

Finance Department  
Finance Bureau, City of Kawasaki

# City of Kawasaki

Investor Presentation, September 2017



Ikuta Ryokuchi:  
Full of natural greenery



Kawasaki Fujiko F. Fujio Museum



Kawasaki Daishi  
(Heiken-ji Temple)



A Costal Area adjacent to  
Haneda International Airport



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



A fantastic  
Factory Night Landscape

 KAWASAKI CITY

- 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 90<sup>th</sup> 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 100<sup>th</sup> 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

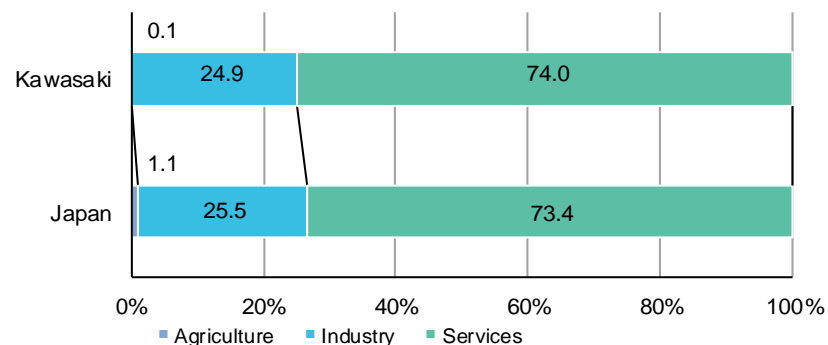
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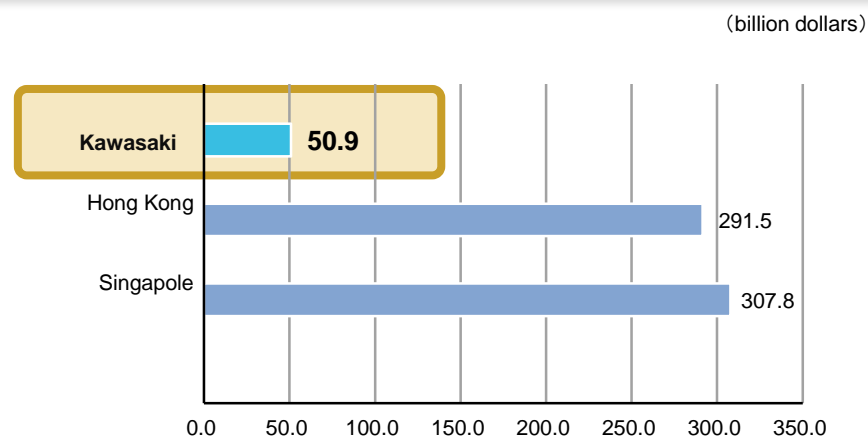
# I . Overview of Kawasaki

	Kawasaki	Japan
Population	1,501,930 (07/01/2017)	126,750,000 (07/01/2017)
Population growth rate	4.5% (2012→2017)	△0.7% (2012→2017)
Working-age population	1,006,094 (67.5%) (10/01/2016)	76,650,000 (60.1%) (10/01/2016)
Area	144.35 km <sup>2</sup>	377,929.99 km <sup>2</sup>
GDP	50.9billion dollars (5.4trillion yen) (FY2014)	4.9trillion dollars (518trillion yen) (FY2014)
Major industries	Manufacturing (steel, electronics, telecommunications, precision machinery, petrochemical), information and service	
Developing industries	New manufacturing technologies, information and telecommunications, environment, welfare and life sciences, life culture	
Foreign residents	35,665 (2.4%) (12/31/2016)	2,382,822 (1.9%) (12/31/2016)

## GDP breakdown by component



## Nominal GDP



※ FY2014  
 Hong Kong(IMF)  
 Singapore(Ministry of Foreign Affairs of Japan, Statistics Singapore)

# 1. Convenient access



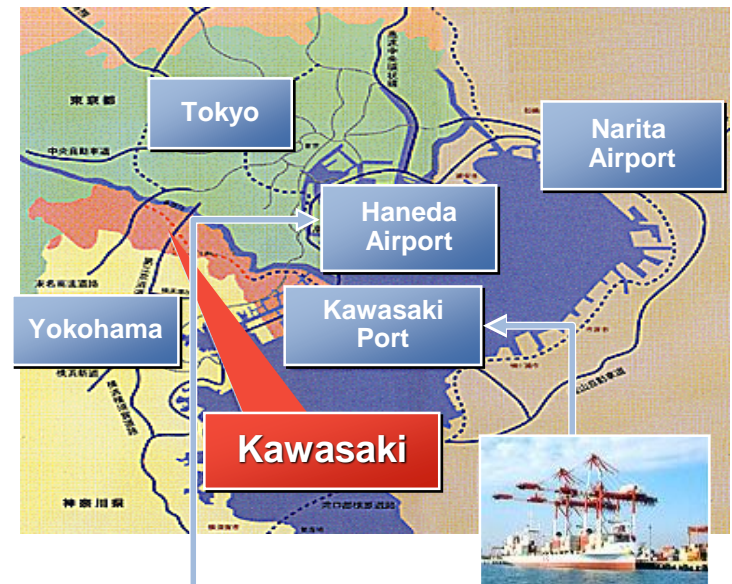
## Lots of railways and roads

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

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

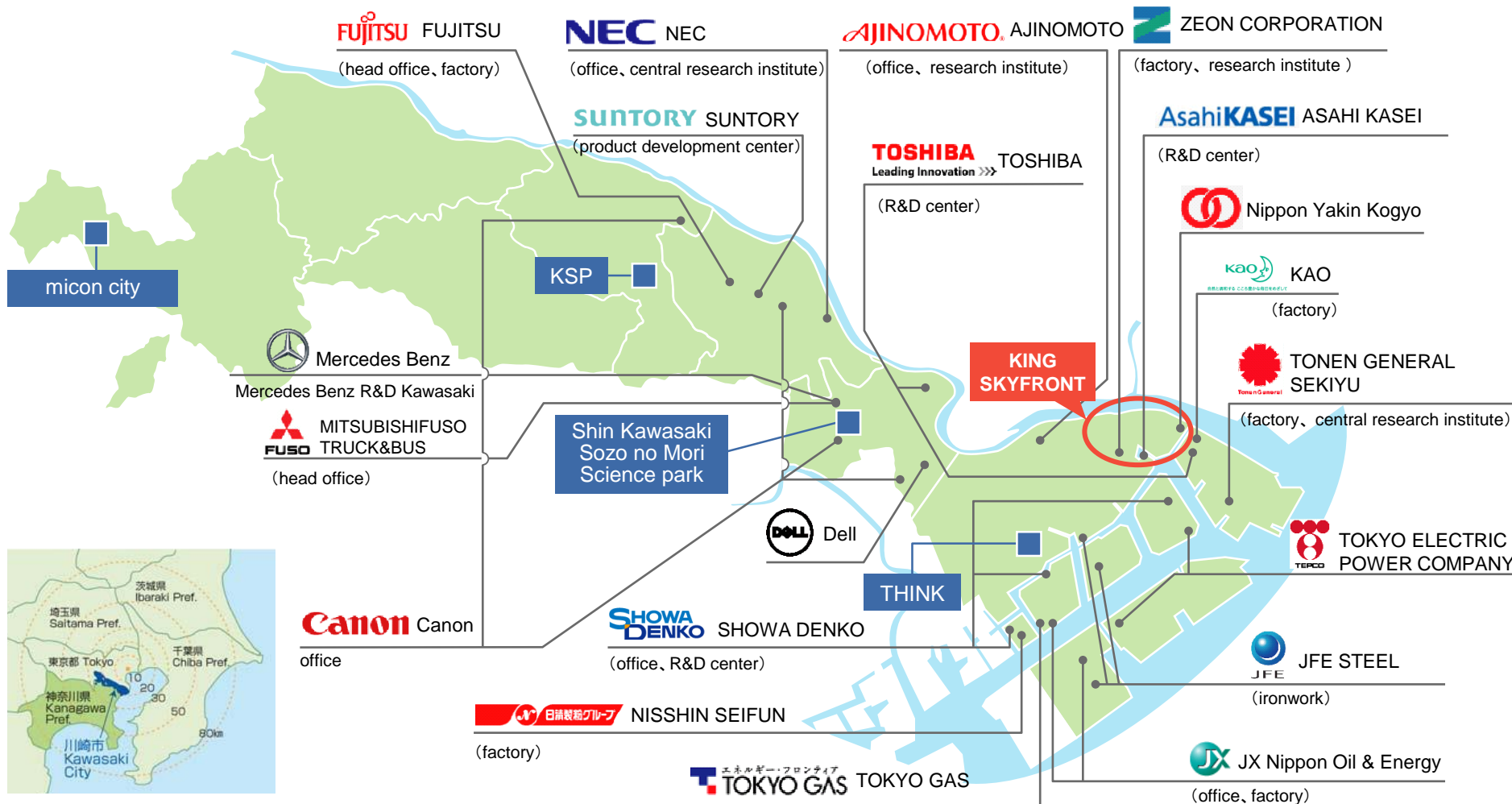
- Increase of capacity (1.4 times larger than now)
- Expansion of close-range Asian business air routes
- Service to European major cities by 24-hour operation
- Expansion of international freight
- Plan for KING SKYFRONT  
(building a site for life innovation and environmental innovation which can make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

Kawasaki ⇄ Narita Airport 90min  
Kawasaki ⇄ Haneda Airport 14min



# 2. Top city for “industry and R&D”

## Global companies and major R&D institutions



Science park and R&D industrial housing



# 3. Life innovation

KAWASAKI CITY

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



“Science”  
August 2, 2013

## Shin-Kawasaki Sozo no Mori Science Park

### Global Nano Micro Technology Business Incubation Center (NANOIBC)

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



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

#### Life Science Industry

Dosage directly into the tumor cell



#### Environmental/ Energy Industry

Double the energy efficiency of photovoltaic cells



## KING SKYFRONT

### Key facilities

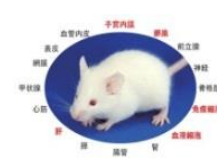
- **Central Institute for Experimental Animals, Regenerative Medicines & New Drug Development Center**
- National Institute of Health Sciences(will begin operation in 2017)
- Kawasaki Life Science & Environmental Research Center (LiSE)
- Johnson & Johnson K.K. Kawasaki Science Center (began operation in August 2014)
- FUJIFILM RI Pharma Co., Ltd. (began operation in April 2017)

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

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

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

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



**NOG mouse/  
humanized mouse**



“nature”  
May 28, 2009

**Common  
marmoset**

# 4. Environmental innovation

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



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

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

1967

Now

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



Air condition has been improved by various measures.



### Mega Solar Power Plant

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 2017

- International business-matching opportunity
- Held in February 2017
- 133 groups, 216 booths, 15,000 participants (250 foreign participants from 45 countries/regions)



### RPET REFINE TECHNOLOGY Co.,Ltd

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



### Implement of Smart City Strategy

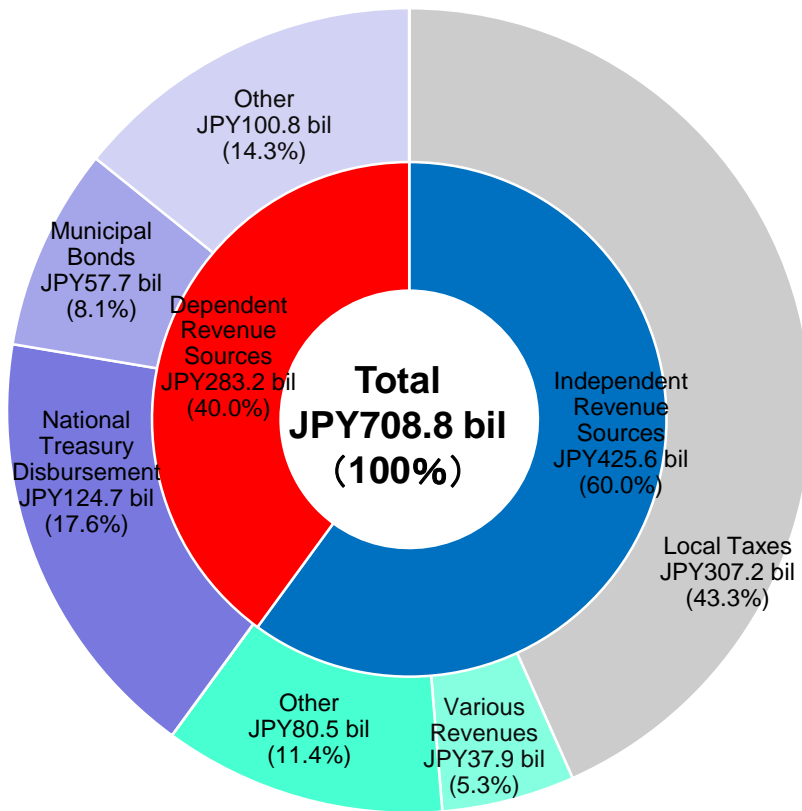
In order to realize a sustainable society, Kawasaki City carries on Smart Strategy which lead to a low carbon emission with efficient use of energy, improvement of safety in case of emergency, also efficiency and quality of life.



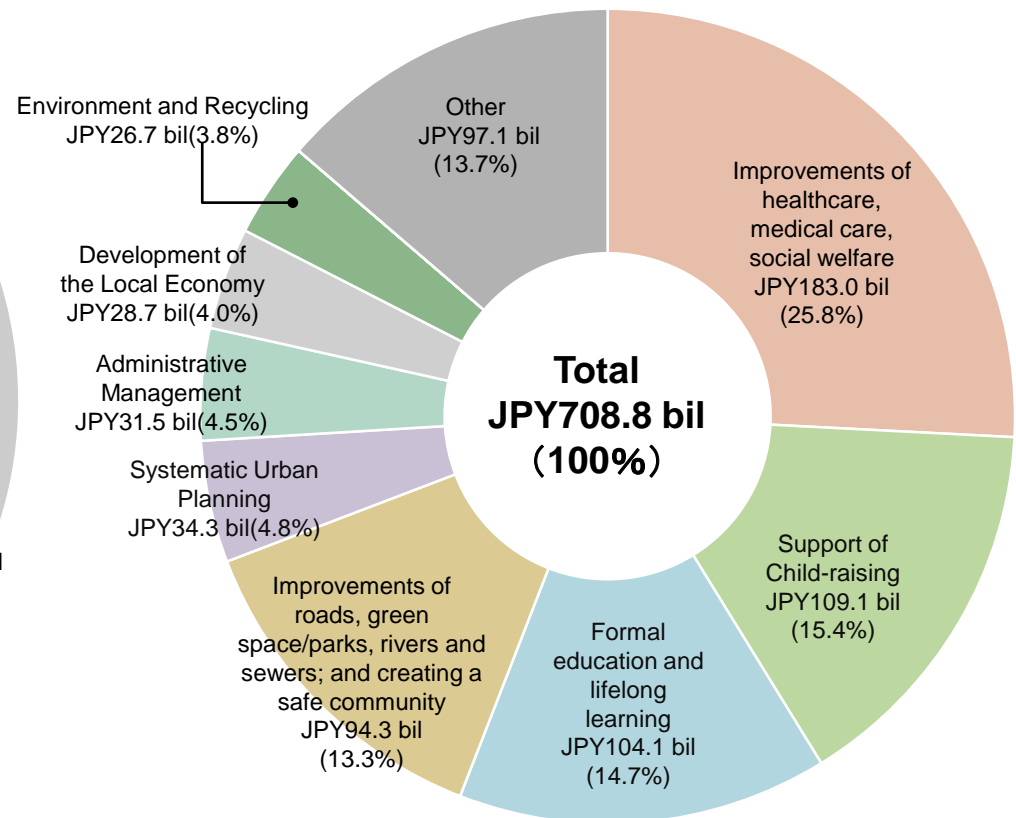
# Ⅲ. Financial Position of Kawasaki

## Budget for the 2017 Fiscal Year

### Revenues



### Expenditures



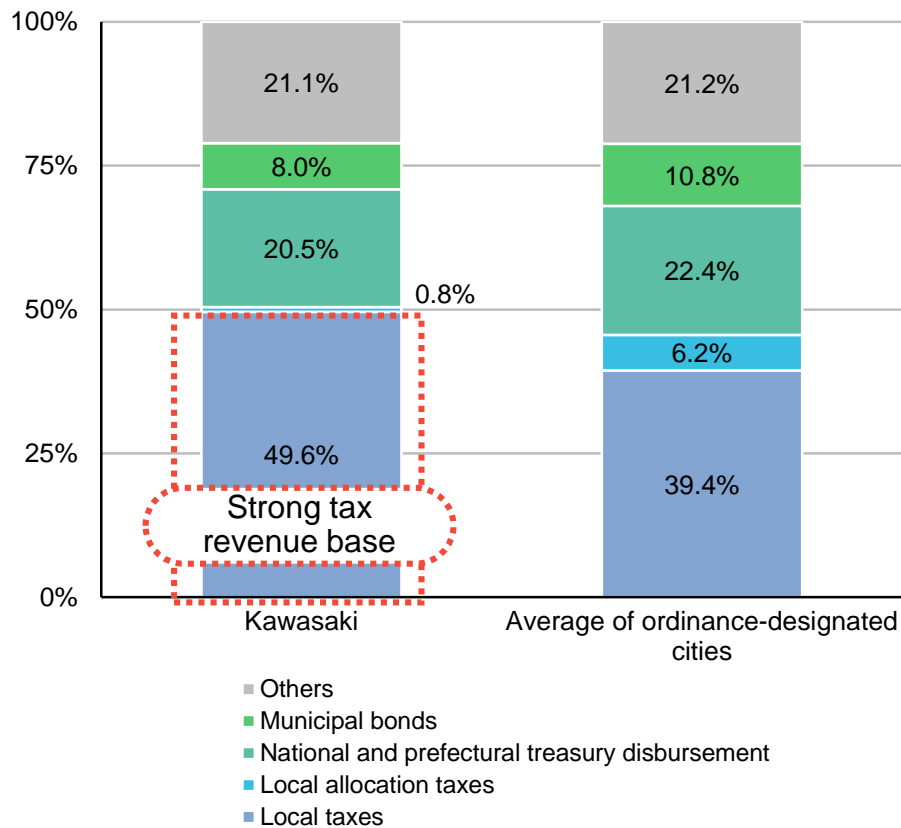
**JPY708.8 bil = USD6.443 bil**

1 USD = JPY110

# Ⅲ. Financial Position of Kawasaki

## Revenue structure (general account)

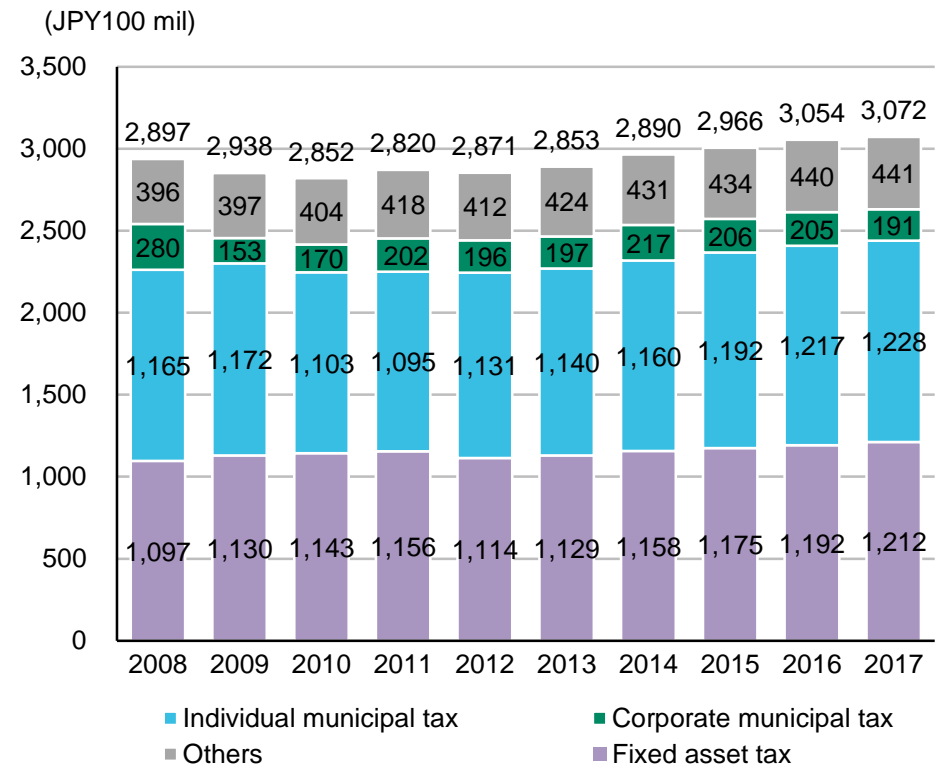
### Higher percentage of local taxes in Revenue



\*Comparison of designated cities based on the settlement of accounts (FY2015)

## Analysis of Tax Revenue Structure

### State of local taxes revenue



\*Initial budget (FY2017)

# III. Financial Position of Kawasaki

## Steady Efforts in Financial and Administrative Reform

### Accomplishments (FY2004 – FY2015)

Proceeded with the financial and administrative reform through private sector initiative, review of subsidies and decline in staff members

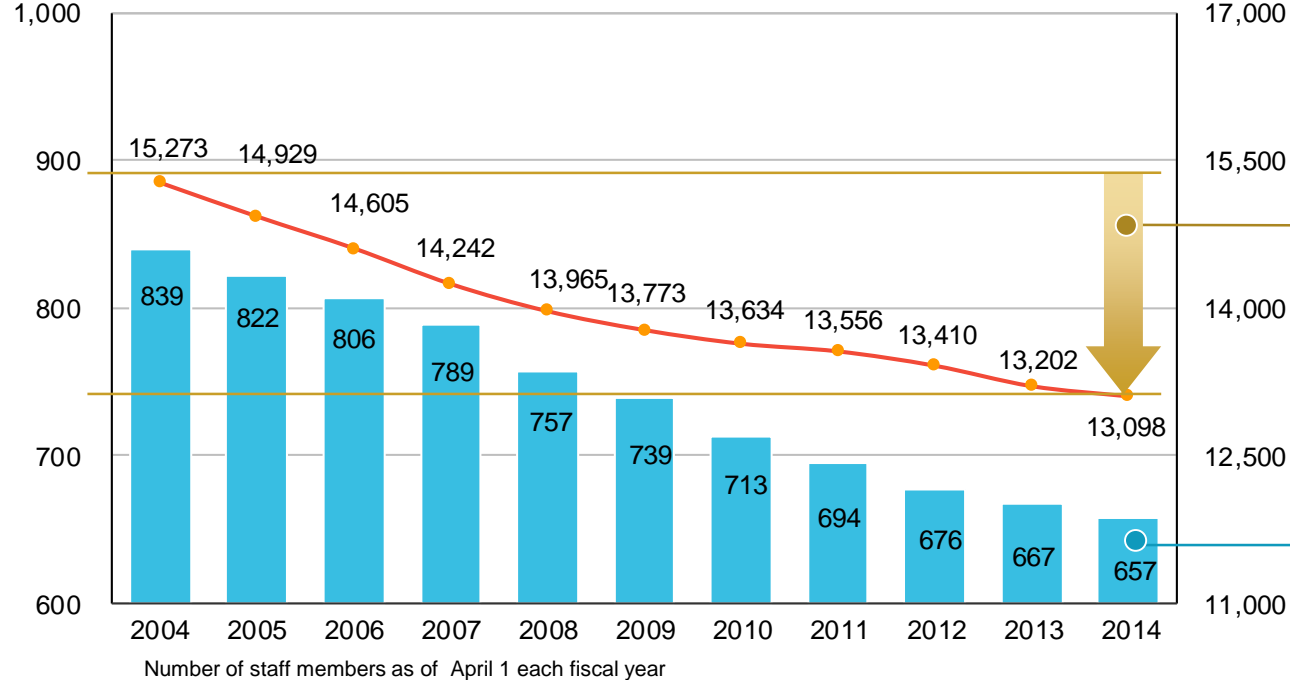
### Reform Programs related to financial and administrative operations (FY2016 – FY2017)

Secure benefits of 4.1 billion yen in FY2017 budget  
Understand the needs of citizens and the Challenges of the region  
Promote the public service “quality reform”

## Changes in the number of staff members and compensation for staff

(Compensation for Staff in JPY100 mil; bar chart)  
1,000

(Number of Staff Members; line chart)  
17,000



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

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

# IV. Kawasaki City Bonds

## FY2017 Kawasaki City Bonds Issue Plan

- Of 158.3 billion yen of all accounts, private funds are 140.8 billion yen (89.0%)
- The amount of public offering bonds is 106 billion yen (67.0%), of which the amount of Kawasaki individual bonds is 86 billion yen (54.3%)

(JPY bil)

Category			Term (year)	Sum	2016							2017			Spot	TBD	
					4	5	6	7	8	9	10	11	12	1			2
Public offering bonds	Individual public offering municipal bonds	Nationwide market	5	21	7			7			7						
			10	10								10					
		Super long		30													30
		Flex		25													25
	Joint municipal bond	10	20		5	5		4			3			3			
Total				106													

## Use of Kawasaki City Bonds



Build bridges



Redevelop station piazzas



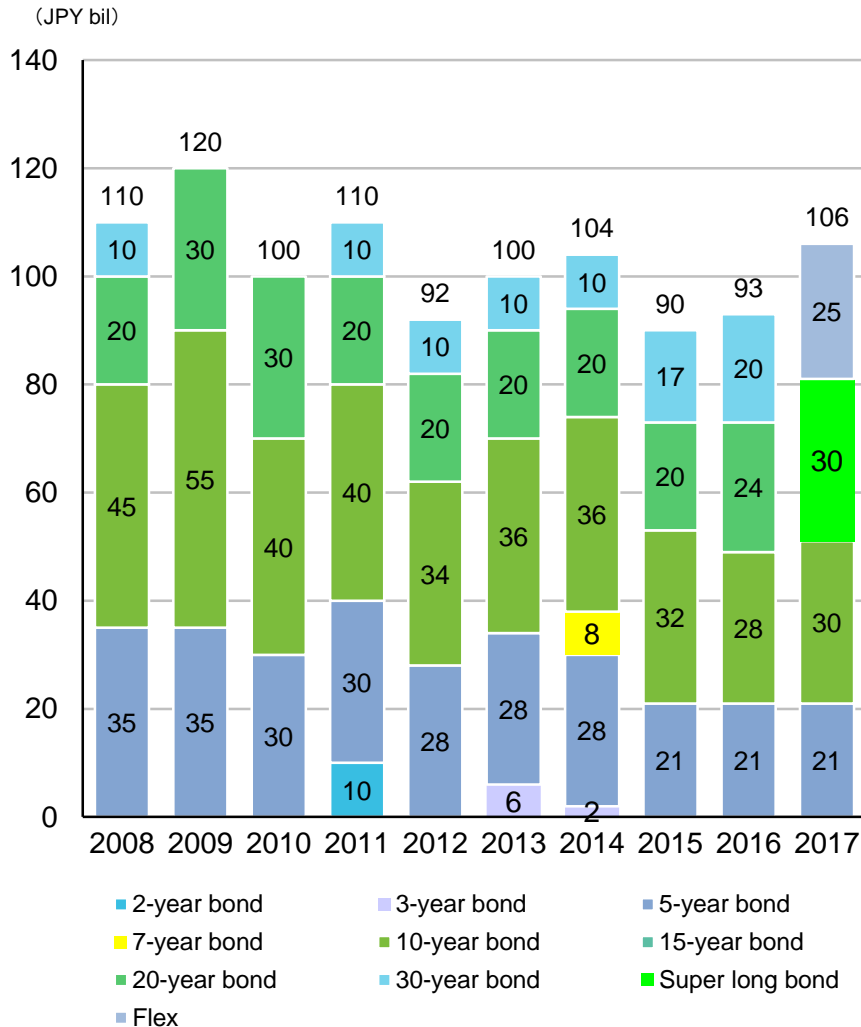
Renovate hospitals



Purchase Fire Trucks

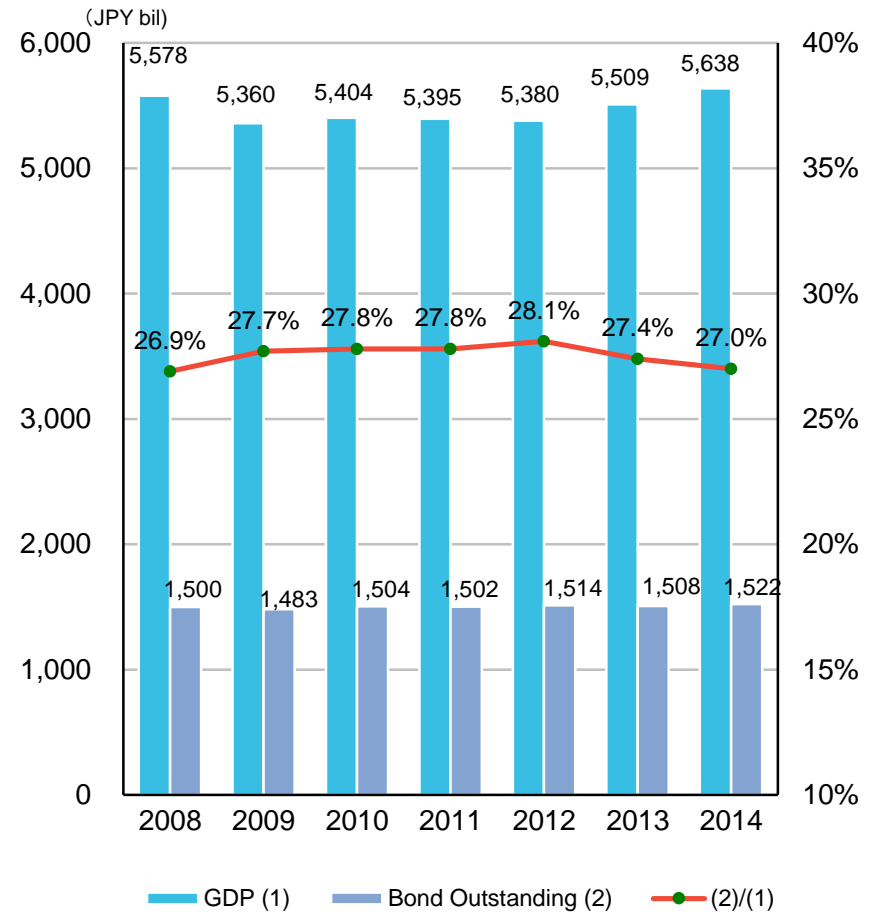
# IV. Kawasaki City Bonds

## Total amounts of Kawasaki City's public offering bonds issued



## Bond Outstanding vs GDP

Bond Outstanding vs GDP was 27.4% (FY2013)



\* Bond Outstanding includes all accounts



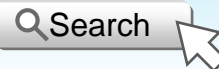
# IV. Kawasaki City Bonds

## Risk Weights under BIS Standard

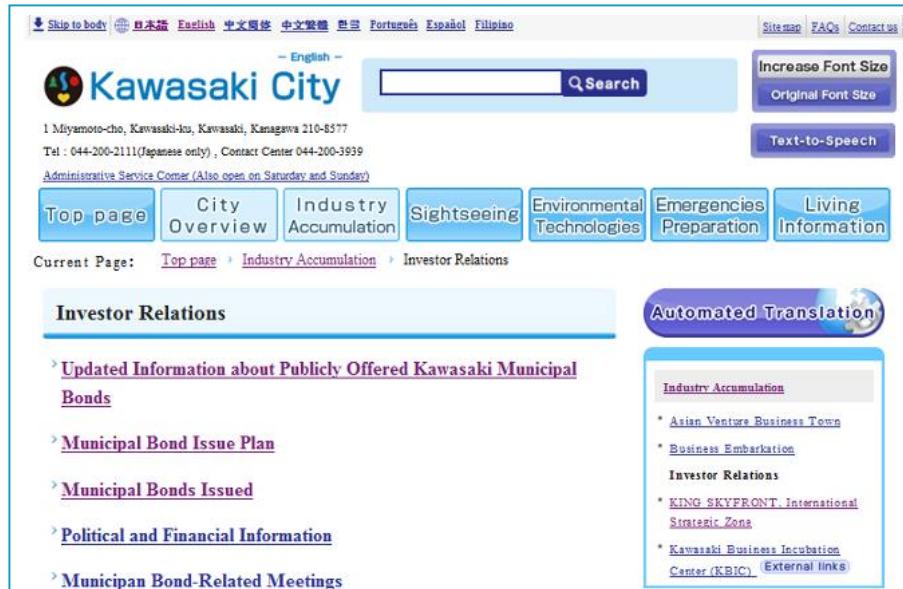
JGB	Government Guaranteed Bonds	Kawasaki City Bonds	FILP Agency Bonds (no guarantee)	Straight Bonds rating AA- and over
0%	0%	0%	10%	20%

## Kawasaki City Investor Relations Website

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



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



The screenshot shows the Kawasaki City website interface. At the top, there are navigation links for various languages: 日本語, English, 中文简体, 中文繁體, 日本語, Português, Español, Filipino. Below this is the Kawasaki City logo and a search bar. The main content area features a navigation menu with buttons for Top Page, City Overview, Industry Accumulation, Sightseeing, Environmental Technologies, Emergencies Preparation, and Living Information. The current page is 'Investor Relations'. A sidebar on the right contains an 'Automated Translation' button and a list of links under 'Industry Accumulation' and 'Investor Relations'. The main content area lists several links: Updated Information about Publicly Offered Kawasaki Municipal Bonds, Municipal Bond Issue Plan, Municipal Bonds Issued, Political and Financial Information, and Municipal Bond-Related Meetings.

## 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>

## 2

## Financial Data

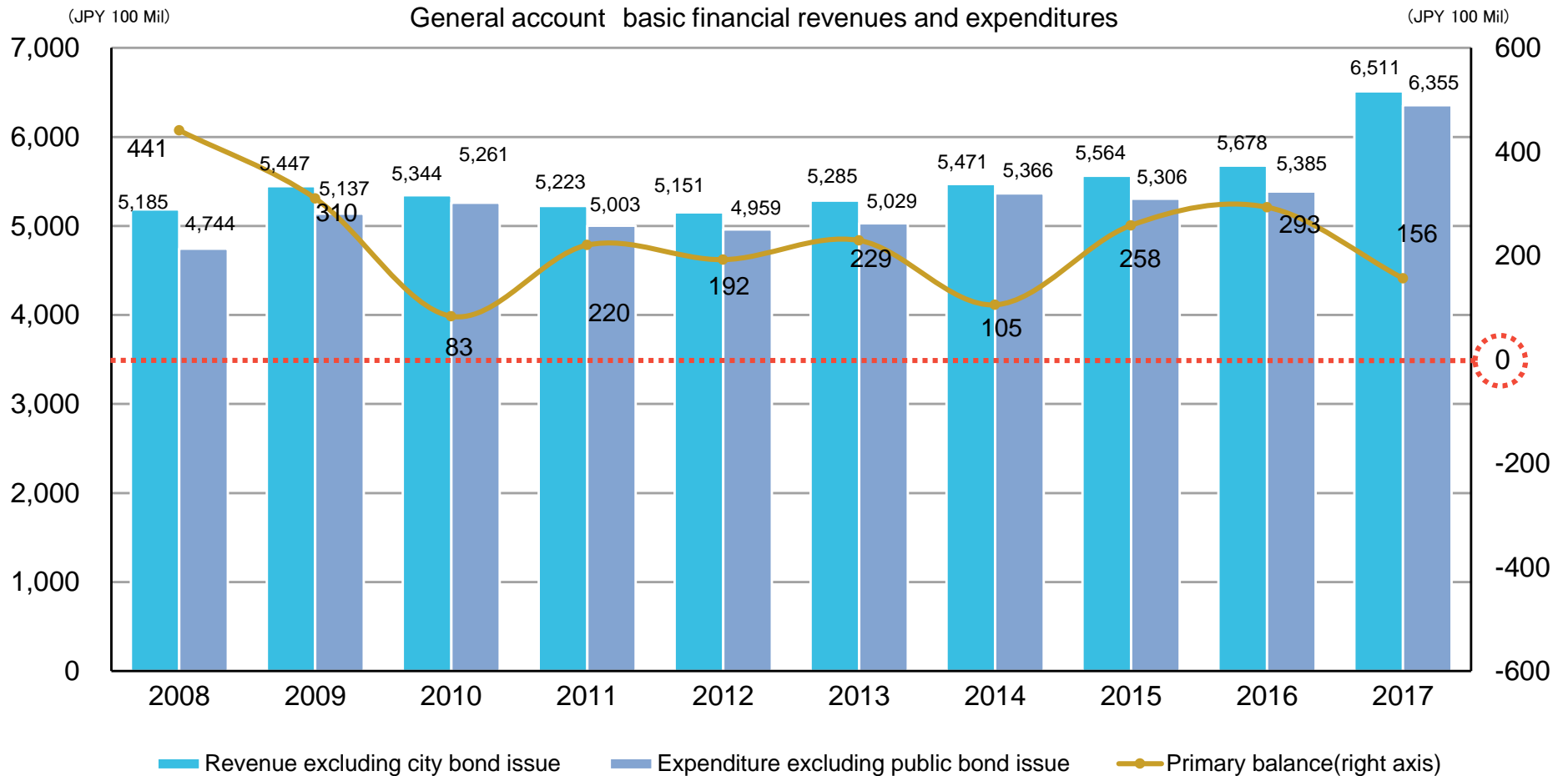
P.15

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

# 2. Financial Data

## Primary Balance

Ensure a stable surplus



\* 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.

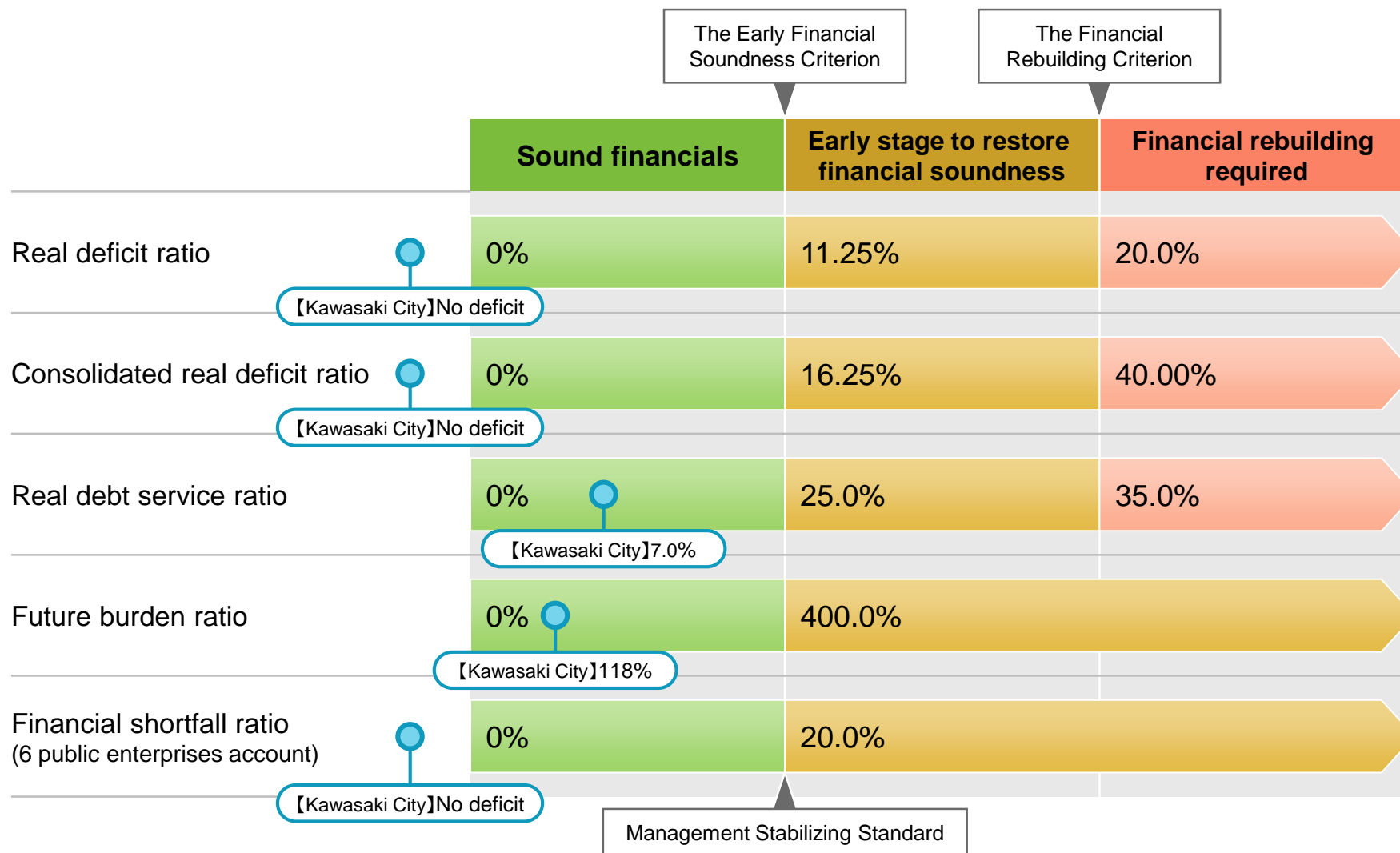
Fiscal Health Assessment		FY2016	FY2015	The Early Financial Soundness Criterion	The Financial Rebuilding Criterion
1	Real deficit ratio	—%	—%	11.25%	20.00%
2	Consolidated real deficit ratio	—%	—%	16.25%	40.00%
3	Real debt service ratio	7.0%	7.5%	25.0%	35.0%
4	Future burden ratio	118.0%	117.2%	400.0%	

Capital Shortfall Ratio		FY2016	FY2015	Management Stabilizing Standard
5	Financial shortfall ratio (6public enterprises account)	All public enterprises have no capital shortfall.	All public enterprises have no capital shortfall	20%

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

# 2. Financial Data

## State of the Ratio for Determining Soundness and the Financial Shortfall Ratio (FY2016)





## 2. Financial Data

### Balance Sheets Consolidated with Affiliated Entities (as of March 31, 2016)

			(JPY 100 mil)				(JPY 100 mil)				(JPY 100 mil)	
Assets	Financial	1. Capital	591	Assets	Liabilities	19,479	Net assets	37,065	Liabilities	Current liabilities	1. Municipal bonds (short-term)	1,471
		2. Account receivables	488								2. Others	638
		3. Securities	28							Current liabilities total		2,108
		4. Others	3,028							Non-current liabilities	1. Municipal bonds (long-term)	13,722
		Total financial assets									4,136	2. Provisions
	1. Operating assets	16,334	3. Others		2,786							
	Non-financial	2. Non-operating assets	36,074		Non-current liabilities total			17,371				
		3. Others	0		<b>Total liabilities</b>			<b>19,479</b>				
		Non-financial assets total			52,408							
		<b>Total assets</b>			<b>56,544</b>							
											(JPY 100 mil)	
							<b>Total net assets</b>				<b>37,065</b>	

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**E-mail** 23sikin@city.kawasaki.jp

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

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

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



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