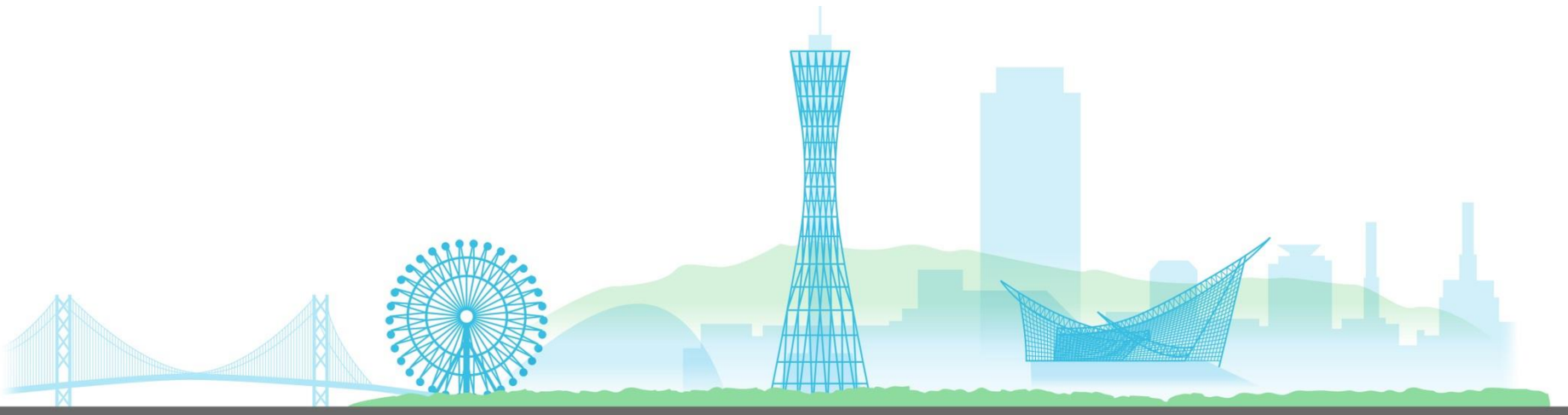


City of Kobe Investor Relations Materials

December 2016



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1. Summary of Kobe City



Summary of Infrastructure

- Kobe has 9 administrative districts and all modes of transportation (land, sea and air routes) are available and interlinked.
- Kobe City is surrounded by nature such as Mt. Rokko in the northern part, and port of Kobe and Kobe airport in the southern part.

Profile

Kobe's Yuru-chara
"Kobear"



- Area 557.02km²
- Population 1,535,037 (As of Apr 2016)
- Households 707,003 (As of Apr 2016)
- Average temperature 16,7°C



Kitano Ijin-kan



Night view from Rokko Maya



Kobe Oji zoo

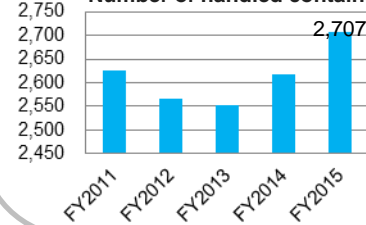
Port of Kobe

- One of the best container ports connected to the ports around the world
- Selected as an international container strategic port in the name of "Hanshin Port" together with Osaka Port
- 2017 is the 150th anniversary

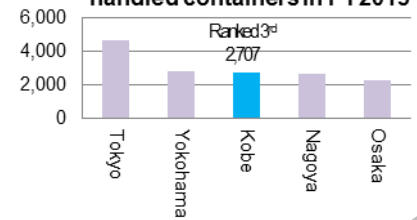


[1,000 TEU]

Number of handled containers



Comparison of the number of handled containers in FY2015



Transportation

Highways

Broadly Covered by Hanshin, Sanyo, Chugoku, Kobe-Awaji Expressways

Railway

JR, Private Railways, Subways, New transport systems, etc

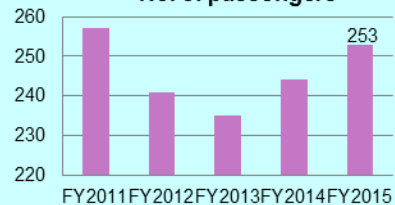


Kobe Airport

- Connecting 6 cities(e.g. Tokyo Haneda, Sapporo Shin-Chitose, Okinawa Naha) nationwide
- Access: 18minutes from Shin-Kobe
- Celebrated 10th anniversary in Feb 2016



Transitions of No. of passengers

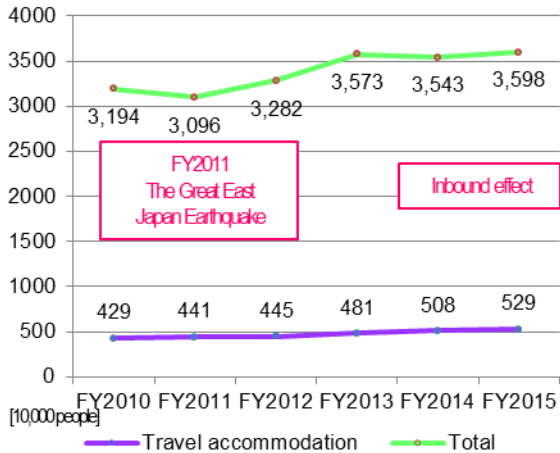


Ranked 15th among 97 domestic airports for No. of Passengers by Airport (Domestic flights)
 ※Ranked 1st among 65 locally managed airports

Summary of Lifestyles / Economy

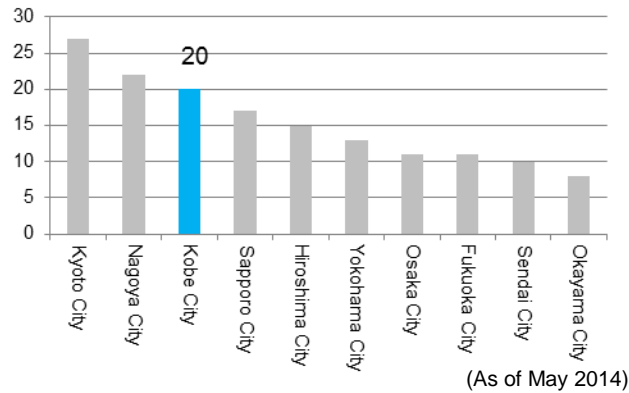
- The number of tourists recorded the highest in FY2015 due to the inbound effect (tourist from foreign countries) etc.
- The problem is that most of students move out to work after their graduation even though there are a lot of universities in the city.
- Product exports: 6th among the government-designated cities (food stuffs: 1st among the government-designated cities).

The number of tourists to Kobe



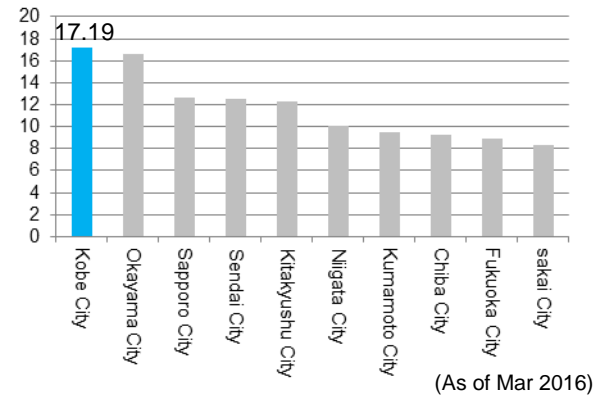
Universities

20 universities are located in Kobe

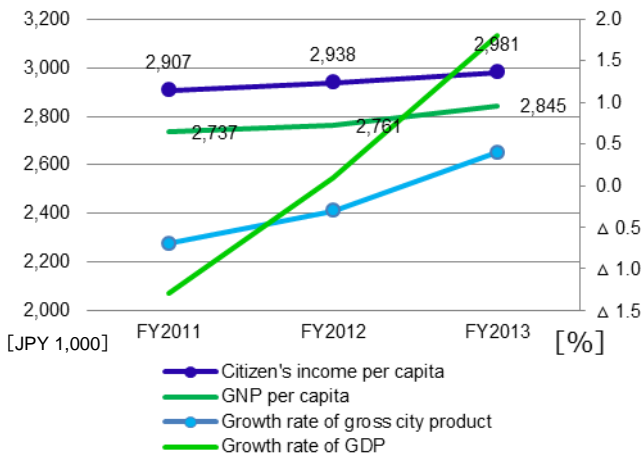


Parks

Per-capita city park area is 17.19m²

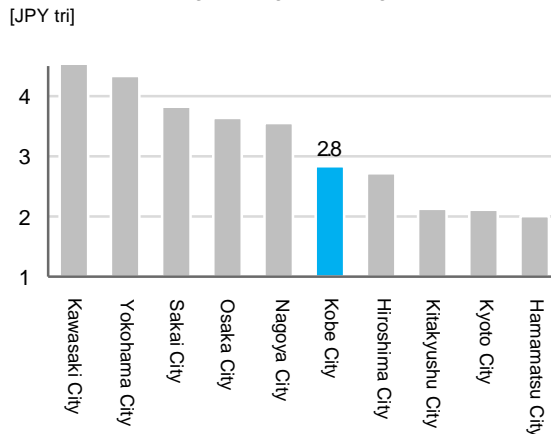


Gross city product and Citizen's income

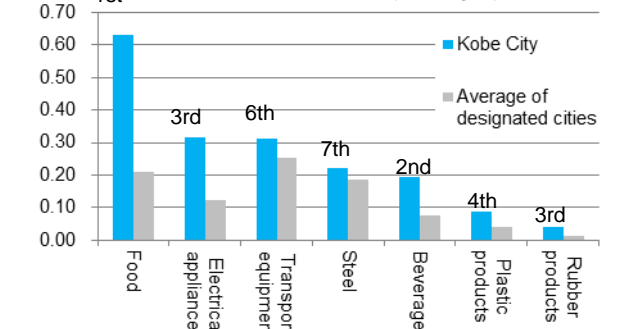


Ministry of Economy, Trade & Industry, Industry Statistics 2014: Product exports etc

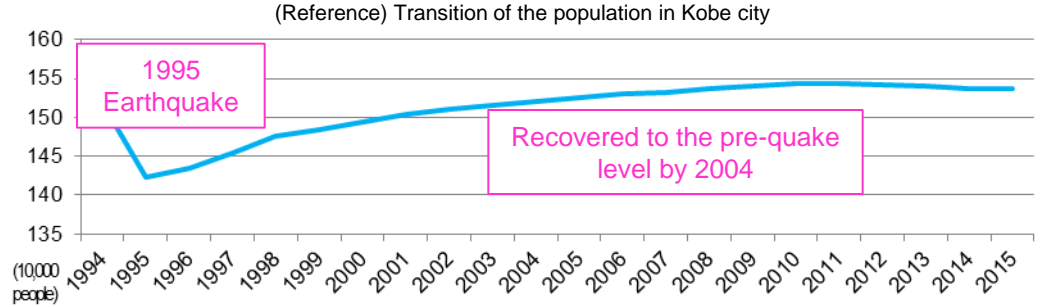
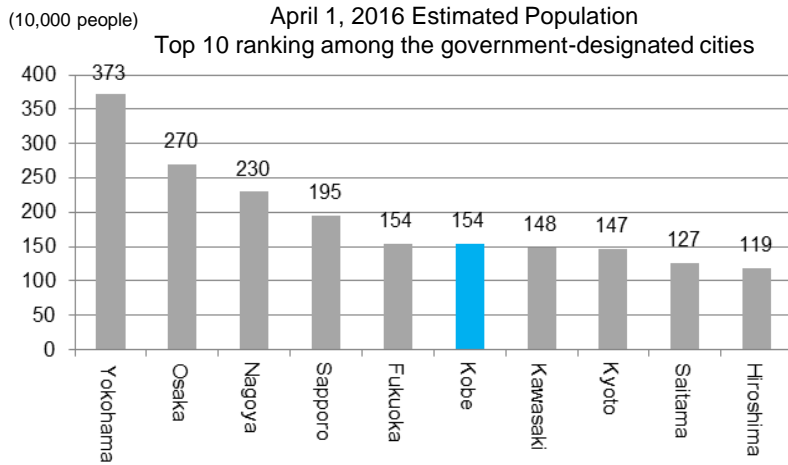
Top 10 ranking among the designated cities



Ranking of government-designated cities for middle industry category



- The population that shrank by nearly 100,000 after the Great Hanshin Earthquake was recovered to the pre-quake level by 2004 and currently stands at 1.535 million (6th among the government designated cities).
- Kobe promotes the activities of “Kobe 2020 Vision” and “Kobe Creation Strategies” in order to deal with the population decline.



Establishment of the “Council of experts to discuss the future demographics of Kobe City” to explore the future population and how to develop the city.

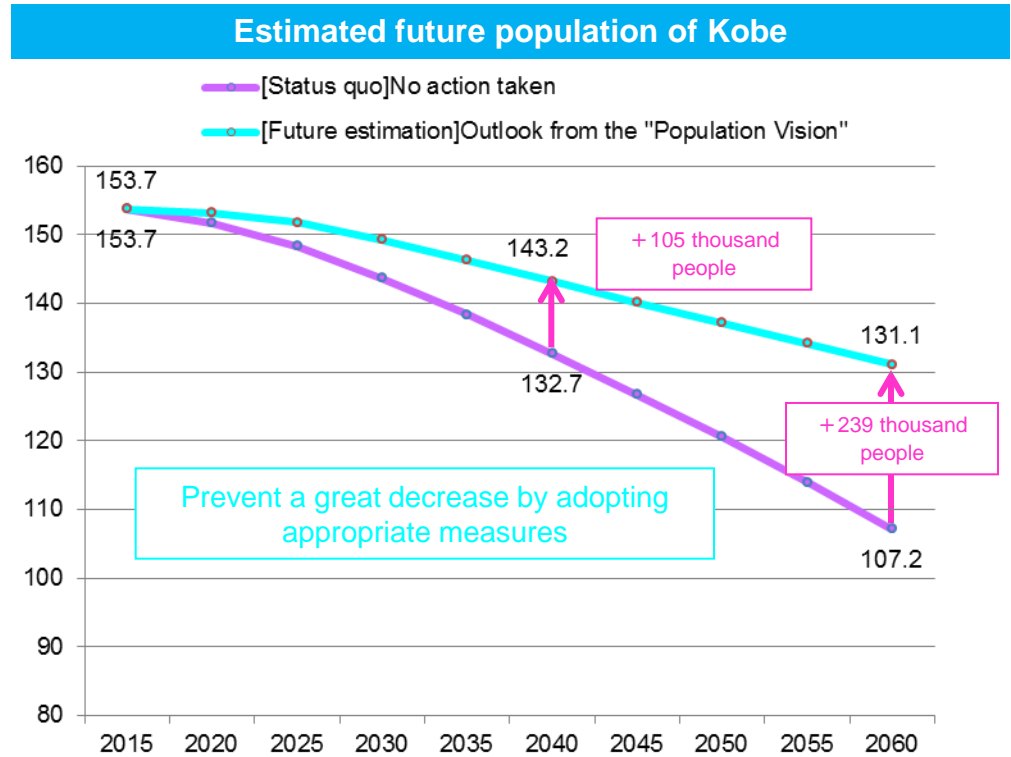
Problems

- Excessive population drain to the Kanto region
- New graduates leaving the region
- Population is rapidly aging in the region

Promotion of “Kobe 2020 Vision” / “Kobe Creation Strategies”
(Theme)
The town chosen by the young + The town everybody can play an active role

(Objective)

- ① Maintaining **12,000 live birth per year**
- ② Increasing young population transferring to Kobe and decrease the 2,500 people who move into Tokyo area annually



2. Fiscal Profile of Kobe City



FY 2015 Financial Results Overview

Achieved actual income surplus for 17 consecutive years

- Achieved actual income surplus for 5 consecutive years without supporting revenue resources.
- The amount of actual income (JPY1.26bn) is planned to be reserved to public finance adjustment reserve funds after the settlement.

Maintaining the good Ratio for Determining Financial Soundness

- Real Debt Service Ratio: 7.9% (Average among designated city in FY2014: 11.2%)
- Future Burden Ratio: 80.2% (Average among designated city in FY2014: 132.4%)

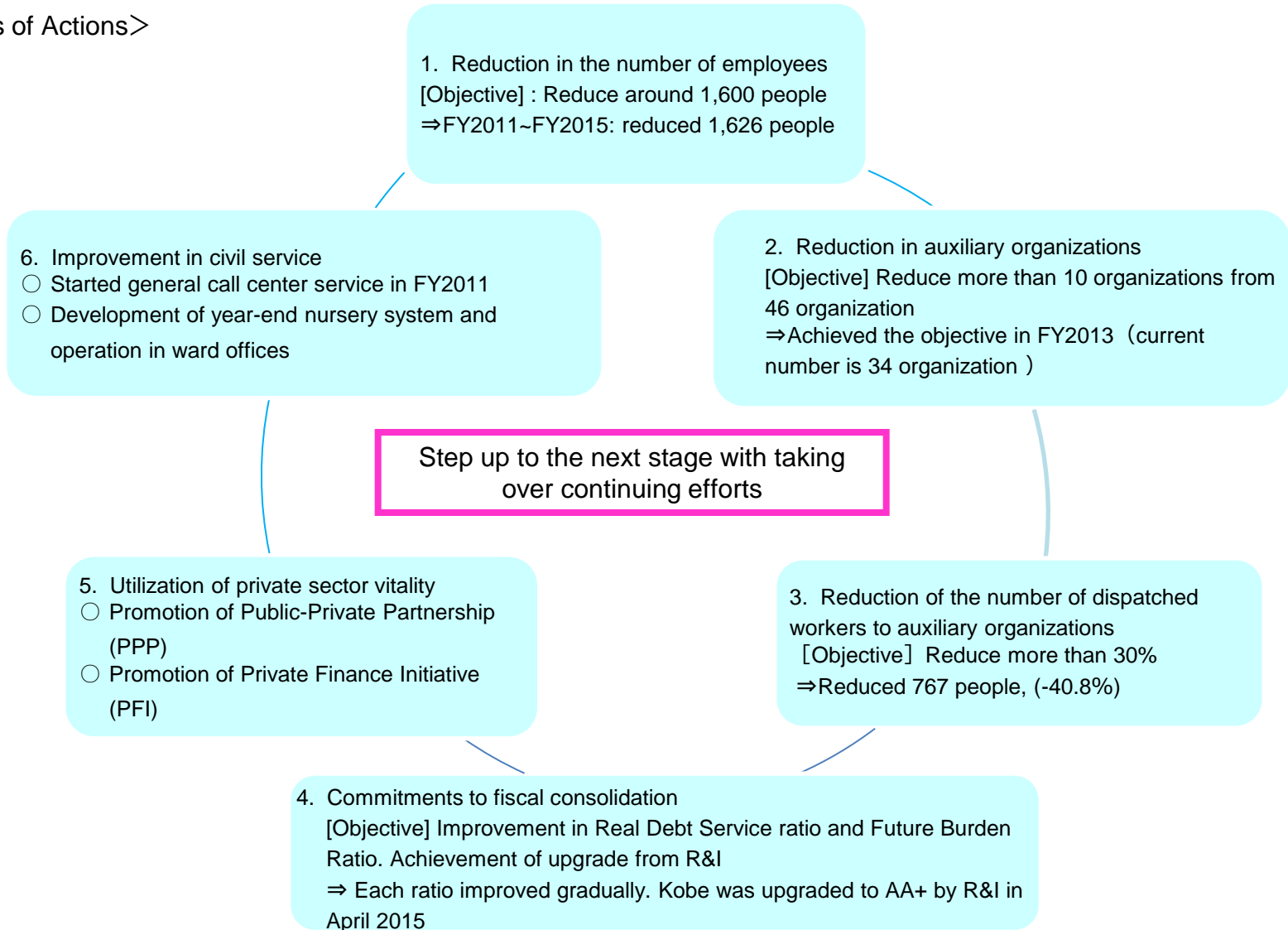
All the 7 business accounts achieved positive net profit

- Pursuing improvement of business efficiency in each business accounts.
- Recorded around JPY11.7bn for single fiscal year surplus of all business accounts.



- Kobe city implemented the initiatives steadily through FY2011 to FY2015 which was planned in “Kobe's Administrative and Fiscal Reforms in 2015”.

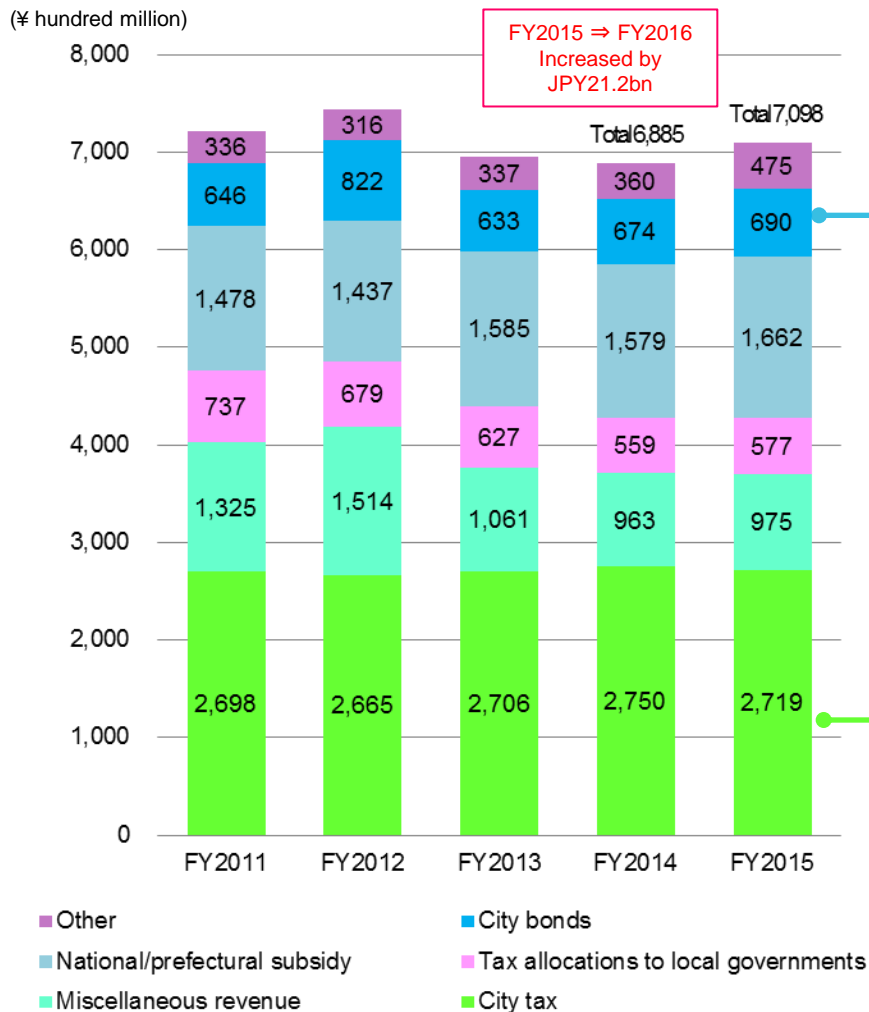
<Results of Actions>



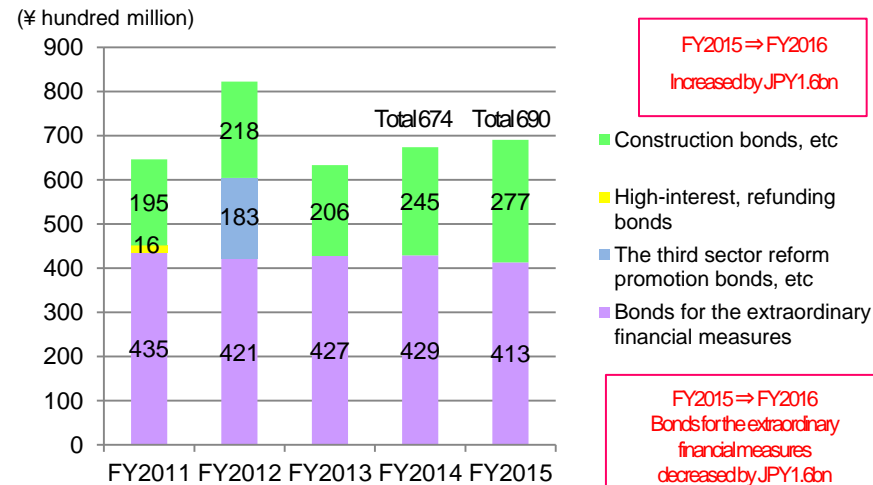
FY 2015 Results of General Account Revenue

- Achieved actual income surplus for 17 consecutive years (5 years without supporting revenue resources).
- The City tax decreased by JPY3.1bn compared to FY2014 because of the decrease of corporate citizen tax reflecting the effect of the revision of tax system and the decrease of fixed asset tax and city planning tax due to the revaluation. However, the whole revenue increased by JPY21.2bn thanks to the increase of local allocation tax and transferred tax.
- City bond revenue increased by JPY1.6bn because of the increase of construction bonds although the bonds for the extraordinary financial measures which are the transfer of local allocation tax decreased.

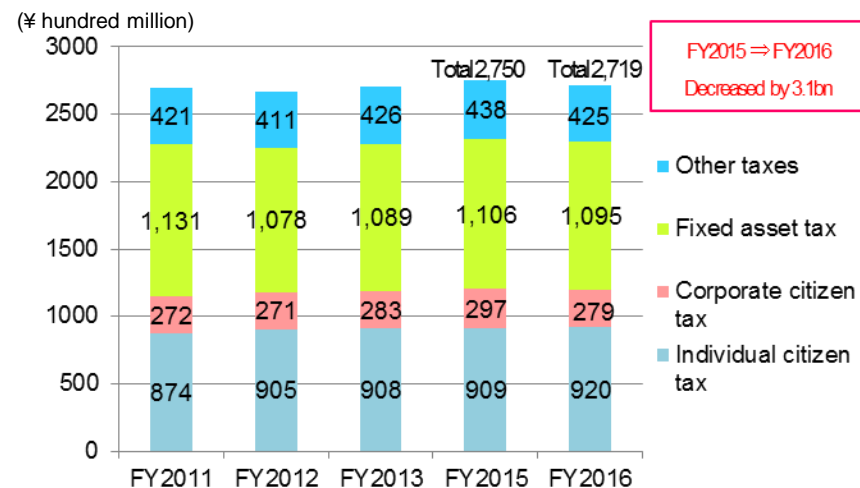
Transition of Breakdown of Revenue



Transition of City Bond Revenue



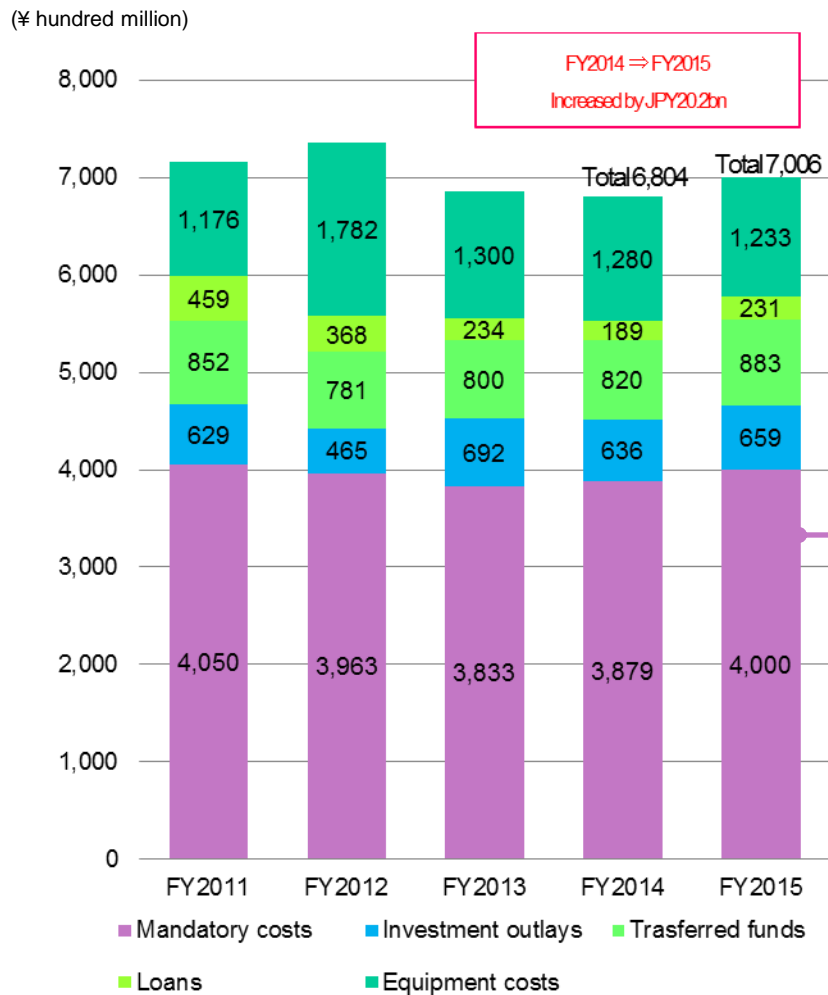
Transition of City Tax Revenue



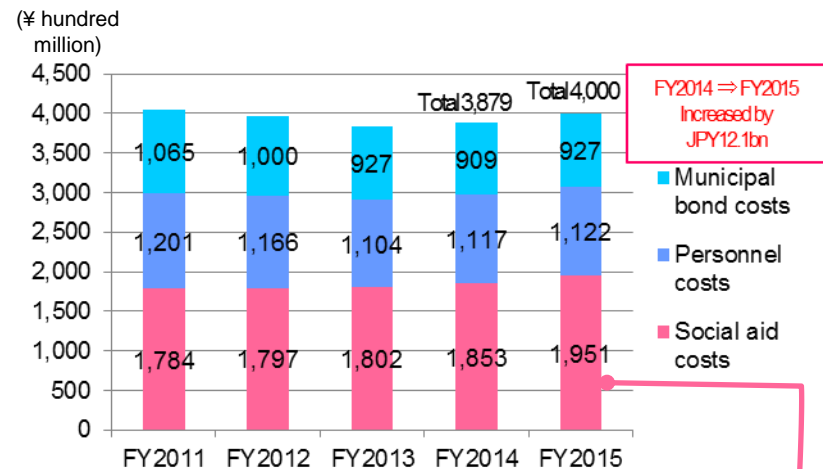
FY 2015 Results of General Account Expenditures

- Expenditures increased by JPY20.2bn compared to FY2014 because of the increase of social security cost such as social aid costs.
- Mandatory expenses consisting of personnel costs, social aid costs, and municipal bond costs increased by JPY12.1bn compared to FY2014 and were JPY400bn (57.1% of the total general account expenditure).

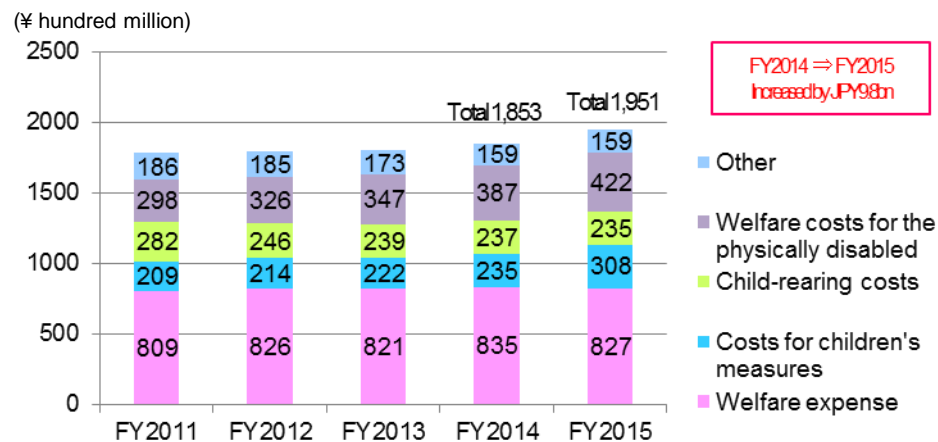
Transition of Breakdown of Expenditures



Transition of Mandatory Expenditures



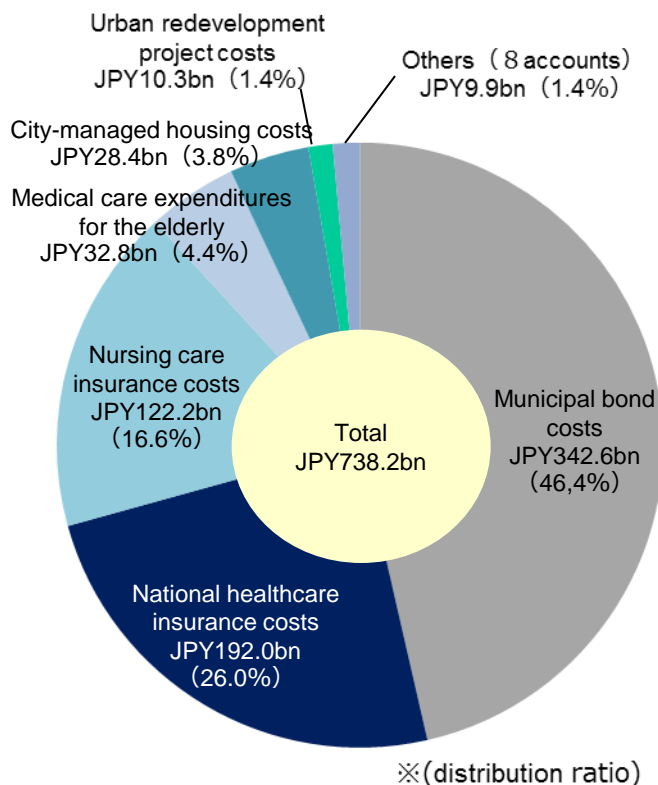
Transition of Breakdown of Social Aid Costs



FY2015 Results of Special Accounts

- Special accounts consists of 14 accounts as of end of FY2015.
- Insurance accounts increased due to the increase of medical costs reflecting the super aging society and the expansion of joint projects to adjust the medical expenses among towns and cities within the prefecture.
- Total of special accounts increased by JPY62.9bn compared to FY2014.

Distribution Ratio in FY2015



Accounting item	Expenditure			Transfer from the general account		
	FY2015	FY2014	increase or decrease	FY2015	FY2014	increase or decrease
Market costs	26	25	+1	4	3	+1
Meat processing center costs	11	11	-	7	8	△1
National healthcare insurance costs	1,920	1,639	+281	178	154	+24
Worker welfare insurance costs	4	4	-	-	-	-
Agricultural insurance costs	2	2	-	1	1	-
Loans from Welfare Funds for Mothers with Dependent Children and Widows	1	1	-	-	-	-
Parking lot business costs	11	10	+1	1	-	+1
Agricultural community sewer program costs	13	13	-	10	10	-
Urban redevelopment project costs	103	87	+16	82	67	+15
City-managed housing costs	284	289	△5	50	58	△8
Nursing care insurance costs	1,222	1,182	+40	186	174	+12
Airport development costs	31	30	+1	10	9	+1
Medical care expenditures for the elderly aged 75 or over	328	325	+3	173	175	△2
Municipal bond costs	3,426	3,135	+291	927	909	+18
Special Accounts total	7,382	6,753	+629	1,629	1,568	+61
Three Insurance Accounts total	3,470	3,146	+324	537	503	+34

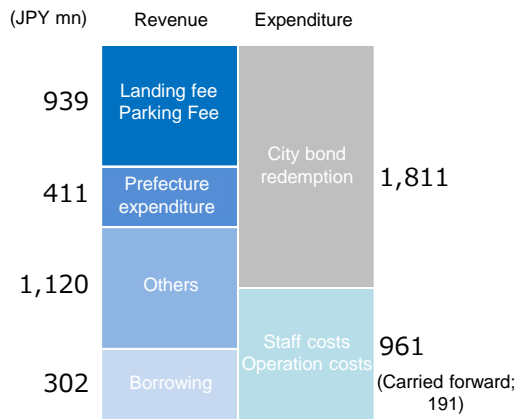
- The number of users of the Kobe Airport in FY 2015 was approximately 2.53 million.
- In order to stimulate the economy in Kobe by realizing the integrated operation of 3 airports(Kansai, Itami, Kobe) in Kansai, Kobe city started preparing ordinance for concession (management by private business operator) aiming to start in Spring 2018.



Kobe Airport

18 minutes from Sannomiya by Kobe New Transit (Port Liner)

Airport Account Balance of Payments



Runway

- 2,500meters, 1 line

Operating hour

- From 7:00 to 22:00

Operating airlines

- All Nippon Airline (ANA) 、Skymark、Solaseed Air, AIRDO

No. of Flights, Destinations (as of Dec 2016)

- 29 flights
- Shin-Chitose · Ibaraki · Haneda · Nagasaki · Kagoshima · Naha

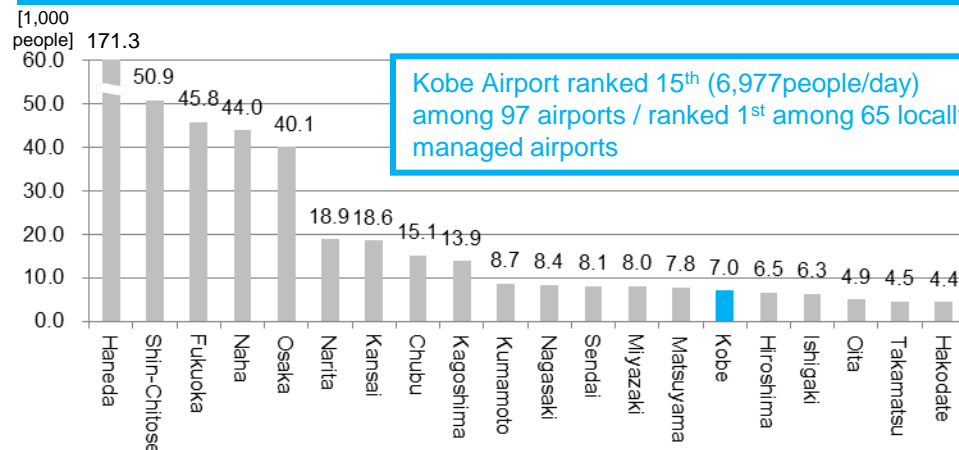
○Actions to increase Landing fee

- Asking airlines to increase the number of flights to utilize the maximum 30 flight / day upper limit
- Asking airlines to bring in larger aircrafts.

○Actions to improve convenience

- Reflecting the requests from passengers and airlines, Kobe city will Keep requesting the national government to extend operation hours, increase arrival and departure slots, etc

No. of Passengers per day Ranking by Airport (Domestic flights)



FY 2015 Results of Business Accounts

- All the 7 business accounts recorded surplus and the total was JPY11.7bn for single fiscal year.
- Port operation business account recorded 2.71 million TEU in FY2015, the highest number of handled containers due to the integrated actions with government of Japan and Kobe-Osaka International Port Corporation.
- Automotive operations account recorded the profit of JPY284mn due to the reduction of operating expenses

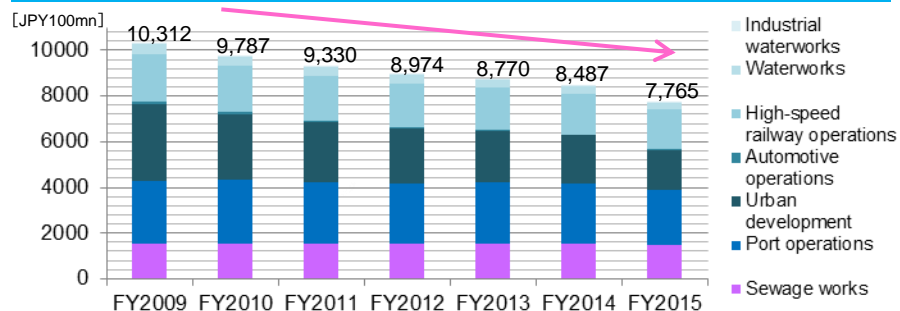
Revenue and expenditures of each business accounts [JPY mn]

Accounting item		FY2015	FY2014	increase or decrease
Sewage works	Annual profit / loss	1,179	△1,695	+ 2,874
	Cumulative profit / loss	1,179	-	+ 1,179
Port operations	Annual profit / loss	2,717	3,040	△323
	Cumulative profit / loss	2,718	1	+ 2,717
Urban development	Annual profit / loss	1,595	1,150	+ 445
	Cumulative profit / loss	1,596	1	+ 1,595
Automotive operations	Annual profit / loss	285	△3,835	+ 4,120
	Cumulative profit / loss	826	541	+ 285
High-speed railway operations	Annual profit / loss	2,176	△5,129	+ 7,305
	Cumulative profit / loss	△80,416	△82,592	+ 2,176
Waterworks	Annual profit / loss	3,389	△8,535	+ 11,924
	Cumulative profit / loss	7,630	4,241	+ 3,389
Industrial waterworks	Annual profit / loss	319	336	△17
	Cumulative profit / loss	1,819	1,500	+ 319

Balance sheet items of each business accounts [JPY mn]

Item	Sewage works	Port operations	Urban development	Automotive operations	High-speed railway operations	Waterworks	Industrial waterworks
Assets	Total Assets	655,620	963,435	393,588	17,378	254,260	330,820
	Fixed Assets	624,360	943,796	44,210	15,955	251,170	305,766
	Current Assets	31,260	19,639	118,105	1,423	3,090	25,051
	Deferred Account	-	-	-	-	-	3
	Land development Account	-	-	231,273	-	-	-
Liabilities	Total Liability	392,855	468,554	257,612	10,307	234,473	150,771
	Fixed Liability	139,192	227,313	226,433	6,042	168,179	41,583
	Current Liabilities	17,878	26,198	31,179	3,995	17,380	10,310
Capital	deferred revenue	235,785	215,043	-	270	48,914	98,878
	Total Capital	262,765	494,881	135,976	7,071	19,787	180,049
	Capital Stock	118,261	179,562	70,464	3,154	84,789	139,009
	Capital Surplus	144,504	315,319	65,512	3,917	△65,002	41,040
Total capital and liabilities	655,620	963,435	393,588	17,378	254,260	330,820	15,448

Transition of Corporate Bonds portion



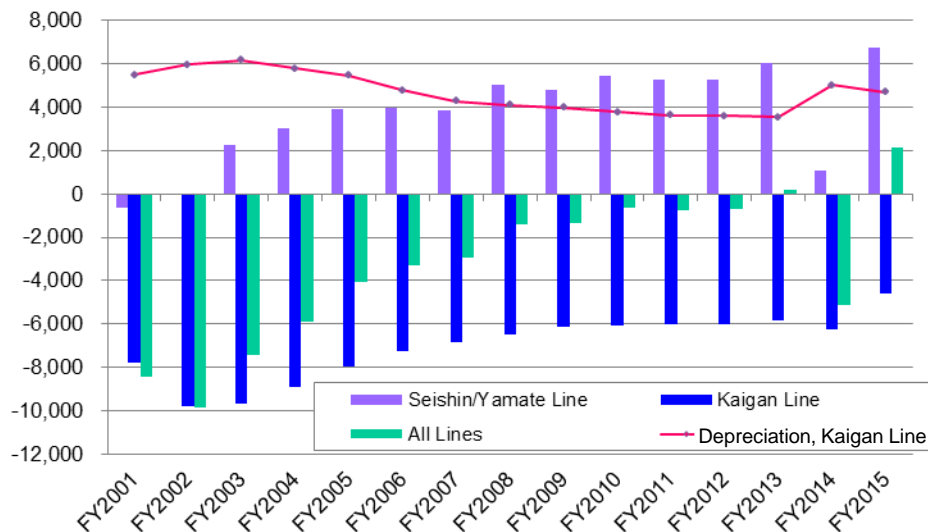
※The result of FY2015 reflects the influences of the accounting standard revisions

FY 2015 Results of Business Accounts; High-speed railway operations

- Total of Seishin / Yamate line and Kaigan line recorded the profit of JPY2.18bn due to the increase of No. of passengers per day (+3,400 passengers per day) , increase of revenue from passenger fee and actions to improve management efficiency.
- Seishin / Yamate line posted record high profit (JPY6.75bn) (recorded surplus 13 consecutive years since FY 2003).
- Kaigan line recorded the smallest deficit though the capital expenses such as depreciation are still heavy burden.



Transition of Ordinary Profit and Loss by Line



※Influence of accounting system reviews reflected to FY2014 results

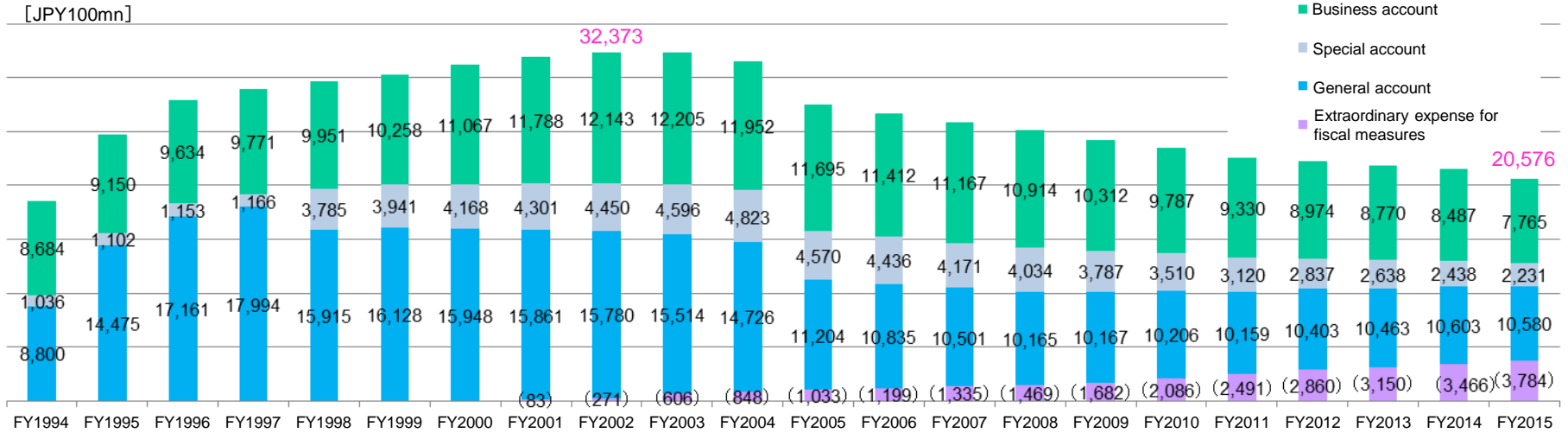
[JPY100mn]	Opening time	Service distance	FY 2015 Results				
			Revenue	Expenditure	Depreciation	Net profit or loss	No. of passengers per day
Kaigan Line	2001	7.9km	5,226	9,798	4,686	△4,572	44,456
All Lines		30.6km	25,498	23,322	9,241	2,176	306,785

- Actions to Improve Balance of Payments of Kaigan Line
 - Collaboration with Aeon Mall (Opening June 2019)
 - Collaboration with Top Sports Team (Vissel Kobe and INAC, etc.)
 - planning to open sports facilities on the site of past sewage - treatment plant
 - Project for promoting the use of Noevir Stadium Kobe
 - Application invitations of public regeneration projects of the Subway Kaigan Line and the west side of the city, followed by the implementation of the chosen Applications
 - Kobe is planning to build new government building with Hyogo prefecture which consolidated tax processing function

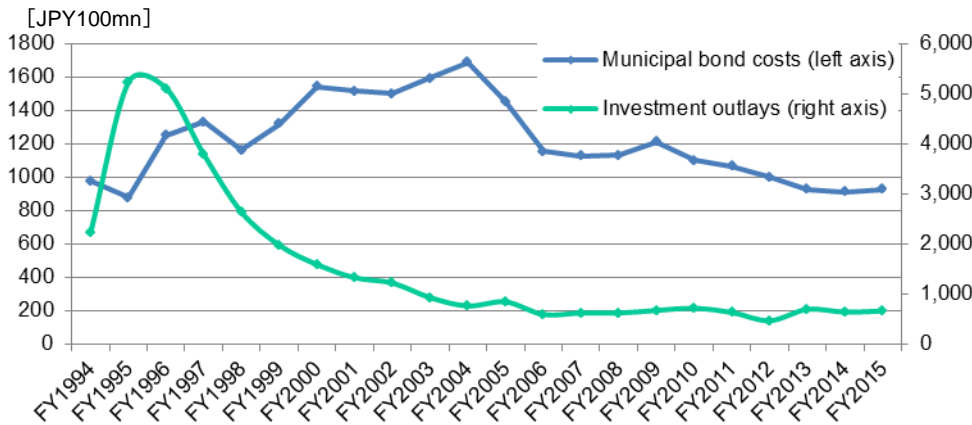
FY 2015 Results of Outstanding City Bonds

- In all the accounts, achieved reduction of ¥1.2 trillion compared to FY 2002 (peak).
- Per capita balance (general account) ranks at the mid-level among government-designated cities.
- The balance of city bonds of general accounts decreased by 2.3 billion yen from the previous year. Excluding the bond for extraordinary financial measures, the balance of city bonds of general accounts decreased by 34.1 billion yen from the previous year.

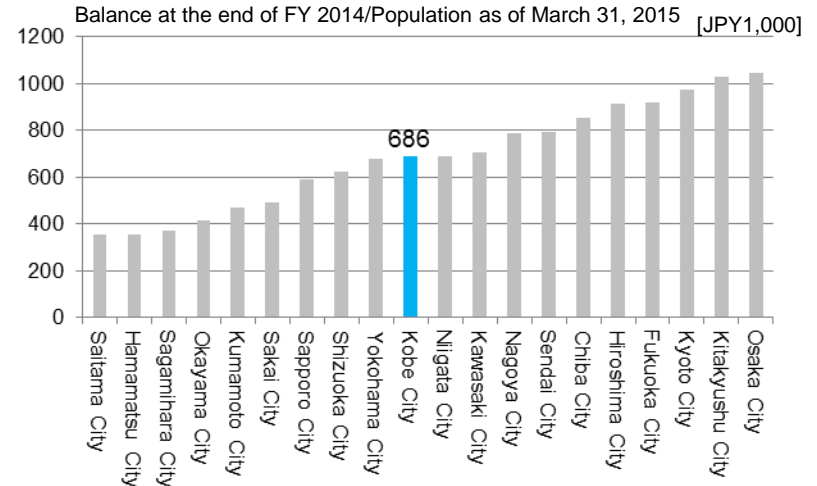
Transition of the outstanding city bonds



General account: Transition of investment outlays and municipal bond costs

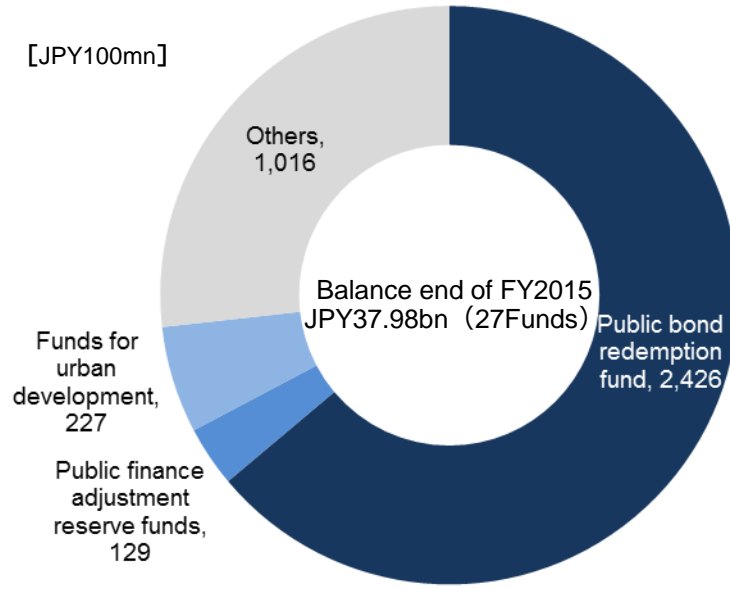


General account: Amount of outstanding city bonds per citizen by the government-designated cities

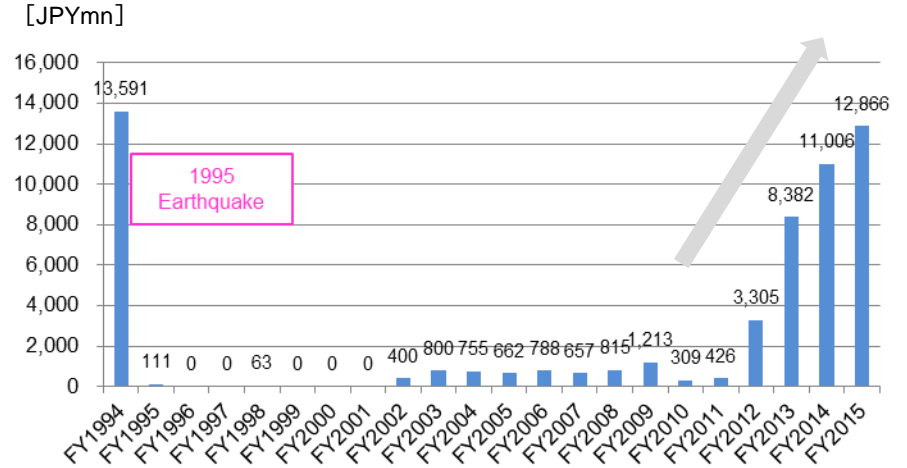


FY2015 Status of Reserve Funds

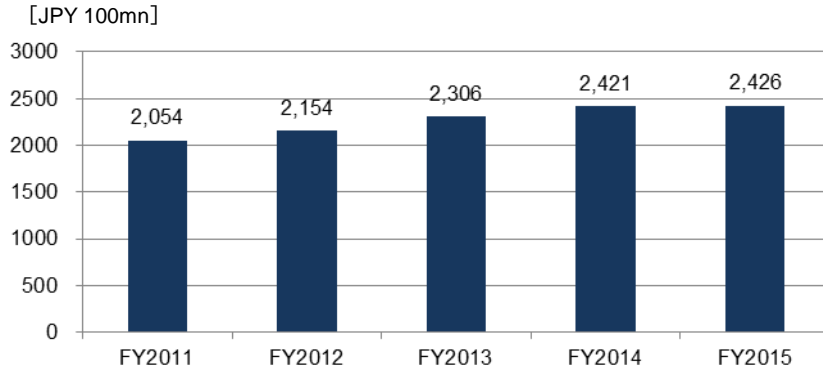
- Kobe City has 27 funds and the total balance is JPY37.98bn.
- Public bond redemption fund reserved the largest amount(JPY242.6bn) which has been accumulated every fiscal year according to prescribed rules.
- Kobe has continued to fund the amount of surplus to public finance adjustment reserve fund (JPY12.9bn as of end of FY2015).



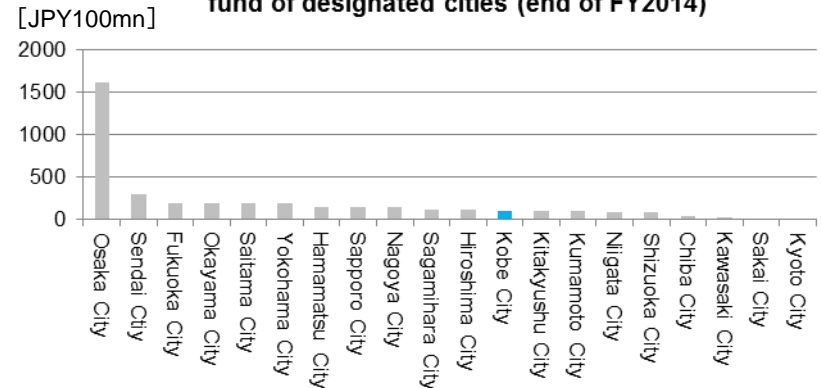
Transition of the balance of public finance adjustment reserve fund



Transition of the balance of public bond redemption fund



(Reference) Balance of public finance adjustment reserve fund of designated cities (end of FY2014)

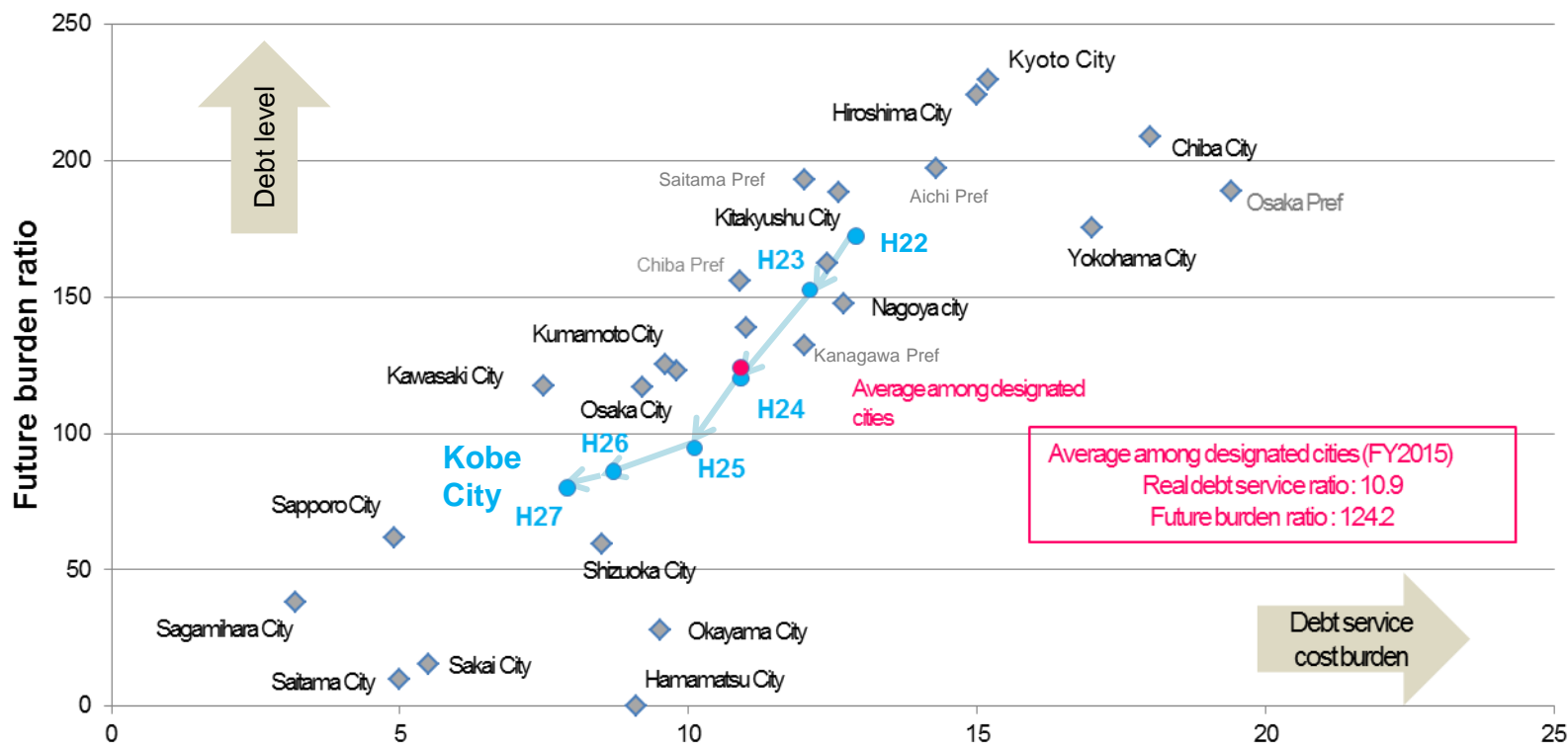


FY 2015 Results of Financial Soundness Indicators

	FY2015	FY2014	Early rehabilitation standard	Fiscal reconstruction standard
Real deficit ratio	-	-	11.25%	20%
Consolidated real deficit ratio	-	-	16.25%	30%
Real debt service ratio	7.9%	8.7%	25%	35%
Future burden ratio	80.2%	86.1%	400%	-

- Real debt service ratio and Future burden ratio improved by 0.8 points and 5.9 points respectively compared to FY2014.
- Kobe will continue fiscal management by analyzing the trend of indicator.
- Each ratio has improved every year through administrative and financial reforms, and reached the level comparable to those of other designated cities who issue municipal bond.

Comparison among designate cities



Kobe City	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Real debt service ratio	12.9	12.1	10.9	10.1	8.7	7.9
Future burden ratio	172.4	152.6	120.2	94.6	86.1	80.2

Real debt service ratio

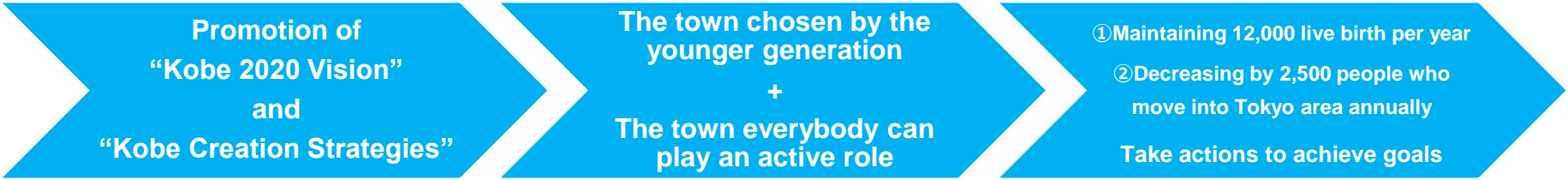
※Posted 5 prefectures with large 10-year bond issue volume(FY2015 results) as a reference

3. Developing a radiant future-creating city



- ¥727.3 billion of FY 2015 General Budget, larger than the previous year.
- Improving the attractiveness of the city through planned investments while carrying out administrative and financial reforms
- Promoting actions based on “Kobe 2020 Vision” and “Kobe Creation Strategies” in order to overcome social challenges; declining birth rate and aging population.

Concepts



Creation of attractive jobs for younger generation

- New business development by local SMEs
- Innovation of support systems for start-ups
- Promotion of “Gastropolis-Kobe 2020”



Office for start-ups
(located in Sannomiya station building)

Creating appeal points to attract young people

- Promotion of migration to Kobe
“Life in Kobe’s Satoyama”



Ogono-cho Nose, Kita-ku

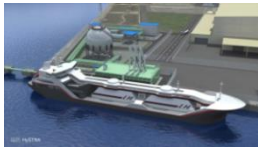
- Promotion of town development for revitalizing town center and local communities
- Enhance attractiveness of the waterfront district

Creating a social system enabling young generations to give priority on marriage, childbirth, child rearing and education

- Elimination of children on waiting lists
- Caring system for schoolchildren outside school hours
- Reduction of nursery fees for households with a lot of children
- Expansion of public medical expense system for infants

Creating promising environment for future generation

- Improvement of public transportation network
- Promotion of hydrogen Kobe smart city



Demonstration test for construction of hydrogen supply chain
(Image of airport island)

Promising security and safety

- Promoting welfare for elderly and disabled people
- Prevention of “cycle of poverty”
- Promoting measures against vacant houses, vacant lots, and house of garbage



あんしんすこやかセンター

Cooperation with the local communities

- Preparation of general counter in the ward office
- Preparation of ward office concierge
- Joint relocation of prefectural and city related organizations to Shin-nagata station area (scheduled to be opened in FY2019)



More attractive measures to deal with population decline

To realize a radiant future-creating city “Chosen Kobe”

Kobe Biomedical Innovation Cluster

- To improve the level of medical care for its citizens and to stimulate local economy, Kobe City is promoting the Kobe medical industrial city by consolidating the medical-related industries on Kobe's man-made port Island.
- This is Japan's largest biomedical cluster, consisting of core facilities that act as an intermediary between basic and clinical researches and coordinate the research facilities of corporations and universities. In addition, there exist medical institutions and medical-related companies.

Kobe Gakuin University, Hyogo University of Health Sciences
Kobe Shukugawa Gakuin University,
Kobe Women's University / Junior College

Kobe Minimally Invasive Cancer Center

Nishi Memorial Port Island
Rehabilitation Hospital

Child Chemo house

Kobe City medical Center General Hospital

(Provisional name) Kobe Eye Center (Scheduled)

Riken Center for Developmental Biology

Institute of Biomedical Research and
Innovation Hospital

Riken Center for Life Science Technologies

Graduate School of University of
Hyogo

Konan University

RIKEN Advanced Institute for Computational
Science (Super computer "K")

Kobe University
Organization for advanced and integrated research

Shin-Kobe
Sannomiya

Iryo Center Station

K Computer Mae Station

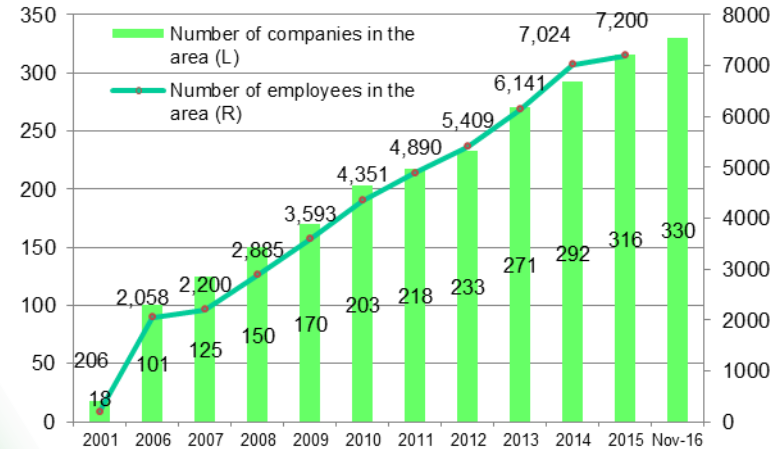
Kobe Airport

Port Liner

No. of companies and employees in Kobe Medical Industrial City

[No. of companies]

[People]



Estimated effects (JPY)	FY2005	FY2010	FY2012	FY2015
Economic effects	40.9 bn	10.41 bn	12.51 bn	16.15 bn
Tax revenue effects	1.3 bn	3.5 bn	4.5 bn	5.6 bn

International Medical
Device Alliance

Hyogo Prefectural Kobe Children's Hospital
(Cooperate with Ronald McDonald House)

RIKEN Integrated Innovation Building

Kobe Center for Medical Innovation (Scheduled)

- Medical Cluster
- Bio Cluster
- Simulation Cluster

- Kobe Biomedical Innovation Cluster was designed as Kansai Innovation International Strategic Comprehensive Special Zone in Dec 2011 and as National Strategic Special Zones in May 2014. Kobe offers tax benefit, financial support and monetary support for companies in the area.
- In the special strategic zone, healthcare services not covered by the insurance etc. are permitted.
- Requesting related ministries and agencies for further deregulation such as outsourcing a part of specimen testing of advanced medicine.

Project for National Strategic Special Zones: Kobe Eye Center(tentative name)



Exterior image

Accelerate practical application of regenerative medicine including world's first retinal treatment utilizing iPS cell

Construction started in Sep 2016
Completion around the fall of 2019

- Total system from basic research to clinical application, treatment and rehabilitation
- The administrators are RIKEN, Kobe City Hospital Organization and other private enterprises

Innovative in silico drug development base

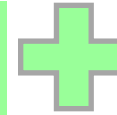
What is in silico drug development?

This is drug discovery method introducing simulation technology into a drug discovery technique based on conventional experiments (Silico drug development allows us to save time, cost, labor compared to the conventional method)

Supercomputer "K"



Development of applications by Foundation for Biomedical Research and Innovation and Kyoto University



Utilization of supercomputer "K" by making full use of the location of Kobe Biomedical Innovation Cluster

- Cutting-edge technology of in silico drug development (Method for avoiding adverse effect, Estimation method of interaction)
- Generic technique for in silico drug development (Virtual screening, Estimation for binding affinity, etc)

Advancement into Kobe / Development of innovative medicine from Kobe

Kobe Center for Medical Innovation (KCMI)

Providing rental laboratories for pharmaceutical companies and drug discovery ventures

Space for development and research of post "K"



Completion image

Scheduled to be completed in 2017
Five storeys above ground with interchange space

Adoption of Research Complex Promotion Program by Government

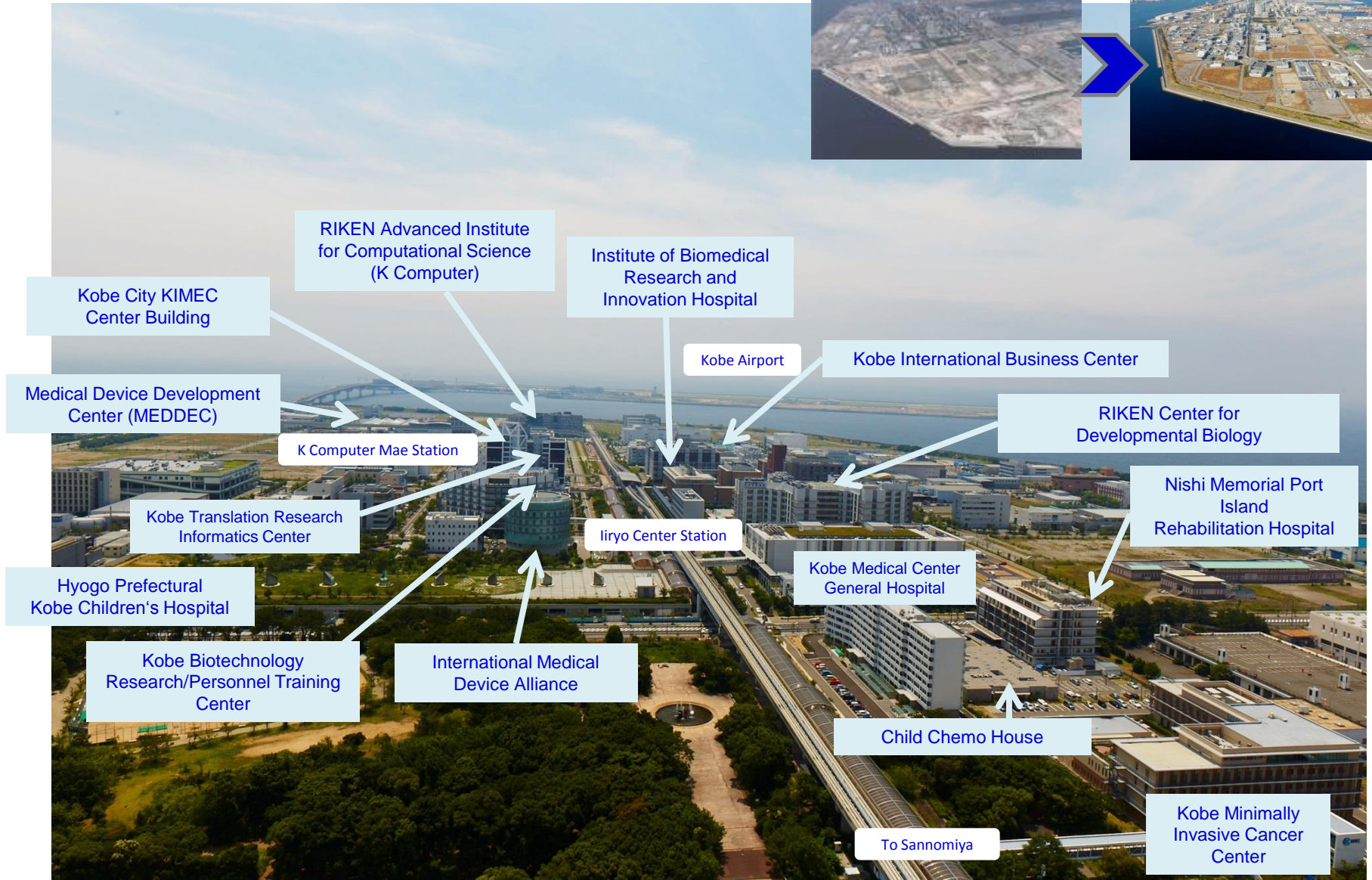


Compass to Healthy Life Research Complex Program

- Collaboration program with Kobe City, Hyogo Prefecture, Universities, Corporations and research institute such as Riken
- Aiming to create new businesses and new industries and employment

Kobe Biomedical Innovation Cluster

Photograph Taken July 2015



New initiatives①~City to support child-caring and education~

- It is necessary to reduce the economic burden of households with children in order to maintain 12,000 live birth per year.
- Kobe City promises creation of an environment enabling parents to raise their children and to get access to quality education, as well as of support system for women to balance work and family.
- Kobe City will also prepare a learning environment to improve students' ability to learn and living powers.

Measures for Child-caring Support (Partial)

Medical Expense Assistance for infants

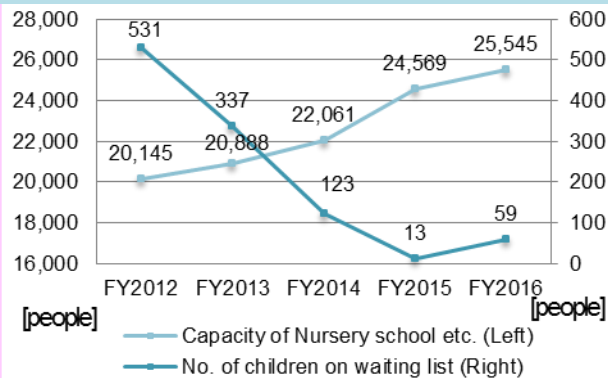
All preschool children are eligible for support measures from July 2015

Reduce outpatients self-pay burdens to 400 yen per day (500 yen per day till June 2016)

	Outpatients	Inpatients
0 ~ 2 years old	Free	Free
3 years old~JHS students	Maximum 400 yen per day (free for more than 3rd times)	Free

*No income limit applied for 0 to 6 year preschool children

Promotion of elimination of children on waiting lists for nursery schools



- Number of children on waiting lists was 59, increased by 46 from last fiscal year as of Apr 2015
- In FY2016 budget, Kobe will increase the capacity for about 700 children to eliminate the waiting list for children

Other actions

- Reduction of nursery fees for households who have a lot of children(second child: half fee, third or after child: free) (*income restrictions are imposed)
- Medical expenses assistance for mother - child family, easing income restrictions, reduction of outpatients self-pay burdens
- Preparing the system for care of schoolchildren outside of school time (Extension of opening hours of public facilities / system for upper grade students)

Measures for education (Partial)

Actions for improving safety and academic performance of students

Installing security cameras

Installing in all kindergartens, nursery school, junior high school in 3 years

Measures for Bullying and truancy

Increasing the No. of school counselors, school social workers and school net patrol etc.

Placement of support staff for enhancing learning and living ability

Expansion of small-class education and multiple Instructing in the same room (All compulsory education school)

Improvement of environment to support learning

Restructuring of schools reflecting local characteristics and environmental changes



The exterior of Maitamon elementary school

- Opened Maitamon elementary school in Apr2016 in Tarumi-ku where the number of children is expected to increase significantly in future
- In order to realize proper scaling, Maruyama elementary school and Hibirigaoka elementary school were integrated into Maruyama Hibari elementary school (April 2016)
- Reorganization and review of other municipal kindergartens

Other actions

- Construction of elementary schools and special support schools in the HAT (Happy Active Town) Kobe area
- Establishment of facilities-integrated school building at Minatojima Gakuen opened in April, 2008 as the first compulsory education school in the city
- Increase and renovation of school buildings at Mikagekita elementary school, Fukuike elementary school, Myodani elementary school where long-term overcrowding is expected due to an increase in the number of children

Kobe is aiming to be the best city for education
Developing children's "academic performance" and "rich human nature"

New initiatives② ~ Attracting Companies and creating employment opportunities~

- Develop a city equipped with multiple urban functions, by supplying residential and industrial lands.
- To Support the innovative entrepreneurship companies for job creation for the young generation and economic revitalization.

Measures to attract companies

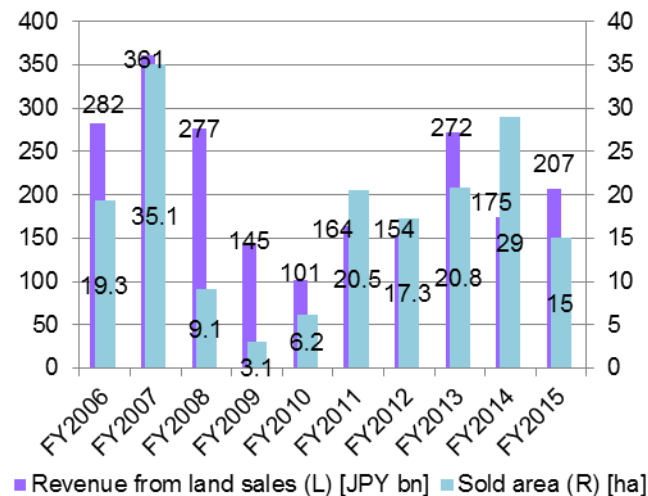


- Many enterprises enter the inland and coastal areas
- Continuing to attract companies and building a future-oriented business base
- Expanding preferential treatment system to support companies to penetrate in the area

Measures to attract companies

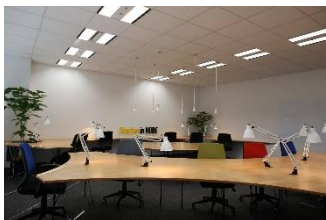
- Nationally Competitive Municipal City Tax Benefits
90% reduction on property tax・urban planning tax etc. (max. 10 years)
- Pioneering Support System
Max. 40-50% reductions on land sale price (Port Island 2nd term, Kobe Techno-Logistic Park)
- Creation of subsidy system for HQ functions transfer (2015-)
Supports the HQ functions transfer etc. to the conventional urban areas not covered by the national regional hubs reinforcement tax system.
 - Property support (within 7% of acquisition cost)
 - Employment support・Rental support (city-wide)

Transition of Revenue from Land Sales



Actions on supporting start-ups and starting business

Startup office project



Office atmosphere

- Establishment of startup activity base in January 2016 at the city center Sannomiya Ekimae building
- Promotion of “Acceleration program”
 - Provision of activity funds from 30 to 1.5 million yen to participating teams
 - Mentoring system
 - Support to build-up of human network

500 Startups mentoring time



First trial for accelerating the business in Japan

- The first city in Japan to invite one of the best acceleration program in the world called “500 startups”, which offers the acceleration training programs in Silicon Valley.

Support start-ups with industry, academy and government cooperation.

Open “Kobe –start-ups training center.

- Private clubs for entrepreneurs
- Provide many kinds of services to members
 - Open co-working space
 - Consulting service by experienced coordinators
 - Open business workshops, run “sorenjuku”
 - Hold events for creating business like networking events, business-matching
- Located in Kobe Industry Promotion Center, Harborland



Leaflet of Kobe-start-ups training center

New initiatives③

~Redevelopment of the city center Sannomiya / Hydrogen Smart City Kobe Conception~

Redevelopment of the city center Sannomiya is essential to revitalize Kobe city and economy in order to realize the attractive and stately city, Kobe is implementing measures by utilizing private vitality with a sense of urgency.

Redevelopment of the city center Sannomiya
Hydrogen Smart City Kobe

"New entrance" stations~towns space"

- Road space where people and public transportations are given preference over cars.
- Spaces in front of the station with excellent view.

In addition, proceeding infrastructure developments like renovation of the design of accessway in Shin Kobe Station, research for maintaining bus terminals.



Redesigning of road space considering the feel of excursion in the city.

Kobe City plans to utilize hydrogen energy as a new energy policy to enhance the general power of the city



Source : HySTRA

Liquefied hydrogen carrying vessel (image)

Building hydrogen-supply chain demonstration

- Building up the facility(located in the northeast of Kobe airport island)
- Innovative measures cooperated with HySTRA.
- Aiming for the demonstrated operation in 2020.

Cooperation with private sector is the key to succeed in both measures.

Examples in 2017 Making Tobu-Park lively by turfing



Programs for demonstrated operation of turfing and enhancing the park by turf space is being implemented in the area of ground at Tobu-park next to the city hall.

Installation of Kobe renewable energy hydrogen station.

- Operating from July, 2016
- Producing hydrogen by electrolysis of water produced by the renewable energy. Additionally, support by private companies to maintain commercial hydrogen stations.



Kobe renewable energy hydrogen station



Promotional programs of fuel cell powered cars (FCV, Fuel Cell Vehicle)

- Subsidy system targeted at companies which plan to use next-generation cars.
- FCV provides a subsidy, which adds up 505,000~520,000 JPY(one sixth of the payment).

- Enhance the quality of administrative service, keeping the feasibility of Kobe 2020 vision created with Kobe creative strategy.
- Consider how soft public services should be and optimize tasks by making better use of the security and tax number system and ICT.
- Secure financial resources with the “scrap-and-build” approach, which encourages review and reorganization.

~Make a good cycle happen by positive thinking~

Promote administrative and fiscal reform with attitude of positive thinking to make a “good-cycle” even in the society of an aging population with declining birth date.



		Main actions	
Basic Guidelines	The direction of administrative operations	Overall optimization	The social security and tax number system, streamlining by the use of ICT, outsourcing.
		Administrative system reform	Optimize the whole information system, ensure through compliance.
		Public sectors and affiliated organizations reform	The private sector vitality utilized by public corporation, reconsideration of dispatches of staffs to affiliated organizations.
		Provide administrative service for citizens.	Provide more attractive and considerate citizens services compared to the other cities, promote the cooperation
	The direction of fiscal management	Improve fiscal consolidation and transparency	<ul style="list-style-type: none"> • Maintain a primary surplus except special fiscal bonds. • Improve balance of fiscal adjustment funds to the same condition of ordinance –designated cities’ standard. • Keep the same standard of the balance for city bonds issued per person and an index of fiscal consolidation
		Secure the annual revenue	Increase tax revenue by stopping the population decline, strengthen credit management by installing the practices of private companies
		Reconsider the annual expenditure	<ul style="list-style-type: none"> • Reconsider the existing policies, stuffs, and systems, subsidies with zero-based thinking. • Reconsider based on segments-information applied by public accounts, adjust beneficiary and expense of social security
		Manage public property properly	Compound and reorganization of old buildings, secure property revenue.

4. Kobe City's Bond Issuance and Rating



FY2015 Issuance Results / FY 2016 Issuance Plans (Public subscription municipal bonds)

- Applying negotiated transactions for all bonds, to set the timing of issuance on investor demand and to set the conditions of issuance through communication with the market.
- Kobe City disclose their information through one-on-one meetings and via internet.

[FY2015 Issuance Results]

[JPY 100 mn]

Tenor	2015 Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2016 Jan	Feb	Mar	Total 800
5 year	100 0.112%						200 0.101%						300
10 year						100 0.510%			100 0.479%				200
20 year										100 1.007%			100
30 year							200 1.513%						200

[FY2016 Issuance Results / Plans]

[JPY 100 mn]

Tenor	2016 Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2017 Jan	Feb	Mar	Total 1,100
5 year			100 0.005%				100 0.001% ¥100.002						200
10 year	100 0.08%					100 0.105%							200
Super Long Bond				100 0.284% [30 year]			100					200	
Flex	50 (10 year)		100 (5 year)	50 (30 year)		50 (10 year)	50					300	
Joint Local Muni Bond		80 0.08%		10 0.05%		10 0.105%		20 0.05%		20		60	200

※Figures for Joint Local Muni Bond shows only include Kobe City's issuance amount

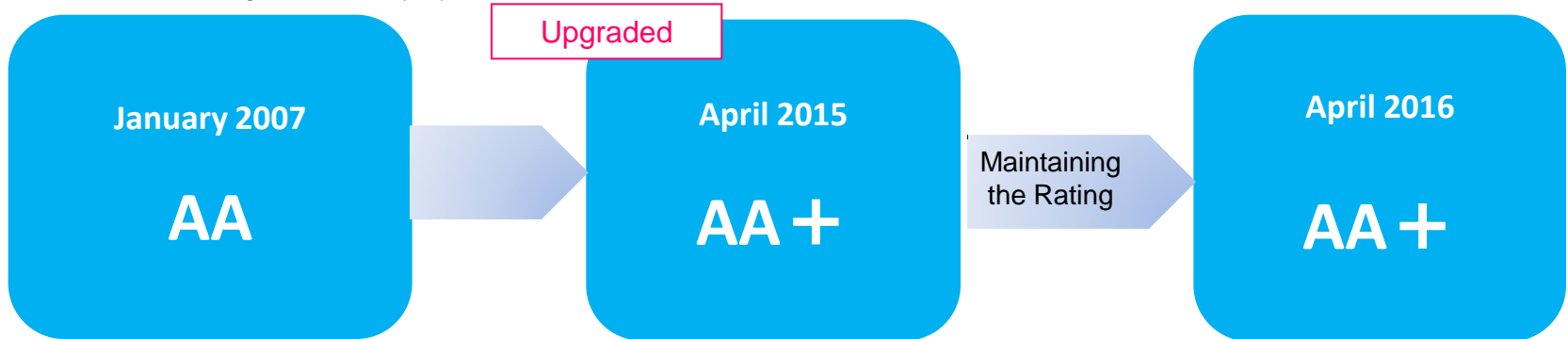
Issuer Ratings ~City of Kobe's Rating Upgraded by R&I~

- Kobe City has obtained a solicited rating from R&I in order to receive objective evaluation regards on its fiscal status.
- As a result of administrative / financial reform, (Reduction in the number of employees, Reduction in Auxiliary organizations, Improvement of fiscal soundness) Kobe City was upgraded in Apr 2015 from AA to AA+ (the same rating as that of Japan sovereign).

Ratings for Municipalities by R&I

AAA	n/a
AA+	Japan (Sovereign), Tochigi Pref, Saitama Pref, Shizuoka Pref, Aichi Pref, Kobe City
AA	Miyagi Pref, Fukui Pref, Nara Pref, Okayama Pref, Tokushima Pref, Saga Pref, Chiba City

Transition of the rating of Kobe City by R&I



Key Points of Upgrading in Apr 2015

○Economic strength

Due to Kobe Biomedical Innovation Cluster – where the collection of companies has already been promising – was designated as National Strategic Special Zone, the economy of the area may well prove to be a further boost.

○Debt level

The administrative/financial reforms have successfully reduced the balance of the city bond (except for the bonds for extraordinary fiscal measures) to the pre-quake levels.

○Auxiliary organizations

Business reforms of the auxiliary organizations have almost completed in order to minimize the influence of their financial burden, thus future financial risks have been greatly reduced.

Supplemental materials



FY 2015 Results Fiscal Indicators of Each City

Ratio of Current Expenditure to Revenue		Financial Capability Index		Consolidated Real Deficit Ratio		Real Debt Service Ratio		Future Burden Ratio	
Okayama City	87.5	Kawasaki City	1.00	Sapporo City		Sagamihara City	3.2	Hamamatsu City	0.0
Hamamatsu City	90.3	Nagoya City	0.99	Sendai City		Sapporo City	4.9	Saitama City	9.7
Kumamoto City	90.9	Saitama City	0.98	Saitama City		Saitama City	5.0	Sakai City	15.6
Shizuoka City	91.3	Yokohama City	0.97	Chiba City		Sakai City	5.5	Okayama City	27.5
Sapporo City	91.6	Chiba City	0.95	Yokohama City		Kawasaki City	7.5	Sagamihara City	37.9
Fukuoka City	92.5	Sagamihara City	0.93	Kawasaki City		Kobe City	7.9	Shizuoka City	59.5
Niigata City	94.0	Osaka City	0.92	Sagamihara City		Shizuoka City	8.5	Sapporo City	63.2
Yokohama City	95.2	Shizuoka City	0.91	Niigata City		Hamamatsu City	9.1	Kobe City	80.2
Saitama City	95.6	Sendai City	0.89	Shizuoka City		Osaka City	9.1	Osaka City	117.1
Chiba City	95.7	Hamamatsu City	0.89	Hamamatsu City		Okayama City	9.5	Kawasaki City	117.4
Kitakyushu City	95.7	Fukuoka City	0.88	Nagoya City	N/A	Kumamoto City	9.6	Sendai City	122.8
Kobe City	95.9	Sakai City	0.84	Kyoto City		Sendai City	9.8	Kumamoto City	125.5
Sendai City	96.2	Hiroshima City	0.83	Osaka City		Niigata City	11.0	Niigata City	138.9
Sakai City	96.9	Kyoto City	0.79	Sakai City		Fukuoka City	12.4	Nagoya City	147.4
Hiroshima City	97.4	Kobe City	0.79	Kobe City		Kitakyushu City	12.6	Fukuoka City	162.4
Nagoya City	97.5	Okayama City	0.79	Okayama City		Nagoya City	12.7	Yokohama City	175.6
Osaka City	97.6	Niigata City	0.75	Hiroshima City		Hiroshima City	15.0	Kitakyushu City	188.3
Kawasaki City	97.7	Sapporo City	0.72	Kitakyushu City		Kyoto City	15.2	Chiba City	208.7
Sagamihara City	98.0	Kitakyushu City	0.72	Fukuoka City		Yokohama City	17.0	Hiroshima City	223.9
Kyoto City	99.0	Kumamoto City	0.71	Kumamoto City		Chiba City	18.0	Kyoto City	229.6
Average	94.8	Weighted average	0.88			Weighted average	10.9	Weighted average	124.2

Ratio of Current Expenditures to Revenue: This index determines the elasticity of the fiscal structure. It is the ratio of general financial resources allotted to recurring expenses such as personnel costs, social aid costs, and municipal bond costs, to general financial resources from recurring income, mainly regional taxes and the portion of national taxes allocated to local governments.

Financial Capability Index: The three-year average ratio of basic fiscal revenue, including city taxes, to financial resources required to carry out operations (basic fiscal demand).

Consolidated Real Deficit Ratio: The ratio of real deficit or capital shortage in all accounts, including standard scope of finances municipal utility accounts, versus the standard financial scale

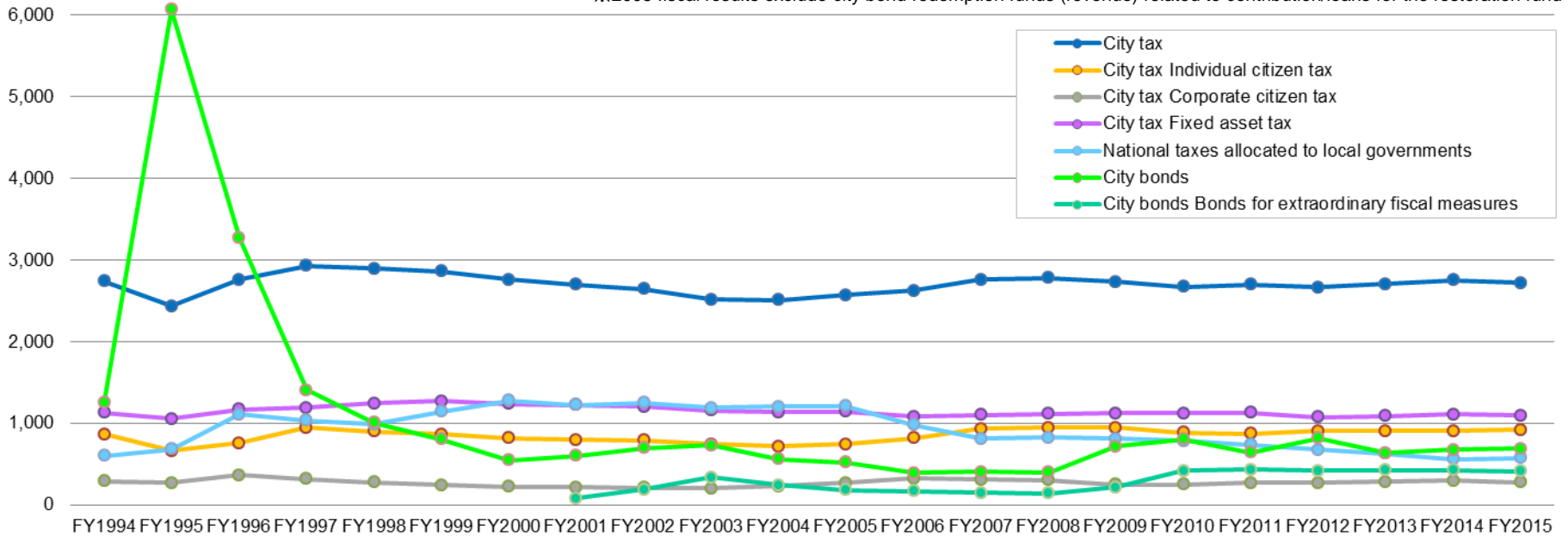
Real Debt Service Ratio: The ratio of the amount of funds used for the redemption of principal and interest and quasi-redemption of principal and interest in the general account to standard financial scale.

Future Burden Ratio: Ratio of actual liabilities that will be future burden, mainly in the general account, including burden mainly related to regional public corporations and public corporations that are compensating for losses, to the standard financial scale.

General Account Revenue Trends

Category / FY [JPY bn]	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City tax	2,741	2,433	2,761	2,929	2,891	2,863	2,756	2,697	2,642	2,517	2,506	2,568	2,626	2,759	2,779	2,731	2,671	2,698	2,665	2,706	2,750	2,719
Individual citizen tax	869	661	758	947	901	867	820	799	789	747	716	747	821	934	948	949	887	874	905	908	909	920
Corporate citizen tax	289	269	368	317	278	242	224	220	208	202	234	273	327	311	307	253	248	272	271	283	297	279
Fixed asset tax	1,127	1,055	1,171	1,192	1,242	1,272	1,235	1,227	1,207	1,156	1,138	1,142	1,080	1,104	1,115	1,124	1,126	1,131	1,078	1,089	1,106	1095
Urban planning tax	260	248	273	261	269	273	261	256	248	230	225	224	211	216	220	222	224	225	214	216	220	218
Other	196	200	191	212	201	209	216	195	190	182	193	182	187	194	189	183	186	196	197	210	218	207
National taxes allocated to local governments	603	682	1,107	1,032	985	1,140	1,280	1,225	1,253	1,193	1,201	1,212	979	811	825	809	786	737	679	627	559	577
Financial index	0.83	0.83	0.78	0.74	0.72	0.72	0.71	0.68	0.67	0.66	0.65	0.64	0.66	0.69	0.72	0.73	0.73	0.73	0.74	0.76	0.76	0.79
City bonds	1,261	6,065	3,267	1,408	1,011	805	551	603	697	734	561	518	391	409	403	720	802	646	822	633	674	690
Bonds for extraordinary fiscal measures								83	188	336	241	185	167	151	142	220	423	435	421	427	429	413
Other	5,110	7,714	6,879	5,862	4,923	4,800	4,317	4,022	3,734	3,478	3,578	3,410	3,205	3,200	3,155	3,566	3,306	3,139	3,267	2,983	2,902	3,112
Revenue	9,715	16,894	14,014	11,231	9,810	9,608	8,904	8,547	8,326	7,922	7,846	7,708	7,201	7,179	7,162	7,826	7,565	7,220	7,433	6,949	6,885	7,098

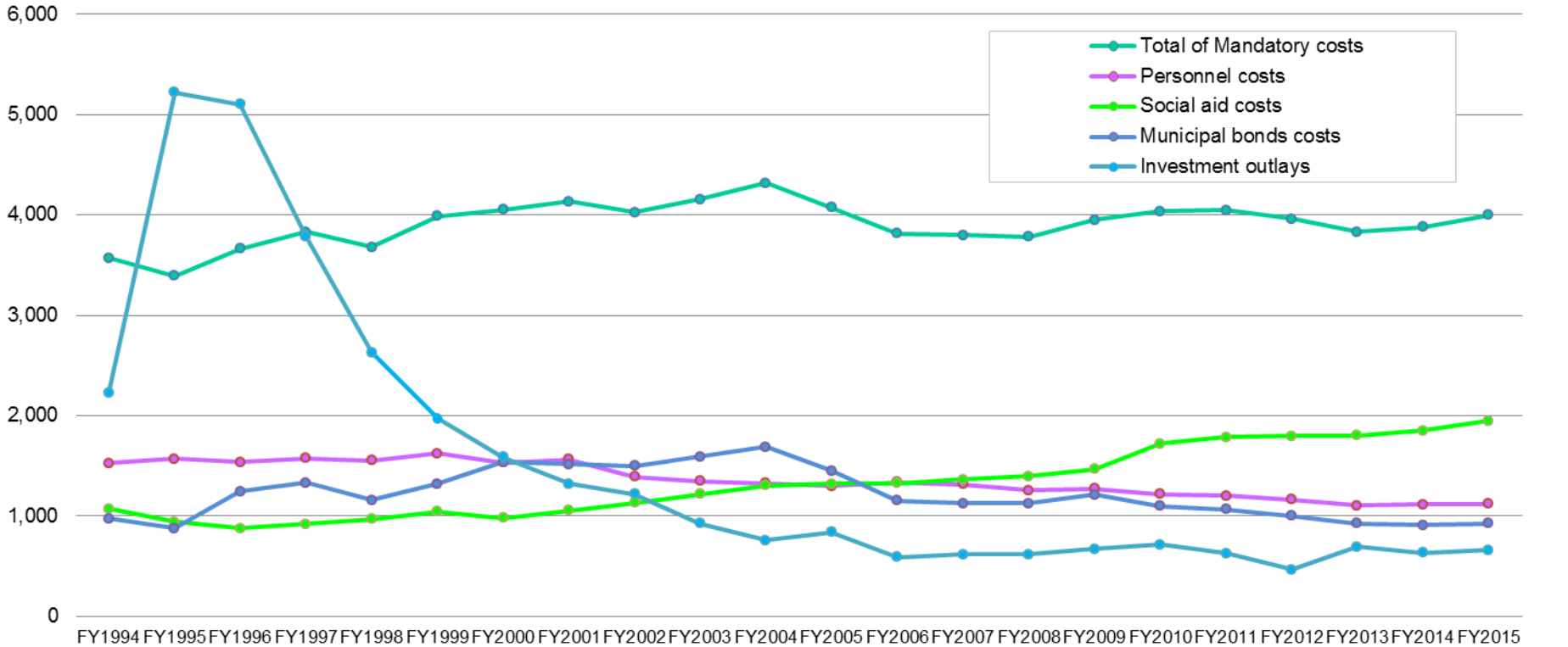
※2005 fiscal results exclude city bond redemption funds (revenue) related to contribution/loans for the restoration fund



General Account Expense Trends

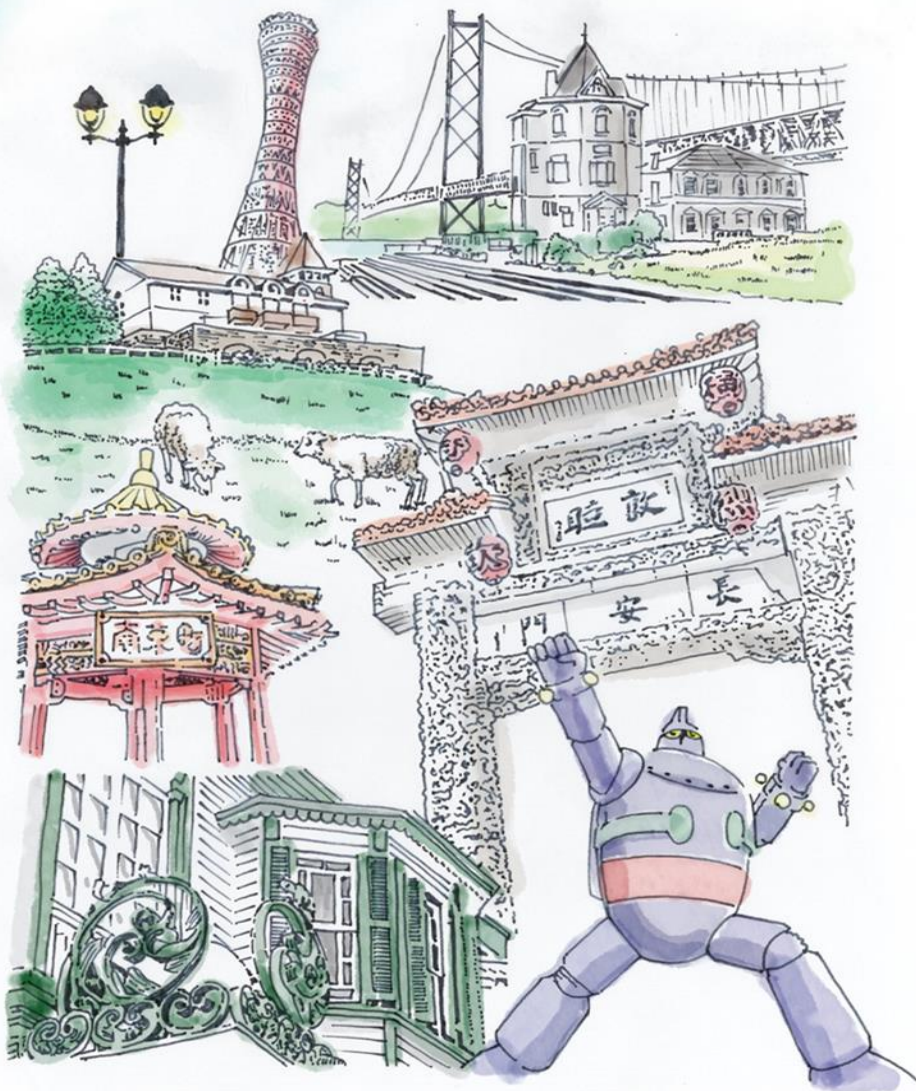
Category / FY [JPY bn]	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Mandatory costs	3,574	3,393	3,666	3,830	3,681	3,989	4,055	4,137	4,025	4,156	4,319	4,074	3,816	3,800	3,783	3,950	4,038	4,050	3,963	3,833	3,879	4,000
Personnel costs	1,528	1,570	1,540	1,577	1,554	1,623	1,534	1,566	1,393	1,348	1,325	1,302	1,335	1,314	1,258	1,270	1,221	1,201	1,166	1,104	1,117	1,122
Social aid costs	1,071	945	878	923	968	1,047	981	1,056	1,134	1,216	1,306	1,319	1,327	1,362	1,396	1,469	1,719	1,784	1,797	1,802	1,853	1,951
Municipal bonds costs	975	878	1,248	1,330	1,159	1,319	1,540	1,515	1,498	1,592	1,688	1,453	1,154	1,124	1,129	1,211	1,098	1,065	1,000	927	909	927
Investment outlays	2,223	5,222	5,104	3,784	2,632	1,973	1,585	1,323	1,217	926	760	841	589	620	619	670	713	629	465	692	636	659
Transferred fund	709	761	732	692	831	829	886	826	798	835	790	864	893	914	936	851	833	852	781	800	820	883
Equipment costs, etc.	2,856	7,046	3,886	2,548	2,380	2,694	2,243	2,149	2,233	1,953	1,926	1,856	1,774	1,784	1,710	2,297	1,896	1,635	2,150	1,534	1,469	1,464
Expenditures	9,362	16,422	13,388	10,854	9,524	9,485	8,769	8,435	8,273	7,870	7,795	7,635	7,072	7,118	7,048	7,768	7,480	7,166	7,359	6,859	6,804	7,006
Mandatory cost ratio	38.2%	20.7%	27.4%	35.3%	38.6%	42.1%	46.2%	49.0%	48.7%	52.8%	55.4%	53.4%	54.0%	53.4%	53.7%	50.9%	54.0%	56.5%	53.8%	55.9%	57.0%	57.1%

※2005 fiscal results exclude city bond redemption funds (revenue) related to contribution/loans for the restoration fund



Public Subscription Bonds

Issue timing	Bond number	Issue amount	5 year			10 year			20 year			30 year			
			Coupon	Price	Yield to investor	Coupon	Price	Yield to investor	Coupon	Price	Yield to investor	Coupon	Price	Yield to investor	
FY2011	Jun	Fiscal 2011 No. 2 municipal bond	JPY10.0 bn	-	-	-	1.192%	100	1.192%	-	-	-	-	-	-
	Aug	Fiscal 2011 No. 3 municipal bond	JPY15.0 bn	0.375%	100	0.375%	-	-	-	-	-	-	-	-	-
	Sep	Fiscal 2011 No. 4 municipal bond	JPY10.0 bn	-	-	-	-	-	-	1.913%	100	1.913%	-	-	-
	Oct	Fiscal 2011 No. 5 municipal bond	JPY10.0 bn	-	-	-	1.025%	100	1.025%	-	-	-	-	-	-
	Dec	Fiscal 2011 No. 12 municipal bond	JPY10.0 bn	0.395%	10	0.395%	-	-	-	-	-	-	-	-	-
	Feb	Fiscal 2011 No. 14 municipal bond	JPY15.0 bn	-	-	-	-	-	-	1.794%	100	1.794%	-	-	-
	Mar	Fiscal 2011 No. 23 municipal bond	JPY10.0 bn	-	-	-	-	-	-	-	-	-	2.173%	100	2.173%
FY2012	Jun	Fiscal 2012 No. 2 municipal bond	JPY10.0 bn	-	-	-	0.891%	100	0.891%	-	-	-	-	-	-
	Aug	Fiscal 2012 No. 3 municipal bond	JPY15.0 bn	-	-	-	-	-	-	1.635%	100	1.635%	-	-	-
	Aug	Fiscal 2012 No. 4 municipal bond	JPY10.0 bn	0.236%	100	0.236%	-	-	-	-	-	-	-	-	-
	Oct	Fiscal 2012 No. 10 municipal bond	JPY20.0 bn	-	-	-	0.796%	100	0.796%	-	-	-	-	-	-
	Dec	Fiscal 2012 No. 11 municipal bond	JPY12.0 bn	0.199%	100	0.199%	-	-	-	-	-	-	-	-	-
	Dec	Fiscal 2012 No. 12 municipal bond	JPY13.0 bn	-	-	-	-	-	-	1.711%	100	1.711%	-	-	-
FY2013	Apr	Fiscal 2013 No. 1 municipal bond	JPY10.0 bn	-	-	-	0.571%	100	0.571%	-	-	-	-	-	-
	Jul	Fiscal 2013 No. 3 municipal bond	JPY10.0 bn	-	-	-	-	-	-	1.817%	100	1.817%	-	-	-
	Aug	Fiscal 2013 No. 4 municipal bond	JPY20.0 bn	0.312%	100	0.312%	-	-	-	-	-	-	-	-	-
	Dec	Fiscal 2013 No. 10 municipal bond	JPY20.0 bn	0.229%	100	0.229%	-	-	-	-	-	-	-	-	-
	Feb	Fiscal 2013 No. 11 municipal bond	JPY10.0 bn	-	-	-	0.689%	100	0.689%	-	-	-	-	-	-
	Feb	Fiscal 2013 No. 12 municipal bond	JPY10.0 bn	-	-	-	-	-	-	1.520%	100	1.520%	-	-	-
FY2014	Apr	Fiscal 2014 No. 1 municipal bond	JPY20.0 bn	0.219%	100	0.219%	-	-	-	-	-	-	-	-	-
	Jul	Fiscal 2014 No. 3 municipal bond	JPY12.0 bn	-	-	-	-	-	-	1.482%	100	1.482%	-	-	-
	Jul	Fiscal 2014 No. 4 municipal bond	JPY13.0 bn	-	-	-	0.606%	100	0.606%	-	-	-	-	-	-
	Dec	Fiscal 2014 No. 14 municipal bond	JPY13.0 bn	-	-	-	-	-	-	-	-	-	1.575%	100	1.575%
	Dec	Fiscal 2014 No. 15 municipal bond	JPY12.0 bn	0.101%	100	0.101%	-	-	-	-	-	-	-	-	-
	Jan	Fiscal 2014 No. 17 municipal bond	JPY10.0 bn	-	-	-	0.280%	100	0.280%	-	-	-	-	-	-



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For inquiries

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