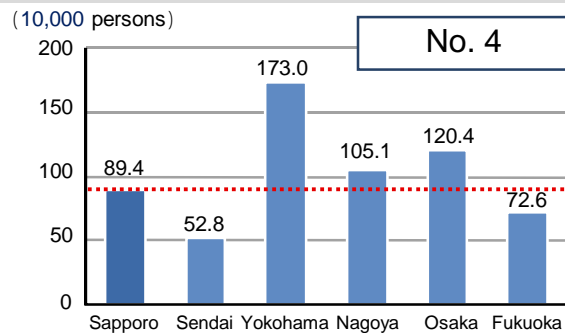
4th among govt ordinance cities

Working Population



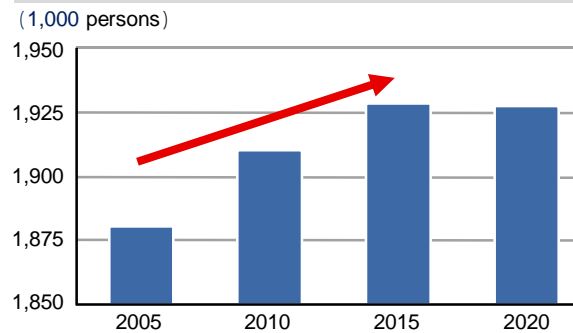
Source : Population Census, Statistics Bureau,
Ministry of Internal Affairs and Communications

Under 40 Population by City



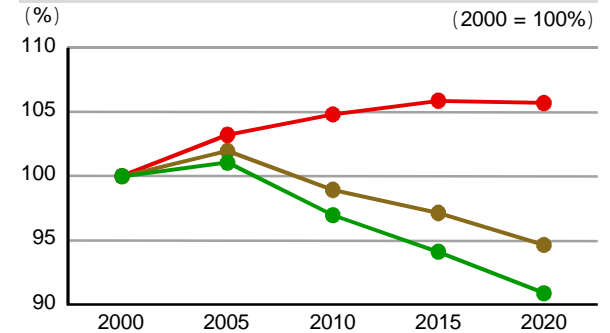
Source : 2005 Population Census, Statistics Bureau,
Ministry of Internal Affairs and Communications

Population Forecast



National Institute of Population and Social Security Research
official data (December 2003) (Actual results for 2005)

Future Population Growth by City



Legend: ● Sapporo ● Nagoya ● Osaka
National Institute of Population and Social Security Research
official data (December 2003) (Actual results for 2005)

Overview of Sapporo

A City Where People Gather

Most Appealing City

Voted No. 1 in Japan for 3rd straight year

Major Tourist Destination

Festivals during every season

No. of Tourists

Approx. 14 million annually

No. of Foreign Tourists

Roughly doubled in 4 years

Regional Brand Survey

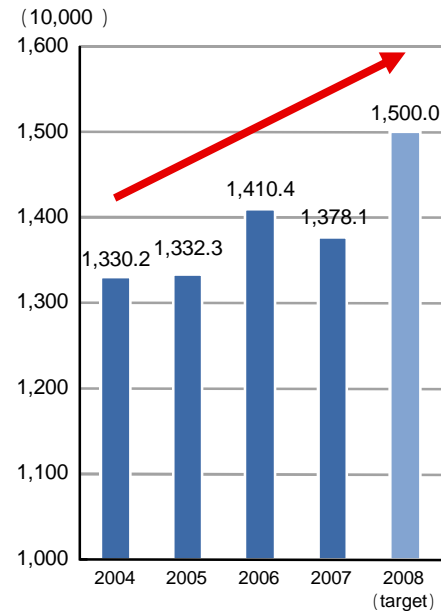
Regional Ranking	City		Prefecture
	2008	2007	
1	1	Sapporo	Hokkaido
2	4	Hakodate	Hokkaido
3	2	Kyoto	Kyoto
4	3	Yokohama	Kanagawa
5	5	Otaru	Hokkaido
6	6	Kobe	Hyogo
7	8	Furano	Hokkaido
8	7	Kamakura	Kanagawa
9	10	Karuizawa	Nagano
10	9	Kanazawa	Ishikawa

Source : Brand Research Institute

Major Annual Events

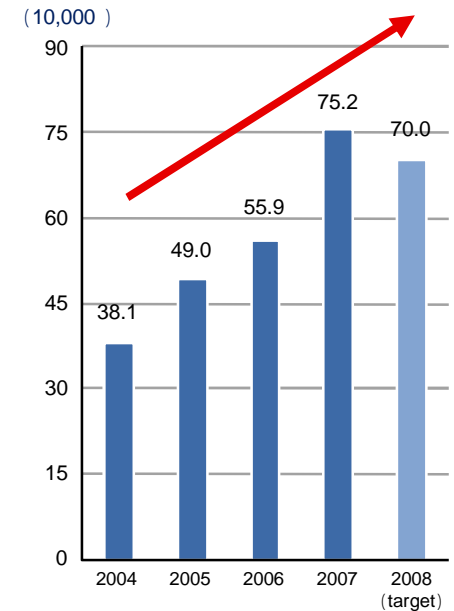
Late May	Lilac Festival
Early June	Yosakoi Soran Festival
July	Pacific Music Festival
July-Aug	Sapporo Summer Festival
July-Aug	Sapporo City Jazz
Early Sept	Sapporo International Short Film Festival and Market
Sept-Oct	Sapporo Autumn Fest
Oct-Nov	Sapporo Chrysanthemum Festival
Nov-Dec	German Christmas Market in Sapporo
Nov-Feb	Sapporo White Illumination
Early February	Sapporo Snow Festival

Tourist Estimate



Source : Sapporo City survey

Foreign Tourists Staying Overnight



Source : Sapporo City survey



Overview of Sapporo

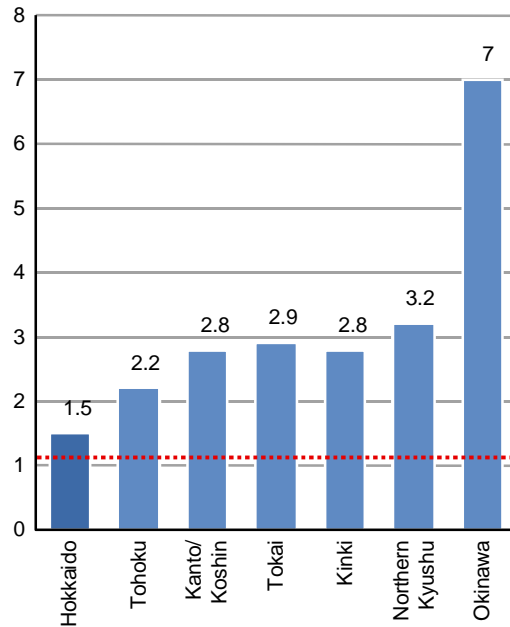
A City with Few Natural Disasters

Typhoon Landfalls per Year

Roughly half the number of Kanto / Koshin regions

Annual No. of Typhoons in Vicinity by Region
(1971 – 2000)

(typhoons/year)



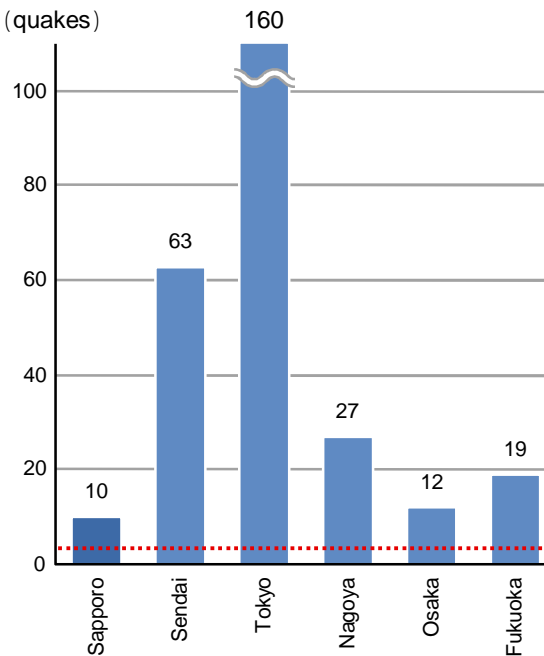
Source: 2007 Chronological Scientific Tables

Probability of Magnitude 6+ Earthquake over Next 30 Years

0.5%

No. of Magnitude 3+ Earthquakes Over Past 30 Years

(quakes)



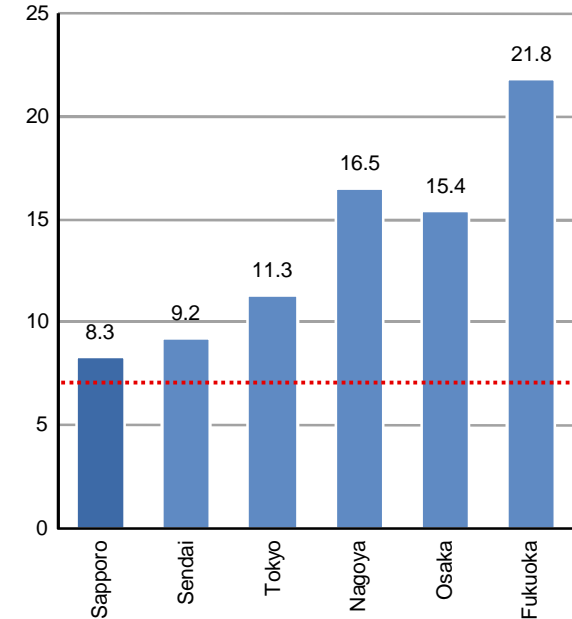
Source: Japan Meteorological Agency's "Earthquake Database"

Thunderstorms

8.3 days / year

Annual Average No. of Thunderstorm Days
(1971 ~ 2000)

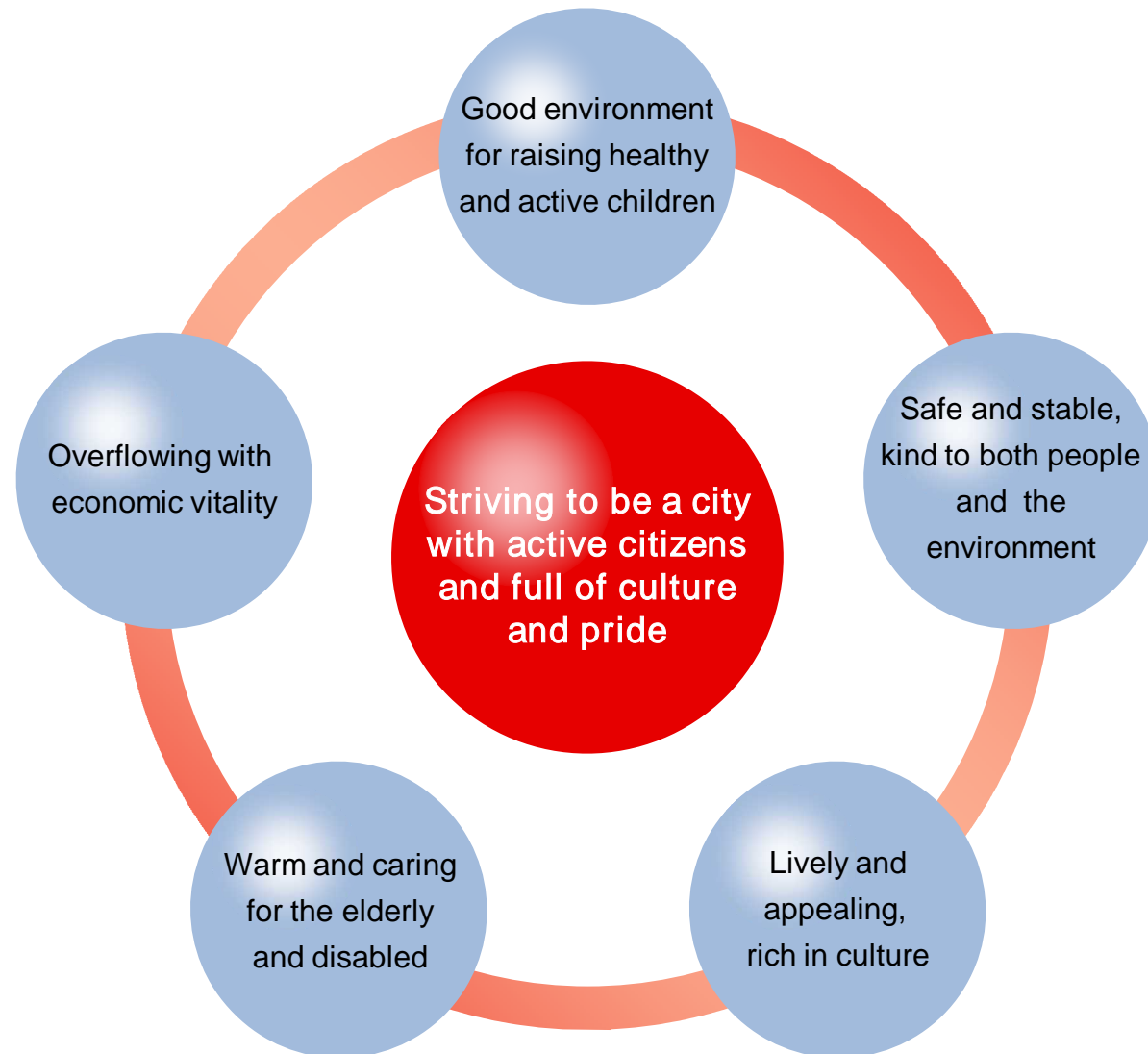
(days)



Source: 2007 Chronological Scientific Tables

Sapporo “Genki” Vision – Stage 2

- Creating a vibrant city that harnesses the strengths of its residents to create an exciting living environment



Main Policies

Attracting Businesses and Developing New Industries that Complement Sapporo's Unique Character

■ Promoting Sapporo as a "Food Town"

- Plan to establish the "Sapporo Food" brand for sweets and other foods.



■ Attracting Industry

- Inviting IT, digital contents and bio industries, as well as call centers and other new businesses.
- Participated in Tokyo Big Site fair for attracting businesses together with Ishikari City, which has large areas of low-cost commercial land.

■ Sapporo Style Promotion Project

- Create a representative brand that utilizes key designs and the city's strong image



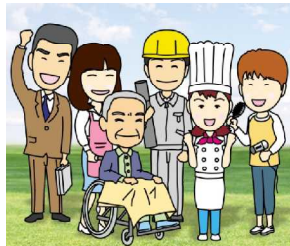
■ Sapporo Digital Contents Market Project

- Since 2006 the city has sponsored the Sapporo International Short Film Festival and Market in order to promote the development of a short film industry in the city. This year's festival had 2,336 entries from 76 countries and attracted 10,371 tourists (both were No. 1 among the 16 cities in Japan sponsoring similar short film festivals).
- Working together with Pusan, South Korea, in the three areas of filming and staff development, international joint film production and international joint film distribution.

Supporting the People and Industries that Drive Sapporo's Economy

■ "Genki Ganbare" Loans

- Small loans for operations and equipment are provided to support small businesses, which make major contributions to developing the region and providing employment.



Supporting People and Companies Looking to Start New Businesses and Develop New Fields

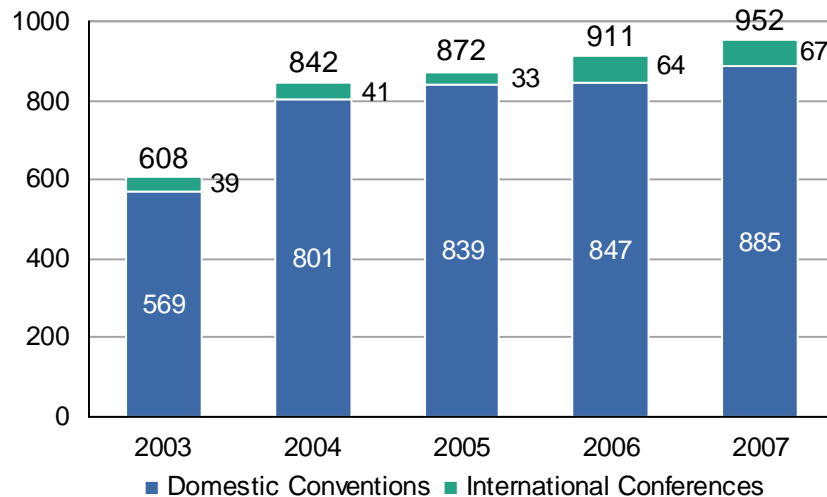
■ Supporting new business launched by women and members of the baby-boomer generation.

- Providing individual advice from coordinators, as well as other support.
- Holding workshops to help women and members of the baby-boomer generation start their own businesses.

Main Policies

Boosting Capacity for Holding and Attracting Conventions

- Sapporo hosted 952 conventions and international conferences this year thanks to advertising, events to generate customer traffic and efforts to attract convention sponsors (57% improvement over 2003).



Supporting Contributions to Society, Expanding Opportunities to Participate in Society

- “Hatsu-ratsu” Seniors Support Project
 - Supporting a new age of meaningful activities that allow seniors to contribute more to the society.

Appealing Qualities that Link Municipalities throughout Hokkaido

- Create a Center for Promoting Hokkaido’s appealing qualities
 - Sapporo Autumn Festival 2008
Joining with municipalities throughout Hokkaido to share the charms of Hokkaido and Sapporo through food. A total of 114 municipalities participated in this event that attracted 720,000 visitors.
 - Establish the Antenna Shop “HUG” for Hokkaido Brand Products
Sells special products that are the pride of municipalities throughout Hokkaido. Used as means to transmit information about Sapporo and broadly convey the appeal of Hokkaido both inside and outside Japan.

Promote Energy Conservation and New Energies

- Sapporo Energy Eco Project
 - Help citizens and industry to adopt energy-saving and new energy equipment.
 - Japan’s first joint project involving financial institutions and energy providers.



Supporting Career / Family Life Balance

- Project to support businesses that help employees balance their careers and family life
 - Support for businesses creating working environments that allow employees to balance careers, personal and family lives



Fiscal & Administrative Reforms

Approaches to Fiscal and Administrative Reforms

Fiscal year 2004 ~ 2006
Sapporo "Genki" Vision
Sapporo New City Building Plan
Sapporo City Office Reform
City Office Managerial Resource Reform
<ul style="list-style-type: none"> ■ Fiscal Reform <ul style="list-style-type: none"> → Financial Structure Reform Plan • Aim of Financial Structure Reforms • Reform of Financial Management Methods
FY06 Target: Balance sheet improvement of 26.5 billion yen Organization Status FY05 14.3 billion yen FY06 13.1 billion yen

Achieved improvement of 27.3 billion yen



Fiscal year 2007 ~ 2010									
"Genki" Vision – Stage 2									
Sapporo New City Building Plan – Stage 2									
Fiscal and Administrative Reform Plan									
■ Target	Realize efficient government administration in step with the times. Switch to a sustainable fiscal structure								
■ Period	FY07 ~ FY10								
■ Target	Improve balance by 30.6 billion yen								
■ Approaches	<ul style="list-style-type: none"> • Review organization (management of regular staff, managerial positions) • Promote utilization of private sector • Review affiliated organizations, others 								
■ Breakdown of improvement target (30.6bn yen)	<table border="0"> <tr> <td>Internal efforts</td> <td style="text-align: right;">11.5bn yen</td> </tr> <tr> <td>Project Selection & Consolidation</td> <td style="text-align: right;">2bn yen</td> </tr> <tr> <td>Service Level Review</td> <td style="text-align: right;">5.6bn yen</td> </tr> <tr> <td>Effective Asset Utilization</td> <td style="text-align: right;">11.5bn yen</td> </tr> </table>	Internal efforts	11.5bn yen	Project Selection & Consolidation	2bn yen	Service Level Review	5.6bn yen	Effective Asset Utilization	11.5bn yen
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Project Selection & Consolidation	2bn yen								
Service Level Review	5.6bn yen								
Effective Asset Utilization	11.5bn yen								

Fiscal year 2005 ~ 2009
Affiliated Organization Reform Plan
<ul style="list-style-type: none"> ■ Main Approaches <ul style="list-style-type: none"> • Eliminate three organizations including land development public corporations. • Merge 8 organizations into 4. • Of 182 registered temporary workers dispatched by the city, 95 will be promoted to regular positions with affiliated organizations. • Eliminate 16 positions for 14 organizations through rehires and the promotion of city temporary staff to full-time positions with affiliated organizations.

Fiscal & Administrative Reforms

Status of Fiscal & Administrative Reform Plan

- Aim to eliminate the 30.6 billion balance sheet shortfall by FY10.
- In FY08 made revisions in accordance with the direction of the plan's approaches, realizing a 17.8 billion yen improvement (sustainable effect amount: 7.3 billion)

(Unit : 100 million yen)

Item	Fiscal & Administrative Reform Plan	FY08 Implementation		Main Approaches
			Approach with sustainable effect	
Internal Efforts	115	84	49	
Clerical work review (internal efficiency)	39	16	16	Reduce general office expense and review facility operating expenses
Personnel expense review	27	11	11	Review staffing levels, temporary worker expenses and special employee allowances
Account transfer reviews	48	56	21	Reduce expenses at public organizations, issue standardization bonds for sewage and waterworks account
Project Selection & Consolidation	20	5	5	
Items Impacting Citizens	56	19	19	
Clerical work review (service level)	25	15	15	Abolish inefficient facilities
Make beneficiary burdens more appropriate (Review user fees, other charges)	31	4	4	Review garbage disposal fees *Start fees for disposing of household garbage from July 2009
Effective Asset Utilization	115	70	0	Sell land, draw down land development funds and urban development funds
Total Impact from Reviews	306	178	73	

Ratings

Obtained debt rating from Moody's Investors Service on November 17, 2008.

Local Currency Rating	
Rating	BCA
Aa1 (Outlook: Stable)	4

■ Factors

(from Moody's Investors Services press release)

Sapporo's overall debt burden has declined over the past four years, with the interest payment costs also trending lower. The outstanding debt balance is expected to continue shrinking steadily over the midterm with the city maintaining fiscal management that keeps the amount of new municipal bond issuance each year below the principal redemption amount.

Sapporo continues to cut expenses, including personnel costs and investment expense. These efforts have resulted in some major results and big fiscal effects.

Sapporo's investment and debt management policies, including those for affiliated organizations, are considered to be prudent, accurate and very transparent. Sapporo's credibility is a supporting factor.

Sapporo serves the important role of center for the Hokkaido economy and its population is expected to keep growing due to social influxes.

Moody's Ratings for other Public Organizations (as of November 17, 2008)			
Rating	BCA	Region	Govt Ordinance City
Aa1 (stable)	3	Tokyo	—
	4	Shizuoka Pref Hiroshima Pref Fukuoka Pref	Sapporo Fukuoka Hamamatsu Nagoya Sakai Fukuoka
	5	Niigata Pref	Kyoto Osaka

Financial Conditions

FY98 ~ FY07 Revenue & Expenditures

(Unit : 100 million yen)

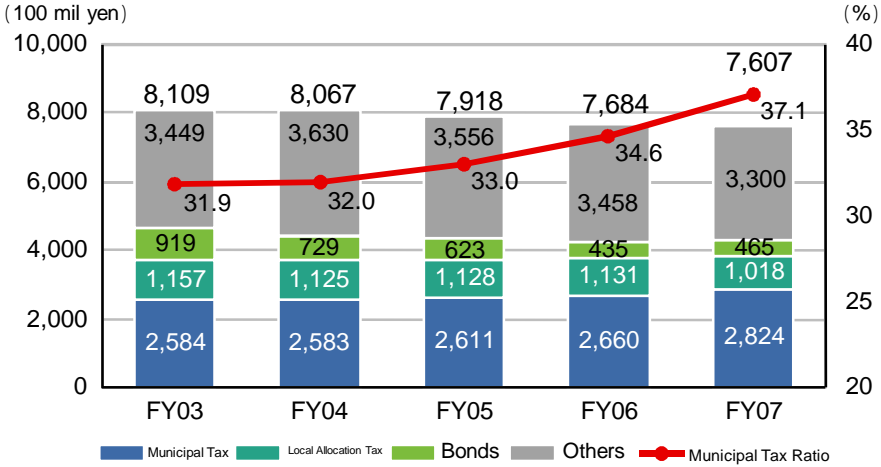
	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Municipal Tax	2,853	2,841	2,693	2,688	2,682	2,584	2,583	2,611	2,660	2,824
Local Allocation Tax	1,246	1,356	1,444	1,349	1,248	1,157	1,125	1,128	1,131	1,018
Municipal Bonds	1,135	971	783	855	940	919	729	623	435	465
Treasury / Prefecture Disbursements	1,270	1,488	1,212	1,239	1,276	1,392	1,468	1,415	1,327	1,404
Others	2,030	2,196	2,308	2,404	2,069	2,057	2,162	2,141	2,131	1,896
Total Revenue	8,534	8,852	8,440	8,535	8,215	8,109	8,067	7,918	7,684	7,607
Personnel	1,266	1,295	1,274	1,266	1,195	1,185	1,149	1,145	1,121	1,130
Public Assistance	1,128	1,195	1,183	1,244	1,334	1,491	1,589	1,636	1,657	1,717
Debt Servicing	765	812	846	885	916	856	995	954	944	957
Investment Expense	2,098	2,109	1,675	1,633	1,492	1,129	1,009	861	668	648
Other	3,228	3,367	3,347	3,436	3,199	3,380	3,288	3,286	3,254	3,136
Supplies	824	844	827	871	707	687	737	716	680	687
Subsidies	699	704	748	744	682	724	714	687	712	686
Transfers	471	517	537	572	554	613	605	646	642	577
Total Expenditures	8,485	8,778	8,325	8,464	8,136	8,041	8,030	7,882	7,644	7,588
Balance (Revenue-Expenditure)	48	74	114	71	79	69	37	36	40	19

Rounded to the nearest 100 billion yen

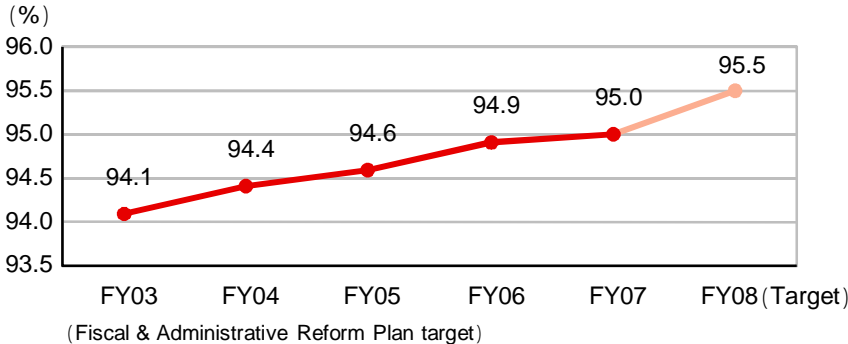
Financial Conditions

Revenue

- Municipal tax has been growing and accounting for a larger portion of the general account.
- Implementing special measures to reduce the amount of unpaid tax. Tax collection rate has been steadily increasing.



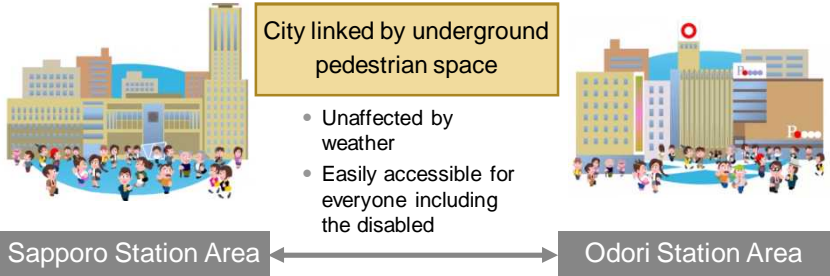
Tax Collection Rate



Example of Policy to Increase Tax Revenue

Promote Development of the City Center

- Constructing an underground pedestrian area near Sapporo Station has linked the three areas of Sapporo, Odori and Susukino and stimulated economic activity for the city overall. Numerous above-ground private sector facilities are being rebuilt. This type of private-sector urban development is expected to boost tax revenue and have a big impact on Sapporo's economy.



Approaches for Improved Tax Collection

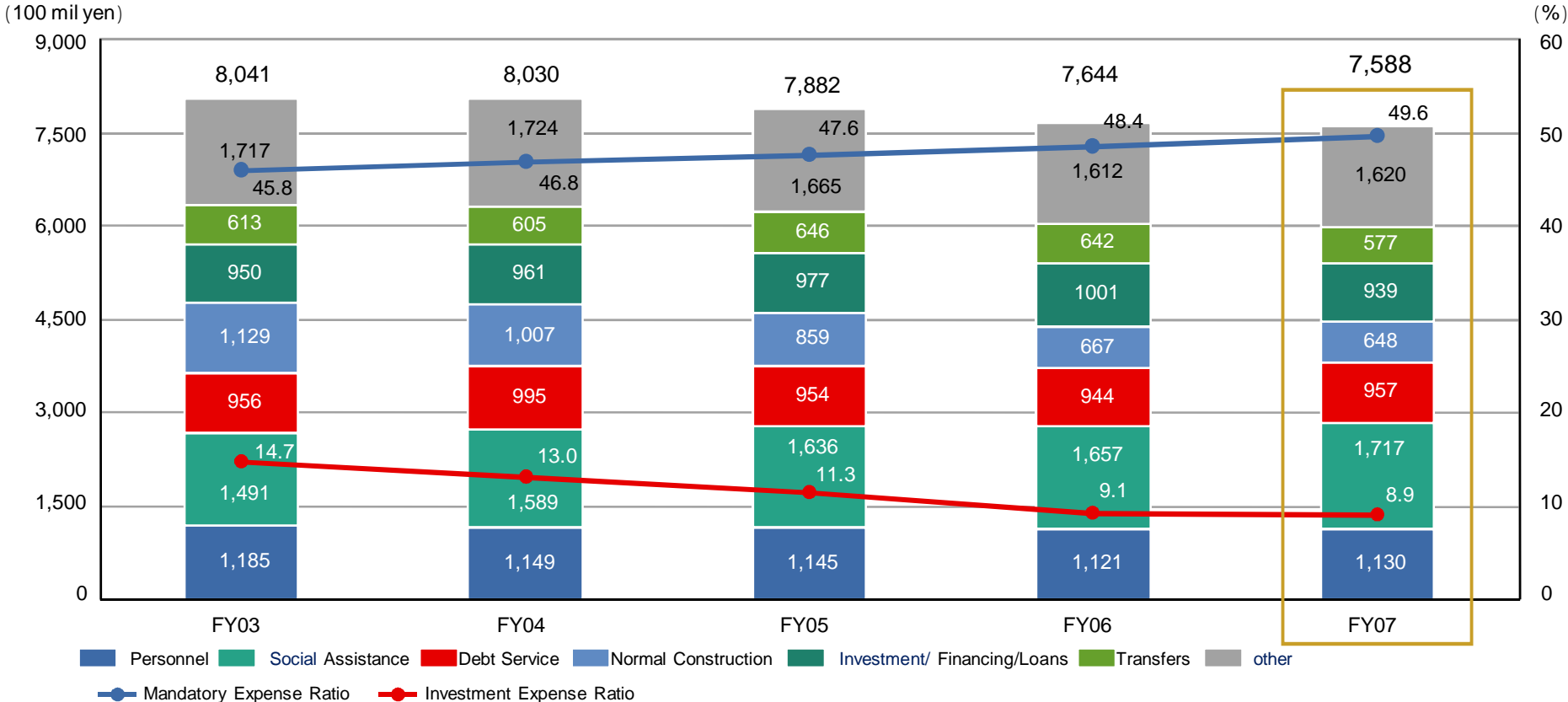
New 3-Year Plan for Recovering Unpaid Taxes (FY08-FY10)

- Promote a planned approach for recovering unpaid taxes involving thorough progress management. Examples include the use of Internet-based asset auctions, asset seizures and a year-round nighttime tax consultation center (open every Thursday).

Financial Conditions

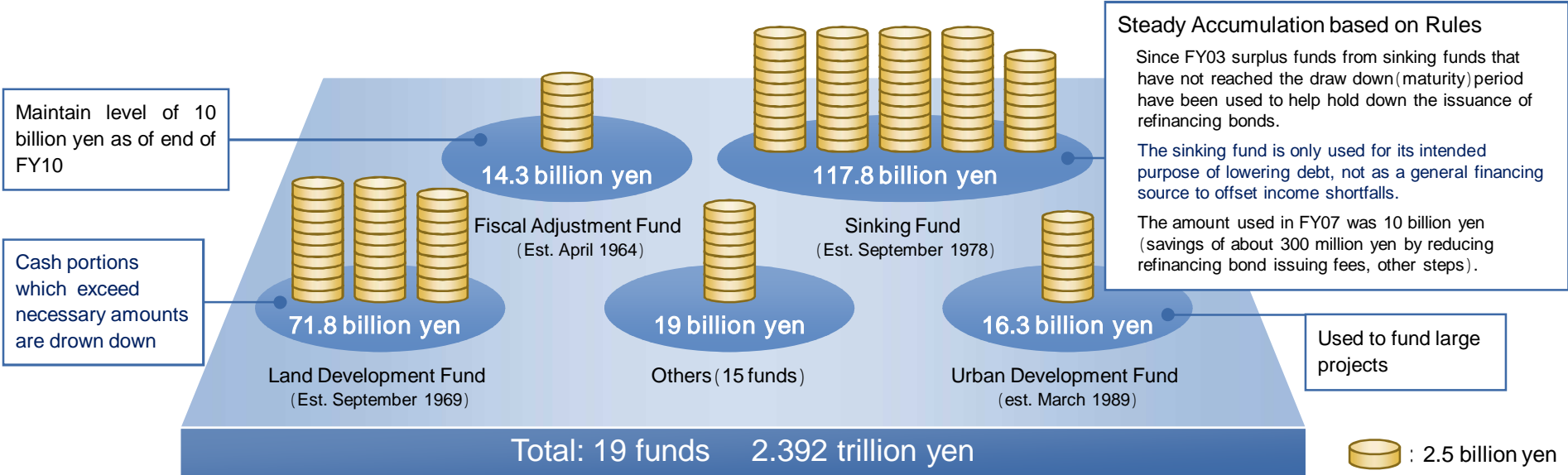
Expenditures

- General account expenditures have fallen for six straight years.
- The ratio of mandatory expense (personnel + public assistance + debt servicing) has been increasing, but personnel and debt servicing expenses are expected to peak and then begin declining in FY09 and FY10, respectively.
- Investment expense (normal construction projects + disaster recovery + unemployment countermeasures) has been in a downward trend due to efforts to restrain public works investment.

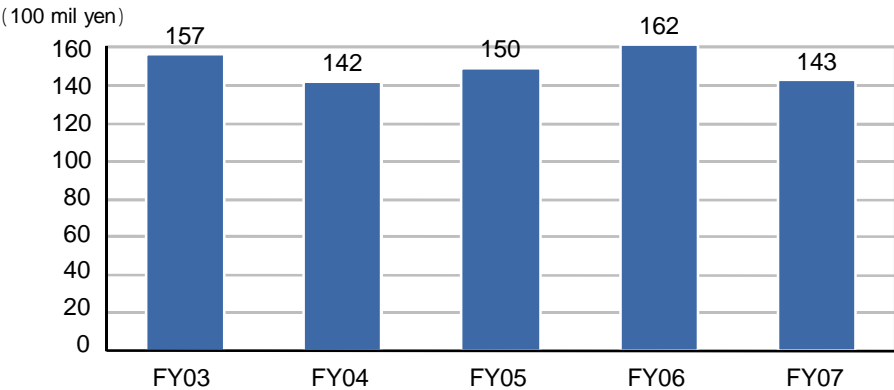


Financial Conditions

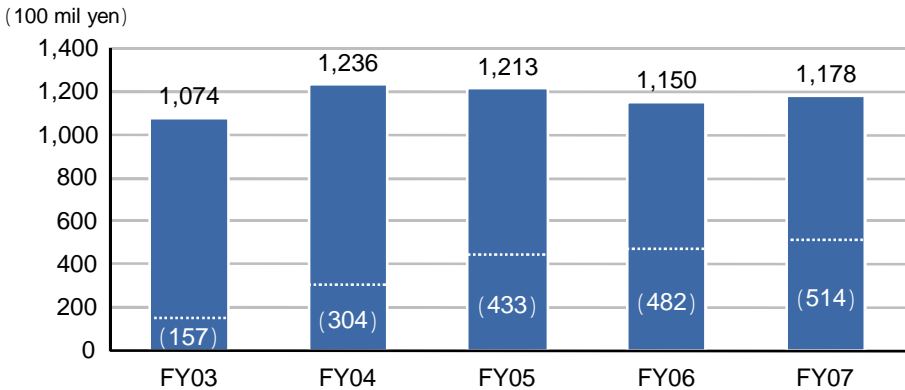
Balance of ~240 billion yen in 19 Funds



Fiscal Adjustment Fund Balance



Sinking Fund Balance



Borrowing from fund shown in brackets ()

Financial Conditions

Revenue & Expenditures for General / Special Accounts and Balance Sheet

- The general account has a net surplus of 6.7 billion yen. Of this, 450 million yen was added to the Fiscal Adjustment Fund.
- The national health insurance deficit was reduced by more than 20%.

(Unit : mil yen)

	General Account			
	FY04	FY05	FY06	FY07
Revenue	806,657	791,848	768,433	760,719
Expenditures	802,951	788,239	764,356	758,780
Gross Inc & Exp	3,706	3,609	4,077	1,939
Funds carried over	2,836	2,120	1,754	1,072
Net Balance	870	1,489	2,323	867
Reserves	500	750	1,200	450

May not be an exact total as figures are rounded.

(Unit : 100 mil yen)

	FY04	FY05	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07
Expenditure	197,086	203,985	173,164	174,006	81,141	85,810	6,613	6,182	122	116		
Difference	-7,773	-6,153	-1,628	-2,438	1,674	1,686	0	0	0	0		
	Funds		Soil Erosion Projects		Parking		Public Bonds		Welfare Fund for Mothers and Children			
	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07		
Revenue	1,235	1,955	134	_____	339	347	419,837	449,748	280	260		
Expenditure	965	1,467	101	_____	328	307	419,837	449,748	189	169		
Difference	269	488	33	_____	11	40	0	0	90	92		

May not be an exact total as figures are rounded.

Balance Sheet (as of March 31, 2007)

- When comparing the consolidated balance sheet that includes all affiliated organizations (all accounts, 3 associations, 1 independent administrative organization, 1 public corporation, 25 affiliated organizations) with the balance sheet for all accounts (general, special, corporate), assets are 1.02X and debts are 1.03X. This means that the fiscal conditions of affiliated organizations have little impact on Sapporo's overall fiscal standing.

(Unit : 100 mil yen, %, multiple)

	FY05 Consolidated		FY06 Consolidated		Change B - A	FY06 All Accounts		Comparison w ith All Accounts	
	A	Ratio	B	Ratio		C	Ratio	B - C	B / C
Assets	48,160	100.0	48,126	100.0	-34	47,210	100.0	916	1.02
Tangible fixed assets	44,963	93.4	44,663	92.8	-300	44,373	94.0	290	1.01
Investments	1,987	4.1	2,024	4.2	37	1,735	3.7	289	1.17
Liquid assets	1,203	2.5	1,435	3.0	232	1,099	2.3	336	1.31
Deferred assets	7	0.0	4	0.0	-3	4	0.0	0	-
Debts	23,311	48.4	22,881	47.5	-430	22,219	47.1	662	1.03
Fixed debts	21,702	45.1	21,080	43.8	-622	20,493	43.4	587	1.03
Liquid debts	1,608	3.3	1,801	3.7	193	1,726	3.7	75	1.04
Net assets	24,850	51.6	25,245	52.5	395	24,991	52.9	254	1.01

Financial Conditions

Financial Status of Corporate Accounts

- Sapporo has six corporate accounts. The three regional public corporations are all land development public corporations (plan to abolish in FY14).
- Rapid Transit (Subway) and waterworks projects are in the black. Earnings are also improving for the central wholesale market and sewage projects.

(Unit : million yen)

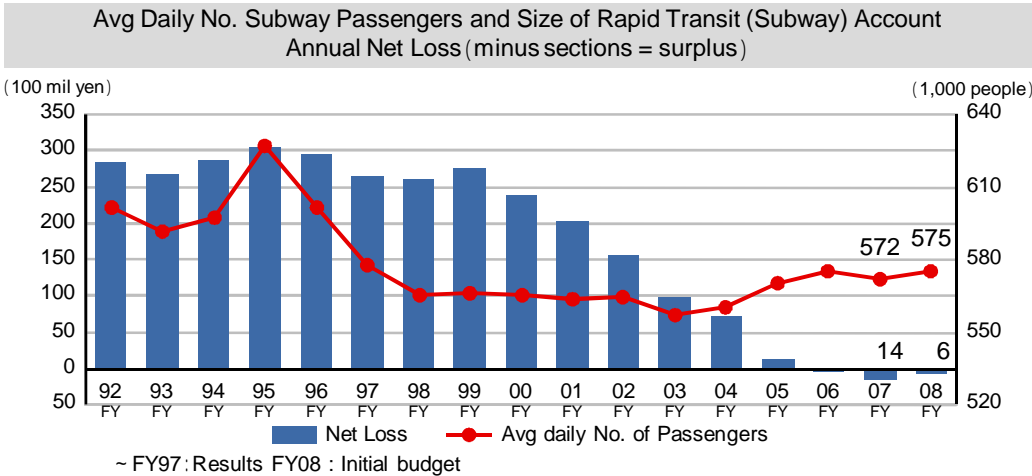
		Corporate Accounts											3 regional public corporations		
		Hospital		Central Wholesale Market		Streetcar		Rapid Transit (Subway)		Waterworks		Sewerage		Land Development Public Corp	
		FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07	FY06	FY07
Profitable Revenue and Expenditures	Profits	20,362	20,225	1,772	2,217	1,266	1,254	48,230	47,703	42,988	42,582	43,265	42,696	4,733	3,589
	Operating profit	17,032	16,881	1,469	1,523	1,070	1,046	39,494	39,278	42,313	42,006	43,068	42,391	4,716	3,568
	Non-operating profit	3,253	3,267	303	490	196	208	8,733	8,425	511	575	192	179	17	21
	Special profit	77	77	0	204	0	0	3	0	164	1	5	126	0	0
	Expenditures	21,169	21,091	4,364	2,919	1,270	1,270	47,888	46,347	41,655	39,508	44,197	43,401	4,662	3,523
	Operating expense	19,724	19,720	3,935	2,329	1,256	1,255	32,254	31,887	33,213	33,103	32,424	32,268	4,659	3,521
	Non-operating expense	1,379	1,307	429	466	14	15	15,634	14,460	8,382	6,350	11,712	10,979	3	2
	Special loss	66	64	0	124	0	0	0	0	60	55	61	154	0	0
	Net	-806	-867	-2,592	-703	-5	-15	342	1,355	1,333	3,075	-933	-704	71	66
Borrowing & Lending Balance Sheet	Assets	34,945	35,223	39,074	38,069	3,410	3,550	421,288	414,003	330,491	329,356	861,435	856,794	19,690	18,760
	Fixed assets	29,746	29,441	34,974	35,232	2,788	2,928	412,279	411,063	315,836	317,035	844,365	842,729	13	12
	Liquid assets	4,795	5,386	4,100	2,837	622	622	9,009	2,940	14,655	12,321	17,070	14,065	19,677	18,748
	Debt	3,253	3,667	193	218	215	177	188,210	181,063	12,631	14,258	14,860	14,170	16,410	15,416
	Fixed debt	1,393	1,238	0	0	0	0	177,376	176,733	5,182	7,897	6,124	9,717	5,000	4,450
	Liquid debt	1,860	2,429	193	218	215	177	10,834	4,330	7,449	6,361	8,736	4,453	11,410	10,966
	Capital	31,691	31,555	38,881	37,852	3,195	3,373	233,077	232,939	317,860	315,097	846,575	842,624	3,279	3,345
	Capital funds	35,169	34,723	29,639	29,132	1,600	1,750	399,635	392,009	216,116	211,049	363,999	352,523	20	20
	(corporate bonds)	30,497	30,042	23,392	22,853	636	786	264,894	253,466	171,497	162,511	343,456	331,980	—	—
	Surplus	-3,478	-3,168	9,242	8,720	1,595	1,623	-166,558	-159,070	101,744	104,048	482,576	490,101	3,259	3,325

Hospital project assets include deferred accounts.

Financial Conditions

Rapid Transit (Subway) Account

- The long downward trend for passenger numbers bottomed in FY03 and has since started to recover.
- In FY99 the net loss hit 27.6 billion yen, but since then the account has steadily improved thanks to management streamlining and reduced interest on project debt.
- The first profit in 25 years (net profit of 300 million yen) was achieved in FY06.
- In FY08 the first budget surplus in 33 years was achieved.

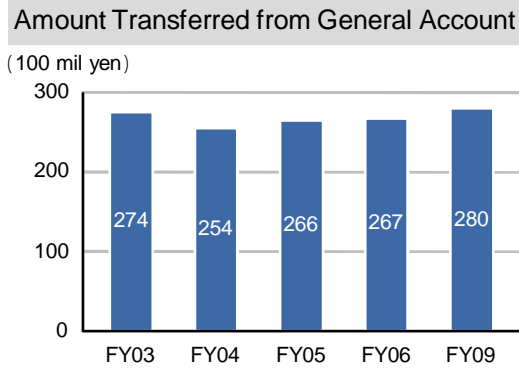
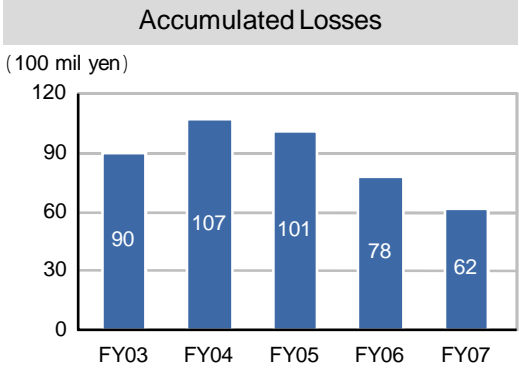


Targets in 10-year Sapporo City-Operated Subway Project (Unit: 100 mil yen)

	FY03 (results)	FY05 (results)	FY06 (results)	FY07 (results)	FY08 (initial budget)	Goal
Operating balance	26	64	72	74	58	FY13: 64
Operating balance before amortization	179	200	207	212	199	FY13: 192
Current balance	-98	-13	3	14	6	FY11: Return to surplus
Bad debts	31	24	21	18	15	FY13: Eliminate all bad debt
Improvement	-	-	-	-	-	10-year total: 272

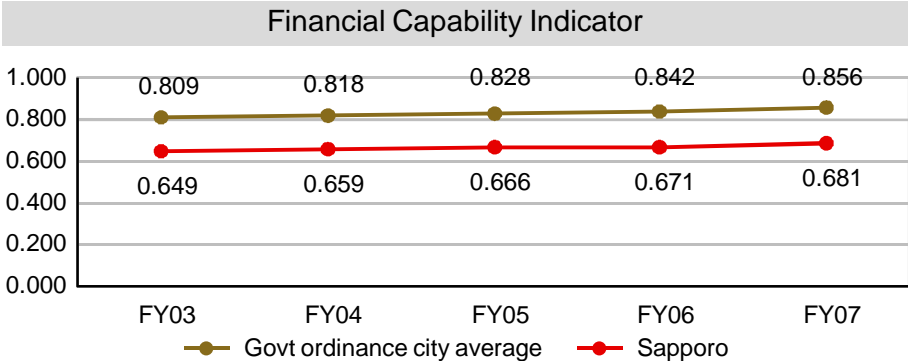
National Health Insurance Account

- Accumulated losses have been shrinking
- Insurance service personnel making progress in collecting late payments.
- FY07 collection rate improved to 87.93% (+ 1.64 from previous year)
- Improved collection of late payments
 - FY0666 cases · 33,721,000 yen (Property Survey : 6,598 cases)
 - FY07121 cases · 61,293,000 yen (Property Survey : 13,862 cases)

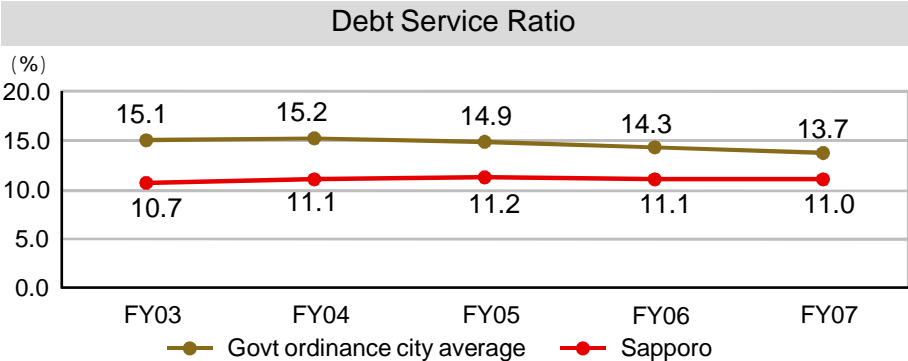


Financial Conditions

Financial Indicators

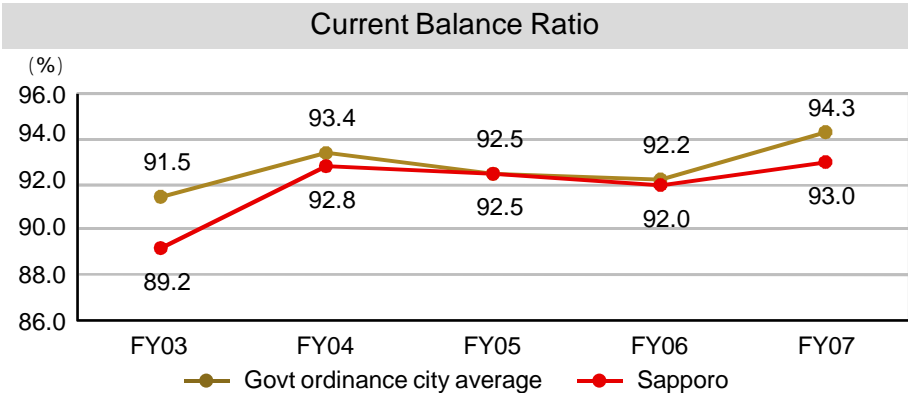


- The financial capability indicator for Sapporo is below the average for other government ordinance cities, but has been in upward trend recently.



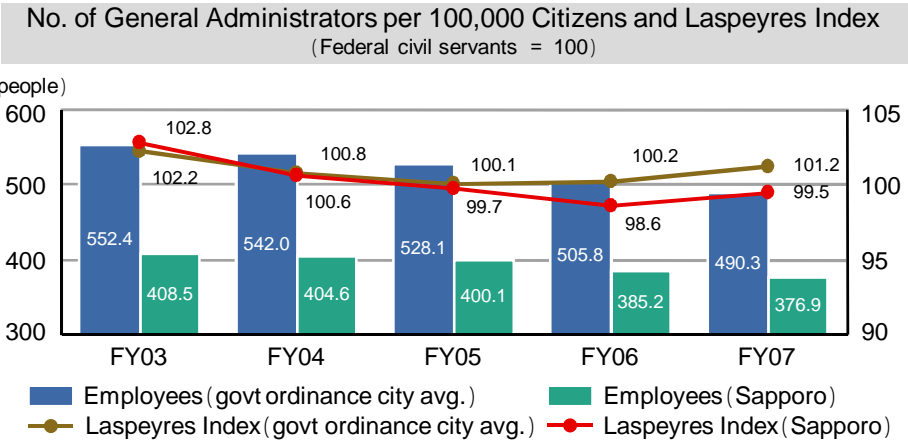
- The debt service ratio has consistently remained below the average for government ordinance cities.

The debt service ratio for Sapporo is calculated with borrowing from the sinking fund considered as refinancing bonds.



- Sapporo's current balance ratio, a benchmark of financial health, has remained below the average for government ordinance cities.

The current balance ratio for Sapporo is calculated with borrowing from the sinking fund considered as refinancing bonds



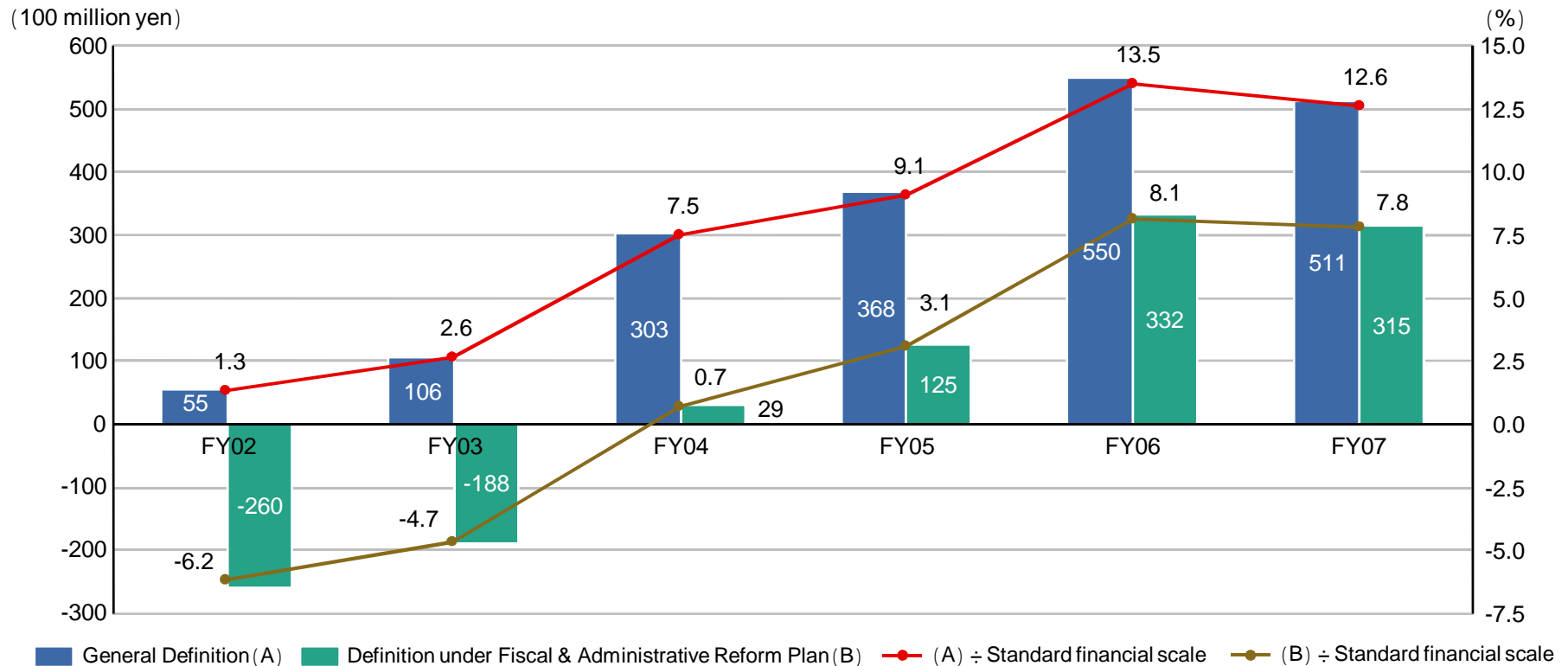
- Number of general administrators per 100,000 citizens is lowest among all government ordinance cities. The Laspeyres Index has also remained below the average for government ordinance cities.

Financial Conditions

Primary Balance

- The bond issuance amount is kept within a range equivalent to the amount of principal to be repaid on outstanding bonds for that year.
- The percentage of the standard financial scale held by the primary balance has remained at a fixed level*.
- General definition . . . (Total revenue - City income) - (Total expenditures - principal and interest)
- Definition under Fiscal & Administrative reform plan . . . (Total revenue - City income) - (Total expenditures - only principal)
6.7% based on the initial budget for FY07 when the Sapporo Fiscal & Administrative Reform plan was enacted.

Primary Balance (general account)



Financial Conditions

Financial Health Assessment Ratios for FY09 Results

- None of the fiscal health assessment ratios for FY07 results exceeded the standards.
- Real debt service ratio ranked 4th among government ordinance cities (weighted average of 14.2%), and the future burden ratio ranks 7th (weighted average of 208.7%)
- In calculating the financial deficit ratio there are no public corporation accounts generating deficits.

	Deficit Ratio	Consolidated Deficit Ratio	Debt Service Ratio	Future Burden Ratio
Fiscal health assessment ratio for FY07 results	— (-0.31%)	— (-3.80%)	10.8%	156.9%
Fiscal health assessment ratio for FY06 results	— (-0.61%)	— (-4.13%)	10.7%	156.0%
Financial health restoration standard	11.25%	16.25%	25%	400%
Fiscal reconstruction standard	20%	30%	35%	

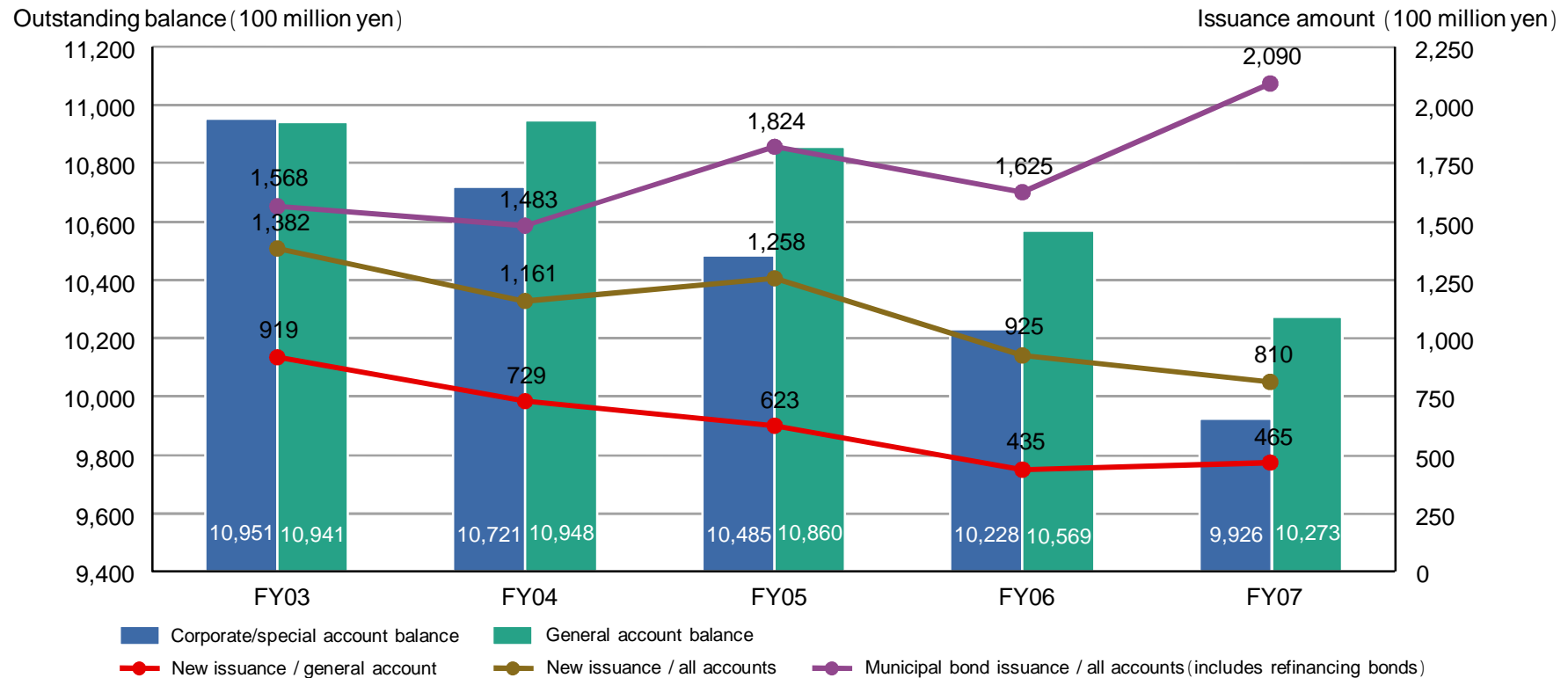
- All local governments are required to calculate ratios for assessing their financial health in accordance with the Law regarding the Fiscal Health of Local Public Entities.

Municipal Bonds

Amount of Newly Issued Bonds and Outstanding Balance

- The upper limit for new bond issuance in the general account is set at the prevailing redemption amount.
- General account outstanding bond balance is expected to be under one trillion yen by end of FY10.

Municipal Bond Issuance and Outstanding Balance



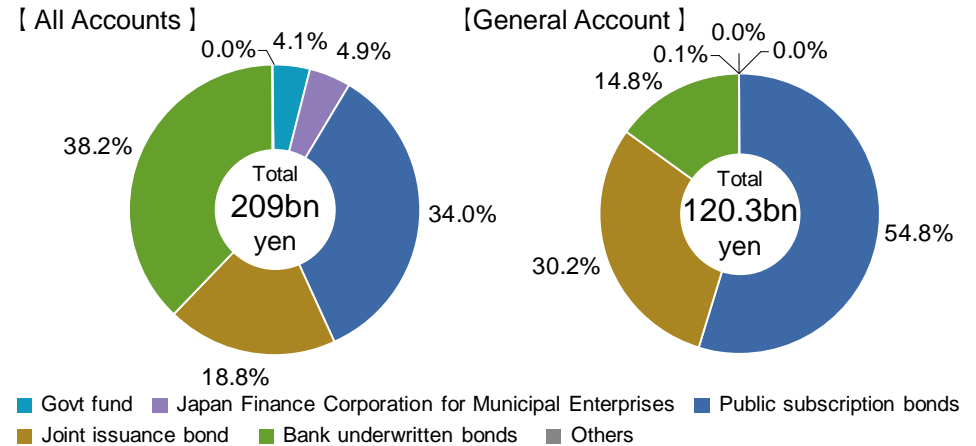
For outstanding balance, the amount in the reserve fund for lump-sum redemption at maturity is seen as the redemption and borrowing from funds is seen as part of the municipal bond amount.

Municipal Bonds

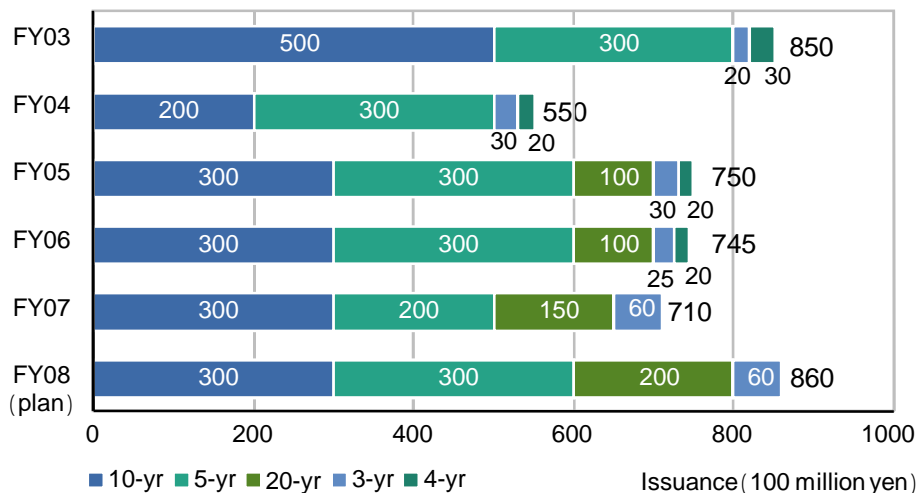
Public Subscription Bond Issuance

- Fund procurement mainly via public subscription issuance
 - Public subscription bonds (mainly 5-year and 10-year) account for 34% of the total issuance amount for all accounts and 54.8% for the general account.
 - A fixed amount is issued each year, including refinancing bonds.
 - No issuance of private placement bonds from FY02.

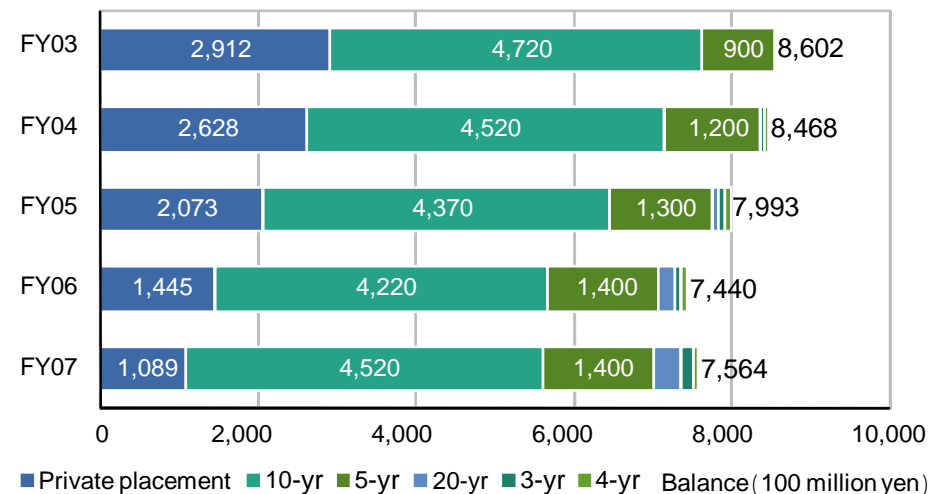
FY07 Municipal Bond Issuance (by funds)



Public Subscription Bond (all accounts) Issuance by Maturity



Public Subscription / Private Placement (all accounts) Issuance by Maturity



Municipal Bonds

Public Subscription Bond Issuance Conditions

- Balanced and consistent issuance throughout the year.
- In FY09 plan to issue roughly the same amount as in FY08 with roughly the same issuance schedule.

Quarter	Issuance Month	FY06				FY07				FY08			
		No.	Maturity	Issuance	Yield	No.	Maturity	Issuance	Yield	No.	Maturity	Issuance	Yield
	April												
	May	18-1	5-year	10bn yen	1.40%					20-1	5-year	10bn yen	1.45%
	Jun	18-2	10-year	10bn yen	2.00%	19-1	5-year	10bn yen	1.55%	20-2	10-year	10bn yen	1.93%
										4x 20y	20-year	10bn yen	2.42%
	Jul	18-3	3-year	2.5bn yen	1.12%	19-2	3-year	2bn yen	1.24%	20-3	3-year	3bn yen	1.06%
	Aug												
	Sept					19-3	10-year	10bn yen	1.77%	20-4	5-year	10bn yen	1.18%
	Oct									20-5	10-year	10bn yen	1.76%
	Nov	18-4	10-year	10bn yen	1.80%	19-4	10-year	10bn yen	1.64%				
	Dec					19-5	5-year	10bn yen	1.21%	(planed)	10-year	10bn yen	
	Jan	18-5	5-year	20bn yen	1.43%								
	Feb	18-6	4-year	2bn yen	1.12%	19-6	3-year	4bn yen	0.82%	(planed)	3-year	3bn yen	
		2 x 20y	20-year	10bn yen	2.31%	3 x 20y	20-year	15bn yen	2.22%	(planed)	20-year	10bn yen	

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The purpose of these materials is to explain the financial conditions of Sapporo to investors considering purchasing Sapporo municipal bonds. The intent is not to sell a particular bond or to solicit buyers.