

Finance Department
Finance Bureau, City of Kawasaki

City of Kawasaki

Investor Presentation, November 2013



Ikuta Ryokuchi:
Full of natural greenery



Kawasaki Fujiko F. Fujio Museum



Kawasaki Daishi
(Heiken-ji Temple)



A Costal Area adjacent to
Haneda International Airport



Musashi Kosugi District:
A region lined by high-rise
condominiums/apartment buildings



A fantastic
Factory Night Landscape



川崎市



Credit Snapshot

- Located in the middle of the greater Tokyo metropolitan area, convenient access, favorable living environment 【P.4】
 - High population growth rate
 - Largest working-age population among ordinance-designated cities
 - City of business opportunities with global firms, cutting edge R&D organization, enriching manufacturing expertise 【P.5,6】
 - City contributes to international society with environmental technology that helped overcome pollution 【P.7】
 - Maintains favorable financials, backed by stable tax revenue, progress in administrative/fiscal reform 【P.10,11】
 - Kawasaki City bonds redemption well controlled thanks to disciplined fiscal management/bond issuance 【P.13】
 - Ordinance-designated city with much discretion in political/fiscal policies granted since 1972 (number of ordinance-designated cities is 20 at this juncture)
-



Contents



I am Takao Abe, Mayor of Kawasaki City.

Kawasaki City has developed amid the rich natural resources provided by the Tama River. As the core of the Keihin Industrial Zone, the city supported Japan's rapid economic growth in the past. Now, it is home to numerous research and development organizations and companies specializing in environmental issues, life sciences and other leading-edge science and technology fields. It is transforming into one of the world's top leading science and technology centers.

The city also boasts abundant nature such as the Tama River and the Tama hills, where citizens often relax and connect with one another. Kawasaki City is rich in resources in the areas of culture, the arts, and sports, and boasts music colleges, bands, choirs, film schools, and sports teams, many of which are very active both in and outside of Japan. Using these strengths and characteristics, Kawasaki City promotes the development of itself as a "city of music," a "city of film," and a "city of sport."

As the three main pillars of local government administration, we have been promoting "decisive action on administration and fiscal reform," "concrete promotion of the new comprehensive planning," and "resident-led city development through local government ordinances." We will be implementing measures to make residents feel glad they live in Kawasaki.

To realize these goals, we are making efforts to (1) realize a "human city" that nurtures respect for life and gets people to support each other in areas like medical care, welfare, child-rearing, education (2) ensure a "safe and comfortable city" that provides safety, a sense of safety, and comfort in residents' daily lives and living environment (3) contribute to the global community and make a sustainable "lively city" by promoting measures against global warming and supporting the welfare industries and R&D in fields related to the environment and life sciences (4) create a "stability sustaining city" that makes efforts to support small- and medium-sized enterprises, promote traditional shopping arcades and agriculture, and secure jobs (5) create an attractive, "unique metropolitan city" by utilizing strengths and characteristics such as local resources.

We hope to make "yet another leap" with an eye to becoming one of Japan's liveliest and most attractive cities, and will do our best to achieve these goals. I would greatly appreciate your understanding and support for the Kawasaki City Government, both from investors and the citizens of Kawasaki City.

川崎市長 阿部 孝夫

Contents

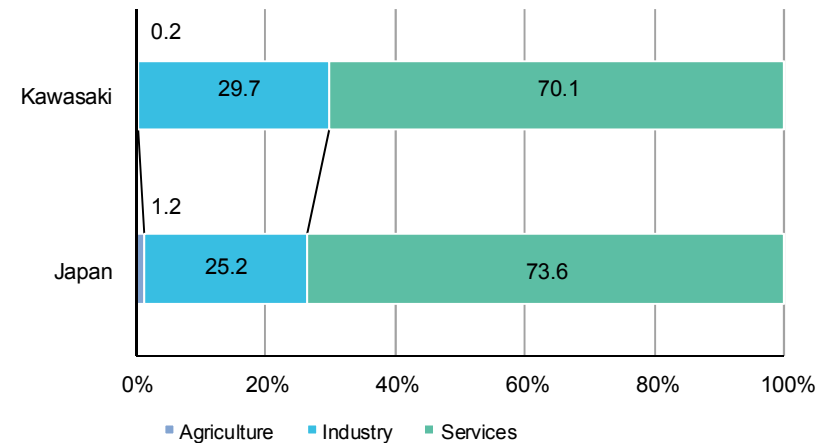
I	Overview of Kawasaki	P.3
II	Characteristics and Advantages of Kawasaki	P.4
	1. Convenient access	P.4
	2. Top city for "industry and R&D"	P.5
	3. Life innovation	P.6
	4. Environmental innovation	P.7
	5. Welfare innovation	P.8
	6. Famous city for "art and culture"	P.8
III	Financial Position of Kawasaki	P.9
IV	Kawasaki City Bonds	P.12
V	Appendix	P.15



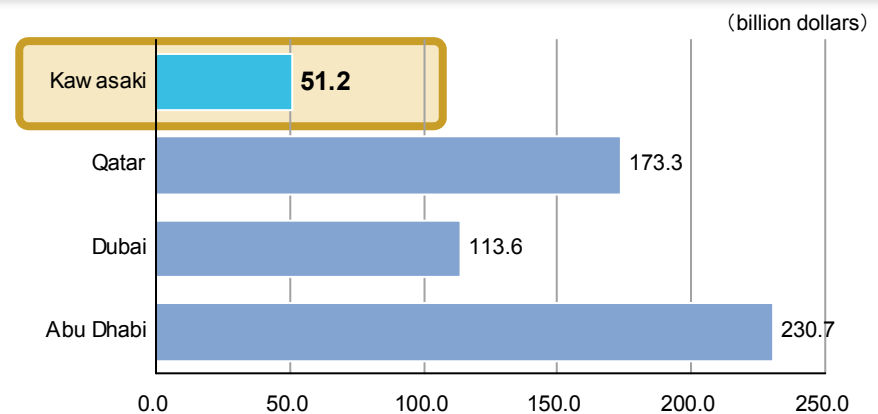
I . Overview of Kawasaki

	Kawasaki	Japan
Population	1,447,438 (09/01/2013)	127,270,000 (09/01/2013)
Population growth rate	2.7% (2009→2013)	△0.6% (2009→2013)
Average age	42.0 (10/01/2012)	44.9 (10/01/2010)
Working-age population	986,038 (69.2%) (10/01/2012)	80,170,000 (62.9%) (10/01/2012)
Area	144.35 km ²	377,929.99 km ²
GDP	51.2billion dollars (5.0trillion yen) (FY2010)	5.5trillion dollars (482trillion yen) (FY2010)
Major industries	Manufacturing (steel, electronics, telecommunications, precision machinery, petrochemical), information and service	
Developing industries	New manufacturing technologies, information and telecommunications, environment, welfare and life sciences, life culture	
Foreign residents	29,029 (2.0%) (06/30/2013)	2,038,159 (1.6%) (12/31/2012)
Foreign firms	115(83 headquarters :5th in Japan)	3,500

GDP breakdown by component



Nominal GDP



※ Kawasaki FY2010
 Qatar FY2011 (Japan Center for International Finance)
 Abu Dhabi and Dubai FY2012 (Japan Center for International Finance)



1. Convenient access

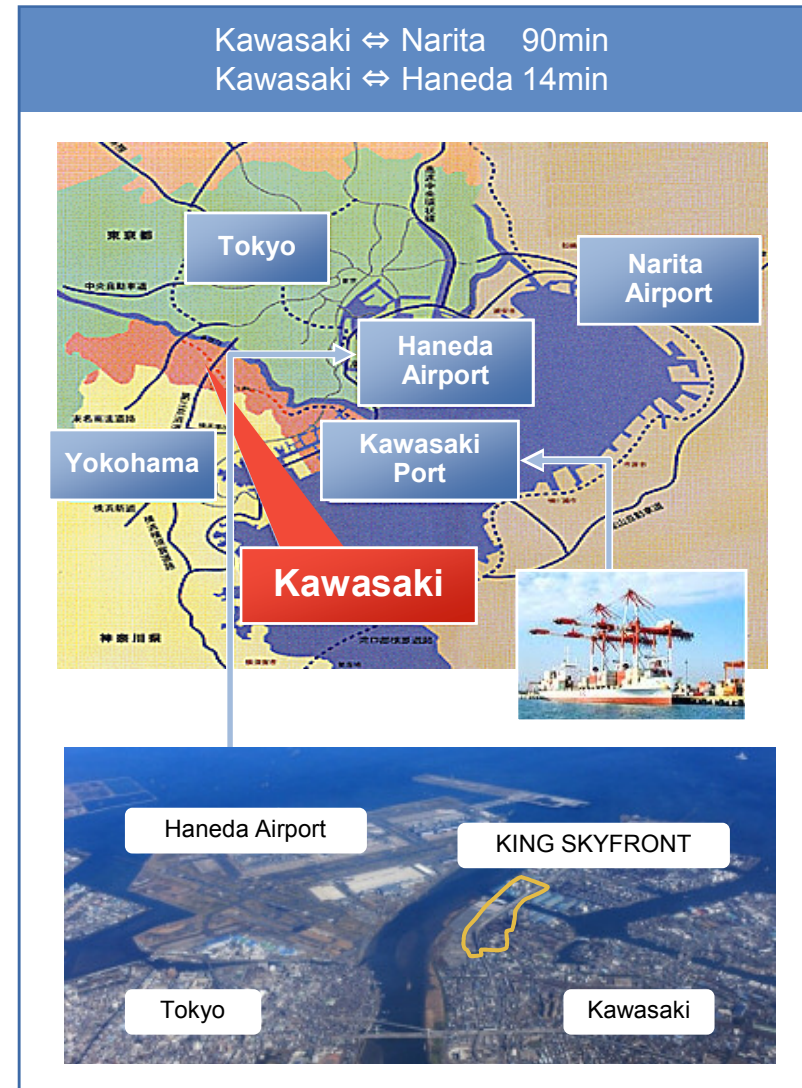


Lots of railways and roads

- 90 minutes to Narita Airport, 14 minutes to Haneda Airport
- 19 minutes to Tokyo, 8 minutes to Yokohama

Extension and internationalization of Haneda Airport (from 10/21/2010)

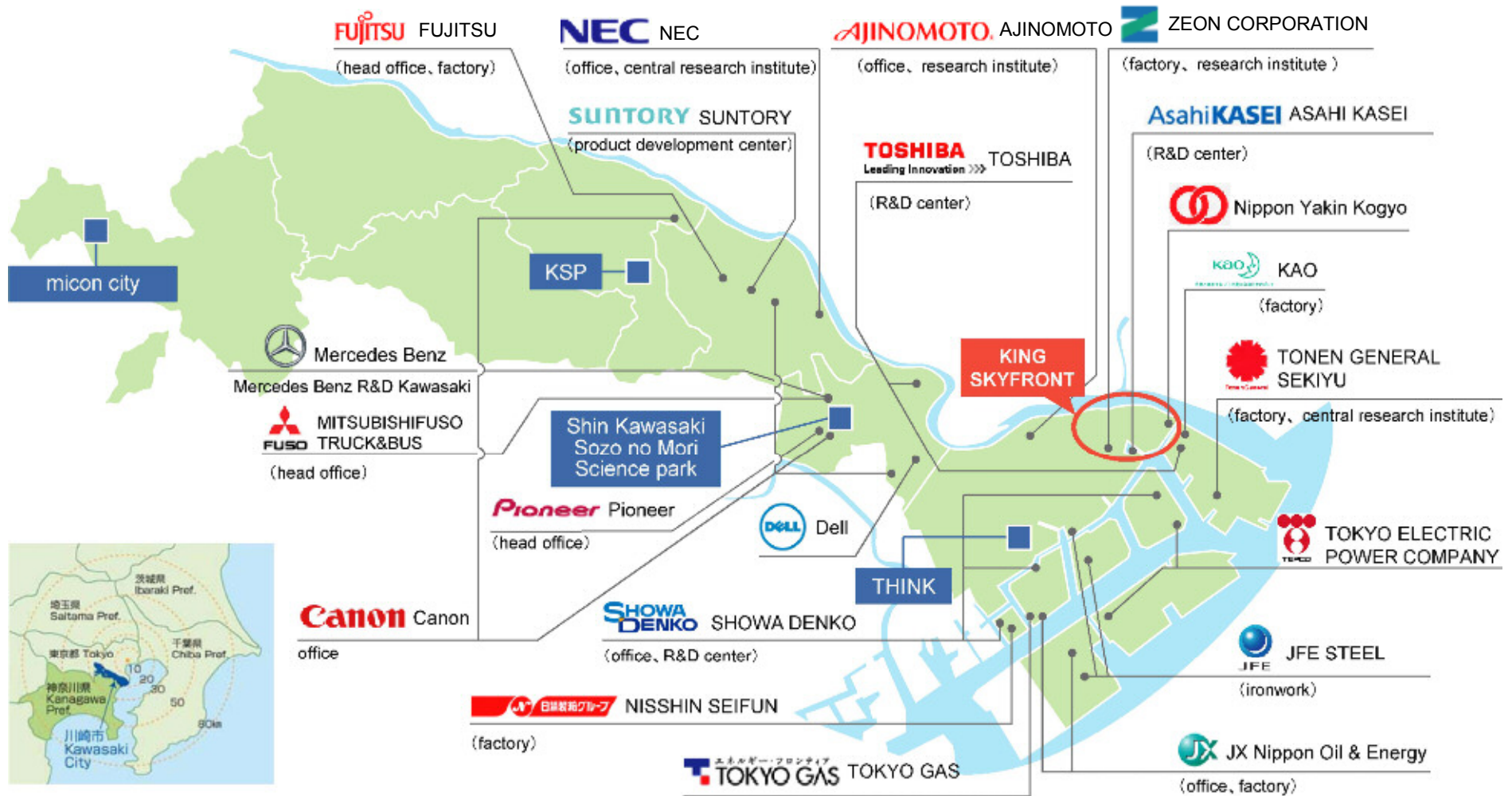
- Increase of capacity (1.4 times larger than now)
- Expand close-range Asian business air routes
- Go into service to European major cities by 24-hour operation
- Expansion of international freight
- Plan for KING SKYFRONT
(building a site for life innovation and environmental innovation which can make contribution to the world, Keihin Coastal Area Life innovation, designated as the International Strategic Comprehensive Special Zones)





2. Top city for “industry and R&D”

Global companies and major R&D institutions



Science park and R&D industrial housing



3. Life innovation

- To promote the realization of new industries through leading edge R&D in the life science and environmental industries, an international R&D zone is being formulated on the opposing shore of Haneda Airport. <KING SKYFRONT>
- Upgrading local manufacturing companies' base technologies, improving research and development capabilities, as well as promoting the collaboration between industries. <Shin-Kawasaki Sozo no Mori Science Park>



"Science"
2 August 2013

Shin-Kawasaki Sozo no Mori Science Park

Global Nano Micro Technology Business Incubation Center (NANOIBC)

- Establishment of a large-scale clean room where a course of the procedure within the Nano Micro Field, of "Processing ~ Prototype ~ Measurement ~ Evaluation" can be conducted.
- A Nano Micro Fabrication Consortium of 4 Universities (Keio University, Waseda University, Tokyo Institute of Technology, the University of Tokyo) as well as a joint research project between the Tokyo University and IBM Japan are operating within the facility.



Research and development as well as the industrialization within the life science and environmental industries, based on Nano Micro technology

Life Science Industry

Dosage directly into the tumor cell



Environmental/Energy Industry

Double the energy efficiency of photovoltaic cells



KING SKYFRONT

Key facilities

- **Central Institute for Experimental Animals, Regenerative Medicines & New Drug Development Center**
- Kawasaki Life Science & Environmental Research Center (LiSE)
- Johnson & Johnson K.K. Kawasaki Science Center (operation to begin in 2014)
- National Institute of Health Sciences (construction to be completed after FY2016)

Keihin Coastal Area Life Innovation, designated as the International Strategic Comprehensive Special Zones

- Designated in December 2011
- Aiming for the realization of health related industries and innovative medicines/medical devices through development and production in regenerative medicines, cancer/lifestyle diseases, public sanitation/preventative medicine, etc.

Central Institute for Experimental Animals, Regenerative Medicines & New Drug Development Center

- The realization of state-of-the-art regenerative medical treatments utilizing iPS stem cells including the healing of spinal cord injuries and Alzheimer's disease treatment



**NOG mouse/
humanized mouse**



"nature"
28 May 2009

**Common
marmoset**



4. Environmental innovation

Promote virtuous cycle for environment and economy, achieve globally sustainable society



Sky of Kawasaki

The city was covered by smoke emitted from factories along the sea.



Significant improvement by measures taken together by firms, citizens and the administration

- Air Pollution Control Agreement
- Pollution Control Ordinance
- Established of Pollution Monitoring Center and the Research Institute for Environmental Protection



Sky of Kawasaki

Air condition has been improved by various measures.



Mega Solor

Built one of the largest mega-solar power plants in waterfront areas in collaboration with private company

- Ukisima(Operated in August 2011)
- Oogisima(Operated in December 2011)

Capacity 20,000kW (cover 5,900 households needs)



Kawasaki International Eco-Tech Fair 2013

- International business-matching opportunity
- Next exhibition will be held in February 2014.
- 145 groups, 242 booths, 15,200 participants (215 foreign participants from 30 countries/regions)



RPET REFINE TECHNOLOGY Co.,Ltd

Recycling factory producing resin for pet bottles by using old pet bottles



Implement of Smart City Strategy

In order to realize a sustainable society, Kawasaki City carries on Smart Strategy which lead to a low carbon emission with efficient use of energy, improvement of safety in case of emergency, also efficiency and quality of life.



5. Welfare innovation

6. Famous city for “art and culture”

Welfare innovation

Promotion of the welfare industry through developing products and technologies, through the application of local companies' high technological capabilities

Kawasaki Standard

A welfare product standard unique to Kawasaki City, with a core concept of “independence support” and aims for all people to live happily with a peace of mind.

■ Certified Products



A loud speaker device with excellent operational functions



A high quality stair lift which is very silent when operated



An electric wheelchair which is able to rotate in cramped places

The popularization of and expansion of products into the Asian market, where the aging of populations is progressing.

Kawasaki, the City of Music



MUZA KAWASAKI SYMPHONY HALL

Miraculous one week to enjoy the world's top three orchestras (November 2013)

- Wiener Philharmoniker
- Royal Concertgebouw Orchestra
- Berliner Philharmoniker



Montreux Jazz Festival, one of the three major international jazz festivals, was held in Kawasaki in November 2012 (and will be held again in November 2013)

Fujiko F. Fujio Museum



A museum where you can encounter the “dream” and “mystique” and “playful mind” of Doraemon creator Fujiko F. Fujio

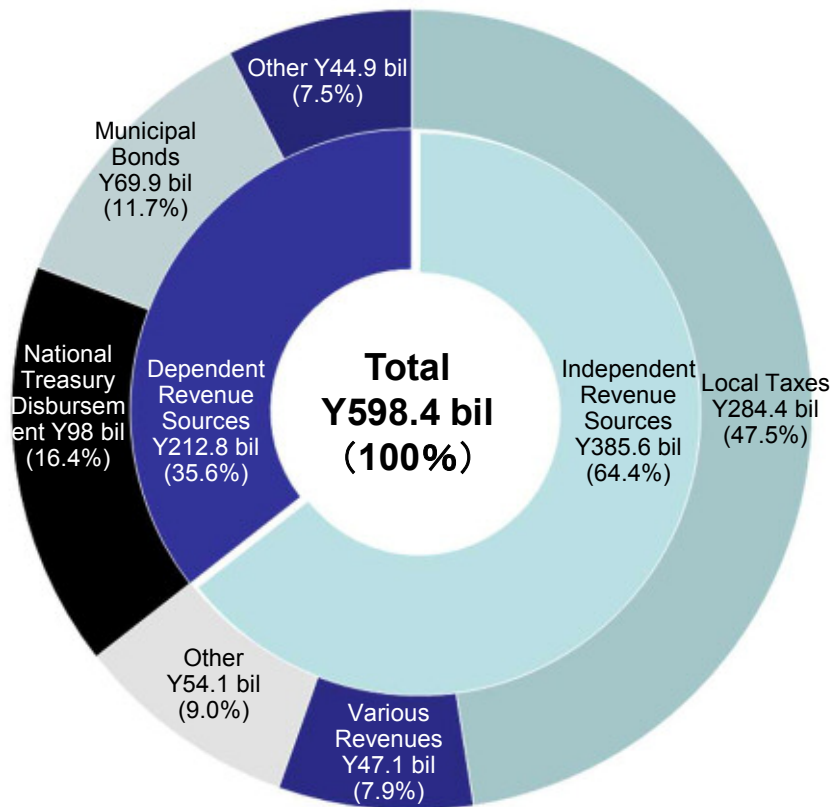
- Opened 3 September 2011
- Visitor count surpassed 900,000 as of 30 June 2013



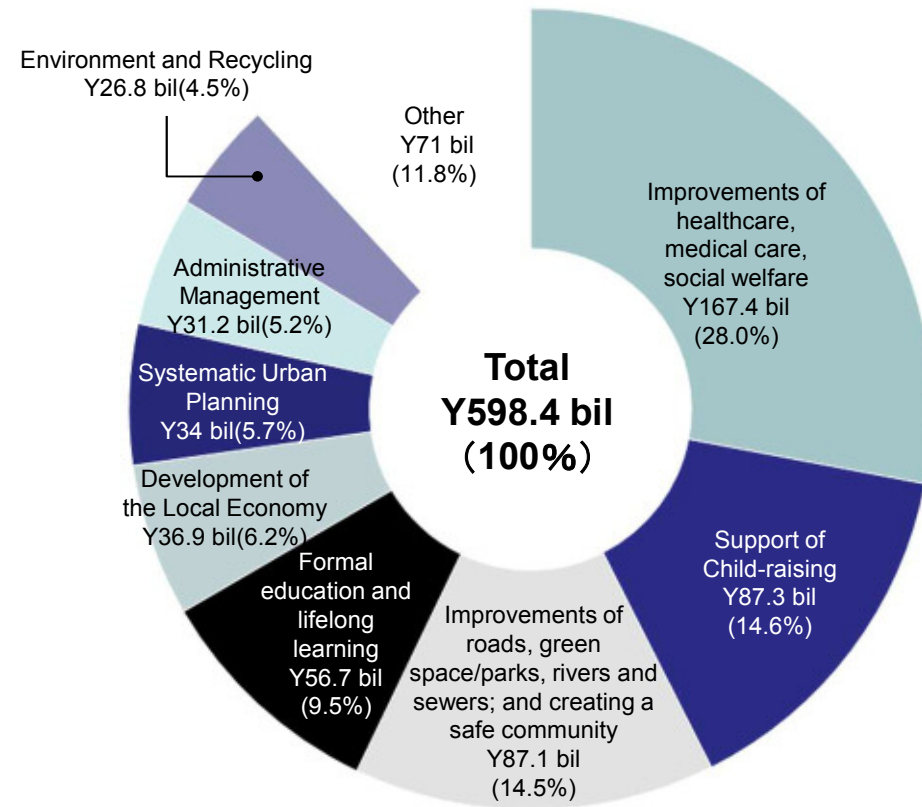
III. Financial Position of Kawasaki

Budget for the 2013 Fiscal Year

Revenues



Expenditures



Y598.4 bil = USD 6.087 bil

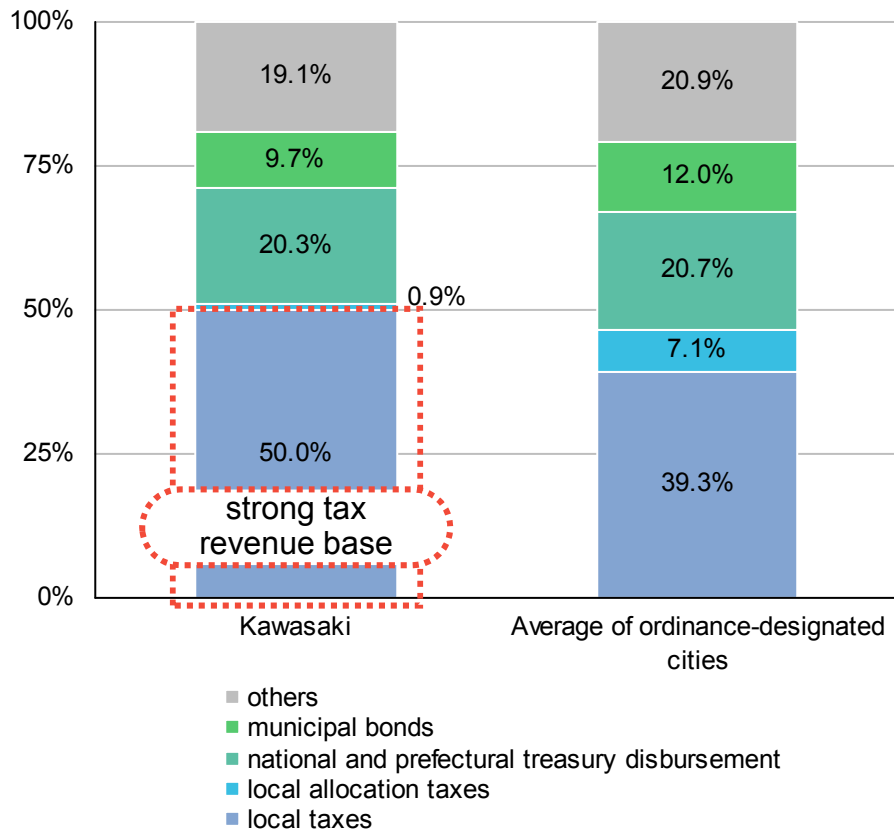
1 USD = Y98.27 (as of 14 Oct 2013)



III. Financial Position of Kawasaki

Revenue structure (general account)

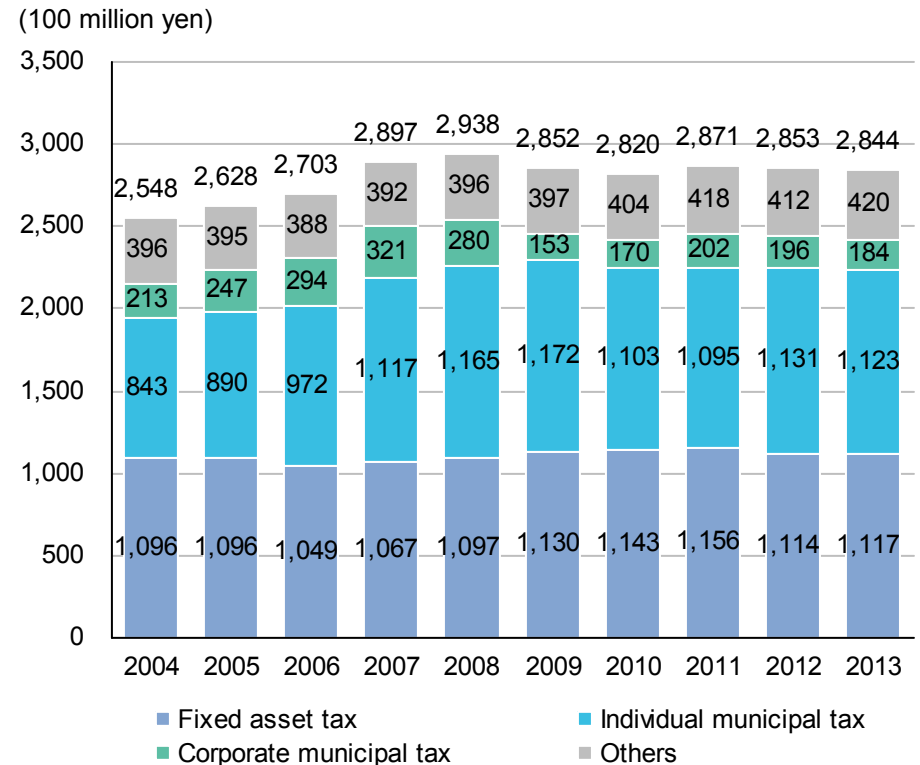
Higher percentage of local taxes in Revenue



*Comparison of designated cities based on the settlement of accounts (FY2012)

Analysis of Tax Revenue Structure

State of local taxes revenue



*Initial budget (FY2013)



III. Financial Position of Kawasaki

Steady Efforts in Administrative and Financial Reform

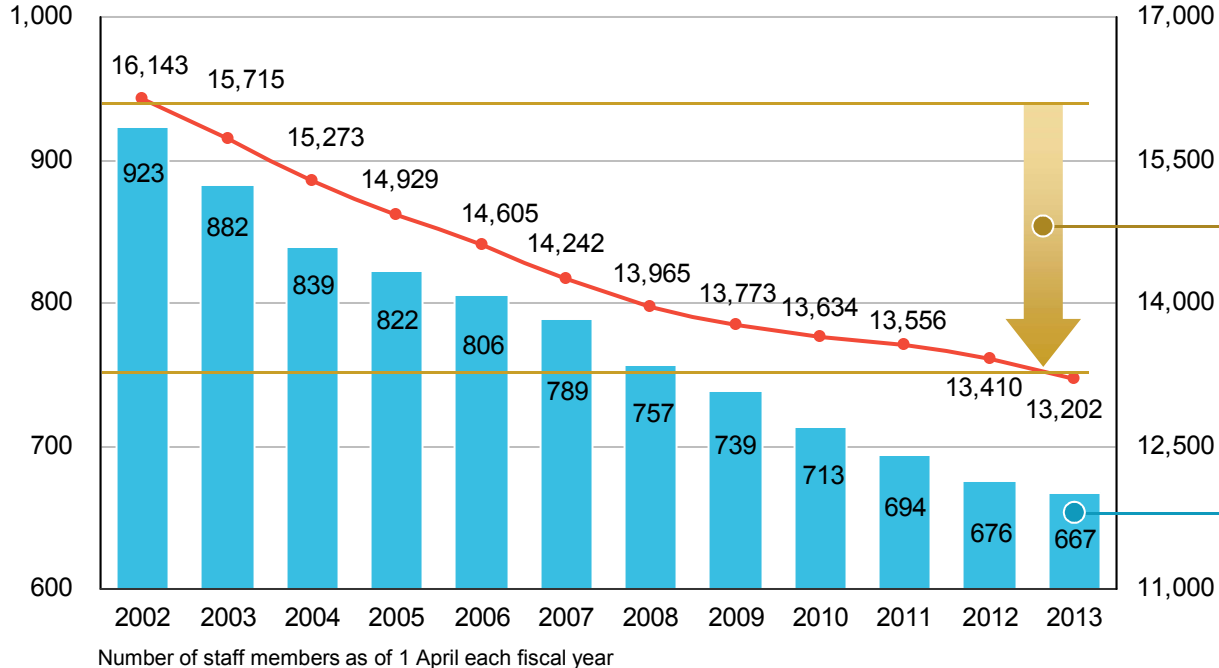
A New Plan of Administrative and Financial Reform: Phase 4 of the Reform Plan(FY2011 - FY2013)
 About 600 job cuts in three years (1,000 reduced, 400 added)

Accomplishments (FY2002 – FY2012)
 Successfully saved Y78.7 billion through continuous efforts such as 2,941 job cuts (~FY2012)

Changes in the number of staff members and compensation for staff

(Compensation for Staff in Y100 mil; bar chart)

(Number of Staff Members; line chart)



Number of Staff Members
 Down 18.2% or 2,941 employees vs. FY2002

Compensation for Staff
 Down 27.7% or Y25.6 billion vs. FY2002



IV. Kawasaki City Bonds

FY2013 Kawasaki City Bonds Issue Plan

- Of 167.2 billion yen of all accounts, private funds are 140.7 billion yen (84.1%)
- The amount of public offering bonds is 100 billion yen (59.8%), of which the amount of Kawasaki individual bonds is 74 billion yen (44.3%)

※ Actuals up to 2013/10 (billion yen)

Category	Term (year)	Sum	2013										2014			Spot	TBD	
			4	5	6	7	8	9	10	11	12	1	2	3				
Public offering bonds	Individual public offering bonds	Nationwide market	5	28	7			7			7			7				
		public offering	10	10									10					
	local govt bonds	Super long	30	10	10					10								
		Flex (mid to long term)	6														6	
Public offering bonds	Joint local government bond	10	26		5	5		5	3		5			3				
	Total		100															

Use of Kawasaki City Bonds



Build bridges



Redevelop station piazzas



Renovate hospitals

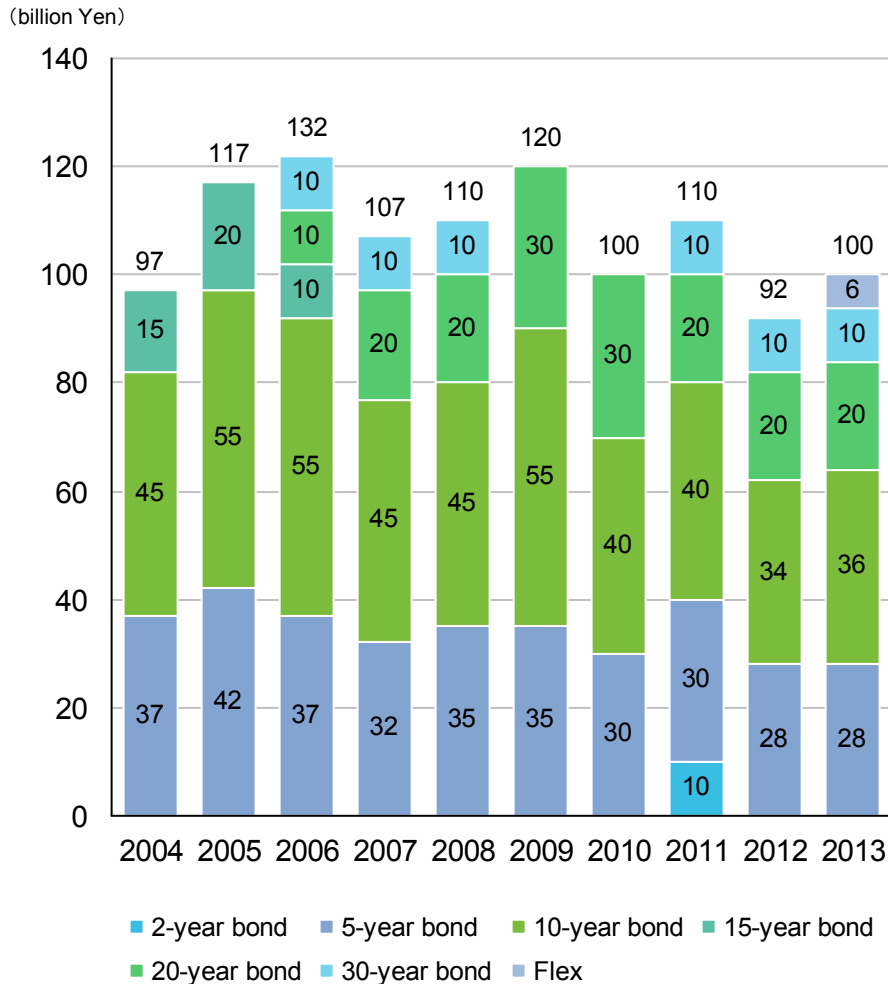


Purchase hook and ladder trucks



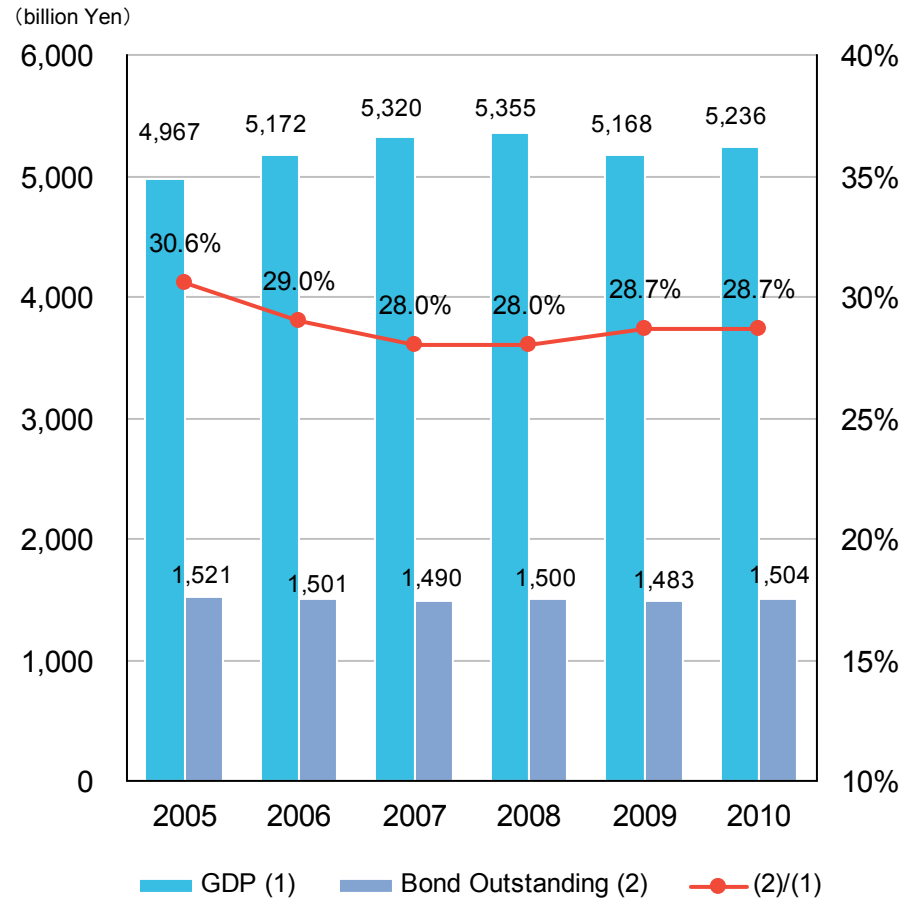
IV. Kawasaki City Bonds

Total amounts of Kawasaki City's public offering bonds issued



Bond Outstanding vs GDP

Bond Outstanding vs GDP is 28.7% (FY2010)



* Bond Outstanding includes all accounts



IV. Kawasaki City Bonds

Risk Weights under BIS Standard

JGB	Government Guaranteed Bonds	Kawasaki City Bonds	Fiscal investment and loan bonds	Electric utility bonds
0%	0%	0%	10%	20%

Kawasaki City Investor Relations Website

Please visit our website for bonds issue plan and track records.

<http://www.city.kawasaki.jp/en/category/132-4-0-0-0-0-0-0-0.html>

Rating prospects

Moody's is highly likely to assign Aa rating to City of Kawasaki (should the city be assigned such rating)

(In October 2006, Moody's, 'Application of JDA methodology to Japanese prefectures and major cities puts their prospective ratings in Aa category')

Tax-Exempt Measures for Non-Residents

- A nonresident or a foreign corporation who satisfies the specific requirements may receive interest on book-entry transfer local government bonds exempted from income tax.
- Starting from June 2010, tax-exemption procedures for the interest payments on book-entry transfer local government bonds received by nonresidents, etc., has been simplified and the scope of tax-exempt qualified person has been widened.

For further details, please visit the website of Japan Local Government Bond Association

Tax Exemption Scheme (J – BIEM)

<http://www.chihousai.or.jp/english/08/index.html>



V. Appendix

1

International Contribution with World-Class Technologies

P.16

- Promotes Showcasing of Environmental Technologies in All Over Kawasaki City
- Promotion of Water-related Business through “Kawasaki Water Business Network”

2

Financial Data

P.18

- Analysis of Annual Expenditure Structure
- Primary Balance
- State of the Ratio for Determining Soundness and the Financial Shortfall Ratio
- Balance Sheets Consolidated with Affiliated Entities



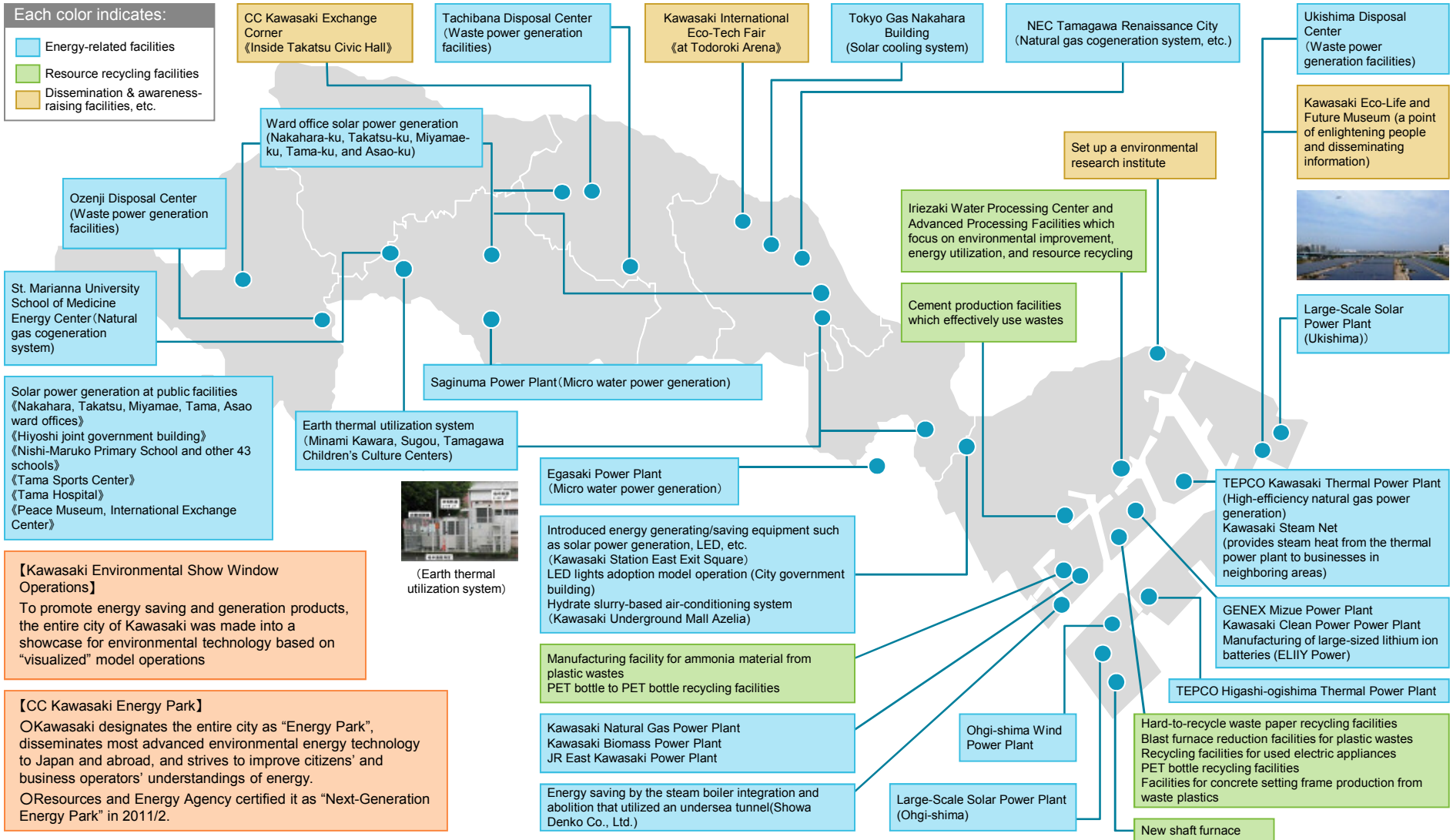
1. International Contribution with World-Class Technologies

Shopping streets which adopted Eco-Friendly Project: 24 groups including «Kitatani-cho Store Association (Kitatani-cho, Nakahara-ku)» and «Noborito Higashi-dori Store Association (Noborito, Tama-ku)



(LED street lights)

Promotes Showcasing of Environmental Technologies in All Over Kawasaki City



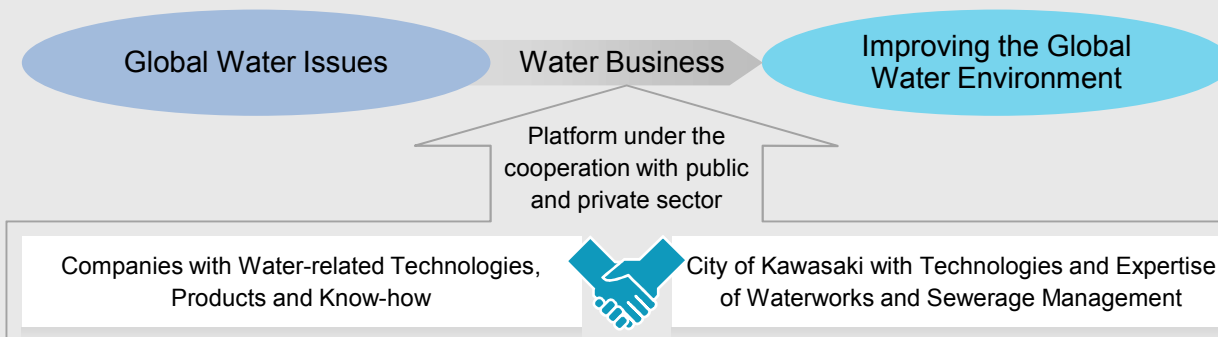


1. International Contribution with World-Class Technologies

Promotion of Water-related Business through “Kawasaki Water Business Network”

Kawasaki City established a platform “Kawasaki Water Business Network” in Aug. 2012 for improving the global water environment through water-related business under the cooperation between the public and private sectors

KaWaBiz NET



Activities of “Kawasaki Water Business Network”

Government-private sector joint survey of the needs in Queensland, Australia



Exchange of opinion for business cooperation in Shenyang City, China



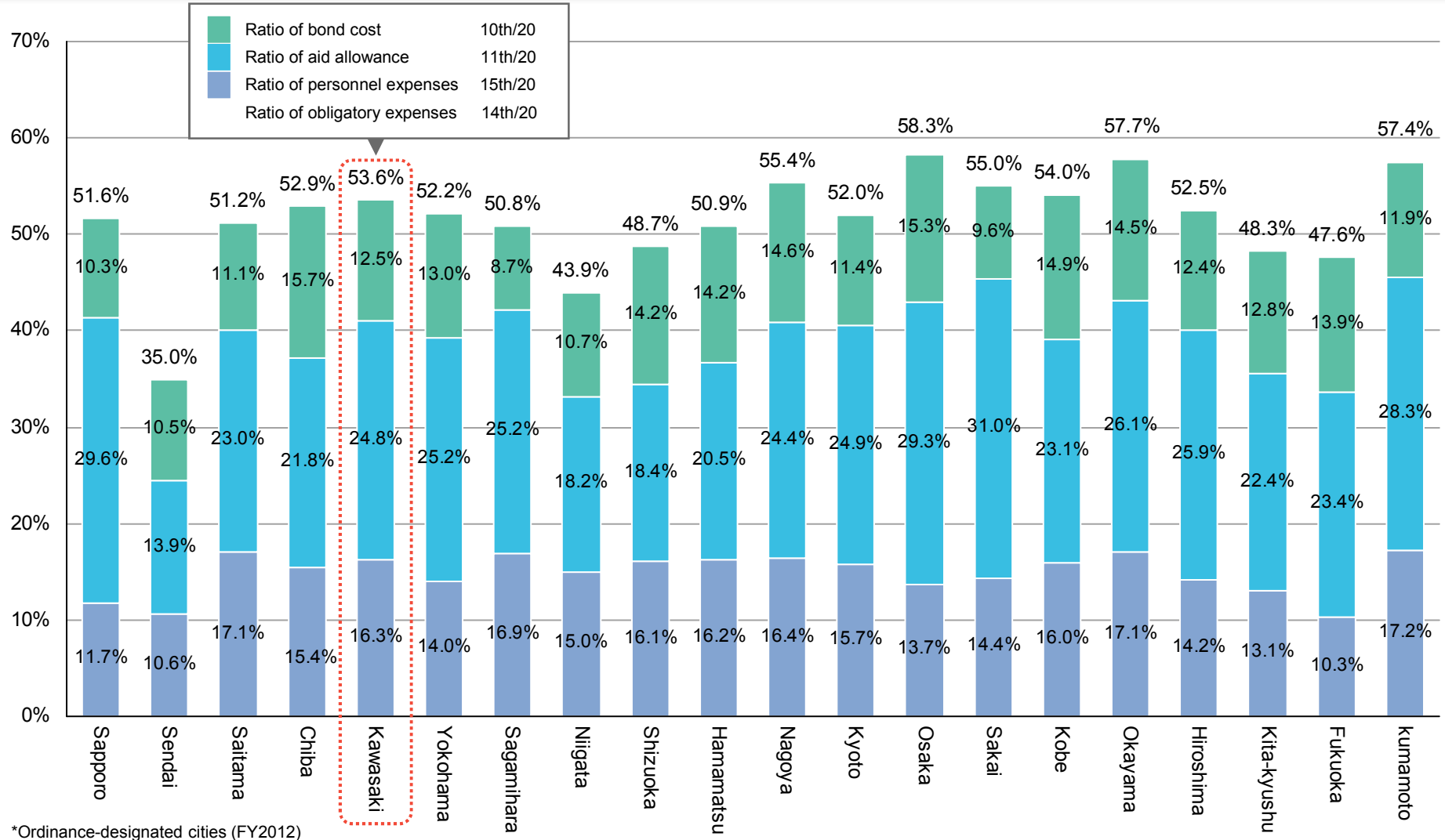
Holding the seminar related to water business





2. Financial Data

Analysis of Annual Expenditure Structure (general account)



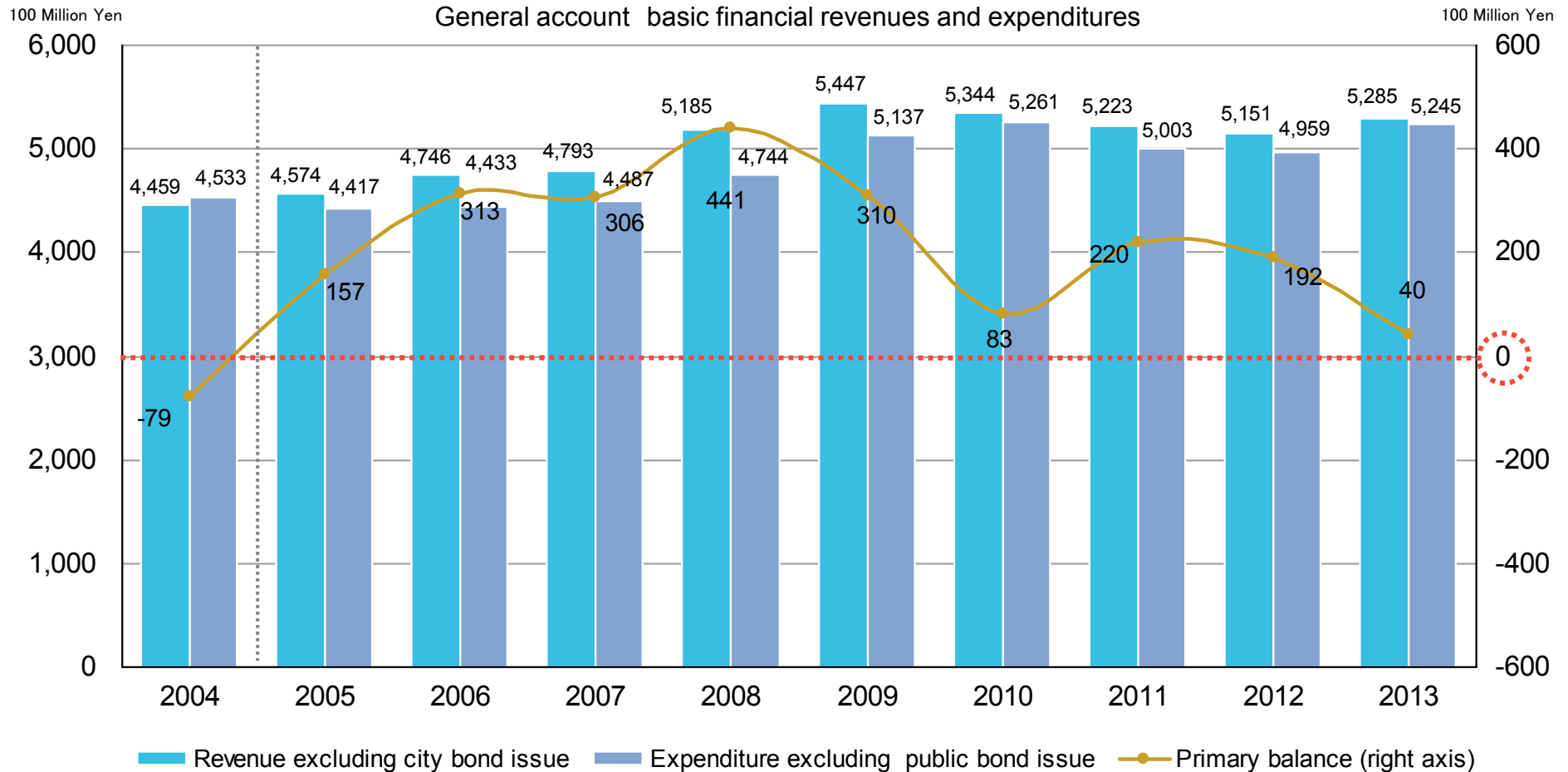
*Ordinance-designated cities (FY2012)



2. Financial Data

Primary Balance

Positive scores since FY2005



*Initial budget (2013)



2. Financial Data

State of the Ratio for Determining Soundness and the Financial Shortfall Ratio

- The Local Government Financial Soundness Law stipulates that the following ratios are used to gauge the fiscal health of local governments. (1) Real deficit ratio (2) Consolidated real deficit ratio (3) Real debt service ratio (4) Future burden ratio
- Also, the (5) Financial shortfall ratio was established for assessing fiscal health of public enterprises.
- The local government must draft a financial health improvement plan if any ratios exceed the early financial soundness criterion and a financial recovery plan must be drafted if any ratios exceed Financial Rebuilding Criterion.

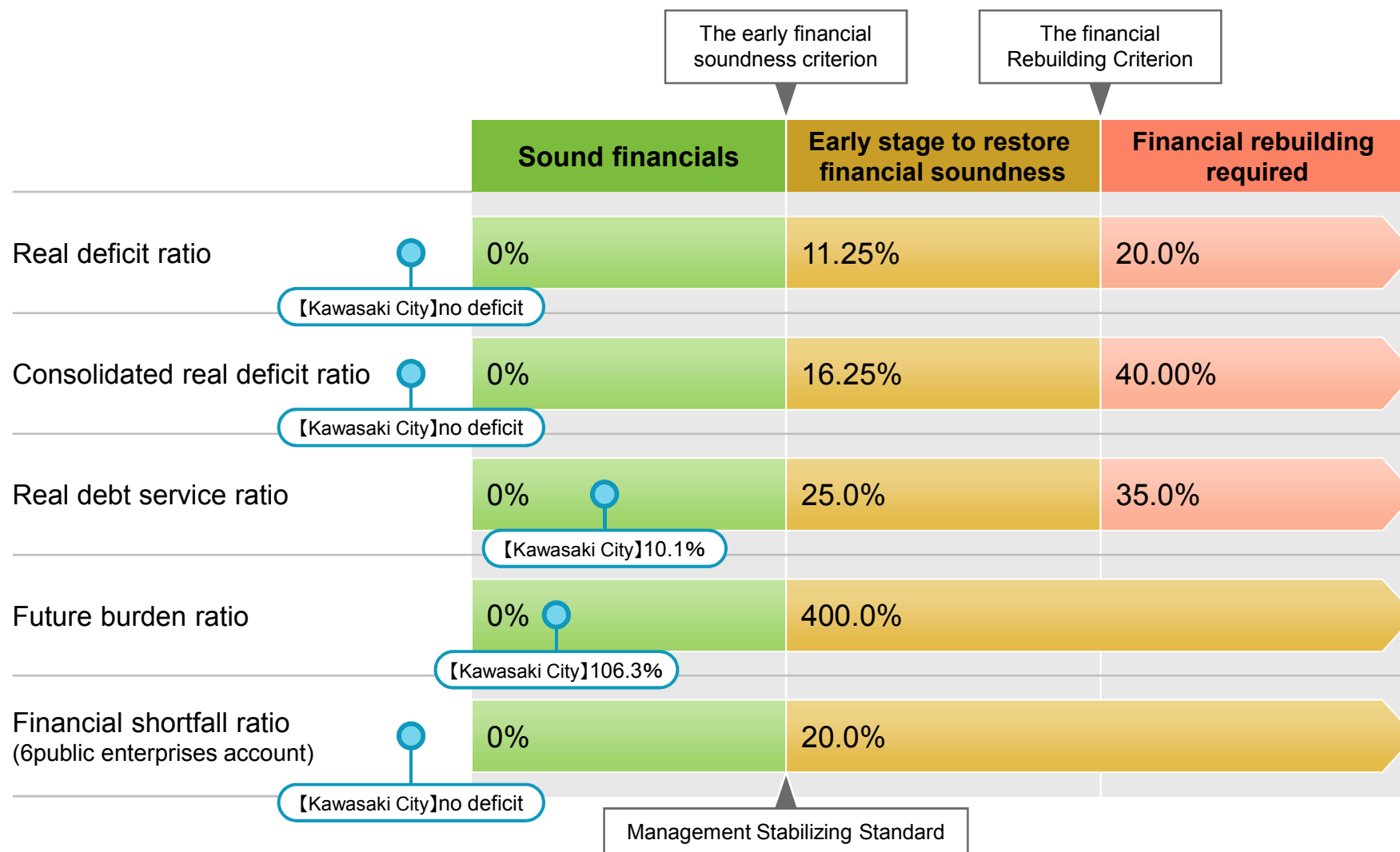
Fiscal Health Assessment		FY2012	FY2011	The early financial soundness criterion	The financial Rebuilding Criterion
1	Real deficit ratio	—%	—%	11.25%	20.00%
2	Consolidated real deficit ratio	—%	—%	16.25%	40.00%
3	Real debt service ratio	10.1%	10.9%	25.0%	35.0%
4	Future burden ratio	106.3%	111.2%	400.0%	
Capital shortfall ratio		FY2012	FY2011	Management Stabilizing Standard	
5	Financial shortfall ratio (6public enterprises account)	All public enterprises have no capital shortfall.	All public enterprises have no capital shortfall.	20%	

- **Kawasaki City does not have any real deficits in general or public project accounts.**
- **Fiscal conditions are sound, as it is within the real debt service ratio and the future burden ratio under the early financial soundness criterion.**



2. Financial Data

State of the Ratio for Determining Soundness and the Financial Shortfall Ratio (FY2012)





2. Financial Data

Balance Sheets Consolidated with Affiliated Entities (as of March 31, 2012)

(100 million yen)			(100 million yen)			(100 million yen)		
Assets	Financial	1. Capital	467	Assets	Liabilities	Current liabilities	1. Municipal bonds (short-term)	1,167
		2. Account receivables	534				2. Others	605
		3. Securities	47		Current liabilities total		1,772	
		4. Others	2,511		Non-current liabilities		1. Municipal bonds (long-term)	13,854
		Total financial assets					3,559	2. Provisions
	Total financial assets		3,559			3. Others	641	
	Non-financial	1. Operating assets	15,691		Non-current liabilities total		15,433	
		2. Non-operating assets	35,766		Total liabilities		17,205	
		3. Others	0		Net assets			37,811
		Non-financial assets total						
Total assets		55,016	Total net assets			37,811		
						(100 million yen)		

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HP **English Website**
<http://www.city.kawasaki.jp/en/index.html>

Kawasaki City Investor Relations (IR)
<http://www.city.kawasaki.jp/shisei/category/47-4-1-0-0-0-0-0-0-0.html>

The purpose of this material is to explain the financial conditions of City of Kawasaki to investors who are considering the purchase of Kawasaki municipal bonds. The intent is not to sell a particular bond or to solicit buyers.



Look of Kawasaki from Tokyo bay (Kawasaki on the left, Tama River in the middle, Tokyo on the right)