



Introduction to Yokohama City Bonds

Financial Resources Division
Financial Affairs Department
Finance Bureau

March 2024

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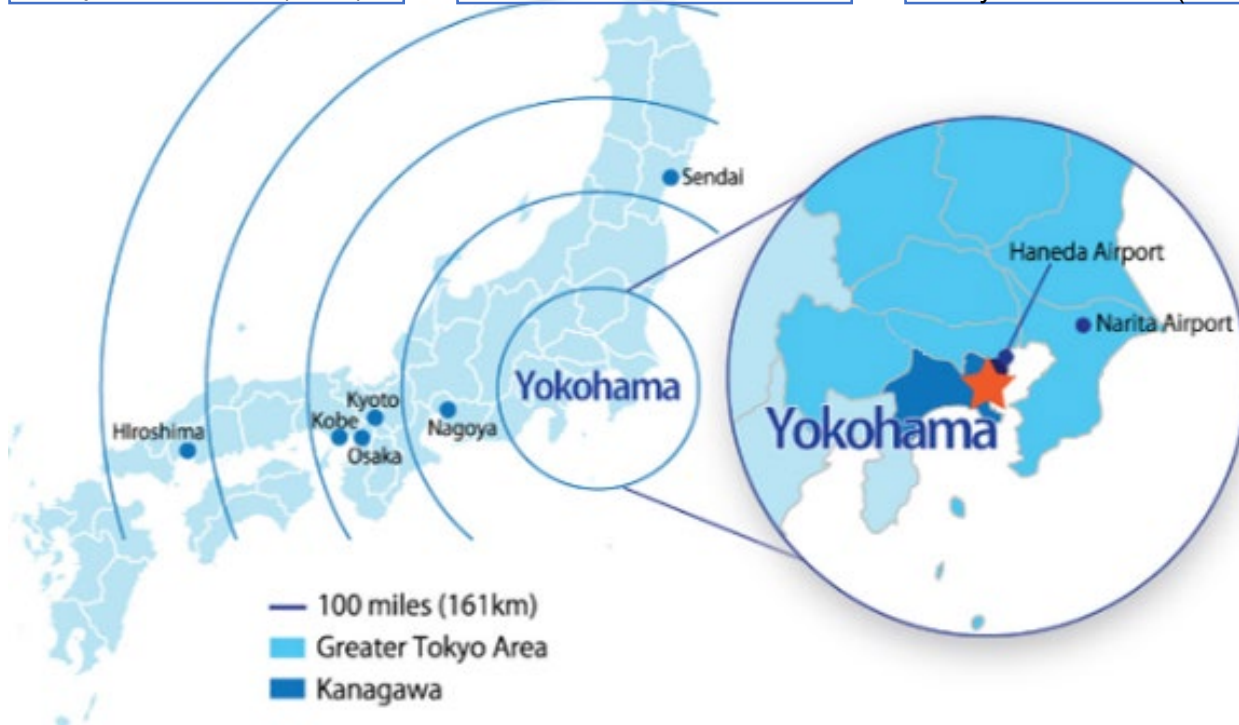
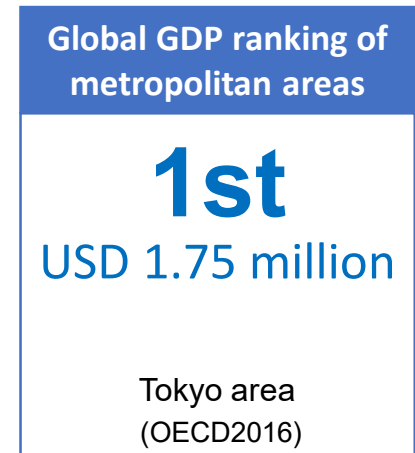
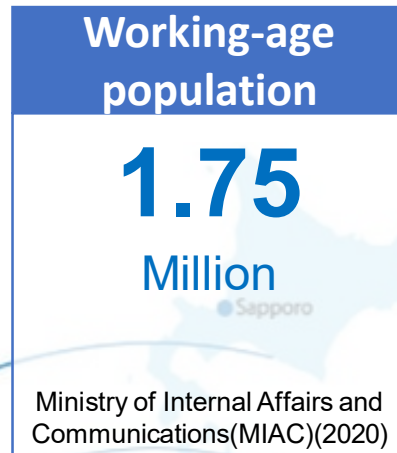
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Yokohama Medium-term Plan for FY2022-2025

Basic Overview of Yokohama City ①



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Basic Overview of Yokohama City ②



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Number of Port Arrivals

1st

Ocean-going ships
in Japan

MLIT(2020)

Green × EXPO 2027

2027

International Horticultural
Expo 2027, Yokohama,
Japan

Climate Change

Zero

Carbon by 2050

“Most Livable City” Ranking

1st

in Kanto region
SUUMO
(2018~2024)



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- ❑ The Port of Yokohama is one of the leading comprehensive ports in Japan, and is utilized for both commercial and industrial functions
- ❑ EXPO 2027 Yokohama (International Horticultural Expo 2027 Yokohama) has been recognized at the BIE* General Assembly
- ❑ Proactively engaged in decarbonization target of “Zero Carbon Yokohama” by 2050

*The Bureau International des Expositions, France

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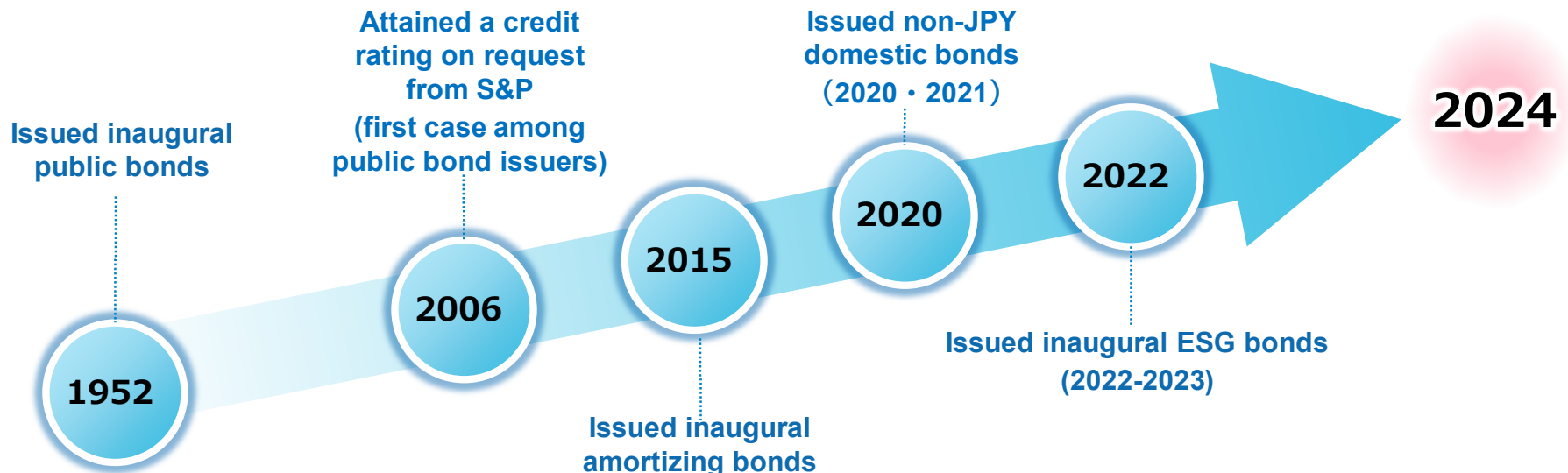
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Yokohama Medium-term Plan for FY2022-2025

Basic Concept

- Ensure elaborated bond issuance process with consideration of investors opinions and preferences
- Aiming for appropriate sales through dialogue with wide range of investors



Yokohama City's Credit Profile



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Ratings (Moody's) Long-Term Rating	
Yokohama City	Japan
A1/Stable	A1/Stable

BIS Risk Weights	
Yokohama City	Japan
0%	0%

- Same rating as Japanese Government Bonds
- Only 13 local governments in Japanese municipalities obtain Moody's ratings

Extract from Credit Opinion for Yokohama City by Moody's as of March 17th 2023

Yokohama's rating reflects its prudent management practices; our expectations that its operating margin will recover

“Yokohama has a track record of fiscal discipline, controlling operating and capital spending through strong internal controls and planning, which helps it better contain its spending through the cycles.”

Yokohama has a track record of fiscal discipline, controlling operating and capital spending through strong internal controls and planning, which helps it better contain its spending through the cycles. This discipline is also reflected in its long-term projection to 2065 that lays out plans for future revenue and spending. The city has focused its fiscal strategy on controlling spending because of its relatively lower level of tax revenue from the business sector than other RLGs. In some other jurisdictions, faster tax revenue growth tended to accelerate expenditure growth, which could not be easily curbed when tax revenue growth declined.”

*“Yokohama has sufficient financial assets to cover debt service. In addition, the city has short-term bank facilities that can cover its annual debt service. The city estimates the debt repayment fund will amount to ¥220.9 billion by the end of fiscal 2022. The fund will be sufficient to cover debt servicing in its general account, including principal payments of ¥79 billion (excluding fund contributions) and interest of ¥22.5 billion, planned for fiscal 2023. **The city continues to have strong access to Japan's deep and mature capital markets.**”*

“Yokohama will maintain sound fiscal performance”

The strain from the pandemic on Yokohama's tax revenue and its broader credit profile was limited. Larger subsidies from the central government to cover pandemic-related costs have also allowed the city to sustain its strong operating surplus.

*“The considerable level of oversight and supervision exercised by the central government, as well as the well-developed equalization system of transfers through the local allocation tax(LAT) system, **ensures that credit issues at the RLG level are identified and addressed early. We also assess that there is a very high likelihood that the Japanese government would step in to provide immediate assistance.**”*

FY2024 Public Bond Issuance Plan



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Issuance Plan FY2024

JPY 150bn in Total (Same amount compared to FY2023 Plan)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	FY2024 Total
Medium-term Bonds*	Initial Plan: JPY 150bn												
10-year Bonds													
Super Long-term Bonds*													

*Medium-term bonds: bonds with terms longer than a year and shorter than 10 years. Super long-term bonds: bonds with terms longer than 10 years

- Total issuance amount is subject to change in accordance with market conditions
- Flexible funding management: tenor and redemption type will be decided upon market conditions
- Aiming at continued issuance of ESG bonds
- Non-JPY domestic bonds to be issued upon market conditions and investor demands

Issuance Result FY2023

*Sustainability bonds

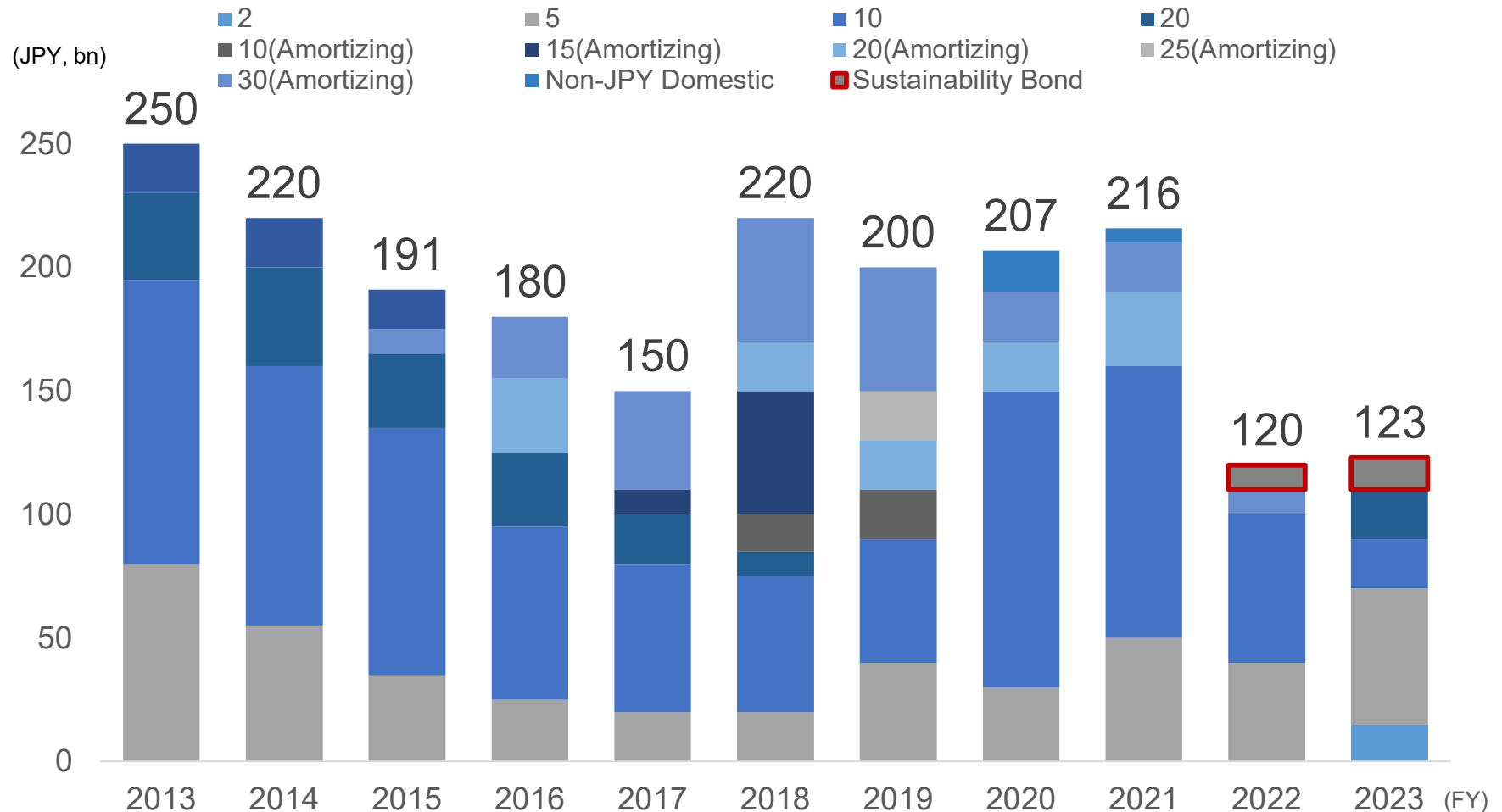
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	FY2023 Total
Medium-term Bonds*	5yr 45bn						2yr 15bn		ESG* 5yr 5bn		5yr 10bn		Results: JPY 123bn (Initial Plan: JPY 150bn)
10-year Bonds							20bn		10yr 3bn				
Super Long-term Bonds*		20yr 20bn							30yr 5bn				

Public Bond Issuance History



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Continued Issuance in Diversified Tenors upon Investors' Demand



Yokohama City's ESG Bond



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□ Yokohama has been issuing Sustainability Bond since FY2022

Yokohama's Sustainability Bond (FY2023): Issuance Summary

Tenor	5yr	10yr	30yr
Amount	JPY 5bn	JPY 3bn	JPY 5bn
Coupon	0.393%	0.817%	1.827%
Spread	JGB+8.0bp	JGB+9.0bp	JGB+10.0bp
Issue Price	100.00	100.00	100.00
Issue Date	December 22 th , 2023		
Maturity Date	December 22 th , 2028	December 22 th , 2033	September 19 th , 2053
Ratings	A1(Moody's)		
SPO	R&I		

Sustainability Bond Use of Proceeds

	Project Category	Target Project Details
Green	<ul style="list-style-type: none"> • Clean transportation • Energy efficiency • Climate change adaptation 	<ul style="list-style-type: none"> • Development of Eastern Kanagawa Rail Link (→ P.12) • Aging school buildings renovation project • River improvement • Sewerage improvement etc.
Social	<ul style="list-style-type: none"> • Affordable basic infrastructure • Access to essential services • Socioeconomic advancement and empowerment 	<ul style="list-style-type: none"> • Construction and renovation of infrastructure facilities • Development of day-care Centers(→ P.12) • Development of elementary and junior high schools • Development of support facilities for disabled people etc.



Development of Eastern Kanagawa Rail Link

➤ **Clean transportation**

The Eastern Kanagawa Rail Link Project corresponds to the project category of “Clean transportation,” as it allows people to shift to lower-emission modes of transportation.

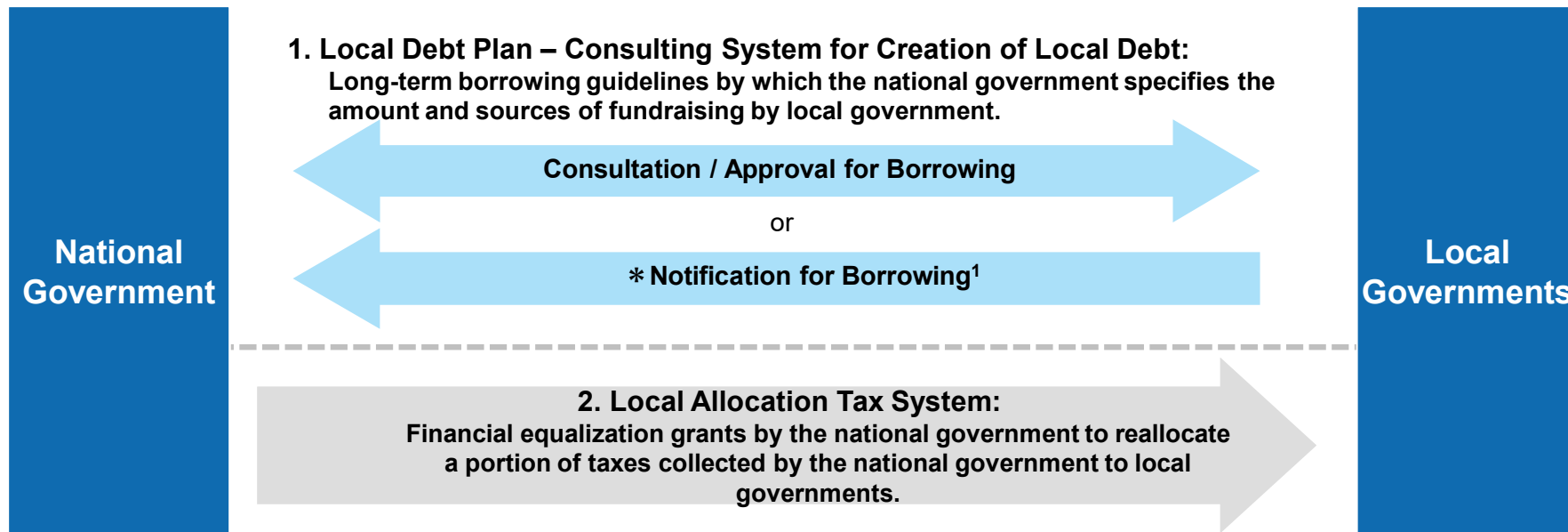
Development of Day-Care Centers

- **Access to essential services**
- **Socioeconomic advancement and empowerment**

Day-care centers, which support children’s abundant growth in society, provide essential services to raise children.



Systematic Safeguards for Local Government Bonds in Japan



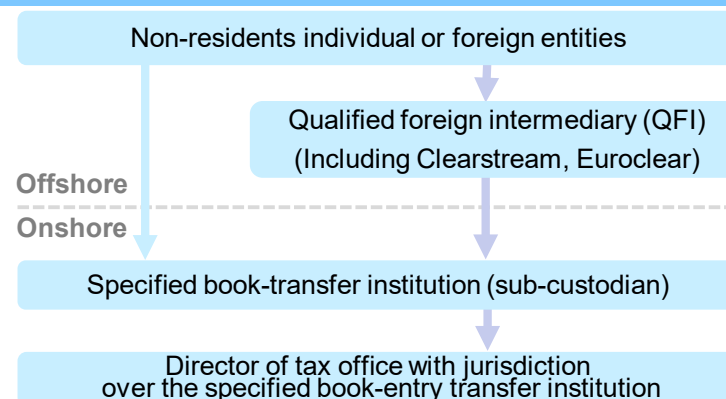
Tax Exemption for Non-Resident Investors (J-BIEM)

Tax Exemption for Offshore (Non-Resident) Investors

- ❑ The interest gains of Japanese local government bonds that are owned by non-resident or foreign corporations which settled by the book-entry system are exempted from withholding tax

Conditions

- ❑ Payment of interest must be made via the Japan Securities Depository Center, Inc.
- ❑ Nonresident individuals, etc., must hold the bonds through qualified foreign intermediaries or specified book-entry transfer institutions, etc.
- ❑ An Application Form for Withholding Tax Exemption must be submitted.



¹ Local governments that meet the following requirements can issue LGBs without consulting with the Minister for Internal Affairs and Communications or the prefectural governor.

1) Real debt payment ratio is less than 18%, 2) real deficit is 0, 3) consolidated real deficit ratio is 0, 4) future burden ratio is less than 400% (prefectures and government-ordinance-designated cities) or 350% (municipalities)

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Yokohama Medium-term Plan for FY2022-2025

FY2024 Budget



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□ Initial Budget of General Accounts: JPY 1,916bn (+0.7% from FY2023)

(Unit: JPY bn)

Account Classification	FY2024	FY2023	Increase and Decrease	Rate of Change
General Accounts	1,916	1,902	13	0.7%
Special Accounts	1,308	1,307	1	0.1%
Public Enterprise Accounts	611	592	19	3.2%
Total	3,835	3,801	34	0.9%

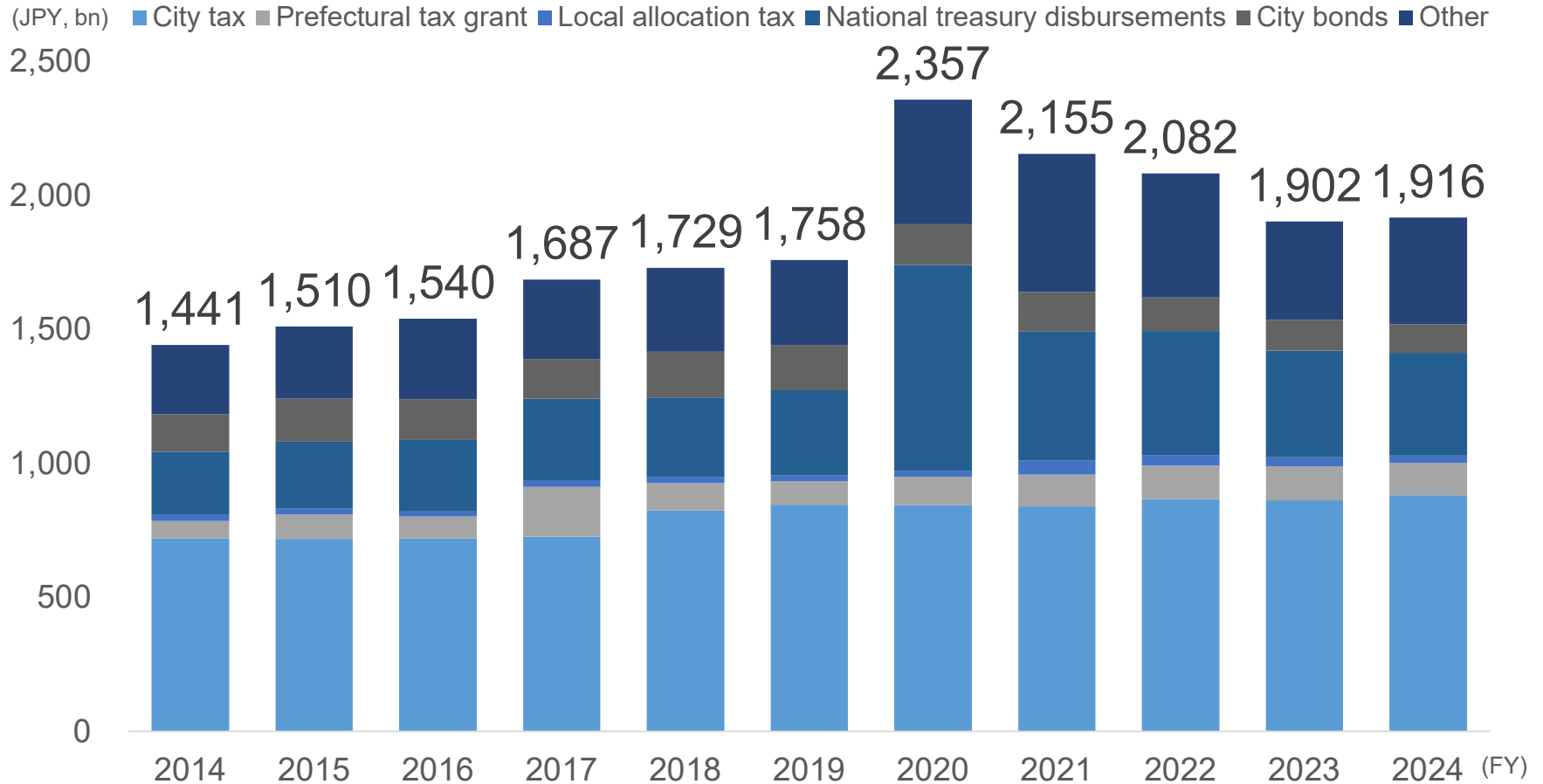
- **Expected city tax revenue: JPY 883bn** (+JPY 19bn from FY2023)
- **City bond issuance amount in general accounts: JPY 107bn**
(-JPY 8bn from FY2023)

Trend of Revenue Sources



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□ Initial Budget of General Accounts: +0.7% from FY2023



*Figures up to FY2022 are based on actual results, and figures of FY2023 and FY2024 are based on initial budget amount

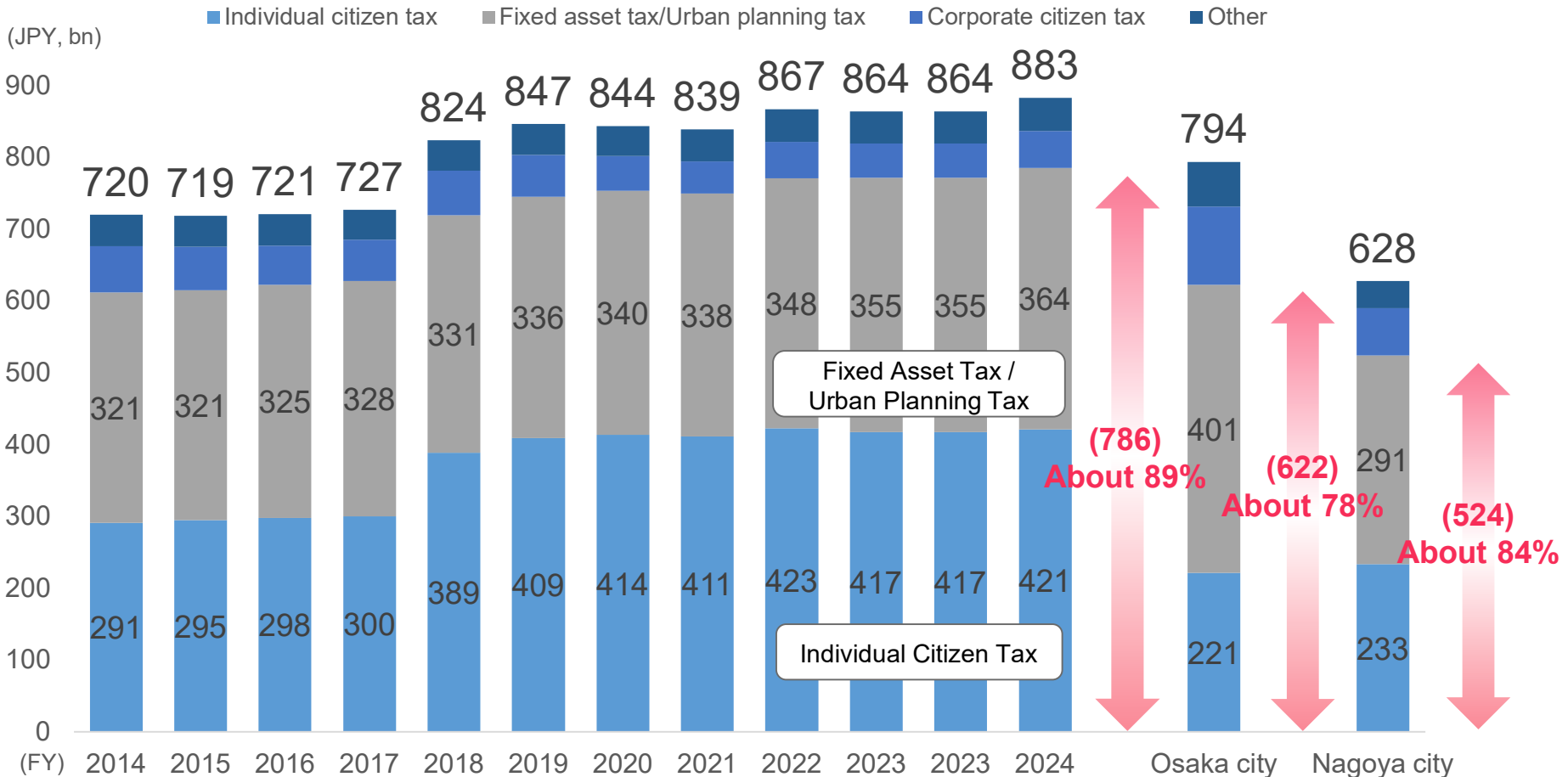
City Tax Revenue Structure



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☐ Trends in the Breakdown of Tax Revenue in Comparison with Other Designated Cities

➤ Tax revenue structure resistant to economic changes

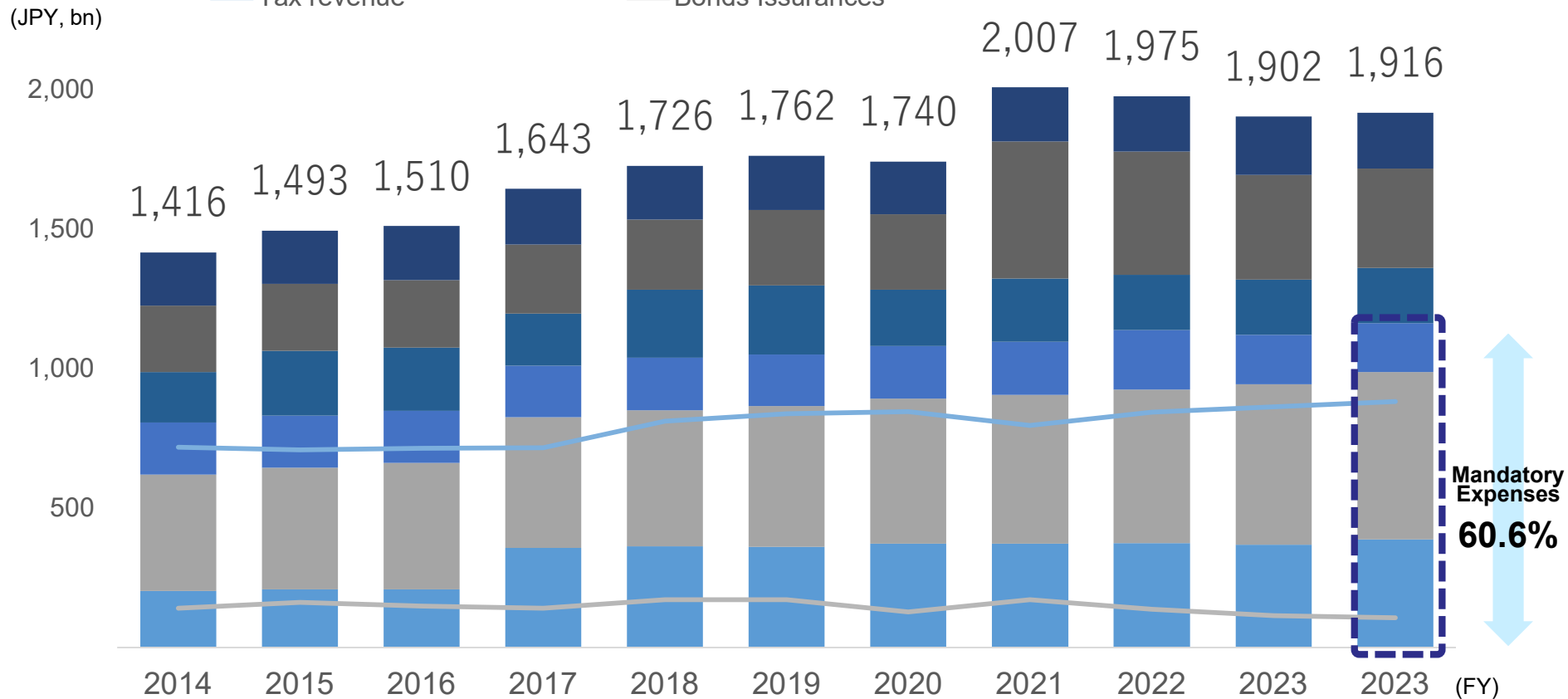


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Trend of Expenditures

❑ **Mandatory expenses such as social benefit expenditure have been increasing, whereas expenditure for facilities has been decreasing**

- Personal expenditure
- Social benefit expenditure
- Debt service expenditure
- Expenditure for facilities
- Administrative expenditure
- Transfer to other accounts
- Tax revenue
- Bonds Issurances

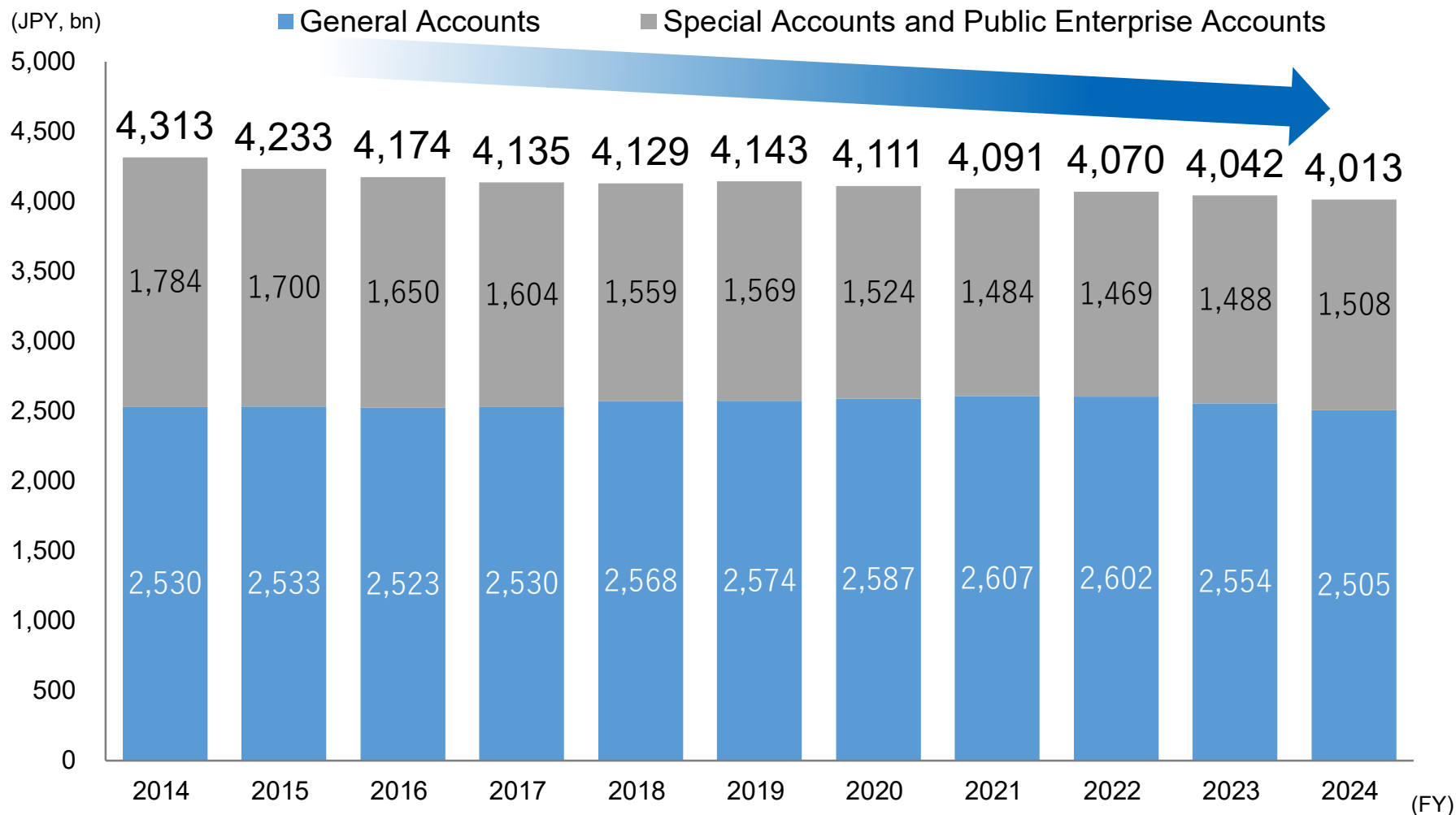


*Figures are based on initial budget amount

Trend of Outstanding Debt



❑ Outstanding bond amount decreased by more than JPY300bn over the past 10 years



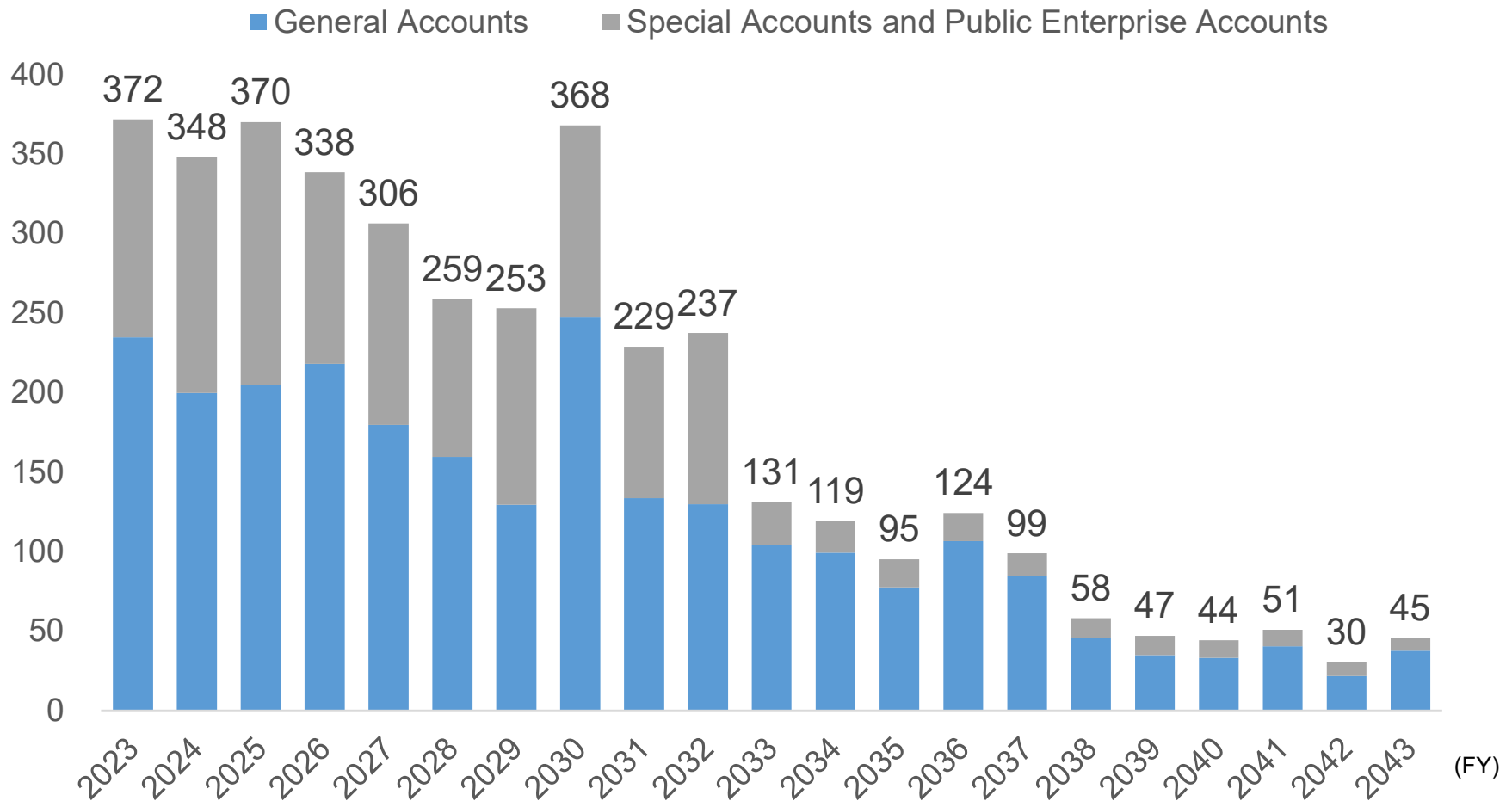
*Figures up to FY2022 are based on actual results, and figures of FY2023 and FY2024 are based on FY2024 initial budget amount

Redemption Schedule



□ Redemption amount of around JPY 350bn scheduled on annual basis until FY2026

(JPY, bn)



*As of FY2022 actual results

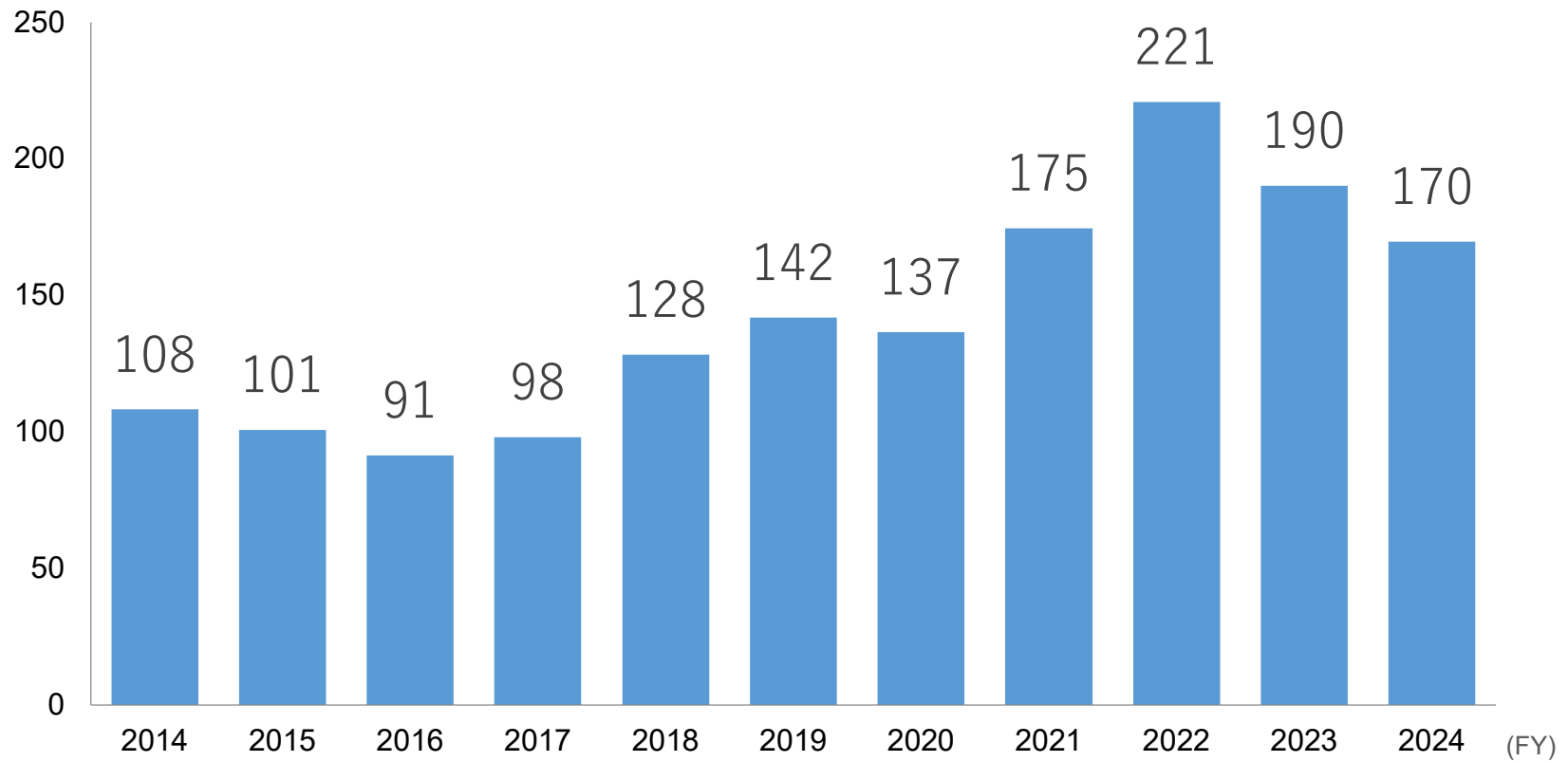
Historical Balance of Sinking Fund



☐ Stable Accumulation and Management of Sinking Fund in Preparation for Future Redemption

➤ Trends in the Outstanding Amount of Sinking Fund (FY2014-2024)

(JPY, bn)



Secure timely payment for the City bond redemption

*Figures up to FY2022 are based on actual results, and figures of FY2023 and FY2024 are based on FY2024 initial budget amount

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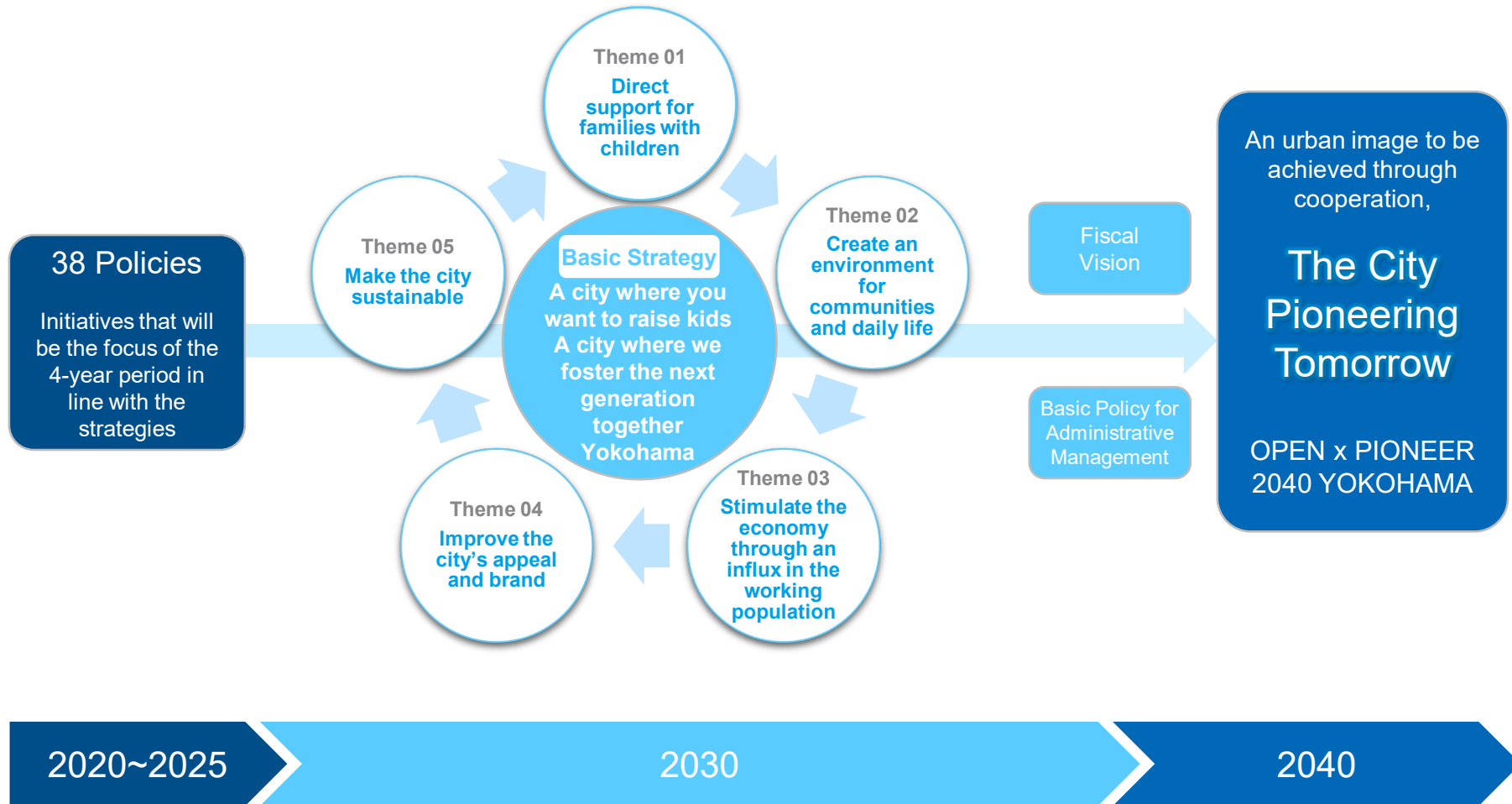
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Yokohama Medium-term Plan for FY2022-2025

The Yokohama Medium-term Plan for 2022 to 2025 shows an urban image to be achieved through cooperation as the ideal form of Yokohama in 2040



Utilization of Municipal Bonds and Outstanding debt from General Accounts



- Yokohama City is committed to debt management from a long-term perspective, and utilizing municipal bonds in an organized and strategic way

(JPY, bn)

	FY2022 Result	FY2023 Forecast	FY2024 Forecast	FY2025 Forecast	Total for four years
Municipal bond utilization amount	126	117	107	104	Approx. 460
Construction municipal bonds	94	101	100	100	Approx. 400
Bonds for the extraordinary financial measures	31	17	7	4	Approx. 60
Outstanding debt from General Accounts	2,602	2,554	2,505	2,440	

*Municipal bond utilization amount for the time being for the four years starting from FY2022 (under consideration)

Contacts



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If you have any questions, please feel free to contact below.

Yokohama City Bond Official Website

<https://www.city.yokohama.lg.jp/lang/residents/en/about-us/other/business/toshika/sitemap.html>

Yokohama City Official Website

<https://www.city.yokohama.lg.jp/>



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Yokohama City Open Data Portal

<https://data.city.yokohama.lg.jp/>

Yokohama City Financial Dashboard

<https://zaiseidashboard.city.yokohama.lg.jp/>

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