



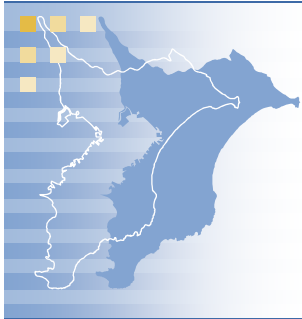
IR  
Presentation



# Chiba Prefecture Fiscal Conditions and Prefectural Bonds

October 2012

千葉県 



---

# 1. Overview of Chiba Prefecture

---



# (1) Overview of Chiba

- Chiba Prefecture has the 6th largest population in Japan. Chiba has a convenient transportation network, and Narita Airport serves as the gateway to Japan.

|                   |                                   |
|-------------------|-----------------------------------|
| Population        | 6,217,000<br>6th largest in Japan |
| Avg. Age          | 43.6<br>5th youngest in Japan     |
| No. of Households | 2,520,000                         |



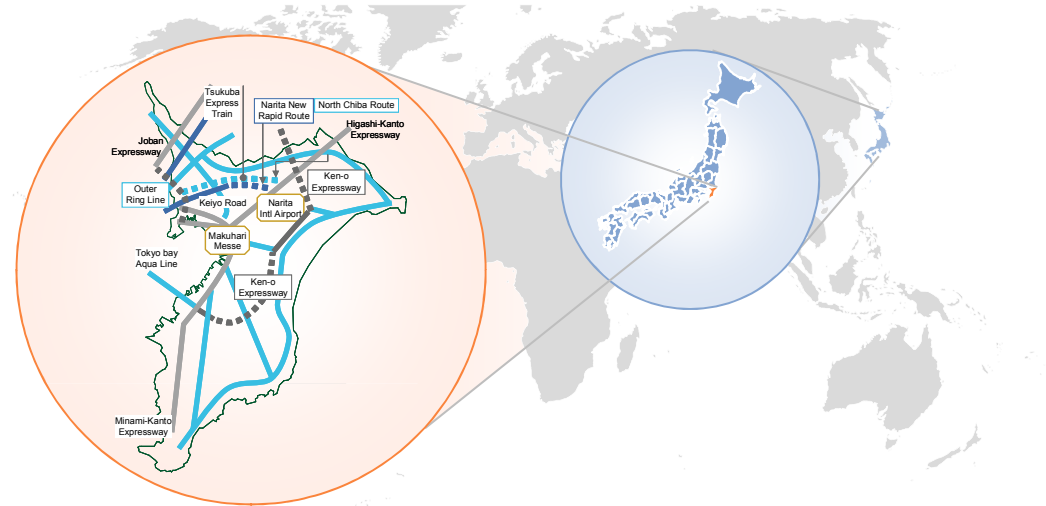
Kujukuri Beach  
(Kujukuri-machi, etc.)



Makuhari New City  
(Chiba City)



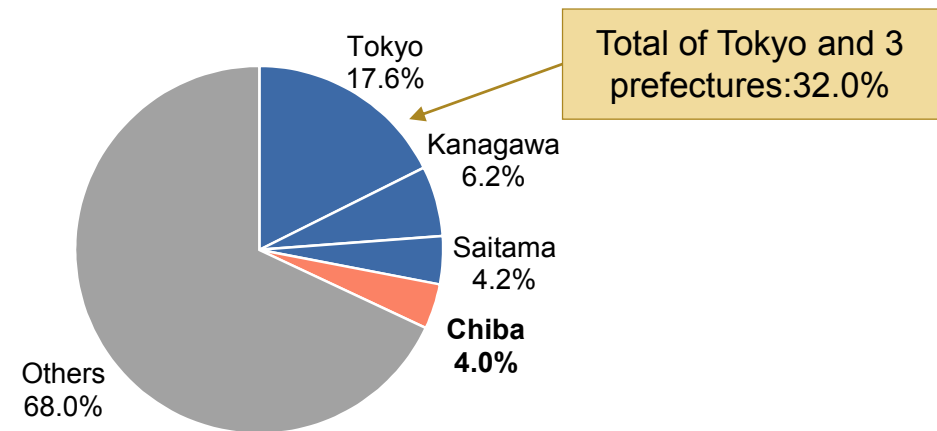
Narita Airport



- Chiba Prefecture's nominal gross product of 19.2 trillion yen is the 6th largest in Japan.

■ GPP(Trillion yen)

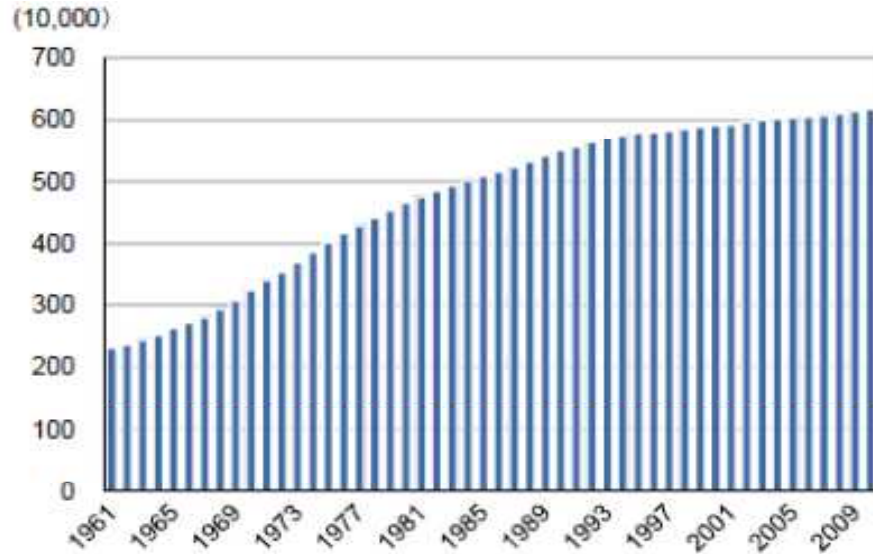
|   |              |             |
|---|--------------|-------------|
| 1 | Tokyo        | 85.2        |
| 2 | Osaka        | 35.8        |
| 3 | Aichi        | 31.9        |
| ⋮ |              |             |
| 6 | <b>Chiba</b> | <b>19.2</b> |



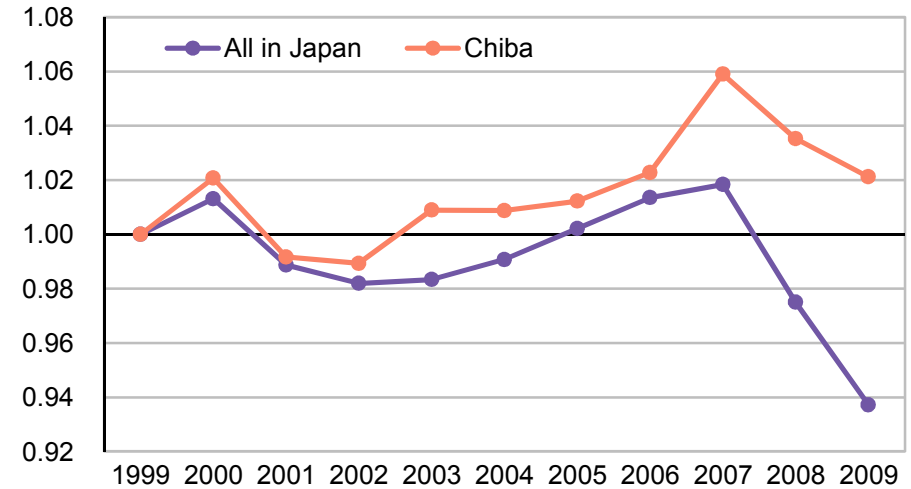


## (2) Growing Economy

### Population Growth



### Growth of Gross Prefectural Product



### Working Age (Age15-64) Population (%)

| Rank | Prefecture   | Percentage (%) |
|------|--------------|----------------|
| 1    | Tokyo        | 68.1           |
| 2    | Kanagawa     | 66.6           |
| 3    | Saitama      | 66.2           |
| 4    | <b>Chiba</b> | <b>65.6</b>    |
| 5    | Aichi        | 65.2           |
| 6    | Okinawa      | 64.9           |

Source: "National Census Population Quick Count Result"

- The above is a graph of Chiba Prefecture's nominal gross product indexed to 1999. Chiba's performance trend exceeds that of the national total beginning in FY00.



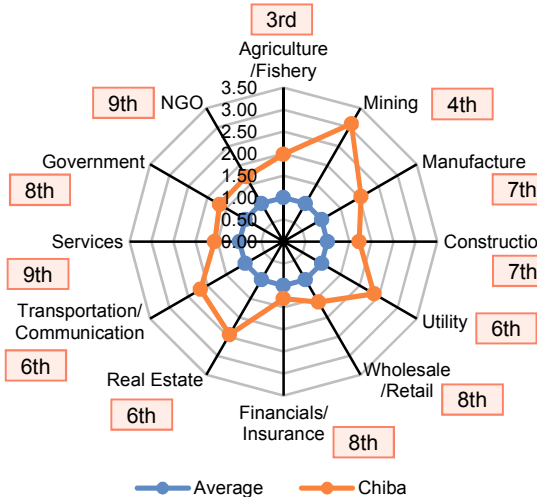
## (3) Balanced Industrial Base (Rankings in Japan)

### 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 at October, 2010). Chiba has a balanced agriculture industry composed of rice, vegetable and livestock, and has the 3rd largest agriculture industry in Japan in terms of total value produced in 2010.



### Top 10 in All Industrial Areas



### Fishery - ranked 5th

The surrounding bay and ocean provides Chiba Prefecture's fishing industry with a diverse catch with significant seasonal variety. Chiba Prefecture has one of the largest fishing industries in Japan, ranking 5th in terms of total production volume, at 162,000 tons, in 2011.



### Manufacturing - ranked 7th

Chiba Prefecture ranks 7th in Japan in terms of manufacturing shipments, totaling 12.1 trillion yen in 2009. The three largest industries are petroleum/coal products (2.7 trillion yen; ranked 1st), chemicals (2.7 trillion yen; ranked 1st) and steel (1.6 trillion yen; ranked 3rd) which together make up 57.8% 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 achieved annual product sales of 12,322.2 billion yen (9th largest in Japan).

### Tourism

Chiba Prefecture has positioned tourism as a core industry, and is engaging in various tourism-related initiatives including the cutting the Tokyo Bay Aqua Line toll down to 800 yen and conducting projects to enhance the attractiveness of tourist sites. With the opening of Japan's largest outlet mall in April 2012, the number of visitors originating from Tokyo International Airport is expected to rise significantly.



## (4) Chiba Prefecture Viewed from All Japan

| Population (10 thousand) |              |            |
|--------------------------|--------------|------------|
| 1                        | Tokyo        | 1,316      |
| 2                        | Kanagawa     | 905        |
| 3                        | Osaka        | 887        |
| 4                        | Aichi        | 741        |
| 5                        | Saitama      | 719        |
| <b>6</b>                 | <b>Chiba</b> | <b>622</b> |

Source: Population Survey Results of the "National Census" by MIC Statistics Bureau (October 26, 2011)

| Population growth (From 2005 to 2010) (%) |              |            |
|---|--------------|------------|
| 1   | Tokyo        | 4.7        |
| 2   | Kanagawa     | 2.9        |
| <b>3</b>                                  | <b>Chiba</b> | <b>2.7</b> |
| 4   | Okinawa      | 2.3        |
| 5   | Shiga        | 2.2        |
| 6   | Aichi        | 2.1        |

Source: Population Survey Results of the "National Census" by MIC Statistics Bureau (February 23, 2011)

| Average age (years old) |              |             |
|-------------------------|--------------|-------------|
| 1                       | Okinawa      | 40.5        |
| 2                       | Aichi        | 42.9        |
| 3                       | Shiga        | 43.0        |
| 4                       | Kanagawa     | 43.4        |
| <b>5</b>                | <b>Chiba</b> | <b>43.6</b> |
| 5                       | Tokyo        | 43.6        |
| 5                       | Saitama      | 43.6        |

Source: Extracted Population Survey Results of the "National Census" by MIC Statistics Bureau (June 29, 2011)

| Income per person (10 thousand yen) |              |            |
|-------------------------------------|--------------|------------|
| 1                                   | Tokyo        | 391        |
| 2                                   | Kanagawa     | 309        |
| 3                                   | Aichi        | 297        |
| 4                                   | Shiga        | 296        |
| 5                                   | Shizuoka     | 293        |
| <b>6</b>                            | <b>Chiba</b> | <b>292</b> |

Source: "Annual Report on Prefectural Residents Account for FY 2009" by Economic and Social Research Institute of the Cabinet Office.

| Shipment value of manufactured products (100 million yen) |              |                |
|---|--------------|----------------|
| 1   | Aichi        | 372,105        |
| 2   | Kanagawa     | 169,136        |
| 3   | Shizuoka     | 153,741        |
| 4   | Osaka        | 146,941        |
| 5   | Hyogo        | 138,707        |
| 6   | Saitama      | 122,680        |
| <b>7</b>  | <b>Chiba</b> | <b>120,891</b> |

Source: "Current Survey of Production" for FY 2010 by METI

| 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> |

Source: "Current Survey of Commerce" for FY 2007 by METI

| Number of overnight guests (Total) (10 thousand guests) |              |              |
|---|--------------|--------------|
| 1   | Tokyo        | 4,153        |
| 2   | Hokkaido     | 2,729        |
| 3   | Osaka        | 2,176        |
| ⋮   |              |              |
| <b>7</b>  | <b>Chiba</b> | <b>1,569</b> |
| 8   | Kanagawa     | 1,441        |

Source: Results of "Statistics Survey of Overnight Stays" for Jan.-Dec. 2011 by MLIT

| Agricultural output value (100 million yen) |              |              |
|---|--------------|--------------|
| 1   | Hokkaido     | 9,946        |
| 2   | Ibaraki      | 4,306        |
| <b>3</b>                                    | <b>Chiba</b> | <b>4,048</b> |
| 4   | Kagoshima    | 4,011        |
| 5   | Kumamoto     | 3,071        |
| 6   | Aichi        | 2,962        |

Source: "Productive Agriculture Income Statistics" for FY 2010 by MAFF

| Volume of fishery production (thousand tons) |              |            |
|--|--------------|------------|
| 1  | Hokkaido     | 1,180      |
| 2  | Nagasaki     | 270        |
| 3  | Shizuoka     | 196        |
| 4  | Mie          | 170        |
| <b>5</b>                                     | <b>Chiba</b> | <b>162</b> |
| 6  | Shimane      | 154        |

\* Provisional figures excluding those of Iwate, Miyagi and Fukushima Prefectures due to the Japan Earthquake disaster.  
Source: "Statistics of fishery and cultivation production" for FY 2011 by MAFF



---



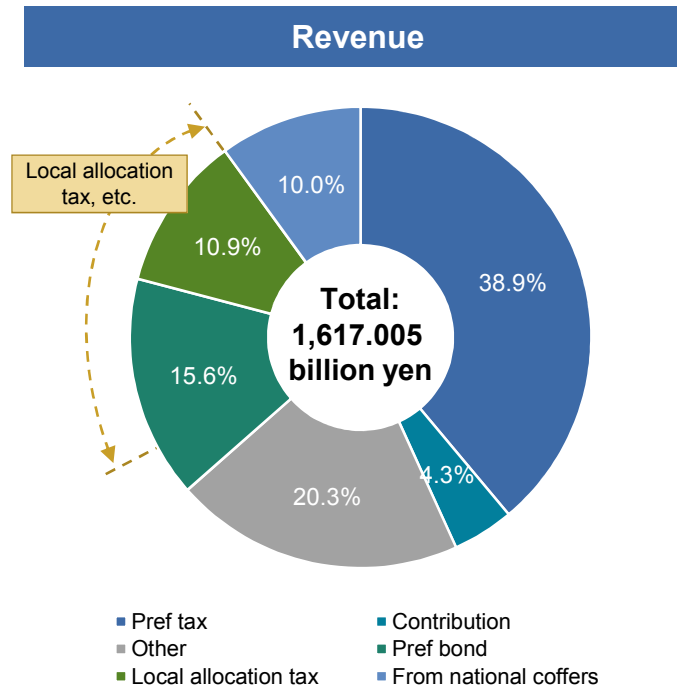
## 2. Revenue and Expenditures

---



# (1) FY 2012 General Account Budget: Revenue

- The General Account budget decreased by 3.2% for FY 2012 (September revision) as compared with the previous fiscal year, due to the decline in the amount budgeted in relation to the Great East Japan Earthquake.
- The local allocation tax represents a large portion of revenues, with approximately half of the amount funded by extraordinary finance measure bonds(\*) representing almost 70% of the prefectural bond issuance.



| Revenue (100 million yen)             | 2012          | 2011          | Change       | YoY           |
|---------------------------------------|---------------|---------------|--------------|---------------|
| Prefectural tax                       | 6,295         | 6,341         | (46)         | (0.7%)        |
| Corporate-related tax                 | 992           | 1,026         | (34)         | (3.3%)        |
| Residence tax                         | 2,564         | 2,498         | 66           | 2.6%          |
| Local consumption tax                 | 1,101         | 1,168         | (67)         | (5.7%)        |
| Local transfer taxes                  | 702           | 682           | 20           | 2.9%          |
| Local allocation tax                  | 1,760         | 1,717         | 43           | 2.5%          |
| National treasury disbursements       | 1,623         | 1,806         | (183)        | (10.1%)       |
| Prefectural bond                      | 2,523         | 2,570         | (47)         | (1.8%)        |
| Local construction bond               | 659           | 810           | (151)        | (18.6%)       |
| Extraordinary financial measures bond | 1,710         | 1,760         | (50)         | (2.8%)        |
| Retirement allowance bonds            | 154           |               | 154          | 100.0%        |
| Other                                 | 3,267         | 3,587         | (320)        | (8.9%)        |
| <b>Total</b>                          | <b>16,170</b> | <b>16,703</b> | <b>(533)</b> | <b>(3.2%)</b> |

\* Numbers for each year are the revised budget as of September.

(\*) 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.

### Prefectural tax

The expected increase in revenue from individual residence tax resulting from the termination of child tax credit will be more than offset by the decline in revenues from local value-added tax and corporate residential/business tax. As such, the budget for FY2012 decreased by JPY4.6 billion compared with the previous fiscal year.

### Local allocation tax

The budget for FY 2012, incorporating the FY 2011 actual figures and the growth rate in the local financing program by the national government, rose by JPY4.3 billion against the previous fiscal year. However, the FY 2012 budget for local allocation tax in effect declined by JPY0.7 billion over the previous fiscal year, taking into account the JPY5 billion decrease in extraordinary financial measures bond issuances.

### Prefectural bonds

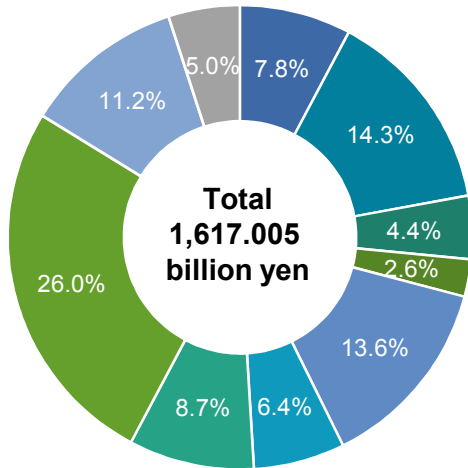
The FY2012 budget decreased by JPY4.7 billion against the previous fiscal year due to JPY15.1 billion decline in local construction bond issuances and JPY5 billion decrease in extraordinary financial measures bond issuances, together offsetting the JPY15.4 billion of new issuances of retirement allowance bonds that were not incorporated in the previous fiscal year.





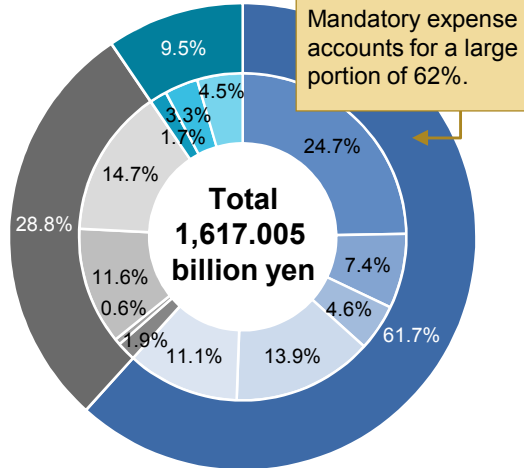
## (2) FY 2012 General Account Budget: Expenditure

Expenditures (by purpose)



- General administration
- Sanitation/environment
- Commerce/labor
- Police
- Public debt
- Welfare
- Agriculture, forestry and fishery
- Civil engineering
- Education
- Others

Expenditures (by type)



- Mandatory expense
- Personnel (education)
- Personnel (general staff)
- Supplies
- Subsidies, contributions, allocations
- Ordinary construction (unsubsidized)
- Ordinary construction (subsidized)
- Others
- Personnel (police)
- Public Assistance
- Accounts brought out
- Others
- Others
- Others

Mandatory expense accounts for a large portion of 62%.

| Expenditures (100 million yen) | 2012          | 2011          | Change       | YoY           |
|--------------------------------|---------------|---------------|--------------|---------------|
| Personnel expenses             | 5,944         | 5,963         | (19)         | (0.3%)        |
| Public Assistance expenses     | 2,248         | 1,990         | 258          | 13.0%         |
| Public debt payments           | 1,802         | 1,740         | 62           | 3.6%          |
| Capital expenditure            | 1,523         | 2,043         | (520)        | (25.5%)       |
| Subsidized                     | 723           | 789           | (66)         | (8.4%)        |
| Non-subsidized                 | 530           | 651           | (121)        | (18.6%)       |
| Other                          | 4,653         | 4,967         | (314)        | (6.3%)        |
| <b>Total</b>                   | <b>16,170</b> | <b>16,703</b> | <b>(533)</b> | <b>(3.2%)</b> |

\* Revised budget as of September

### Personnel expenses

In the process of the September revision, the budget for personnel expenses was reviewed in light of the existing number of personnel and reduced by JPY1.9 billion over the last fiscal year.

### Public Assistance expenses

The budget increased by JPY25.8 billion due to rising medical /nursing care costs along with the ageing population, together with the budget for projects utilizing the reserve fund of the allocation from the national government, which was upwardly revised in September.

### Capital expenditure

The budget for capital expenditure as a whole decreased by JPY52 billion due to cutbacks in national government's public works, significantly reducing the budget for subsidized projects and national government-led public projects. While the budget for prefecture-led, non-subsidized projects was reduced, necessary costs for developing social infrastructure, such as costs for the acceleration of the earthquake-resistant retrofit of prefectural high school buildings/seismic upgrading of bridges, and the life-extending improvements to public civil engineering facilities, etc., were prioritized and budgeted accordingly.



### (3) Measures for the Great East Japan Earthquake Disaster (General Account) - 1

|  |  |                        |
|--|--|------------------------|
| <b>FY 2010 Budget</b><br>: JPY6.2 billion  | <b>■ Arbitrary Decision by Governor (March 23, 2010)</b>                                     | <b>JPY6.2 billion</b>  |
|  | Disaster recovery (roads/ivers) and repair of public facilities, etc.                        | JPY2.6 billion         |
|  | Disaster relief operations in accordance with the Disaster Relief Act                        | JPY2.2 billion         |
| <b>FY 2011 Budget</b><br>: JPY81.8 billion | <b>■ May Supplementary Budget (May 20, 2011)</b>   | <b>JPY43.6 billion</b> |
|  | 1. Livelihood recovery of disaster victims   | JPY10.185 billion      |
|  | 2. Restoration of infrastructure and school facilities, etc.                                 | JPY19.206 billion      |
|  | 3. Revitalization and reconstruction of industries   | JPY10.182 billion      |
|  | 4. Restoration and repair of school facilities and public assistance facilities, etc.        | JPY3.647 billion       |
|  | <b>■ June Supplementary Budget (July 8, 2011)</b>  | <b>JPY32.8 billion</b> |
|  | 1. Development of a comprehensive system for monitoring radioactive substances               | JPY74 million          |
|  | 2. Measures for electric supply shortages and power savings                                  | JPY 650 million        |
|  | 3. Further assistance to disaster victims, commercial/industrial operators and farmers, etc. | JPY30.783 billion      |
|  | ■ SME Promotion Fund   | JPY30 billion          |
|  | 4. Investigation of earthquake disasters and disaster prevention                             | JPY1.183 billion       |
|  | ■ Emergency project to promote earthquake-resistant construction for private schools         | JPY847 million         |
|  | <b>■ September Supplementary budget (October 18, 2011)</b>                                   | <b>JPY10.3 billion</b> |
|  | 1. Measures for nuclear disasters, electric shortages and new energy                         | JPY316 million         |
|  | ■ Investigation of environmental radioactivity levels  | JPY119 million         |
|  | 2. Support for disaster victims and the restoration of infrastructure, etc.:                 | JPY9.304 billion       |
|  | ■ Contribution to the livelihood recovery support fund for disaster victims                  | JPY3.783 billion       |
|  | 3. Support for reconstruction of municipalities and disaster prevention                      | JPY703 million         |
|  | ■ Municipalities Promotion Fund (provision of loans for the purpose of disaster recovery)    | JPY1 billion           |



## (3) Measures for the Great East Japan Earthquake Disaster (General Account) - 2

|  |   |                         |
|--|---|-------------------------|
| <b>FY 2011 Budget</b><br>: JPY81.8 billion                 | <b>December Supplementary Budget (December 20, 2011)</b>                          | <b>JPY12.3 billion</b>  |
|  | 1. Establishment of a reconstruction fund in relation to the Earthquake           | JPY3 billion            |
|  | 2. Subsidy for restoration and development of facilities of entities such as SMEs | JPY1.653 billion        |
|  | 3. Amount linked with the national government's third supplementary budget        | JPY7.659 billion        |
|  | <b>Supplementary Budget (February 26, 2012)</b>                                   | <b>▲JPY17.2 billion</b> |
|  | 1. Restoration project for public civil engineering facilities                    | ▲JPY6.46 billion        |
|  | 2. Support fund for disaster victims for rebuilding houses                        | ▲JPY6.4 billion         |
| 3. Project to support expediting disaster waste management | JPY1.663 billion  |                         |

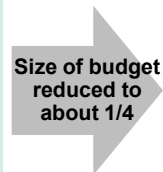


### (3) Measures for the Great East Japan Earthquake Disaster (General Account) - 3

|  |   |                  |                        |
|--|---|------------------|------------------------|
| <b>FY 2012 Budget</b><br>JPY24.6 billion               | <b>■ Original budget (February 26, 2012)</b>  |                  | <b>JPY21.8 billion</b> |
|  | 1. Support for municipalities and disaster victims  |                  | JPY9.195 billion       |
|  | ■ Municipality promotion fund in relation to "You can do it! Chiba" campaign              |                  | JPY2 billion           |
|  | ■ Disaster victim support fund for rebuilding houses                                      |                  | JPY3.5 billion         |
|  | ■ Subsidization of interest payments on housing reconstruction loans for disaster victims |                  | JPY200 million         |
|  | 2. Countermeasures against radioactive substances   |                  | JPY112 million         |
|  | ■ Development/reinforcement of radioactive-related monitoring and examination             |                  | JPY42 million          |
|  | 3. Measures for new energy  |                  | JPY370 million         |
|  | ■ Support project for installment of solar power generation equipment                     |                  | JPY300 million         |
|  | 4. Restoration of infrastructure  |                  | JPY4.621 billion       |
|  | ■ Restoration project for agricultural facilities damaged by the disaster                 |                  | JPY1.864 billion       |
|  | 5. Disaster prevention  |                  | JPY7.479 billion       |
|  | ■ Measures for tsunami disaster in river and coastal areas                                |                  | JPY1.864 billion       |
|  | <b>■ September supplementary budget (October 16, 2012)</b>                                |                  | <b>JPY2.8 billion</b>  |
| 1. Support for livelihood recovery of disaster victims |   | JPY886 million   |                        |
| 2. Countermeasures against radioactive substances      |   | JPY901 million   |                        |
| 3. Restoration of infrastructure/disaster prevention   |   | JPY1.049 billion |                        |

**Cumulative amount budgeted up to FY 2011 for the Earthquake disaster**

**JPY88 billion**



**FY2012 budget for the Earthquake disaster**

**JPY24.6 billion**

As a result of the timely budgeting of necessary expenses related to the Earthquake disaster to date, expenses for restoration and reconstruction budgeted for FY 2012 dropped significantly, with a limited impact on the prefecture's finances.



# (4) General Account Balance

■ While overall revenue fell after peaking in FY01, real balance turned negative for two consecutive years in FY02 and FY03. However, the balance has been positive since FY04 as a result of our intensive efforts including the cutback in expenditure and pay cuts.

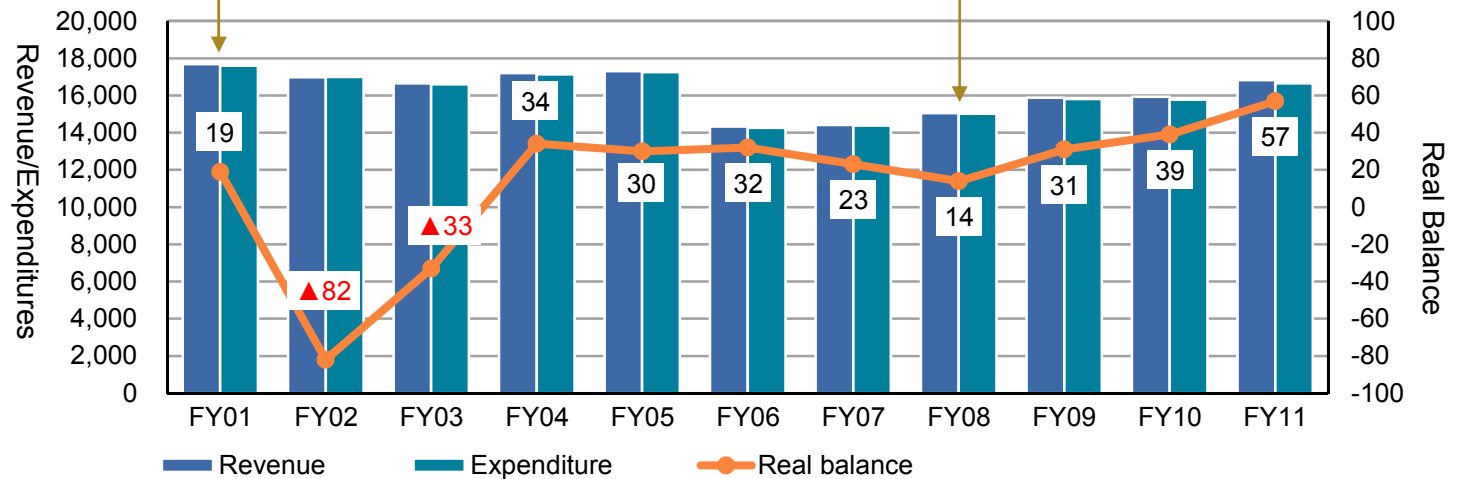
\* Since FY06, the real size of the general account has been indicated by creating a special account for settlement of local consumption tax and recording refinancing bonds in special account/prefectural debt management.

## Balance of Settled General Accounts

(100 million yen)

Simultaneous terrorist attacks in the US : September 11  
 Nikkei225 fell below 10,000 yen : September 12  
 Bankruptcy of Enron, U.S.A. : December 2

Bankruptcy of Lehman Brothers: September 15  
 Nikkei 225 post-bubble low (7,054 yen): March 10



|              | FY01   | FY02   | FY03   | FY04   | FY05   | FY06   | FY07   | FY08   | FY09   | FY10   | FY11   |
|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue      | 17,682 | 16,977 | 16,649 | 17,199 | 17,302 | 14,327 | 14,420 | 15,042 | 15,876 | 15,920 | 16,821 |
| Expenditure  | 17,601 | 16,985 | 16,602 | 17,133 | 17,246 | 14,256 | 14,382 | 15,007 | 15,802 | 15,776 | 16,648 |
| Real balance | 19     | -82    | -33    | 34     | 30     | 32     | 23     | 14     | 31     | 39     | 57     |

\* Real balance = Difference between revenues and expenditures – revenue sources brought forward from the following year.

There has been no deficit since 2004  
 as a result of administrative reforms and increases in tax revenue.

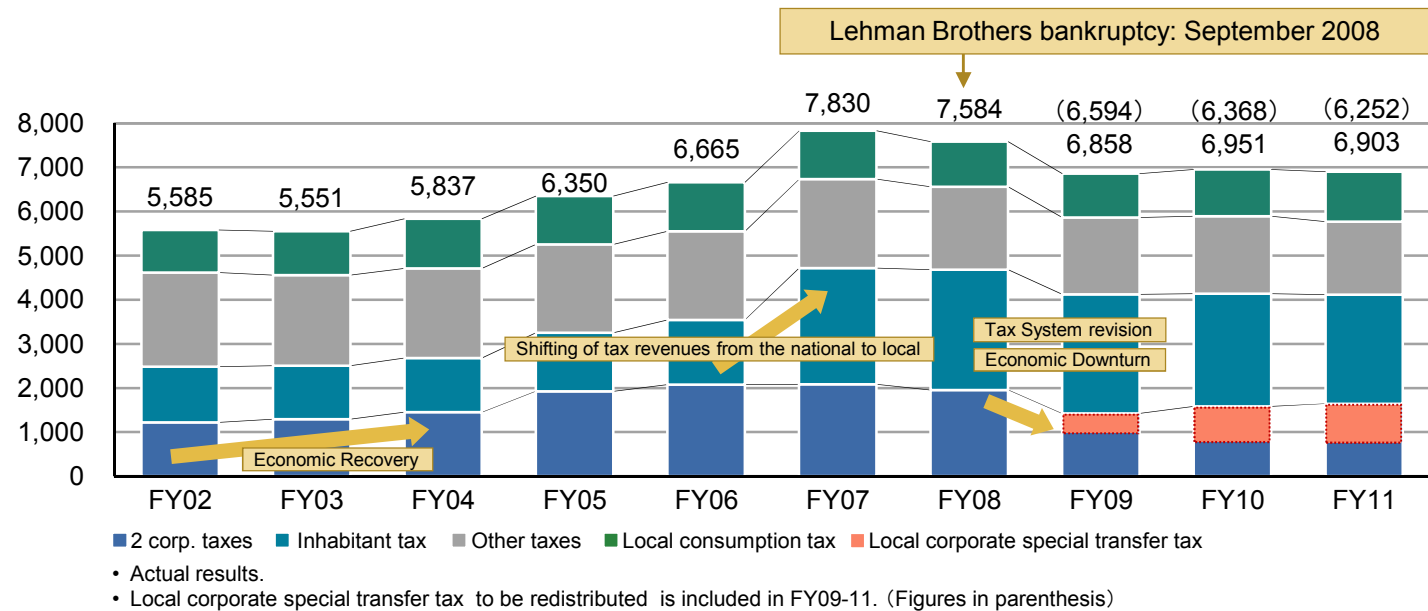


# (5) Prefectural Tax Revenue

- Since FY07, there has been a big rise in the ratio of individual inhabitant tax due to transfer of tax sources based on the Tripartite Reforms and abolishment of fixed rate cuts for residential tax.
- On the other hand, prefectural tax revenue for FY11 increased from the previous fiscal year if local corporate special transfer tax to be redistributed to municipal governments is taken into consideration. However, revenue from the two corporate taxes decreased in FY09 and after because a part of corporate business tax has been transferred to the national account.

## Prefectural Tax Revenue

(100 million yen)



|                       | FY02         | FY03         | FY04         | FY05         | FY06         | FY07         | FY08         | FY09         | FY10         | FY11         |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2 corp. taxes         | 1,214        | 1,290        | 1,452        | 1,924        | 2,083        | 2,088        | 1,959        | 1,156        | 996          | 999          |
| Inhabitant tax        | 1,270        | 1,218        | 1,231        | 1,329        | 1,465        | 2,630        | 2,724        | 2,707        | 2,545        | 2,492        |
| Other taxes           | 2,136        | 2,053        | 2,030        | 2,006        | 2,003        | 2,017        | 1,880        | 1,726        | 1,705        | 1,666        |
| Local consumption tax | 965          | 990          | 1,124        | 1,091        | 1,114        | 1,095        | 1,021        | 1,005        | 1,122        | 1,095        |
| <b>Total</b>          | <b>5,585</b> | <b>5,551</b> | <b>5,837</b> | <b>6,350</b> | <b>6,665</b> | <b>7,830</b> | <b>7,584</b> | <b>6,594</b> | <b>6,368</b> | <b>6,252</b> |

\*2 corp. taxes include corporate enterprise tax and corporate residence tax.

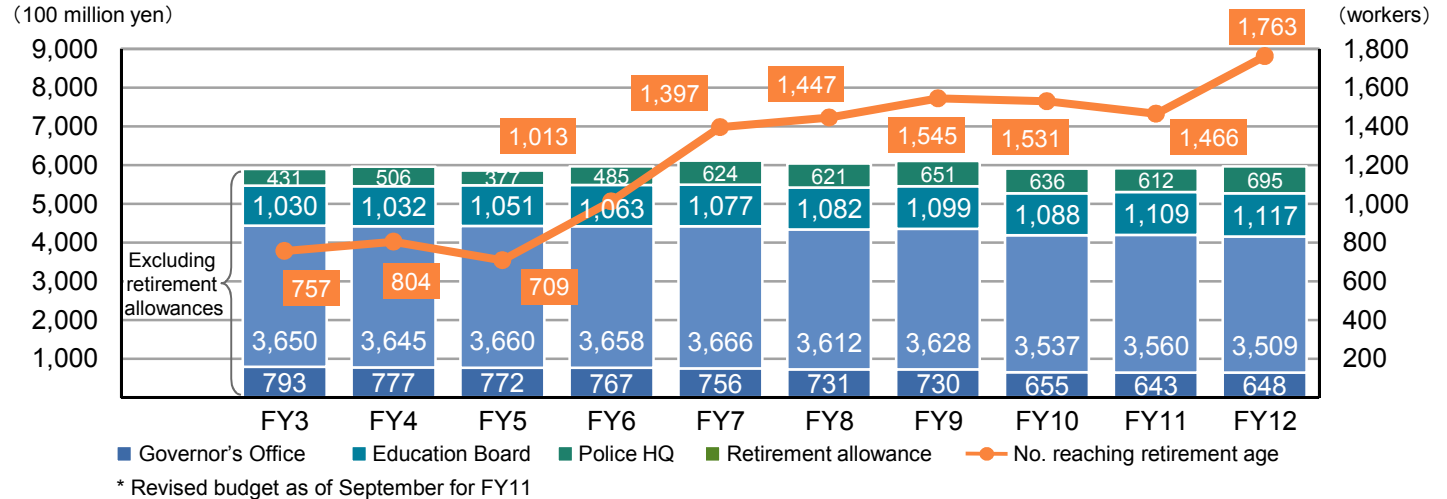
| Local corporate special transfer tax | FY09 | FY10 | FY11 |
|--------------------------------------|------|------|------|
|                                      | 264  | 583  | 651  |



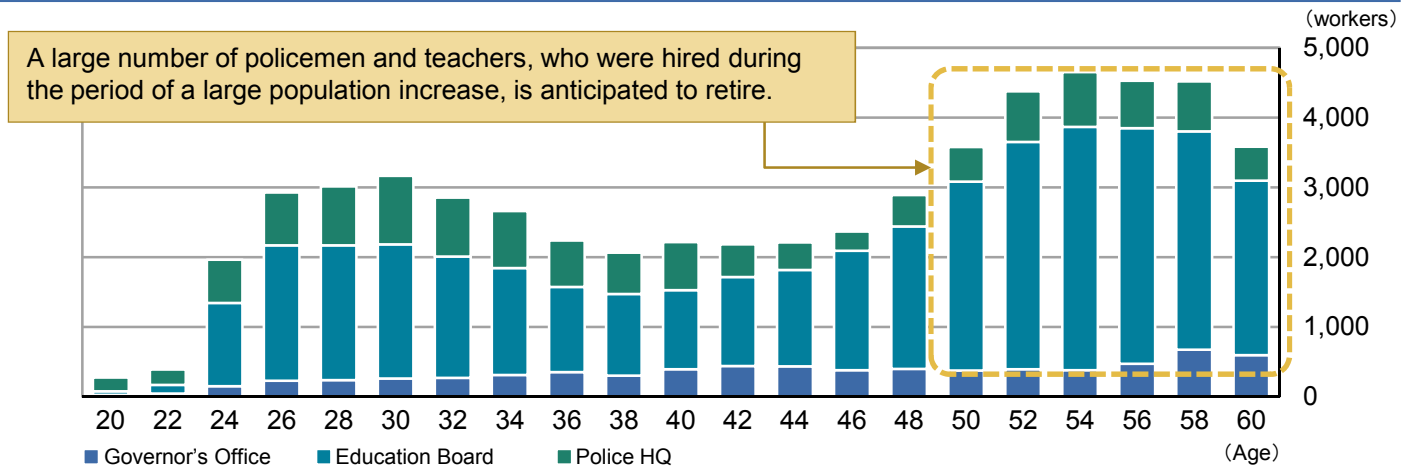
## (6) Expenditures: Personnel expenses

■ The number of employees reaching retirement age has been exceeding 1,000 every year since FY06. While the number of retirees from the Governor's Branch has already peaked, the Board of Education and the Police HQ will see their peaks in several years. The overall number of retiring employees in Chiba Prefecture is expected to peak around FY15.

### Personnel expenses



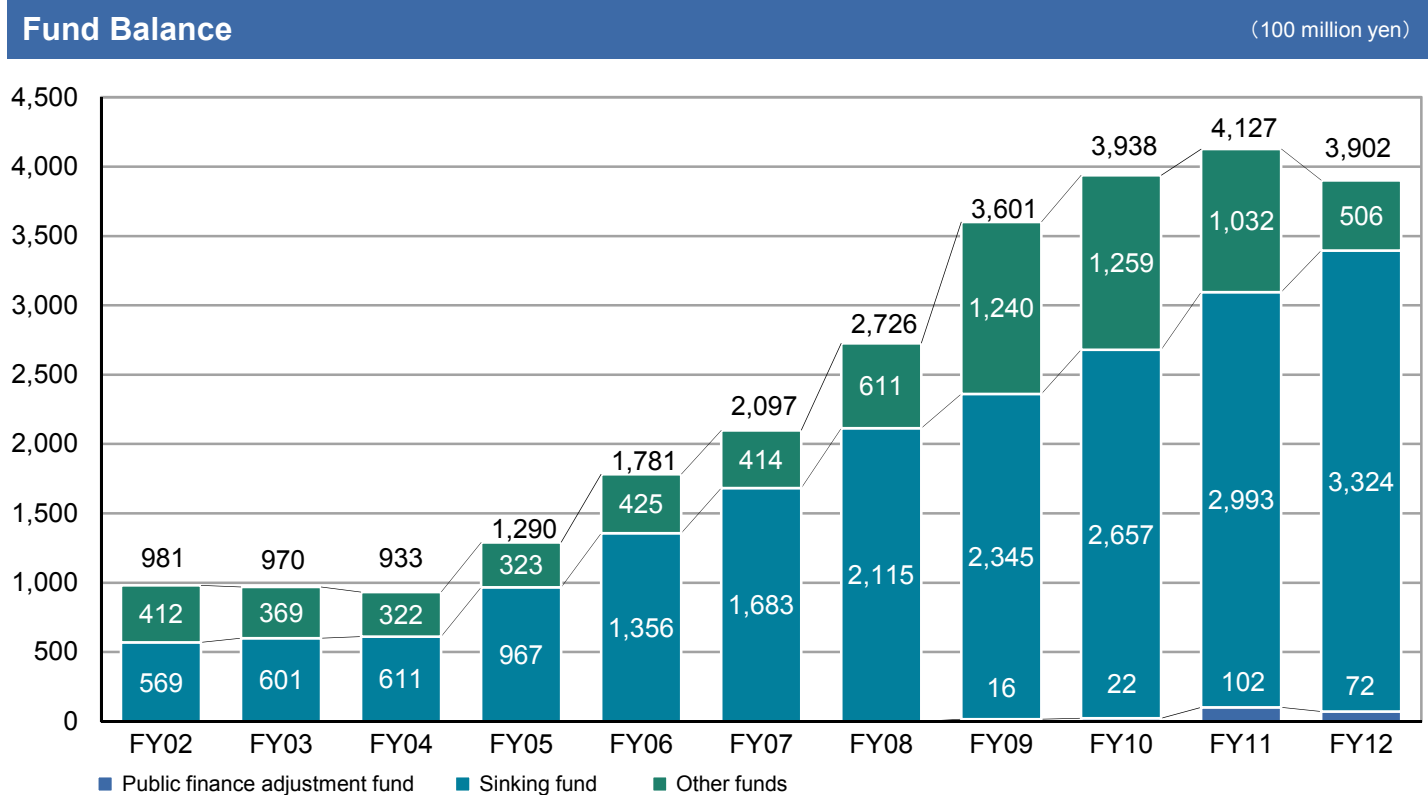
### Workers by age (as of Apr 1, 2012)





## (7) Fund Balance

- The fund balance has increased dramatically as Chiba Prefecture accumulates funds in accordance with the “Sinking Fund” in preparation for bonds to be redeemed in whole at their maturity.
- In FY09, “Other Funds” increased significantly as funds for economic and employment measures to combat economic downturn were established, utilizing national grants.



\* Actual results up to FY10. Figures for FY11 are forecasts.

### Concerning the use of “Sinking Fund”

The “Prefectural Bond Management Fund” is prepared for the redemption of prefectural bonds, and shall not be withdrawn for any other purpose.

### Fund Accumulation Rule of Chiba Prefecture:

In preparation for the redemption at maturity of publicly-offered prefectural bonds, an amount equivalent to 3.7% of the initial issue price shall be contributed to the “Prefectural Bond Management Fund” every year, starting in the fourth year from bond issuance.

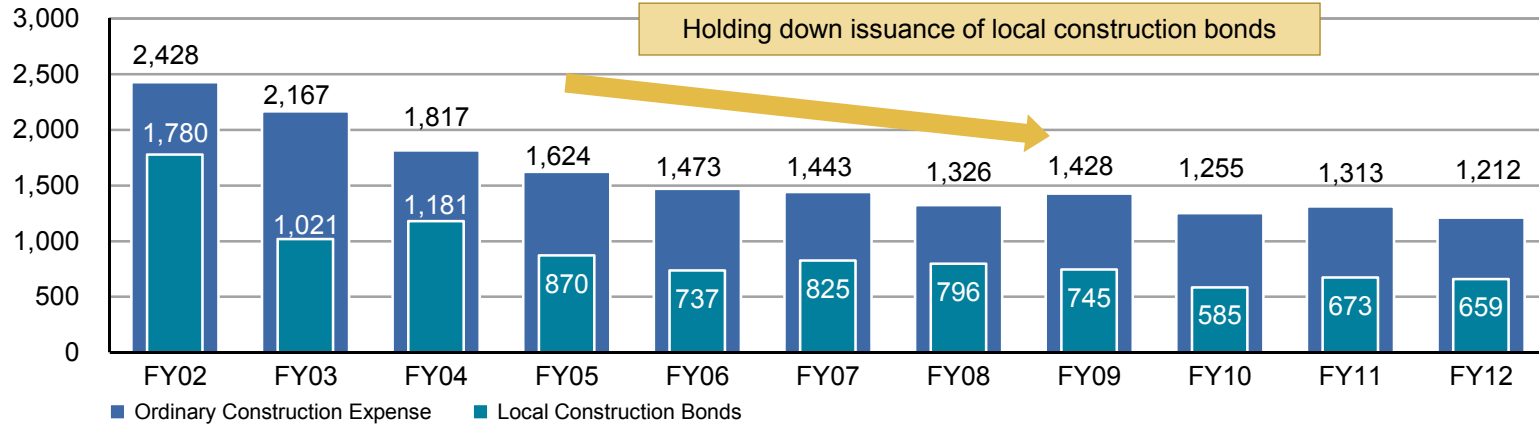
**3.7% x 27 years (3.8% in the final year)**





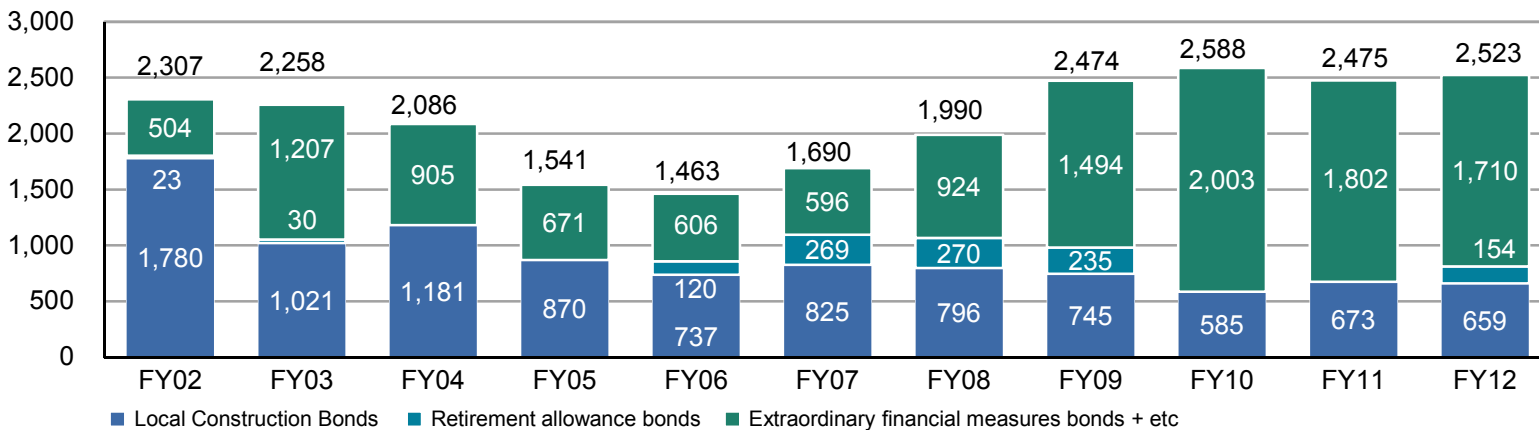
## (8) Prefectural Bond Issuance

**Ordinary Construction Expense and Local Construction Bond Issuance Amount (new issues)** (100 million yen)



**Prefectural Bond Issuance Amount (new issues)** (100 million yen)  
local construction bonds + extraordinary financial measures bonds + retirement allowance bonds

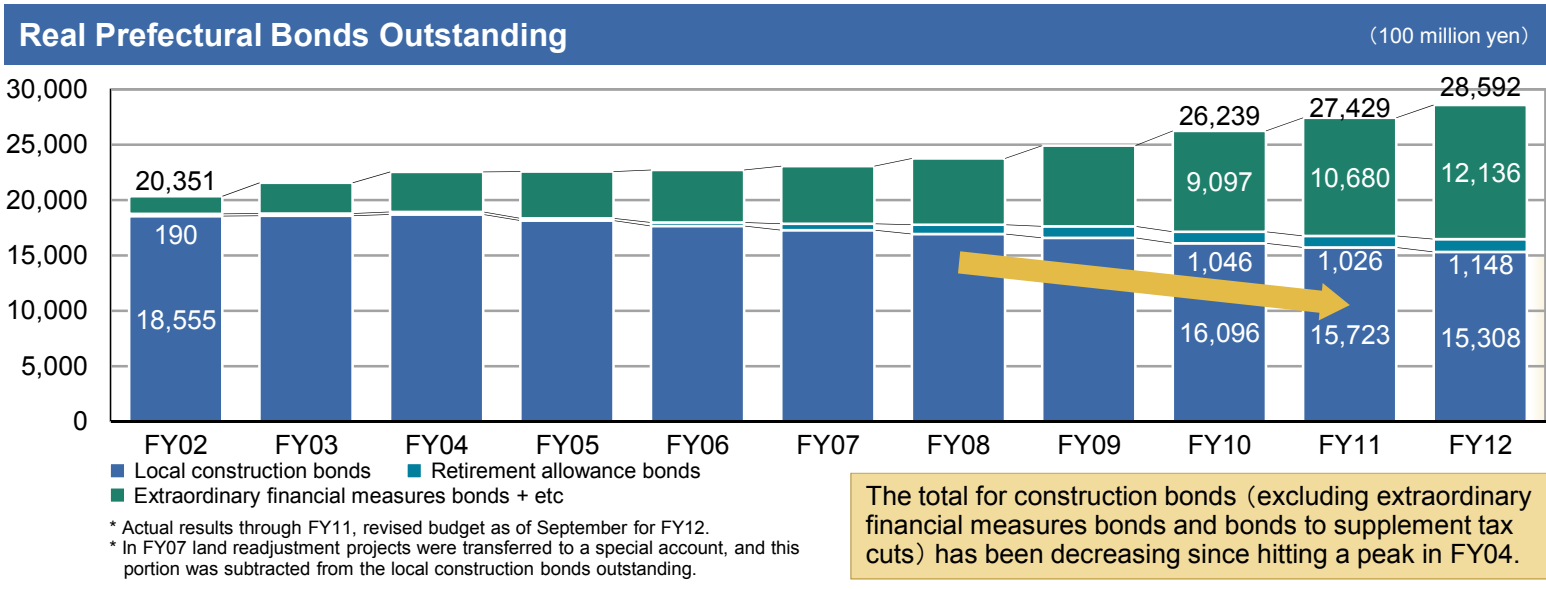
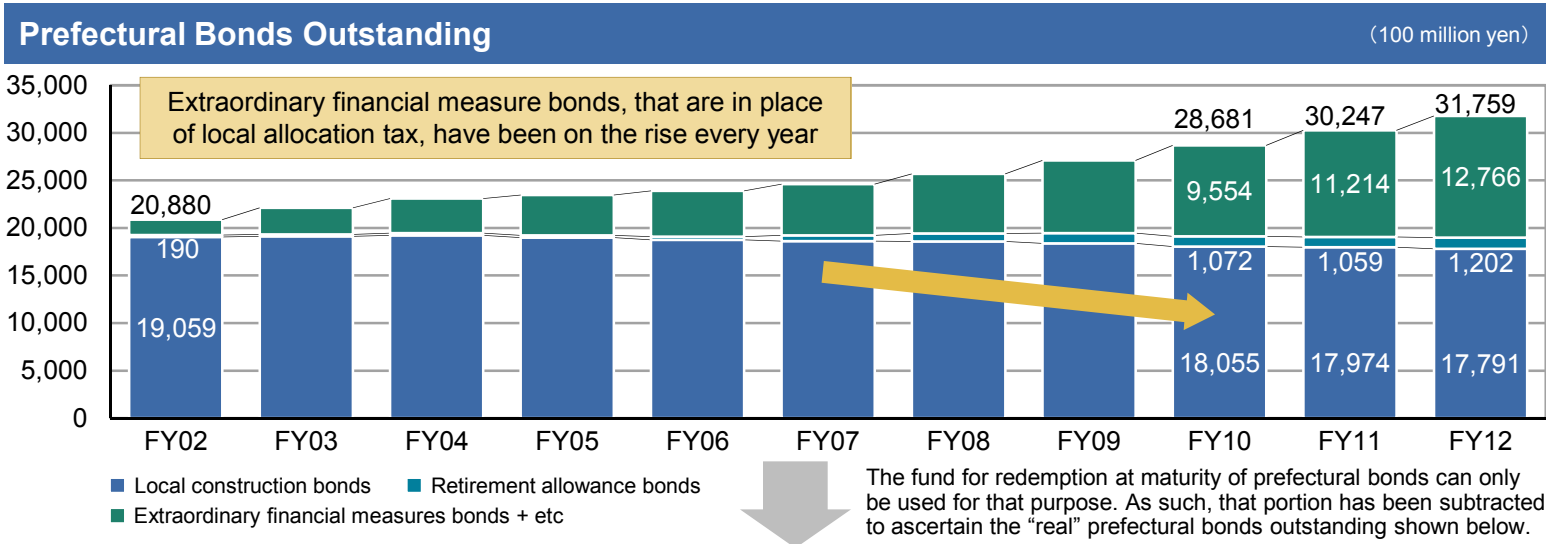
Issuance of extraordinary financial measure bonds have been increasing due to the transfers from the local allocation tax.



\* Actual results up to FY11, Revised budget as of September for FY12.



# (9) Prefectural Bonds Outstanding





# (10) Financial Indicators (General Account)

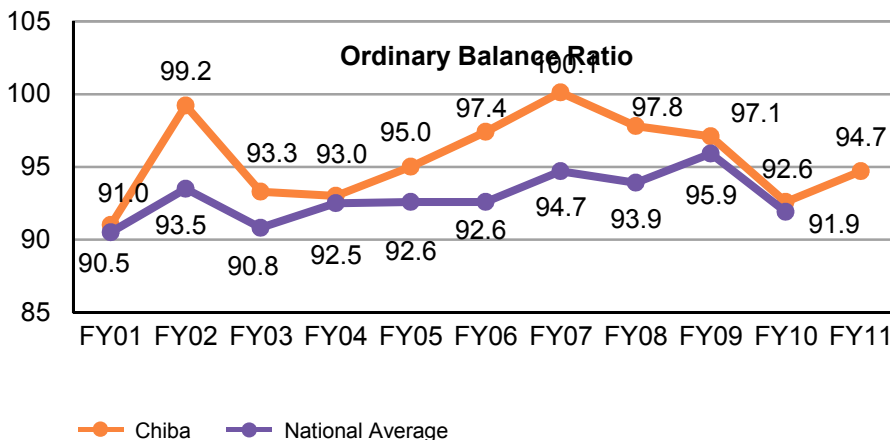
## Ratio for Determining Financial Soundness

■ As for FY11, each of the ratios for determining financial soundness remained below the Early Financial Soundness Benchmark.

| Category                       | FY2011 | FY2010 | Early Financial Soundness Benchmark | Financial Rehabilitation Benchmark |
|--------------------------------|--------|--------|-------------------------------------|------------------------------------|
| Real Deficit Ratio             | —      | —      | 3.75%                               | 5.00%                              |
| Consolidate Real Deficit Ratio | —      | —      | 8.75%                               | 15.00%                             |
| Real Debt Service Ratio        | 11.4%  | 11.2%  | 25.0%                               | 35.0%                              |
| Future Burden Ratio            | 202.5% | 206.3% | 400.0%                              | —                                  |

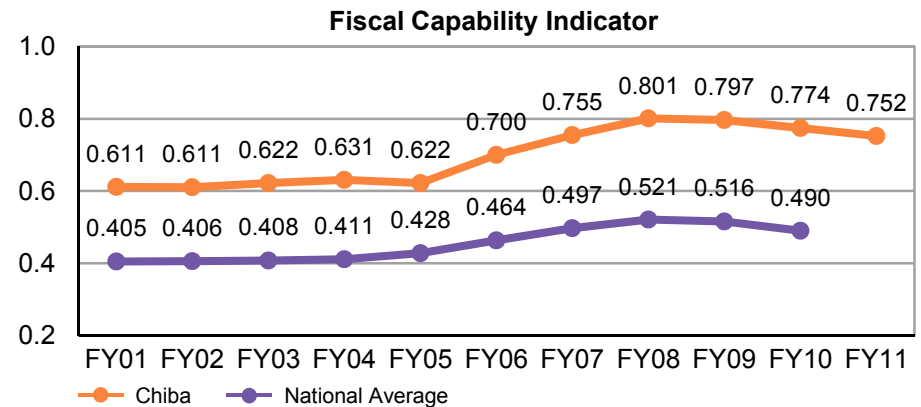
## Ordinary Balance Ratio

■ Ordinary balance ratio is an indicator of financial flexibility. A lower number indicates greater flexibility.  
 ■ The Ordinary Balance Ratio is an index for identifying the flexibility of the financial structure of local public bodies. A lower ratio indicates greater flexibility. The ratio for Chiba Prefecture had been improving since FY07, but deteriorated in FY11 reflecting the decline in the amount of prefectural tax and ordinary allocation tax, which include the extraordinary financial measures bond.



## Financial Capability Index

■ Financial capability index is to measure the degree to which finances are managed without relying on ordinary allocation tax. A larger number indicates stronger financial capability. Chiba Prefecture's score is well above the national average.



## Bond Outstanding per Resident

■ The amount of bonds outstanding per resident based on the general account was 430,000 yen in FY10, remaining well below the national average.

Outstanding prefectural bond per resident (as of FY 2010)

| (thousand yen) |              |            |
|----------------|--------------|------------|
| 1              | Kanagawa     | 381        |
| 2              | <b>Chiba</b> | <b>430</b> |
| ⋮              |              |            |
| 46             | Iwate        | 1,363      |
| 47             | Shimane      | 1,403      |



# Ratios for Determining Financial Soundness

- (Note 1) Ratios for Determining Financial Soundness  
There are 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 rehabilitation 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 ratios of other organizations.

- (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.

(Note 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 |                           |
|  | Special Accounts                           | Prefectural debt management                    |                    |                                 |                         |                     |                  | Public Businesses Account |
|  |  | Automobile tax stamp                           |                    |                                 |                         |                     |                  |                           |
|  |  | Local consumption tax settlement               |                    |                                 |                         |                     |                  |                           |
|  |  | Municipal revitalization fund                  |                    |                                 |                         |                     |                  |                           |
|  |  | Mother, child, widow welfare fund              |                    |                                 |                         |                     |                  |                           |
|  |  | Welfare pension fund for the disabled          |                    |                                 |                         |                     |                  |                           |
|  |  | Nihon Convention Center international exhibits |                    |                                 |                         |                     |                  |                           |
|  |  | Small business promotion fund                  |                    |                                 |                         |                     |                  |                           |
|  |  | SME promotion fund                             |                    |                                 |                         |                     |                  |                           |
|  |  | Agricultural improvement fund                  |                    |                                 |                         |                     |                  |                           |
|  |  | Forestry management fund                       |                    |                                 |                         |                     |                  |                           |
|  |  | Forestry/logging industry improvement fund     |                    |                                 |                         |                     |                  |                           |
|  |  | Coastal improvement fishing fund               |                    |                                 |                         |                     |                  |                           |
|  |  | Public land acquisition fund                   |                    |                                 |                         |                     |                  |                           |
|  |  | Scholarship fund                               |                    |                                 |                         |                     |                  |                           |
|  |  | Publicly managed racing                        |                    |                                 |                         |                     |                  |                           |
| Local Public Enterprises Account       | Waterworks                                 |  |                    |                                 |                         |                     |                  |                           |
|  | Industrial use water projects              |  |                    |                                 |                         |                     |                  |                           |
|  | Hospital projects                          |  |                    |                                 |                         |                     |                  |                           |
|  | Land zoning projects                       |  |                    |                                 |                         |                     |                  |                           |
|  | Downstream sewage projects                 |  |                    |                                 |                         |                     |                  |                           |
|  | Harbor maintenance                         |  |                    |                                 |                         |                     |                  |                           |
| Land reclamation                       |  |  |                    |                                 |                         |                     |                  |                           |
| 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 Corporation                    |  |                    |                                 |                         |                     |                  |                           |
|  | Chiba Land Development Corp.               |  |                    |                                 |                         |                     |                  |                           |
|  | Chiba Fishery Recovery Fund                |  |                    |                                 |                         |                     |                  |                           |
|  | Chiba Community Development Corp.          |  |                    |                                 |                         |                     |                  |                           |
|  | Chiba Prefecture Credit Guarantee Council  |  |                    |                                 |                         |                     |                  |                           |
| Chiba Industry Advancement Center      |  |  |                    |                                 |                         |                     |                  |                           |



# (11) Overview of FY11 General and Special Accounts - 1

## 1. Ordinary Accounts

(100 million yen, %)

|  | Revenue | Expenditure | Balance | Real Balance | Outstanding local bonds | Carried over from other accounts | Notes                                       |
|--|---------|-------------|---------|--------------|-------------------------|----------------------------------|---|
| General account                                    | 16,821  | 16,648      | 174     | 57           | 30,247                  | 52                               | 70.6 billion yen transferred from fund (*1) |
| (Sp)Public finance adjustment reserve funds        | 80      | 80          | 0       | 0            | 0                       | 80                               |   |
| (Sp)Prefectural debt management                    | 3,010   | 3,010       | 0       | 0            | 0                       | 1,170                            | 50.2 billion yen from redemption fund       |
| (Sp)Automobile tax stamp                           | 103     | 97          | 5       | 5            | 0                       |                                  |   |
| (Sp)Local consumption tax settlement               | 2,872   | 2,872       | 0       | 0            | 0                       |                                  |   |
| (Sp)Municipal revitalization fund                  | 23      | 18          | 6       | 0            | 0                       |                                  |   |
| (Sp)Mother, child, widow welfare fund              | 7       | 3           | 4       | 0            | 0                       |                                  |   |
| (Sp)Welfare pension fund for the disabled          | 8       | 8           | 0       | 0            | 0                       | 1                                |   |
| (Sp)Nihon Convention Center international exhibits | 43      | 42          | 0       | 0            | 162                     | 6                                |   |
| (Sp)Small business facilities fund                 | 48      | 12          | 36      | 30           | 107                     |                                  |   |
| (Sp)Farmer start up support fund                   | 3       | 2           | 1       | 0            | 3                       |                                  |   |
| (Sp)Forestry management fund                       | 3       | 3           | 0       | 0            | 29                      | 2                                |   |
| (Sp)Forestry/logging industry improvement fund     | 1       | 0           | 1       | 0            | 0                       |                                  |   |
| (Sp)Coastal improvement fishing fund               | 5       | 1           | 4       | 0            | 0                       |                                  |   |
| (Sp)Scholarship fund                               | 12      | 5           | 7       | 0            | 0                       |                                  |   |
| Ordinary accounts                                  | 23,041  | 22,803      | 238     | 93           | 30,547                  | -                                |   |

\*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 considers inter-calculation between accounts



## (11) Overview of FY11 General and Special Accounts - 2

### 2. Overview of Public Businesses Account

(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       | 75              | 69              | 6                 | 6                         | 0                           | 0                             | -           | -                      |         |
| (Sp) Harbor maintenance            | 17              | 16              | 0                 | 0                         | 60                          | 0                             | -           | -                      |         |
| (Sp) Downstream sewage projects    | 267             | 254             | 13                | 11                        | 675                         | 38                            | -           | -                      |         |
| (Sp) Land zoning projects          | 118             | 118             | 0                 | 0                         | 341                         | 5                             | -           | -                      |         |
| (Sp) Waterworks                    | 678             | 616             | -                 | 62                        | 1,952                       | 6                             | 0           | 0                      | PEL     |
| (Sp) Land reclamation              | 194             | 282             | -                 | (88)                      | 208                         | 0                             | 0           | 0                      | PEL     |
| (Sp) Industrial-use water projects | 127             | 104             | -                 | 23                        | 429                         | 0                             | 0           | 0                      | PEL     |
| (Sp) Hospital projects             | 430             | 419             | -                 | 11                        | 266                         | 125                           | 0           | 257                    | PEL     |

\* In "Remarks", the ones denoted "with applicable laws" mean public enterprises to which the Local Public Enterprise Act applies.

\* NPLs and accumulated losses are both expressed in positive figures.

### 3. Related Administrative Groups

(100 million yen, %)

|  | Overall Revenue | Overall Expense | <Non-PEL> Balance | Net Profit (Real Balance) | Municipal Bonds Outstanding | Percentage of burden of Chiba Pref. | <PEL> NPL's | Remarks |
|--|-----------------|-----------------|-------------------|---------------------------|-----------------------------|-------------------------------------|-------------|---------|
| Chiba Prefecture Horseracing Association   | 318             | 330             | (12)              | (12)                      | 0                           | 8/13                                | -           |         |
| Kimitsu Regional Water Supply Authority    | 60              | 49              | -                 | 11                        | 151                         | 27.9%~<br>44.4%                     | -           | PEL     |
| Kita Chiba Regional Water Supply Authority | 114             | 151             | -                 | (37)                      | 416                         | 42.7%                               | -           | PEL     |



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

FY11

(100 million yen)

|   | Chiba Pref Own Ratio | Ordinary Profit /Loss |      | Capital/ Net Assets | Prefecture Financial Support Conditions |         |                    |                   |                     |  |
|---|----------------------|-----------------------|------|---------------------|---|---------|--------------------|-------------------|---------------------|--|
|   |                      | FY11                  | FY10 |                     | Investment                              | Subsidy | Out-standing Loans | Guaran- teed Debt | Loss Compen- sation |  |
| 1 Narita Airport Area Joint Development Project               | 25.0                 | (2)                   | (3)  | 24                  | 2                                       |         |                    |                   |                     |  |
| 2 Keiyo Rinkai Line Co., Ltd.                                 | 31.3                 | (2)                   | 0    | 38                  | 6                                       |         |                    |                   |                     |  |
| 3 Toyo Rapid Railway Co., Ltd.                                | 27.1                 | 3                     | 2    | (382)               | 139                                     | 1       | 44                 |                   |                     |  |
| 4 Isumi Railway Co., Ltd.                                     | 34.2                 | (2)                   | (1)  | 1                   | 1                                       | 1       |                    |                   |                     |  |
| 5 Metropolitan Intercity Railway Company                      | 7.1                  | 22                    | 26   | 1,653               | 131                                     |         | 614                |                   |                     |  |
| 6 Narita Rapid Railway Access Co.                             | 22.9                 | (7)                   | (6)  | 151                 | 44                                      |         |                    |                   |                     |  |
| 7 The Promotion Foundation for Chiba Private School Education | 46.7                 | (3)                   | 3    | 46                  | 15                                      | 5       |                    |                   |                     |  |
| 8 Chiba Firefighters Association                              | 55.0                 | 0                     | 0    | 1                   | 1                                       | 0       |                    |                   |                     |  |
| 9 Chiba Health Fund   | 48.8                 | 0                     | (0)  | 0                   | 0                                       |         |                    |                   |                     |  |
| 10 Chiba Federation of Senior Clubs                           | 24.9                 | 0                     | (0)  | 2                   | 0                                       |         |                    |                   |                     |  |
| 11 Chiba Environmental Health Industry Guidance Center        | 47.6                 | 0                     | (0)  | 2                   | 1                                       | 0       |                    |                   |                     |  |
| 12 Chiba Animal Protection                                    | 50.0                 | (16)                  | 0    | 206                 | 74                                      |         |                    |                   |                     |  |
| 13 Chiba Prefectural Environment Foundation                   | 20.0                 | (5)                   | (1)  | 6                   | 4                                       | 0       | 2                  | 0                 |                     |  |
| 14 Environmental Fund for Inbanuma                            | 48.7                 | (0)                   | (0)  | 6                   | 3                                       |         |                    |                   |                     |  |
| 15 Youth Net Chiba  | 25.0                 | 0                     | (0)  | 0                   | 0                                       | 1       |                    |                   |                     |  |
| 16 Chiba Prefectural Cultural Promotion Foundation            | 52.3                 | (0)                   | 0    | 7                   | 3                                       | 0       |                    |                   |                     |  |
| 17 New Philharmony Orchestra Chiba                            | 38.3                 | 0                     | 0    | 1                   | 0                                       | 0       |                    |                   |                     |  |
| 18 Chiba Industry Advancement Center                          | 54.0                 | 1                     | 2    | 19                  | 5                                       | 6       | 131                | 1                 |                     |  |
| 19 Makuhari Messe   | 25.0                 | 3                     | 3    | 61                  | 10                                      |         |                    |                   |                     |  |
| 20 Kazusa DNA Research Institute                              | 77.8                 | 1                     | 2    | 51                  | 38                                      | 12      |                    |                   |                     |  |
| 21 Chiba Convention Bureau and International Center           | 60.9                 | 0                     | (0)  | 23                  | 13                                      | 1       | 0                  |                   |                     |  |
| 22 Katsuura Undersea Park Center                              | 42.9                 | 0                     | (0)  | 5                   | 0                                       |         |                    |                   |                     |  |
| 23 Chiba Data Center  | 34.0                 | (0)                   |      | 1                   | 0                                       |         |                    |                   |                     |  |
| 24 Chiba Agricultural Price Subsidy Corp                      | 47.2                 | 0                     | 0    | 0                   | 0                                       |         |                    |                   |                     |  |
| 25 Chiba Gardening Plastic Processing Co                      | 25.0                 | 0                     | 0    | 2                   | 0                                       |         |                    |                   |                     |  |
| 26 Chiba Greenery Promotion Committee                         | 27.1                 | 0                     | 0    | 2                   | 1                                       | 0       |                    |                   |                     |  |
| 27 Chiba Fishery Recovery Fund                                | 47.8                 | (16)                  | 8    | 206                 | 74                                      |         |                    |                   |                     |  |
| 28 Chiba Marine Life Recovery Corp                            | 100.0                | (5)                   | 3    | 6                   | 4                                       | 0       | 2                  | 0                 |                     |  |
| 29 Chiba Roads Corporation                                    | 88.7                 | 1                     | 1    | 146                 | 137                                     |         | 0                  | 186               |                     |  |
| 30 Chiba Prefectural Construction Technology Center           | 63.2                 | 1                     | 0    | 9                   | 2                                       |         |                    |                   |                     |  |
| 31 Chiba Community Development Corp                           | 100.0                | 0                     | (1)  | 70                  | 0                                       |         | 4                  | 34                |                     |  |
| 32 Chiba Land Development Corp                                | 100.0                | (2)                   | (2)  | 101                 | 0                                       | 0       | 19                 | 58                |                     |  |
| 33 Chiba Prefectural Sewerage Corporation                     | 54.5                 | 1                     | 1    | 6                   | 2                                       |         |                    |                   |                     |  |
| 34 Chiba Housing Supply Corporation                           | 100.0                | 1                     | (1)  | (54)                | 0                                       | 3       | 278                |                   |                     |  |
| 35 Chiba Education Fund                                       | 100.0                | 0                     | 0    | 18                  | 0                                       | 0       |                    |                   |                     |  |
| 36 Chiba Physical Education Association                       | 11.9                 | 0                     | 0    | 1                   | 0                                       | 0       |                    |                   |                     |  |
| 37 Chiba Gang Prevention Citizens' Committee                  | 63.8                 | 0                     | 0    | 7                   | 4                                       | 0       |                    |                   |                     |  |
| Total   |                      |                       |      |                     | 711                                     | 33      | 1,093              | 244               | 34                  |  |

279

\* Chiba Prefecture has a financial stake of at least 25% or is providing financial support to the organizations listed above.

\* Private firms that do not produce profit/loss statements are recorded as Change in Assets in the Ordinary Profit/Loss column.



## (13) Local Public Corporation Results

### Local Public Corporation Conditions

(100 million yen)

|   |                         |                       | Chiba Pref Land Development Pub Corp |       | Chiba Pref Roads Pub Corp |        | Chiba Pref Housing Supply Pub Corp |        |
|---|-------------------------|-----------------------|--------------------------------------|-------|---------------------------|--------|------------------------------------|--------|
|   |                         |                       | FY10                                 | FY11  | FY10                      | FY11   | FY10                               | FY11   |
| Chiba Prefecture Investment (million yen) |                         |                       | 10                                   | 10    | 13,677                    | 13,677 | 10                                 | 10     |
| Chiba Prefecture Contribution pro Rata    |                         |                       | 100%                                 | 100%  | 89%                       | 89%    | 100%                               | 100%   |
| Balance Sheet                             | Assets                  |                       | 236.1                                | 204.5 | 726.8                     | 724.8  | 410.4                              | 400.4  |
|   |                         | Current               | 224.3                                | 191.4 | 13.3                      | 12.2   | 186.9                              | 173.0  |
|   |                         | Fixed                 | 11.7                                 | 13.1  | 713.5                     | 712.6  | 223.5                              | 227.4  |
|   | Liabilities             |                       | 133.5                                | 103.6 | 581.8                     | 579.1  | 465.4                              | 454.8  |
|   |                         | Current               | 11.5                                 | 13.9  | 6.6                       | 4.8    | 18.7                               | 22.0   |
|   |                         | Fixed                 | 122.0                                | 89.7  | 207.3                     | 188.2  | 446.7                              | 432.8  |
|   |                         | Allowances, others    | 0.0                                  | 0.0   | 367.9                     | 386.2  | 0.0                                | 0.0    |
|   | Capital                 |                       | 102.5                                | 100.9 | 145.0                     | 145.6  | (55.0)                             | (54.4) |
|   |                         | Capital               | 0.1                                  | 0.1   | 154.2                     | 154.2  | 0.1                                | 0.1    |
|   |                         | Surplus funds, others | 102.4                                | 100.8 | (9.1)                     | (8.6)  | (55.1)                             | (54.5) |
| Liabilities/Capital Total                 |                         |                       | 236.1                                | 204.5 | 726.8                     | 724.7  | 410.4                              | 400.4  |
| Profit/Loss Statement                     | Operating Revenue       |                       | 36.6                                 | 39.9  | 45.6                      | 40.2   | 65.8                               | 68.9   |
|   | Operating Expense       |                       | 36.1                                 | 39.3  | 38.7                      | 34.7   | 64.8                               | 65.5   |
|   | General & Admin Expense |                       | 2.2                                  | 2.2   | 4.5                       | 3.8    | 1.6                                | 1.4    |
|   | Operating Income        |                       | (1.7)                                | (1.6) | 2.3                       | 1.7    | (0.6)                              | 2.1    |
|   | Non-operating Income    |                       | 0.1                                  | 0.1   | 0.1                       | 0.0    | 1.4                                | 1.3    |
|   | Non-operating Expense   |                       | 0.2                                  | 0.2   | 1.6                       | 1.2    | 2.2                                | 2.2    |
|   | Ordinary Income         |                       | (1.8)                                | (1.7) | 0.8                       | 0.6    | (1.4)                              | 1.2    |
|   | Extraordinary Income    |                       | 0.3                                  | 0.0   | 0.0                       | 0.0    | 0.6                                | 0.0    |
|   | Extraordinary Loss      |                       | 1.9                                  | 0.0   | 0.0                       | 0.0    | 0.1                                | 0.6    |
|   | Net Income              |                       | (3.4)                                | (1.7) | 0.8                       | 0.6    | (0.9)                              | 0.6    |

\* Some numbers do not match due to the roundings of fractions





# (14) FY10 Balance Sheet - 1

FY10 balance sheet is created in accordance with general accounting principles applicable to private enterprises and released to the public in order to facilitate understandings of financial conditions of local governments.

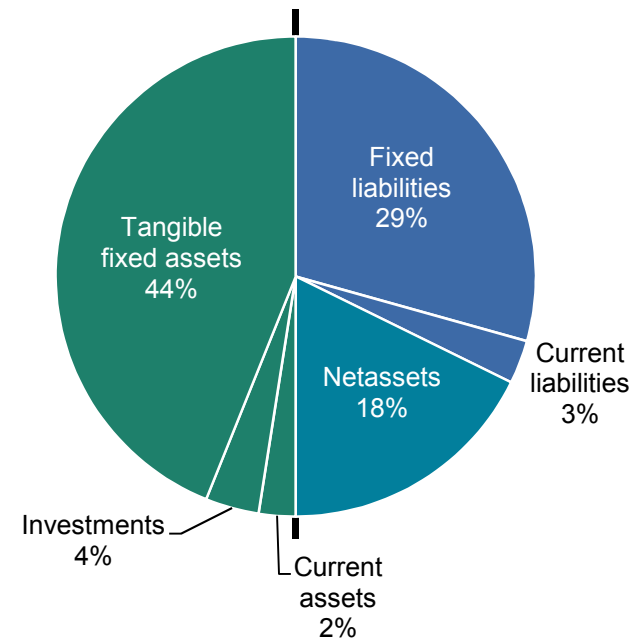
**Main Characteristics**

- 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 recorded value.)
- An uncollectable amount of loans is recorded separately.

## Ordinary Account Balance Sheet

(JPY 100 million yen)

| Assets                 |               | Liabilities                           |               |
|------------------------|---------------|---------------------------------------|---------------|
| Public assets          | 49,532        | Fixed liabilities                     | 33,098        |
| Tangible fixed assts   | 49,288        | Municipal bonds                       | 26,777        |
| Sellable assets        | 244           | LT unpaid money                       | 518           |
| Investments, etc.      | 4,063         | Allowance for retirements             | 5,464         |
| Investments and stakes | 1,173         | Allowance for loss guarantee          | 55            |
| Loans                  | 1,396         | Borrowings from other accounts        | 284           |
| Funds, etc.            | 1,254         | Current liabilities                   | 3,285         |
| LT delinquent loans    | 267           | Municipal bonds due next year         | 2,202         |
| Uncollectable loans    | (27)          | Unpaid account                        | 52            |
| Liquid Assets          | 2,800         | Retirement funds for next year        | 635           |
| Cash and deposits      | 2,693         | Allowance for bonuses                 | 318           |
| Uncollected money      | 107           | Borrowings from other accounts        | 78            |
|                        |               | <b>Total Liabilities</b>              | <b>36,383</b> |
|                        |               | <b>Net Assets</b>                     |               |
|                        |               | Grants for public assets              | 11,392        |
|                        |               | General accounts for public assets    | 26,812        |
|                        |               | General sources                       | (18,144)      |
|                        |               | Adjustments due to asset reevaluation | (48)          |
|                        |               | <b>Total Net Assets</b>               | <b>20,012</b> |
| <b>Total Assets</b>    | <b>56,395</b> | <b>Total Liabilities, Net Assets</b>  | <b>56,395</b> |



Due to the fact that temporary fiscal measure bonds are recorded as liabilities without matching counter assets to be recorded.



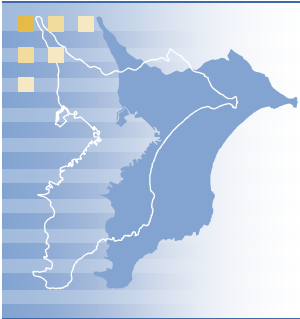
## (14) FY10 Balance Sheet - 2

### Balance sheet including public enterprises

| Assets            |        | Liabilities                   |        |
|-------------------|--------|-------------------------------|--------|
| Public assets     | 69,455 | Fixed liabilities             | 37,245 |
| Investments, etc. | 3,837  | Current liabilities           | 3,881  |
| Current assets    | 4,199  | Total Liabilities             | 41,126 |
| Deferred accounts | 6      | <b>Net Assets</b>             |        |
|                   |        |                               | 36,371 |
| Total Assets      | 77,497 | Total Liabilities, Net Assets | 77,497 |

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

| Assets            |        | Liabilities                   |        |
|-------------------|--------|-------------------------------|--------|
| Public assets     | 71,345 | Fixed liabilities             | 38,120 |
| Investments, etc. | 3,573  | Current liabilities           | 4,044  |
| Current assets    | 4,684  | Total Liabilities             | 42,164 |
| Deferred accounts | 7      | <b>Net Assets</b>             |        |
|                   |        |                               | 37,445 |
| Total Assets      | 79,609 | Total Liabilities, Net Assets | 79,609 |



## **3. Fiscal Outlook and Reform Efforts**

---



# (1) The "Shine! Chiba Genki" Plan, or the Chiba Prefecture Total Plan

## 1. Objective and meaning of the Total Plan

We are facing many difficult situations, such as progressing aging society, population decreases, multiple economies under global system entering recession simultaneously, global warming, and national and local finance crises.

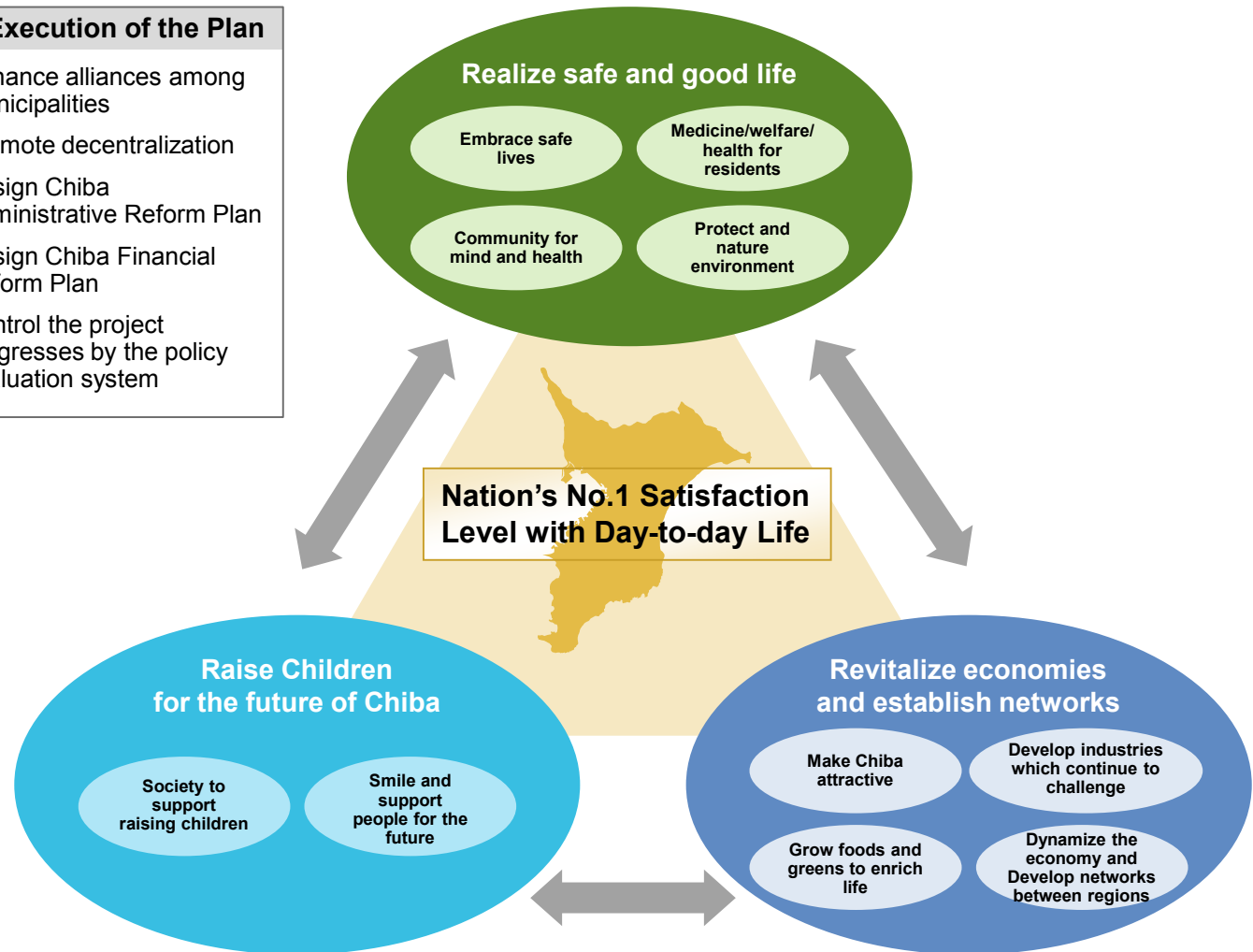
In order to go beyond these challenges and leave a shiny Chiba to the next generation, the Prefecture designed the "Shine! Chiba Genki (well-ness)" plan to show policies and measures from the medium to long-term point of view. This plan shows direction of Chiba Prefecture policies holistically and structurally, and it is the priority of all prefecture activities. Administrative and fiscal reform efforts are also planned in order to establish a financial basis for execution of the total plan.

## 2. Structure of the Total Plan

Surrounding the basic principle of "Nation's No.1 satisfaction level with day-to-day life" by residents, the total plan expresses what Chiba Prefecture wants to be in 10 years and policies and measures we need to take in the next 3 years to reach there.

### Image of the "Shine! Chiba Genki" Plan

- On Execution of the Plan**
- Enhance alliances among municipalities
  - Promote decentralization
  - Design Chiba Administrative Reform Plan
  - Design Chiba Financial Reform Plan
  - Control the project progresses by the policy evaluation system



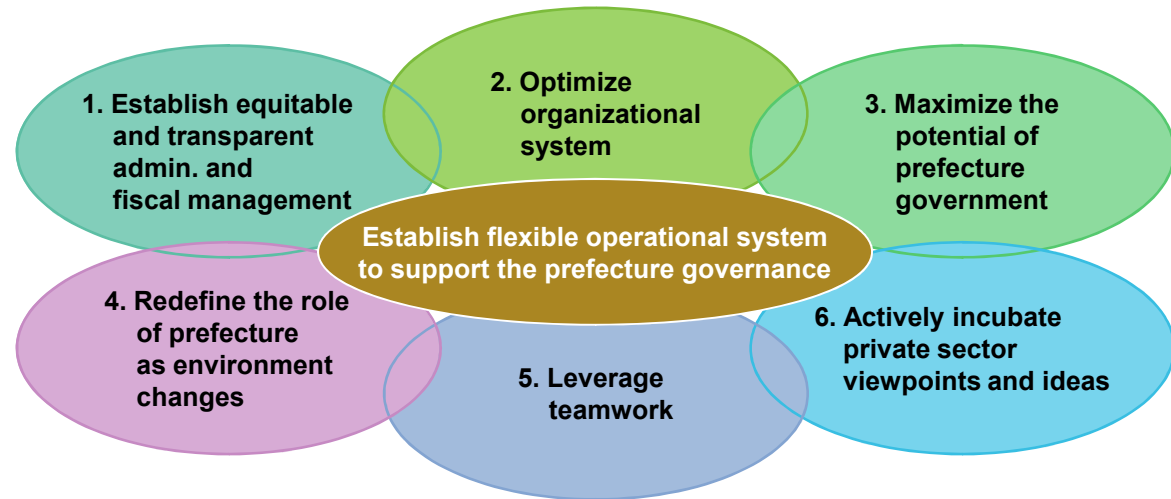


## (2) Administrative Reform Plan - 1

### 1. Viewpoint and Basic Direction of Reform

Chiba Prefecture will conduct an administrative reform based on the integrated six viewpoints/directions below, with consideration to changes in surrounding environment, a difficult fiscal situation, and regional differences that arose during the course of historical development.

(The Plan is for FY10-FY12)



### 2. Concrete Measures

1. Establish equitable and transparent admin. and fiscal management
  - a. Thoroughly execute compliance and enhance internal control function (Conduct special audit, etc.)
  - b. Improve transparency of prefectural governance information
2. Optimize organizational system
  - a. Control the number of employees and personnel expenses (Build personnel optimization plan, etc.)
  - b. Reform organization and system
  - c. Reform affiliate bodies (Reduce by 10% the number of executives, prefecture expenditures and the number of organizations, etc.)
  - d. Review committees, etc.
3. Maximize the potential of prefecture government
  - a. Personnel reform (Develop management skills of young employees through trainings, etc.)
  - b. Task reform (Re-examine tasks and improve their efficiency and reduce costs, etc.)
  - c. Asset reform (Control and equalize maintenance/renovation costs for assets and prolong asset lives, etc.)
4. Redefine the role of prefecture as environment changes
5. Leverage teamwork (Examine and implement joint-projects with the private sector upon its proposal, etc.)
6. Actively incubate private sector viewpoints and ideas (Appoint dedicated managers and improve investment management, etc.)



## (2) Administrative Reform Plan - 2

### Reform Policies for Extra-Governmental Organizations Including Public Companies

Decision of Chiba Prefecture Committee to Promote Administrative Reform  
(March 29, 2012)

Our efforts to reform extra-governmental organizations such as public companies include termination and integration focusing on shifting their management style to self-supporting from prefecture-dependent. The Administrative Reform Plan requires formulation of new policies for each organization in order to continue our reform efforts. At this time, through discussions in the Committee to Promote Administrative Reform, we have set reform policies for 37 organizations which are subject to the Prefecture's guidance.

#### 1. Classifications of Reform Policies

##### (1) Privatization: 1 organization

**Change the form of organization into one without operational involvement by the Prefecture**

Corporation for Urban Enhancement of Chiba Prefecture

##### (2) Scale-down: 4 organizations

**Partially discontinue / scale down businesses, thereby reducing the size of organization and human resources**

Chiba Prefecture Housing Supply Public Corporation, Land Development Public Corporation of Chiba, Chiba Prefectural Sewage Management Public Corporation, Chiba Educational Promotion Foundation

##### (3) Reduction of management participation: 3 organizations

**Discontinue/reduce the Prefecture's personnel and financial participation**

Chiba Foundation of Health, New Philharmonic Orchestra Chiba, Chiba Industry Advancement Center

##### (4) Improvements in management: 29 organizations

**Promote improvements in management, including review of organization/human resources and enhancement of operational efficiency**

Chiba Prefecture Foundation for Private School Education, Chiba Prefecture Fire and Disaster Management Association, Foundation for Co-Existence of Narita Airport and Surrounding Area, Chiba Convention Bureau and International Center, Toyo Rapid Railway Co., Ltd., and 24 other organizations

#### 2. Reform Policies (Excerpts)

##### Toyo Rapid Railway Co., Ltd.

###### Management Improvements

- While ensuring financial support from related parties (the national government, prefecture, Funabashi City, Yachiyo City, and Tokyo Metro Co., Ltd.), continue making efforts to resolve issues with flexibility through verification by the Committee for the Support of Self-Reliance of Toyo Rapid Railway (the "Committee") to become self-reliant, and with the rolling over of the long-term management plan.
- Obtain a clear view on earnings at the end of the support period (from 2007 to 2016) and other issues in the Committee. If the achievement of self-reliance is deemed difficult, consider drastic reforms including additional support initiatives.
- The company formulated the fourth management improvement plan in 2009, and planned to achieve massive cost reductions while ensuring safe transportation. It should be noted that in order to reduce the burden of interest payments, the company plans to accelerate bond redemption (JPY22 billion in principal) during the second support period, which will be funded by an equity issuance.

##### Chiba Prefecture Housing Supply Public Corporation

###### Scale-down

- Repay debt by launching real estate lot sales and rental housing management businesses, etc., based on the decision at the Special Conciliation Proceedings (in 2005).
- Complete disposal of majority of owned lands roughly by 2018, use the proceeds to repay debt, and refrain from any additional real estate lot sales business. In line with this, conduct a review on the organization and necessary human resources.
- Continue operation focusing on rental housing management business; Continue making efforts to improve earnings for management business of specified superior rental housing.
- Continue the prefectural housing management business using the management agent system under the Public Housing Law.



## (3) Financial Reform Plan - 1

- Tax and grant revenues remain stagnant under severe economic conditions, while mandatory expenditures continue to increase, such as public assistance expenses in the aging society. As such, the financial situation is anticipated to continue being difficult.
- Chiba Prefecture will make efforts to establish a sustainable financial structure by promoting measures for fiscal health, such as a reduction of future burden, and by asking central government for reforms of local fiscal and tax systems aiming at financial independence of local governments.

### (1) Fiscal outlook (FY10 initial budget revision stage)

(100 million yen)

|                            |  | FY10<br>(Original) | FY11         | FY12         | Total          |
|----------------------------|--|--------------------|--------------|--------------|----------------|
| Revenue                    | Prefectural taxes, etc. (including local corporate special transfer tax) | 6,711              | 6,663        | 6,834        | 20,208         |
|                            | Local allocation tax (including temporary fiscal measure bonds)          | 3,270              | 3,340        | 3,330        | 9,940          |
|                            | Prefectural bonds (excluding temporary fiscal measure bonds)             | 628                | 628          | 628          | 1,884          |
|                            | Others   | 4,395              | 4,267        | 3,988        | 12,650         |
|                            | Total (1)  | 15,004             | 14,898       | 14,780       | 44,682         |
| Expenditure                | Personnel costs  | 6,007              | 5,943        | 5,964        | 17,914         |
|                            | Retirement expenses  | 646                | 659          | 742          | 2,047          |
|                            | Public debt payments   | 1,691              | 1,699        | 1,775        | 5,165          |
|                            | Grants related to taxes, etc.  | 832                | 832          | 892          | 2,556          |
|                            | Expenditures related to resident services, etc.                          | 6,838              | 6,779        | 6,539        | 20,156         |
|                            | Public assistance expenses   | 1,794              | 1,872        | 1,879        | 5,545          |
|                            | Investment expenses  | 1,495              | 1,523        | 1,405        | 4,423          |
|                            | Other expenses   | 3,549              | 3,384        | 3,255        | 10,188         |
| Total (2)                  | 15,368   | 15,253             | 15,170       | 45,791       |                |
| <b>Net (3) = (1) - (2)</b> |  | <b>(364)</b>       | <b>(355)</b> | <b>(390)</b> | <b>(1,109)</b> |

\* The above fiscal outlook was estimated under the premise that no fiscal measure is taken.

### (2) Efforts to procure revenue, control expenditures

(100 million yen)

|                        |   | FY10<br>(Original) | FY11 | FY12 | Total |
|------------------------|---|--------------------|------|------|-------|
| Revenue<br>Procurement | Prefectural taxes, etc.<br>Tax collection improvement and tax rate in excess of standards | 35                 | 42   | 46   | 123   |
|                        | Sales of unused prefectural lands   | 11                 | 11   | 11   | 33    |
|                        | Usage of funds  | 16                 | 46   | 73   | 135   |
|                        | Total (4)   | 62                 | 99   | 130  | 291   |



## (3) Financial Reform Plan - 2

### (3) Expenditure control

(100 million yen)

|                        |  | FY10<br>(Original) | FY11 | FY12 | Total |
|------------------------|--|--------------------|------|------|-------|
| Expenditure<br>Control | Controlling and optimizing personnel costs<br>Reduction of staff | 15                 | 24   | 33   | 72    |
|                        | Review of tasks and projects, etc.                               | 18                 | 32   | 42   | 92    |
|                        | Total (5)  | 33                 | 56   | 75   | 164   |

### (4) Use of local bonds issued on a premise of expenditure control

(100 million yen)

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| Retirement allowance bonds, bonds to promote administrative reforms (6) | 269 | 255 | 240 | 764 |
|---|-----|-----|-----|-----|

### (5) Total amount of funds procured

(100 million yen)

|                                      |     |     |     |       |
|--------------------------------------|-----|-----|-----|-------|
| Funds procured (7) = (4) + (5) + (6) | 364 | 410 | 445 | 1,219 |
|--------------------------------------|-----|-----|-----|-------|

### (6) Funds available for new measures

(100 million yen)

|  |  |    |    |     |
|--|--|----|----|-----|
| Funds available for new measures (3) + (7) |  | 55 | 55 | 110 |
|--|--|----|----|-----|



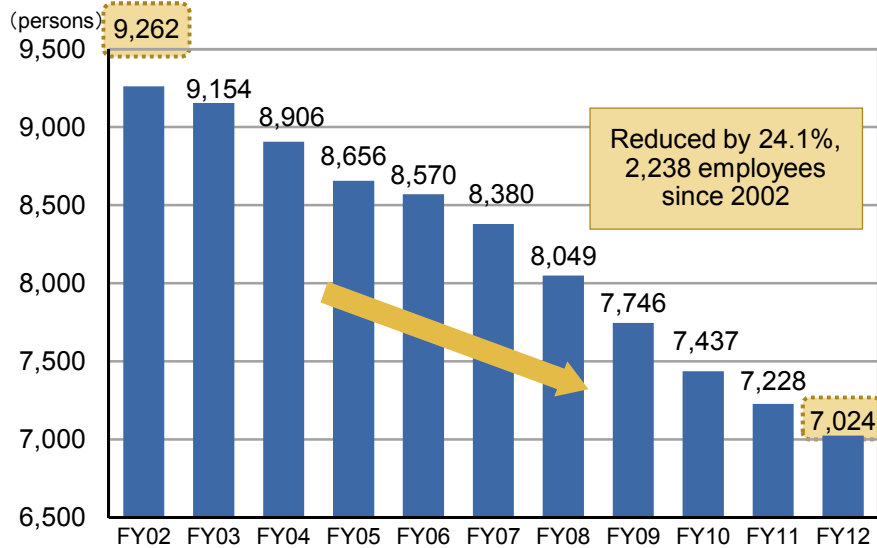


## (4) Administrative Reform Efforts Made So Far - 1

### Reducing staff

- By continuously reviewing activities/projects and examining effective organization structure, Chiba Prefecture has been actively engaged in optimization of staff.
- Staff in the Governor's Branch, etc. has been reduced by 2,238 employees, or 24.1%, in the 10 years between FY02 and FY12.

Staff Numbers in Governor's Branch, etc. (as of Apr 1)



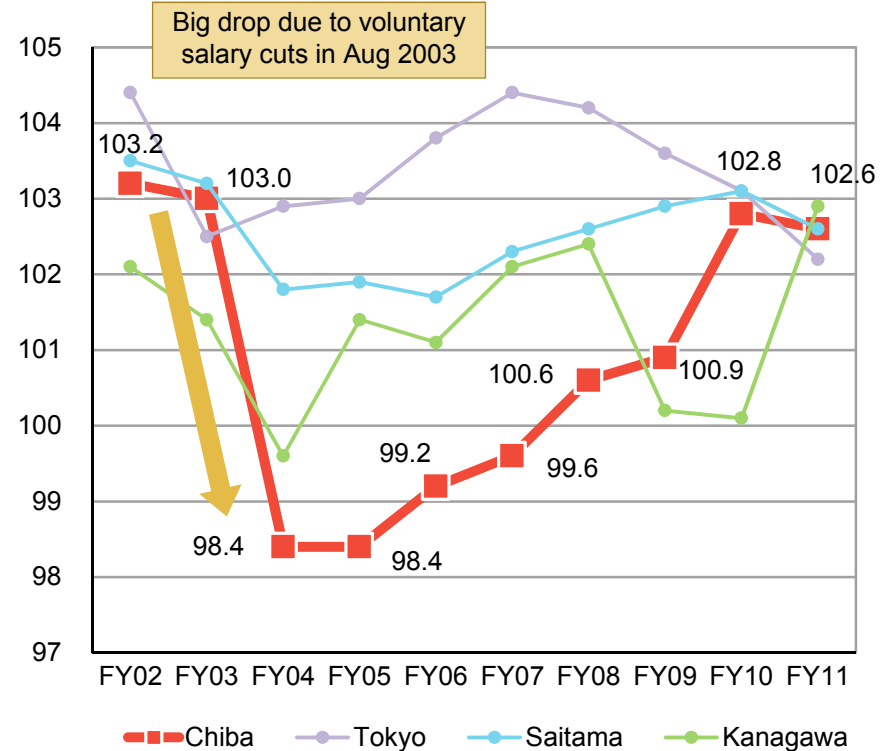
Staff Optimization Plan (Formulated in October 2011)

| Category   | Number of employees |                     | Target for Reduction |
|--|---------------------|---------------------|----------------------|
|  | As of April 1, 2010 | As of April 1, 2013 |                      |
| Number of employees in the Governor's Branch, etc. | 7,437               | 6,767               | (670)<br>(9.0%)      |

### Cutting salaries

- Salary level has dropped dramatically in the past 7 years due to voluntary salary cuts, salary structure reforms, and retirement allowance reviews. Salary cuts that were implemented from August 2003 ended in FY09.

The Laspeyres Index

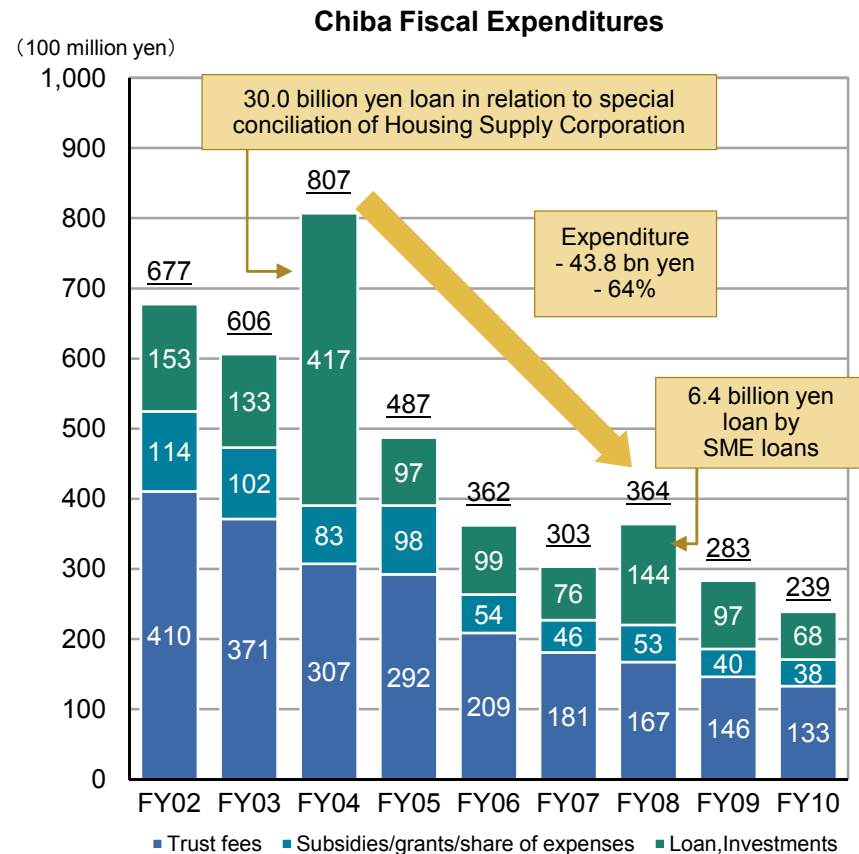
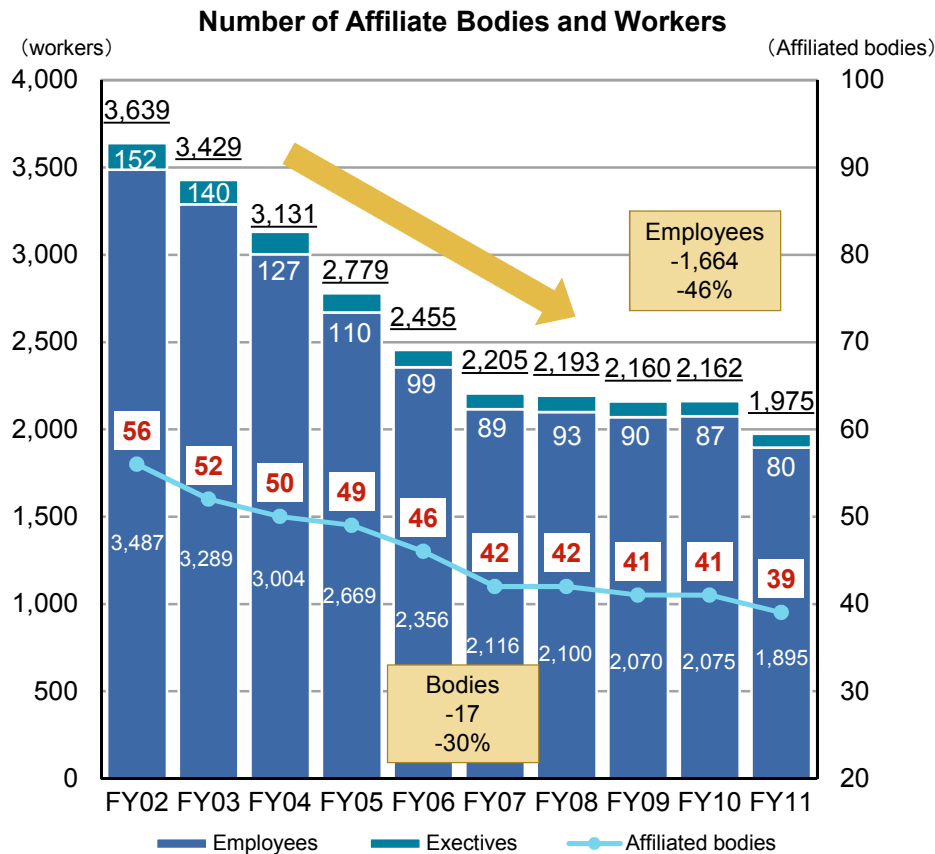




## (4) Administrative Reform Efforts Made So Far - 2

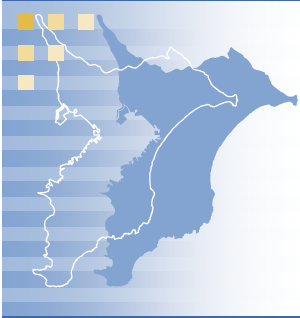
### Reform Status at affiliate bodies (public enterprises, etc.)

- Affiliate bodies have been liquidated or merged based on the "Basic Principle on Affiliate Bodies Reform" set out in FY02.
- The number of affiliated bodies has dropped by 17 (-30%), executives/employees by 1,664 (-46%), and fiscal expenditures by 43.8 billion yen (-64%).



\* Totals are underlined (Left axis). Number of affiliate bodies is indicated in red (Right axis).  
 \* Number of enterprises as of April 1. Number of officers and employees as of July 1.

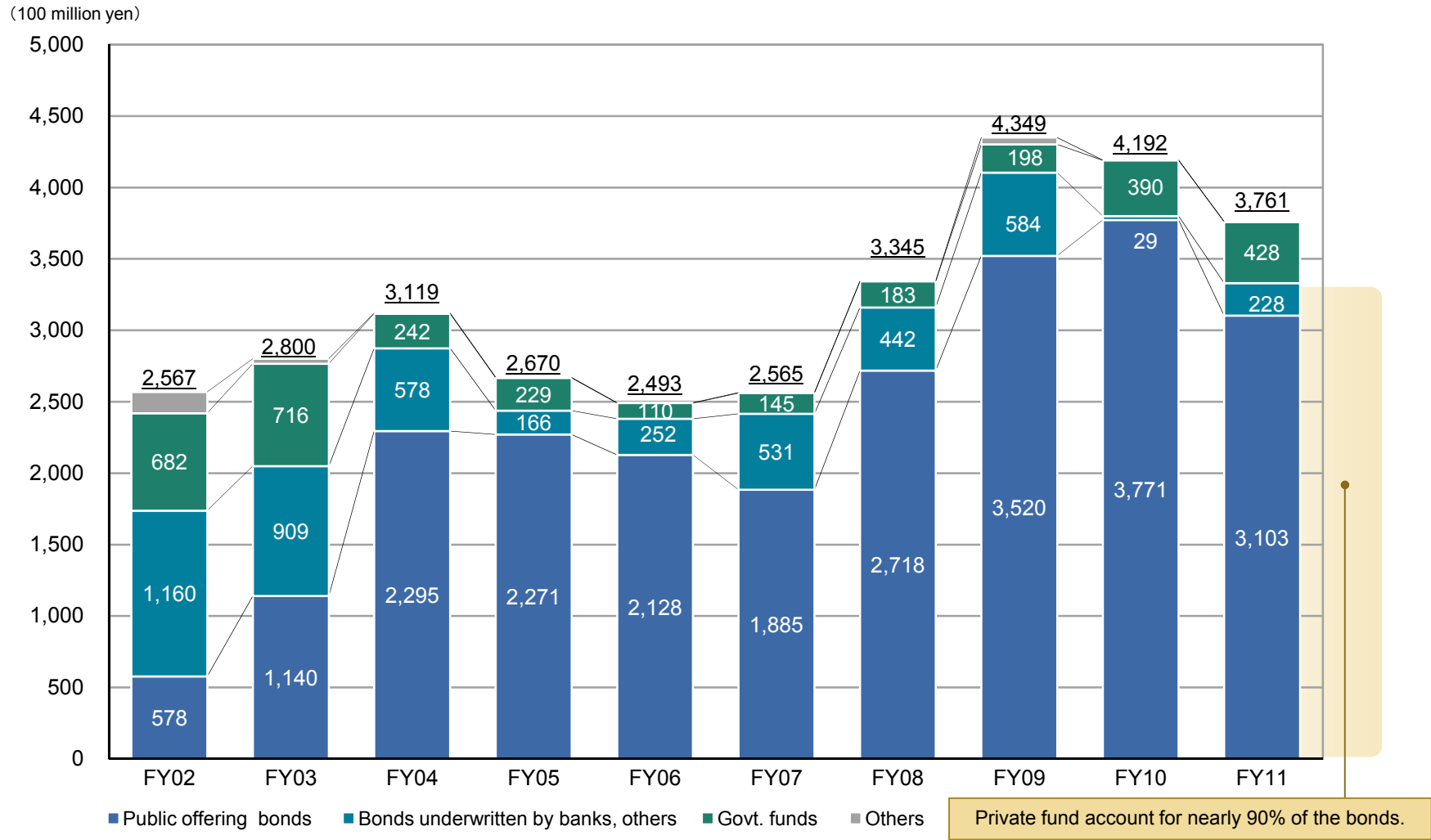
\* Totals are underlined.  
 \* Actual results.



## 4. Chiba Prefectural Bonds



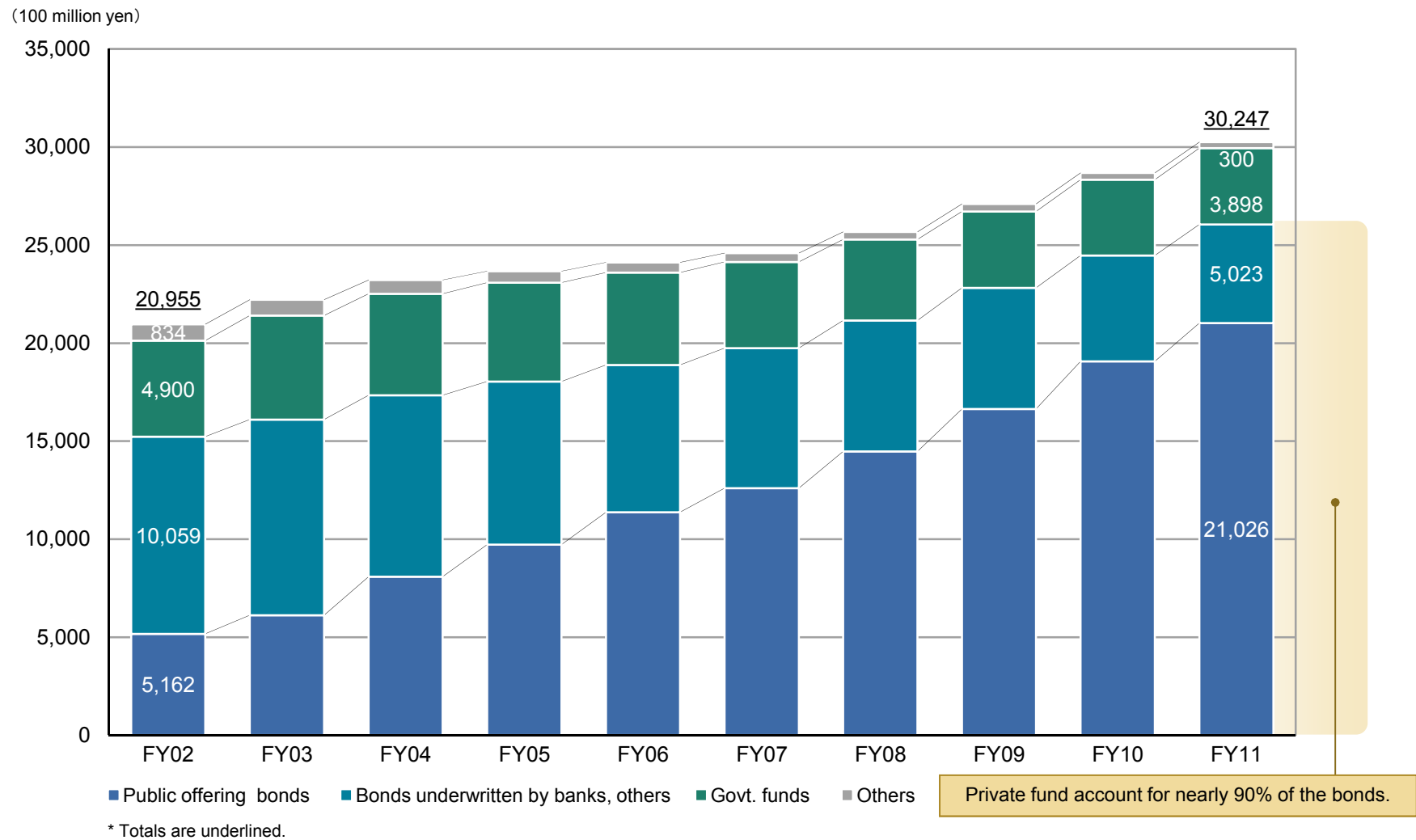
# (1) Prefectural bonds issuance by funds (general account)



\* Totals are underlined.  
 \* Actual results including refinancing bonds.

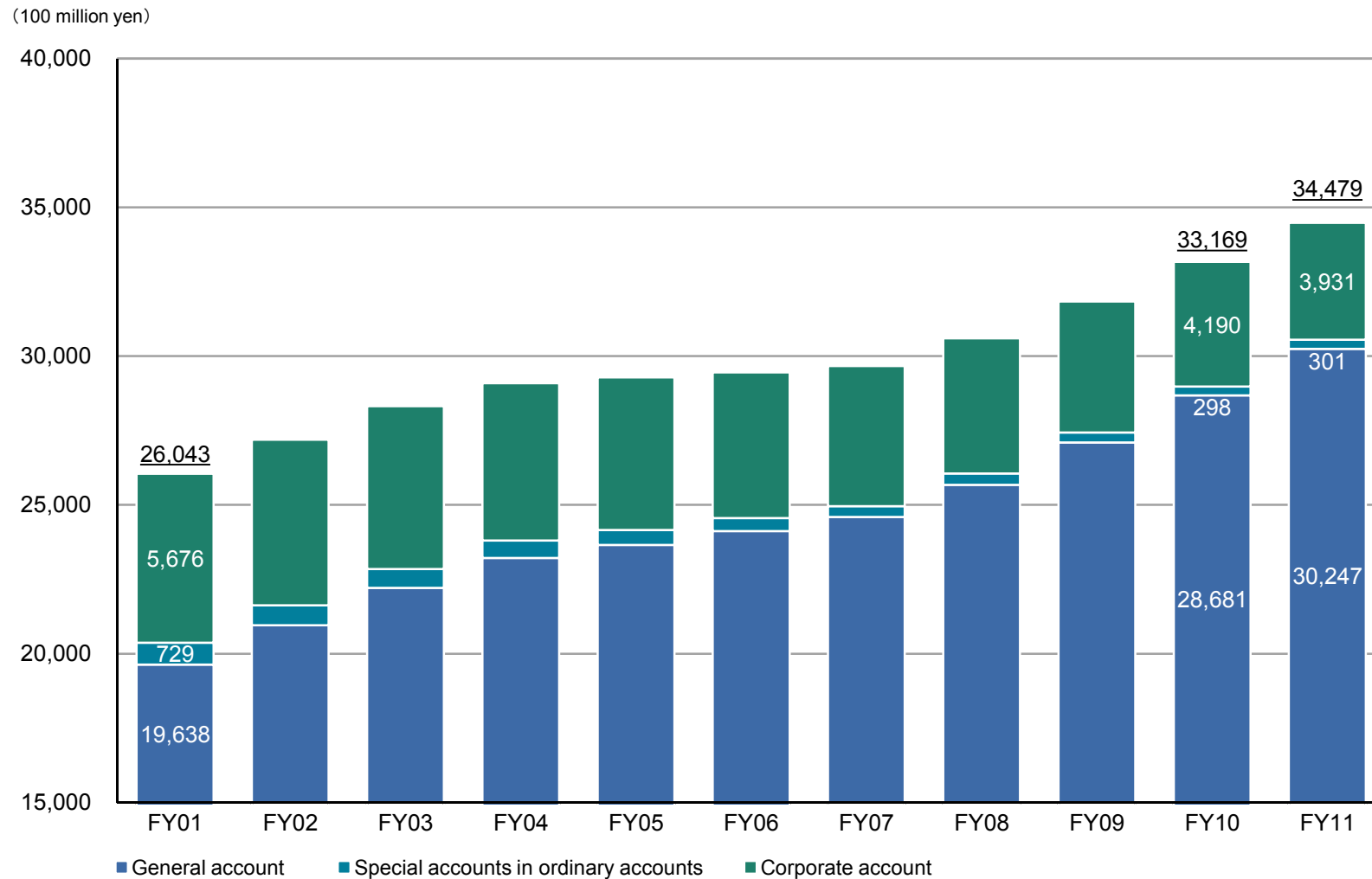


## (2) Prefectural bonds outstanding by funds (general account)





### (3) Prefectural bonds outstanding by account



\* Totals are underlined.



## (4) FY12 Public Offering Bond Issuance Plan

### Public Subscription Bond Issuance Plan

(100 million yen)

| Classification                                | Maturity | Issuance Amount | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar |
|---|----------|-----------------|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|
| Chiba Prefectural Bonds<br>(Public Offerings) | 20-year  | 400             | 200 |     |     |     |     |      | 200 |     |     |     |     |     |
|   | 10-year  | 1,400           | 200 | 200 |     |     |     | 200  |     | 200 | 200 | 200 | 200 |     |
|   | 5-year   | 600             |     |     | 200 |     | 200 |      |     |     |     |     |     | 200 |
| Public Offering Joint-Local Government Bond   | 10-year  | 600             | 30  | 30  | 80  | 30  | 80  | 30   | 20  | 70  | 20  | 70  | 70  | 70  |
| Total   |          | 3,000           | 430 | 230 | 280 | 30  | 280 | 230  | 220 | 270 | 220 | 270 | 270 | 270 |

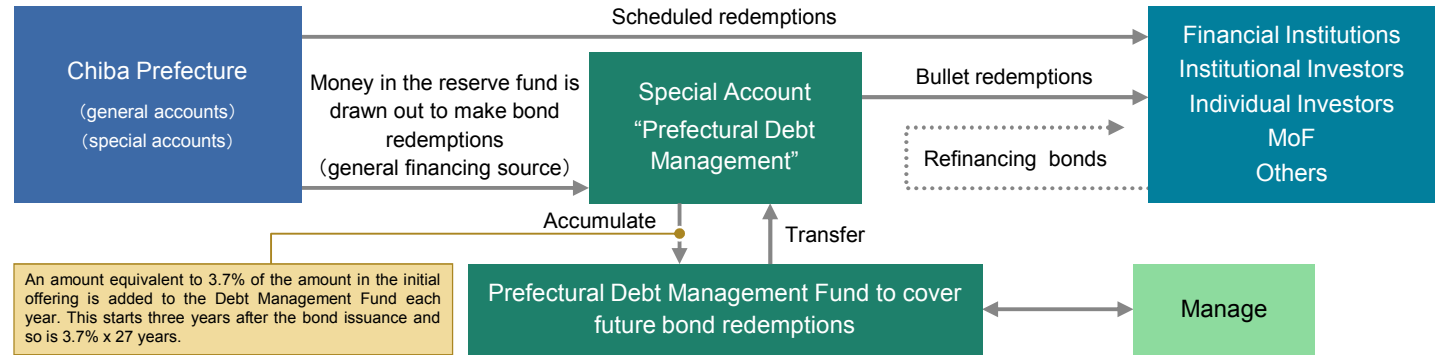
\* There may be changes to the above Issuance Plan.  
 Joint-issuance public subscription bonds are issued jointly by 36 local public entities.  
 The figures in the above table are only for Chiba Prefecture.

- The use of multiple maturities is encouraged for the sake of stable fund procurement.
  - Publicly offered bonds (5-year) have been issued since FY03.
  - A super long-term bond (20-year) has been offered since FY05 .
- Bonds are issued periodically as much as possible.

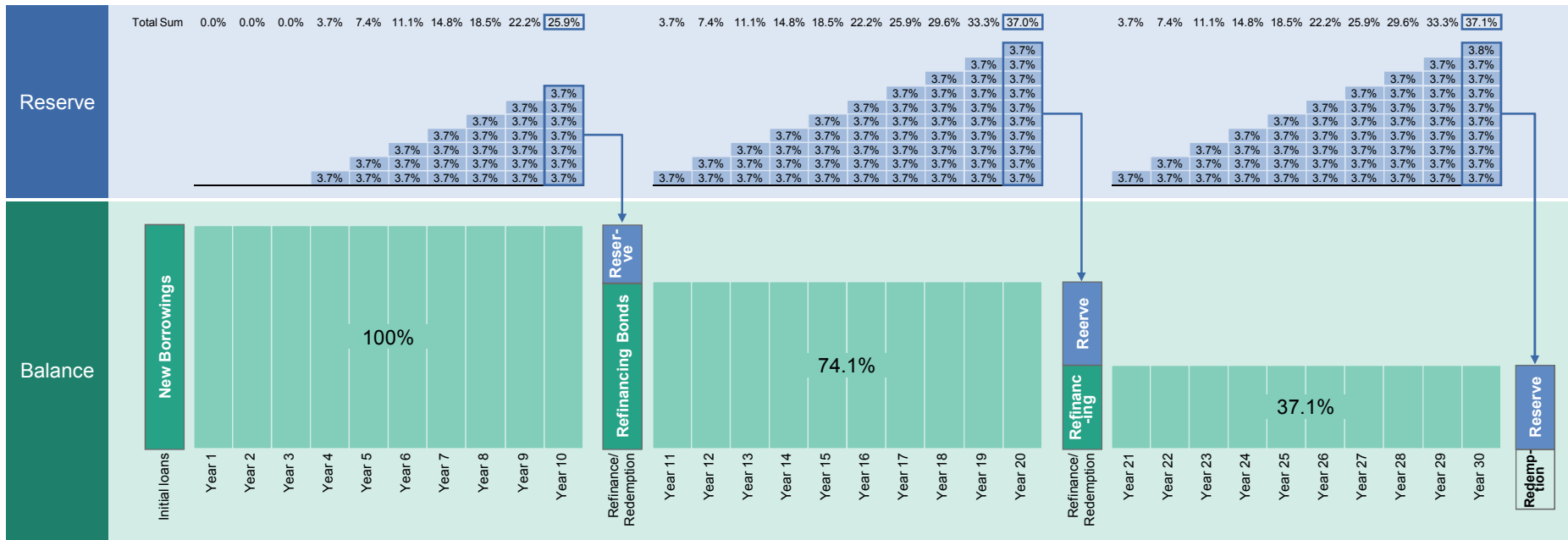


# (5) Prefectural Bond Redemption

- In order to have comprehensive management of the redemption of its bonds, Chiba Prefecture has established the Prefectural Debt Management Special Account and the Prefectural Debt Management Fund.



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







## (6) Security of Local Municipal Bonds

### Systems to Support Security of Local Municipal Bonds

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

#### 1. Local allocation tax system

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

#### 2. Consultation system for municipal bonds

“Municipal bonds are issued in conjunction with the central government as municipalities are required to consult with and obtain consent from the nation before the issuance. The amount of new issuance and redemption shall be reflected in local fiscal plans made by the nation. 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 nation’s approval.”

##### ■ 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 LGB by submitting advance notification. Chiba Prefecture is eligible for this notification system.

#### 3. Financial rebuilding system

- Formulation and public announcement of financial rebuilding plan

“When one of the 4 ratios to judge financial soundness goes above either 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, Minister of Internal Affairs may give recommendation.”

|                                     | Real deficit ratio | Consolidate real deficit ratio | Real 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 collapses (above financial rebuilding standard)

- Assuring the ratios are calculated appropriately

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.