



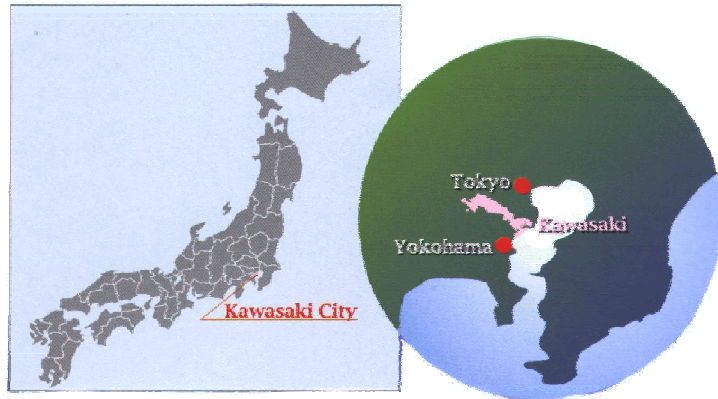
Municipal Bond Subdivision

**Financial Affairs Department
City of Kawasaki**

City of Kawasaki

**Investor Presentation
October 2008**

1. Investment Environment of Kawasaki



	Kawasaki	Japan
Population	1,389,059 (as of Aug 1, 2008) <small>It corresponds to the population of Munich (Germany), Milano (Italy)</small>	127.8 million (as of Oct. 1, 2005)
Population Growth Rate	6.2% (2005) (Rate of increase/ decrease of population from 2000 to 2005)	0.7% (2005) (Rate of increase/ decrease of population from 2000 to 2005)
Average Age	40.7 (as of Oct. 1, 2007)	43.9 (as of Oct. 1, 2005)
Labor Force Population	730,600 (2005)	65.5 million (2005)

	Kawasaki	Japan
Number of Households	640,241 (as of Aug 1, 2008)	48.2 million (as of Oct. 1, 2005)
Area	144.35 km ²	377,929.99 km ²
GDP	4,704.5 billion yen (2003)	503 trillion yen (2005)
Major Industries of Kawasaki	Manufacturing (Electronics & Telecommunications, Precision Machinery, Petrochemistry), and Information Service Industries	
Developing Industries of Kawasaki	New Manufacturing Technologies; Information and Telecommunications; Environmental; Health, Welfare, and Life Science; and Lifestyle and Cultural Industries	
Registered Foreign Residents	28,775 (117 nationalities) (as of Dec. 31, 2006)	2,084,919 (as of Oct 1, 2006)
Number of Foreign Affiliated Companies	115 (with 83 headquarters, fifth-largest in Japan)	3,500

2. Five Major Advantages of Investing in Kawasaki

- 1 Convenient Access
- 2 Huge Market Potential
- 3 Excellent Track Record of Companies Sited in Kawasaki
- 4 Three Science Parks Giving Rise to New Businesses
- 5 Outstanding Cultural and Life Environment

Advantage 1 – Convenient Access

- **Easy Access to Airports**

It takes 90 min. to Narita and only 13 min. to Haneda (by train)

- **Extensive Rail and Road Network**

It takes 18 min. to Tokyo and 10 min. to Yokohama (by train)

- **Further Expansion and Internationalization of Haneda Airport**

(services tentatively scheduled to begin in 2010)

Expand the departure and arrival capacities by 1.4 times.

Begin regular, short-range international flight services.

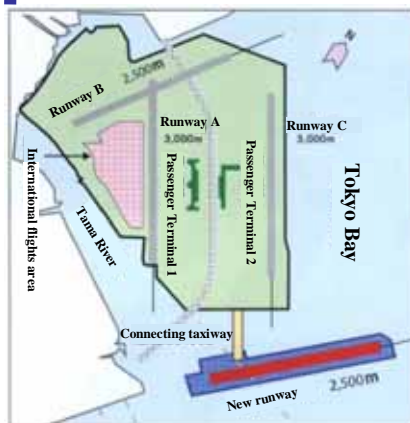
Expand international freight services.

The “Kanagawa-Haneda International Airport Linking Project” aims to create a new base for exchange by constructing a new access route to Haneda Airport from Kawasaki (Kanagawa Prefecture), known as “the Kanagawa Gate”.

- **New Station To Be Built By 2010**

(Shin Musashi-Kosugi Station on JR Yokosuka line)

Will reduce travel time between Kawasaki and Tokyo and Yokohama.



Haneda Airport



Container Terminal
Port of Kawasaki

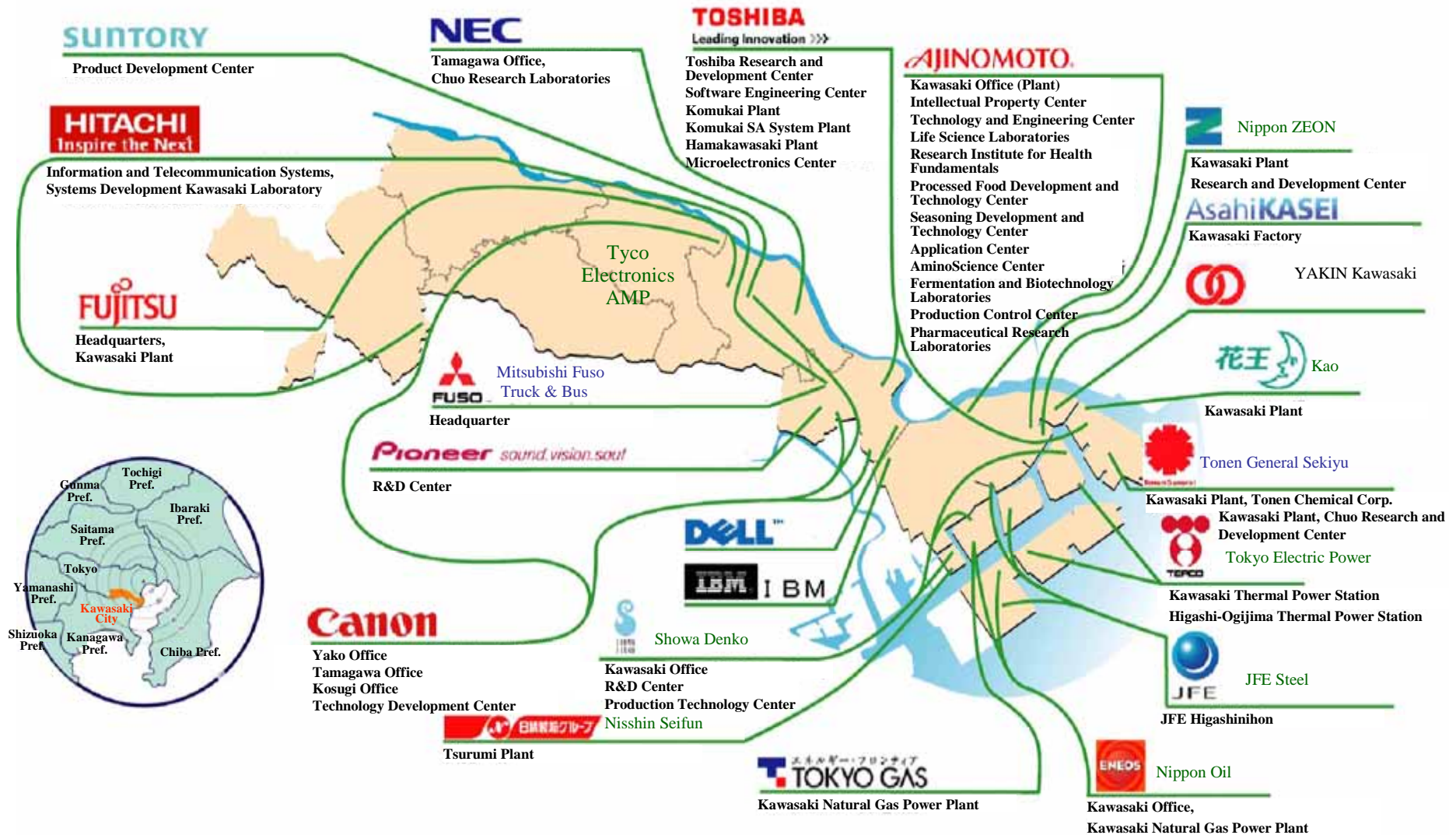


Advantage 2 – Huge Market Potential

Located immediately adjacent to Tokyo and Yokohama

Kawasaki is the center of the Tokyo metropolitan area, the largest consumer market in Japan!

Advantage 3 – Excellent Track Record of Companies Sited in Kawasaki



Advantage 4 – Three Science Parks Giving Rise to New Businesses

Kanagawa Science Park (KSP)

The first science park in Japan (established in 1989) and one of the largest technology incubators in Japan.
It has 118 companies (as of Jan. 2006).
<http://www.ksp.or.jp/english/>



Shin-Kawasaki Science Park (KBIC, K2)

Academic-industrial alliance-typed science park.

- Kawasaki Business Incubation Center (KBIC)
- Keio University Shin-Kawasaki Town Campus (K2)

It has 21 companies and 7 laboratories (as of Jul. 2006).
<http://www.kawasaki-net.ne.jp/kbic/index-en2.htm>



Techno Hub INnovation Kawasaki (THINK)

Private-sector-led science park.
Custom-made research space available.
It has 55 companies (as of Mar. 2006).
<http://www.techno-hub-innovation.com/>



Advantage 5 – Outstanding Cultural and Life Environment



MUZA Kawasaki Symphony Hall (left)

MUZA Kawasaki Central Tower (right)

- **City of Music and Cinema**
MUZA Kawasaki Symphony Hall and cinema complexes
- **Growing number of new commercial establishments**
Lazona Kawasaki Plaza (opened on Sept. 28, 2006)
(about 300 tenants including a cinema complex, home appliance and general merchandise store, mega book store, restaurants and cafes)

3. Developing Industries of Kawasaki – The Environment

- **Highlights**
 1. The city has experience in overcoming pollution problems
 2. Accumulation of companies with excellent environmental technologies
- **Related News**
 1. Approved as a “Special International Environmental District” (May 2003)
 2. Operation of the Zero-Emission Industrial Complex (Nov. 2002)
 3. Holding of “Eco Industries Forum” (from Jul. 2005)
 4. Approved as an “Eco-Town” (from Jul. 1997)



Keihin Waterfront District
in the period of rapid growth (around 1970)



Present

4. Developing Industries of Kawasaki – IT

- **Highlights**

Accumulation of world-famous IT companies such as NEC, Canon, Hitachi, Fujitsu, Dell and IBM.

- **Related News**

1. Completion of “NEC Tamagawa Renaissance City” (May 2005)
(In order to strengthen the research and technology development structure, NEC compressed its sites into this intelligent building.)
2. Establishment of Canon’s R&D base in Kawasaki (currently in progress)
3. Relocation of Pioneer’s base of home electronics (spring 2007)



NEC Tamagawa Renaissance City

*NEC press release

5. Developing Industries of Kawasaki – Life Science

- **Highlights**

1. Accumulation and network of bio/life-science related companies

- (1) Setting up of “Kawasaki Life Science Network Meeting” (Oct. 2003)

Encourages meeting between industries and industry and academia.

A total of 91 groups and 185 persons participated (FY 2005).

- (2) Setting up of “Kawasaki Salon for Scientists” (Apr. 2006)

Established as a base for sharing knowledge and fostering of a R&D mindset.

2. Promotion of the health science industry around the “Kanagawa Gate” of Haneda Airport

Attraction of high-tech medical facilities; and genome, bio, and allergy research institutes and incubation facilities.



- **Related News**

1. Siting of NEDO's* head office in Kawasaki (Feb. 2004)

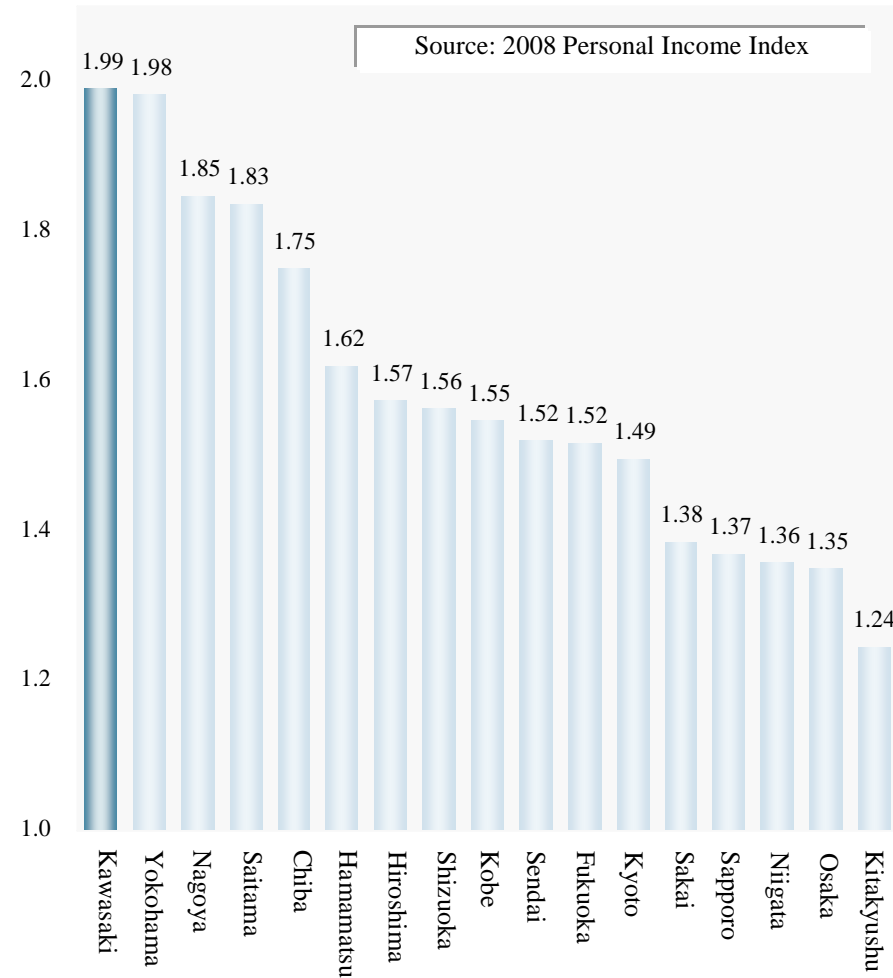
* The New Energy and Industrial Technology Development Organization. It is Japan's largest public R&D management organization for promoting the development of advanced industrial, environmental, new energy and energy conservation technologies.

2. Expansion of Ajinomoto's function related to the life science industry (currently in progress)

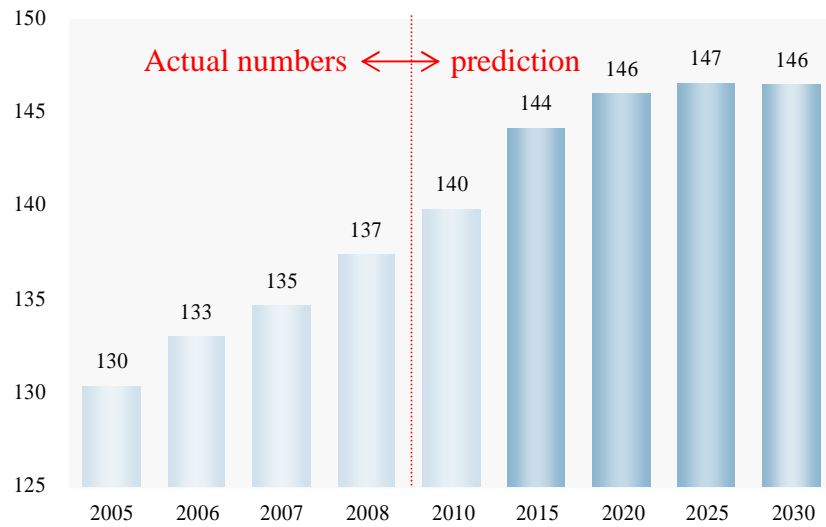
Potential of Kawasaki City



Unit: ¥1 million **Taxable income per capita (Fiscal 2006)**



Unit: 10,000 **Transition and prediction of population**



Source: Kawasaki City Future Population Estimates



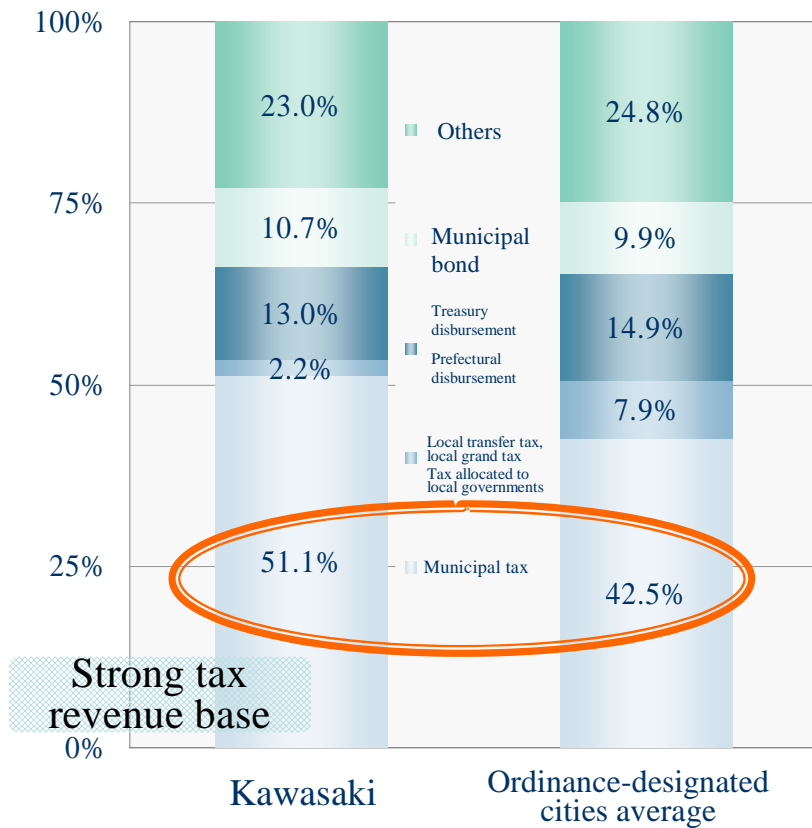
Comparison of Kawasaki's financial situation with other ordinance-designated cities

High ratio of independent source of funds (ordinary account)

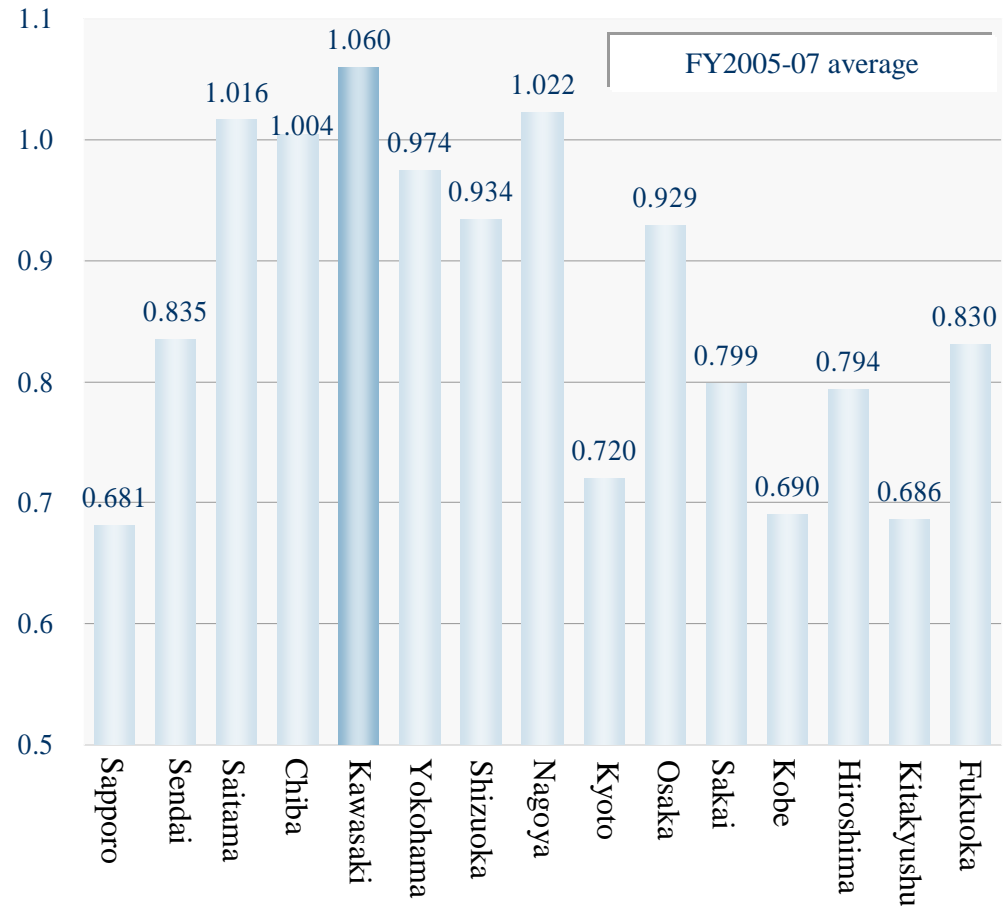
The number of local public bodies that are not granted ordinary local allocation tax

Ratio of independent source of funds 68% (ranked 2nd)

Financial power index of fiscal 2007: 1.060 (ranked 1st)



Comparison based on fiscal 2006 reports on closing accounts

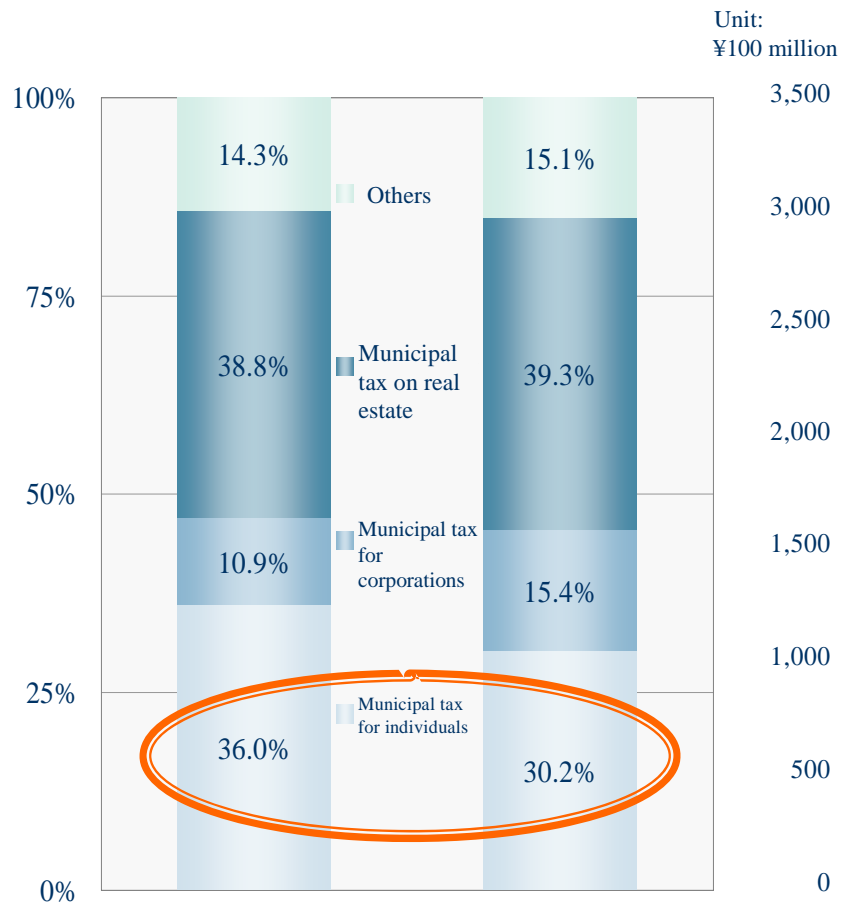


Analysis of taxation structure

The rate of individual municipal tax is high

Component ratio of individual municipal tax is high.
(Ranked second in ordinance-designated cities.)

Transition of municipal tax revenue.
Steadily increasing since fiscal 2004.



Kawasaki City Ordinance-designated cities average
Comparison based on fiscal 2006 reports on closing accounts

Initial and supplementary budgets for FY2007
Initial budget for FY2008

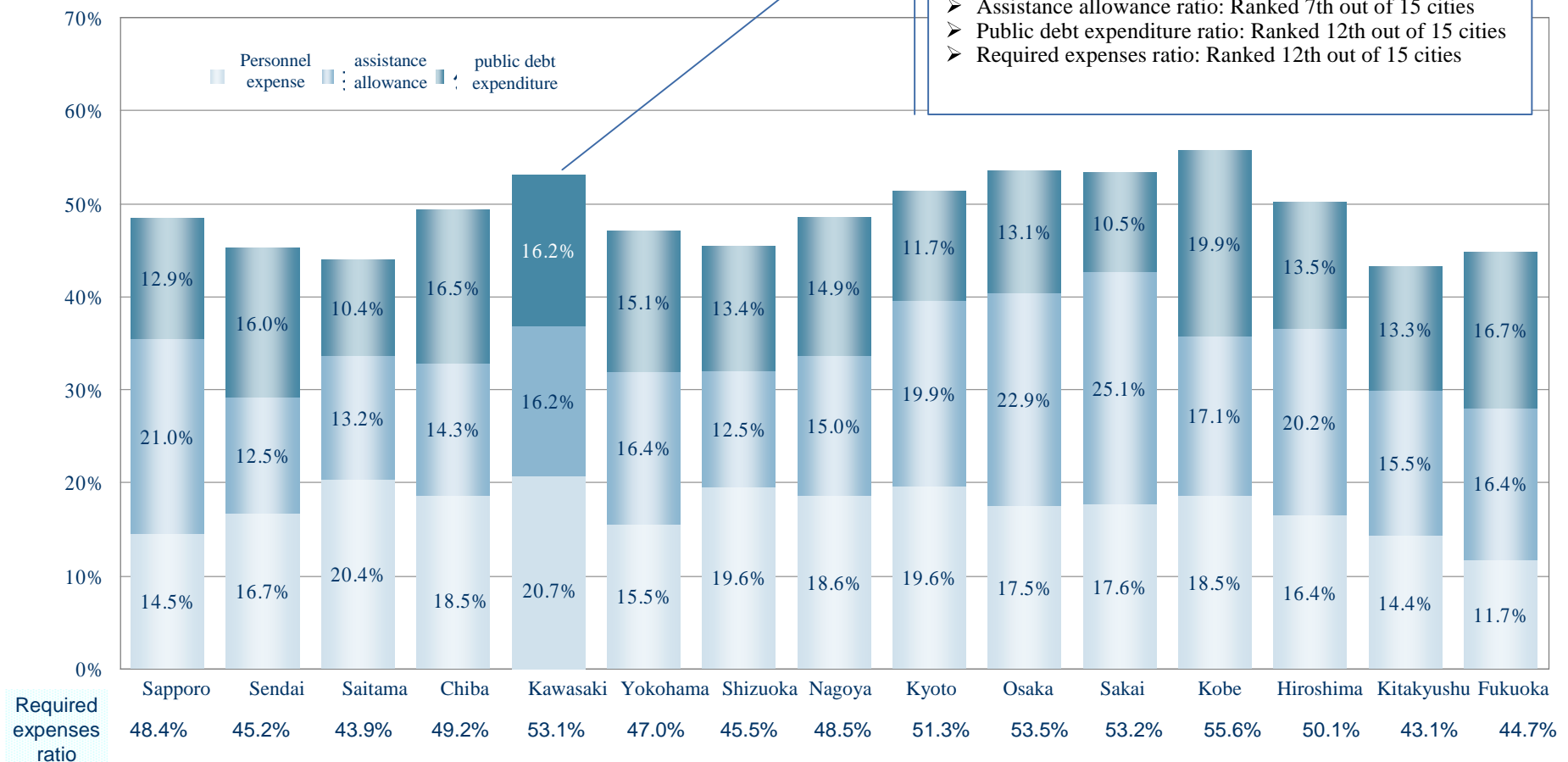
Analysis of expenditure structure (ordinary account)

High ratio of personnel expenditure compared with other cities is the biggest problem in the city's structure of expenses

Comparison of ratios of required expenses in annual expenditure

The comparison with other ordinance-designated cities is based on fiscal 2006 report on closing accounts

- Personnel expense ratio: Ranked 15th out of 15 cities
- Assistance allowance ratio: Ranked 7th out of 15 cities
- Public debt expenditure ratio: Ranked 12th out of 15 cities
- Required expenses ratio: Ranked 12th out of 15 cities

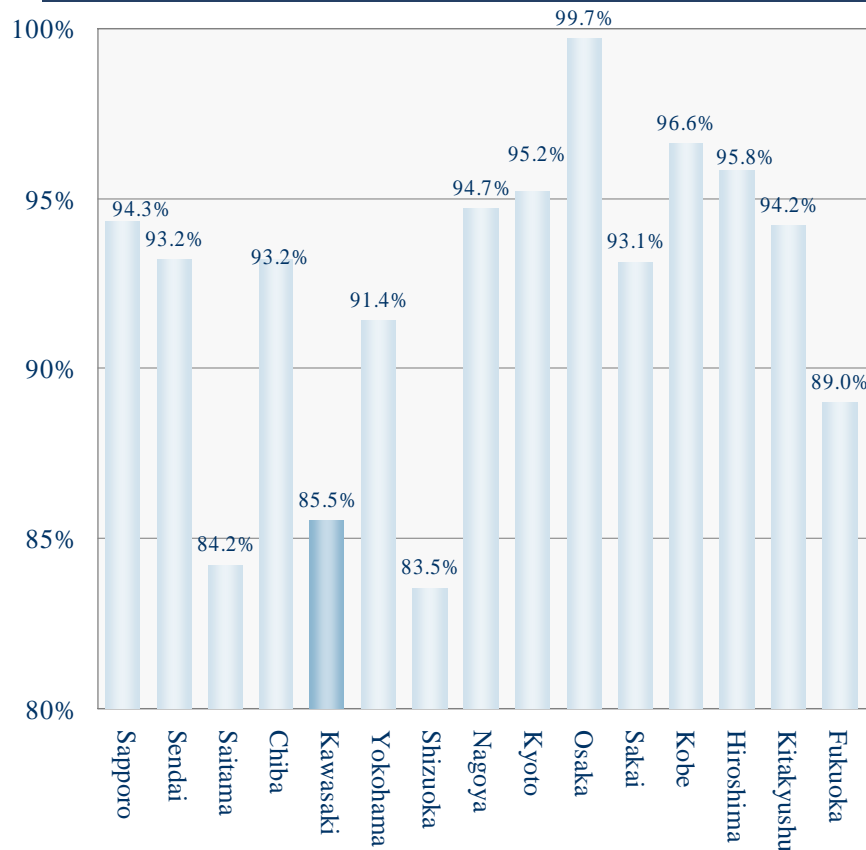


Current account ratio, Primary balance

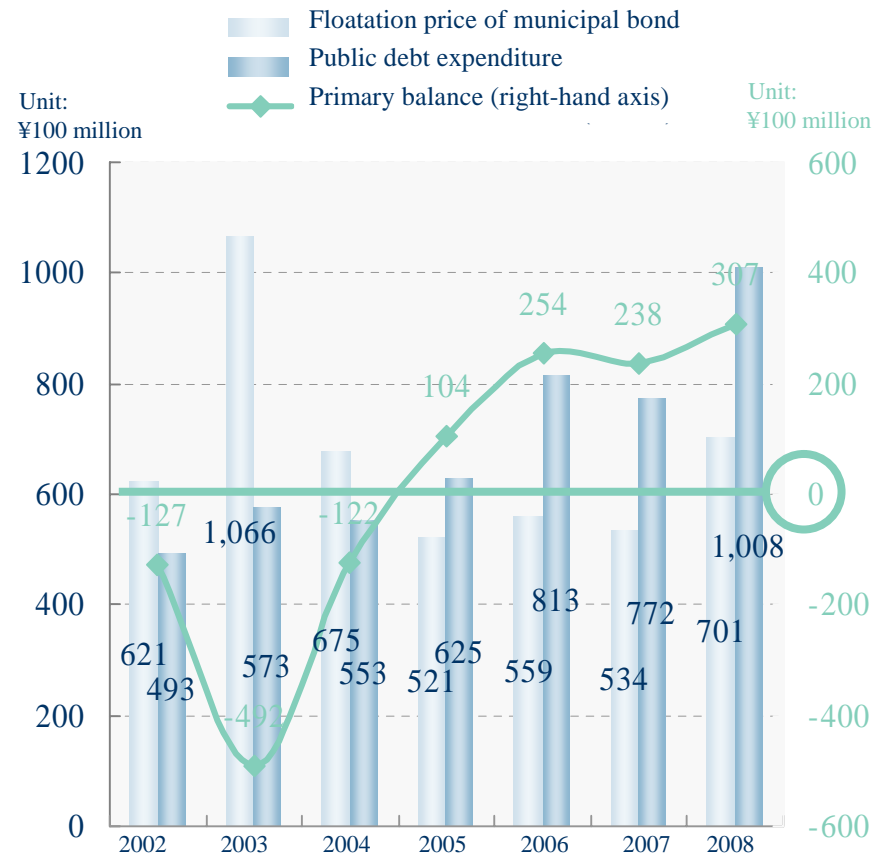
Low current account ratio means a resilient fiscal structure

Primary balance continuing upward trend since fiscal 2005

Current account ratio



Primary balance of general account



The comparison with other ordinance-designated cities is based on fiscal 2006 report on closing accounts

Initial and supplementary budgets for fiscal 2002 to fiscal 2006
Initial budgets for fiscal 2007 and fiscal 2008



Consolidated Balance Sheet of Kawasaki City (as of end of FY2006)

The whole city's balance sheet with ordinary account, special account (16) and government owned companies' account (6) is consolidated with the balance sheets of Partial Administrative Unions, local public corporations and the third sector.

Consolidated balance sheet with associated cooperative groups (Draft)

Unit: ¥100 million

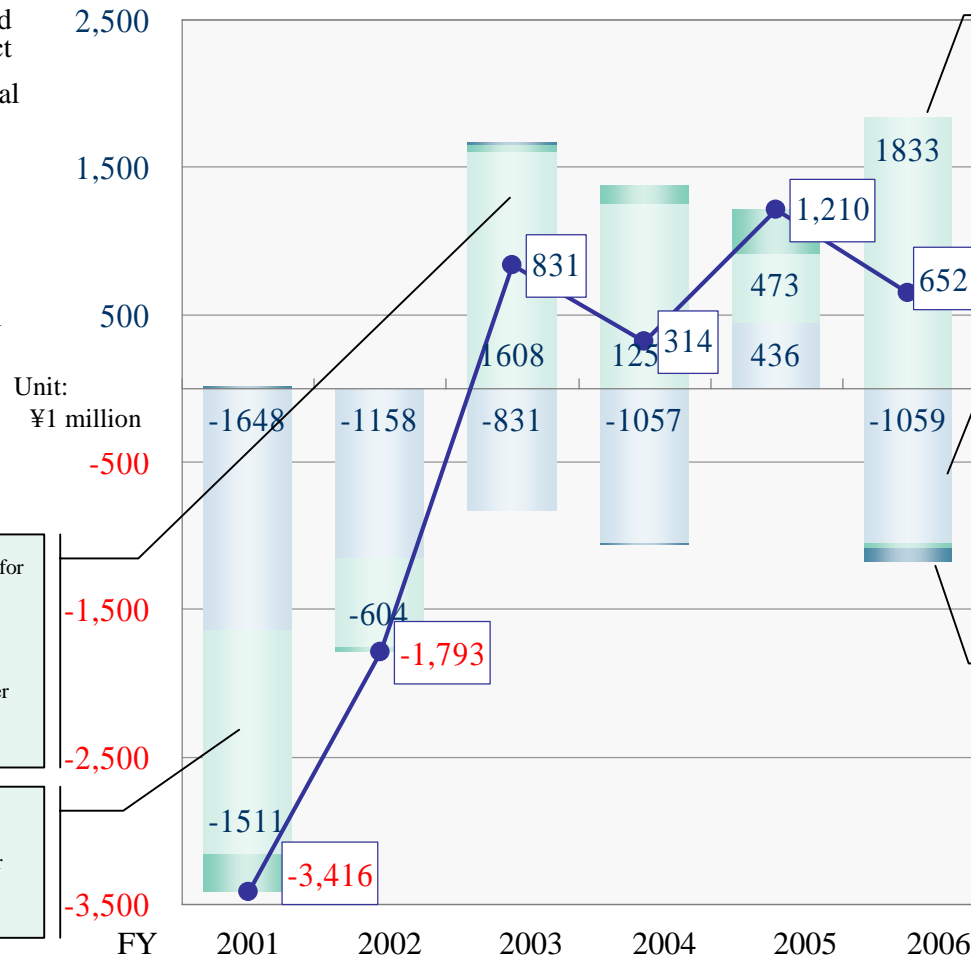
Section		FY2004	FY2005	FY2006	Section		FY2004	FY2005	FY2006
Assets	1. Property, plant and equipment	31,647	31,890	32,035	Liabilities	1. Fixed liabilities	16,322	15,945	15,421
	(Ordinary account of the abovementioned assets)	19,067	19,272	19,460		Local government bonds	13,869	13,750	13,399
	2. Investments	1,710	1,700	1,702		Reserve funds, others	2,453	2,195	2,022
	Investments and capital	489	480	501		2. Current liabilities	1,398	1,581	1,625
	Loans	366	373	350		(Local government bonds, bonds to be redeemed in the next fiscal year)	901	1,070	1,168
	Funds, others	855	847	851		Total liabilities	17,720	17,526	17,046
	3. Current assets	1,789	1,717	1,562	Difference between assets and liabilities	1. Treasury disbursements	4,655	4,774	4,855
	Cash and deposits	489	561	506		2. Prefectural disbursements	259	254	249
	Accounts receivable, others	1,300	1,156	1,056		3. Funds financed by private firms and other organizations	71	71	72
	4. Deferred account	5	2	1		4. General revenue sources, others	12,446	12,684	13,078
Total assets	35,151	35,309	35,300	Total of difference between assets and liabilities		17,431	17,783	18,254	
				Total net assets and liabilities	35,151	35,309	35,300		

Public-sector enterprise accounts

Accounts of companies on the recovery track

Transition of each net income (loss) of municipal owned companies by accounts (by fiscal year)

- Account for overland transportation project
- Account for industrial water project
- Account for waterworks project
- Account for sewage works project
- Account for hospital project
- Total balance



➤ Major factors of recovery in fiscal 2002 and 2003 account for waterworks projects
 Continuous cutback in labor costs (¥400 million in fiscal 2002, ¥500 million in fiscal 2003)
 Decrease of expenses for water purchasing paid to wide-area Kanagawa Water Supply Authority

➤ Major causes of loss in fiscal 2001 account for waterworks project
 Increase of expenses for water purchasing paid to wide-area Kanagawa Water Supply Authority

➤ Major factors of recovery of account for waterworks project
 Decrease of expenses for water purchasing paid to wide-area Kanagawa Water Supply Authority (Partial Administrative Unions)
 Increased number of subscription of water use

➤ Major cause of loss of the account for hospital project
 Increased allowance for depreciation of Tama Hospital (which opened in February 2006)

➤ Major cause of loss in account for overland transportation project
 Increased personnel expenses due to an increased number of employees who retired at their employers' suggestion



Balance sheet of Kawasaki (As of end of fiscal 2006)

(Unit:¥ million)

Section	Ordinary account	Special account	Municipal enterprise account	Simple total	Total account	
Assets	1. Property, plant and equipment	19,460	1,408	10,533	31,401	31,401
	Expenses for public construction works	11,939				
	Expenses for education	3,863				
	Expenses for public health	1,643				
	Expenses for general affairs	1,029				
	Others	987				
	(Land)	(10,350)				
	2. Capitalization, others	2,008	147	195	2,350	1,509
	Capitalization and investment	1,290	0	115	1,405	564
	Loan	362	37	0	399	399
	Fund, others	356	110	80	546	546
	3. Current assets	276	170	410	856	837
	Cash and deposits	133	21	232	386	407
	Accounts receivable, others	142	149	178	469	431
	4. Deferred account		0	0	0	0
	Total assets	21,744	1,726	11,137	34,607	33,748

(Unit:¥ million)

Section	Ordinary account	Special account	Municipal enterprise account	Simple total	Total account	
Liabilities	1. Fixed liabilities	8,887	243	5,285	14,415	14,415
	Local government bonds	8,119	219	5,062	13,399	13,399
	Carried-over expenses	61	0	0	61	61
	Reserve funds, others	707	25	223	955	955
	2. Current liabilities	579	28	711	1,318	1,300
	Local government bonds, bonds to be redeemed in the next fiscal year	579	28	473	1,079	1,079
	Others		0	239	239	221
Total liabilities	9,466	271	5,996	15,733	15,715	
Net assets	1. Treasury disbursements	2,373				
	2. Prefectural disbursements	238				
	3. General revenue source, others	9,667				
	Total net assets	12,278	1,455	5,141	18,874	18,033
Total net assets and liabilities	21,744	1,726	11,137	34,607	33,748	

From the fiscal 2000 period, we started drawing up a balance sheet which includes every account – general account, special account and public-sector companies accounts – in accordance with the central government standard to clarify the financial situation of the whole city of Kawasaki.

When compared with the balance sheet of the previous year, total assets have increased ¥15.8 billion, total liabilities have decreased ¥26.8 billion and total net assets/liabilities have increased ¥42.6 billion.

Of property, plant and equipment of Kawasaki, the ratio of net assets to total assets is 53.4 percent (an increase of 1 percentage point from the previous fiscal year).

When compared with the ordinary account, total liabilities are comparatively larger. As municipal bonds are issued at a high frequency to make funds to keep property, plant and equipment in good condition in the municipal enterprise account, the ratio of total liabilities is higher than in that of the general account



Consolidated balance sheet with associated cooperative groups (Draft) (As of end of fiscal 2006)

(Unit:¥ million)

Section	Ordinary account	Special account	Municipal enterprise account	Third sector and others	Simple total	Total account	
Assets	1. Property, plant and equipment	19,460	1,408	10,533	634	32,035	32,035
	Expenses for public construction works	11,939					
	Expenses for education	3,863					
	Expenses for public health	1,643					
	Expenses for general affairs	1,029					
	Others	987					
	(Lands)	(10,350)					
	2. Capitalization, others	2,008	147	195	600	2,950	1,702
	Capitalization and investment	1,290	0	115	0	1,406	501
	Loan	362	37	0	294	693	350
	Fund, others	356	110	80	305	851	851
	3. Current assets	276	170	410	733	1,588	1,562
	Cash and deposits	133	21	232	94	480	506
	Accounts receivable, others	142	149	178	639	1,108	1,056
4. Deferred account		0	0	1	1	1	
Total assets	21,744	1,726	11,137	1,967	36,574	35,300	

(Unit:¥ million)

Section	Ordinary account	Special account	Municipal enterprise account	Third sector and others	Simple total	Total account	
Liabilities	1. Fixed liabilities	8,887	243	5,285	1,350	15,765	15,421
	Local government bonds	8,119	219	5,062		13,399	13,399
	Carried-over expense	61	0	0	0	61	61
	Reserve fund, others	707	25	223	1,350	2,304	1,961
	2. Current liabilities	579	28	711	332	1,650	1,625
	Local government bonds, bonds to be redeemed in the next fiscal year	579	28	473	89	1,168	1,168
	Others		0	239	243	482	457
	Total liabilities	9,466	271	5,996	1,682	17,415	17,046
Difference between assets and liabilities	1. Treasury disbursements	2,373	0	2,482	0	4,855	4,855
	2. Prefectural disbursements	238	0	11	0	249	249
	3. Funds financed by private firms and other organizations				72	72	72
	4. 4General revenue sources, others	9,667	1,455	2,648	214	13,983	13,078
	Total of difference between assets and liabilities	12,278	1,455	5,141	285	19,159	18,254
Total net assets and liabilities	21,744	1,726	11,137	1,967	36,574	35,300	

Kawasaki municipal government provides services to citizens through the administration as well as associated corporate bodies financed by the municipal government.

To disclose the financial situation of the city and its associated organizations as a unified body, Kawasaki has consolidated partial administrative unions, local public corporation and the third sector to the city's balance sheet, and draws up a consolidated balance sheet (draft).

When comparing the consolidated balance sheet with the total account balance sheet, the total liabilities are comparatively larger because the liabilities ratio of the associated organizations is larger.



Balance sheet of general account of Kawasaki

(Unit:¥ million)

Section		End of fiscal 2002	End of fiscal 2003	End of fiscal 2004	End of fiscal 2005	End of fiscal 2006	Balance	Ratio of increase/ decrease
Assets	(1) Property, plant and equipment	18,432	18,860	19,067	9,273	19,460	187	1.0
	Expenses for general affairs	882	1,100	1,081	1,050	1,029	(21)	(2.0)
	Expenses for public construction works	11,296	11,457	11,644	11,808	11,939	131	1.1
	Expenses for commerce and industry	258	297	291	286	281	(5)	(1.7)
	(2) Capitalization, others	1,675	1,833	1,929	1,967	2,008	41	2.1
	(3) Current assets	288	321	337	370	276	(94)	(25.5)
	Total assets	20,395	21,015	21,333	21,610	21,744	134	0.6
Liabilities	(1) Long-term liabilities	8,309	8,940	9,102	9,051	8,887	(164)	(1.8)
	Local government bonds	7,454	8,133	8,306	8,259	8,119	(140)	(1.7)
	(2) Current liabilities	374	387	475	561	579	18	3.1
	Total liabilities	8,683	9,327	9,577	9,612	9,466	(146)	(1.5)
Net assets	(1) Treasury disbursements	2,260	2,260	9,612	2,360	2,373	13	0.6
	(2) Prefectural disbursements	255	252	2,360	243	238	(5)	(2.0)
	(3) General revenue source and others	9,197	9,175	243	9,395	9,667	272	2.9
	Total of net assets	11,712	11,688	12,215	11,998	12,278	280	2.3
Index	Distribution ratio of net assets (%)	57.4	55.6	57.3	55.5	56.5	0.9	-

Statement of local government administration costs (General account)

[Administration costs]

Unit: ¥1million, %

Section/ FY	FY2004		FY2005		FY2006		
	Amount	Distribution ratio	Amount	Distribution ratio	Amount	Distribution ratio	
Expenses for personnel matters	(1) Personnel expense	99,921	25.6	98,428	25.2	95,598	24.3
	(2) Reserve fund for employees' retirement benefits	10,325	2.6	10,181	2.6	10,153	2.6
	Subtotal	110,246	28.2	108,609	27.8	105,751	26.9
Expenses for properties	(1) Cost of supplies	51,590	13.2	51,352	12.9	50,837	12.9
	(2) Maintenance fee	5,186	1.3	5,428	1.4	5,539	1.4
	(3) Depreciation expense	47,678	12.2	47,701	12.2	47,958	12.2
	Subtotal	104,454	26.7	104,481	26.5	104,334	26.5
Cost for transfer payment	(1) Assistance expense	79,321	20.3	81,218	20.8	84,406	21.5
	(2) Support fee	45,350	11.6	43,018	11.0	42,964	10.9
	(3) Transfers to special account	31,220	8.0	28,567	7.3	30,625	7.8
	(4) Construction operation fee (Grant-in-aid to other organizations)	6,237	1.6	5,524	1.4	7,503	1.9
	Subtotal	162,128	41.5	158,327	40.5	165,498	42.1
Other costs	(1) Costs of restoring a devastated area	0	0.0	89	0.0	0	0.0
	(1) Public debt expenditure (Only for interests)	19,821	5.1	17,700	4.5	16,049	4.1
	(2) Losses due to nonpayment	1,718	0.4	1,749	0.5	1,409	0.4
	Subtotal	21,539	5.5	19,538	5.0	17,458	4.5
Administrative costs A	398,367	101.9	390,955	100.0	393,041	100.0	

[Revenue]

Unit: ¥1million, %

Section/ FY	FY2004		FY2005		FY2006	
	Amount	Distribution ratio	Amount	Distribution ratio	Amount	Distribution ratio
(1) Usage charge, commission, etc B	39,930	9.7	38,852	10.2	37,786	9.0
B/A	10.2%		9.9%		9.6%	
(2) Treasury (prefectural) disbursement C	58,401	14.3	58,225	14.1	59,519	14.2
C/A	14.9%		14.9%		15.1%	
(3) General revenue source D	295,333	72.1	304,406	73.7	314,776	74.9
D/A	75.5%		77.9%		80.1%	
(4) Net depreciation expenditures of national (prefectural) treasury disbursement	8,068	2.0	8,091	1.9	8,150	1.9
Revenue (B + C + D + E)	401,732	98.1	409,574	97.5	420,231	100.0

Fiscal 2008 plan to issue Kawasaki municipal bond

- ✓ Of the account balance's total amount of ¥180.2 billion, total amount of private funds is ¥166.8 billion (93 percent of the total).
- ✓ Of the total issued amount of publicly offered bonds of ¥110 billion (61 percent of the total), the bonds issued independently by Kawasaki amount to ¥75 billion (42 percent of the total).
- ✓ Total issued amount of private placement bonds in banks is ¥56.8 billion (32 percent of the total).

Unit: ¥100 million

Section			Term	Amount issued	Apr 2008	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2009	Feb	Mar	May		
Public offering bonds	Issued independently by Kawasaki	Publicly offered local government bonds	5 years	350			100			150				100					
			10 years	100								100							
			20 years	100	Issuance of spot bonds on annual basis														
			20 years	100	Issuance in the first half														
			20 years or 30 years	100									Issuance in the second half						
	Joint issue	10 years	350	50	50		50	50					50		50	50			
Private placement bonds on banks	Securities issue or bond issue	5 years (some 4-year bonds)	122							3						30	89		
		10 years	185							105								80	
		Super-long-term bond	261									161						100	

- ✓ To avoid financial risk, we evenly issue bonds with three different terms mid-term, long-term and super-long-term bonds.
- ✓ While maintaining a certain scale of public-offering bonds, we will put on market private placement bonds on banks. (The ratio of public-offering bonds to private placement bonds on banks is 66:34.)
- ✓ While we expect the public fund to be decreased, we will secure a certain amount. (Ratio of private to public is 93:7.)





City of Kawasaki

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<http://www.city.kawasaki.jp/23/23sikin/home/ir/ir.htm>