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 organizations, 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 and 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 (the number of ordinance-designated cities is 20 at this juncture)
On July 1, 1924 Kawasaki City was founded with a population of 48,000.

Looking back at the history of Kawasaki, it is important to consider what makes Kawasaki such a unique and vibrant city.

While Kawasaki has faced unprecedented hardships, including the Great Kanto Earthquake and WWII, the city overcame destruction and devastation to rebuild and reestablish itself as a leading industrial base enabling Japan to ultimately become a major industrial nation. At the same time, however, such fast-paced economic growth gave rise to serious pollution issues.

In response, the citizens and local government of Kawasaki, bravely rose to meet these new challenges. As a result, Kawasaki today has reemerged to become a global model as a city in harmony with the environment.

The historic challenges this city has faced have honed Kawasaki into a “city of strength” founded on Kawasaki’s “spirit of challenge.” Our city is known for its role in leading Japan into the future by always taking on new challenges, turning difficulties into opportunities and transforming crisis into the means to achieve growth. I believe that is what makes Kawasaki unique—the very genetic code we have inherited from the generations before us.

At this juncture, in celebrating 90th anniversary of Kawasaki City, I proclaimed a future vision for Kawasaki based on a harmonious balance between “creating a community of stability” to support the lives of Kawasaki citizens and “creating an industrially vibrant city” to achieve sustainable growth.

In aiming to realize this vision, Kawasaki will strive to make a difference in the world as we continue to lead Japan and realize a sustainable society by our commitment to continue to do what we have done time and time again—make the impossible possible—serving as the light of hope for Japan via our “spirit of challenge.”

Furthermore, in the run up to our next major milestone—Kawasaki’s 100th anniversary—I look forward to working with all of you as we strive to make “Most Successful and Happiest City, Kawasaki,” a city which is the pride and joy of all citizens.

I look forward to your continued warm-hearted support and dedicated cooperation.

Norihiko Fukuda
Mayor of Kawasaki
## I. Overview of Kawasaki

<table>
<thead>
<tr>
<th></th>
<th>Kawasaki</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1,487,583</td>
<td>126,990,000</td>
</tr>
<tr>
<td>Population growth rate</td>
<td>4.0% (2011→2016)</td>
<td>△0.6% (2011→2016)</td>
</tr>
<tr>
<td>Working-age population</td>
<td>983,908 (68.0%)</td>
<td>77,840,000 (61.3%)</td>
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<tr>
<td>Area</td>
<td>144.35 km²</td>
<td>377,929.99 km²</td>
</tr>
<tr>
<td>GDP</td>
<td>53.8 billion dollars (5.5 trillion yen) (FY2013)</td>
<td>4.7 trillion dollars (482 trillion yen) (FY2013)</td>
</tr>
<tr>
<td>Major industries</td>
<td>Manufacturing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(steel, electronics, telecommunications, precision machinery, petrochemical), information and service</td>
<td></td>
</tr>
<tr>
<td>Developing industries</td>
<td>New manufacturing technologies, information and telecommunications, environment, welfare and life sciences, life culture</td>
<td></td>
</tr>
<tr>
<td>Foreign residents</td>
<td>33,577 (2.3%) (03/31/2016)</td>
<td>2,232,189 (1.8%) (12/31/2015)</td>
</tr>
</tbody>
</table>

### GDP breakdown by component

- **Kawasaki**
  - Agriculture: 0.1%
  - Industry: 30.5%
  - Services: 69.4%

- **Japan**
  - Agriculture: 1.2%
  - Industry: 24.6%
  - Services: 74.2%

### Nominal GDP

- **Kawasaki**: 53.8 billion dollars (FY2013)
- **Frankfurt**: 68.2 billion (Eurostat)
- **Zurich**: 139.9 billion (Swiss Statistics)
- **Copenhagen**: 40.0 billion

※ FY2013
Frankfurt, Copenhagen (Eurostat)
Zurich (Swiss Statistics)
1. Convenient access

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

### Lots of railways and roads

- Increase of capacity (1.4 times larger than now)
- Expansion of close-range Asian business air routes
- 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)
II. Characteristics and Advantages of Kawasaki

2. Top city for “industry and R&D”

Global companies and major R&D institutions
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>**

Shin-Kawasaki Sozo no Mori Science Park

**Global Nano Micro Technology Business Incubation Center (NANOBIC)**

- 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.

**KING SKYFRONT**

**Key facilities**

- **Central Institute for Experimental Animals, Regenerative Medicines & New Drug Development Center**
  - Innovation Center of Nanomedicine (ICONM) (began operation in April 2015)
  - Kawasaki Life Science & Environmental Research Center (LiSE)
  - Johnson & Johnson K.K. Kawasaki Science Center (began operation in August 2014)
  - National Institute of Health Sciences (construction to be completed in 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**

**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.

Air condition has been improved by various measures.

Mega Solar
Built one of the largest mega-solar power plants in waterfront areas in collaboration with private company (began operation in 2011)
• Capacity 20,000kw (cover 5,900 households needs)

Kawasaki International Eco-Tech Fair 2016
• International business-matching opportunity
• Next exhibition will be held in February 2017
• 148 groups, 215 booths, 15,000 participants (250 foreign participants from 35 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. Famous city for “art and culture”

Fujiko F. Fujio Museum

- Opened September 3, 2011
- Visitor count surpassed 2 million in October 2015
- Various initiatives emanating from Kawasaki’s new cultural focal points
  - Ticket sales launched in 9 countries
  - Hosting various seasonal events
  - Manga character monuments, signs, shuttle buses, etc.
  - Distribution of "Maps of Local Area Surrounding Museum" to visitors
  - Special guest tickets for citizens to commemorate Kawasaki’s anniversary (Invited 2,000 citizens on July 1)

Kawasaki, the City of Music

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

- Wiener Philharmoniker
- Royal Concertgebouw Orchestra
- Berliner Philharmoniker

MUZA KAWASAKI SYMPHONY HALL

Montreux Jazz Festival, one of three major international jazz festivals, is held in Kawasaki (for the 5th time) in Nov. 2014.

Kawasaki, City of Cinema

With its unique, long narrow terrain bordering the Tama River (offering a variety of diverse settings) and proximity to central metro areas, Kawasaki has become an ideal location for filming movies, such as "Space Brothers," "Rinjo" and TV dramas, such as "Doctor X" and "Case Closed."
Ⅲ. Financial Position of Kawasaki

Budget for the 2016 Fiscal Year

**Revenues**

- **National Treasury Disbursement**
  - JPY109.7 bil (17.2%)
- **Municipal Bonds**
  - JPY59.2 bil (9.3%)
- **Independent Revenue Sources**
  - JPY229.6 bil (36.0%)
- **Local Taxes**
  - JPY301.5 bil (47.2%)
- **Other**
  - JPY68.4 bil (10.6%)
- **Various Revenues**
  - JPY39.5 bil (6.2%)

**Total**

- JPY639.0 bil (100%)

**Dependent Revenue Sources**

- JPY409.4 bil (64.0%)
- JPY229.6 bil (36.0%)
- JPY301.5 bil (47.2%)
- JPY68.4 bil (10.6%)
- JPY39.5 bil (6.2%)

**Total Independent Revenue Sources**

- JPY409.4 bil (64.0%)

**Total**

- JPY639.0 bil (100%)

**Expenditures**

- **Environment and Recycling**
  - JPY25.9 bil (4.1%)
  **Improvements of roads, green space/parks, rivers and sewers; and creating a safe community**
  - JPY91.7 bil (14.4%)
- **Support of Child-raising**
  - JPY100.0 bil (15.6%)
- **Development of the Local Economy**
  - JPY33.4 bil (5.2%)
  **Systematic Urban Planning**
  - JPY35.8 bil (5.6%)
- **Formal education and lifelong learning**
  - JPY57.8 bil (9.1%)
- **Improvements of healthcare, medical care, social welfare**
  - JPY181.3 bil (28.4%)
- **Administrative Management**
  - JPY32.2 bil (5.0%)
- **Other**
  - JPY80.9 bil (12.6%)

**Total**

- JPY639.0 bil (100%)

**JPY639.0 bil = USD6.193 bil**

1 USD = JPY103.18 (as of August 31, 2016)
Ⅲ. Financial Position of Kawasaki

### Revenue structure (general account)

#### Higher percentage of local taxes in Revenue

- **Kawasaki:**
  - 21.1%
  - 8.0%
  - 20.5%
  - 49.6%
  - **Strong tax revenue base**

- **Average of ordinance-designated cities:**
  - 21.2%
  - 10.8%
  - 22.4%
  - 6.2%

#### Analysis of Tax Revenue Structure

#### State of local taxes revenue

- **(JPY100 mil)**
  - Individual municipal tax
  - Corporate municipal tax
  - Others
  - Fixed asset tax

- **2007 to 2016:**
  - 2,978
  - 2,938
  - 2,852
  - 2,820
  - 2,871
  - 2,853
  - 2,890
  - 2,966
  - 3,007
  - 2,922

- **Kawasaki Average of ordinance-designated cities:**

- **Others:**
  - Municipal bonds
  - National and prefectural treasury disbursement
  - Local allocation taxes
  - Local taxes

*Comparison of designated cities based on the settlement of accounts (FY2015)
III. Financial Position of Kawasaki

Steady Efforts in Financial and Administrative Reform

Accomplishments (FY2004 – FY2013)
Proceeded with the financial and administrative reform through private sector initiative, review of subsidies and decline in staff members

Reform Programs related to financial and administrative operations (FY2014 – FY2015)
- Secure benefits of 5.4 billion yen in FY2016 budget
- Financial and administrative reform programs (FY2016 – FY2019)
  - Promote the public service “quality reform”

Changes in the number of staff members and compensation for staff

(Number of Staff Members; line chart)

Number of Staff Members
Down 14.2% or 2,175 employees vs. FY2004

(Compensation for Staff in JPY100 mil; bar chart)

Compensation for Staff
Down 21.7% or JPY 18.2 billion vs. FY2004

Number of staff members as of April 1 each fiscal year
### IV. Kawasaki City Bonds

#### FY2016 Kawasaki City Bonds Issue Plan

- Of 148.3 billion yen of all accounts, private funds are 132.6 billion yen (89.4%)
- The amount of public offering bonds is 93 billion yen (62.7%), of which the amount of Kawasaki individual bonds is 73 billion yen (49.2%)

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<td>Joint municipal bond</td>
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<td>Joint municipal bond</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>93</td>
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</table>

#### 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 27.4% (FY2013)

* Bond Outstanding includes all accounts
IV. Kawasaki City Bonds

<table>
<thead>
<tr>
<th>Risk Weights under BIS Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>JGB</td>
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<tr>
<td>0%</td>
</tr>
</tbody>
</table>

Kawasaki City Investor Relations Website

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


Tax-Exempt Measures for Non-Residents

- A nonresident or a foreign corporation who satisfies the specific requirements may receive interest on book-entry transfer municipal bonds exempted from income tax.
- Starting from June 2010, tax-exemption procedures for the interest payments on book-entry transfer municipal 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 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

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

2. Financial Data

   - 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

Promotes Showcasing of Environmental Technologies in All Over Kawasaki City

Each color indicates:
- Energy-related facilities
- Resource recycling facilities
- Dissemination & awareness-raising facilities, etc.

St. Marianna University School of Medicine Energy Center (Natural gas cogeneration system)

CC Kawasaki Exchange Corner (Inside Takatsu Civic Hall)

Kawasaki International Eco-Tech Fair (at Todoroki Arena)

Ward office solar power generation (Nakahara-ku, Takatsu-ku, Miyamae-ku, Tama-ku, and Asao-ku)

Saginuma Power Plant (Micro water power generation)

Earth thermal utilization system (Mirami Kawara, Sugoi, Tamagawa Children’s Culture Centers)

Introduced energy generating/saving equipment such as solar power generation, LED, etc.
- (Kawasaki Station East Exit Square)
- LED lights adoption model operation (City government building)
- Hydrate slurry-based air-conditioning system (Kawasaki Underground Mall Azelia)

Manufacturing facility for ammonia material from plastic wastes
PET bottle to PET bottle recycling facilities

Kawasaki Natural Gas Power Plant
Kawasaki Biomass Power Plant
JR East Kawasaki Power Plant

Ohgi-shima Wind Power Plant

TEPCO Kawasaki Thermal Power Plant
(Kawasaki Steam Net (provides steam heat from the thermal power plant to businesses in neighboring areas))

TEPCO Higashi-ogishima Thermal Power Plant

Kawasaki Eco-Life and Future Museum (a point of enlightening people and disseminating information)

Set up a environmental research institute

Large-Scale Solar Power Plant (Ukishima)

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)

St. Marianna University School of Medicine Energy Center
Natural gas cogeneration system

CC Kawasaki Energy Park
- Kawasaki designates the entire city as “Energy Park”, disseminates most advanced environmental energy technology to Japan and abroad, and strives to improve citizens’ and business operators’ understandings of energy.
- Resources and Energy Agency certified it as “Next-Generation Energy Park” in 2011/2.

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Kawasaki International Eco-Tech Fair (at Todoroki Arena)

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St. Marianna University School of Medicine Energy Center
Natural gas cogeneration system
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.

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

Global Water Issues

Water Business

Improving the Global Water Environment

Platform under the cooperation with public and private sector

Companies with Water-related Technologies, Products and Know-how

City of Kawasaki with Technologies and Expertise of Waterworks and Sewerage Management
2. Financial Data

Analysis of Annual Expenditure Structure (ordinary account)

<table>
<thead>
<tr>
<th>City</th>
<th>Ratio of bond cost</th>
<th>Ratio of aid allowance</th>
<th>Ratio of personnel expenses</th>
<th>Ratio of obligatory expenses</th>
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<tbody>
<tr>
<td>Sapporo</td>
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<tr>
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<td>12.0%</td>
<td>9.6%</td>
<td>9.6%</td>
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</tbody>
</table>

*Ordinance-designated cities (FY2015)
2. Financial Data

Primary Balance

Ensure a stable surplus

General account basic financial revenues and expenditures

* Initial budget (2016)
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 and (4) Future burden ratio.
- Also, (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.

<table>
<thead>
<tr>
<th>Fiscal Health Assessment</th>
<th>FY2015</th>
<th>FY2014</th>
<th>The Early Financial Soundness Criterion</th>
<th>The Financial Rebuilding Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Real deficit ratio</td>
<td>−%</td>
<td>−%</td>
<td>11.25%</td>
<td>20.00%</td>
</tr>
<tr>
<td>2 Consolidated real deficit ratio</td>
<td>−%</td>
<td>−%</td>
<td>16.25%</td>
<td>40.00%</td>
</tr>
<tr>
<td>3 Real debt service ratio</td>
<td>7.5%</td>
<td>8.2%</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>4 Future burden ratio</td>
<td>117.2%</td>
<td>115.3%</td>
<td>400.0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Shortfall Ratio</th>
<th>FY2015</th>
<th>FY2014</th>
<th>Management Stabilizing Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Financial shortfall ratio (6 public enterprises account)</td>
<td>All public enterprises have no capital shortfall.</td>
<td>Automobile transportation business accounting 1.2% Other public enterprises have no capital shortfall.</td>
<td>20%</td>
</tr>
</tbody>
</table>

- 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 (FY2015)

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Sound financials</th>
<th>Early stage to restore financial soundness</th>
<th>Financial rebuilding required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real deficit ratio</td>
<td>0%</td>
<td>11.25%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Consolidated real deficit ratio</td>
<td>0%</td>
<td>16.25%</td>
<td>40.00%</td>
</tr>
<tr>
<td>Real debt service ratio</td>
<td>0%</td>
<td>25.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Future burden ratio</td>
<td>0%</td>
<td>400.0%</td>
<td></td>
</tr>
<tr>
<td>Financial shortfall ratio (6 public enterprises account)</td>
<td>0%</td>
<td>20.0%</td>
<td></td>
</tr>
</tbody>
</table>

- **The Early Financial Soundness Criterion**
  - Kawasaki City: No deficit

- **The Financial Rebuilding Criterion**
  - Kawasaki City: No deficit

- **Management Stabilizing Standard**
  - Kawasaki City: No deficit
### 2. Financial Data

#### Balance Sheets Consolidated with Affiliated Entities (as of March 31, 2015)

<table>
<thead>
<tr>
<th>Financial</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>56,120</td>
<td>19,354</td>
</tr>
<tr>
<td>Non-financial</td>
<td>52,062</td>
<td>17,383</td>
</tr>
</tbody>
</table>

**Assets**
- 1. Capital: 575 (JPY 100 mil)
- 2. Account receivables: 470 (JPY 100 mil)
- 3. Securities: 49 (JPY 100 mil)
- 4. Others: 2,964 (JPY 100 mil)
  - Total financial assets: 4,058 (JPY 100 mil)

**Liabilities**
- 1. Municipal bonds (short-term): 1,392 (JPY 100 mil)
- 2. Others: 579 (JPY 100 mil)
  - Current liabilities total: 1,971 (JPY 100 mil)
- 1. Municipal bonds (long-term): 13,832 (JPY 100 mil)
- 2. Provisions: 753 (JPY 100 mil)
- 3. Others: 2,798 (JPY 100 mil)
  - Non-current liabilities total: 17,383 (JPY 100 mil)
  - Total liabilities: 19,354 (JPY 100 mil)

**Net assets**
- 36,766 (JPY 100 mil)

**Total net assets**
- 36,766 (JPY 100 mil)
<table>
<thead>
<tr>
<th>Address</th>
<th>1 Miyamoto-cho Kawasaki-ku Kawasaki-city Kanagawa JAPAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-mail</td>
<td><a href="mailto:23sikin@city.kawasaki.jp">23sikin@city.kawasaki.jp</a></td>
</tr>
<tr>
<td>Kawasaki City Investor Relations (IR)</td>
<td><a href="http://www.city.kawasaki.jp/shisei/category/47-4-1-0-0-0-0-0-0-0-0.html">http://www.city.kawasaki.jp/shisei/category/47-4-1-0-0-0-0-0-0-0-0.html</a></td>
</tr>
</tbody>
</table>

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.