



Shizuoka Prefecture Investor Presentation

October 2008

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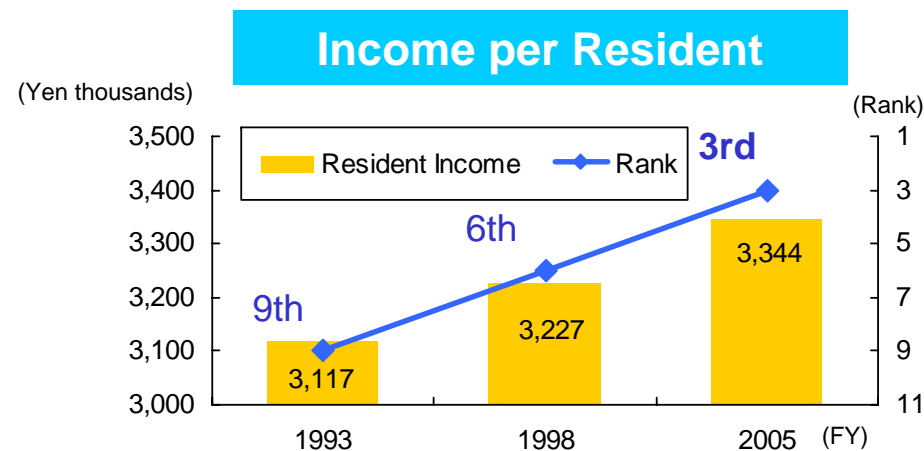
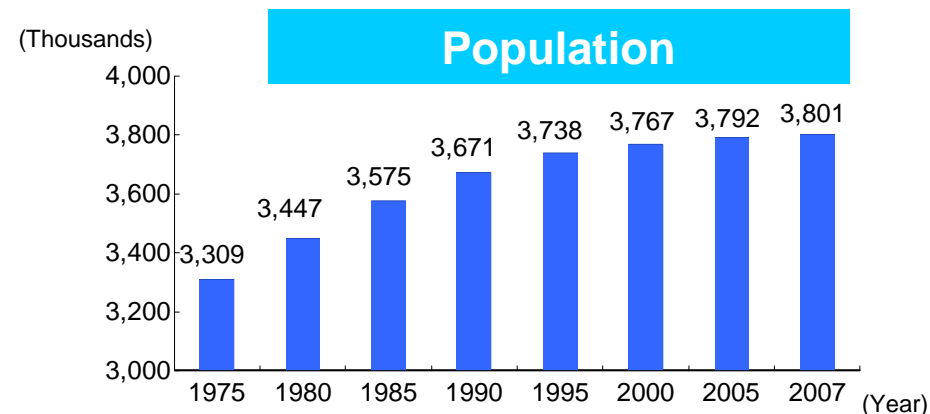
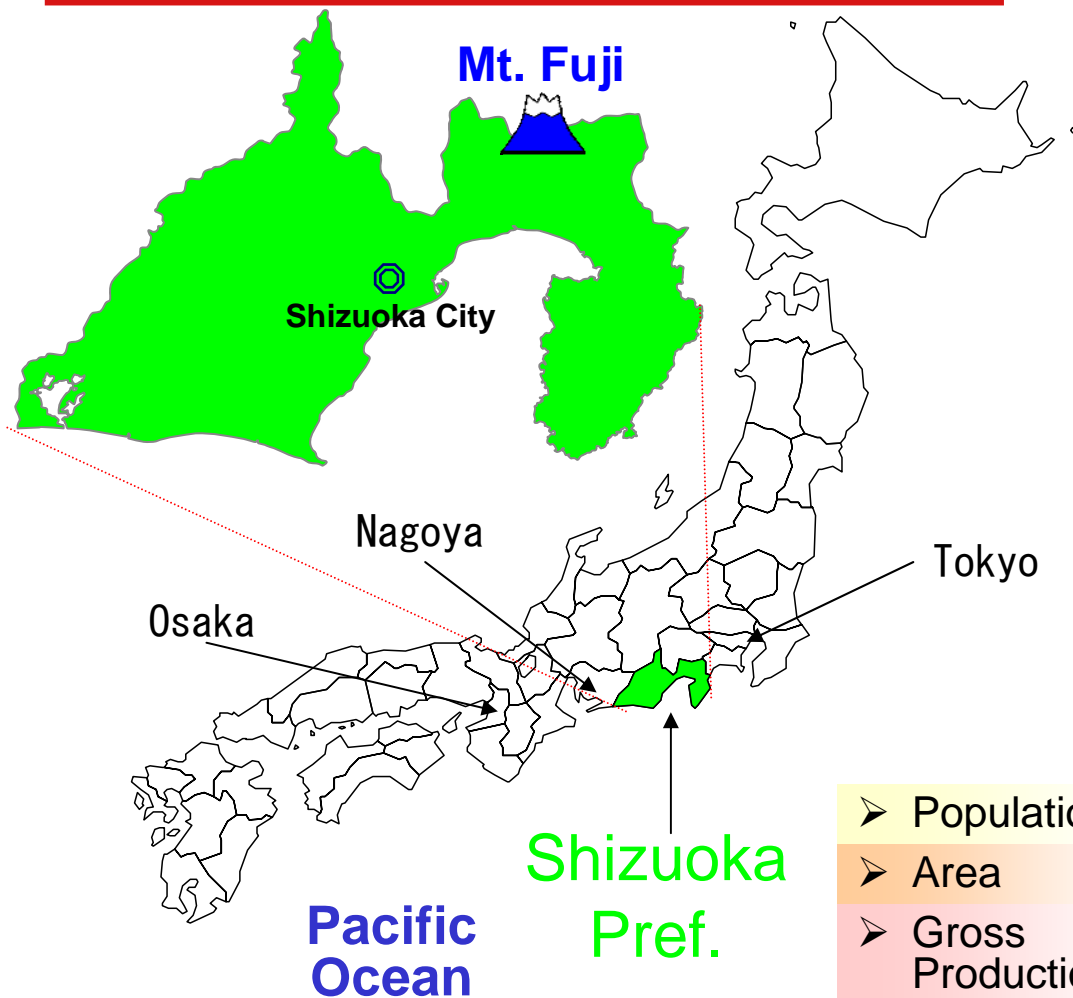
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1-(1) Population and Economic Scale



Home to 3% of National Population and Economy

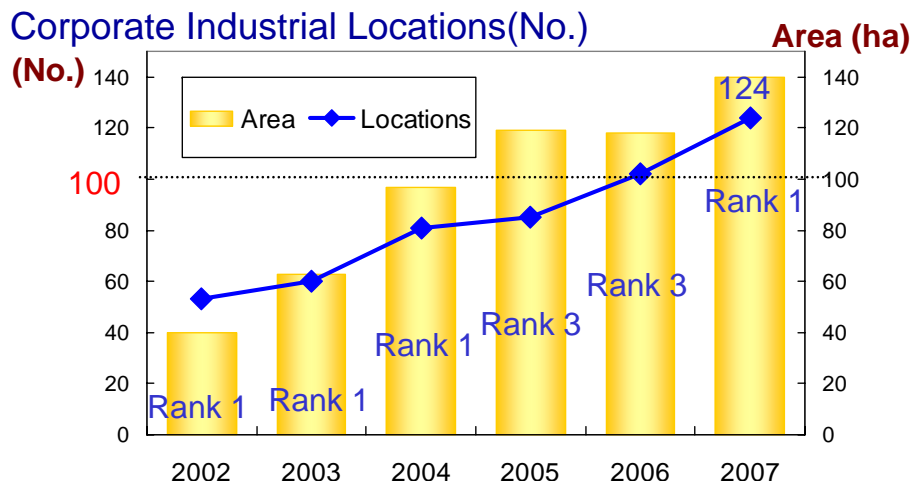


➤ Population	3.80 million	(2007)	(Rank in Japan: 10)
➤ Area	7329.15 km ²	(2007)	(Rank in Japan: 12)
➤ Gross Production	¥16,415.1 bn	(FY2005)	(Rank in Japan: 10)
➤ Income per resident	¥3,344,000	(FY2005)	(Rank in Japan: 3)

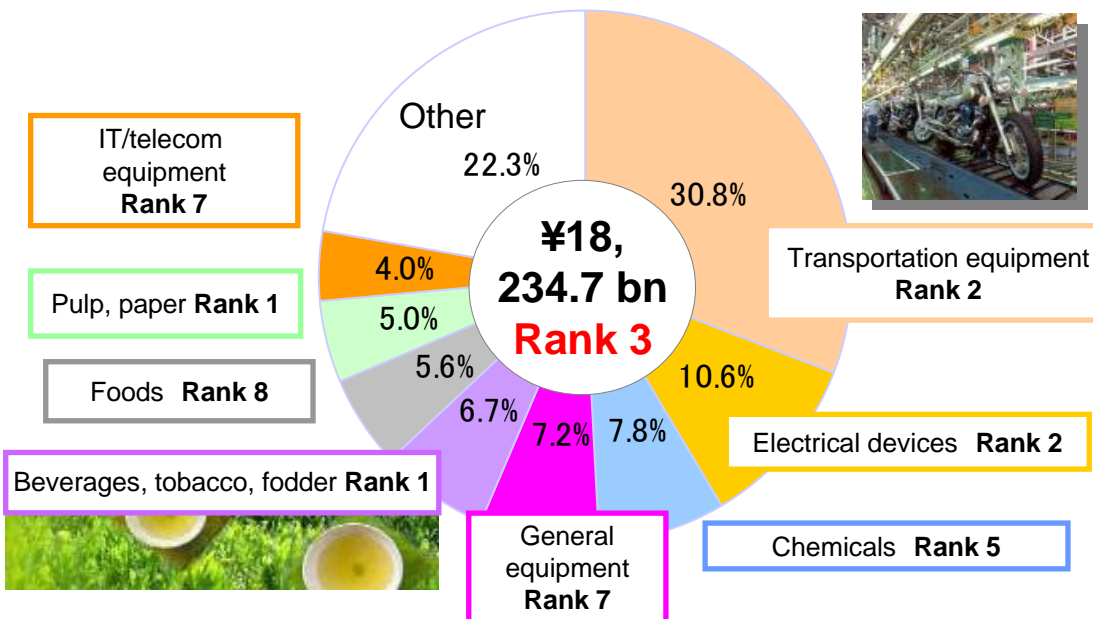


1-(2) Industrial and Economic Status

A prefecture with one of Japan's strongest economic foundations:
a manufacture-driven prefecture which drives the national economy



- Total Revenue from Manufactured Products (based on shipments)
- ◆ ¥18,234.7 billion Rank: 3rd in Japan (2006)
- ◆ Well-balanced industrial composition



◇ Number of newly settled foreign companies (1989~2006 accumulated total)

Segment	National	Shizuoka	Share	Rank
Total	32,284	1,126	3.5%	8th
Foreign Company	235	24	10.2%	1st

(Area of site acquired more than 1000m², foreign capital ratio more than 50%)
Source: Ministry of Economy, Trade and Industry "Survey on Factory Location"

◇ Why companies choose Shizuoka

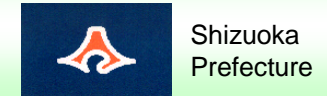
- Favorable access (Tomei Express, Shinkansen, key ports)
- Aggregation of related companies (Local corporations with advanced technology)
- Low land prices, warm climate, rich in water resources

◇ Shipment of manufactured goods

(Units: 100 million yen)

FY	2002	2003	2004	2005	2006
Shizuoka	161,851	159,638	166,998	173,227	182,347
Share (Rank)	6.0% (3rd)	5.8% (3rd)	5.9% (3rd)	5.9% (3rd)	5.8% (3rd)

2-(1) NPM Vision for the Prefectural Government and Industry



Aiming to become #1 in governmental reform!

~Efficient organizational management~ Residents per municipal employee	152	Rank: 4 (FY2007)
~Prefectural facilities managed by the private sector~ % of new designated managers from the private sector	52.5%	Rank: 2 (FY2004~2007)
~Increase in administrative productivity~ Number of projects in the “one-reform-per-person movement” (for administrative improvement)	37,350	Rank: 1 (FY2005~2007)

- **Effects of 2007 Efforts**
 - ◆ **Saved ¥3.1 billion in administrative overhead**
 - ◆ **Economic impact of ¥13.5 billion**
 - ◆ **Saved 87,000 hours**

Shizuoka’s New Industrial Clusters ~New Industrial Vision towards “Higher Value-added”~

Western Region

Aggregation of **manufacturers**
 Piano shipments: Rank 1
 Transportation equipment shipments: Rank 2
 Shizuoka University (Faculty of Engineering),
 Hamamatsu University School of Medicine, etc.



Optical/electronic technology-related companies aggregation project

Central Region

Well-developed **Foods Industry**
 Shipment of manufactured foods :Rank 8
 Prefectural university (Faculty of Pharmacology), Shizuoka University (Faculty of Agriculture), etc.



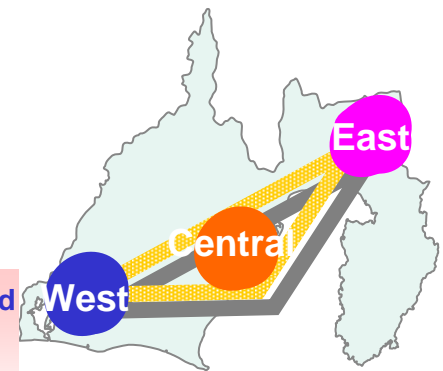
Foods/pharmaceuticals/chemical product companies aggregation project

Eastern Region

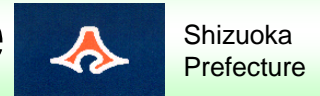
Aggregation of **pharmaceutical and medical equipment companies**
 Production of pharmaceuticals: Rank 1
 Shizuoka Cancer Center & Research Institute



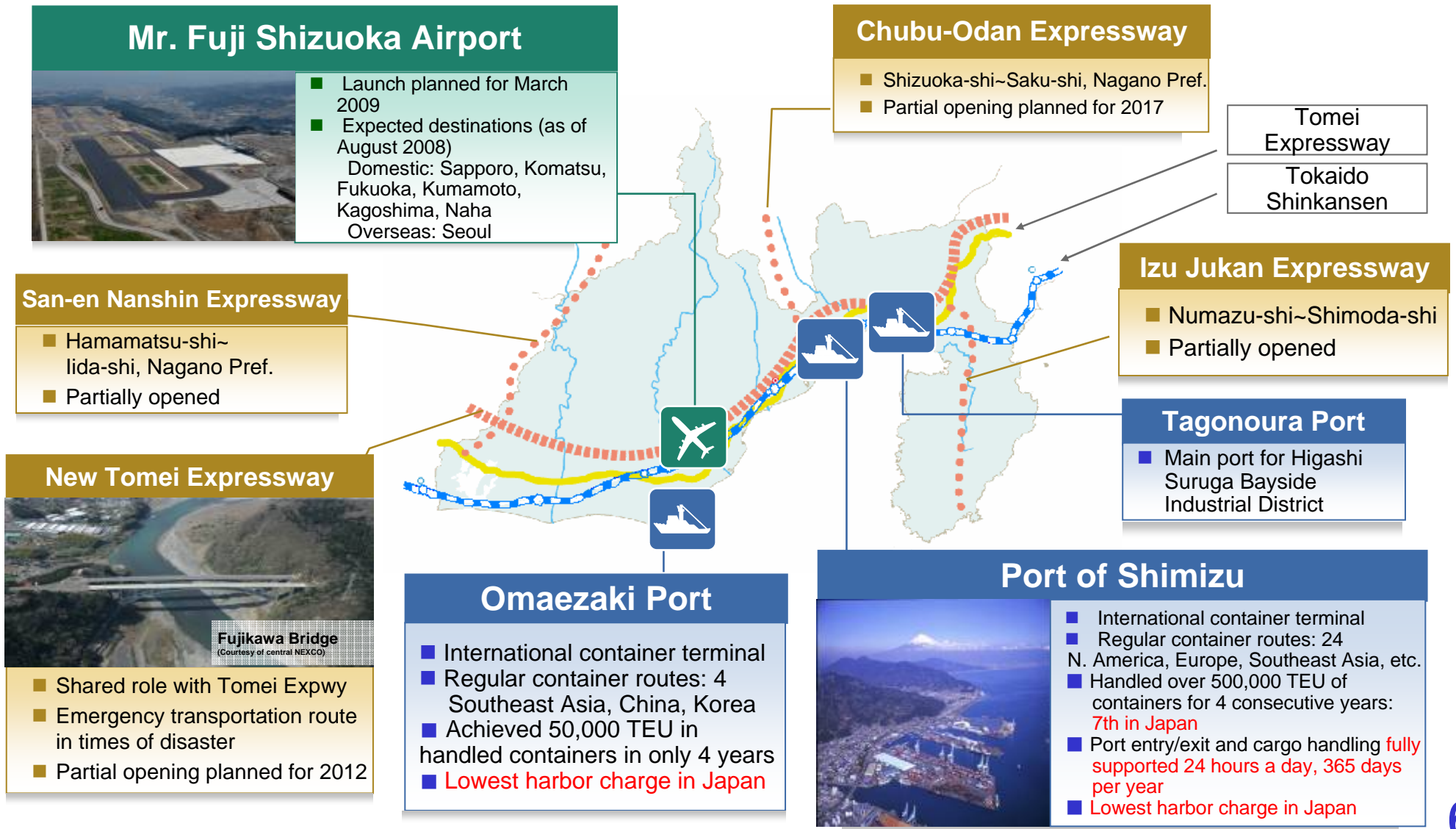
Advanced health industry aggregation project at the foot of Mt. Fuji



2-(2) Building a Transportation Infrastructure



Transportation Infrastructure to Support the Next Generation



3-(1) Fiscal Budget

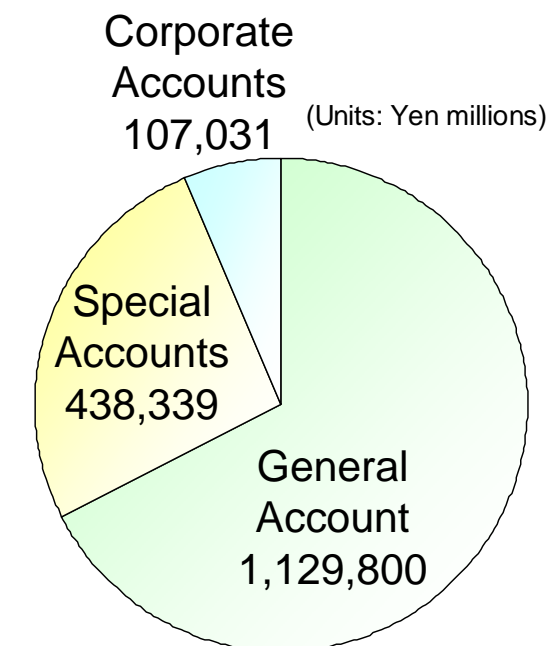


- ◆ Shizuoka Prefecture has a general account, 14 special accounts, and 5 corporate accounts
- ◆ The budget for the general account amounts to ¥1,129.8 billion

Summary of Shizuoka's Initial FY2008 Budget

(Units: Yen millions, %)

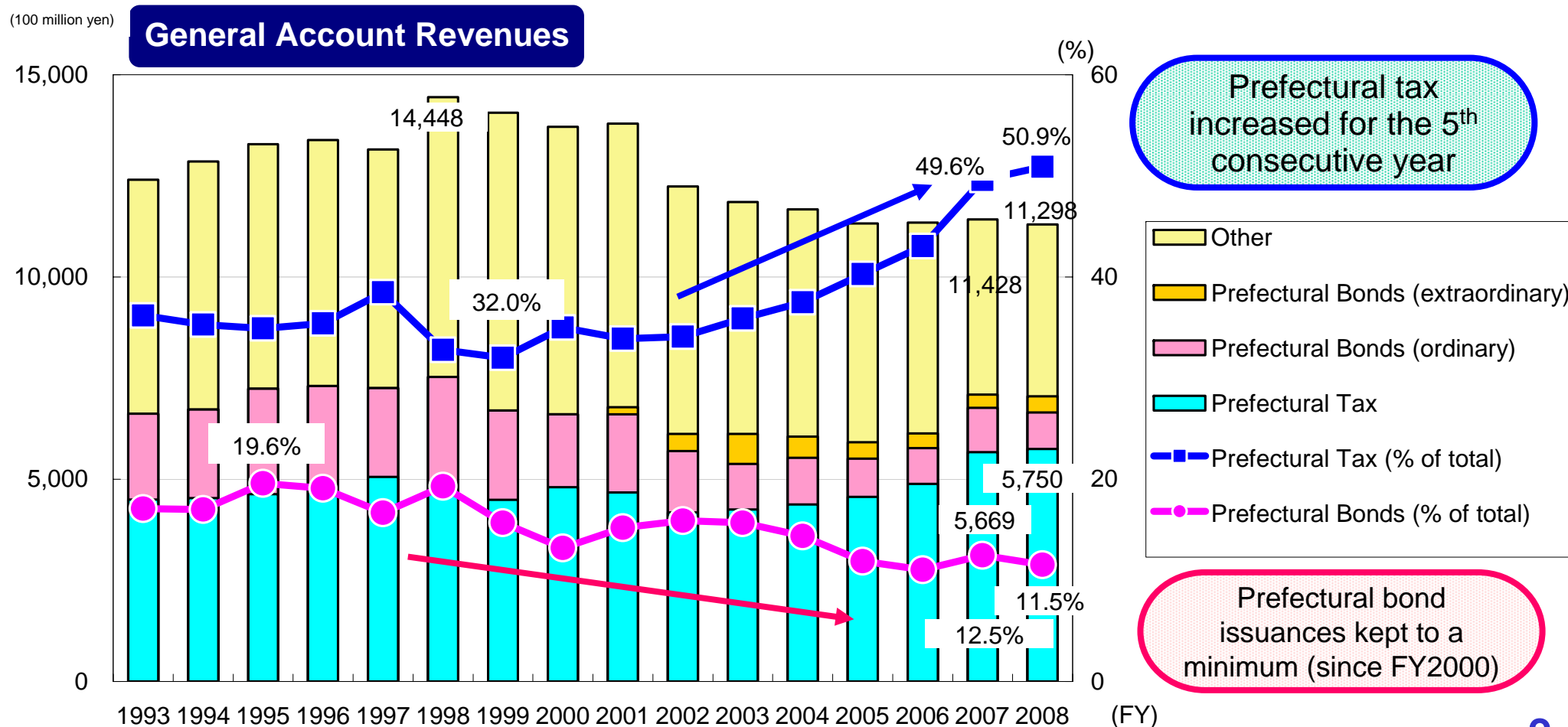
Category	Beginning of FY2008	Beginning of FY2007	Change	Growth Rate
General Account	1,129,800	1,139,500	(9,700)	(0.9)
Mandatory Exp	627,588	624,043	3,545	0.6
Investment Exp	208,046	211,386	(3,340)	(1.6)
Special Accounts	438,339	379,680	58,659	15.4
Corporate Accounts	107,031	108,107	(1,076)	(1.0)
Total	1,675,170	1,627,287	47,883	2.9





3-(2) Fiscal Position (Revenues)

- ◆ Prefectural tax increased for the 5th consecutive year, and accounted for 49.6% of total revenue in the FY2007 financial report
- ◆ Issuance of prefectural bonds has been kept to a minimum since FY2000



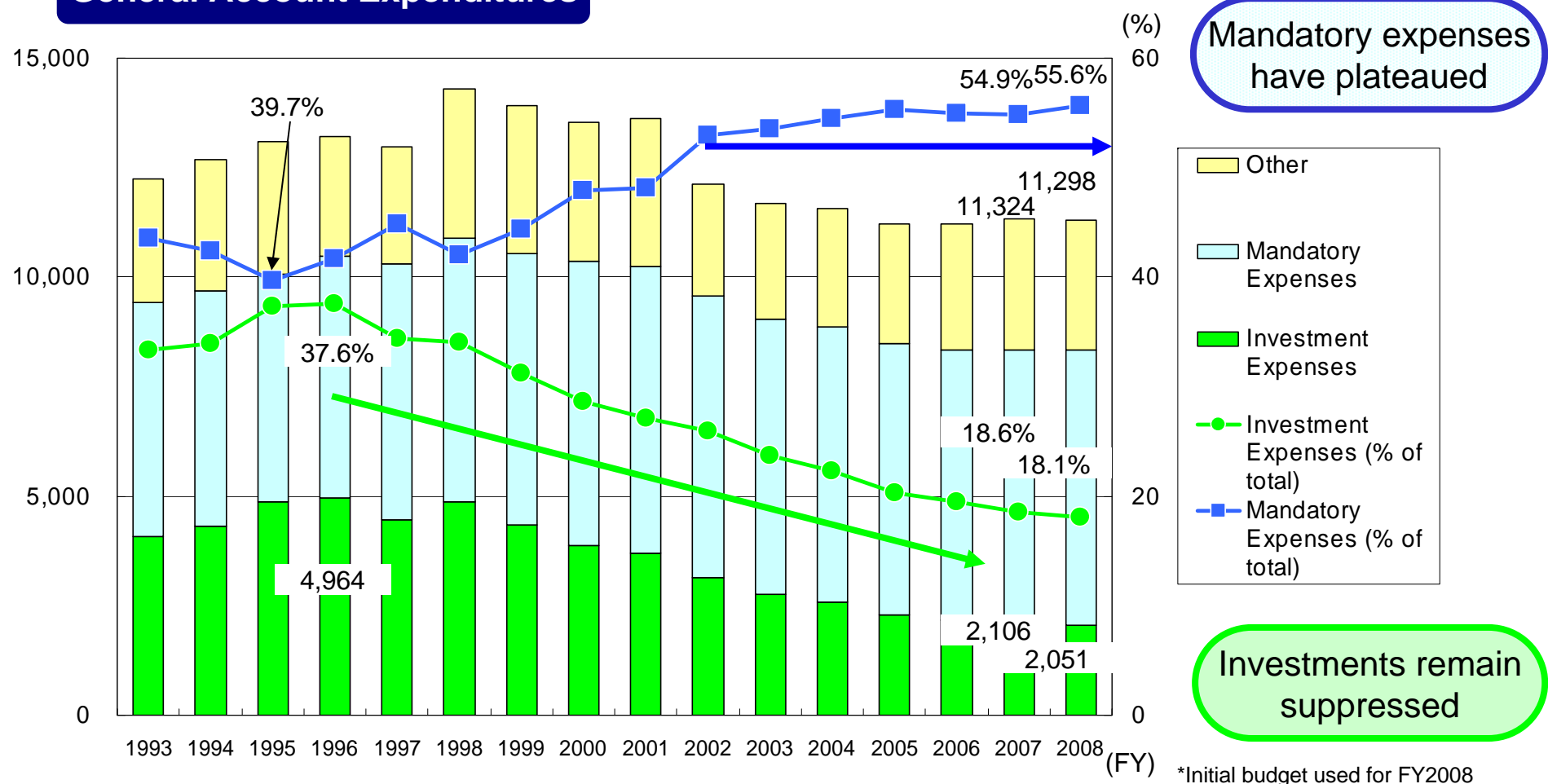
*Initial budget used for FY2008



3-(3) Fiscal Position (Expenditures)

- ◆ Expenditures have decreased after peaking out in FY1998
- Investment expenses have decreased after peaking out in FY1996
- ◆ Mandatory expenses have plateaued at 53~56% of total expenditures since FY2002

General Account Expenditures



Mandatory expenses have plateaued

Investments remain suppressed

*Initial budget used for FY2008



3-(4) Medium-term Fiscal Outlook

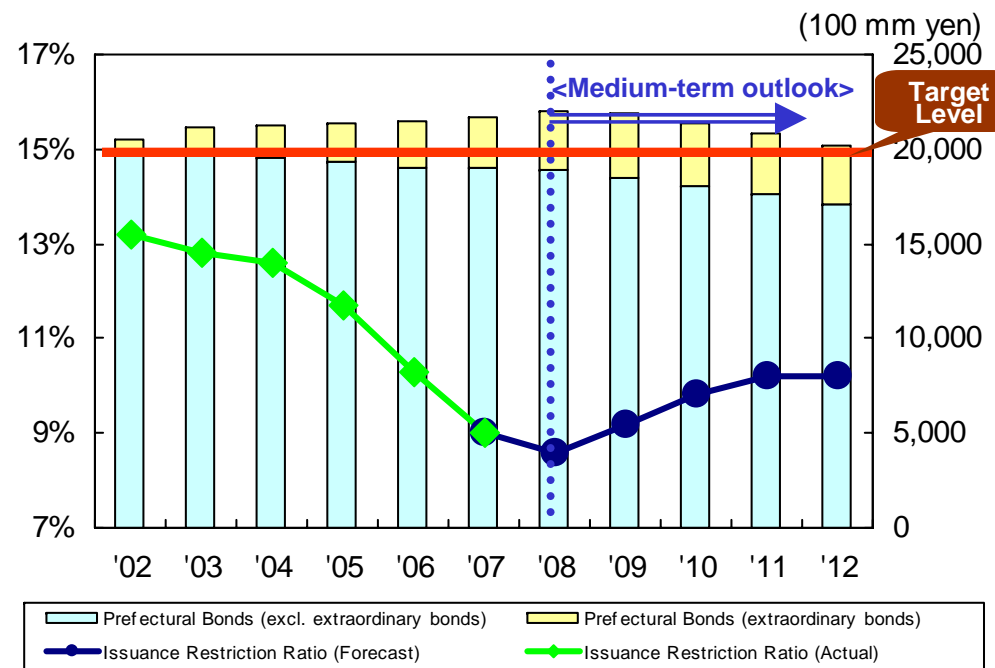
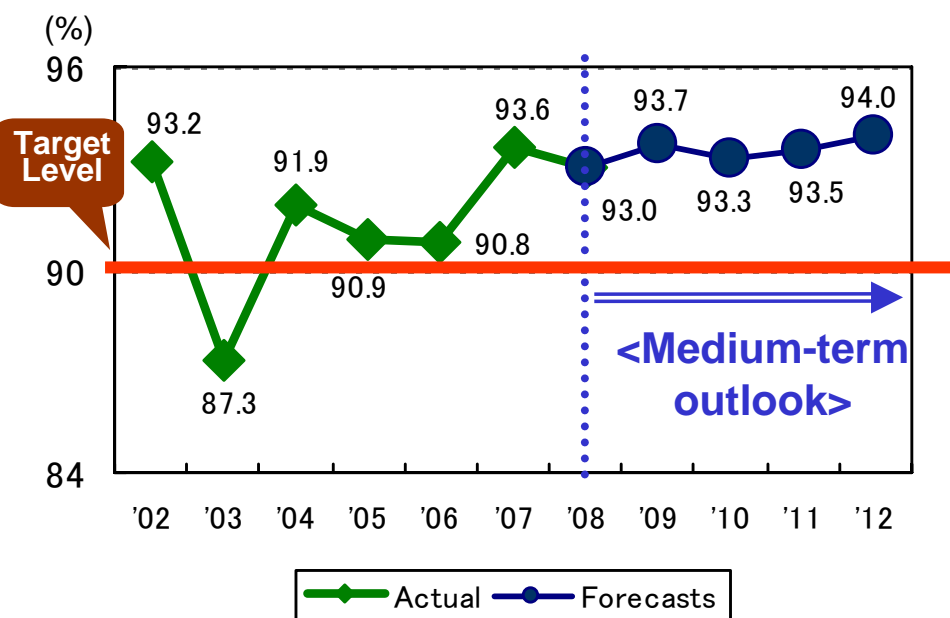
Promoting reforms since FY2000 based on the 3 financial health indicators

3 indicators of fiscal health

- 1) Current account ratio < 90% (fiscal flexibility)
- 2) Limit bond issuance restriction ratio to 15% (flow indicator)
- 3) Prefectural bond balance < ¥2 trillion (stock indicator)

1) Current account ratio: significantly impacted by national policies

2) Bond issuance restriction ratio (LHS): maintain target range
 3) Prefectural bond balance (RHS): maintain target range
 (balance excludes extraordinary bonds)



*Extraordinary bonds: Regional bonds issued in place of local tax grants, in response to the lack of national funding since FY2001. Redemption of principal and interest in later years to be covered by tax grants

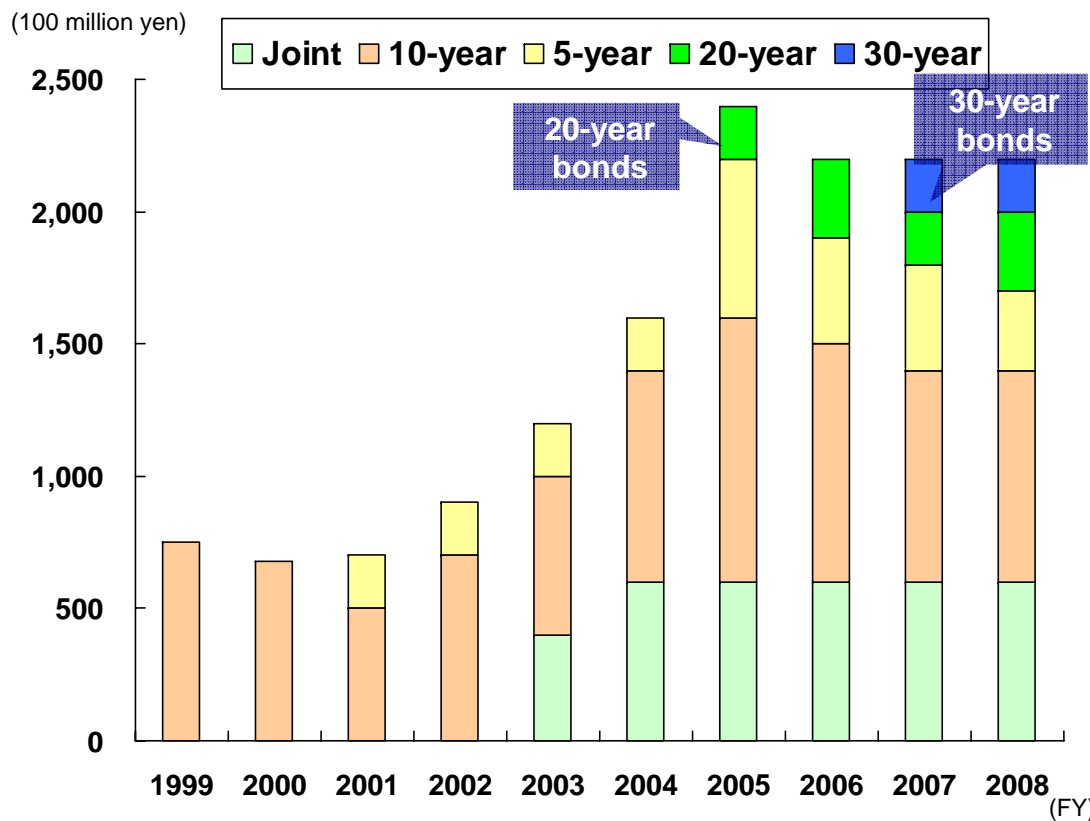


4-(1) Prefectural Bond Issuance Plan

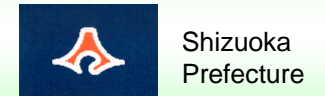
Funds raised mainly from publicly issued bonds

FY2008 Public Bond Issuance Plan: ¥220 billion
 (Individual: ¥160 billion; Joint: ¥60 billion)

(Units: 100 million yen)



Issuance Month		May~Sep	Oct	Nov	Mar	Total
Publicly Issued Bonds	Individual Issuances					
	5-year	100	100	—	100	300
	10-year	300	200	200	100	800
	20-year	200		100		300
	30-year		200			200
	Subtotal					1,600
	Joint Issuances (10-year)			600	(¥5 billion per month)	
	Total		2,200	(82.0%)		
	Other			484		
	Total			2,684		



4-(2) Management of Prefectural Bonds

● Appropriate Sinking Fund

Accumulation Rule

Lump-sum payment at maturity
 =accumulation of **3.7%** (1/27th) of total
 prefectural bond issuance after 3-year deferral
 period

***No borrowings from sinking fund to date**

● Credit Ratings

(Coverage initiated on 9/6/2007)

Moody's Investors
Service

Aa1 / Stable

(Foreign denominated: Aaa)

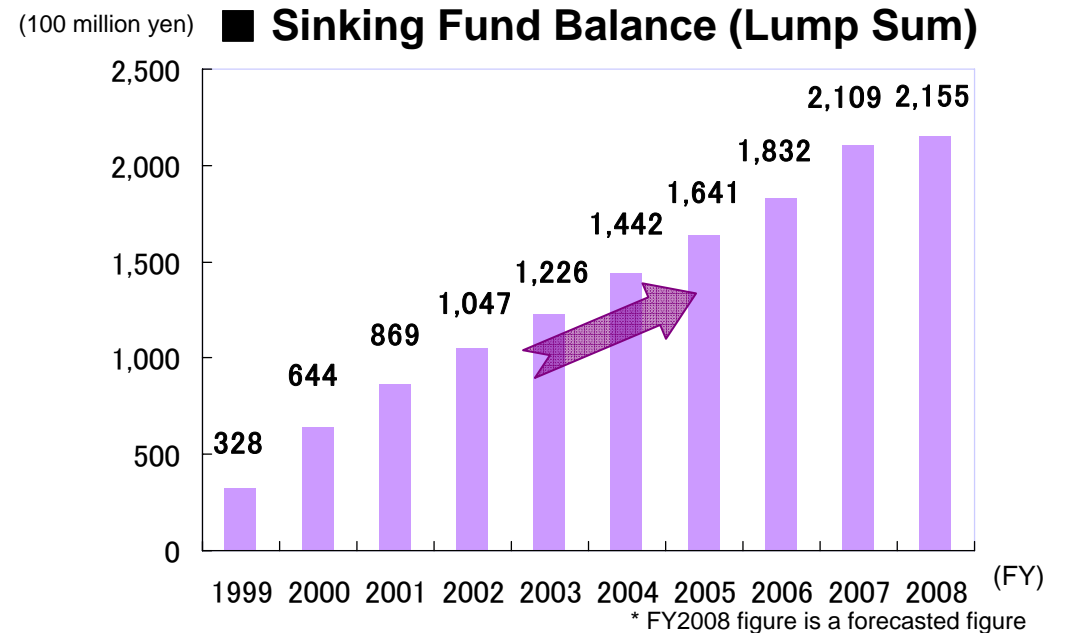
Rating and Investment
Information, Inc. (R&I)

AA+ / Stable

■ Comments

Shizuoka's administrative and fiscal operations are believed to be strong. The prefecture commenced New Public Management (NPM) at an early stage and has been promoting improvement efforts by all personnel in the "one-reform-per-person movement" for almost 10 years. Shizuoka is currently implementing reforms based on the "focused reform plan."

Shizuoka achieved a AA+ rating based on a high evaluation of the solid economic foundation and steady progress in restoring fiscal health based on the "focused reform plan"





Thank you

Shizuoka Prefecture

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http://www.pref.shizuoka.jp/a_foreign/english/index.html

Fiscal Conditions at Shizuoka Prefecture

October 2008

富国有徳 創知協働

しずおかの挑戦。

Shizuoka Prefecture



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FY2007 General Account: Revenues

(Units: Yen millions, %)

Category	FY2007	FY2006	Change	% Growth	% of Total	
					FY2007	FY2006
Reported Revenues	1,142,810	1,134,236	8,574	0.8	100.0	100.0
Prefectural Tax	566,905	488,150	78,755	16.1	49.6	43.0
Local Consumption Tax Settlements	77,616	78,767	-1,151	-1.5	6.8	6.9
Local Transfer Tax	3,230	69,539	-66,309	-95.4	0.3	6.1
Special Local Grants	4,443	1,751	2,692	153.7	0.4	0.2
Local Allocation Tax	127,970	144,224	-16,254	-11.3	11.2	12.7
Special Grants for Traffic Safety	1,461	1,764	-303	-17.2	0.1	0.2
Contributions	6,618	8,168	-1,550	-19.0	0.5	0.7
Usage Fees and Commissions	17,633	20,217	-2,584	-12.8	1.5	1.8
National Treasury Disbursements	117,732	127,449	-9,717	-7.6	10.3	11.2
Asset-based Revenues	3,349	3,028	321	10.6	0.3	0.3
Donations	297	127	170	133.9	0.0	0.0
Transfer Money	28,003	17,060	10,943	64.1	2.5	1.5
Carry-forwards	12,110	11,371	739	6.5	1.1	1.0
Miscellaneous Revenues	32,985	37,186	-4,201	-11.3	2.9	3.3
Prefectural Bonds	142,458	125,435	17,023	13.6	12.5	11.1

FY2007 General Account: Expenditures (Analytical Breakdown)

(Units: Yen millions, %)

Category		FY2007	FY2006	Change	% Growth	% of Total	
						FY2007	FY2006
Reported Expenditures		1,132,400	1,122,126	10,274	0.9	100.0	100.0
Mandatory Expenses	Personnel Expense	393,205	392,264	941	0.2	34.8	34.9
	Social Aid Expense	65,943	62,657	3,286	5.2	5.8	5.6
	Bond Expense	158,786	157,926	860	0.5	14.0	14.1
	Disaster Recovery Expense	3,650	3,716	-66	-1.8	0.3	0.3
	Total	621,584	616,563	5,021	0.8	54.9	54.9
Other	Investment Expenses	210,575	218,602	-8,027	-3.7	18.6	19.5
	Public/Direct	100,604	111,392	-10,788	-9.7	8.9	9.9
	Standalone	109,971	107,210	2,761	2.6	9.7	9.6
	Other Expenses	300,241	286,961	13,280	4.6	26.5	25.6
	Total	510,816	505,563	5,253	1.0	45.1	45.1

General Account: Trends in Reported Revenues

(Units: 100 million yen, %)

Category	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Prefectural Tax	4,506	5,026	5,257	4,942	4,495	4,534	4,630	4,742	5,060	4,733	4,492	4,804	4,676	4,176	4,254	4,377	4,565	4,882	5,669	5,750
% of total	47.0	47.5	48.0	42.8	36.2	35.3	34.9	35.4	38.5	32.8	32.0	35.0	33.9	34.1	35.9	37.5	40.3	43.0	49.6	50.9
Local Allocation Tax	911	977	708	882	927	1,002	1,131	1,224	1,270	1,311	1,970	2,141	2,070	2,050	1,918	1,652	1,691	1,442	1,280	1,122
% of total	9.5	9.2	6.5	7.6	7.5	7.8	8.5	9.2	9.7	9.1	14.0	15.6	15.0	16.7	16.2	14.1	14.9	12.7	11.2	9.9
National Treasury Disbursements	1,671	1,765	1,907	2,149	2,465	2,425	2,245	2,178	2,136	2,429	2,333	2,225	2,311	2,061	1,901	1,805	1,543	1,274	1,177	1,186
% of total	17.4	16.7	17.4	18.6	19.9	18.9	16.9	16.3	16.2	16.8	16.6	16.2	16.8	16.8	16.0	15.5	13.6	11.2	10.3	10.5
Prefectural Bonds	688	780	905	1,390	2,126	2,190	2,605	2,563	2,192	2,793	2,209	1,804	2,102	1,941	1,862	1,676	1,348	1,254	1,425	1,303
Ordinary Bonds	688	780	905	1,390	2,126	2,190	2,605	2,563	2,192	2,793	2,209	1,804	1,930	1,524	1,125	1,150	945	890	1,096	903
Special Bonds	—	—	—	—	—	—	—	—	—	—	—	—	172	417	737	526	403	364	329	400
% of total	7.2	7.4	8.2	12.0	17.1	17.0	19.6	19.1	16.7	19.3	15.7	13.2	15.2	15.9	15.7	14.4	11.9	11.1	12.5	11.5
Other	1,806	2,035	2,184	2,191	2,390	2,704	2,673	2,683	2,493	3,182	3,057	2,740	2,637	2,008	1,921	2,162	2,179	2,490	1,877	1,937
% of total	18.9	19.2	19.9	19.0	19.3	21.0	20.1	20.0	18.9	22.0	21.7	20.0	19.1	16.5	16.2	18.5	19.3	22.0	16.4	17.1
Total	9,582	10,583	10,961	11,554	12,403	12,855	13,284	13,390	13,151	14,448	14,061	13,714	13,796	12,236	11,856	11,672	11,326	11,342	11,428	11,298

*Initial budget used for FY2008.

*Special Bonds included in Prefectural Bonds refer to Extraordinary Fiscal Measure Bonds and Non-interest-bearing NTT loans.

General Account: Trends in Reported Expenditures

(Units: 100 million yen, %)

Category	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Mandatory Expenses	4,305	4,557	4,811	4,891	5,337	5,388	5,196	5,512	5,839	6,010	6,193	6,492	6,558	6,420	6,258	6,293	6,205	6,165	6,216	6,276
% of Total	45.7	44.0	44.6	42.9	43.6	42.4	39.7	41.7	44.9	42.0	44.4	47.9	48.1	53.0	53.5	54.5	55.3	54.9	54.9	55.6
Personnel Expense	3,139	3,344	3,524	3,581	3,673	3,769	3,808	3,953	4,076	4,078	4,100	4,045	4,099	4,042	3,903	3,900	3,907	3,923	3,932	3,889
% of Total	33.3	32.3	32.7	31.4	30.0	29.7	29.1	29.9	31.4	28.5	29.4	29.9	30.1	33.4	33.4	33.8	34.9	34.9	34.8	34.4
Social Aid Expense	263	281	303	327	309	332	357	366	391	412	439	546	591	609	537	568	564	626	659	685
% of Total	2.8	2.7	2.8	2.9	2.5	2.6	2.7	2.8	3.0	2.9	3.2	4.0	4.3	5.0	4.6	4.9	5.0	5.6	5.8	6.1
Bond Expense	821	806	823	842	1,231	1,186	955	1,127	1,304	1,393	1,551	1,846	1,792	1,684	1,727	1,735	1,651	1,579	1,588	1,613
% of Total	8.7	7.8	7.6	7.4	10.1	9.3	7.3	8.5	10.0	9.7	11.1	13.6	13.1	13.9	14.7	15.0	14.7	14.1	14.0	14.3
Disaster Restoration Expense	82	126	161	141	124	101	76	66	68	127	103	55	76	85	91	90	83	37	37	89
% of Total	0.9	1.2	1.5	1.2	1.0	0.8	0.6	0.5	0.5	0.9	0.7	0.4	0.6	0.7	0.8	0.8	0.7	0.3	0.3	0.8
Investment Expenses	3,091	3,398	3,359	3,800	4,086	4,301	4,885	4,964	4,461	4,883	4,350	3,873	3,694	3,146	2,771	2,577	2,278	2,186	2,106	2,051
% of Total	32.8	32.8	31.1	33.3	33.4	33.9	37.3	37.6	34.4	34.1	31.2	28.6	27.1	26.0	23.7	22.3	20.3	19.5	18.6	18.1
Public/Direct	1,553	1,595	1,730	1,995	2,146	2,091	2,293	2,112	1,894	2,294	2,185	1,994	1,909	1,748	1,495	1,373	1,195	1,114	1,006	882
% of Total	16.5	15.4	16.0	17.5	17.5	16.5	17.5	16.0	14.6	16.0	15.7	14.7	14.0	14.5	12.8	11.9	10.7	9.9	8.9	7.8
Standalone	1,538	1,803	1,629	1,805	1,940	2,210	2,592	2,852	2,567	2,589	2,165	1,879	1,785	1,398	1,276	1,204	1,083	1,072	1,100	1,169
% of Total	16.3	17.4	15.1	15.8	15.9	17.4	19.8	21.6	19.8	18.1	15.5	13.9	13.1	11.5	10.9	10.4	9.6	9.6	9.7	10.3
Other	2,026	2,408	2,617	2,707	2,823	3,001	3,024	2,729	2,686	3,413	3,381	3,176	3,376	2,543	2,664	2,683	2,729	2,870	3,002	2,971
% of Total	21.5	23.2	24.3	23.8	23.0	23.7	23.0	20.7	20.7	23.9	24.4	23.5	24.8	21.0	22.8	23.2	24.4	25.6	26.5	26.3
Total	9,422	10,363	10,787	11,398	12,246	12,690	13,105	13,205	12,986	14,306	13,924	13,541	13,628	12,109	11,693	11,553	11,212	11,221	11,324	11,298

*Initial budget used for FY2008.

*Reported figures in each fiscal year include carry-over from the previous fiscal year and exclude amounts carried forward to the next fiscal year.

General Account: Trends in Reported Income

(Units: Yen millions)

Category	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	958,195	1,058,297	1,096,056	1,155,439	1,240,340	1,285,540	1,328,366	1,339,048	1,315,139	1,444,842	1,406,128	1,371,440	1,379,608	1,223,657	1,185,625	1,167,232	1,132,589	1,134,236	1,142,810
Expenditures	942,247	1,036,277	1,078,734	1,139,815	1,224,568	1,268,955	1,310,548	1,320,512	1,298,554	1,430,580	1,392,396	1,354,067	1,362,832	1,210,947	1,169,287	1,155,328	1,121,218	1,122,126	1,132,400
Nominal Income (Revenues – Expenditures)	15,948	22,020	17,322	15,624	15,772	16,585	17,818	18,536	16,585	14,262	13,732	17,373	16,776	12,710	16,338	11,904	11,371	12,110	10,410
Real Income	7,106	6,948	6,087	5,582	4,909	5,030	4,823	4,701	3,998	4,099	4,108	4,928	5,805	5,344	5,961	6,202	5,718	5,862	6,086

*Real Income = Nominal Income – revenues sources which should be carried over to the next fiscal year.

FY2007: Status of Special Account

(Units: Yen millions)

Category	Revenues	Expenditures	Difference	Accounting Summary
Bond Management	299,591	299,591	0	Payment of principal and interest on prefectural bonds and accumulation of funds in the prefectural bond management fund
Duty Stamp Collection for Vehicle Tax, etc.	17,243	17,243	0	Transfer of collected vehicle and vehicle excise taxes to the general account
District Development Support	7,226	7,226	0	Loans of necessary funds for the improvement of public facilities in cities and towns within the prefecture
Municipal Forestry	224	224	0	Management and operation of prefectural forests
Forestry Improvement Fund	534	194	340	Loans such as forestry production advancement funds to promote tree thinning
Mother-child/Widow Welfare Fund	598	504	94	Loans of daily and educational funds for mother-child families, etc.
Disability Support and Mutual Relief	689	689	0	Provision of annuities to the physically and mentally challenged
SME Promotion Fund	13,881	11,954	1,927	Loans to support the establishment of SMEs and the strengthening of operational foundations thereof
Agriculture Improvement Fund	461	387	74	Loans to fund technological investments, etc. in order to improve agricultural operations
Coastal Fishing Improvement Fund	214	44	170	Loans to promote coastal fishing
Seaport Development (Port of Shimizu, etc.)	9,769	9,564	205	Maintenance and management of loading equipment and sheds at the Port of Shimizu, etc.
Watershed Sewage System	15,195	15,027	168	Improvement, maintenance, and management of the watershed sewage system
Municipal Residences	9,611	9,446	165	Management, repairs, etc. of prefectural residences
Goods Procurement	2,263	2,263	0	Goods procurement tasks at the main government building and at local branches
Total	377,499	374,356	3,143	

FY2007: Status of Public Service Account

(Units: Yen millions)

Category	Balance of Payments – Flow (P&L Accounts)			Balance of Payments–Stock (Asset Accounts)				
	Revenues	Expenditures	Net Income	Revenues	Corporate Bonds	Expenditures	Corporate Bond Redemptions	Net Income
Shizuoka Prefectural Hospital Operations	29,287	31,804	-2,517	7,353	6,413	8,832	4,446	-1,479
Shizuoka Cancer Center Operations	22,788	23,391	-603	3,445	621	5,350	4,179	-1,905
Industrial Water Works	5,775	4,858	917	1,876	340	3,407	1,115	-1,531
Water Works	5,867	4,693	1,174	6,868	1,596	9,287	2,518	-2,419
Regional Development	2,722	4,581	-1,859	2,196	0	1,051	1	1,145
Total	66,439	69,327	-2,888	21,738	8,970	27,927	12,259	-6,189

FY2007 General Account: Revenue Budget

(Units: Yen millions, %)

Category	FY2008 Initial Budget	FY2007 Initial Budget	Difference	Growth Rate	% of Total		
					FY2008	FY2007	
Total Expenditures	1,129,800	1,139,500	-9,700	-0.9	100.0	100.0	
General Revenue Sources	Prefectural Tax	575,000	560,000	15,000	2.7	50.9	49.1
	Local Consumption Tax Settlements	72,607	80,033	-7,426	-9.3	6.4	7.0
	Local Transfer Tax	3,100	3,100	0	0.0	0.3	0.3
	Special Local Grants	6,200	3,700	2,500	67.6	0.6	0.3
	Local Allocation Tax	112,200	129,500	-17,300	-13.4	9.9	11.4
	Extraordinary Fiscal Measure Bonds	40,000	32,800	7,200	22.0	3.5	2.9
	Other	35,638	42,379	-6,741	-15.9	3.2	3.7
	Total	844,745	851,512	-6,767	-0.8	74.8	74.7
Special Revenue Sources	National Treasury Disbursements	118,510	124,051	-5,541	-4.5	10.5	10.9
	Prefectural Bonds	90,300	94,140	-3,840	-4.1	8.0	8.2
	Money Transfers	31,866	25,474	6,392	25.1	2.8	2.3
	Other	44,379	44,323	56	0.1	3.9	3.9
	Total	285,055	287,988	-2,933	-1.0	25.2	25.3

FY2008 General Account: Expenditure Budget (Analytical Breakdown)

(Units: Yen millions, %)

Category	FY2008 Initial Budget	FY2007 Initial Budget	Difference	Growth Rate	% of Total		
					FY2008	FY2007	
Total Expenditures	1,129,800	1,139,500	-9,700	-0.9	100.0	100.0	
Mandatory Expenses	Personnel Expenses	388,900	389,650	-750	-0.2	34.4	34.2
	Social Aid Expenses	68,449	66,523	1,926	2.9	6.1	5.8
	Bond Expenses	161,294	159,703	1,591	1.0	14.3	14.0
	Disaster Recovery Expense	8,945	8,167	778	9.5	0.8	0.7
	Total	627,588	624,043	3,545	0.6	55.6	54.7
Statutory Expenses relating to Tax Revenues	122,605	127,465	-4,860	-3.8	10.9	11.2	
Expenses Other than Mandatory Expenses and Statutory Expenses relating to Tax Revenues	Investment Expenses	208,046	211,386	-3,340	-1.6	18.4	18.6
	Public/Direct	88,227	97,889	-9,662	-9.9	7.8	8.6
	Standalone	116,845	111,170	5,675	5.1	10.3	9.8
	Other Expenses	171,561	176,606	-5,045	-2.9	15.1	15.5
	Total	379,607	387,992	-8,385	-2.2	33.5	34.1

Medium-term Fiscal Outlook

(1) Assumptions for Trial Calculations

Utilized nominal economic growth rates used in trial calculations by the Cabinet in deliberations by the Council on Fiscal and Economic Policy

Fiscal Year	FY2008	FY2009	FY2010	FY2011	FY2012
Nominal Economic Growth Rate	2.1%	2.5%	2.9%	3.3%	3.3%

Case 1	Case 2
<p><Current Scheme></p> <ul style="list-style-type: none"> · Increase in local allocation tax in line with increased fiscal demand for mandatory expenses, etc. · A certain proportion (25%) of the increase in tax revenues excluded from the scope of local tax grant adjustments (reductions) 	<p><Fixed Total General Sources of Funds>*</p> <ul style="list-style-type: none"> · Total general sources of funds (the total of local tax, local tax grants, and extraordinary fiscal measure bonds, etc.) fixed at FY2008 levels going forward, regardless of increases in fiscal demand or tax revenue

*Estimate in light of the fact that total general sources of funds have been fixed for 4 consecutive years beginning in FY2005

(2) Objectives for Fiscal Soundness

- 1) Reduce the current account ratio to 90% or less
- 2) Limit bond issuance restriction ratio to 15%
- 3) Upper limit of approximately 2 trillion yen for the balance of outstanding prefectural bonds

Medium-term Fiscal Outlook

(3) Results of Trial Calculations

(Units: 100 million yen)

Cate- gory		FY2008	FY2009	FY2010	FY2011	FY2012
Case 1	Current Account Ratio	93.0%	93.7%	92.2%	91.3%	90.7%
	Bond Issuance Restriction Ratio	8.6%	9.2%	9.7%	10.0%	9.9%
	Real Debt Payment Ratio <small>Note 1</small>	11.9%	13.0%	13.7%	13.7%	12.7%
	Prefectural Bond Balance (Ordinary Bonds)	18,910	18,513	18,055	17,596	17,102
	(incl. Extraordinary Fiscal Measure Bonds)	(21,983)	(21,904)	(21,352)	(20,785)	(20,174)
	(Ordinary Bonds + Bonds for PFI) <small>Note 2</small>	(19,030)	(18,629)	(18,165)	(17,701)	(17,201)
	Shortfall in Sources of Funds	-336	-355	-201	-109	-63
Case 2	Current Account Ratio	93.0%	93.7%	93.3%	93.5%	94.0%
	Bond Issuance Restriction Ratio	8.6%	9.2%	9.8%	10.2%	10.2%
	Real Debt Payment Ratio <small>Note 1</small>	11.9%	13.0%	13.7%	13.8%	13.0%
	Prefectural Bond Balance (Ordinary Bonds)	18,910	18,513	18,055	17,596	17,102
	(incl. Extraordinary Fiscal Measure Bonds)	(21,983)	(21,904)	(21,352)	(20,785)	(20,174)
	(Ordinary Bonds + Bonds for PFI) <small>Note 2</small>	(19,030)	(18,629)	(18,165)	(17,701)	(17,201)
	Shortfall in Sources of Funds	-336	-359	-288	-283	-319

- (Notes) 1. Under the Local Bond Discussion System, authorization is required for bond issuances when the real debt payment ratio is 18% or higher.
 2. Extraordinary Fiscal Measure Bonds are considered to be "local allocation tax in effect" and are excluded from Prefectural Bond Balance.
 3. PFI obligations analogous to bond expenses.

Trends in Fiscal Indicators (Ordinary Accounts)

(Units: %)

Category		FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Fiscal Strength Index	Shizuoka	79.1	80.3	81.6	82.2	82.9	81.1	79.6	77.8	76.7	76.3	72.3	67.7	63.3	62.8	62.4	63.7	65.3	69.6	72.9
	Japan	49.6	50.5	50.8	50.7	50.2	49.4	48.6	47.9	48.1	48.3	46.1	42.9	40.5	40.6	40.8	41.1	42.8	46.4	49.7
	Rank	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	6	6	7
Current Account Ratio	Shizuoka	66.2	64.3	69.1	73.0	81.8	84.0	83.2	83.9	87.5	96.4	92.2	89.0	90.4	93.2	87.3	91.9	90.9	90.8	93.6
	Japan	69.4	68.7	69.2	74.3	79.4	83.1	83.9	83.7	88.3	90.5	87.7	86.6	88.9	91.5	89.1	92.4	92.8	93.6	
	Rank	13	11	28	22	33	30	24	26	24	39	38	34	31	31	15	21	10	4	
Bond Issuance Restriction Ratio	Shizuoka	7.4	6.9	6.4	6.6	6.9	7.2	7.6	8.6	9.8	11.1	12.2	13.1	13.4	13.2	12.8	12.6	11.7	10.3	9.0
	Japan	9.6	9.1	8.8	9.1	9.5	10.0	10.3	10.5	10.7	11.1	11.7	12.2	12.6	12.6	12.5	12.6	12.4	12.3	
	Rank	8	4	3	3	5	6	6	10	14	23	26	30	29	28	27	22	17	10	

*Prefectures ranked in order of fiscal soundness

*National figures for indexes and ratios are simple averages of the 47 prefectures.

Real Debt Payment Ratio	Shizuoka	12.9	12.4	11.6
	Japan	14.5	14.4	
	Rank	14	10	

【Fiscal Strength Index】

An index indicating a municipality's fiscal strength, calculated as the average of Standard Fiscal Revenue (Note 1) divided by Standard Fiscal Demand (Note 2) over the last 3 years.

(Note 1) Expected tax revenue under standard conditions in a municipality calculated based on a predetermined method, which serves as a basis for calculating local tax grants.

(Note 2) Fiscal demand for reasonable and appropriate municipal administration or facility maintenance calculated based on a predetermined method, which serves as a basis for calculating local tax grants.

【Current Account Ratio】

An index indicating the flexibility of a municipality's fiscal structure, calculated as general funds used for ordinary expenses divided by total general funds.

【Bond Issuance Restriction Ratio】

An index indicating the degree of burden placed on a municipality as a result of bond expenses, calculated as the average of the ratio of general funds used for repayments of principal and interest on local bonds to standard fiscal scale (Note 3)(excluding amounts included in the cost of disaster restoration, etc. in the calculation of ordinary tax grants and repayments for principal and interest included in operational expense adjustments) over the last 3 years.

(Note 3) A figure which indicates the size of general funds from ordinary activities which are ordinarily collected under standard conditions, calculated as the sum of standard fiscal size (standard tax revenues, etc. + ordinary tax grants) and the issuable amount of Extraordinary Fiscal Measure Bonds.

【Real Debt Payment Ratio】

An index providing an objective indication of the degree of fiscal burden arising from bond expenses in a municipality, calculated as the average of the ratio of general funds used for effective principal and interest redemption on local bonds (Note 4) to standard fiscal size, etc. (excluding amounts included in the cost of disaster restoration, etc. in the calculation of ordinary tax grants and repayments for principal and interest included in operational expense adjustments) over the last 3 years.

(Note 4) Redemption for principal and interest on local government debts + funds from the general account used for the repayment of principal and interest of public corporations.

Trends in Fiscal Standards (Ordinary Accounts)

(Units: %)

Category		FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Independently Sourced Revenue Ratio	Shizuoka	50.9	47.7	48.7	51.4	53.4	56.4	67.1
	Japan	47.2	45.6	46.2	48.5	50.9	52.9	
	Rank	7	7	8	7	9	8	
Local Tax Ratio	Shizuoka	36.9	36.5	38.6	41.2	44.0	46.8	50.5
	Japan	32.3	30.2	31.0	33.3	35.2	37.9	
	Rank	7	6	5	5	5	5	
Corporate Tax Ratio	Shizuoka	11.5	11.1	13.1	14.2	16.4	18.4	19.4
	Japan	9.2	8.1	8.9	10.2	11.6	13.4	
	Rank	6	5	5	5	5	5	

【Independently Sourced Revenue Ratio】

An indicator of fiscal independence of a region, calculated as revenue that a prefecture can source on its own as a percentage of total revenue.

$$\frac{[\text{Local tax} + \text{local consumption tax settlements} + \text{contributions} + \text{usage fees and commissions} + \text{asset-based revenues} + \text{donations} + \text{transfer money} + \text{net asset carry-over (previous FY real income)} + \text{miscellaneous revenues}]}{\text{total revenue}}$$

【Local Tax Ratio】

Local tax revenue as a percentage of total revenue.

【Corporate Tax Ratio】

2 corporate taxes included in local tax (corporate resident's tax and corporate enterprise tax) as a percentage of total revenue.

Trends in Prefectural Bond Balance, Prefectural Bond Issuances and Bond Expenditures

1. Total Amounts (General Account)

(Units: 100 million yen)

Category	FY1989	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Balance of Prefectural Bonds (FY end)	5,198	5,472	5,861	6,730	7,967	9,396	11,532	13,516	14,963	16,959	18,225	18,790	19,692	20,519	21,184	21,283	21,419	21,505	21,732	21,974
*Ordinary Bonds	(5,198)	(5,472)	(5,861)	(6,730)	(7,967)	(9,396)	(11,532)	(13,516)	(14,963)	(16,959)	(18,225)	(18,790)	(19,521)	(19,930)	(19,858)	(19,508)	(19,296)	(19,045)	(18,994)	(18,901)
* Prefectural Bond Issuances	715	789	905	1,427	2,290	2,191	2,692	2,509	2,108	2,925	2,236	1,702	2,176	1,817	1,776	1,708	1,339	1,261	1,446	1,303
*Ordinary Bonds	(715)	(789)	(905)	(1,427)	(2,290)	(2,191)	(2,692)	(2,509)	(2,108)	(2,925)	(2,236)	(1,702)	(1,935)	(1,467)	(1,039)	(1,182)	(936)	(897)	(1,117)	(903)
Bond Expenditures (Final budget)	821	839	823	842	1,257	1,186	956	1,132	1,304	1,393	1,551	1,846	1,792	1,692	1,732	1,744	1,654	1,581	1,588	1,613

*Ordinary Bonds refer to prefectural bonds other than Extraordinary Fiscal Measure Bonds and non-interest-bearing NTT loans.

*Balance of Prefectural Bonds: Based on financial reporting figures up to FY2007; forecast used for FY2008

*Prefectural Bond Issuances: Authorized amounts used for figures up to FY2005; approved figures used in and after FY2006

2. Balance of Prefectural Bonds Outstanding per Prefectural Resident (Ordinary Account)

(Units: Yen thousands)

Category	FY1989	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Shizuoka	151.4	160.3	172.2	196.9	229.6	268.1	326.2	377.6	416.3	466.9	502.0	515.7	538.0	557.8	572.5	581.7	583.2	583.7	590.7
National Average	204.1	214.8	228.4	255.4	284.9	315.9	372.3	417.6	457.2	499.2	534.1	550.7	566.5	588.6	610.2	624.0	622.2	622.4	–
Rank	8	8	8	9	11	13	15	16	15	16	16	14	14	14	15	15	15	15	–

* Higher rankings given to lower balances among the 47 prefectures.

Issuance Trends of Publicly Issued Shizuoka Prefectural Bonds

1. Trends in Annual Issuances

(Units: 100 million yen)

Category		FY1989	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Individual Issuances	5-year													200	200	200	200	600	400	400	300
	10-year	162	162	162	366	550	500	700	720	750	680	750	680	500	700	600	800	1,000	900	800	800
	20-year																	200	300	200	300
	30-year																			200	200
	Subtotal	162	162	162	366	550	500	700	720	750	680	750	680	700	900	800	1,000	1,800	1,600	1,600	1,600
Joint Issuances																400	600	600	600	600	600
Total		162	162	162	366	550	500	700	720	750	680	750	680	700	900	1,200	1,600	2,400	2,200	2,200	2,200

*FY2008 figures are expected amounts.

2. Recent Issuance Terms

FY2006	Year	Amount	Coupon	Issue Price	Yield
May	10 years	¥10 billion	2.0%	¥99.85	2.018%
Jun	10 years	¥10 billion	2.0%	¥99.90	2.012%
	20 years	¥10 billion	2.36%	¥99.96	2.362%
Jul	5 years	¥20 billion	1.6%	¥99.90	1.621%
Aug	10 years	¥20 billion	2.1%	¥99.95	2.106%
Oct	10 years	¥20 billion	1.85%	¥99.95	1.855%
Nov	5 years	¥20 billion	1.39%	¥99.96	1.398%
	10 years	¥20 billion	1.91%	¥99.97	1.913%
	20 years	¥20 billion	2.35%	¥99.93	2.355%
Mar	10 years	¥10 billion	1.79%	¥99.98	1.792%

FY2007	Year	Amount	Coupon	Issue Price	Yield
May	10 years	¥10 billion	1.77%	¥99.92	1.779%
Jun	10 years	¥10 billion	1.93%	¥99.95	1.935%
	20 years	¥10 billion	2.29%	¥99.89	2.298%
Jul	5 years	¥10 billion	1.54%	¥100	1.540%
Aug	10 years	¥10 billion	1.94%	¥99.96	1.944%
Sep	5 years	¥10 billion	1.35%	¥100	1.350%
Oct	10 years	¥20 billion	1.85%	¥99.99	1.851%
Nov	5 years	¥20 billion	1.30%	¥100	1.300%
	10 years	¥20 billion	1.81%	¥99.98	1.812%
	20 years	¥10 billion	2.29%	¥99.98	2.291%
	30 years	¥20 billion	2.63%	¥100	2.630%
Mar	10 years	¥10 billion	1.53%	¥99.95	1.535%

FY2008	Term	Issuance	Coupon	Issuance Price	Yield
May	10 years	¥10 billion	1.73%	¥99.97	1.733%
Jun	10 years	¥10 billion	1.91%	¥99.94	1.917%
Jul	20 years	¥20 billion	2.35%	¥100.00	2.350%
	5 years	¥10 billion	1.32%	¥99.96	1.328%
Aug	10 years	¥10 billion	1.65%	¥99.98	1.652%

Sinking Fund Accumulation Status

Accumulation Rule

Lump-sum payment at maturity =

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

(Units: 100 million yen)

Category	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Balance for Lump-sum Payments (Based on actual redemptions)	9,731	10,881	12,495	14,309	15,846	17,470	19,110
Publicly Issued Bonds	6,396	6,930	7,580	8,980	10,380	11,860	13,124
Bonds Underwritten by Banks, etc.	3,335	3,951	4,915	5,329	5,466	5,610	5,986
Accumulated Balance	869	1,047	1,226	1,442	1,641	1,832	2,109