



Shizuoka
Prefecture

Fiscal Status of Shizuoka Prefecture

October 2022



Presentation Highlights



1 Shizuoka has active industries and strong economic



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 – P22)

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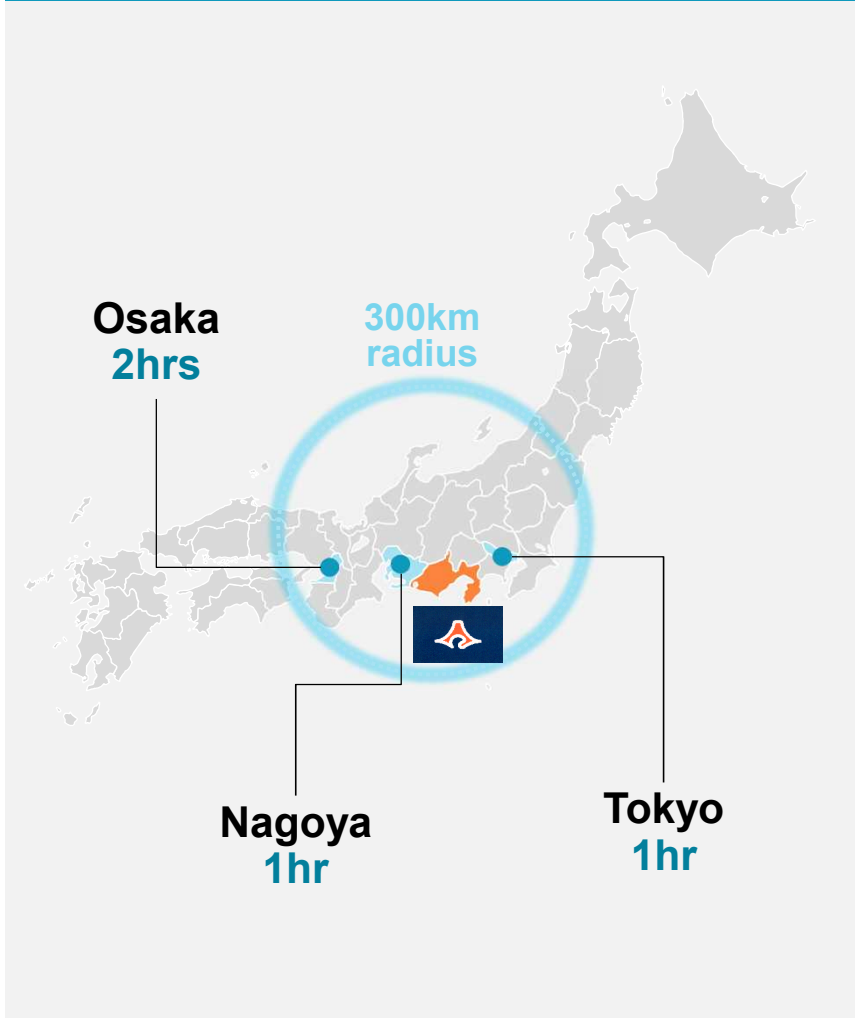
1 Overview of Shizuoka



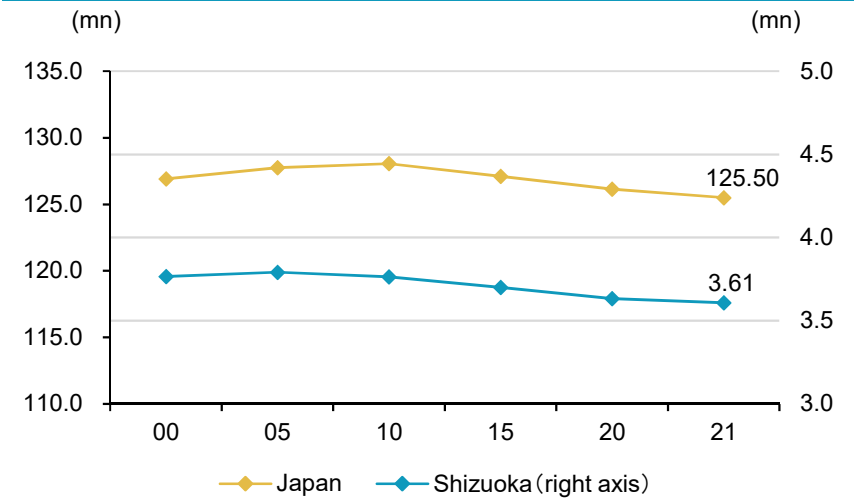
Location and Scale



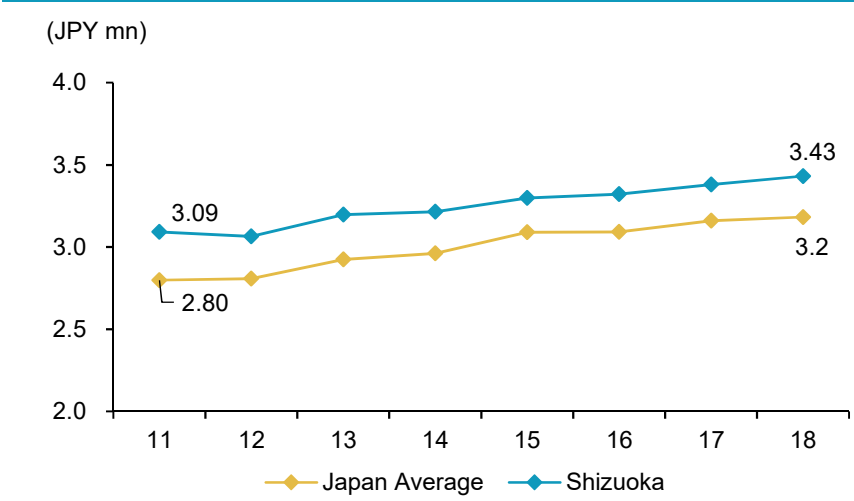
Located at the center of Japan



Population trend since 2000



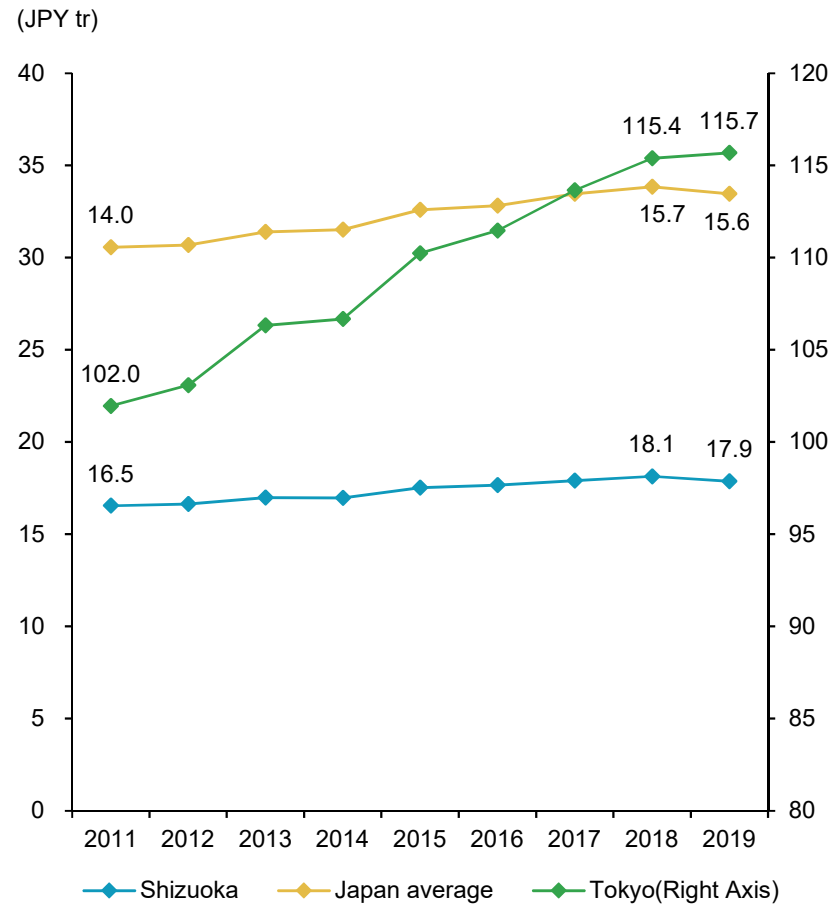
Per capita income since 2011



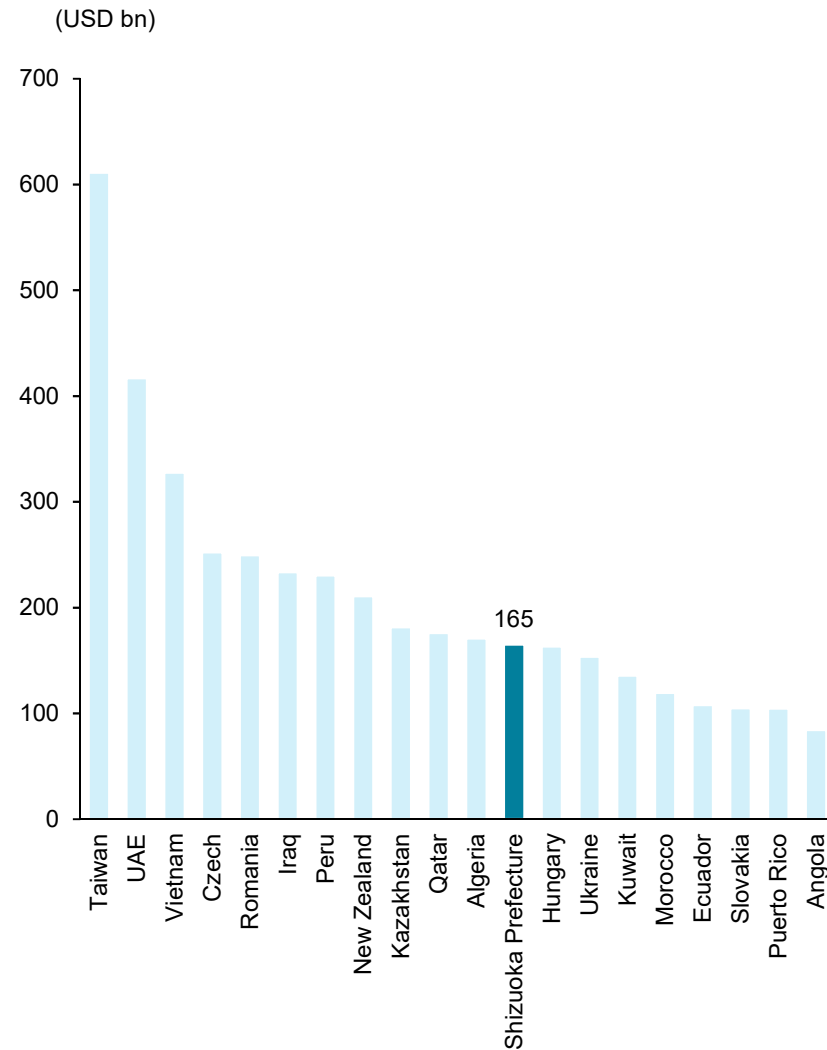
Economic Scale



GDP trend since 2011



GDP comparison with countries (2019)



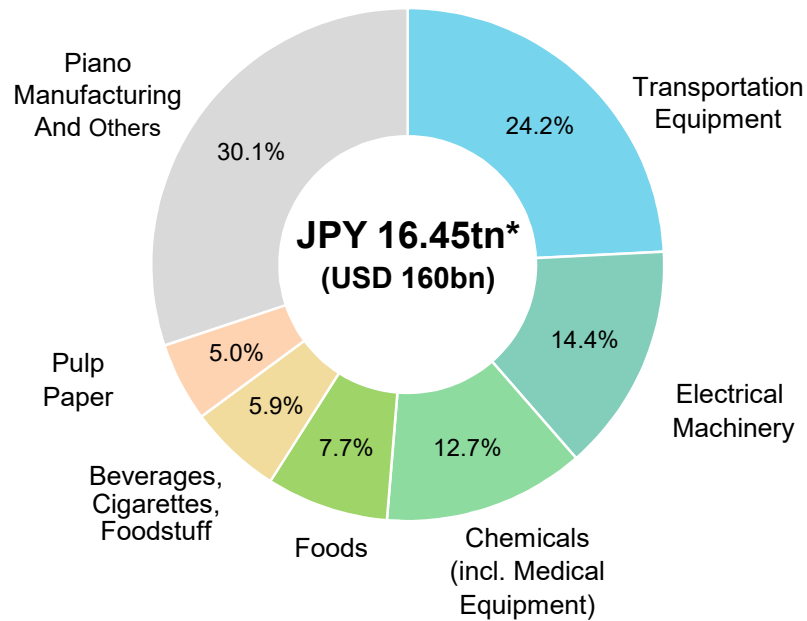
* Statistical standard has been changed since 2015.

Stable Economic Foundation



Balanced industrial structure

Total revenue from manufactured products (2020)

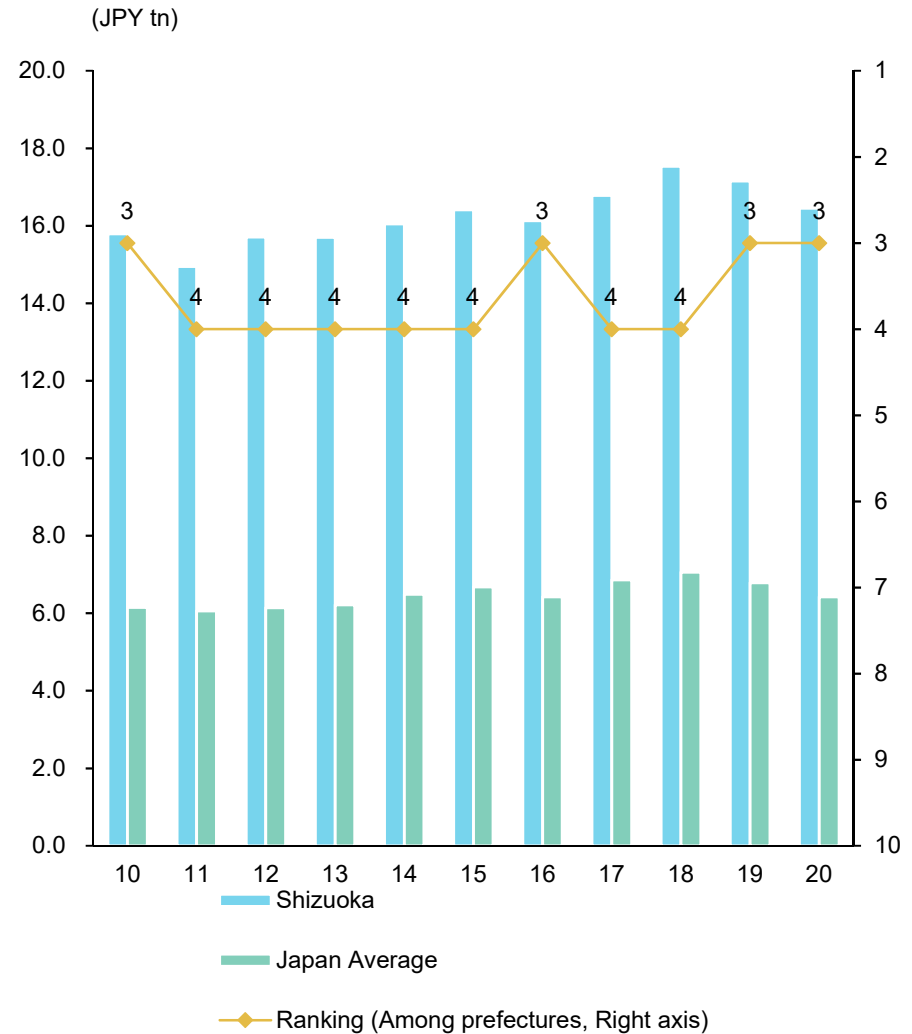


Major Prefectural Companies



* JPY 16.45 tn is approximately same as : USD160 bn as of Sep 2020

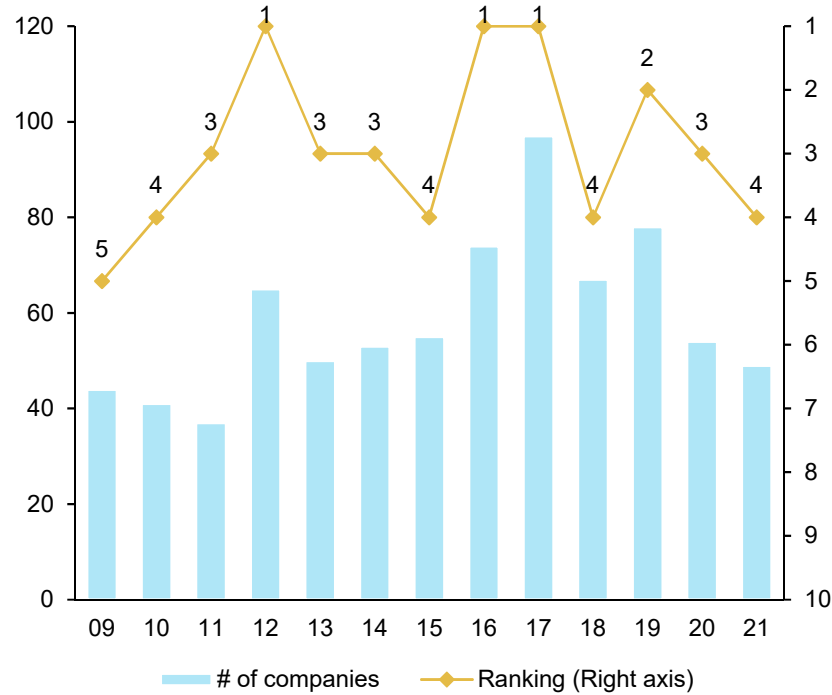
Revenue trend of manufactured products



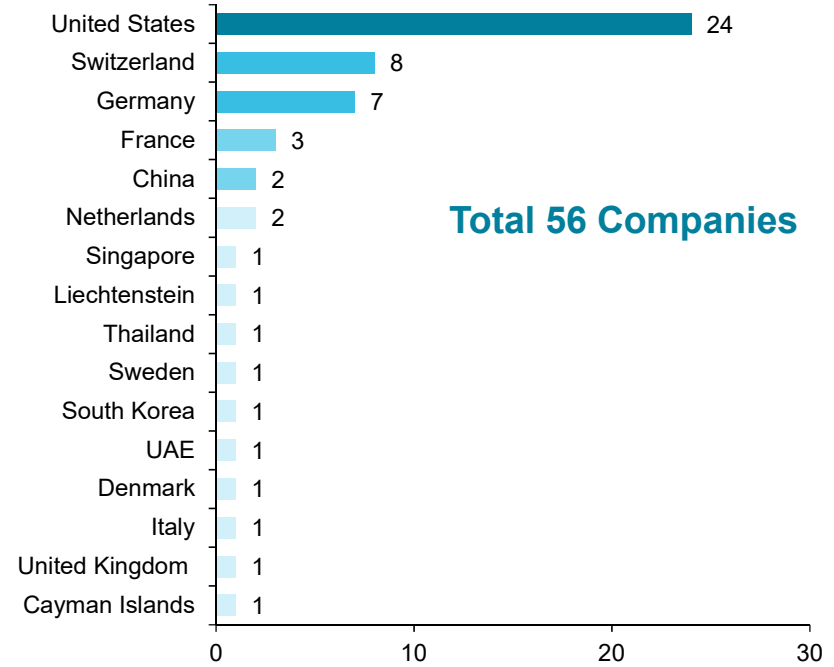
A Vibrant Industrial District











High level of industrial locations



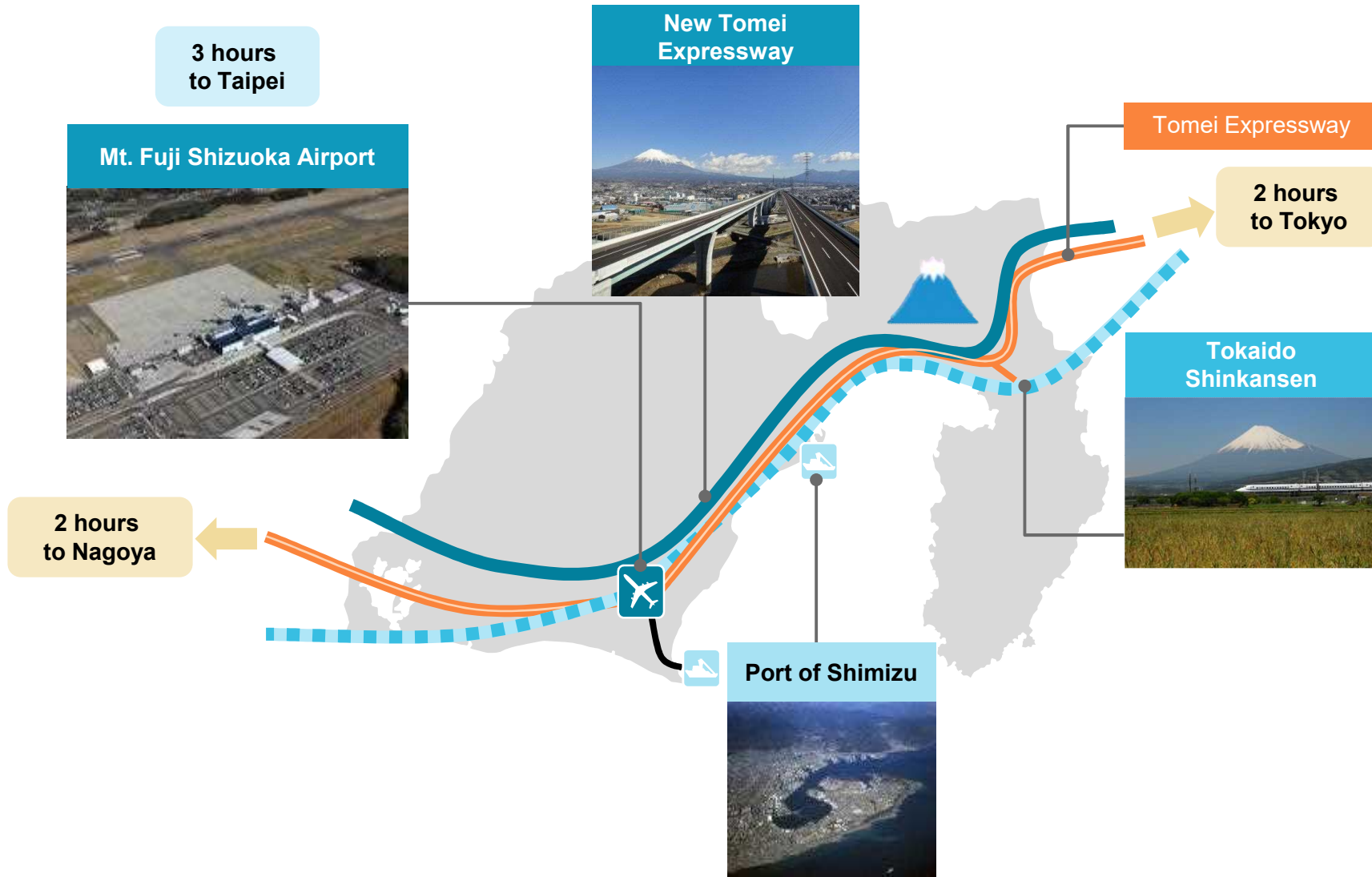
Attracting global companies 2021



Global company examples

							
Switzerland	Switzerland	USA	Liechtenstein	Sweden	France	Netherlands	UAE

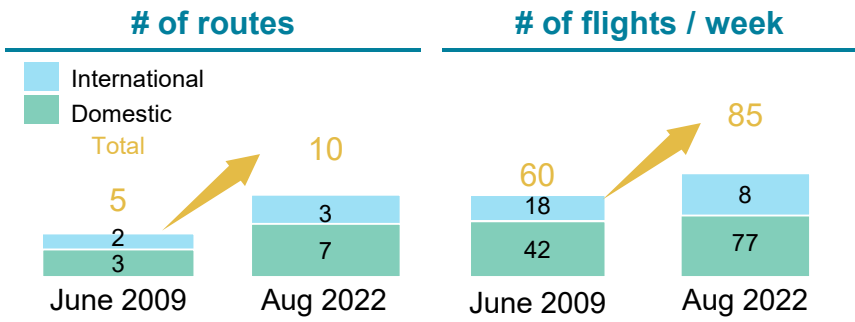
Transportation Infrastructure



Improvement of Tourism Infrastructure



Mt.Fuji Shizuoka Airport

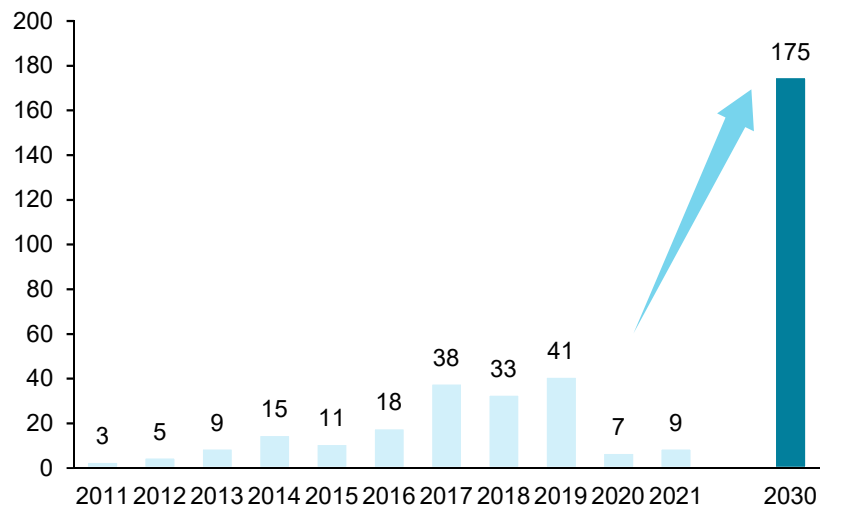


Port of Shimizu



Ripple Effect
 JPY55bn/year
 600,000people/year

of cruises called at the Port of Shimizu



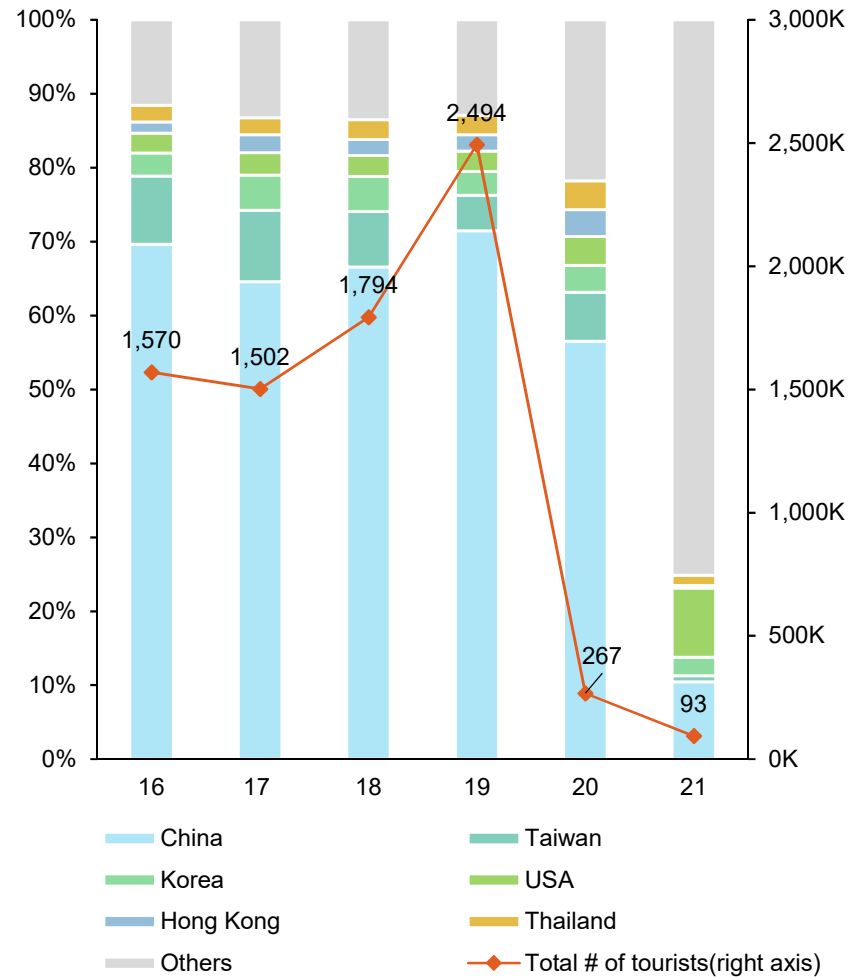
Abundant Tourism Resources



Major tourism locations in Shizuoka



Trend of international tourists



2 Fiscal Position of Shizuoka

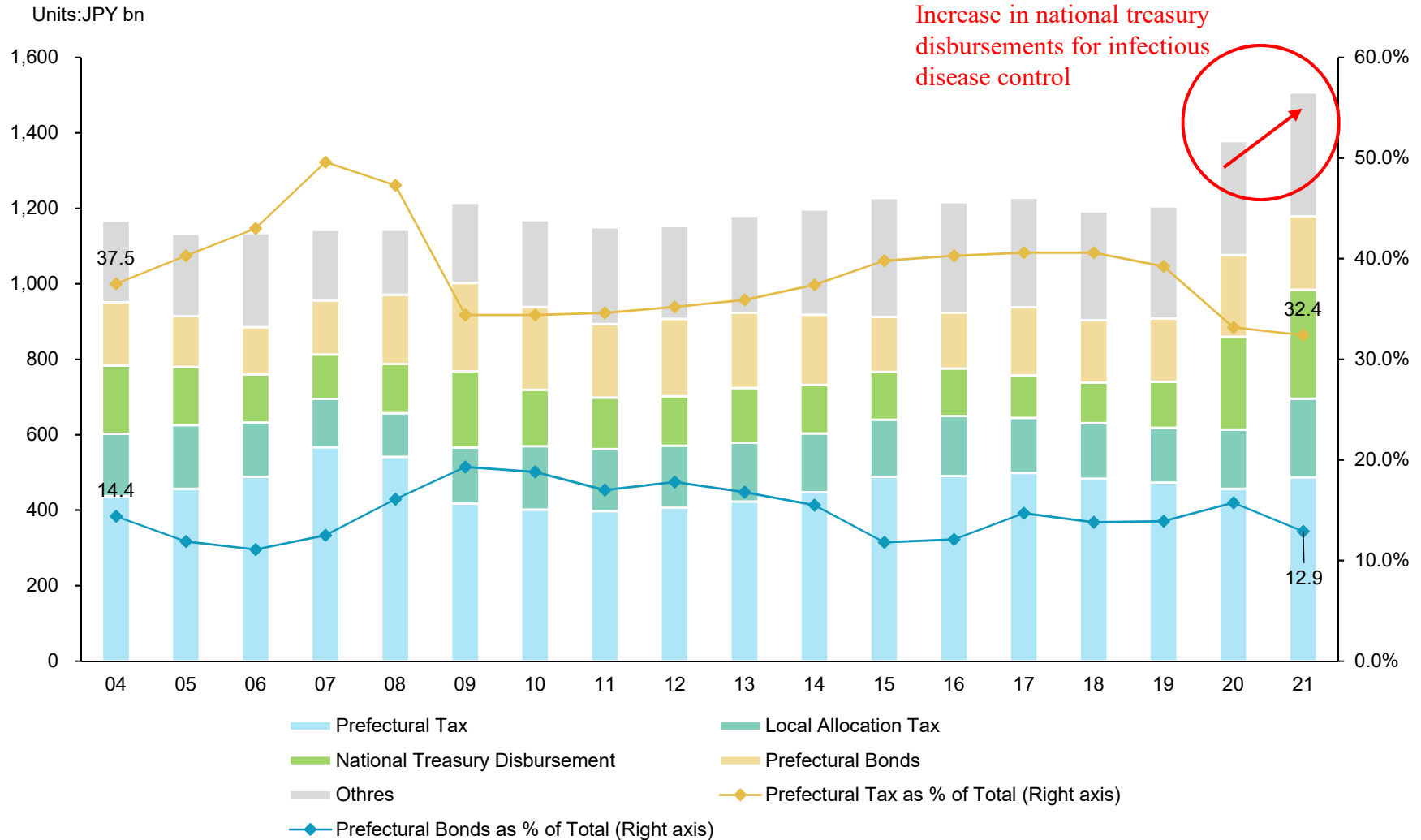


Mt. Fuji in autumn

Change in Revenue Accounts



Stable management by securing independent financial resources



Change in Expenditure Accounts



Mandatory expenditure remained flat , Investment expenditure decreased by 60% from the peak

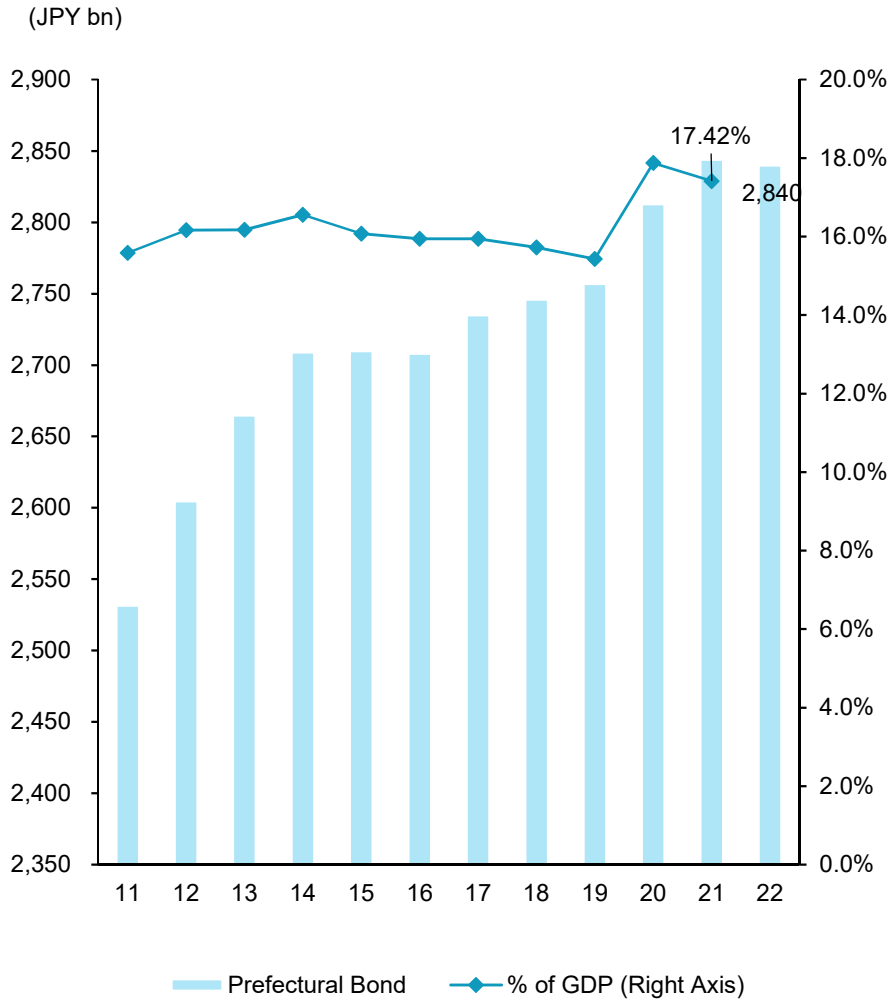
Units:JPY bn



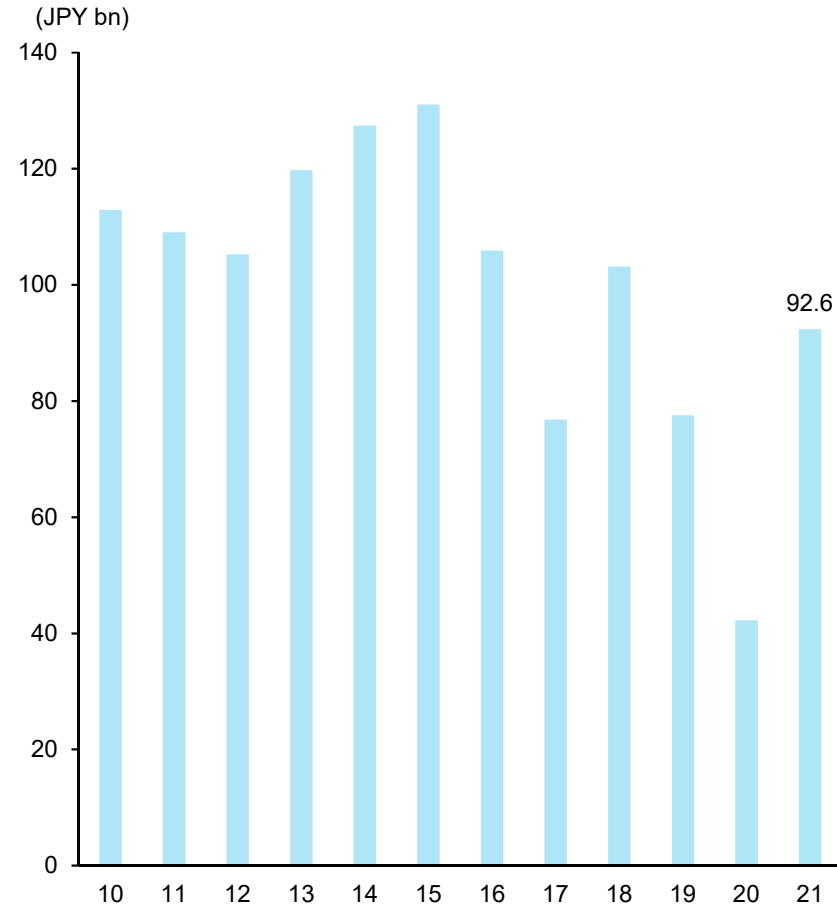
Status of Debts and PB



Sound prefectural bond balance



Continuous surplus in primary balance



3 Bond Management of Shizuoka



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

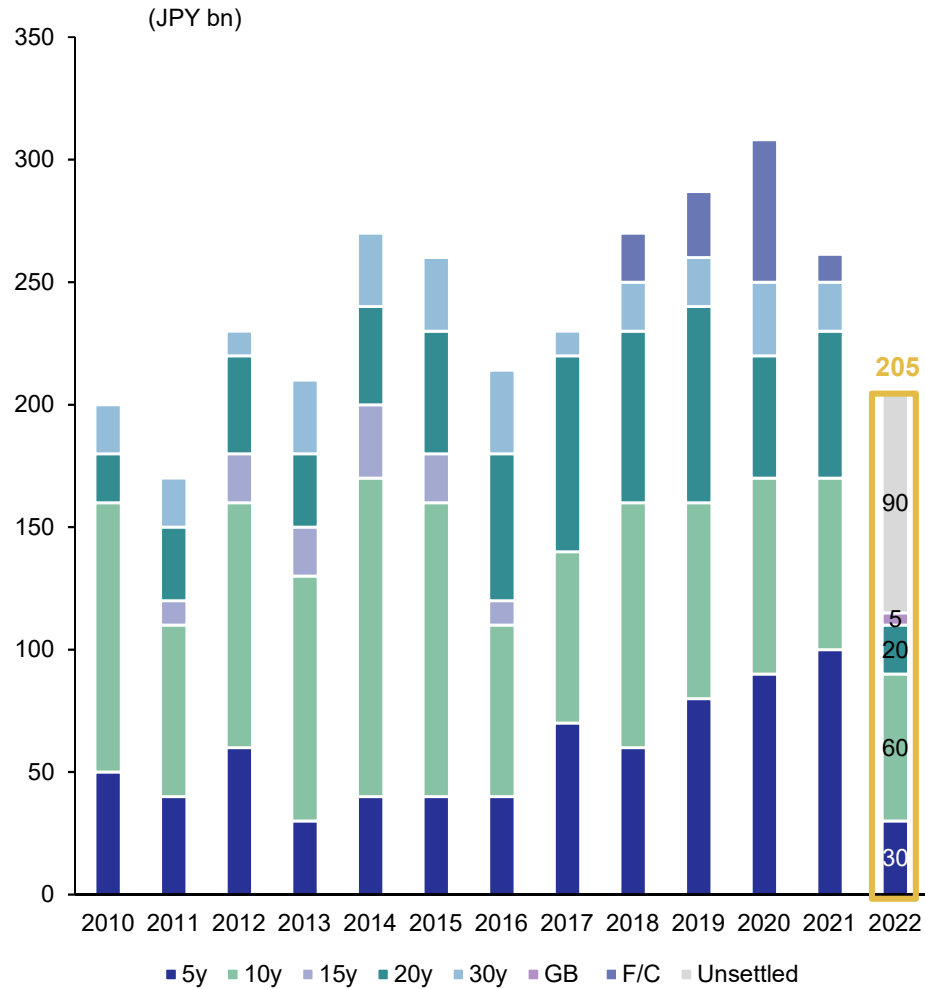
	Shizuoka 	Japan 
Moody's	A1	A1
R&I	AA+	AA+

* Zero risk weight are for domestic investors in Japan. For overseas investors, risk weights depend on each regulator.

Prefectural Bonds Issuance Plan



Issuance amount since 2010

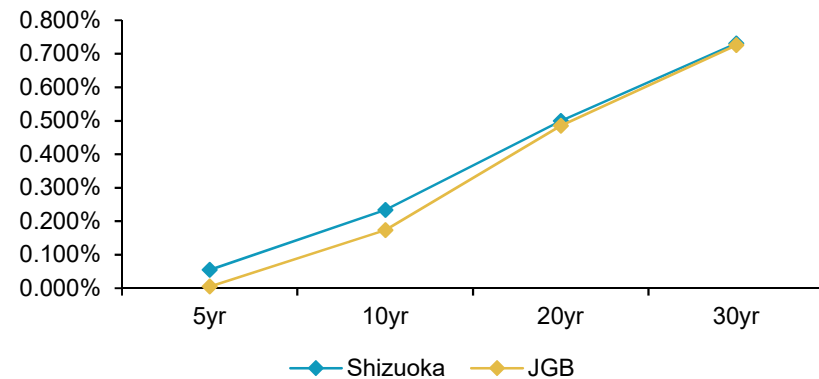


※ Non-residents and non-domestic entities are exempted from paying taxes on the interest of transfer local government bonds. The procedures have been simplified from June 2010.

Recent new issues in 2021~22

Launch	Issue Amount	Tenor	Yield
10/6/2021	JPY10bn	10yr	0.120
10/20/2021	JPY10bn	20yr	0.500
10/27/2021	JPY20bn	5yr	0.001
11/2/2021	JPY10bn	10yr	0.150
11/2/2021	JPY10bn	30yr	0.731
12/16/2021	USD100mn	5yr	1.604
3/2/2022	JPY10bn	10yr	0.234
3/2/2022	JPY10bn	5yr	0.055
4/6/2022	JPY10bn	10yr	0.269
4/27/2022	JPY10bn	20yr(Sinkable)	0.438
5/11/2022	JPY10bn	5yr	0.065
6/3/2022	JPY10bn	5yr	0.046
7/6/2022	JPY10bn	10yr	0.369
7/15/2022	JPY10bn	20yr	0.905
8/3/2022	JPY10bn	10yr	0.290
9/16/2022	JPY5bn	5yr(Green Bond)	0.150

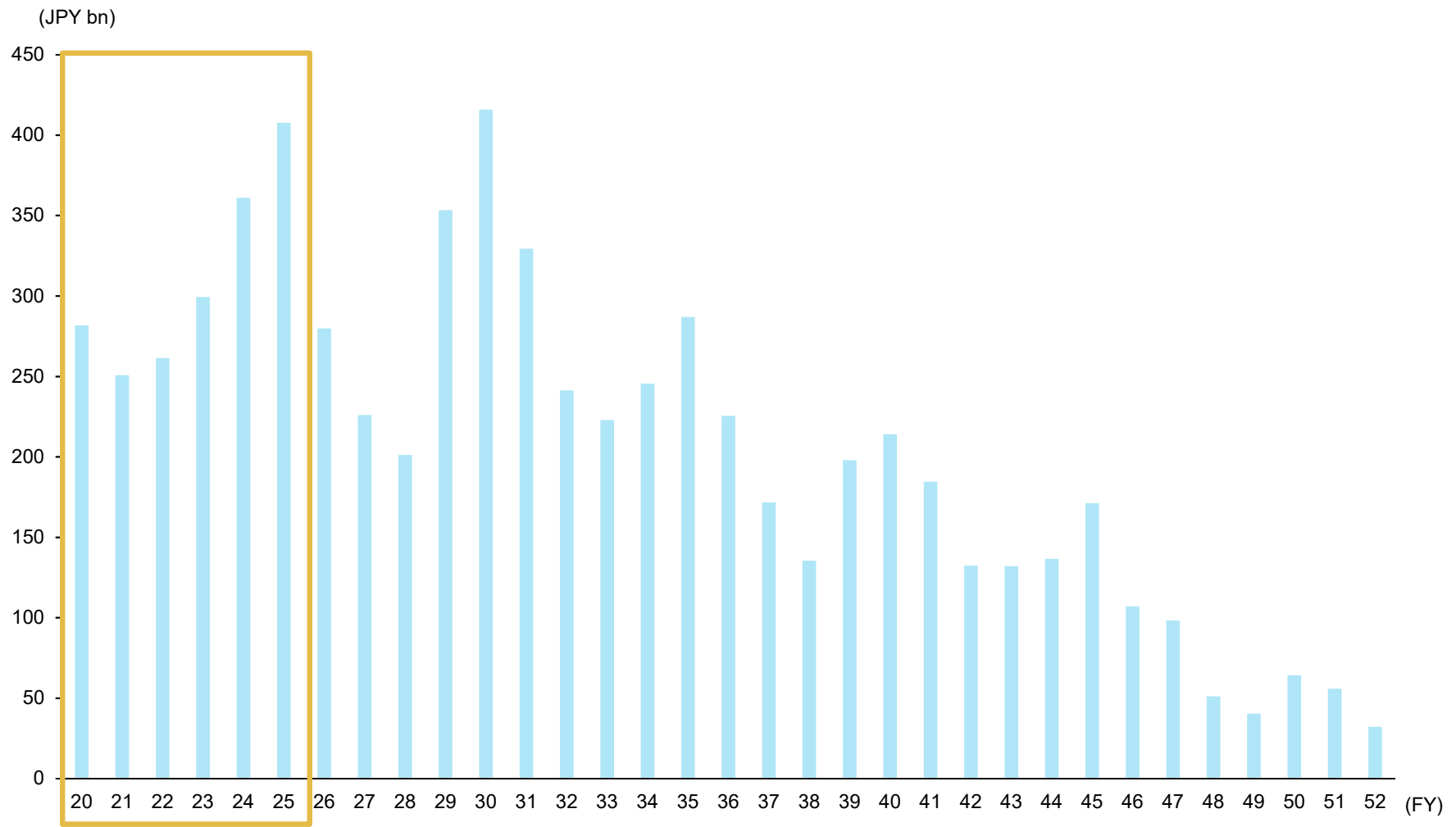
Shizuoka indicative yield curve*



Redemption Schedule



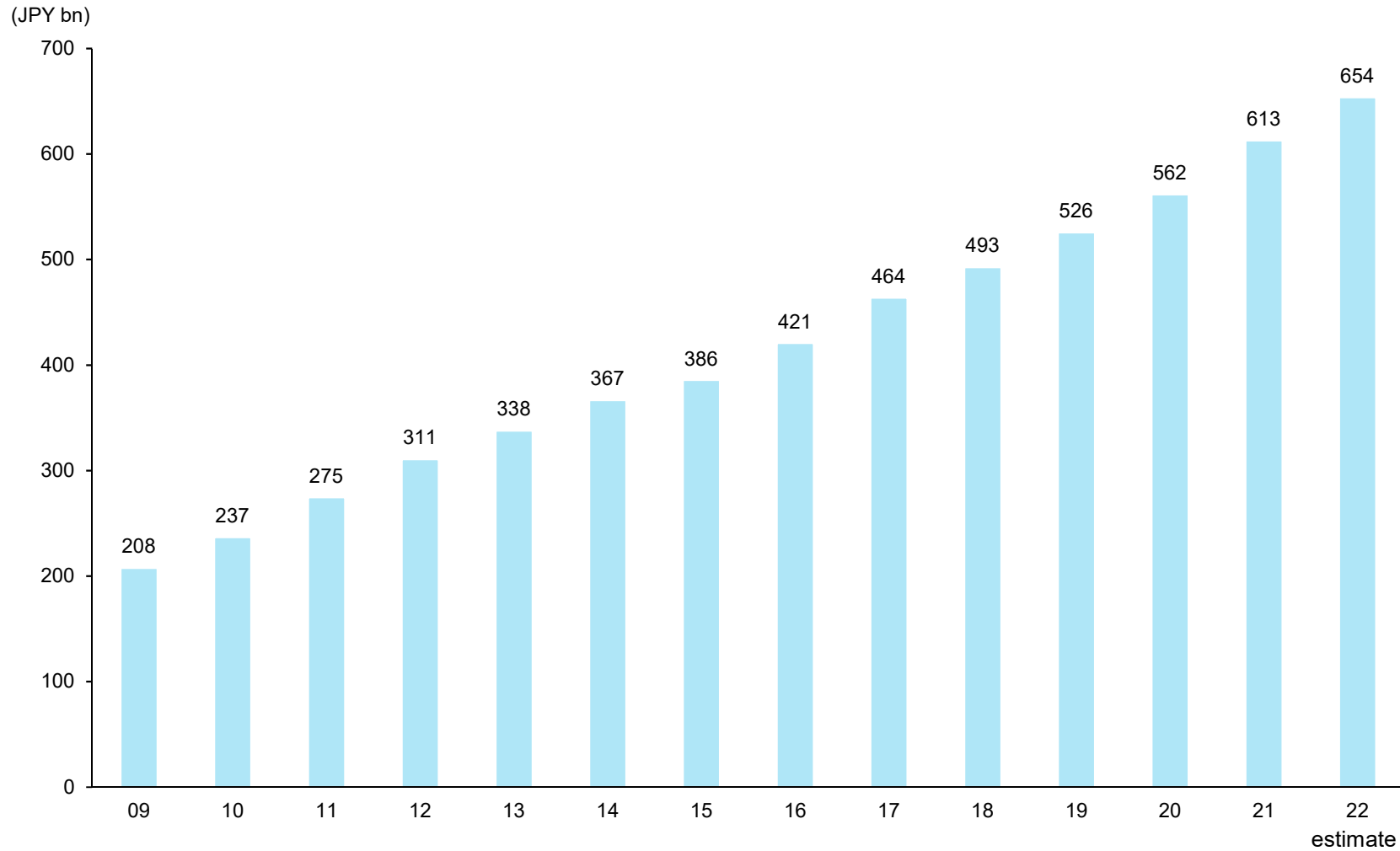
Shizuoka redemption schedule



Sinking Fund Reserves



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



Shizuoka Prefecture to issue its first green bond in FY2022



The 4th Shizuoka Prefecture Basic Environment Plan

As its future vision, Shizuoka Prefecture aims to **create “Fujinokuni (the home of Mr. Fuji) ” that contributes to the “Century of Environment and Life” by protecting global environment through effective use of local resources and mutual support**

Key initiatives to realize Fujinokuni Vision

I Establishing a Carbon Neutral Society



Realization of an energy-saving society, introduction of renewable energy, promotion of technological innovation, forest sink measures, and adaptation to climate change

II Establishing a Recycling-Based Society



Promotion of the 3Rs (Reduce, Reuse, Recycle), proper disposal of waste, establishment of foundations for a circular economy and recycling of natural resources

III Ensuring a Favorable Living Environment



Ensuring of “Water for Life” and environmentally-sound water cycle, environmental conservation of water quality, air, etc., and appropriate environmental conservation measures and safety in large-scale development

IV Establishing a Society in Harmony with Nature



Ensuring of biodiversity, natural environment conservation and symbiosis between people and nature

V Creating the foundations for a society in harmony with the environment



Creation of a virtuous cycle between the environment and the economy, realization of an environmentally-friendly lifestyle, training for future leaders of environmental conservation, and promotion of surveys and research that form the basis for resolving issues

Significance of the Prefecture's first green bonds

Shizuoka Prefecture plans to issue its first green bonds in FY2022 as a proactive initiative to stimulate ESG investments in the Prefecture

Issuance Summary (planned)

Tenor	5-year bullet bond
Issuance amount	5 billion JPY (In units of 10 million JPY)
Issue date	September, 2022
Lead Manager	Daiwa Securities Co., Ltd. (Bookrunner) Mizuho Securities Co., Ltd. (Co-lead Manager, *SA)

* SA stands for structuring agent and refers to a person who provides support for the issuance of green bonds through the formulation of a green bond framework and advice on the acquisition of third-party assessments.

Projects to be financed with green bonds

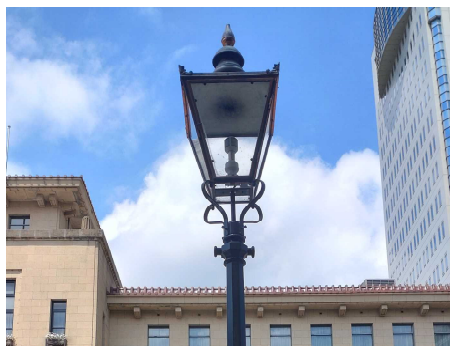


ICMA Principles	Eligible projects
Energy Efficiency	<ul style="list-style-type: none"> ■ Promotion of Net Zero Energy Building (ZEB) for prefecture-owned buildings ■ Replacement of prefectural office lighting and traffic lights with LED bulbs
Renewable Energy	<ul style="list-style-type: none"> ■ Formation of carbon neutral ports (CNP)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> ■ Well-managed forest maintenance (ex. thinning) ■ Maintenance and management of forests owned by the Prefecture (maintenance of forest roads)
Pollution prevention and control	<ul style="list-style-type: none"> ■ Promotion of wood-based construction (or lignification) for prefecture-owned buildings by using locally-produced lumber
Clean Transportation	<ul style="list-style-type: none"> ■ Replacement of official vehicles with EVs
Climate change adaptation	<ul style="list-style-type: none"> ■ River improvements for flood control ■ Measures against high tides and waves, etc.

Eligible Projects (examples)



for prefecture-owned buildings



Upgrading and renovation of prefecture-owned facilities and equipment (replacement of lights with LED bulbs, etc.)



Promotion of wood-based construction for prefecture-owned buildings by using locally-produced lumber



Well-managed forest maintenance (ex. thinning)



Shizuoka
Prefecture

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Bloomberg:	SHIZUP Govt <GO>

4 Reference Materials

- 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

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

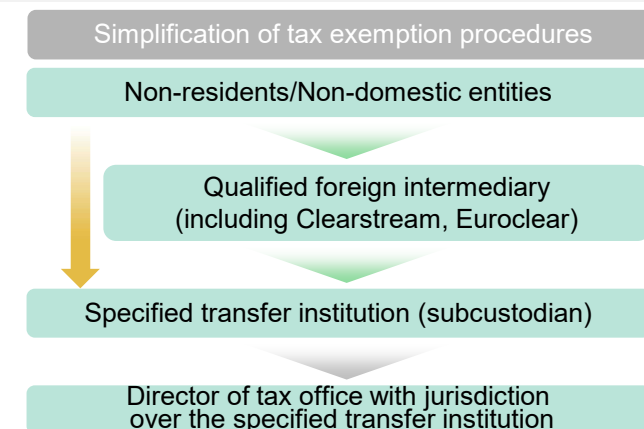
- Local governments must discuss with the national government before issuing bonds, and receive confirmation that the new bond issuance is reasonable and will not negatively affect the local governments' future ability to repay principal and interest of local government bonds.

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

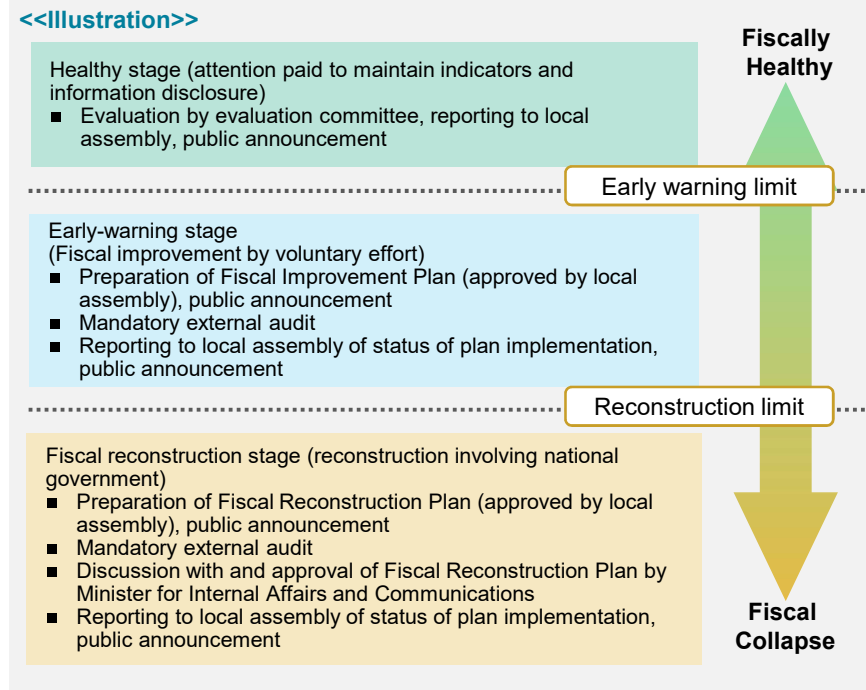


Fiscal Health Indicators



- 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	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21
Prefectural Tax	425	438	457	488	567	541	418	402	398	406	423	448	488	490	499	483	473	457	487
% of Total	35.9	37.5	40.3	43	49.6	47.3	34.4	34.4	34.6	35.2	35.9	37.4	39.8	40.3	40.6	40.6	39.2	33.2	32.4
Local Allocation Tax	192	165	169	144	128	116	148	168	164	165	156	156	152	159	146	147	146	157	208
% of Total	16.2	14.1	14.9	12.7	11.2	10.1	12.2	14.4	14.3	14.3	13.2	13	12.4	13.1	11.9	12.3	12.1	11.4	13.8
National Treasury Disbursements	190	181	154	127	118	130	202	149	137	131	146	129	127	126	113	108	121	246	289
% of Total	16	15.5	13.6	11.2	10.3	11.4	16.6	12.8	11.9	11.4	12.3	10.8	10.4	10.4	9.2	10	10	17.8	19.1
Prefectural Bonds	186	168	135	125	143	184	234	220	195	205	199	186	146	147	180	165	168	217	195
% of Total	15.7	14.4	11.9	11.1	12.5	16.1	19.3	18.8	17	17.8	16.8	15.5	11.8	12.1	14.7	13.8	13.9	15.7	12.9
Others	192	216	218	249	188	172	212	230	256	246	257	279	315	293	290	289	298	302	328
% of Total	16.2	18.5	19.3	22	16.4	15.1	17.5	19.6	22.2	21.3	21.8	23.3	25.6	24.1	23.6	24.2	24.7	21.9	21.8
Total	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	1,193	1,206	1,378	1,507

* Fiscal 2021 figures are initial budget estimates, actual figures provided up to Fiscal 2020

General Accounts – Change in Expenditures



(Units: JPY bn, %)

Categories	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22
Mandatory Expenses	629	621	617	622	619	618	623	630	633	626	635	648	655	597	603	607	619	620	636
% of Total	54.5	55.3	54.9	54.9	54.6	51.3	53.9	55.5	55.7	54.1	53.8	53.3	54.5	49.1	51.1	50.9	45.6	41.7	46.6
Personnel Expenses	390	391	392	393	386	377	373	372	368	356	358	363	363	301	301	299	298	297	296
% of Total	33.8	34.9	34.9	34.8	34	31.3	32.3	32.8	32.4	30.8	30.4	29.9	30.2	24.7	25.5	25.0	21.9	20.0	21.7
Social Aid Expenses	57	56	63	66	69	72	77	81	85	89	93	100	105	110	115	120	127	132	138
% of Total	4.9	5	5.6	5.8	6.1	6	6.7	7.1	7.5	7.7	7.9	8.3	8.7	9.1	9.7	10.1	9.4	8.9	10.1
Bond Expenses	174	165	158	159	161	168	170	172	171	178	180	181	185	185	184	183	184	185	191
% of Total	15	14.7	14.1	14	14.2	13.9	14.7	15.1	15.1	15.3	15.2	14.9	15.4	15.2	15.6	15.4	13.6	12.4	14.0
Disaster Recovery Expenses	9	8	4	4	3	1	3	6	8	4	4	3	2	1	3	5	9	6	11
% of Total	0.8	0.7	0.3	0.3	0.3	0.1	0.2	0.5	0.7	0.3	0.3	0.2	0.2	0.1	0.3	0.4	0.7	0.4	0.8
Investment Expenses	258	228	219	211	203	192	173	163	169	191	171	157	157	173	176	192	220	212	194
% of Total	22.3	20.3	19.5	18.6	17.9	16	14.9	14.1	14.9	16.5	14.5	13	13.1	14.2	14.9	16.1	16.2	14.3	14.2
Public/Direct	137	120	111	101	90	89	92	90	94	102	88	83	84	92	96	113	134	136	101
% of Total	11.9	10.7	9.9	8.9	7.9	7.4	8	8	8.3	8.9	7.5	6.8	7	7.6	8.1	9.4	9.9	9.2	7.4
Standalone	120	108	107	110	113	103	81	73	75	89	83	75	73	81	81	80	86	76	93
% of Total	10.4	9.6	9.6	9.7	10	8.6	6.8	6.2	6.6	7.7	7	6.2	6.1	6.6	6.8	6.7	6.3	5.1	6.8
Others	268	273	287	300	312	394	358	342	335	340	374	409	390	445	401	394	519	654	535
% of Total	23.2	24.4	25.6	26.5	27.5	32.7	31.3	30.4	29.4	29.4	31.7	33.7	32.4	36.7	34	33	38.1	44.0	39.1
Total	1,155	1,121	1,122	1,132	1,134	1,204	1,154	1,135	1,136	1,157	1,180	1,214	1,202	1,215	1,180	1,193	1,357	1,574	1,364

* Fiscal 2022 figures are initial budget estimates, actual figures provided up to Fiscal 2021

* 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 2021	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	13.1%	25.0%	35.0%
Future burden ratio	Prefectural bond balance as a proportion of fiscal scale	230.9%	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 2020)



Balance Sheet

Assets	Amount
1 Non-Current Assets	3,865.1
(1) Property, plant and equipment	3,124.1
Business assets	884.3
Infrastructure assets	2,192.5
Goods	47.3
(2) Intangible assets	3.0
(3) Investments and Other Assets	738.0
2 Current Assets	229.8
(1) Cash	80.1
(2) Accrued Income	17.3
(3) Funds	124.0
(4) Others	8.4
TOTAL ASSETS	4,094.9

Statement of Changes in Net Assets

	Amount
Net assets at end of last FY	265.9
Change of Net assets during this FY	Δ5.6
Difference of this FY	Δ7.3
Change of external account (Non current assets, etc.)	1.7
Net Assets at end of this FY	260.3

(Units: JPY bn)

Liabilities	Amount
1 Non-Current Liabilities	3,655.6
(1) Local government bonds	3,358.6
(2) Retirement benefit reserves	227.6
(3) Others	69.4
2 Current Liabilities	179.0
(1) Current portion of LGB	137.9
(2) Bonus provisions	23.2
(3) Others	17.9
TOTAL LIABILITIES	3,834.6
NET ASSETS	Amount
(1) Portion of non-current liabilities	3,992.8
(2) Surplus(Deficit)	Δ 2,732.5
Total Net Assets	260.3
Total Liabilities And Net Assets	4,094.9

Statement of Cash Flow

	Amount
(1) Ordinary income and expenditure	65.9
(2) Capital income and expenditure	Δ 126.9
(3) Financial income and expenditure	86.5
(1) Balance of cash during this FY	25.5
(2) Cash at end of last FY	48.8
(3) Cash at end of this FY	74.3
Cash outside of annual account at end of this FY	5.8
Total cash at end of this FY	80.1

Statement of Administrative Costs

	Amount
(1) Business Expenses	586.7
Personnel expenses	314.3
Building expenses	234.5
Others	37.9
(2) Moving Expenses	823.7
Subsidyl expenses	553.6
Social security benefit expenses	267.0
Others	3.1
Ordinary Expenses A	1,410.4
(1) Fee	66.3
(2) Others	28.2
Ordinary Income B	94.5
Net Ordinary Expenses C=A-B	1,315.9
(1) Loss on Sale of Assets	1.2
(2) Others	0.5
Extraordinary Loss D	1.7
(1) Gain on sale of assets	0.5
(2) Others	0.4
Extraordinary Income E	0.9
Net Expenses C+D-E	1,316.7