

City of Yokohama



150 Years from the Opening of the Port: The Challenge that Lies Ahead

Opening a path to the future without fearing the financial crisis



April 20, 2009
City of Yokohama IR

Let's Celebrate! 150 Years Since the Opening of the Port of Yokohama (4/28 – 9/27)

〈Presentation〉

I City Management and Fiscal Condition of Yokohama

- 1 **Yokohama's FY2009 Management Policy**
- 2 **Decentralization Reform and Yokohama**
- 3 **The Scale of the FY2009 Budget**
- 4 **Yokohama's Commitments in Administrative and Financial Reform**
- 5 **Reduction of Debts Including Those by Affiliated Entities**
- 6 **Effective and Efficient Administration**
- 7 **Measures to Secure Financial Resources**
- 8 **Building on the Momentum of the 150th Anniversary of the Opening of the Port to Promote the Charm of Yokohama**
- 9 **Financial Capability Indices (A Comparison Among the Five Historically-largest Cities)**
- 10 **Situation of Financial Health Indices**

II FY2009 Public Offering Bond Issuance Policy

- 1 **FY2009 Public Offering Bond issuance policy**



Hiroshi Nakada, Mayor of Yokohama

I City Management and Economic Situation of Yokohama

I-1 Yokohama's FY2009 Management Policy

Five "Prescriptions" to Deal with the Crisis

- Policies to alleviate the concerns among the residents and employers
- "150th Anniversary", an anniversary event to stimulate the city's economy
- Balance between fiscal discipline and substantial investments for the future
- New commitments to environmental issues
- New proposals for a big-city system

Projects to be Implemented with Priority in FY 2009

◆ Emergency Economic Measures A total of 82.1 billion yen

- **SME business stabilization:** Expanding the financing system for SMEs; Subsidies for supporting credit guarantee of SMEs, etc.
- **Stabilization of resident's lifestyles:** Special tax grants for local employment, Emergency employment creation, etc.
- **Extending the life of social capital:** Securing public project funds to promote extending the life of social capital

◆ Supporting important initiatives of "Fundamental ideas on city management"

- **City management that secures the peace of mind of residents** Reinforcing the social security and medical care systems and comprehensive risk management
- **"Investment for the future" that leads to growth** Building on the momentum of the 150th anniversary of the opening of the port to improve the value of the city, education, etc.
- **New commitments on environmental issues** Global warming countermeasures / green preservation, etc.

I-2 Decentralization Reform and Yokohama

Decentralization Reform

Decentralization Reform Promotion Act
(Enacted in December 2006)

Recommendations by the
Decentralization Reform Promotion Council

Decentralization Reform Packaging Act
(to be enacted around 2010)

For regions to lead the national development
Establishment of "Regional Government" ● Review of authority and function delegation ● Review the engagement by the nation
● Regional Tax and Finance System Reform ● Reexamination of a big-city system

Response by Yokohama

Current situation and issues seen in Japan and big cities

- Increased international competition in the midst of globalization
- The importance of connections between the international cities
- Country-wide population decrease and their concentration in urban areas
- Rapid aging of population structure in big cities.
- Concern about the increasing poorest segment of the population
- Maintenance and renewal of deteriorating urban infrastructure
- Absence of a big-city system

Formation of a big-city system that leads Japan

+

Implementation of autonomous and efficient Big-city management system

Discussion of the concept of a big-city system

◆ Promotion of the creation of a new big-city system

(Jan. 2009 Big City System Discussion Committee)

◆ The Big Cities leading Japan

-An idea for structural reform through the creation of "metropolitan countries"-

(Feb. 2009 Big City System Concept Study Group composed of Yokohama, Osaka and Nagoya, a.k.a. The Big Three Study Group)

Under the regional system, there is a need for the establishment of a big-city system, an equivalent to "metropolitan countries"
It can also be predicted that this would raise the GDP of Japan by 1.5%

Promotion of decentralization toward big cities

◆ Proposal of regional decentralization reform

◆ Yokohama's independent reform plan for regional tax sources
(Nov. 2008 Additional proposals and requests regarding the national system and budget)

◆ Opinion of designated cities on second-term regional decentralization reform

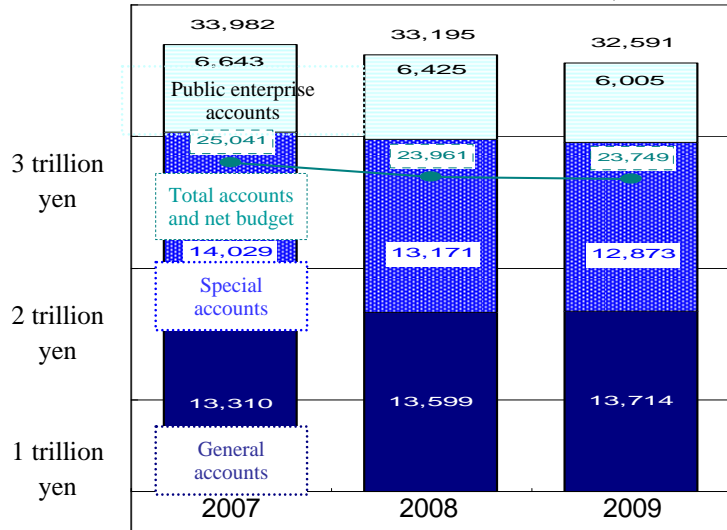
(Issued four times between Aug. 2007 and March 2009)

Promoting the cooperation with other cities including the designated big threes

I-3 The Scope of the FY2009 Budget

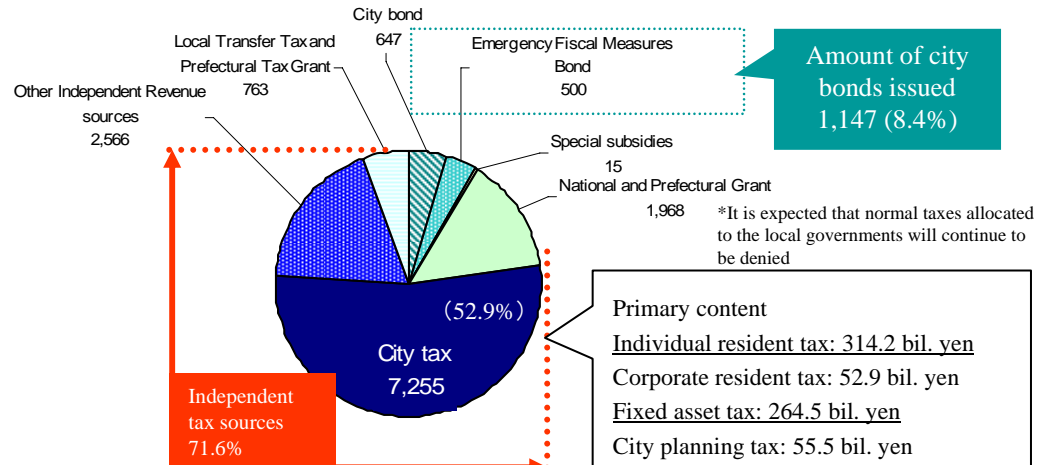
Changes of budget scales

(Unit: 100 million yen)



Breakdown of general account revenue

(Unit: 100 million yen)



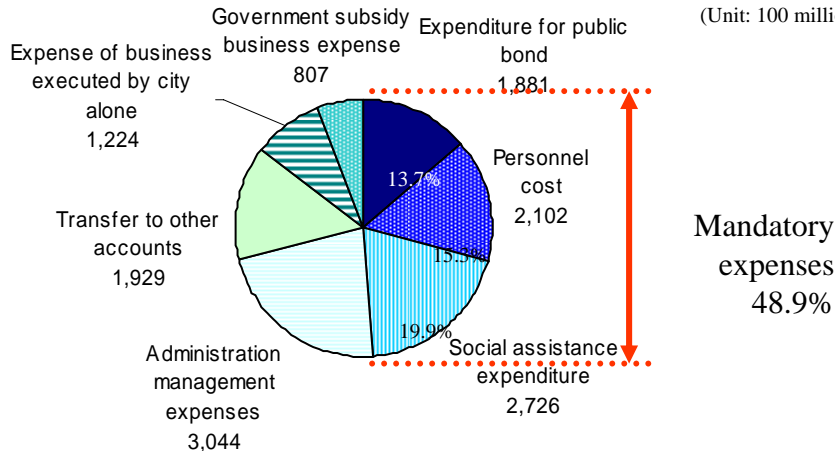
Amount of city bonds issued 1,147 (8.4%)

Primary content
Individual resident tax: 314.2 bil. yen
Corporate resident tax: 52.9 bil. yen
Fixed asset tax: 264.5 bil. yen
City planning tax: 55.5 bil. yen

(Note) The numbers may not agree with the totals as each item is rounded off.

Breakdown of general account expenditure

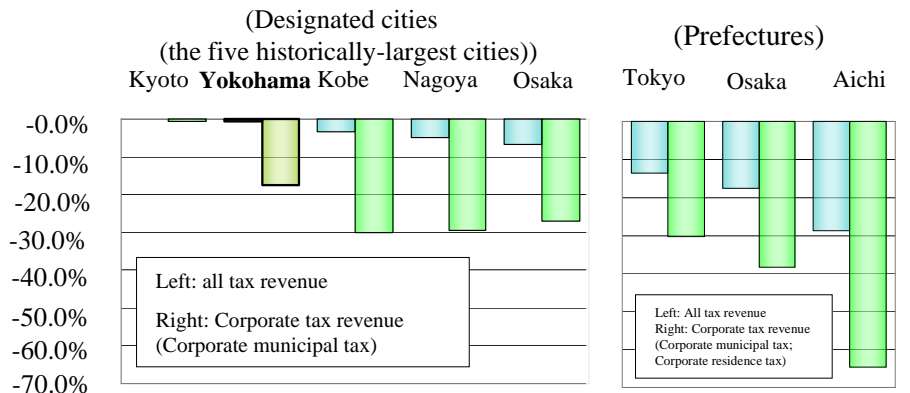
(Unit: 100 million yen)



Changes in tax revenue (FY2008-FY2009)

Among the cities whose tax income decreased tremendously, the effect of reduced income for Yokohama was comparatively small

◆ Changes in tax revenue (FY2008 budget → FY2009 budget comparison)



(note) The numbers may not agree with the totals as each item is rounded off.

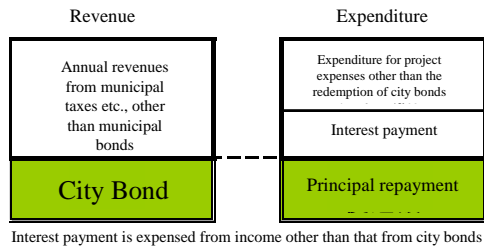
I-4 Yokohama's Commitments in Administrative and Financial Reform

The Yokohama Midterm Plan (FY2006-FY2010) — Toward the establishment of sustainable budget

Plans to reduce debt

A sustained surplus of "Primary Balance based on Yokohama's method"

Control over the amount of city bonds issued



Progress in FY2009

A surplus of 23.6 billion yen (There has been a continued surplus since FY2006)

The amount of city bonds issued in general account was increased while financial discipline was maintained (9 billion yen)

Controlled within an average range of a 5% reduction per year
Issuances subject to controls:
 "All general account city bonds" + "City bonds for special accounts and corporate accounts that are repaid municipal taxes, etc."

FY2009 plans for securing fiscal resources

1. Securing funds by increasing general account bond issuance

More funds can be secured without breaking the annual-5%-reduction rule on their debt management by issuing more bonds in the general account for up to the amount, 18 billion yen, equal to what has not been used up in the issue scheme of the city's special and corporate accounts.

2. Applying financial adjustment budget

In the wake of the rapid worsening of the state of revenue due to unexpected changes in economic conditions, approximately 2.2 billion yen is utilized for a proactive response policy which will set aside funds as an economic measure (this is the first time such money has been used in the 11 years since FY1998).

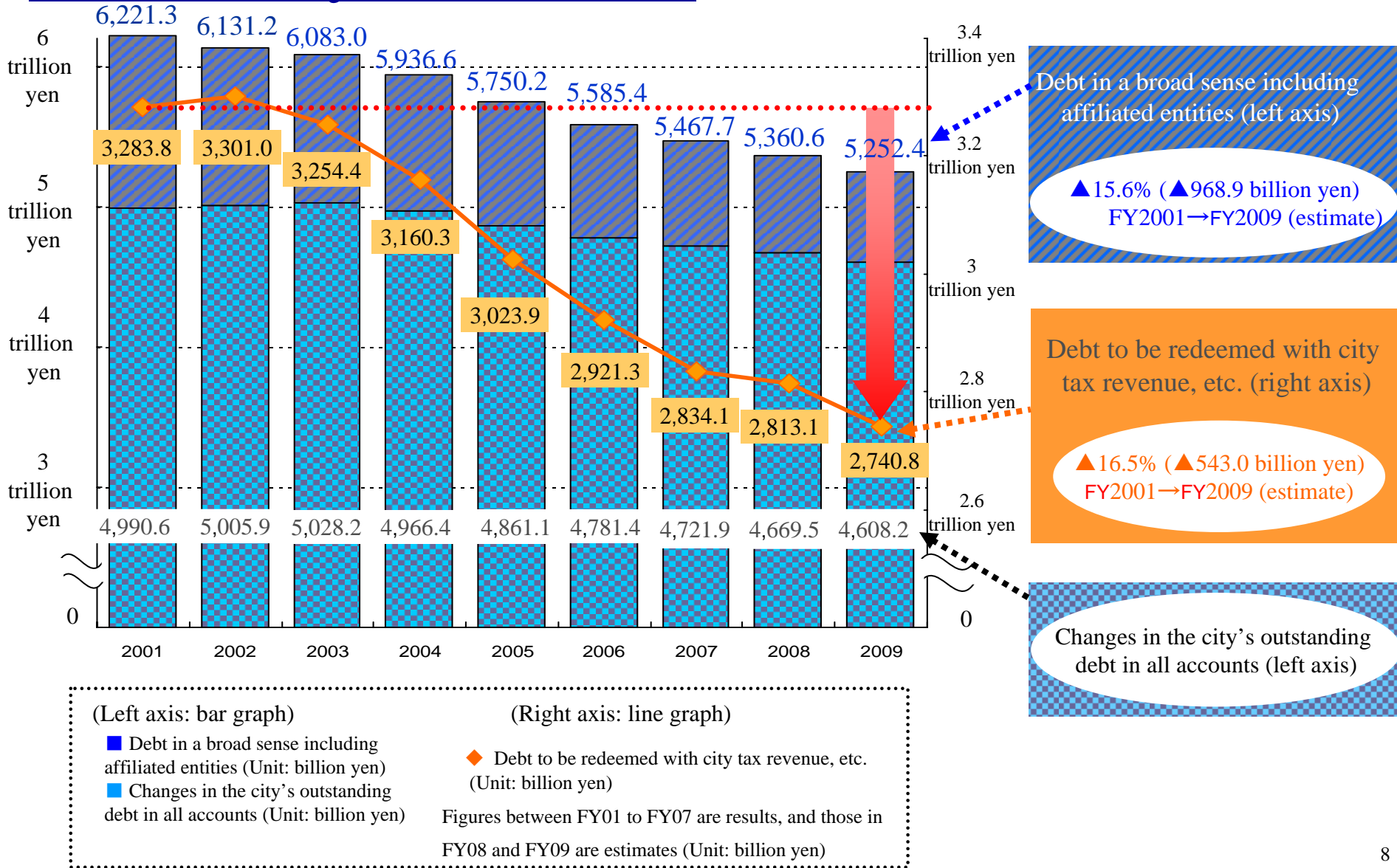
Creation of a budget to protect the lifestyle of residents and the urban economy

	City bonds for special accounts that are repaid by municipal taxes					General account city bonds (Unit: 100 million yen)			
	2006	2007	2008	2009	2010	2007	2008	2009	2010
Amount which can be issued	509	484	460	437	415	1,171	1,113	1,057	1,004
Amount issued (estimates)	422	400	451	405	447	1,139	1,145	1,147	1,094
Difference	▲ 87	▲ 84	▲ 9	▲ 32	32	▲ 32	32	90	90
		▲ 180							180

The amount that was not issued in the special account scheme is going to be issued in their general account.

I-5 Reduction of Debts Including Those by Affiliated Entities

Yokohama has been actively involved in debt management ahead of municipal rehabilitation legislation on a consolidated basis including affiliated entities since FY2002



I-5 Reduction of Debts Including those by Affiliated Entities (2)

-Indemnity for affiliated entities-

Realization of a more than 35% reduction in five years

Changes in remaining balances for indemnity

Number of affiliated entities

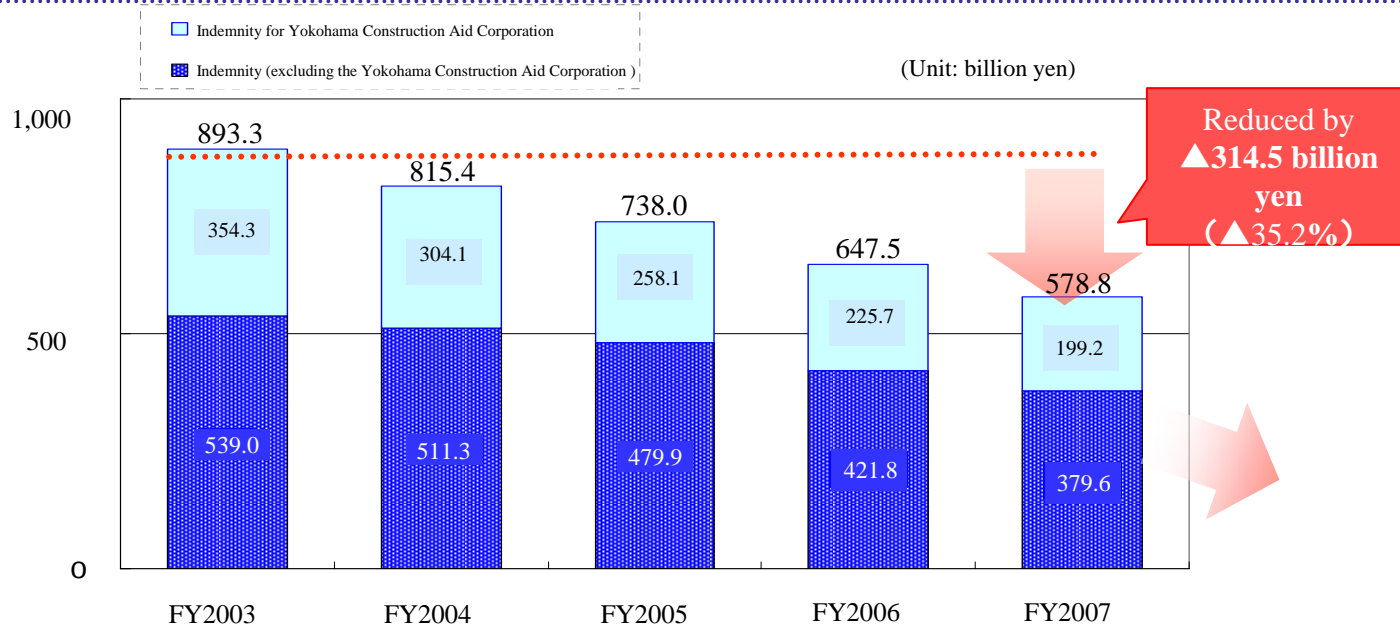
56
(at the end of FY2002)



41
(as of April 1, 2009)

Public information regarding affiliated entities

The indemnity balance to affiliated entities was 578.8 billion yen at the end of 2006



(Note) The Yokohama Construction Aid Corporation provides home financing for individuals, and so debt is redeemed accordingly with the repayment of home loans.

Please refer to the webpage of the "City of Yokohama Affiliated Entity White Paper" for a breakdown of indemnity by group in FY2007

City of Yokohama
Affiliated Entity
White Paper

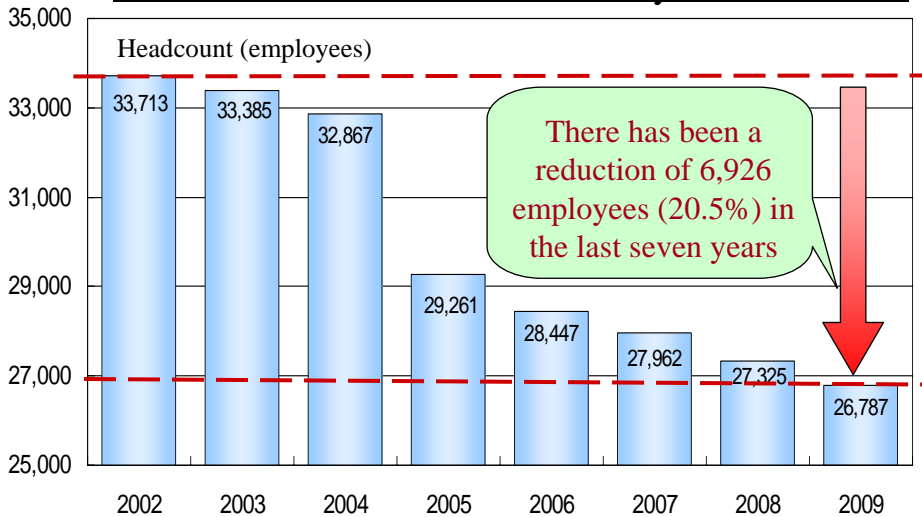
Yokohama provides information regarding the management of affiliated entities, city grants, staffing, and other aspects that show the relationships between City of Yokohama and its affiliated entities in regards to financial and human resources, and the city's commitments to the reform.

"City of Yokohama Affiliated Entity White Paper" can be viewed on the following website:
<http://www.city.yokohama.jp/me/gyousei/shigoto/gaikaku/hakusyo/>

I-6 Effective and Efficient Administration

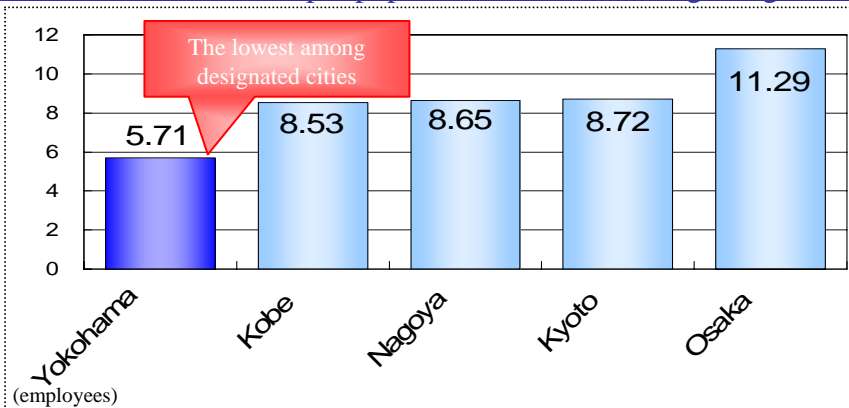
◆ Review of Employee Headcount

Achieved the headcount reduction by more than 20%



Number of staff includes waterworks, transportation, and hospital management staff. As of April 1 for each fiscal year.

Smallest number of staff per population of 1,000 among designated cities



Source: According to an index within the FY2006 "Towns and Villages Finance Analysis," which analyzes and compares the state of administration of regional governments.

◆ Promotion of Privatization and Outsourcing

- Transfer of control of municipal day care centers to private corporations (a total of 24 cases)
- Outsourcing of residential trash collection operations (residential trash: three wards; plastic containers and packaging: seven wards)
- Outsourcing of school lunch preparation operations (a total of 105 cases)
- Management operation per public park/facility, etc.

◆ Promotion of Private Finance Initiatives and Review of Other Projects

- Improvements to ward offices through PFI
- Reduction of affiliated organization aid money
- Efficient use of incinerated ash
- Review of beneficiary liability

New

◆ Implementation of Work Improvement Promotion Office

- Streamlining work
- Review of the information sharing framework, breakdown of common sense in government offices
- Review/discussion of work
- Review of aid/contributions; affiliated organization reform

I-7 Measures to Secure Financial Resources

Increasing the City Tax Collection Rate

Maintenance of a high collection rate

1999: 93.0% ▶ 2007: 96.9 % 2009 (est.): 97.1%

New

Introducing “Yokohama Green Tax”

Using the opportunity provided by the 150th anniversary of the opening of the port of Yokohama, Yokohama Green Tax was introduced to help preserve “Green Yokohama” for the next generation

Scale of tax revenue: 2.4 billion yen/year on average

Establishing an organization to help secure revenues

New

The foundation of resident livelihood

Healthy maintenance of a framework for taxes and national health insurance

It is strongly desired that this be carried out with a fair perspective

Establishment of a new organization to proceed comprehensively with measures to deal with unpaid taxes

Goal for closing the tax gap

End of FY2007 Approx. 56 billion yen

(Uncollected total of general accounts/special accounts)

End of FY2009 **Within the range of 53 billion yen**

Increasing Tax Revenue by Attracting Businesses

■ Enterprise Location Promotion Ordinance (Est. 2004)

- A system to reduce aid and taxes associated with enterprise location
- 44 cases of enterprise location promoted between FY2004-FY2008
- The period of application has been extended for three more years, and the target has been expanded to tenant headquarters and other buildings as well.

Tax revenue from approved corporations: approx. 4.5 billion yen/year.
(Amount of support: Approx. 18 billion yen)

It is estimated that earnings are made on support in approximately four years*

Economic impact of the 44 approved corporations

(Production encouragement value*)

Related to construction investment . . . 300 billion yen!

Related to business activity 590 billion yen! (per one year)

*Based on preliminary calculations made on March 31, 2009

Promoting Advertising Business

Advertising revenue, etc.

PR printed advertisements, placing advertising materials in facilities, etc.

Gifts with advertisements, etc.

Naming rights

Nissan Stadium, Nippatsu Mitsusawa Stadium, Hamagin Space Science Center, etc.

Total effect:
Approx. 0.86 billion yen/year
(FY2009 budget)

Promoting the Charm of Yokohama

Memorial events in commemoration of the 150th anniversary of the opening of the port

★Y150 4/28/2009-9/27/2009

An incredible experience transcending the centuries in the period of 153 days

★Yokohama/Kanagawa Destination Campaign

—A large-scale tourism campaign for the highest-class of domestic travel, in cooperation with the six JR companies—



Economic Impact
Approx. 55 billion yen

APEC Leaders Meeting to be held in Yokohama

Based on the results of large scale international conferences held in Yokohama and the city's reputation of being highly capable of hosting meetings, Yokohama will host the APEC forum in 2010, to be attended by the leaders of the major countries and regions of the Asia-Pacific area.

Support for the reopening of Haneda Airport to international routes

The City supports the internationalization initiative of Haneda Airport, which will cover all of the major cities of the ASEAN region, not just late at night and early in the morning, but also during the day.

“Green Yokohama” for the Next Generation

-The Yokohama “Increase the Green” Plan-

An important investment to increase and maintain the total amount of greenery for the future while putting a stop to the loss of greenery in the city.

Three pillars

“Protection of greenery”

Enlargement of the system establishing protected green areas

“Farmland protection”

A farm promotion plan focused on fostering farms to carry out local production for local consumption

“Greenery renewal”

Promotion/establishment of a plan for renewing greenery area-wide

From the G30 to the CO-DO30

-A new commitment as a “Environmental Model City”-

Goal ◆30% reduction in greenhouse gasses (by FY2025)

Promotion of the “CO-DO30 Roadmap”

Three focus points

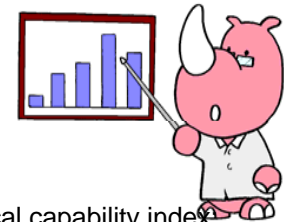
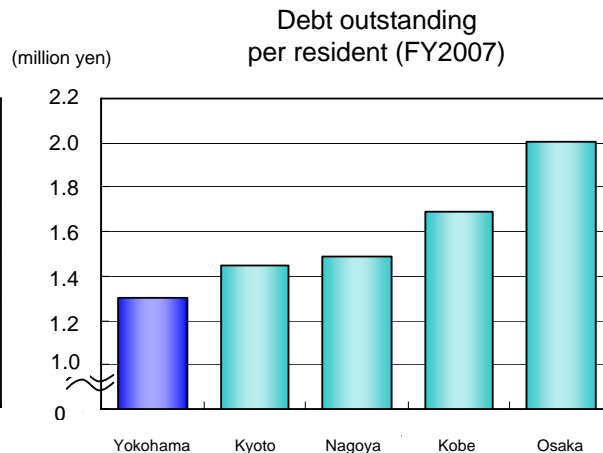
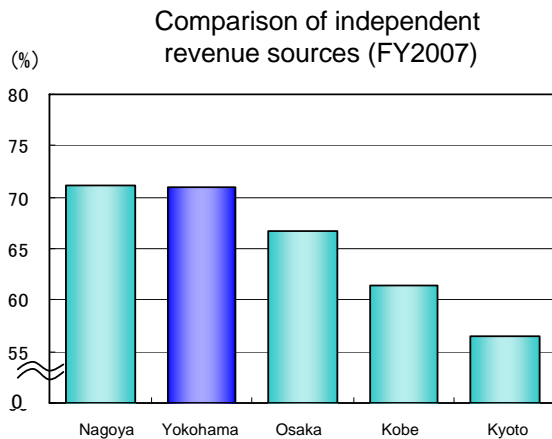
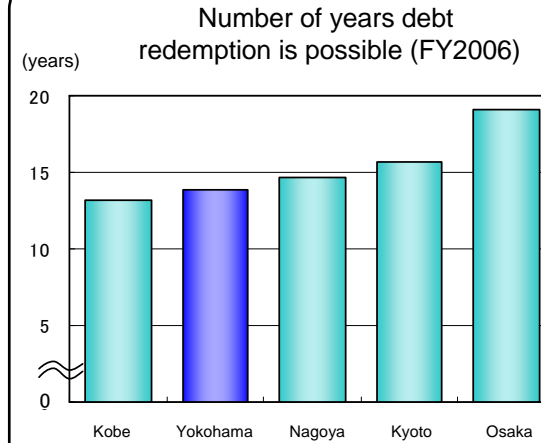
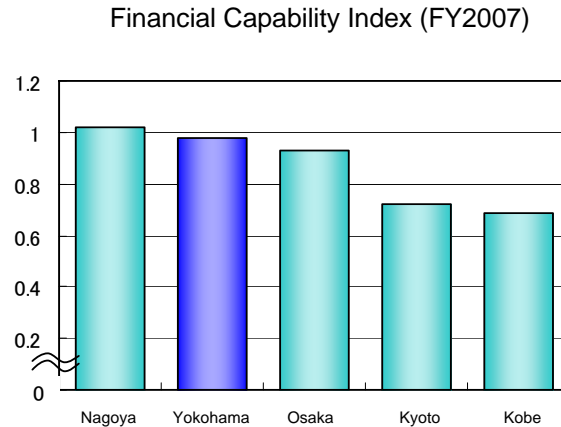
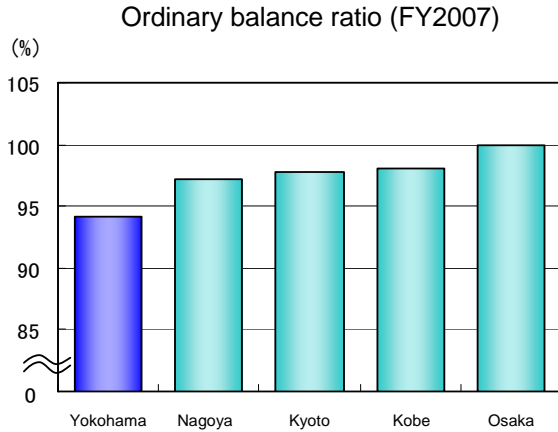
“Lifestyle” Demonstration experiment of Yokohama Environmental Points
Reduction of CO2 through use of electric vehicles

“Work” Yokohama style low carbon engineer promotion project
Yokohama Green Valley

“Energy” Introduction of renewable energy through public-private cooperation

I-9 Financial Capability Indices (a comparison between the five historically-largest cities)

The Status of Our Fiscal Indices are Relatively Favorable



(Note) Fiscal capability index:
The values are three year averages
from FY2005-FY2007

Number of years in which debt redemption is possible:
R&I data (FY2006, balance of regional debt)
(All account base)/return surplus

I-10 Situation of Financial Health Indices

“Fiscal health assessment ratio” of Yokohama based on the FY2007 financial result

	State of Yokohama	Early rehabilitation benchmark	Fiscal rehabilitation benchmark	
Real deficit ratio	No debt	11.25%	20.0%	General account Public enterprise account Extended association Associated organizations
Consolidated actual deficit ratio	No debt	16.25%	40.0%	
Net debt expenditure ratio	20.6%	25.0%	35.0%	
Future burden ratio	292.7%	400.0%	—	

All the ratios are under the early rehabilitation benchmark

The reasons why “net debt expenditure ratio” and “future burden ratio” are high

◆ Net debt expenditure ratio

- There is a high amount repaid on old loans for promoting work on basic city infrastructure such as sewer systems in order to meet the needs of a rapidly growing population
- The balance of sinking funds is less than the national benchmark
(However, the balance is being managed without trouble)

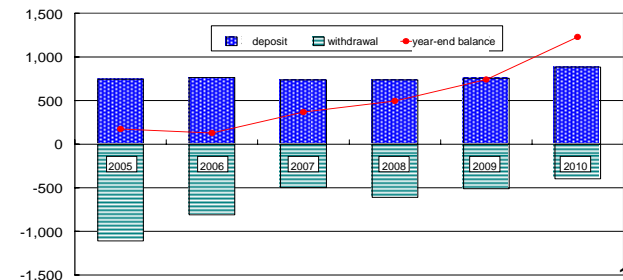
◆ Future burden ratio

- In order to repay public corporations for the work done on infrastructure such as sewage systems, the expected amount veered greatly from the national benchmark.
- The expected debt burdens of public corporations such as the Yokohama Land Development Public Corporation and Yokohama Road Construction Public Corporation are large.

Prospects for the future

- It is predicted that the ongoing “city bond issuance control” and “assured repayment of debt by corporate accounts / affiliated group” programs should prove results in the future and the rates should be steadily lowered.
- Since the redemption schedule has passed its peak, the inflow to the sinking fund will always be larger than the outflow, and the balance will steadily grow.

(Reference) Forecasts of Sinking Fund Balances



II FY2009 Public Offering Bond Issuance Policy

II FY2009 Public Offering Bond Issuance Policy

Monthly Plan

FY2009 Public Offering Bond Total Amounts 260 billion yen (The initial plan for FY2008 was 270 billion yen)

FY2009	4	5	6	7	8	9	10	11	12	1	2	3	Total		
5 year bond	<…		15			…>	<…		15			…>	30	For Institutional Investors 230	
10 year bond	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	<… 20 …>	120			
Super long term bond	<…		20			…>	<…		20			…>	40		
Flex framework	<…		20			…>	<…		20			…>	40		
Hama-sai 5 (5 year OTC sales type bond)	<…	7.5	…>	<…	7.5	…>	<…	7.5	…>	<…	7.5	…>	30	OTC Sales Type 30	

(Note) Above listed plans are current, and therefore subject to change

Issuance Operations

Issuance operations which prioritize dialogue with the market



Outstanding Market Reputation

- 2006 Issuer of the Year (Thomson DealWatch)
- 2007 Municipality Bond Deal of the Year (The Nikkei Bonds & Financial Weekly)
- 2007 Best Yen Bonds (EUROMONEY [Japanese edition])
- 2007 Municipal Bond Best Issuer (CAPITAL EYE)
- New** 2008 Municipal Bond of the Year (Thomson DealWatch)

Spread pricing for municipal bonds of all tenors for institutional investors

Continued issuance operations prioritizing dialogue with the market



Revenue Division, Municipal Bond Section
Administrative management and Coordination Bureau
City of Yokohama

TEL 045-671-2240

FAX 045-664-7185

E-mail gy-sisai@city.yokohama.jp

Internet Website URL

Yokohama Municipal Bond IR Information in Japanese

<http://www.city.yokohama.jp/me/gyousei/sisai/>

Yokohama Municipal Bond IR Information in English

<http://www.city.yokohama.jp/me/gyousei/ir/en/>

City of Yokohama Website Top Page

<http://www.city.yokohama.jp/>

The purpose of this material is to explain the fiscal situation, etc. of City of Yokohama to investors who are considering the purchase of Yokohama municipal bonds, and not to offer the sale or solicit the purchase of any specific bonds.

Yokohama's fiscal situation was drawn from expectations based on figures from the 2009 budget and is subject to change in line with the future economic climate and municipal finance system.

