Shizuoka Prefecture
Investor Presentation
October 2010
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Key takeaways about Shizuoka

1. Shizuoka has strong economic fundamentals

2. Shizuoka ensure a healthy budget

3. Shizuoka has high credit ratings
   (Aa2 from Moody’s and AA+ from R&I)
1 Overview of Shizuoka
1-(1) Shizuoka’s Position in Japan

Located in Center of Japan
- Shizuoka is between Tokyo and Nagoya
- Travel time by Shinkansen
  - Tokyo, Nagoya 1 hour
  - Osaka 2 hour
- Situated in highly concentrated economic zone in Japan – economic activity within a 300km radius earns 70% of Japanese GDP

Output of manufactured goods shipments and Per-capita income: No.3 among Japanese 47 local governments
- Population: 3.8 million (Rank 10)
- Area: 7,780.38 km² (Rank 12)
- Gross Production: JPY16.9 trillion (Rank 10)
- Output of manufactured goods shipments: JPY19,178 billion (Rank 3)
- Per-capita income: JPY3,384,000 (Rank 3)
1-(2) Industrial Structure

Manufacture-driven Prefecture
- Total revenue from Manufactured Products based on shipments (Rank 3 in Japan)
  - Rank 1 products
    - Electrical Device
    - Drinks/Cigarette/Foodstuff
    - Pulp/Paper
  - Rank 2 products
    - Transportation Equipment
- Strong industrial foundation mainly based on Transportation Equipment Manufacturing
- Well-balanced industrial structure with various sectors

Land of Spirit of Enterprenuership
- SUZUKI, YAMAHA, HONDA, which are now global brand companies, were founded in Shizuoka
- The founders of YAMAHA, HONDA and TOYOTA were born in Shizuoka
1-(3) Active Industrial location

High level of Corporate Industrial Locations in Japan

- Domestic industrial locations: 44 (FY2009)
  - Area: 71ha (FY2009)
  - Rank 1 in Japan (FY 2007)
  - Rank 1 in Japan (FY 2008)
  - Rank 5 in Japan (FY 2009)

Attract global companies

- The cumulative number of industrial location by Foreign company is the highest in Japan (accumulated total between 1989 -2008)
- About 170 global companies have their factories or offices in Shizuoka

# of global companies in Shizuoka by country

- Germany: 16
- Switzerland: 15
- Netherlands: 7
- Sweden: 6
- France: 5
- United Kingdom: 3
- Liechtenstein: 1
- Austria: 1
- United States: 5
- Canada: 5

Total: 95

Countries with the highest number of global companies in Shizuoka:

- Germany: Moeller, Osram-Melco
- Switzerland: ABB, schindler
- Netherlands: Unilever, Tritic
- France: Cosmeroll, Imerys
- United Kingdom: Nikkei-Mel, Univit
- Liechtenstein: Triumph
- Austria: Ecka-granules

(number of companies)
1-(4) Creation of New Industries

Increasing High-valued added industries

<West: Photon Valley>
- Optical/electric technology-related company aggregation project
  - Develop the base technologies to grow next-generation industry, especially focusing on optical technology
  → Production of Photomultipliers: No.1 in Japan

<Central: Foods Science Hills>
- Food/pharmaceuticals/chemical product companies aggregation project
  - Fusion between “Food” and “Drugs” → Innovative functional food

<East: Pharma Valley>
- Advanced health industry aggregation project at the foot of Mt. Fuji
  - Development of medical device by cooperation among medicine, nursing science and engineering
  → Production of Drug and Medical Devices: No.1 in Japan

<Support of entry into growing industries>
- Diversion of transport-equipment related technology into environmental field
- Development of robot market in welfare field
- Entry promotion of SME into aerospace field
1-(5) Shizuoka has much of the best of Japan

We have much of “The Best of Japan!”

<table>
<thead>
<tr>
<th>Nature</th>
<th>Mt. Fuji</th>
<th>Highest Mt in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motorcycle</td>
<td>No.1 by export value</td>
<td></td>
</tr>
<tr>
<td>Small Motorcycle</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piano</td>
<td>No.1 by shipments</td>
<td></td>
</tr>
<tr>
<td>Plastic model</td>
<td>No.1 by shipments</td>
<td></td>
</tr>
<tr>
<td>Woodworking machine</td>
<td>No.1 by shipments</td>
<td></td>
</tr>
<tr>
<td>38 other industrial products</td>
<td>No.1 by shipments</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>Japanese Inns</td>
<td>No.1</td>
</tr>
<tr>
<td>Agriculture Fisheries</td>
<td>21 agricultural products (Green tea, Green house melon etc)</td>
<td>No.1 by production</td>
</tr>
<tr>
<td>Fisheries</td>
<td>20 fishery products</td>
<td>No.1 by catch</td>
</tr>
<tr>
<td>Sports</td>
<td>Professional football players in J-League</td>
<td>No.1</td>
</tr>
</tbody>
</table>
Per-capita GDP of Shizuoka is the same level as Germany

- Per-Capita GDP = USD 39,000
- Rank 3 in Japan (among 47 Japanese local governments)
1-(7) Transportation Infrastructure

Transportation Infrastructure for connecting to the World

- Mt. Fuji Shizuoka Airport
  - To Seoul 2hr (2 flights per day)
  - To Shanghai 2hr 30min (4 flights per week)

- Port of Shimizu - International container terminal
  - Regular container routes 23 (Europe, North America, South East Asia etc)
2 Fiscal Position
2-(1) Fiscal Budget: Staying healthy

### Budget comparison between 1998 and 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>Beginning of FY2010 (bn)</th>
<th>Beginning of FY1998 (bn)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Account</td>
<td>1,127</td>
<td>1,351</td>
<td>△16.6</td>
</tr>
<tr>
<td>Mandatory Exp</td>
<td>637</td>
<td>601</td>
<td>6.0</td>
</tr>
<tr>
<td>Investment Exp</td>
<td>171</td>
<td>402</td>
<td>△57.5</td>
</tr>
<tr>
<td>Special Account (13)</td>
<td>409</td>
<td>121</td>
<td>338.0</td>
</tr>
<tr>
<td>Enterprise Account (4)</td>
<td>56</td>
<td>84</td>
<td>△33.3</td>
</tr>
<tr>
<td>Total</td>
<td>1,592</td>
<td>1,556</td>
<td>2.3</td>
</tr>
</tbody>
</table>

### Budget for general account to JPY1.1 trillion
- Size of general account: Rank 11
- 13 special accounts, 4 enterprise account
- Mandatory Expenses remained high, and Investment Expenses restrained.

### Efforts to Keep its health
- Cutting Investment Expense by less than half of its in FY1998 with the efficient administrative process
- Reducing 1,322 staff in this decade as the result of improved productivity
- Focusing on “One Reform per person movement” to have each staff member tackle an improvement in their daily work efficiency.

### Reduction in general administrative staffs

<table>
<thead>
<tr>
<th># of Staffs</th>
<th>As of April 2010</th>
<th>As of April 1997</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Staffs</td>
<td>5,942</td>
<td>7,264</td>
<td>△1,322</td>
</tr>
</tbody>
</table>
2-(2) Medium-term Fiscal Outlook

Retain our healthy financials

- Meets the standards for fiscal health established by Japanese government
  (4 indicators are provided for in law in order to manage local government financials)
- We are confident of maintaining current healthy position

<table>
<thead>
<tr>
<th>Indicators</th>
<th>FY2009</th>
<th>Midium-term Fiscal Outlook</th>
<th>Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>FY2010</td>
<td>FY2012</td>
</tr>
<tr>
<td>Real deficit ratio</td>
<td>(surplus)</td>
<td>(surplus)</td>
<td>(surplus)</td>
</tr>
<tr>
<td>Consolidated real deficit ratio</td>
<td>(surplus)</td>
<td>(surplus)</td>
<td>(surplus)</td>
</tr>
<tr>
<td>Real debt payment ratio</td>
<td>13.1%</td>
<td>14.2%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Future burden ratio</td>
<td>262.6%</td>
<td>282.5%</td>
<td>293.9%</td>
</tr>
</tbody>
</table>

* Shizuoka has a surplus in all accounts, Not Available for real deficit ratio and consolidated real deficit ratio
“Diamond-Fuji” seen from the lakeside of Tanukiko
3 Bond Issuance
3-(1) Management of Prefectural Bonds

* Accumulation rule for Sinking fund

Accumulation of 3.7%(1/27\textsuperscript{th}) of total prefectural bond issuance after 3 years deferral period
(Lump-sum payment at maturity)

- No shortage of Sinking fund
- No borrowing from Sinking fund to date

Issuer Ratings

- Shizuoka has high credit rating by 2 rating agencies

Moody’s
Aa2/stable

Rating and Investment Information, Inc
AA+/Stable

Comments by Moody’s (as of December 2009)
- Small debt burden
- Solid administrative and fiscal management
- Strong local economic base

Comments by R&I (as of December 2009)
- As one of the best “Manufacturing prefecture”, manufacturing industries drive the local economy
- Prefectural administration for keeping healthy finance
3-(2) Prefectural Bond Issuance Plan

- **FY2010 public bond issuance plan**
  - Publicly issued bonds JPY 300 billion, Others JPY 75 billion
  - Total issuance JPY 375 billion (including refinancing bonds)
  - Plan to issue JPY 205 billion after October in FY2010. The breakdown is; Individual issuance JPY 100 billion, Joint issuance JPY 40 billion, and Others JPY 65 billion
Mt. Fuji to be a World Heritage site!!

We are aiming for an early realization of designating Mt. Fuji as a World Heritage site.
Thank you

Shizuoka Prefecture

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