

# The Fiscal Conditions and Prefectural Bonds of Chiba Prefecture

October 2014



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# 1. Outline of Chiba Prefecture

Although Chiba Prefecture is located in the national capital region, it is blessed with rich nature, and has a lot of treasures and potential, including Narita International Airport as the gateway to the sky in Japan. In April 2013, the Metropolitan Inter-City Expressway between Togane and Kisarazu with a length of 42.9 km was opened, and connected to Matsuo-Yokoshiba Interchange via Tokyo Bay Aqua-Line, improving the accessibility to sightseeing spots in the prefecture.



**Topics:**

- The price of the commercial use land in the prefecture has risen for the first time after a period of 6 years. (As of July 1, 2014)
- The population of the prefecture has become overrun by new residents the first time after a period of 3 years. (As of October 1, 2013 according to the population projection by Ministry of Internal Affairs and Communications)
- The number of tourists to the prefecture has exceeded that before the earthquake for the first time setting a record high. (As the result in FY2013)

## (1) State of Population in Chiba Prefecture

The population of Chiba Prefecture came 6th at the time the Census was conducted in FY2010. The average age is 44.3 years old and this makes Chiba Prefecture the 7th youngest prefecture in the country.

- Population **6.216 million** (6th largest in Japan)
- Average age **44.3 years old** (7th youngest in Japan)
- Population growth rate **2.6%** (3rd in Japan)
- No. of households **2.52 million households**

### Population by prefecture

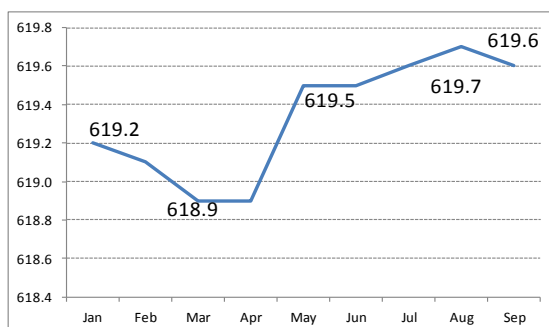
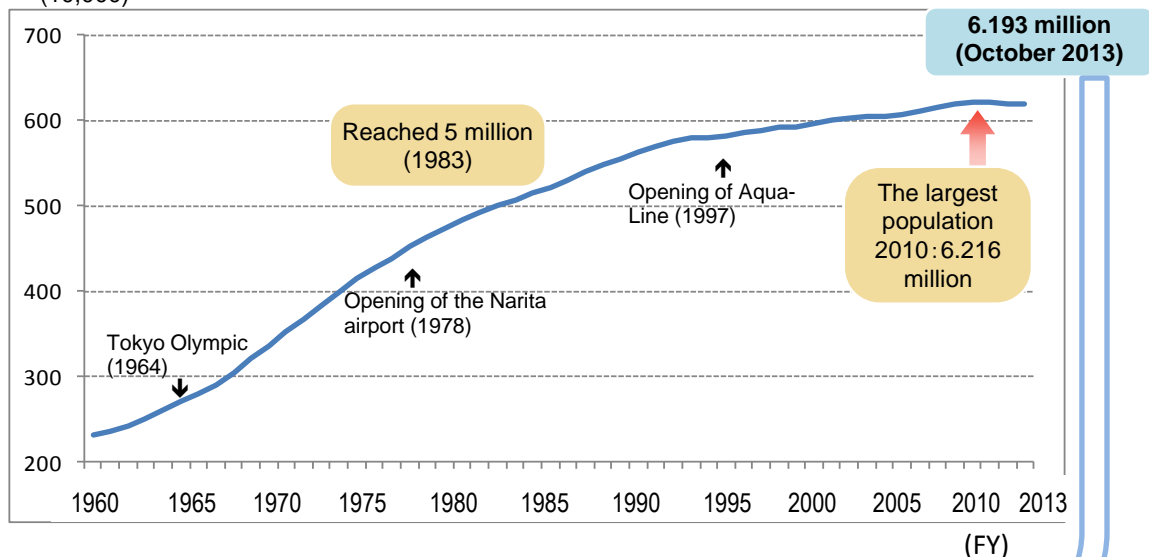
Rank	Prefecture	Population	Population growth rate 2005-2010
1	Tokyo	13.16 million	4.6%
2	Kanagawa	9.05 million	2.9%
3	Osaka	8.87 million	0.5%
4	Aichi	7.41 million	2.2%
5	Saitama	7.19 million	2.0%
6	<b>Chiba</b>	<b>6.22 million</b>	<b>2.6%</b>

○% of working age population (Age 15 to 64) **65.6%** (4th in Japan)

○% of population of 65 and above **21.0%** (7th lowest in Japan)

The population of Chiba Prefecture, which had a tendency to increase consistently since the Second World War, turned to decline after the Great East Japan Earthquake, however, the depopulation has been halted and the population has remained flat since 2013.

(10,000) **Population Transition in Chiba Prefecture** —Comparison as of 1, October every year—



(10,000)

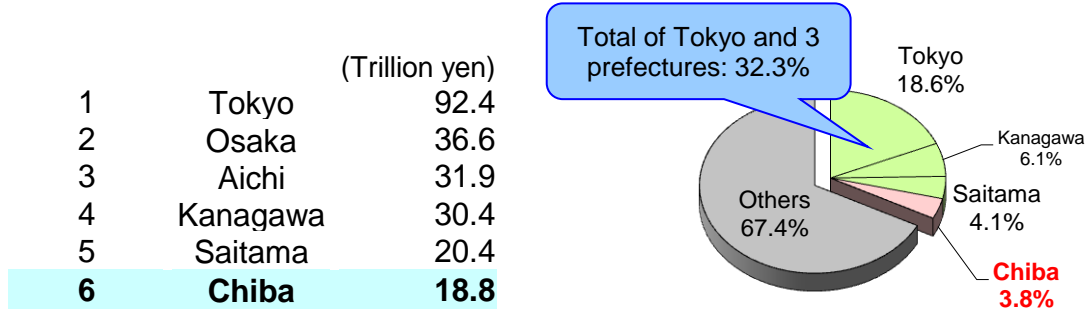
Recent population transition (January 2014 to September 2014)

(Source) Chiba Prefecture monthly permanent resident survey

## (2) Economical State in Chiba Prefecture Viewed from Report on Prefectural Accounts

### Gross Prefectural Product

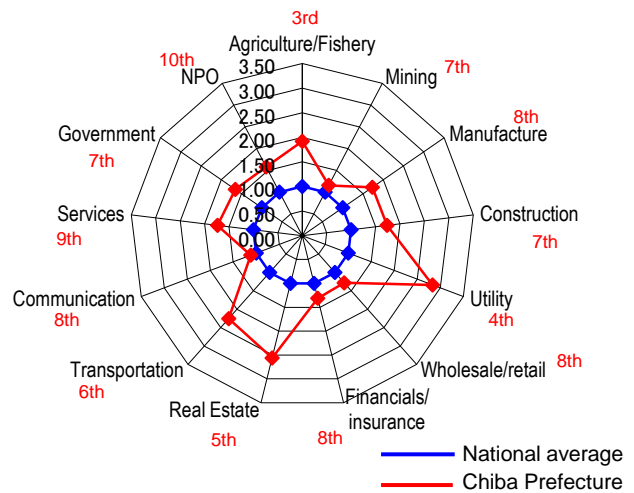
Chiba Prefecture's nominal gross product is 18.8 trillion yen, which is the 6th largest in Japan.



### Industry Structure

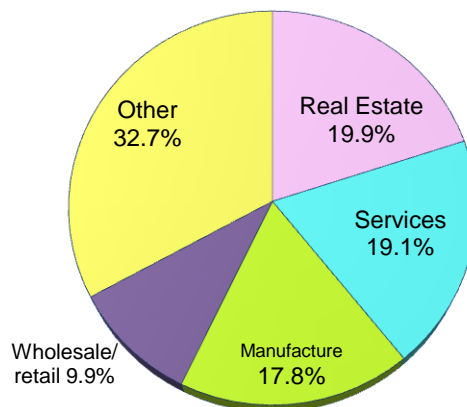
Chiba Prefecture is ranked in top ten of all areas in the national ranking by industrial items.

The right graph shows the comparison of production values by industrial areas, indexed to the national average (blue). The values of Chiba are in red. Chiba is exceeding the national average in all areas.



### Ratio by Industry

Real Estate, Services and Manufacture account for 60% of the gross prefectural product.



"Report on Prefectural Accounts in FY2011" Economic and Social Research Institute, Cabinet Office

## (3) Characteristics of Industry in Chiba Prefecture

Chiba Prefecture is ranked in the top 10 in all fields including agriculture, fishery, manufacturing and commerce.

### Agriculture - Ranked 3rd

Chiba Prefecture is blessed with a warm climate and rich land resources, with 149,000 hectares of agricultural land (approximately 28.9% of total area as of October 2010). Chiba has a balanced agricultural industry including rice, vegetables and livestock, and has the 3rd largest agricultural output value in Japan in 2012.



Various kinds of agricultural products are produced throughout the year.

### Fishery - Ranked 7th



Chiba Prefecture is surrounded by bay areas and ocean, and is blessed with a diverse catch with significant seasonal variety. As a result, various types of fish and shellfish are caught here. Chiba was ranked 7th in terms of the total volume of fishery production at 154,000 tons, in 2012.

### Manufacturing - Ranked 6th

Chiba Prefecture ranks 6th in Japan in terms of shipment values of manufactured goods, totaling 12.7 trillion yen in 2012. The three largest industries are petroleum/coal products (3.1 trillion yen; ranked 1st), chemicals (2.9 trillion yen; ranked 1st) and steel (1.7 trillion yen; ranked 3rd) which together make up 60% of total manufacturing shipments.

### Commerce - Ranked 9th

Commerce in Chiba Prefecture not only supports the comfortable livelihood of its 6 million residents, but also plays an important role in the regional economy. Chiba Prefecture employed 414,626 people in 48,596 offices as of June 1, 2007, and it achieved annual product sales values of 12.3222 trillion yen (9th largest in Japan).

### Tourism

Chiba Prefecture, placing sightseeing as a pillar for its industry, offers continuous low-cost service on Tokyo Bay Aqua Line, develops various businesses, making the most of the Aqua Line, and provides support for location costs of movies and TV programs.

We also improve systems to accommodate people for the Tokyo Olympics/Paralympics in 2020 and take actions in order to improve convenience for Narita International Airport, as the entrance of Japan, by converting the service to "Nonstop Gate."

Tourism sports, etc. with a large number of visitors in Chiba Prefecture

Rank	Tourism spots	Number of visitors (10,000 visitors)
1	Tokyo Disney Resort (Urayasu City)	3,130
2	Narita-san Shinsho Temple (Narita City)	1,036
3	Umihotaru Parking Area (Kisarazu City)	780
4	Makuhari Messe (Chiba City)	591
5	Pasar Makuhari (Keiyo Rd. Parking Area, Chiba City)	487
6	Katori Shrine (Katori City)	196
7	QVC Marine Field (Chiba City)	147

"Tourism Visitors Survey, FY2013", September 2014 (Chiba Prefecture)

## (4) Chiba Prefecture in the National Ranking

### Agricultural output value

		(100 million yen)
1	Hokkaido	10,536
2	Ibaraki	4,281
<b>3</b>	<b>Chiba</b>	<b>4,153</b>
4	Kagoshima	4,054
5	Kumamoto	3,245
6	Aichi	3,075

"Productive Agriculture Income Statistics" for FY 2012 by MAFF

### Volume of fishery production

		(Thousand tons)
1	Hokkaido	1,140
2	Nagasaki	246
3	Shizuoka	216
4	Mie	174
5	Ibaraki	154.4
6	Miyagi	153.9
<b>7</b>	<b>Chiba</b>	<b>153.5</b>

Source: "Statistics of Fishery and Cultivation Production" for FY 2012 by MAFF (rough calculation)

### Shipment value of manufactured products

		(100 million yen)
1	Aichi	412,523
2	Kanagawa	168,574
3	Shizuoka	153,442
4	Osaka	151,504
5	Hyogo	136,385
<b>6</b>	<b>Chiba</b>	<b>126,528</b>
7	Saitama	113,067

Industrial Survey for FY2013 by METI (preliminary)

### Annual merchandise sales value

		(100 million yen)
1	Tokyo	1,822,113
2	Osaka	616,602
3	Aichi	434,432
.		
.		
8	Hyogo	132,693
<b>9</b>	<b>Chiba</b>	<b>123,222</b>
10	Fukuoka	118,684

"Census of Commerce" for FY 2007 by METI (final)

### Annual sales of service industry

		(100 million yen)
1	Tokyo	718,254
2	Osaka	254,310
3	Kanagawa	179,778
4	Aichi	174,987
5	Saitama	123,467
<b>6</b>	<b>Chiba</b>	<b>121,064</b>
7	Hyogo	107,791

"Service Industry Trend Survey" for FY 2013 by METI (preliminary)

### Number of overnight guests (total)

		(10 thousand guests)
1	Tokyo	5,282
2	Hokkaido	3,097
3	Osaka	2,388
4	Shizuoka	2,092
5	Okinawa	2,079
<b>6</b>	<b>Chiba</b>	<b>2,062</b>
7	Kyoto	2,009

Results of "Statistics Survey of Overnight Stays" for Jan.-Dec. 2012 by MLIT (final)

### Number of new dwellings constructions started

		(Dwelling unit)
1	Tokyo	144,562
2	Kanagawa	79,331
3	Osaka	69,335
4	Aichi	64,478
5	Saitama	63,024
<b>6</b>	<b>Chiba</b>	<b>46,744</b>
7	Fukuoka	41,335

"Construction Starts Statistics Survey" for FY 2013 by MLIT

### Inhabitable land area

		(km <sup>2</sup> )
1	Hokkaido	21,901.9
2	Niigata	4,482.7
3	Fukushima	4,218.3
4	Ibaraki	3,976.0
5	Iwate	3,710.3
<b>6</b>	<b>Chiba</b>	<b>3,488.3</b>
7	Nagano	3,329.5

"Social Life Statistics Indicators 2013" by Cabinet Office

### Trade value by major ports (export/import)

		(100 million yen)
<b>1</b>	<b>Narita airport</b>	<b>188,442</b>
2	Port of Nagoya	163,103
3	Port of Tokyo	155,129
4	Port of Yokohama	109,217
5	Port of Kobe	81,640
6	Port of Osaka	78,656
7	Kansai airport	77,374
<b>8</b>	<b>Port of Chiba</b>	<b>58,859</b>

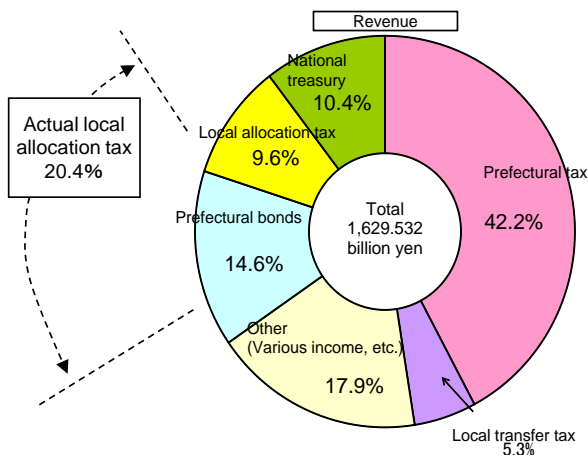
"Ranking of Trade Value by Major Ports" for 2013 by MoF Yokohama Customs House (final)

## 2. Status of Budget and Accounts

Chiba Prefecture places FY2014 as a year to establish a solid foundation to become the "Prefecture where the satisfaction level with day-to-day life is No.1 in Japan." To achieve it, the initial budget for FY2014 was allocated with a focus on the following fields: "To stimulate the economy in Chiba," "To establish safety and security of life," "To enrich the support for children and child-bearing generation," and "To enrich medicine and social welfare." After the revision in September, the general account expenditures of 1,629.5 billion and 32 million yen are a 2.1% increase from the budget for the previous financial year.

### (1) General Account Budget (Revenue) After Revision in September, FY2014

The local allocation tax represents a large portion of revenues, with many of those funded by extraordinary financial measures bonds(\*) representing almost 70% of the prefectural bond issuance.



Revenue	2014 (After correction in September)	2013 (After correction in September)	Change	YoY
Prefectural tax	6,817	6,277	540	8.6%
Corporate-related tax	1,145	1,039	106	10.2%
Inhabitant tax	2,681	2,556	105	4.1%
Local consumption tax	1,447	1,105	342	31.0%
Local transfer tax	862	702	160	22.8%
Local allocation tax	1,550	1,575	-25	-1.6%
General allocation tax	1,540	1,565	-25	-1.6%
Special allocation tax	10	10	0	0.0%
National treasury disbursements	1,685	1,644	41	2.5%
Prefectural bonds	2,361	2,631	-270	-10.3%
Local construction bonds	621	681	-60	-8.8%
Extraordinary financial measures bonds	1,740	1,825	-85	-4.7%
Retirement allowance bonds		125	-125	-100.0%
Other	3,020	3,136	-116	-3.7%
<b>Total</b>	<b>16,295</b>	<b>15,965</b>	<b>330</b>	<b>2.1%</b>

Actual local allowance tax (Local allowance tax + extraordinary financial measures bonds)	3,290	3,400	-110	-3.2%
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#### <Prefectural tax>

The revenue from the prefectural tax has increased drastically based on the expected increase in revenue from 2 Corp. taxes, inhabitant tax, and local consumption tax, as a result of economic recovery and raise in consumption tax rate.

※Local consumption tax rate: Until March 2014: 1% →From April 2014: 1.7%

#### <Local allocation tax, etc.>

Based on anticipated tax yields of the prefecture and the growth of the local financing program, the initial budget expects a decrease of 2.5 billion yen compared to the previous financial year.

#### <Prefectural bonds>

Prefectural bonds are decreased by 27 billion yen from the previous financial year since the issue of bonds on a retirement allowance is not expected accompanied by the improvement of the annual expenditure, and also since an extraordinary financial measures bond is expected to decrease.

※ Extraordinary financial measures bond: To cope with the insufficiencies in the 5 types of national tax to fund local allocation tax, extraordinary financial measures bonds may be issued by local governments to fund part of the local allocation tax that they are entitled to receive from the national government. The national government repays the principal amount with accrued interest at a certain point in future in the form of allocation tax.

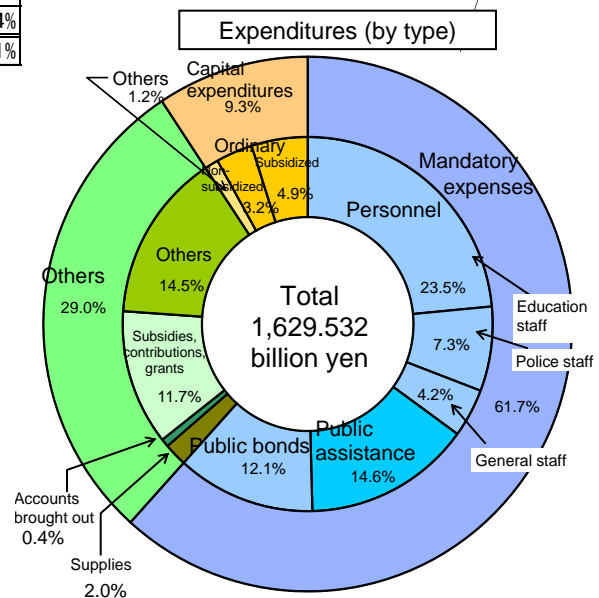
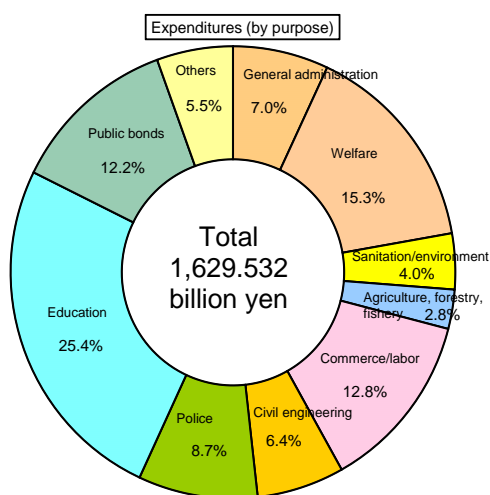


## (2) General Account Budget (Expenditure) After Revision in September, FY2014

(100 million yen)

Expenditures	2014 (After revision in September)	2013 (After revision in September)	Change	YoY
Personnel	5,707	5,592	115	2.1%
Public assistance	2,373	2,258	115	5.1%
Public bonds	1,969	1,870	99	5.3%
Investment	1,519	1,538	-19	-1.2%
Ordinary construction (subsidized)	801	781	20	2.6%
Ordinary construction (unsubsidized)	525	532	-7	-1.3%
Other	4,727	4,707	20	0.4%
<b>Total</b>	<b>16,295</b>	<b>15,965</b>	<b>330</b>	<b>2.1%</b>

Mandatory expenses account for a large portion of expenditures (60%).



### <Personnel expenses>

Personnel expenses have been increased by 11.5 billion yen due to the termination of the salary reduction measures and so on.

### <Public assistance expenses>

The budget for public assistance expenses increased by 11.5 billion yen due to increase in nursing care costs associated with the aging population as well as rising costs for supporting independent living for persons with disabilities.

### <Capital expenditures>

The budget for capital expenditures for ordinary construction projects (subsidized) has increased by 2 billion yen as a result of the increase in public projects such as construction and rehabilitation of roads, bridges and structures along rivers and seashore.

The budget for ordinary construction projects (unsubsidized) has decreased by 0.7 billion yen. This is the result of reviewing of budgetary calculation method for the construction of special nursing homes projects. If the increase in the costs for the earthquake-resistant retrofit for prefectural high school buildings and the Chiba Central Police building is included, the actual project costs have increased.

The total budget for commissioned projects, disaster recovery projects and direct management projects has decreased by 3.2 billion yen. Therefore, as a whole, the budget for capital expenditure has decreased by 1.9 billion yen.

### <Other>

The major expenditures in the Other include Funds to Promote Small and Medium-sized Enterprises (loans) of 190 billion yen and Subsidies for Operating Costs of Private Schools (subsidies) of 34.8 billion yen.

## (3) Major Projects in the Original Budget

### Invigoration of the prefectural economy

- Project for discounting the toll of the Tokyo Bay Aqua-Line: 500 million yen

We will keep the toll of the Tokyo Bay Aqua-Line discounted. (e.g. 800 yen for ETC-mounted standard-sized cars)

- Project for developing industrial complexes: 726 million yen

We will construct industrial complexes in Mobara City and Sodegaura City, which are located close to the Metropolitan Inter-City Expressway.

\*The estates are to be divided for sale in FY 2017.

- Project for energizing local industries by taking advantage of the Tokyo Bay Aqua-Line and the Metropolitan Inter-City Expressway: 30 million yen

- Project for supporting the stands of agricultural and marine products by taking advantage of Tokyo Bay Aqua-Line and Metropolitan Inter-City Expressway: 10 million yen

We will develop products and promote stands by utilizing agricultural and marine products, and sightseeing resources in the vicinity of the Tokyo Bay Aqua-Line and the Metropolitan Inter-City Expressway.

- Project for improving the attractiveness of sightseeing spots: 200 million yen

We will subsidize the establishment and refurbishment of public restrooms, parking lots, and sightseeing information booths, etc. in sightseeing spots.

- Project for promoting the installation of household energy saving equipment, etc.: 500 million yen

In order to facilitate the installation of household energy saving equipment, etc., we will subsidize the expenses for solar power generation equipment and household fuel cells (Ene-farm), etc.



### Enrichment of medicine and welfare

- Project for securing medical doctors: 608.25 million yen
- Project for lending money to nurses, etc. for school expenses: 168.38 million yen
- Project for operating childcare centers in hospitals and developing facilities: 470.68 million yen

In order to secure personnel to support local medicine, we will expand the upper limit of loans for the school expenses of medical doctors and nurses, etc. and increase the amount of subsidies to childcare centers in hospitals.

- Project for supporting the development of welfare facilities for seniors: 5,312.6 million yen
- We will subsidize the expenses for the construction, enlargement, and remodeling of special elderly nursing homes, etc.

- Project for supporting home nursing care services that are conducted regularly or when necessary: 26.58 million yen

- Project for housing construction assistance with services for elderly people: 120 million yen
- In order to assist elderly people in living in their houses, we aim to diffuse 24-hour home nursing care services. To do so, we will subsidize operation expenses at the early stage, and develop systems for supporting the construction of seniors' houses with services in collaboration with nursing care firms, etc.

- Project the centers for assisting disabled people in finding jobs and living: 158.87 million yen

- Support of group homes for disabled people, etc.: 449.3 million yen

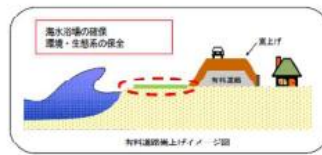
- Project for training supporters for those who have serious behavioral disabilities: 5.36 million yen

We will enhance our efforts for assisting disabled people in finding jobs in the neighborhood and living, and conduct training for giving appropriate assistance too those who have serious behavioral disabilities.

### Enabling citizens to live safely without anxiety

- Project for protection against tsunamis: 2.4 billion yen
- Project for reinforcing the buildings of prefectural schools to withstand earthquakes: 8,468.6 million yen
- Project for reinforcing the buildings of private schools to withstand earthquakes: 954.1 million yen
- Promotion of the lengthening of the lifespan of facilities: 11,849 million yen

We will implement measures for protection against tsunami at Kujukuri Beach, for example, by heightening sea embankments, reinforcing school buildings to withstand earthquakes, and dealing with the deterioration of public facilities, including roads, bridges, and urban parks.



- Model project for setting anti-crime boxes in convenience stores: 22.4 million yen
- Measures for preventing crimes, such as mugging, and the project for promoting citizens awareness of bank transfer frauds: 63.33 million yen

We will continue setting anti-crime boxes in convenience stores, as it was started in Nov. 2013. In addition, we will increase subsidies for the installation of security cameras, in order to prevent muggings and car break-ins, etc.



[Chiba-Hoshiguki Store of Ministop]



[Ichikawa-Minamiono Store of Daily Yamazaki]

### Enriching the support for children and the child-bearing generation

- Project for subsidizing medical expenses for children: 6.7 billion yen
- In order to improve healthcare measures and reduce financial burdens on guardians, we will continue to subsidize medical expenses for hospitalization until children graduate from middle school, and for outpatient treatment until children become 4th-grade students.

- Promotion of the development of nursery schools: 6,478 million yen
  - Project for promoting measures for childcare, etc.: 1,441 million yen
- In order to decrease the number of children in the waiting list for nursery schools and meet diverse needs for childcare, we will subsidize the development of private nursery schools and extended childcare, etc.

- Project for developing special-needs schools: 2,394.17 million yen
- In order to deal with the overcrowding and the shortage of classrooms due to the increase of students of special-needs schools, we will establish new schools by utilizing the vacant high school buildings.

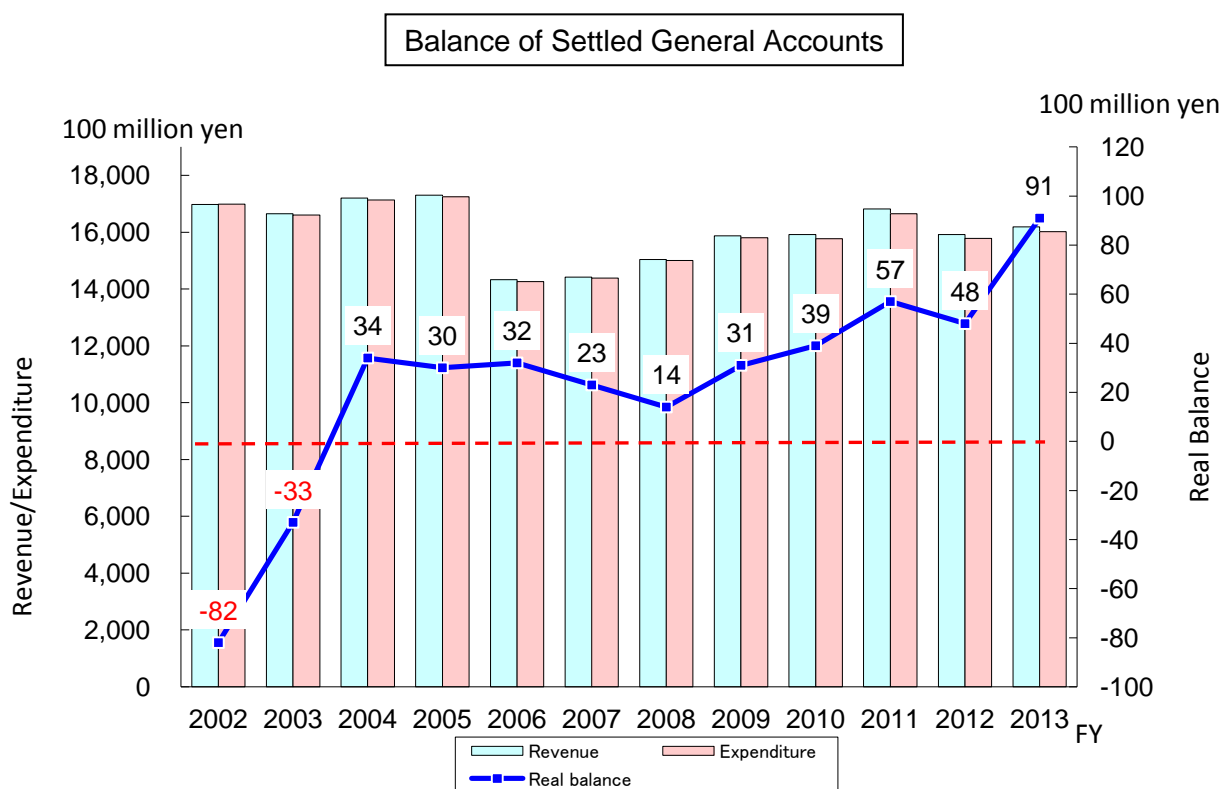
- Project for subsidizing the ordinary expenditures of private schools: 34,761.89 million yen

In order to energize private schools and reduce burdens to guardians, we will subsidize the education by school corporations.

## (4) Balance of Settled General Accounts

This prefecture was in deficit of the actual accounts both in FY2002 and 2003, continuous two years, however, the actual accounts have been in black since FY2004 due to spending cuts and the measures such as special reduction of salary. In FY2013, the actual accounts had 9.1 billion yen surplus as revenue was increased due to prefectural tax revenue accompanying economic recovery.

\* Since FY2006, the real size of the general account has been indicated by creating a special account for settlement of local consumption tax and recording refinancing bonds in special account/prefectural debt management.



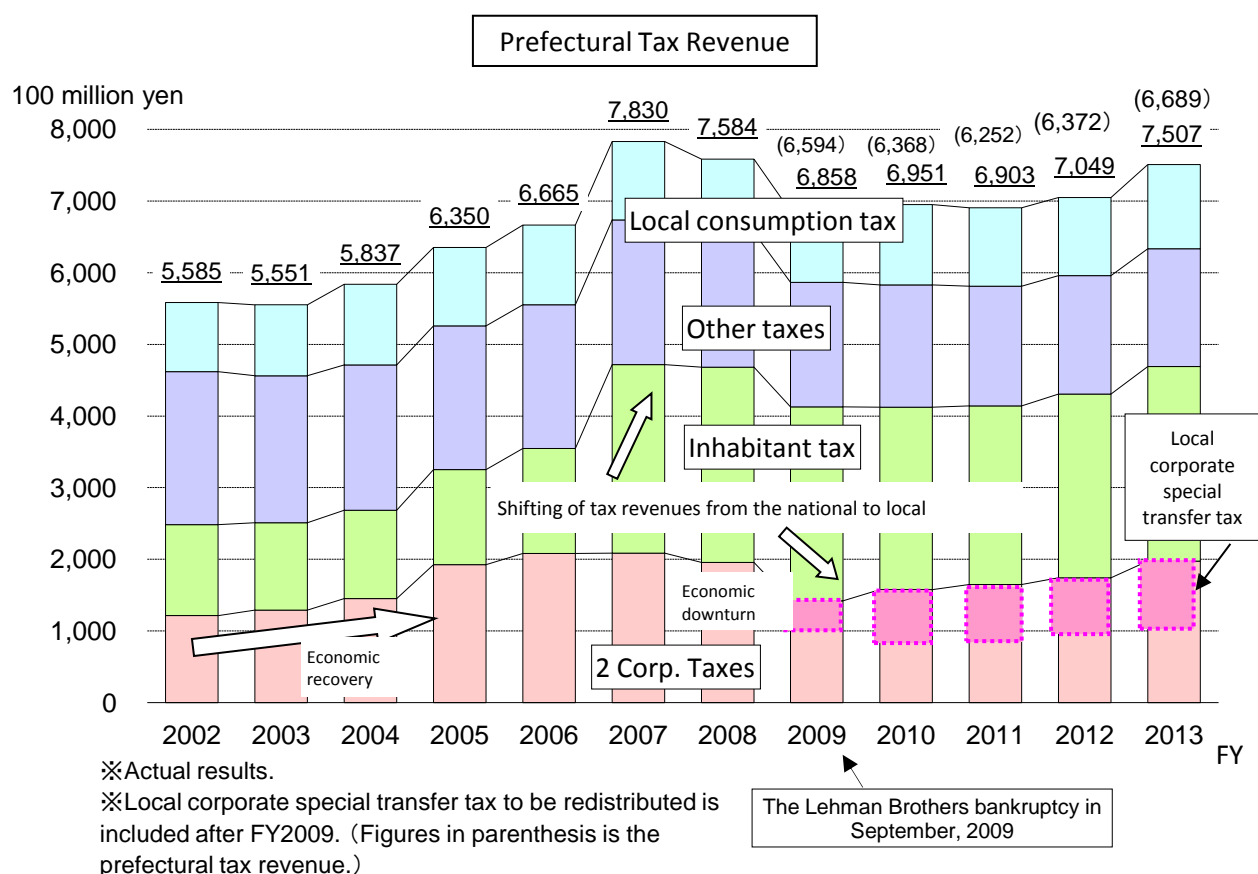
100 million yen

FY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	16,977	16,649	17,199	17,302	14,327	14,420	15,042	15,876	15,920	16,821	15,914	16,190
Expenditure	16,985	16,602	17,133	17,246	14,256	14,382	15,007	15,802	15,776	16,648	15,780	16,019
Real balance	-82	-33	34	30	32	23	14	31	39	57	48	91

※Real balance = Difference between revenues and expenditures – revenue sources brought forward to the following year.

## (5) [Revenue Related] Prefectural Tax Revenue

- Since FY2007, there has been a large rise in the ratio of individual inhabitant tax due to the transfer of tax sources based on the Tripartite Reforms and the abolishment of fixed rate cuts for residential tax.
- On the other hand, as a part of Enterprise taxes has been nationalized since FY2009, 2 Corporate taxes have decreased since FY2009, but in consideration of Local Corporate Special Transfer tax, which is distributed to local governments, the tax revenue has recovered the amount to the standard of 2 Corporate taxes in FY2008 with the sum of those two kinds of taxes of 197.5 billion yen in FY2013.

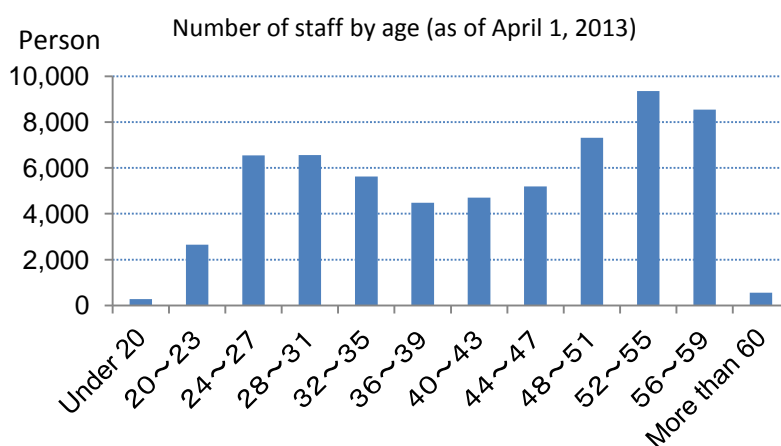
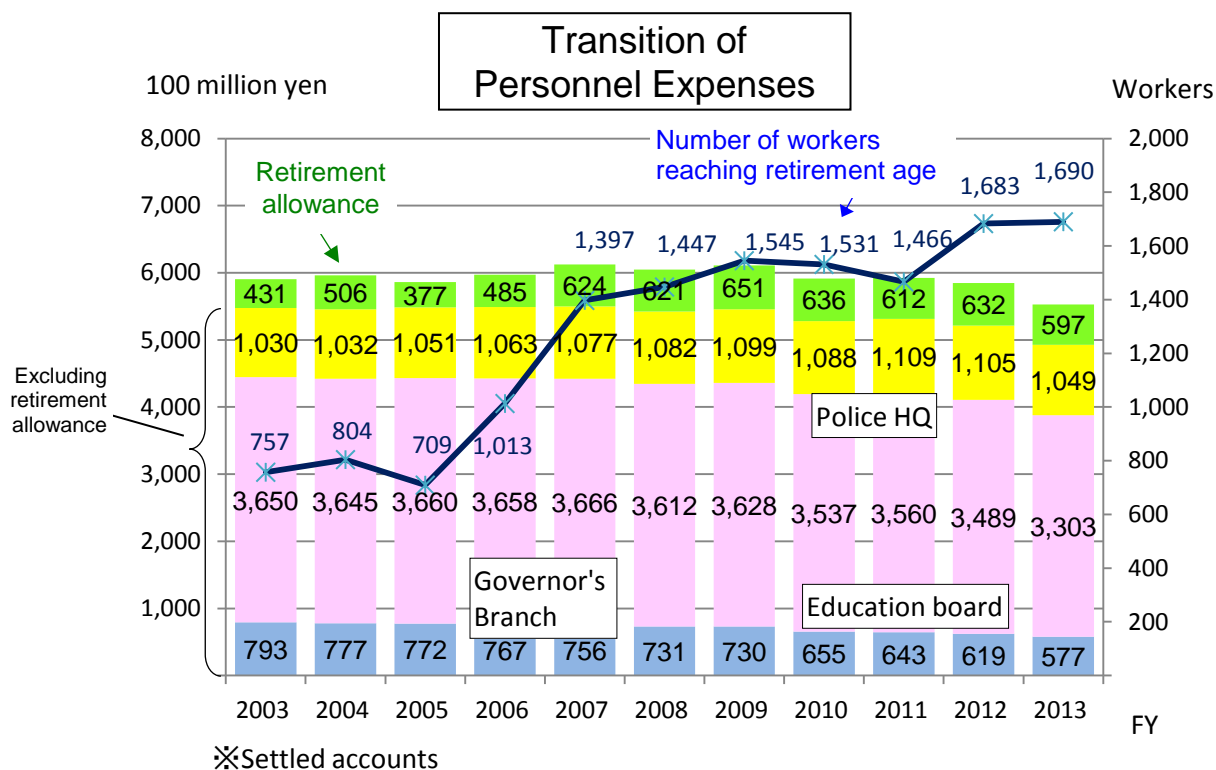


Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2 Corp. taxes	1,214	1,290	1,452	1,924	2,083	2,088	1,959	1,156	996	999	1,067	1,157
Inhabitant tax	1,270	1,218	1,231	1,329	1,465	2,630	2,724	2,707	2,545	2,492	2,561	2,713
Other taxes	2,136	2,053	2,030	2,006	2,003	2,017	1,880	1,726	1,705	1,666	1,655	1,644
Local consumption tax	965	990	1,124	1,091	1,114	1,095	1,021	1,005	1,122	1,095	1,089	1,175
Total	5,585	5,551	5,837	6,350	6,665	7,830	7,584	6,594	6,368	6,252	6,372	6,689

Local corporate special transfer tax	1,156	996	999	1,067	1,157
	264	583	651	677	818

## (6) [Expenditures] Transition of Personnel Expenses

- Due to the control of the number of staffs, Personnel Expenses have been decreasing.  
In FY2013, the expenses decreased by 5.5% from the previous financial year and became 552.6 billion yen. This is due to the salary cut started in July, FY2013 agreeing a request from the national government, and also to the reform of retirement allowance system.



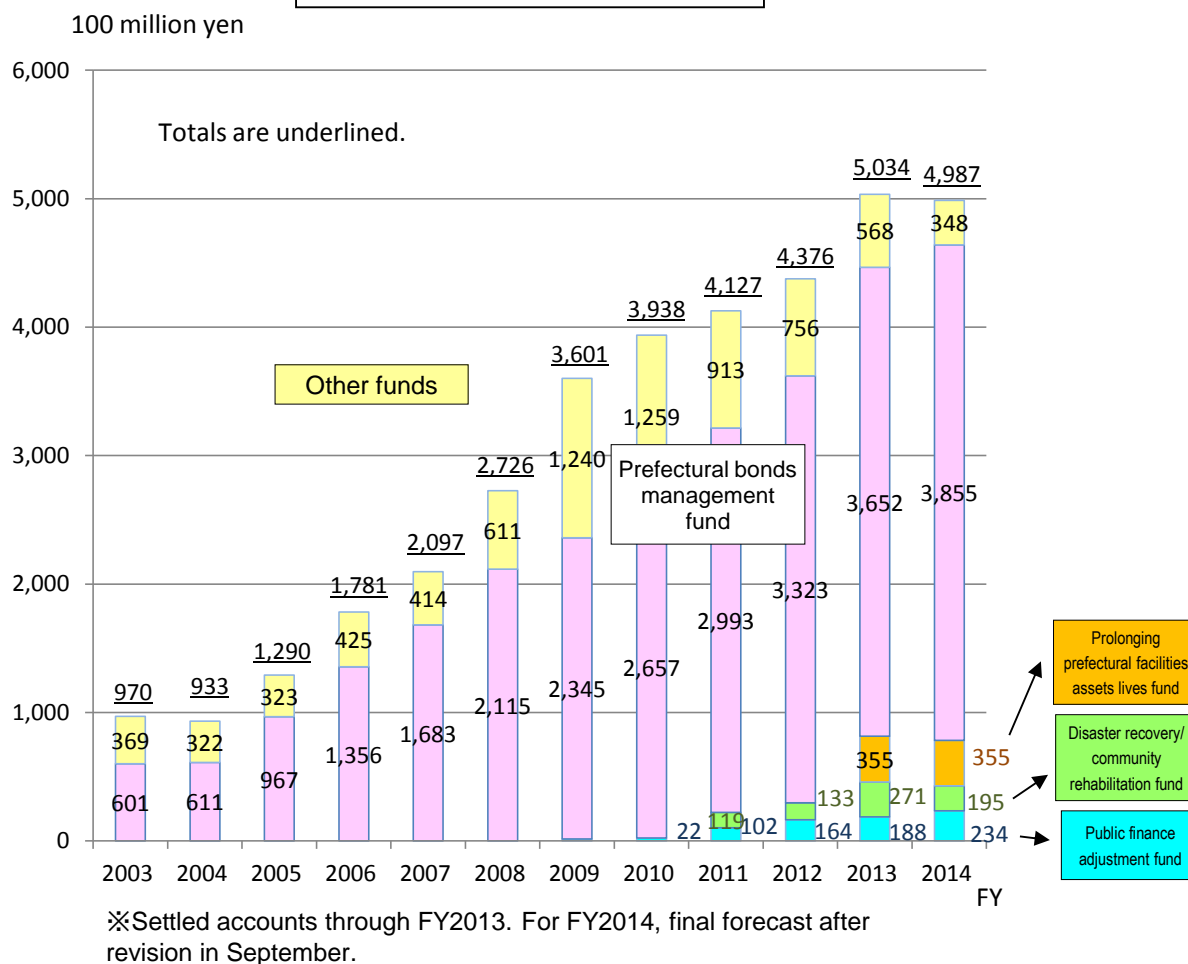
Number of workers (person)

FY	2008	2009	2010	2011	2012	2013	Increase/decrease over the past 5 years (%)
General	7,701	7,392	7,092	6,843	6,670	6,534	-1,167 (-15.2%)
Education	39,500	39,325	39,302	39,354	39,384	39,335	-165 (-0.4%)
Police	12,495	12,459	12,595	12,623	12,731	12,763	268 (2.1%)
Public corp.	3,517	3,409	3,348	3,305	3,280	3,233	-284 (-8.1%)
<b>Total</b>	<b>63,213</b>	<b>62,585</b>	<b>62,337</b>	<b>62,125</b>	<b>62,065</b>	<b>61,865</b>	<b>-1,348 (-2.1%)</b>

## (7) Transition of Fund Balance

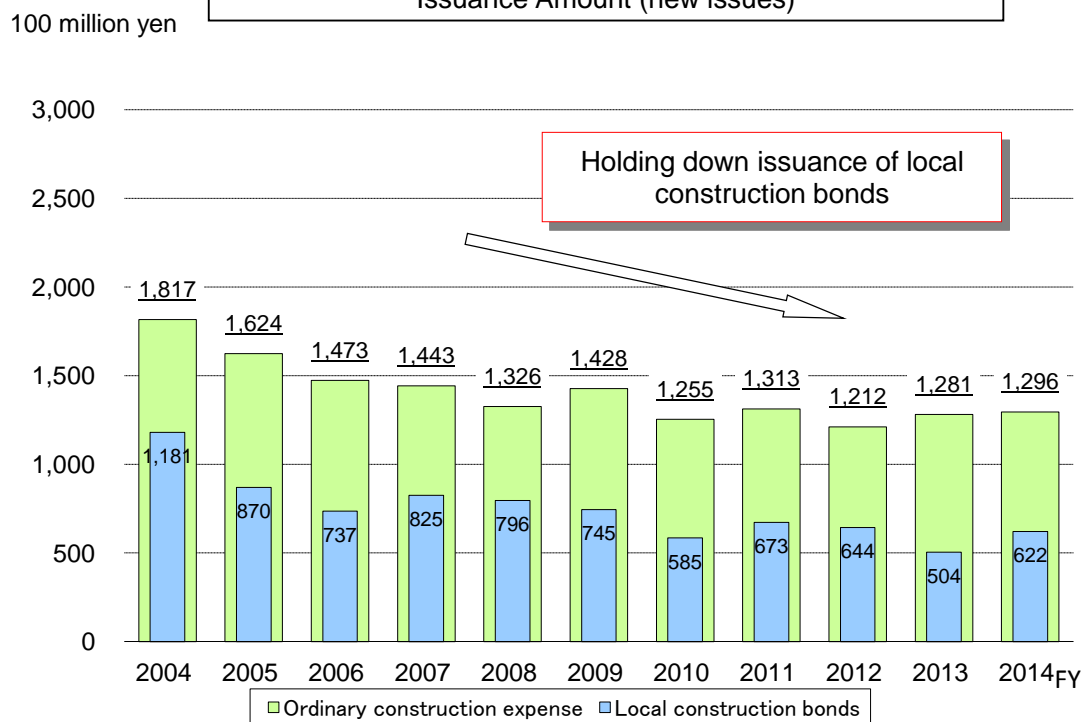
- Chiba Prefecture accumulates funds in accordance with the "Prefectural Bond Management Fund" based on the accumulation rule (fixed for 3 years, thereafter 3.7% for 27 years) in preparation for bonds to be redeemed in whole at their maturity. Publicly-issued Market bonds have increased drastically in the issue since FY2004 and that makes the balance of the fund keep increasing as the annual deposit is surpassing the amount of the withdrawal for redemption.
- The balance of "Other funds" is in decreasing trend as a result of reduction in the "Safety Children Fund" and "Local Health Reviving Fund" which were established as part of the national economic strategy.
- The balance of the "Disaster recovery/community rehabilitation fund" which is the voluntary reserve of the prefecture and is available for disaster responses and the "Public finance adjustment fund" have increased in these years. At the end of FY 2013, the total funds will be about 45.9 billion yen.
- In the revised budget in February 2013, "Prolonging prefectural facilities assets lives fund" was established to propel the renewal by rebuilding and prolong by repairing the prefectural facilities. 35.5 billion yen was reserved in the fund.

### Transition of Fund Balance



## (8) Transition of Prefectural Bonds Issuance

Ordinary Construction Expense and Local Construction Bonds Issuance Amount (new issues)

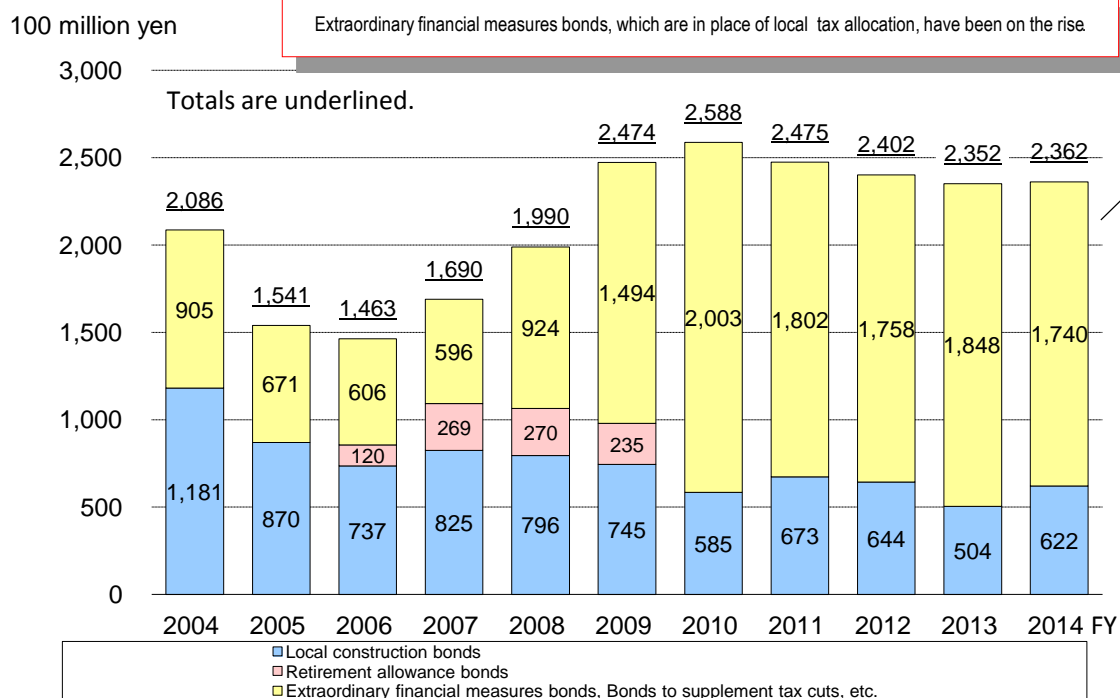


※The figures for the ordinary construction expense are based on the initial budget (If the skeleton budget was established, the figures are based on the budget after the revision in June).

The figures for the local construction bonds are the settled accounts through FY2013. For FY2014, final forecast after revision in September.

Prefectural Bond Issuance Amount (new issues)

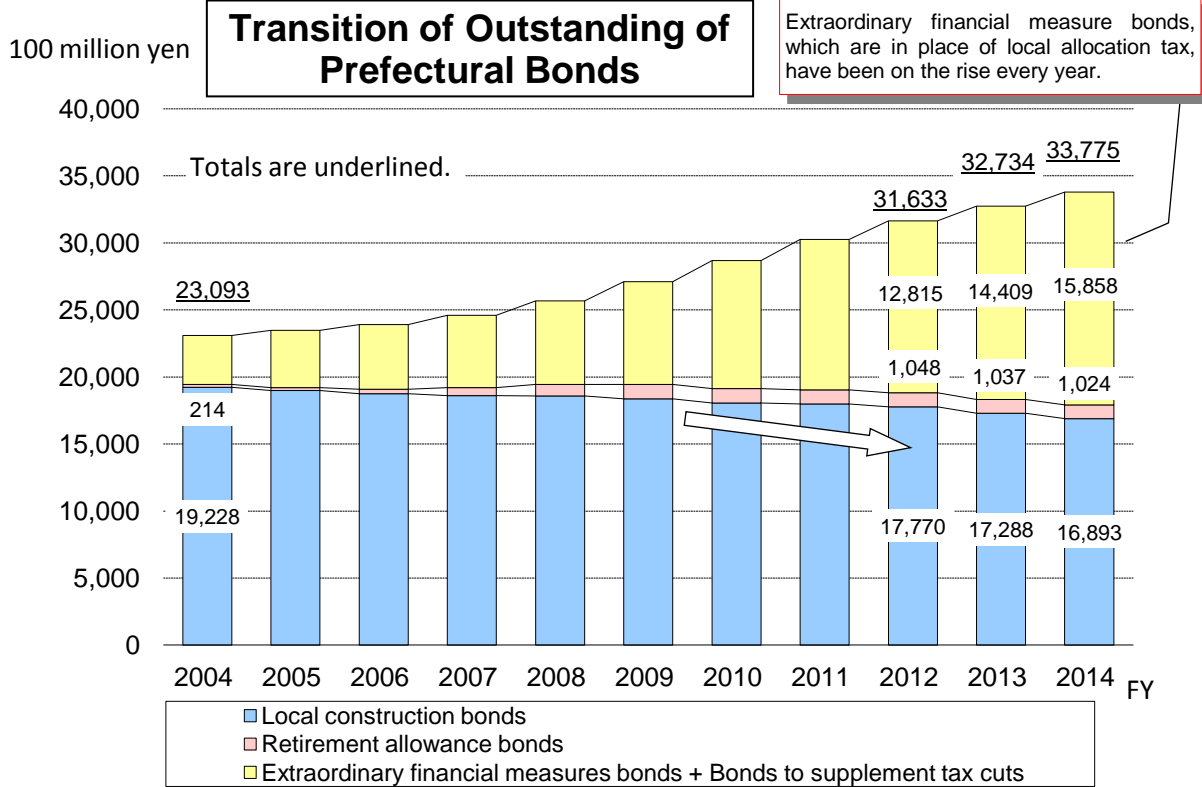
(local construction bonds + extraordinary financial measures bonds + retirement allowance bonds)



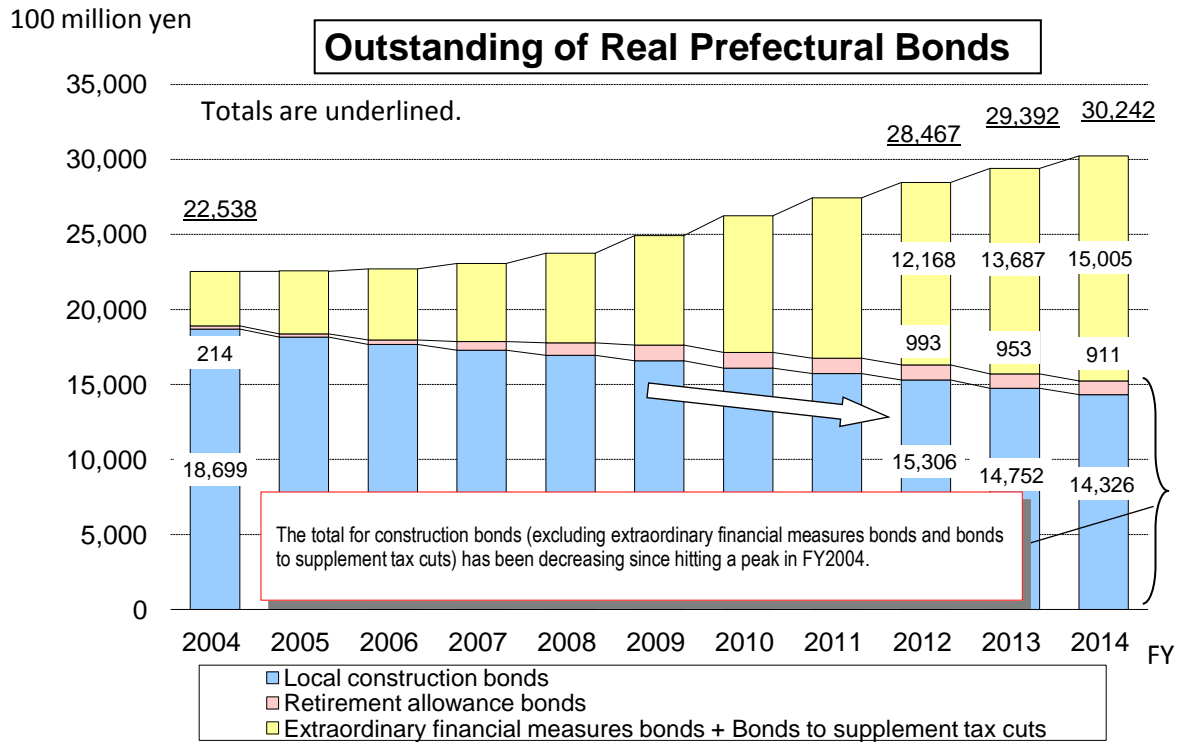
※The figures for the local construction bonds are the settled accounts through FY2013. For FY2014, final forecast after revision in September.



## (9) Transition of Outstanding of Prefectural Bonds



The fund for redemption at maturity of prefectural bonds can only be used for that purpose. As such, that portion has been subtracted to ascertain the "real" prefectural bonds outstanding shown below.



※The figures for the local construction bonds are the settled accounts through FY2013. For FY2014, final forecast after revision in September.

※In FY2007, land readjustment projects were transferred to the special account, and this portion was subtracted from the local construction bonds outstanding.

# Chiba Prefecture Fiscal Conditions and Prefectural Bonds

## (10) Financial Indicators (General Account)

### Ratio for Determining Financial Soundness

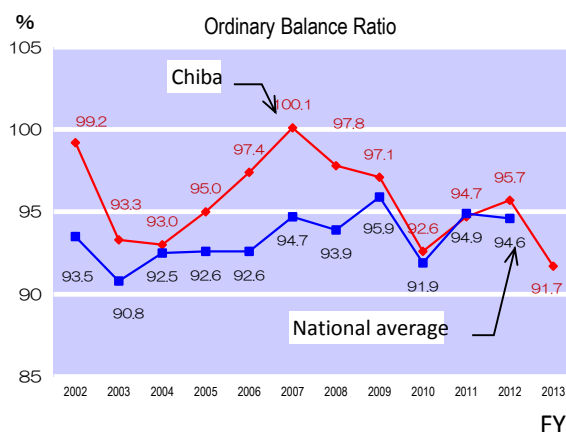
As for FY2013, each of the ratios for determining financial soundness remained below the Early Financial Soundness Benchmark.

Category	FY2013	FY2012	Early Financial Soundness Benchmark	Financial Rehabilitation Benchmark
Real Deficit Ratio	—	—	3.75%	5.00%
Consolidated Real Deficit Ratio	—	—	8.75%	15.00%
Real Debt Service Ratio	11.3%	11.2%	25.0%	35.0%
Future Burden Ratio	179.3%	191.9%	400.0%	—

**Early Financial Soundness Benchmark:** If any of the four indicators exceeds a certain level, the local government is required to formulate a financial soundness plan or a financial rehabilitation plan to make financial improvements. Then, that plan must be revealed rapidly and the local government must report the progress of the plan.

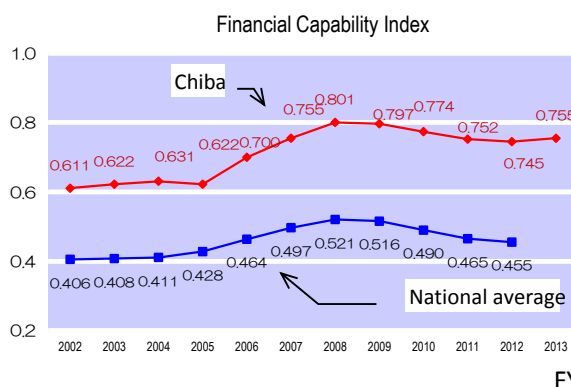
### Ordinary Balance Ratio

The ordinary balance ratio is an indicator of financial flexibility. A lower number indicates greater flexibility. In FY2013, it decreased by 4 points compared to the previous financial year due to all the increase of the prefectural tax revenue etc. and the decrease of personnel expenses etc.



### Financial Capability Index

The financial capability index is to measure the degree to which finances are managed without relying on ordinary tax allocation. A larger number indicates stronger financial capability. Chiba Prefecture's score is well above the national average and is the 4th highest in Japan.



### Bond Outstanding per Resident

The amount of bonds outstanding per resident in Chiba Prefecture based on the settled general account was about 470,000 yen in FY2012, remaining well below the national average.

1st	Kanagawa	408,000 yen
2nd	Tokyo	448,000 yen
3rd	Chiba	468,000 yen
.	.	.
.	.	.
47th	Shimane	1,405,000 yen

Outstanding of prefectural bonds per resident (FY2012 settlement) ⇒

(Reference 1) Ratio for Determining Financial Soundness

It is the general term for the four ratios for determining financial soundness: real deficit ratio, consolidated real deficit ratio, real debt service ratio and future burden ratio. If any of the four indicators exceeds a certain level, the local government is required to formulate a financial soundness plan or a financial rehabilitation plan to make financial improvements. Ratios for determining financial soundness are indicators of the need to act quickly on financial improvements and rehabilitation. They also objectively show the financial situation of the relevant municipality when compared with the ratios of other organizations.

(Reference 2) Targets Included in Calculation of Ratios for Determining Financial Soundness

General accounts	General account		Real deficit ratio	Consolidated real deficit ratio	Real debt service ratio	Future burden ratio	Fiscal shortfall ratio	
	General accounts	Public finance adjustment fund						
		Prefectural bonds management fund						
		Automobile tax stamp						
		Local consumption tax settlement						
		Municipal revitalization fund						
		Welfare fund for single mothers/ single fathers/ widows						
		Welfare pension fund for the disabled						
		Nippon Convention Center international exhibits						
		Small business promotion fund						
		Farmers support fund						
	Special accounts	Forestry management fund						
		Forestry/logging industry improvement fund						
		Coastal fishing improvement fund						
Scholarship fund								
Public business accounts	Publicly managed racing							
	Local public enterprise account	Water supply projects						
		Industrial water projects						
		Hospital projects						
		Created land adjustment project						
		Land zoning projects						
		Basin sewage projects						
		Harbor improvement projects						
		Industrial park adjustment project						
	Land readjustment projects							
Related administrative groups	Kita-Chiba Regional Water Supply Authority							
	Kimitsu Regional Water Supply Authority							
	Chiba Prefecture Horseracing Association							
Third Sector and Regional Public Corp.	Chiba Roads Public Corporation							
	Land Development public Corporation of Chiba Prefecture							
	Chiba Fishery Promotion Fund							
	Corporation for Urban Enhancement of Chiba Prefecture							
	Chiba Prefecture Credit Guarantee Fund							
	Chiba Industry Advancement Center							

- (1) Real Deficit Ratio: Ratio of the real deficit in the general account to the standard financial size.
- (2) Consolidated Real Deficit Ratio: Ratio of the real deficit or fiscal shortfall in all accounts, including public enterprises' accounts, to the standard financial scale.
- (3) Real Debt Service Ratio: Ratio of principal and interests for repayments borne by the general account to the standard financial scale.
- (4) Future Burden Ratio: Ratio of future debt to be borne in effect by the general account to the standard financial scale.

# Chiba Prefecture Fiscal Conditions and Prefectural Bonds

## (11) Overview of FY2013 General and Special Accounts

### 1 Overview of Ordinary Accounts

(100 million yen, %)

	Revenue	Expenditure	Balance	Real balance	Outstanding local bonds	Carried over from other accounts	Remarks
General account	16,190	16,019	170	91	32,734	10	28.6 billion yen transferred from fund. (※1)
(Sp) Public finance adjustment reserve funds	24	24	0	0	0	24	
(Sp) Prefectural bonds management	4,031	4,031	0	0	0	1,366	Disposal of funds of 80.5 billion yen for redemption.
(Sp) Automobile tax stamp	137	132	5	5	0		
(Sp) Local consumption tax settlement	3,116	3,088	28	28	0		
(Sp) Municipal revitalization fund	24	7	17	0	0		
(Sp) Welfare fund for single mothers/ single fathers/ widows	8	2	6	0	0		
(Sp) Welfare pension fund for the disabled	7	7	0	0	0	1	
(Sp) Nippon Convention Center international exhibits	41	38	4	1	162	6	
(Sp) Small business facilities fund	54	28	26	19	112		
(Sp) Farmer support fund	2	1	1	0	2		
(Sp) Forestry management fund	3	3	0	0	28	2	
(Sp) Forestry/logging industry improvement fund	1	0	1	0	0		
(Sp) Coastal improvement fishing fund	5	1	5	0	0		
(Sp) Scholarship fund	15	7	8	0	0		
Ordinary accounts	16,414	16,145	269	144	33,038		Based on net budget (*2)

※1 Refers to funds established based on grants from nation in relation to economic and employment measures.

※2 The simple sum of the above does not match to the general account figure because it reflects inter-calculation between accounts.

### 2 Overview of Public Businesses Accounts

(100 million yen, %)

	Overall (revenue)	Overall (expense)	<Non-PEL> Balance	Net Profit (Real Balance)	Municipal Bonds Outstanding	Transfers from other Accounts	<PEL> NPL's	<PEL> Aggregate losses	Remarks
(Sp) Publicly managed racing	61	55	6	6	0	0	-	-	
(Sp) Harbor improvement projects	19	14	5	5	56	0	-	-	
(Sp) Basin sewage projects	291	270	20	9	622	37	-	-	
(Sp) Industrial park adjustment project	9	9	0	0	9		-	-	
(Sp) Land zoning projects	155	144	11	0	385	16	-	-	
(Sp) Water supply projects	693	617	-	76	1,647	4	0	0	PEL
(Sp) Created land adjustment project	82	123	-	- 41		0	0	0	PEL
(Sp) Land readjustment projects	193	303	-	- 111	64	0	0	0	PEL
(Sp) Industrial-use water projects	133	109	-	24	373	0	0	0	PEL
(Sp) Hospital projects	438	436	-	2	248	125	0	242	PEL

※In "Remarks," the ones denoted "PEL" mean public enterprises to which the Local Public Enterprise Act applies.

※NPLs and accumulated losses are both expressed in positive figures.

### 3 Overview of Related Administrative Groups

(100 million yen, %)

	Overall (revenue)	Overall (expense)	<Non-PEL> Balance	Net Profit (Real Balance)	Municipal Bond Outstanding	Percentage of burden of Chiba Pref.	<PEL> NPL's	Remarks
Chiba Prefecture Horseracing Association	347	365	- 18	- 18	0	8/13	-	
Kimitsu Regional Water Supply Authority	60	52	-	8	122	27.9% ~44.4%	-	PEL
Kita Chiba Regional Water Supply Authority	113	85	-	28	419	42.7%	-	PEL

# Chiba Prefecture Fiscal Conditions and Prefectural Bonds

## (12) Local Public Corporations Management Results

(100 million yen)

		Chiba Pref Land Development Pub Corp		Chiba Pref Roads Pub Corp		Chiba Pref Housing Supply Pub Corp		
		2012	2013	2012	2013	2012	2013	
Chiba Pref Investment Amount (million yen)		10	10	13,677	13,677	10	10	
Chiba Pref Investment Ratio		100%	100%	89%	89%	100%	100%	
Balance Sheet	Assets		190.6	195.3	722.3	727.2	385.9	371.1
		Current assets	168.5	153.0	11.4	13.6	160.9	140.4
		Fixed assets	22.1	42.3	710.9	713.6	225.0	230.6
	Liabilities		91.9	96.4	575.3	578.7	439.5	418.7
		Current liabilities	6.8	11.6	4.7	6.6	24.7	20.9
		Fixed liabilities	85.0	84.9	163.7	145.0	414.8	397.8
		Allowances, others	0.0	0.0	407.0	427.1	0.0	0.0
	Capital		98.7	98.9	147.0	148.4	-53.7	-47.7
		Capital	0.1	0.1	154.2	154.2	0.1	0.1
		Surplus funds, others	98.6	98.8	-7.2	-5.8	-53.8	-47.8
Liabilities/Capital Total		190.6	195.3	722.3	727.2	385.9	371.1	
Profit/Loss Statement	Operating Revenue		25.8	22.7	44.0	38.5	59.6	100.2
	Operating Expense		25.8	20.5	38.4	33.6	60.0	90.8
	General & Admin Expense		2.1	1.9	2.7	2.6	1.3	1.3
	Operating Income		-2.1	0.2	3.0	2.3	-1.7	8.0
	Non-operating Income		0.1	0.0	0.0	0.0	1.2	1.2
	Non-operating Expense		0.1	0.1	1.6	0.9	2.1	2.1
	Ordinary Income		-2.2	0.2	1.4	1.4	-2.7	7.2
	Extraordinary Income		0.0	0.0	0.0	0.0	3.4	0.0
	Extraordinary loss		0.0	0.0	0.0	0.0	0.0	1.2
	Net Income		-2.2	0.2	1.4	1.4	0.7	6.0

※Some numbers do not match due to rounding off fractions.

## (13) Joint Third Sectors Results and Prefecture Financial Support

[FY2013]

(100 million yen)

		Chiba Pref Equity Ratio	Ordinary profit and loss		Capital/ Net Assets	Prefecture Financial Support Conditions				
			2013	2012		Investment	Subsidy	Outstanding loan	Guaranteed debt	Loss compensation
1	Narita Airport Area Joint Development Project	25.0	-2	-2	21	27	0	0	0	0
2	Keiyo Rinkai Line Co., Ltd.	31.3	0	0	39	6	0	0	0	0
3	Toyo Rapid Railway Co., Ltd.	31.1	17	11	-291	169	1	26	0	0
4	Isumi Railway Co., Ltd.	34.2	-1	-1	1	1	1	0	0	0
5	The Promotion Foundation for Chiba Private School Education	44.5	-32	1	15	15	6	0	0	0
6	Chiba Firefighters Association	55.0	-0	-0	2	1	0	0	0	0
7	Chiba Health Fund	48.8	-0	-0	6	3	0	0	0	0
8	Chiba Social Welfare Association	100.0	1	2	7	0	8	0	0	0
9	Chiba Social Welfare Association for People with Disability	100.0	1	2	6	0	12	0	0	0
10	Chiba Environmental Health Industry Guidance Center	47.6	-0	-0	0	0	0	0	0	0
11	Chiba Animal Protection	50.0	0	-0	3	1	0	0	0	0
12	Chiba Prefectural Environment Foundation	20.0	0	-0	10	0	0	0	0	0
13	The Environmental Fund for Inbanuma	48.7	0	0	6	3	0	0	0	0
14	Chiba Prefecture Youth Society	25.0	-0	0	0	0	0	0	0	0
15	Chiba Prefectural Cultural Promotion Foundation	52.3	-0	-0	7	3	0	0	0	0
16	New Philharmonic Orchestra Chiba	38.3	0	0	1	0	0	0	0	0
17	Chiba Industry Advancement Center	54.0	-0	-1	18	5	5	137	0	0
18	Chiba Credit Guarantee Fund Association	12.7	54	44	519	48	13	0	0	0
19	Makuhari Messe	25.0	3	4	65	10	0	0	0	0
20	Kazusa DNA Research Institute	77.8	-0	0	51	38	11	0	0	0
21	Chiba Convention Bureau and International Center	60.9	0	0	23	13	1	0	0	0
22	Katsuura Undersea Park Center	42.9	-0	-0	5	0	0	0	0	0
23	Chiba Data Center Corporation	34.0	0	0	1	0	0	0	0	0
24	Chiba Fishery Credit Guarantee Fund Association	49.7	-0	0	13	6	0	0	0	0
25	Chiba Agricultural Price Subsidy Corporation	47.2	-0	0	0	0	0	0	0	0
26	Chiba Gardening Plastic Processing Corporation	25.0	0	-0	1	0	0	0	0	0
27	Chiba Greenery Promotion Committee	26.5	-0	-0	2	1	0	0	0	0
28	Chiba Fishery Promotion Fund	43.4	4	15	225	74	0	0	0	0
29	Chiba Fishery Promotion Public Corporation	100.0	0	2	9	2	0	1	0	0
30	Chiba Roads Public Corporation	88.7	1	1	148	137	0	0	143	0
31	Chiba Prefectural ConstructionTechnology Center	48.0	0	1	9	2	0	0	0	0
32	Corporation for Urban Enhancement of Chiba Prefecture	100.0	4	0	77	0	0	4	0	17
33	Land Development Public Corporation of Chiba Prefecture	100.0	0	-2	99	0	0	19	57	0
34	Chiba Prefectural Sewerage Management Public Corporation	54.5	2	1	9	2	0	0	0	0
35	Chiba Prefecture Housing Supply Corporation	100.0	7	1	-48	0	3	258	0	0
36	Chiba Educational Promotion Foundation	13.0	0	-0	18	0	0	0	0	0
37	Chiba Gang Prevention Citizens' Committee	63.8	0	0	7	4	0	0	0	0
Total						571	61	445	200	17

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※Chiba Prefecture has an equity ratio of at least 25% or more and is providing financial support to the organizations listed above.

※The equity ratio is as of April 1, 2013.

※Private firms that do not produce profit/loss statements are recorded as Change in Net Assets in the Ordinary Profit/Loss section.

## (14) FY 2012 Balance Sheet

Chiba Prefecture creates the financial statements in accordance with general accounting principles applicable to private enterprises and released it to the public in order to facilitate understandings of financial conditions of local governments. Chiba Prefecture creates the balance sheet based on the "Ministry of Internal Affairs and Communication Revised Model" which is adopted by many organizations.

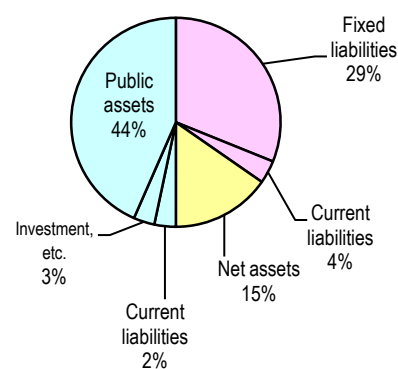
### Main characteristics

- "A sellable amount of public assets" is recorded separately at market value.
- Investments and stakes are recorded "at market value or at real price".
- "Allowances for investment losses" are recorded.  
(Applicable when real price drops to 30% or more below the book value.)
- Out of loans and unpaid accounts, an uncollectable amount of loans is recorded separately.

(100 million yen)

Assets		Liabilities	
Public assets	48,301	Fixed liabilities	34,590
Tangible fixed assets	48,079	Municipal bonds	28,976
Sellable assets	222	Long term unpaid accounts	443
Investments, etc.	3,606	Allowance for retirements	5,014
Investments and stakes	1,173	Allowance for loss guarantee	36
Loans	1,310	Others	121
Funds, etc.	889	Current liabilities	3,953
Long term delinquent loans	260	Municipal bonds due next year	2,961
Uncollectable loans	△ 26	Unpaid account	54
Liquid assets	3,692	Retirement funds for next year	613
Cash and deposits	3,599	Allowance for bonuses	308
Uncollected money	93	Others	17
		<b>Total liabilities</b>	<b>38,543</b>
		<b>Net assets</b>	
		Grants for public assets	11,137
		General accounts for public assets	25,928
		Other general sources	△ 19,960
		Adjustments due to asset reevaluation	△ 49
		<b>Total net assets</b>	<b>17,056</b>
<b>Total assets</b>	<b>55,599</b>	<b>Total liabilities and net assets</b>	<b>55,599</b>

### Composition ratio



Due to the fact that extraordinary financial measures bonds are recorded as liabilities without matching counter assets to be recorded.

### ◎Balance sheet including public corporations

Assets		Liabilities	
Public assets	67,669	Fixed liabilities	38,343
Investments, etc.	4,092	Current liabilities	4,529
Current assets	5,545	<b>Total liabilities</b>	<b>42,872</b>
Deferred assets	7	<b>Net assets</b>	
			34,441
<b>Total assets</b>	<b>77,313</b>	<b>Total liabilities and net assets</b>	<b>77,313</b>

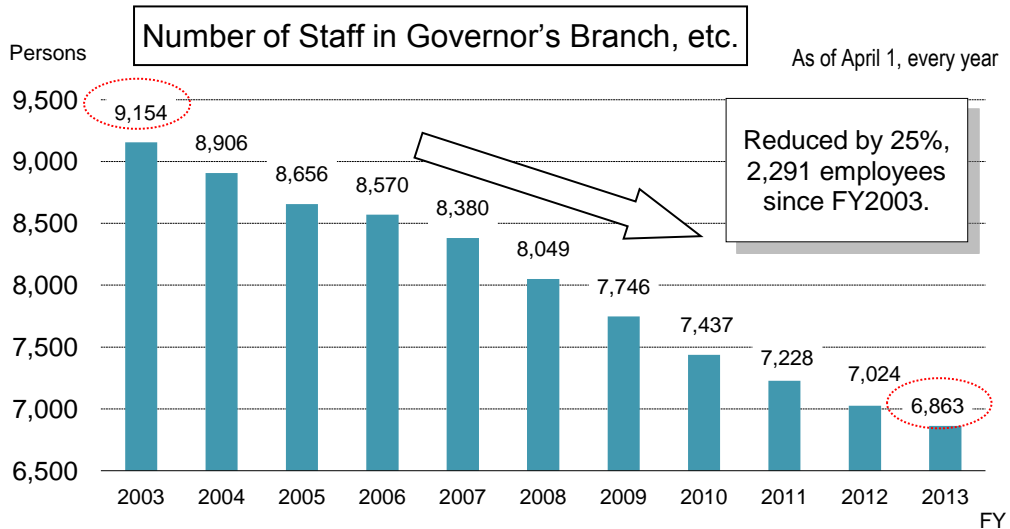
### ◎Consolidated balance sheet (local governments with an investment ratio of over 50%)

Assets		Liabilities	
Public assets	69,469	Fixed liabilities	39,090
Investments, etc.	3,838	Current liabilities	4,660
Current assets	5,985	<b>Total liabilities</b>	<b>43,750</b>
Deferred assets	7	<b>Net assets</b>	
			35,549
<b>Total assets</b>	<b>79,299</b>	<b>Total liabilities and net assets</b>	<b>79,299</b>

**3. Administrative and Financial Reforms Made So Far**

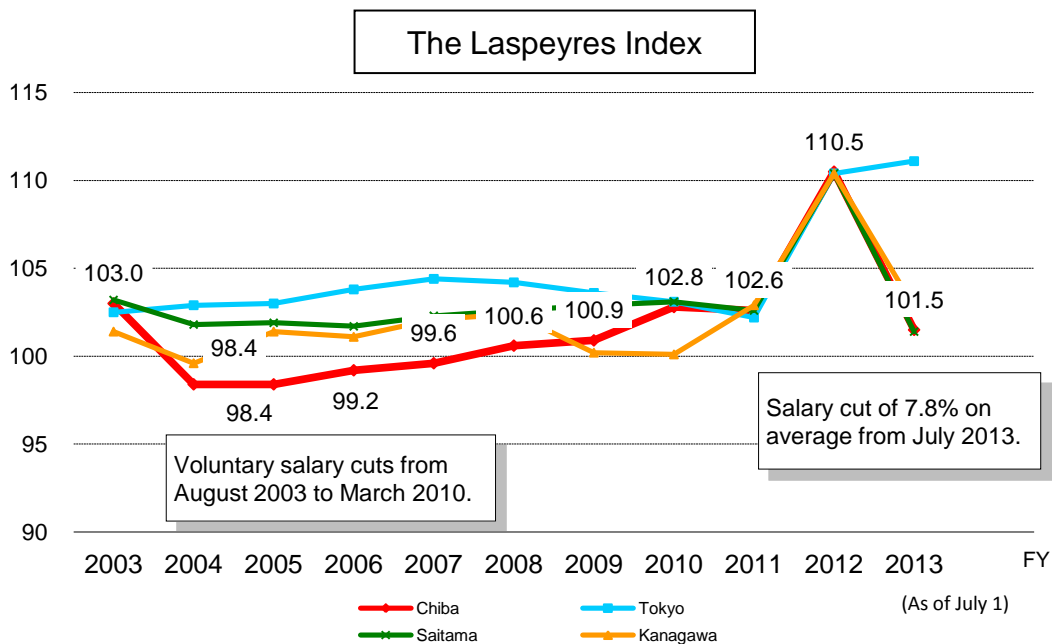
**◎Reducing staff**

By continuously reviewing activities/projects and examining effective organization structure, Chiba Prefecture has been actively engaged in the optimization of staff. The number of staff in the Governor’s Branch, etc. has been reduced by 2,291 employees, or 25 %, in the 10 years between FY2003 and FY2013.



**◎ Reducing salaries**

Due to the severe financial situation, Chiba Prefecture has been implementing voluntary salary cuts from August 2003 to March 2010. The salary level has also dropped as a result of salary structure reforms and retirement allowance reviews.

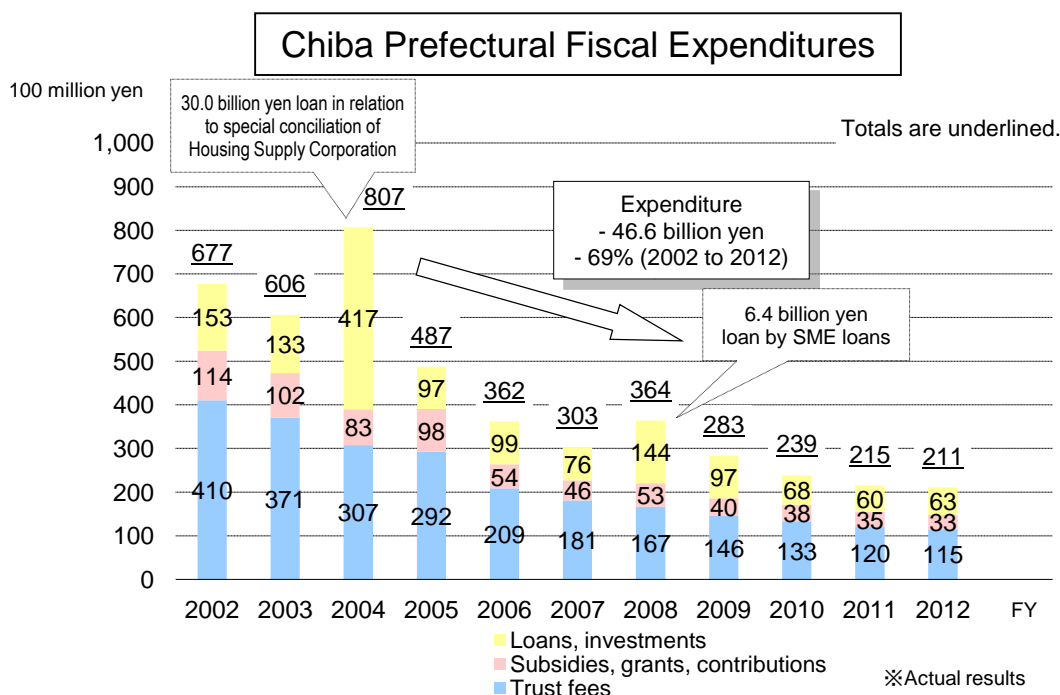
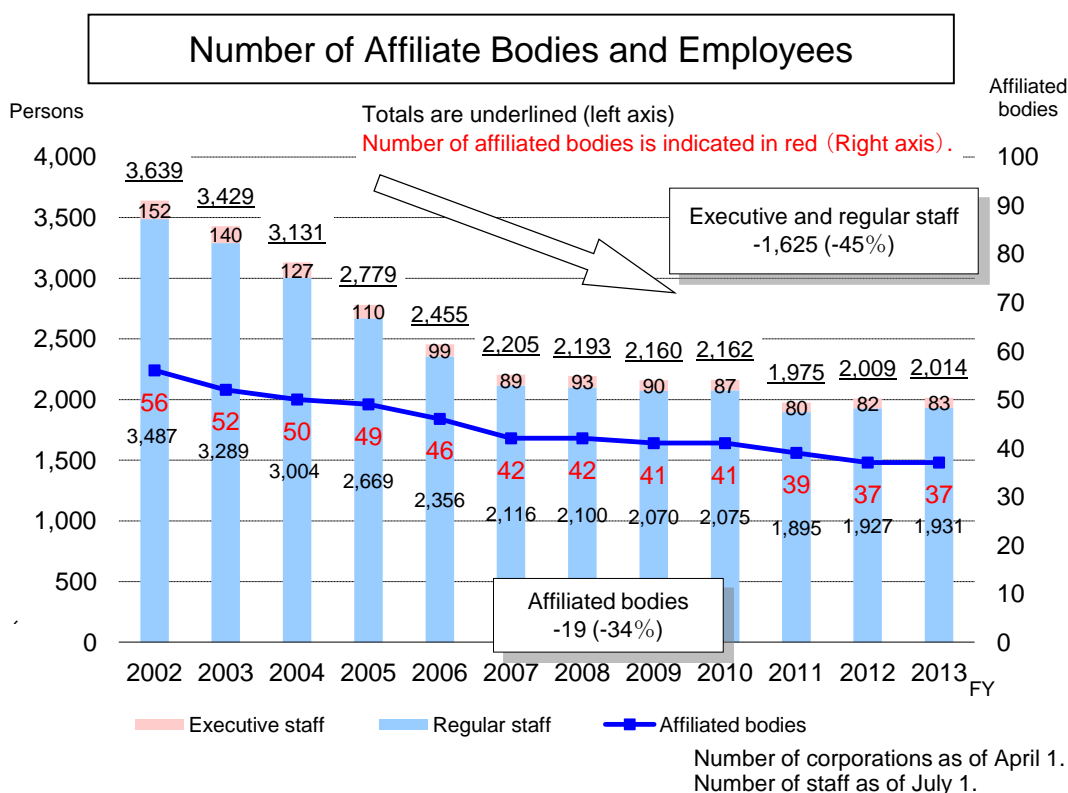




## ◎Reform Status at affiliated bodies (public enterprises, etc.)

Affiliate bodies have been liquidated or merged based on the "Basic Principle on Affiliate Bodies Reform" set out in FY2002.

The number of affiliated bodies has dropped by 19 (-34%), executive and regular staff by 1,625 (-45%), and fiscal expenditures by 46.6 billion yen (-69%).



## 4. Chiba Prefecture Financial Soundness Plan (FY2013 - FY2016)

### Severe Financial Situation (Background of the Plan Development)

#### (1) Expenditure situation

Mandatory expenditure will continuously increase due to the increase in public assistance expenses as a result of the aging society as well as the increase in public bonds expenses due to issuance of extraordinary financial measures bonds. Furthermore, the number of people who will reach retirement age will continuously increase until FY2015 and the number will remain high thereafter.

#### (2) Revenue situation

Prefectural tax revenues which occupy a large part of the internal revenue sources of Chiba Prefecture remain stagnant under severe economic conditions. Although the real local allocation tax including extraordinary financial measures bonds has been increasing in the past few years and the local consumption tax will contribute to increasing revenue after FY2014, these revenues will be used for the natural increase of public assistance expenses, etc., and thus, the general fund that Chiba Prefecture can use without restriction will not increase.

### Direction of the Financial Soundness Plan (Basic Goals)

#### (1) Duration of the Plan

Same as the Total Plan (FY 2013 to FY 2016).

#### (2) Basic Goals

In order to implement actions to achieve "Prefecture where the satisfaction level with day-to-day life is No. 1 in Japan" including safety/security, medicine/social welfare, and disaster prevention, despite the severe financial situation, Chiba Prefecture must establish a sustainable fiscal framework.

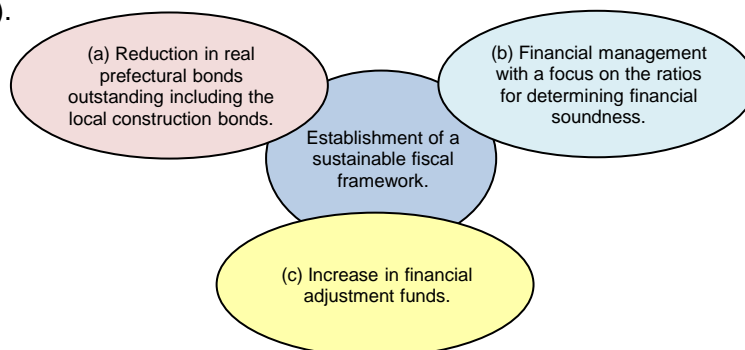
To achieve it, Chiba Prefecture will set the following basic goals and work to achieve financial soundness.

(a) Reduction in real prefectural bonds outstanding including the local construction bonds.

(b) Financial management with a focus on the ratios for determining financial soundness.

(c) Increase in financial adjustment funds.

※We aim to create about 3.0% of the standard financial scale (approximately 30 billion yen).



## Fiscal Forecast at Initial Budgeting for FY 2014

Chiba Prefecture developed a fiscal rolling forecast for the Financial Soundness Plan, based on the initial budget for FY2014, taking into account the local fiscal system reform, etc.

Estimates were made under the certain conditions such as using the public assistance expenses under the current system.

※For the local consumption tax, increase after October 2015 was incorporated.

(100 million yen)

Category		FY2013 Actual (Feb)	FY2014 Initial	FY2015 (Estimate)	FY2016 (Estimate)	Total
Expenditure	Personnel	5,550	5,704	5,655	5,565	22,474
	Retirement expenses	613	611	637	600	2,461
	Public assistance	2,219	2,371	2,502	2,650	9,742
	Public bonds	1,834	1,969	2,029	2,120	7,952
	Grants related to taxes, etc.	949	982	1,318	1,535	4,784
	Expenditures related to resident services, etc.	-5,556	-4,910	-4,956	-4,929	-20,351
Expenditure total (1)		16,508	16,143	16,497	16,817	65,965

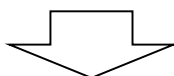
Revenue	Prefectural Tax, etc. (including local transfer tax)	7,482	7,680	8,118	8,713	31,993
	Local allocation tax, etc. (including extraordinary fiscal measures bonds)	3,483	3,290	3,250	3,050	13,073
	Prefectural bonds	616	627	695	656	2,594
	Others	4,870	4,495	4,306	4,304	17,975
Revenue total (2)		16,451	16,092	16,369	16,723	65,635

Balance (3)=(2)-(1)		- 57	- 51	- 128	- 94	- 330
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※1 The numbers under the "Expenditures related to resident services, etc." exclude special elements such as national economic measure fund project.

※2 The revenue does not include fiscal resource measures such as disaster recovery/ community revitalization fund or public finance adjustment fund.

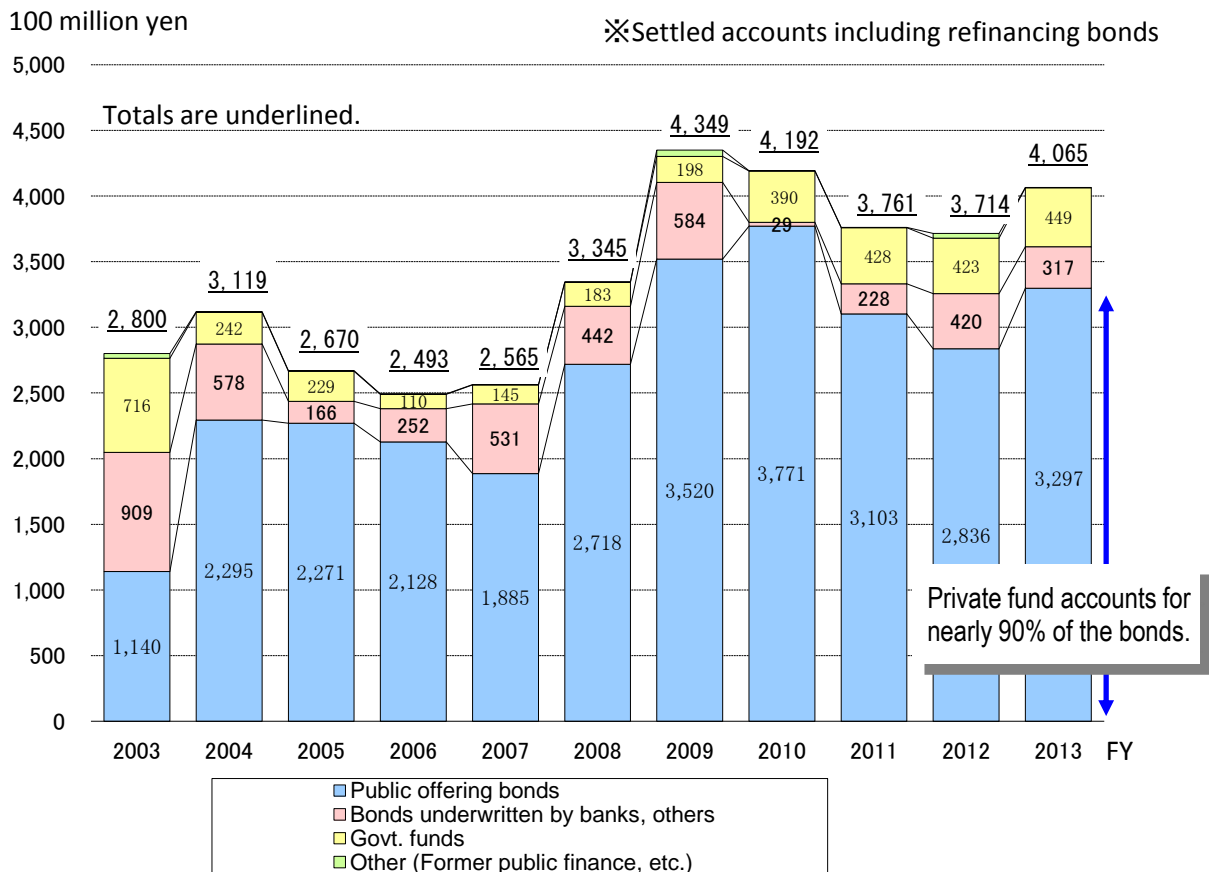
The shortfall (balance between revenue and expenditure) is 33.0 billion yen for four years from FY2013 to FY2016.



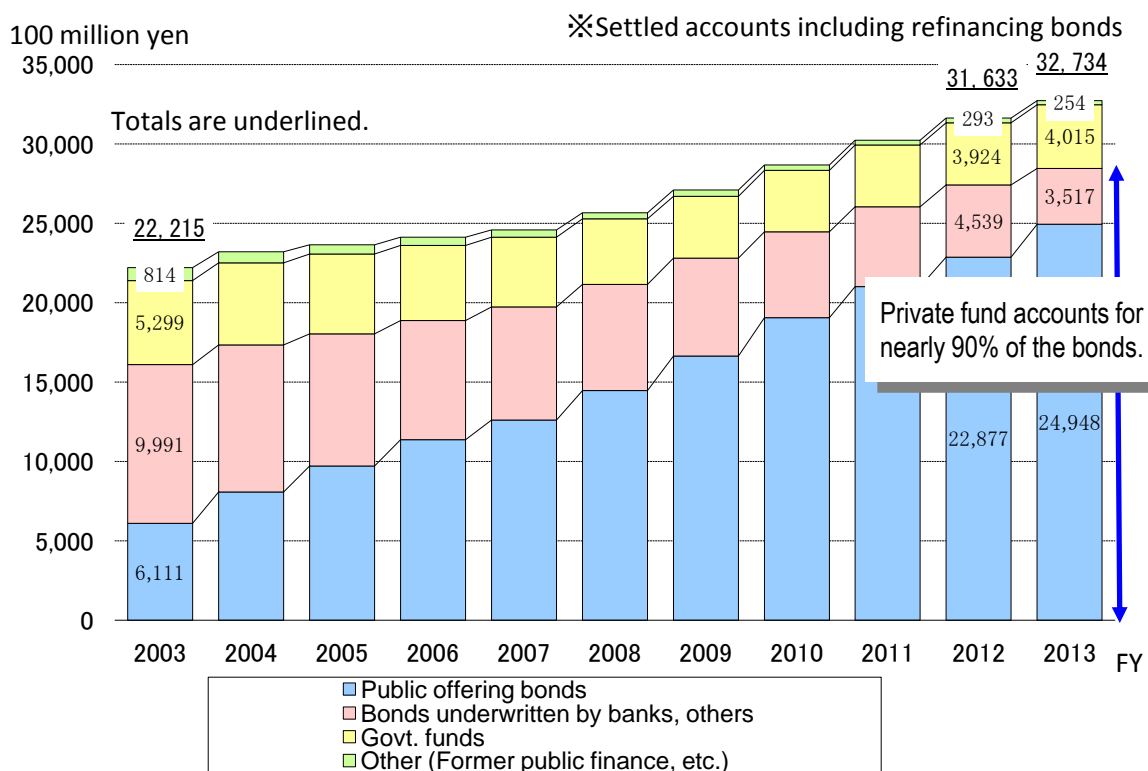
Chiba Prefecture will try to secure financial sources to make up for the shortfall by utilizing disaster recovery/ community revitalization funds and issuing administrative and fiscal reform bonds. In addition, we need to make efforts to secure fiscal sources such as reduction in spending during budget execution.

5. Chiba Prefectural Bonds

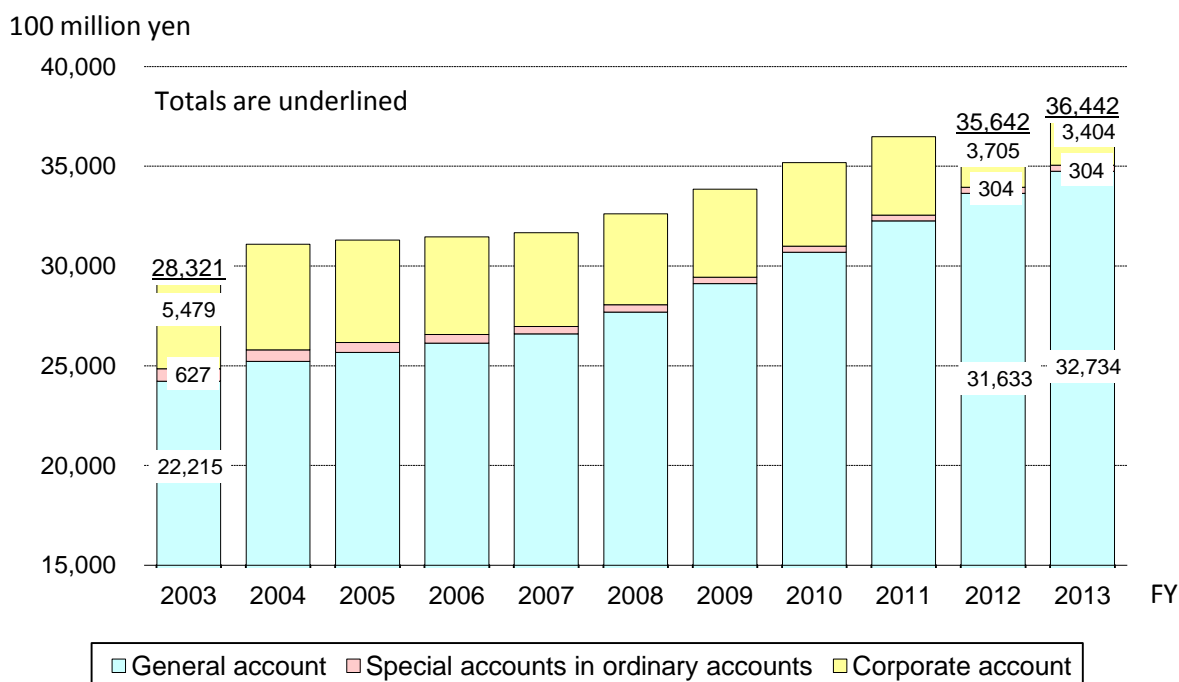
(1) Prefectural bonds issuance by funds (General Account)



(2) Prefectural bonds outstanding by funds (General Account)



### (3) Prefectural bonds outstanding by account



### (4) FY2014 Public Offering Bond Issuance Plan

100 million yen

Classification	Maturity	Issuance amount	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Notes
Chiba Prefectural Bonds (Public Offerings)	20-year	350	200						150						Flex-scope 50
	10-year	1,400	200			200		200			200	200	200		
	5-year	400		200									200		
	Scheduled redemption (20-year)	150							150						Flex-scope in full
Public Offering Joint-Local	10-year	500			100		50		50	50	50	50	60	90	
<b>Total</b>		<b>2,800</b>	<b>400</b>	<b>200</b>	<b>100</b>	<b>200</b>	<b>50</b>	<b>200</b>	<b>350</b>	<b>50</b>	<b>250</b>	<b>250</b>	<b>460</b>	<b>290</b>	

※There may be changes to the above Issuance Plan.

※20-year (30 billion yen) and flex-scope (20 billion yen) are published with the date not having been determined at the beginning of the year.

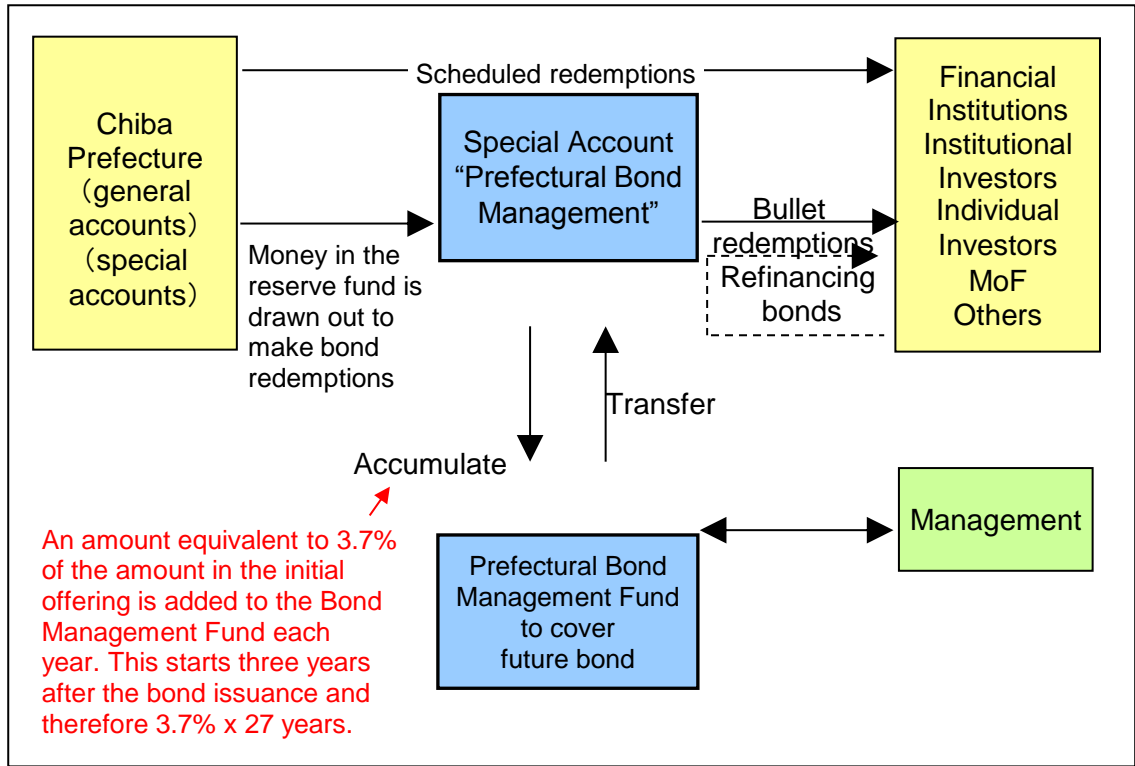
※The "Public Offering Joint-Local Government Bonds " are issued jointly by 36 local public entities.

The figures in the above table are only for Chiba Prefecture.

- Multiple maturities (5-year, 10-year, 20-year) are offered in order to respond to various needs of investors.
- We make efforts to standardize the timing of issuance, taking into account the issuance status of the entire local bonds. The issuance timing is standardized.
- From FY2014, a flex system is introduced in which the issuance amount can be increased or new maturity year can be used if the demand for the prefectural bonds is high.
- In principle, the day to determine the conditions for the 5-year and 10-year bonds is the day after the 10-year government bond auction date (beginning of the month).

## (5) Prefectural Bond Redemption

In order to manage the redemption of its bonds, Chiba Prefecture has established the Prefectural Bond Management Special Account and the Prefectural Bond Management Fund, and accumulates funds based on the plan for the future redemption.



- Bullet bonds are redeemed using funds transferred from the Prefectural Bond Management Fund and Refinancing Bonds. Amounts to be withdrawn from the fund are 10-year: 25.9%, 20-year: 37%, 30-year: 37.1%)

	Total Sum	Reserve										Refinancing bonds										Reserve									
		0.0	0.0	0.0	3.7	7.4	11.1	14.8	18.5	22.2	25.9	3.7	7.4	11.1	14.8	18.5	22.2	25.9	29.6	33.3	37.0	3.7	7.4	11.1	14.8	18.5	22.2	25.9	29.6	33.3	37.1
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	
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Redemption																															

## (6) Security of Local Municipal Bonds

### ◎ Systems to Support Security of Local Municipal Bonds

Security of local municipal bonds are supported by the following systems.

#### 1. Local allocation tax system

If a standard fiscal demand (expenditures) including principal and interest repayments on prefectural bonds exceeds an anticipated amount of fiscal revenue from local taxes, etc., the insufficiency shall be provided by the nation as local allocation tax.

#### 2. Consultation system for municipal bonds

Municipal bonds are issued only after municipalities have consultation with and obtain consent from the national government. The amount of new issuance and redemption shall be reflected in local fiscal plans made by the national government. The Local Government Finance Act Article 5.4 sets out that organizations in deficit or with a high ratio of real public debt (18% and above) may not issue municipal bonds without the national government's approval.

#### Concerning partial revision of consultation system

An advance notification procedure was introduced in FY2012, whereby entities with a sound financial status satisfying certain criteria are permitted to issue the local government bonds by submitting advance notification. Chiba Prefecture is eligible for this notification system.

#### 3. Financial soundness rebuilding system

##### ○ Public announcement of formulation of plans and progress situation

When the 4 ratios to judge financial soundness goes above the standard, it is required to formulate early financial soundness plan or financial rebuilding plan upon the council's approval. Progress of implementing such plans will be announced publicly every year. If the results significantly differ from the original plan, the Minister of Internal Affairs and Communications may give recommendation.

(%)

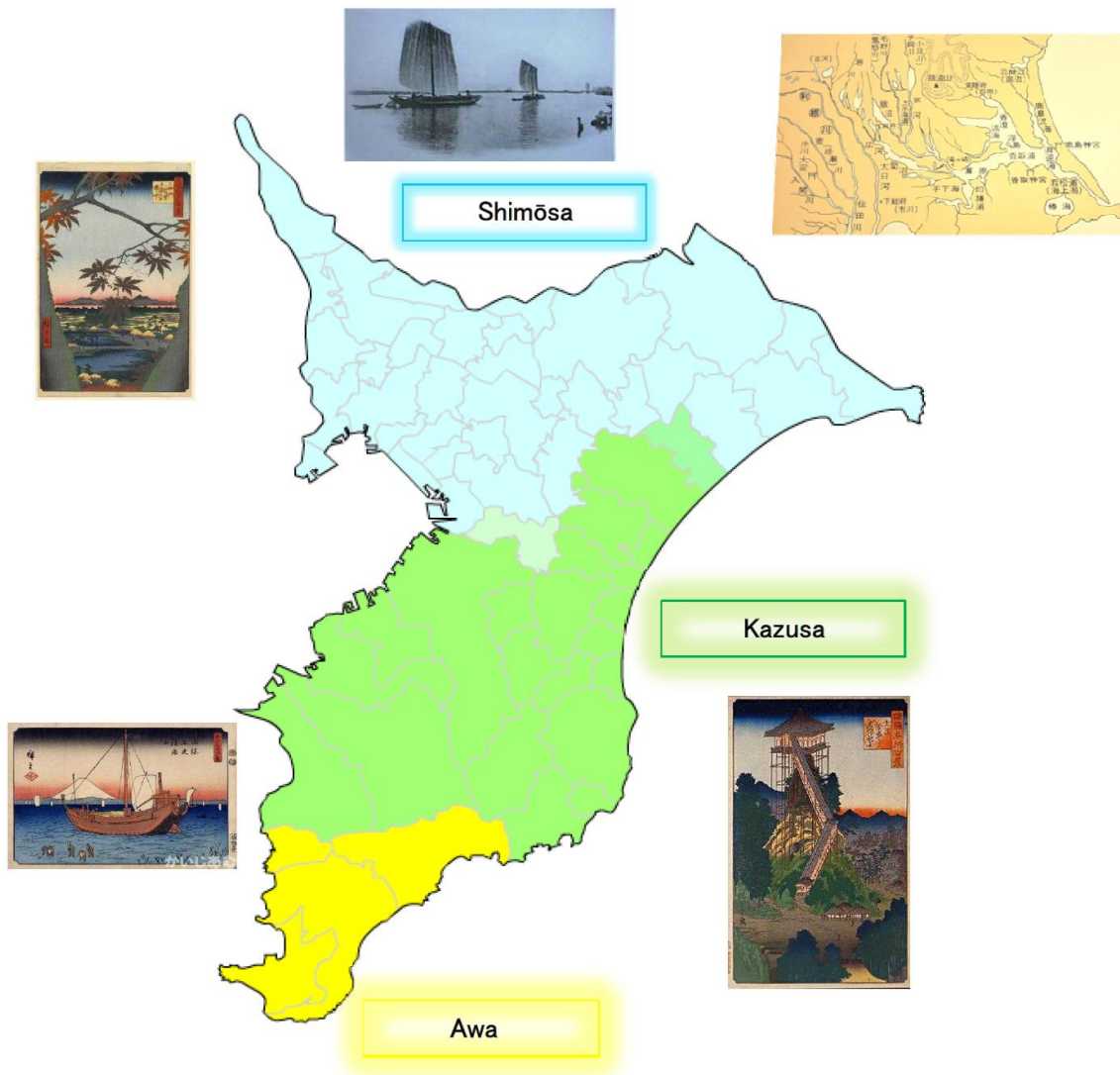
	Real deficit ratio	Consolidated real deficit ratio	Real public debt service ratio	Future burden ratio
Early financial soundness benchmark	3.75	8.75	25.0	400.0
Financial rehabilitation benchmark	5.00	15.00	35.0	

By establishing the early soundness standard, it became possible to avoid a situation where a municipality is suddenly found to be in financial collapse (above financial rebuilding benchmark).

##### ○ Ensuring appropriateness of calculated values

The four ratios are checked by the auditors' committee to ensure they are calculated properly.

Municipal bonds are debts secured by local taxes and local allocation taxes. Its risk weight by the BIS standard is 0%, the same for JGBs and Government-guaranteed bonds.



**For inquiries**

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Website of Chiba Prefecture:

<http://www.pref.chiba.lg.jp/>

• Overview of the financial status

<http://www.pref.chiba.lg.jp/zaisei/zaisei-gaiyou/index.html>

• Ratios for grasping soundness level

<http://www.pref.chiba.lg.jp/zaisei/press/2014/kenzenka-h25.html>

• Prefectural bonds

<http://www.pref.chiba.lg.jp/zaisei/kensai/index.html>

• Administrative reform

<http://www.pref.chiba.lg.jp/gyoukaku/gyoukaku/about/index.html>

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