



# NEWS RELEASE

Apr 7, 2011

## R&I Affirms AA, Stable: Kobe City

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:**           **Kobe City**  
                          **Issuer Rating**

**R&I RATING: AA (Affirmed)**

**RATING OUTLOOK: Stable**

### **RATIONALE:**

Kobe City is one of Japan's leading international port cities. With the nominal gross prefectural product amounting to 6.1514 trillion yen in FY2007, Kobe City boasts a solid economic base as one of the former five major cities in Japan. Port of Kobe, along with Port of Osaka, will be upgraded on a priority basis, as Hanshin Port (consisting of ports of Osaka and Kobe) was designated as one of the international container strategic ports by the national government. Although, in the wake of the Lehman Shock, there has been a slowdown in the initiative to turn Port Island (2nd Stage) into a biomedical cluster that attracts medical institutions and medical-related companies, a next-generation supercomputer under construction at RIKEN, Japan is expected to be used for industrial applications, with a full-scale launch slated for 2012. The City's advantage in infrastructure also remains unchanged with Port of Kobe, Kobe Airport, the Sanyo Shinkansen and the expressway network. As its economic base is growing thanks to an increase in the number of companies and sustained population growth, the City maintains one of the most stable tax revenues among ordinance-designated cities.

Kobe City's financials, which were seriously damaged by the 1995 Hanshin-Awaji Earthquake, have regained strength that compares favorably with other ordinance-designated cities thanks to the forceful implementation of planned administrative and fiscal reforms. Since FY1997, Kobe City's primary balance has been positive. In its "Administrative Policy," Kobe City set a target of reducing effective outstanding debt in the general account by 500 billion yen by the end of FY2010. This target was achieved two years ahead of the schedule. Its new debt-reduction target, which calls for reduction of another 100 billion yen, was likely achieved by the end of FY2010. Although attention should continue to be paid to the recovery of investments in the Port Island (2nd Stage) project and the airport island, as well as to the revenues/expenditures of Kobe Airport, these will unlikely become significant risk factors, given the effective debt level in new city planning and coordination accounts and the status of assets.

Mayor Tatsuo Yada aims to decrease debt through, among other measures, integration/dissolution of extragovernmental organizations, as well as maintain the primary balance surplus and reduce city bonds. The City government has incorporated a focus on fiscal consolidation in the newly formulated "2015 Kobe City Administrative and Fiscal Reform Plan", which shows strong possibility that the City will continue improving its financials in the future. The Rating Outlook is Stable.

The primary rating methodology applied to this rating is provided at "R&I's Analytical Approach to Local Governments". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

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## R&I RATINGS:

**ISSUER:** Kobe City  
**ISSUER RATING:** AA (Affirmed)  
**RATING OUTLOOK:** Stable

<b>LONG-TERM ISSUE RATING:</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
City Bonds No.6 (FY2006)	Feb 27, 2007	Feb 27, 2017	Yen 10,000
City Bonds No.9 (FY2006)	Mar 27, 2007	Mar 27, 2012	Yen 10,000
City Bonds No.1 (FY2007)	May 29, 2007	May 29, 2012	Yen 10,000
City Bonds No.3 (FY2007)	Jul 23, 2007	Jun 18, 2027	Yen 20,000
20-year City Bonds No.6 (FY2007)	Nov 19, 2007	Sep 21, 2027	Yen 10,000
30-year City Bonds No.7 (FY2007)	Nov 19, 2007	Sep 18, 2037	Yen 10,000
City Bonds No.5 (FY2007)	Nov 27, 2007	Nov 27, 2017	Yen 10,000
City Bonds No.8 (FY2007)	Dec 26, 2007	Dec 26, 2012	Yen 10,000
City Bonds No.10 (FY2007)	Feb 27, 2008	Feb 27, 2018	Yen 10,000
City Bonds No.11 (FY2007)	Mar 04, 2008	Mar 04, 2013	Yen 10,000
City Bonds No.1 (FY2008)	May 27, 2008	May 26, 2028	Yen 20,000
City Bonds No.3 (FY2008)	Jul 23, 2008	Jul 23, 2018	Yen 10,000
5-year City Bonds No.4 (FY2008)	Aug 18, 2008	Aug 16, 2013	Yen 10,000
20-year City Bonds No.24 (FY2008)	Feb 16, 2009	Dec 20, 2028	Yen 10,000
Private Placement City Bonds No.26 (FY2008)	Feb 25, 2009	May 25, 2023	Yen 5,000
15-year Private Placement City Bonds No.27 (FY2008)	Feb 26, 2009	Mar 20, 2024	Yen 5,000
30-year City Bonds No.28 (FY2008)	Mar 17, 2009	Sep 17, 2038	Yen 15,000
20-year City Bonds No.1 (FY2009)	Apr 28, 2009	Apr 27, 2029	Yen 20,000
Private Placement City Bonds No.2 (FY2009)	Apr 28, 2009	Apr 20, 2034	Yen 2,000
Private Placement City Bonds No.5 (FY2009)	May 20, 2009	Mar 19, 2024	Yen 2,000
City Bonds No.7 (FY2009)	Jun 12, 2009	Jun 20, 2019	Yen 10,000
30-year City Bonds No.8 (FY2009)	Sep 25, 2009	Sep 22, 2039	Yen 10,000
City Bonds No.9 (FY2009)	Nov 25, 2009	Nov 25, 2019	Yen 10,000
5-year City Bonds No.10 (FY2009)	Dec 18, 2009	Dec 19, 2014	Yen 10,000
20-year City Bonds No.11 (FY2009)	Jan 29, 2010	Jan 29, 2030	Yen 10,000
Private Placement City Bonds No.22 (FY2009)	Mar 23, 2010	Feb 20, 2019	Yen 5,000
City Bonds No.1 (FY2010)	Apr 20, 2010	Apr 20, 2020	Yen 10,000
5-year City Bonds No.3 (FY2010)	Jun 21, 2010	Jun 19, 2015	Yen 10,000
20-year City Bonds No.4 (FY2010)	Sep 13, 2010	Sep 13, 2030	Yen 10,000
City Bonds No.5 (FY2010)	Oct 26, 2010	Oct 26, 2020	Yen 10,000
5-year City Bonds No.6 (FY2010)	Dec 14, 2010	Dec 14, 2015	Yen 15,000
30-year City Bonds No.7 (FY2010)	Dec 14, 2010	Sep 20, 2040	Yen 10,000
20-year City Bonds No.9 (FY2010)	Jan 25, 2011	Jan 24, 2031	Yen 10,000
Private Placement City Bonds No.14 (FY2010)	Feb 25, 2011	Feb 25, 2021	Yen 500

**R&I RATING:** AA (Affirmed)

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