

**CREDIT OPINION**

28 August 2025

Update

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**RATINGS**

**Fukuoka Prefecture**

Domicile	Japan
Long Term Rating	A1
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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**Fukuoka Prefecture (Japan)**

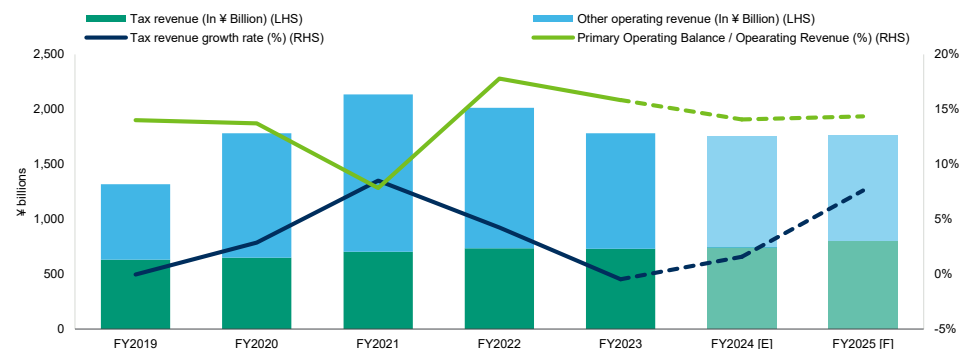
Update to credit analysis

**Summary**

The credit profile of [Fukuoka Prefecture](#) (A1 stable) reflects our view that the rating of the [Government of Japan](#) (A1 stable) and those of the regional and local governments (RLGs) in Japan should be at the same level because of their close links. The considerable level of oversight and supervision exercised by the central government, and the well-developed equalization system of transfers through the local allocation tax (LAT) system, ensures that any credit issues at the RLG level are identified and addressed early. We also assess that there is a very high likelihood of the Japanese government stepping in to provide immediate assistance in the event of an acute liquidity crisis. Fukuoka Prefecture's credit profile balances its economic diversification, its favorable debt structure and stable financial performance against its high debt burden.

Exhibit 1

**Operating margin is likely to remain above pre-pandemic levels, supported by tax revenue growth and disciplined fiscal management**



Fiscal years start in April and end in March of the following year. Fiscal 2024 is our estimate based on the budget, and fiscal 2025 is our projection based on the budget.  
Source: Moody's Ratings

**Credit strengths**

- » Strong institutional framework, supported by a close relationship with the central government
- » Diversified economy as the center of the Kyushu region
- » Consistent improvement in the debt burden, supported by good capital spending control

**Credit challenges**

- » High debt burden
- » Growing social spending

## Rating outlook

The rating outlook is stable, reflecting the outlook on Japan's sovereign rating.

## Factors that could lead to an upgrade

An upgrade of the sovereign rating would lead to an upgrade of Fukuoka Prefecture's rating.

## Factors that could lead to a downgrade

A downgrade of Japan's sovereign rating would lead to a downgrade of Fukuoka Prefecture's rating. Furthermore, any policy changes that would significantly weaken the highly centralized system for RLGs or the level of oversight provided by the central government could exert downward pressure on the prefecture's rating.

## Key indicators

Exhibit 2

### Fukuoka Prefecture

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 [E]	FY2025 [F]
Net Direct and Indirect Debt / Operating Revenue (%)	304.2%	229.2%	193.2%	200.5%	224.2%	224.5%	219.9%
Interest Payments / Operating Revenue (%)	2.4%	1.7%	1.3%	1.3%	1.5%	1.5%	1.5%
Primary Operating Balance / Operating Revenue (%)	14.0%	13.7%	7.8%	17.8%	15.8%	14.0%	14.2%
Cash and cash equivalent / Operating Revenue (%)	0.6%	0.4%	1.6%	2.3%	2.7%	2.6%	2.4%
Capital Spending / Total Expenditures (%)	19.8%	14.9%	12.3%	13.9%	14.8%	15.4%	15.2%
Social Spending / Total Expenditure (%)	4.1%	3.2%	2.7%	3.5%	3.6%	4.0%	4.1%
Population growth rate (%) <sup>□</sup>	0.8%	0.5%	-0.2%	-0.1%	-0.2%	-0.2%	N/A
Nominal GDP growth rate (%)	-0.6%	-5.5%	4.9%	2.1%	N/A	N/A	N/A

Fiscal year starts in April and ends in March of the following year. Fiscal 2024 is our estimate based on the budget, and fiscal 2025 is our projection based on the budget.

Sources: Fukuoka Prefecture and Moody's Ratings

## Detailed credit considerations

Fukuoka Prefecture's A1 rating combines its Baseline Credit Assessment (BCA) of a2 and a very high likelihood of extraordinary support from the national government in the event of acute liquidity stress.

### Baseline Credit Assessment

#### Strong institutional framework is supported by a close relationship with the central government

RLGs in Japan benefit from a highly developed, predictable and stable institutional framework. This protective arrangement contributes significantly to their credit strength through the central government's oversight of RLGs' performance, as well as the provision of fiscal transfers that reduce fiscal disparities.

RLGs' fiscal performance is overseen by the central government under the New Revival Law, which relies on various fiscal indicators. If an entity's indicators exceed defined thresholds, it is identified as either an "early correcting entity" or a "revival entity", and must then implement plans to improve its fiscal situation. This law, which covers a wide range of RLG activities, reflects the central government's strong resolve to reduce the risk of a financial crisis at the local level and bolster the local sector's credit risk profile.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 3

**Fukuoka Prefecture meets all ratios of the New Revival Law**

<b>Fiscal 2023</b>	<b>Actual deficit ratio</b>	<b>Consolidated actual deficit ratio</b>	<b>Adjusted debt service ratio</b>	<b>Future adjusted debt burden ratio</b>
<b>Fukuoka Prefecture</b>	-	-	<b>11.30%</b>	<b>248.40%</b>
Require an approval of MIC to issue bond	2.50%	-	18.00%	
Early Correcting Entity	3.75%	8.75%	25.00%	400.00%
Revival Entity	5.00%	15.00%	35.00%	N/A
Average of all prefectures	-	-	10.10%	148.70%

Ratio explanation<sup>1</sup>.

In the above table, "-" indicates no such deficit reported. No capital shortage is reported in the prefecture's corporate accounts.

Sources: Fukuoka Prefecture, Ministry of Internal Affairs and Communications (MIC), and Moody's Rating

Japanese RLGs have limited flexibility with respect to their own-source revenue. The country's local tax law determines the tax base available to RLGs and limits the range of permitted tax rates. For each major local tax, RLGs may apply the standard rate or a higher rate, up to a prescribed maximum.

Depending on the tax, the maximum rate is typically 10%-50% higher than the standard rate. However, in some cases, such as the inhabitants tax on individuals and property tax, there is no legal maximum. While an RLG may impose a tax not specified in the local tax law, it must be first approved by the Minister of Internal Affairs and Communications (MIC).

Due to the insufficiency in the central government's tax revenue used to fund LAT, the central government had been allocating a specific amount of rinzai-sai debt (an operating debt approved by the MIC), which is to be issued by the RLGs in place of LAT cash transfers from the central government. Larger RLGs, in particular, have been apportioned larger rinzai-sai amounts as smaller RLGs have more limited market access.

The amounts required to service rinzai-sai debt will be included in each RLG's future LAT subsidy. However, as the central government has historically recorded shortfalls in sources that fund LAT, we are monitoring the sustainability of the LAT transfer model, including the debt-servicing costs for rinzai-sai. Notwithstanding a temporary disruption during the coronavirus pandemic, rinzai-sai debt issuance slowed over the past few years, along with an improvement in the local tax revenue, allowing for a reduction in fiscal transfers to cover shortfalls. In the fiscal 2025 initial budget, the issuance of rinzai-sai dropped to zero for the first time since the inception of this rinzai-sai structure.

Support from the central government to RLGs to mitigate the financial impact of various social events on RLGs takes different forms. During the pandemic, earmarked subsidies were provided to RLGs to cover pandemic-related expenditures or to support weakened local businesses. Additionally, the central government extended transfers and subsidies to RLGs when inflationary pressures from a weak yen and higher energy prices affected local businesses and households. RLGs also have access to [Japan Finance Organization for Municipalities](#) (JFM, A1 stable), a government agency, for loans.

**Fukuoka Prefecture benefits from a diversified regional economy as the center of the Kyushu region**

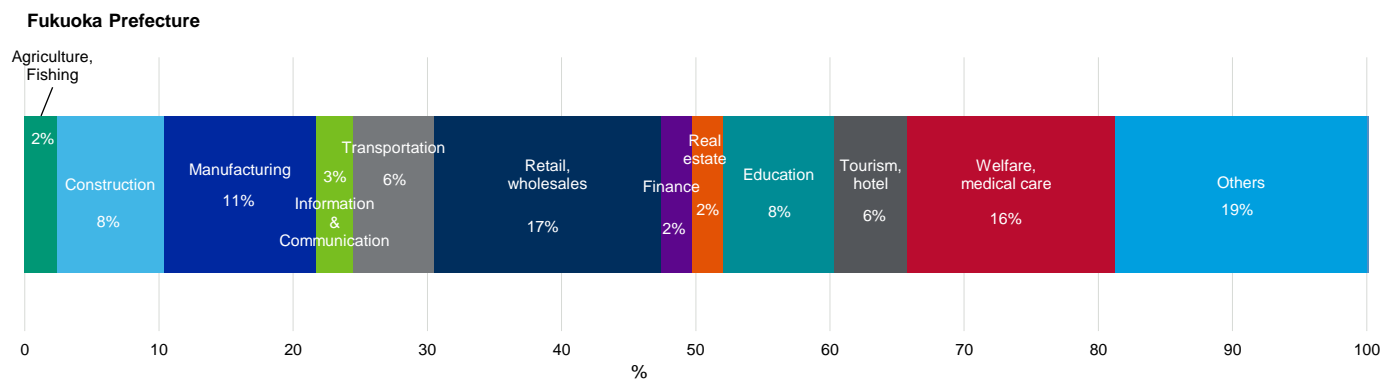
Fukuoka Prefecture's economy is the largest among the seven prefectures located in the Kyushu region. The prefecture's GDP was around ¥20.1 trillion for the fiscal year that ended March 2023 (fiscal 2022), which is comparable in scale to that of [Austria](#) (Aa1 stable) and about 40% of the Kyushu region's GDP. As of April 2025, Fukuoka Prefecture's population was around 5.08 million, accounting for more than one-third of the region's total population. However, the prefecture's population started to decrease marginally from fiscal 2020, as the population of all districts and cities except [Fukuoka City](#) (A1 stable) declined.

Because the number of major enterprises headquartered in Fukuoka Prefecture is low compared with that of other prefectures, Fukuoka's per capita income was around 14% below the national average, and lower than that of other export-oriented manufacturing hubs such as [Shizuoka](#) (A1 stable) and [Hiroshima](#) (A1 stable) prefectures. Additionally, as of March 2025, Fukuoka's unemployment rate was 2.7%, slightly above the national average of 2.5%. However, the diversity of the regional economy (see Exhibit 4) is a key strength supporting the prefecture's creditworthiness.

Exhibit 4

**Fukuoka Prefecture has a diversified industrial structure**

Employment by industry, 2020



2020 census basic tabulation on employment status.

Sources: Statistic Bureau of Japan and Moody's Ratings

Fukuoka Prefecture has two international airports. Fukuoka Airport ranked third in Japan in terms of combined international and domestic passenger traffic as of the end of fiscal 2023, behind Tokyo International Airport and Narita International Airport. It offers convenient subway access to Fukuoka City, the prefecture's largest urban center. In fiscal 2024, Kitakyushu Airport saw an increase in the number of passengers using regular international flights services compared to the previous year. Also, the prefecture hosts the Hakata Port, which recorded the highest volume of international passengers in Japan before the pandemic began.

Lower wages than the national average, together with a good access network and supportive RLG policies, have attracted large manufacturers to the Kyushu region, where they have established production facilities. The prefecture, along with the northern part of the Kyushu region, has also become an established center for automotive manufacturing. The prefecture is also promoting the expansion of its industrial base into new sectors such as aerospace, renewable energy and hydrogen, which will help support its tax base and the shift to decarbonization.

The strength of the local economy has attracted migrants to Fukuoka Prefecture. The largest share of migrants came from abroad, accounting for 22% of total migrants between 1 October 2023 and 30 September 2024. As of the end of fiscal 2023, Fukuoka Prefecture ranked ninth in terms of the number of foreign residents.

**Financial metrics will recover with higher tax revenue**

Japanese prefectures in general have a higher proportion of corporate tax, which is more vulnerable to cyclicity, in their tax composition than that of municipalities. Fukuoka Prefecture's corporate tax revenue accounts for around 26% and personal income tax for around 20% of its tax revenue based on its fiscal 2025 initial budget, while these rates for municipalities are less than 10% and 40%, respectively.

For fiscal 2023, tax revenue only declined by 0.5% on an ordinary account<sup>2</sup> basis. Reflecting the reduction in the central government subsidies that were provided for pandemic-related expenditure, total operating revenue declined by 11.5% in fiscal 2023. On the expenditure side, while pandemic-related subsidies from the prefecture to municipalities decreased, its social spending kept growing. As a result, the operating margin, as measured by its primary operating balance/operating revenue, declined to 15.8% in fiscal 2023 from 17.8% in fiscal 2022.

We estimate tax revenue growth of 1.6% in fiscal 2024 and 7.6% in fiscal 2025, reflecting economic recovery and moderate inflation. Total operating revenue likely declined in fiscal 2024 because of a continuous reduction in subsidy transfers from the central government, but will increase in fiscal 2025, supported by growth in tax revenue. The decline in operating revenue combined with ongoing increases in social spending and personnel expenses led to a further narrowing in the operating margin to 14% for fiscal 2024, but will gradually improve for fiscal 2025 and fiscal 2026. As a prefecture, Fukuoka's operating margin is slightly lower than the average of rated prefectures due to higher social spending.

We estimate that corporate taxes will account for around 13% of Fukuoka Prefecture's projected operating revenue in fiscal 2025 budget, hence the short-term impact of US tariff policy on the prefecture's overall finances is likely to be limited.

Fukuoka Prefecture continues to work to improve efficiencies under its Fiscal Reform Plan 2022 (which covers the period between fiscals 2022 and 2026). The plan aims to generate around ¥125 billion cash during the five years by streamlining operations, reducing costs and securing new revenue. Fukuoka prefecture has set a target to generate ¥1.7 billion liquidity by limiting prefecture-funded public works expenditures over a period of five years excluding those for frequent natural disasters. Other than projects to address or mitigate disaster risks, the prefecture has planned the New Fukuoka Prefectural Museum of Art, with a total budget of approximately ¥30 billion from fiscal 2021 to fiscal 2029.

For fiscal 2024 and 2025, we expect tax revenue to grow sufficiently to cover ongoing capital expenditure, especially as a part of these expenses will be funded through subsidies from the central government and reserves. New revenue streams include a regional tax contribution scheme and a more effective utilization of public assets through private-sector involvement.

#### **Debt burden is set to decrease gradually but will remain high**

Over the 10 fiscal years to fiscal 2021, the prefecture's net debt balance has grown marginally by 1%-2% year over year to support capital spending to address disaster recoveries following heavy rains and subsequent preventive investments as the region is prone to natural disasters, such as typhoons and heavy rains, which are becoming more frequent and severe.

At close to 300% historically, Fukuoka Prefecture's debt burden, measured by net direct and indirect debt/operating revenue, is comparable with that of other rated Japanese prefectures, but is higher than that of designated cities in Japan and international peers we rate. Although Fukuoka Prefecture had indicated a policy of reducing its debt under the previous Fiscal Reform Plan (fiscal 2017-21), its net debt balance increased by 7.2% during the period. Fukuoka Prefecture has continued to demonstrate its commitment to reducing its debt balance under the Fiscal Reform Plan 2022.

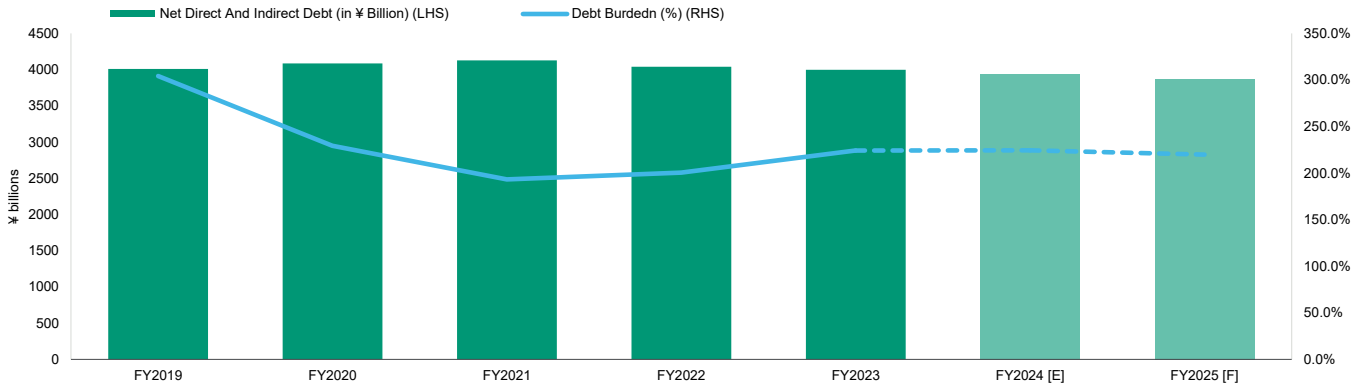
As of the end of fiscal 2023, the net debt balance was ¥3.7 trillion, down 0.9% from the previous year, supported by sound liquidity management. The debt burden was 224.2%. The balance of prefecture bonds declined for the second consecutive year since fiscal 2022, and the debt level as of the end of fiscal 2023 was below the target set in the Fiscal Reform Plan 2022. On the other hand, rinzai-sai debt<sup>3</sup> accounted for around 29% of total debt. The debt burden excluding rinzai-sai debt declined to around 150% as of the end of fiscal 2023. As mentioned above, the initial budget for fiscal 2025 includes no issuance of rinzai-sai debt, which is likely to contribute to an improvement in Fukuoka Prefecture's debt burden.

The debt burden will be around 220% in fiscal 2025 and will improve gradually, supported by continued growth in tax revenue, which is likely to increase operating revenue.

The long tenors of Fukuoka Prefecture's debt and its good market access mitigate the effects of its high debt burden. The prefecture's debt comprises mostly long-term, fixed-rate bonds or bank borrowings. Fukuoka Prefecture also benefits from favorable capital market conditions, relatively lower interest rates and investors' appetite for debt with longer maturities.

In fiscal 2023, the prefecture increased the balance of its fiscal adjustment fund by ¥1.7 billion to improve the liquidity ratio to 2.7% from 2.3%. It has historically recorded stable capex for maintenance and disaster control, and plans to finance part of the capex through its fiscal adjustment fund. We estimate the liquidity ratio to be around 2.5% for fiscal 2024 and fiscal 2025, which is around the average for the rated prefectures in Japan, indicating Fukuoka Prefecture's sustainable liquidity management.

Exhibit 5  
Debt balance will decline and debt burden will be improve gradually



Fiscal year starting in April and ending in March of the following year. Fiscal 2024 is our estimate based on the budget, and fiscal 2025 is our projection based on the budget.  
Source: Moody's Ratings

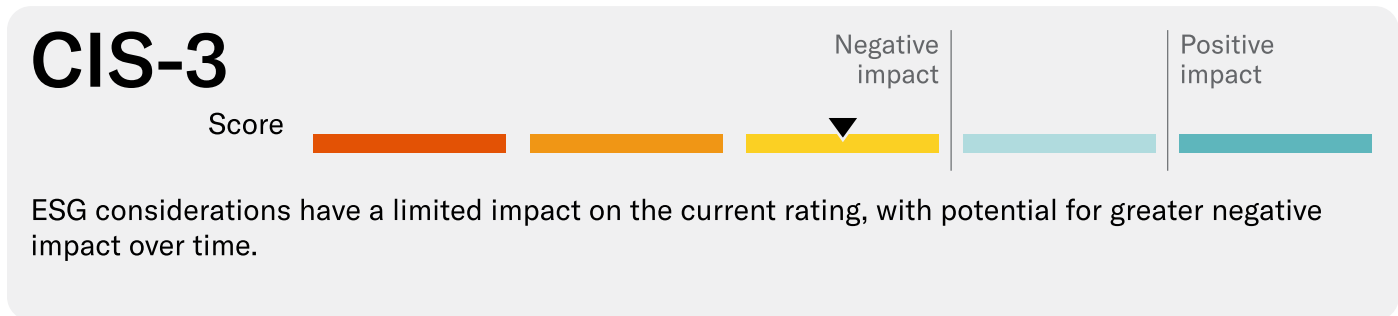
Fukuoka Prefecture, together with Kitakyushu city and Fukuoka city, was designated by the central government in December 2011 as a Green Asia International Strategic Special Zone. Since then, Fukuoka Prefecture has been working to enhance the international competitiveness of its environment-focused industries, and to establish a base for the development and production of environment-friendly products. The zone offers various incentives, including corporate tax reductions and exemptions from real estate acquisition taxes, to attract businesses. In addition, Fukuoka Prefecture is promoting the "One Health" initiative, which is based on the concept that the health of people, animals and the environment is interconnected. As part of this effort, the prefecture issued a sustainability bond themed on One Health in May 2025.

In the governor election held in March 2025, Seitaro Hattori was reelected as a governor of Fukuoka Prefecture. As a former official of the prefectural finance department, Hattori is well versed in Fukuoka's fiscal affairs. He has also advocated for policies supporting population growth and business development. We estimate his reelection is credit positive for the Fukuoka Prefecture's fiscal position.

### ESG considerations

#### Fukuoka Prefecture's ESG credit impact score is CIS-3

Exhibit 6  
ESG credit impact score

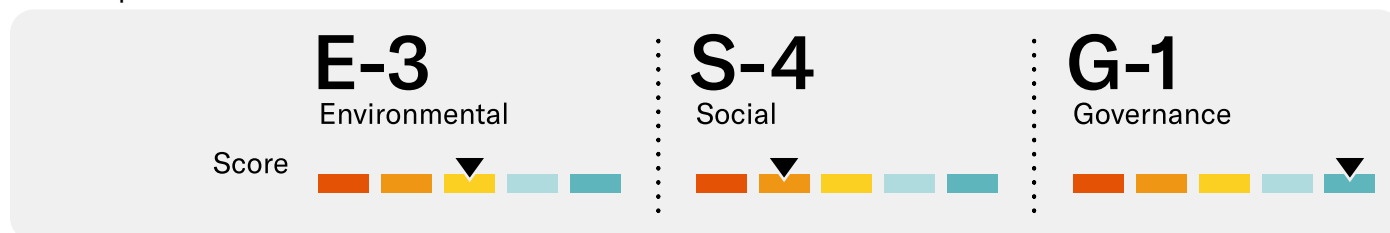


Source: Moody's Ratings

Fukuoka Prefecture's ESG Credit Impact Score is **(CIS-3)**. Fukuoka Prefecture's CIS is constrained by Japan's social risk – mainly ageing, declining demographics – which presents potential weakness over time in the central government's capacity to provide support through its institutional framework, which includes the equalization system. Nevertheless, this strong and predictable institutional framework for Japanese RLGs and the central government's support mechanisms for disaster recovery currently mitigate Fukuoka Prefecture's ESG risks.

Exhibit 7

## ESG issuer profile scores



Source: Moody's Ratings

### Environmental

We assess Fukuoka Prefecture's exposure to environmental risks as (**E-3** issuer profile score), with exposures in all environmental categories except on physical climate risk at moderately negative. Our score on physical climate risk reflects Japan's exposure to natural disasters, such as typhoons or heavy rains, that could become more frequent and severe from climate change. However, preventative measures, such as infrastructure fortification, diminish the economic and fiscal impact.

### Social

Our overall assessment of social risk exposure is (**S-4** issuer profile score), mainly reflecting declining demographics along a nationwide trend, although Fukuoka Prefecture does have some in-migration as the economic center of the region, which is also supported by the access to high quality education. It also benefits from high quality basic services from a well-developed infrastructure as well as health and safety.

### Governance

Fukuoka Prefecture's governance (**G-1** issuer profile score) reflects a strong institutional structure with regards to the central government, featuring a stable and predictable cash transfer equalization system. Governance is also supported by strong policy credibility and effectiveness, transparency and disclosure and budget management.

For more detail on our approach to incorporating environmental, social and governance factors in credit analysis, please see our [cross-sector rating methodology](#).

### Extraordinary support considerations

The very high likelihood of extraordinary support from the central government reflects our assessment of Japan's highly centralized system of RLGs, and Japan's unique history of risk socialization.

## Rating methodology and scorecard factors

The assigned BCA of a2 is in line with the scorecard-indicated outcome.

Exhibit 8

### Fukuoka Prefecture Regional and Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
<b>Factor 1: Economy</b>					<b>25%</b>	<b>1.42</b>
Regional Income (Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars)	5.48	43757.12	15%	0.82		
Economic Growth	9.00	baa	5%	0.45		
Economic Diversification	3.00	aa	5%	0.15		
<b>Factor 2: Institutional Framework and Governance</b>					<b>30%</b>	<b>0.90</b>
Institutional Framework	3.00	aa	15%	0.45		
Governance	3.00	aa	15%	0.45		
<b>Factor 3: Financial Performance</b>					<b>20%</b>	<b>1.40</b>
Operating Margin (Primary Operating Balance / Operating Revenue)	5.31	15.85%	10%	0.53		
Liquidity Ratio (Cash and Cash Equivalents / Operating Revenue)	16.31	2.66%	5%	0.82		
Ease of Access to Funding	1.00	aaa	5%	0.05		
<b>Factor 4: Leverage</b>					<b>25%</b>	<b>2.37</b>
Debt Burden (Net Direct and Indirect Debt / Operating Revenue)	12.82	224.23%	15%	1.92		
Interest Burden (Interest Payments/ Operating Revenue)	4.45	1.48%	10%	0.45		
<b>Preliminary BCA Scorecard-Indicated Outcome (SIO)</b>						<b>(6.09) a2</b>
<b>Idiosyncratic Notching</b>						<b>0.0</b>
<b>Preliminary BCA SIO After Idiosyncratic Notching</b>						<b>(6.09) a2</b>
<b>Sovereign Rating Threshold</b>						<b>A1</b>
<b>Operating Environment Notching</b>						<b>0.0</b>
<b>BCA Scorecard-Indicated Outcome</b>						<b>(6.09) a2</b>
<b>Assigned BCA</b>						<b>a2</b>

Source: Moody's Ratings (fiscal 2023)

## Ratings

Exhibit 9

Category	Moody's Rating
<b>FUKUOKA PREFECTURE</b>	
Outlook	Stable
Baseline Credit Assessment	a2
Issuer Rating	A1
Senior Unsecured	A1

Source: Moody's Ratings

## Endnotes

1 The "Actual deficit ratio" represents the magnitude of the deficit in the RLG's general account, the principal account of the RLG, as a percentage of its standard fiscal revenue. The "Consolidated actual deficit ratio" refers to the magnitude of the deficit occurring across all accounts of the RLG, including public companies such as public hospitals and sewage services, expressed as a percentage of its standard fiscal revenue. The "Adjusted debt service ratio" indicates the magnitude of the repayment amount (public bond cost including interest) of borrowings (local bonds) by the RLG as a percentage of its standard fiscal revenue. The "Future adjusted debt burden ratio" shows the size of the current debt, including borrowings (local bonds) and other liabilities, that the RLG is carrying as a percentage of its standard fiscal revenue. Standard fiscal revenue or "Hyoujyun zaisei kibo" refers to the total of the regular general financial resources of RLGs, including tax revenue and the Local Allocation Tax, to which the issuance limit for rinzai-sai debt is also added. Details of the calculation method are available on the MIC website. The ratios are audited by the RLG before announcement.

- 2 The ordinary account is a comprehensive account type used for statistical analysis reported to the Ministry of Internal Affairs, encompassing the general account, public health insurance and special accounts for housing fund lending, but excluding public enterprise accounts such as water supply, sewage, hospitals and port management. In our analysis, we consolidate all these accounts for a unified view
- 3 Rinzai-sai debt is issued by RLGs to compensate for shortfalls in LAT provided by the central government, and not because the prefecture is fiscally irresponsible. However, given the aforementioned context, rinzai-sai debt is included in the calculation of debt burden. We treat rinzai-sai as debt to be subsidized through future LAT transfers. Furthermore, the amount of rinzai-sai debt issued by each RLG is determined by a mechanical formula that tends to generate heavier debt levels for larger RLGs such as Fukuoka Prefecture, which has excellent market access. Therefore, the level of rinzai-sai debt does not strictly reflect the actual fiscal position of Fukuoka Prefecture. Consequently, the impact on BCA is limited.

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