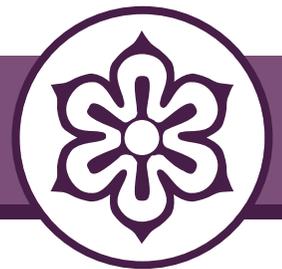




# Kyoto Prefecture Financial Profile and Fiscal Reforms

京都府



2015 Oct.

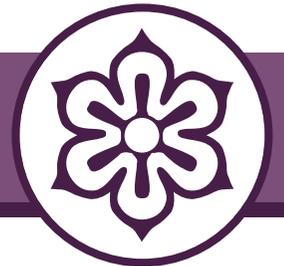
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# Kyoto Prefecture: An Introduction



京都府広報監 まゆまろ

# Overview of Kyoto Prefecture

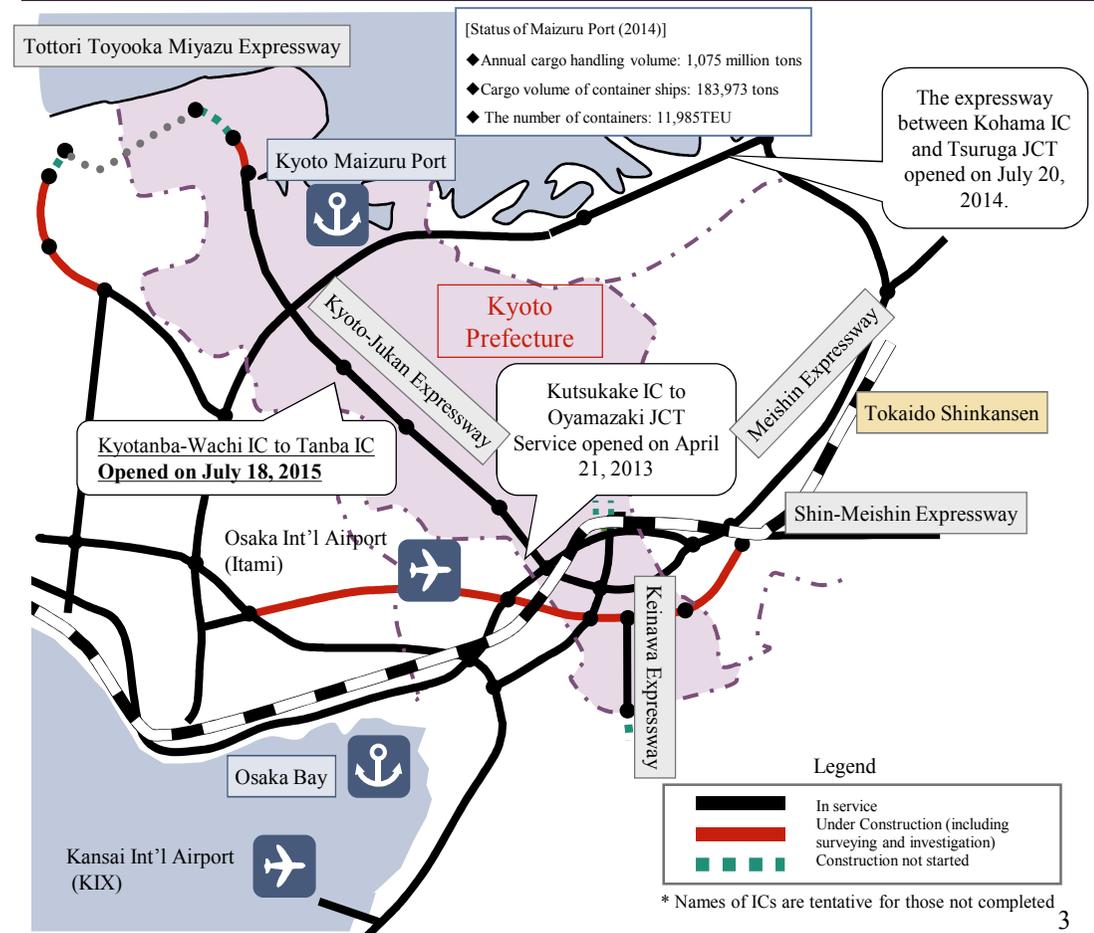


- The population and economic scale of Kyoto Prefecture are ranked between 10<sup>th</sup> and 15<sup>th</sup> among prefectures in Japan, indicating that Kyoto is relatively large.
- It has the arterial transportation network stretching from east to west, including Meishin Expressway, Shin-Meishin Expressway, and Tokaido Shinkansen, as well as the high accessibility from major airports—about 55 min. from Osaka International Airport and about 75 min. from Kansai International Airport. Accordingly, foreign sightseers are increasing.
- In addition, Kyoto-Jukan Expressway and Keinawa Expressway stretch from north to south. This well-developed transportation network supports the economy of the Kyoto area. Especially, by utilizing the fully completed Kyoto-Jukan Expressway, we are developing attractive towns in the north-central region, which preserves rich nature and history, and promoting the visit of sightseers, under the theme of “Kyoto of the Sea.”

## Basic Facts about Kyoto Prefecture

Area	4,613 km <sup>2</sup>	31 <sup>st</sup> in Japan	2013
Population	2.62 million	13 <sup>th</sup> in Japan	2013
Prefectural GDP	9,847 billion yen	13 <sup>th</sup> in Japan	2012
Prefectural Income per Capita	2.95 million yen	9 <sup>th</sup> in Japan	2012
Manufacturing Value Added	1,645.5 billion yen	19 <sup>th</sup> in Japan	2013
Workplaces with 10 or more employees			
Annual Retail Sales	2,579.7 billion yen	13 <sup>th</sup> in Japan	2014 (flash report)

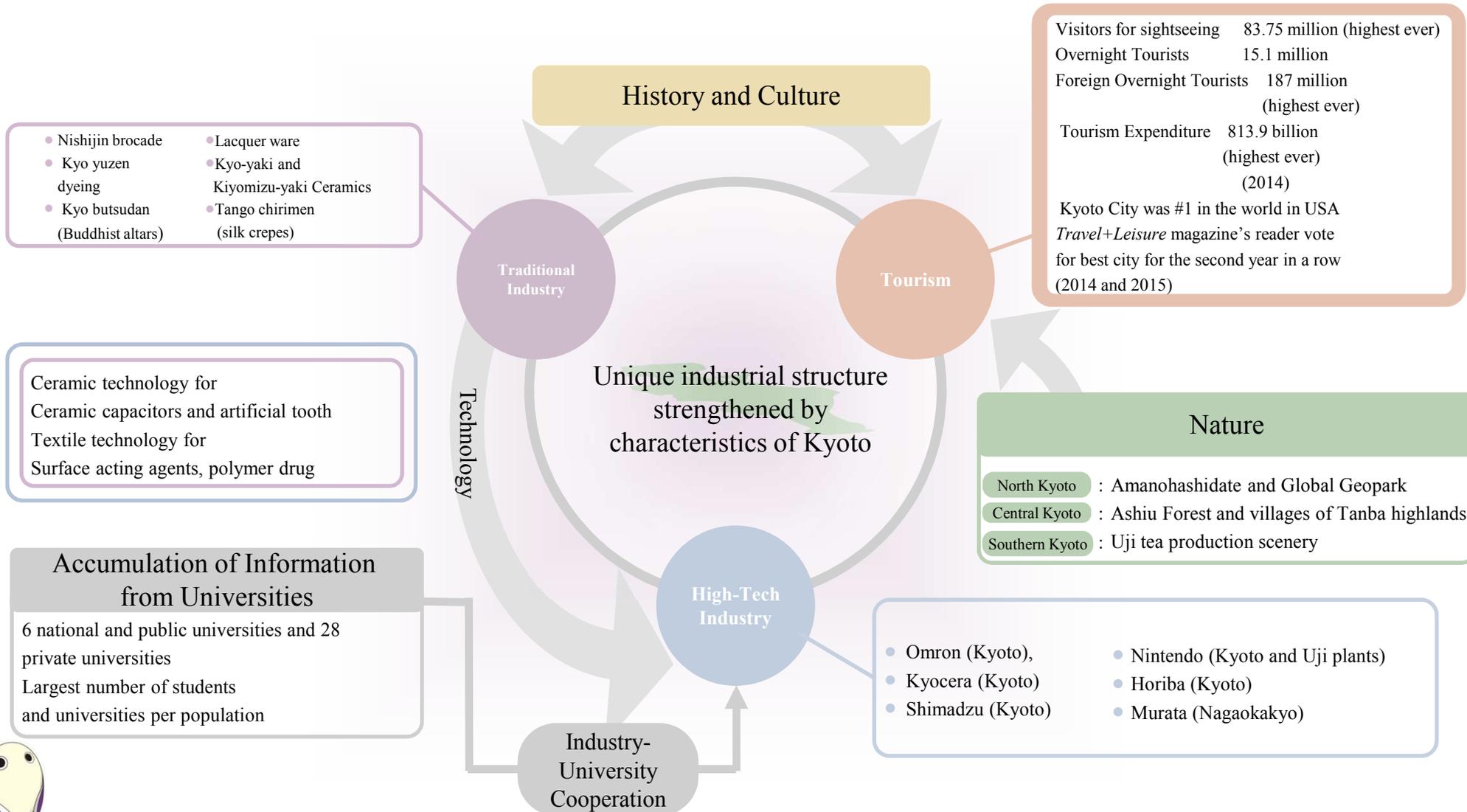
## Kyoto Prefecture Transportation Network



# Kyoto's Unique Industries



- Kyoto economy is strengthened by tourism and traditional industry based on 1,200 years of history and culture as well as high technology industry, all of which creates value-added products



# Kyoto Firms Creating High Added Value



- Kyoto-based manufacturing industry holds a significant market share in Japan in a wide range of products, which include the advanced technology, supported by Kyoto's unique strength in technology
- With many companies running profitable businesses with their own technology, Kyoto ranks 10th in Japan in its corporate taxable income

## Kyoto Shipment

Industry	Item	Shipments	Ranks
Advanced Technology & Research Equipment	Pollution measuring instrument	12.9 billion (51%)	1st
	Spectral photometer	9.9 billion (47%)	1st
	Other analyzing equipment	41.9 billion (47%)	1st
	Physical, chemical machinery and appliances	17.3 billion (20%)	1st
	Medical X-ray apparatus	19.5 billion (11%)	2nd
	Semiconductor, IC tester	15.2 billion (10%)	3rd
Printmaking & Printing	Plate making machine	12.3 billion (76%)	1st
	Prints excl. paper	60.1 billion ( 8%)	3rd
Traditional Craft	Ready-made kimono, obi	6.6 billion (39%)	1st
	Chirimen textile	2.9 billion (75%)	1st
Food & Beverages	Sake	55.6 billion (13%)	2nd
	Japanese confectionery	37.4 billion (7%)	1st

Source: METI; FY2013 industry statistics (domestic market share in %)

## Corporate Taxable Income by Prefecture

Rank	Prefecture	Taxable Income (¥mil)	Number of Firms	Rank
1	Tokyo	17,364,968	546,372	1
2	Osaka	3,948,540	223,544	2
3	Aichi	2,350,344	155,297	4
4	Kanagawa	1,173,267	173,631	3
5	Hyogo	860,834	96,678	8
6	Fukuoka	803,064	91,523	9
7	Saitama	726,446	127,222	5
8	Chiba	691,631	101,645	7
9	Hokkaido	641,090	112,790	6
10	Kyoto	604,769	55,330	12
11	Shizuoka	564,374	74,695	10
12	Hiroshima	526,212	59,866	11
13	Gunma	353,357	41,081	17
14	Niigata	326,095	42,734	15
15	Okayama	323,800	38,553	20



Sources: National Tax Agency (avg. of FY2009-2013)



# Tourism Industry

## Supporting the Prefectural Economy



- Tourism resources, including history, culture, nature and scenery are attracting both Japanese and foreign tourists. Tourism plays an important roll for Kyoto Economy.



(C) INCREMENT P. CORP.

National Heritage Sites	2,154	#2 in Japan (16.6%)	2015
Protected Historical Areas	8,513ha	#1 in Japan (42.4%)	2014

Sources: Agency for Cultural Affairs, Ministry of Land, Infrastructure, Transport and Tourism

### “Kyoto of the Sea”



海の京都

As Kyoto-Jukan Expressway has been fully completed, we conduct various projects utilizing the attractive features of northern Kyoto. We aim to make this area one of the best sightseeing areas in Japan.

~ Nov. 10, 2015 ~

“Kyoto of the Sea—Music Festival” held.  
(Taro Hakase, a world-class violinist, performed.)



### “Kyoto of the Forest”



森の京都

Central Kyoto boasts the Asiu Forest and Miyama Kayabuki-no-Sato. We will revitalize forestry and diffuse the culture of forest, so as to hand over rich nature and culture to the future.

~ Autumn of 2016 ~

The 40<sup>th</sup> “National Tree-Care Festival” to be held



### “Kyoto of the Tea”



お茶の京都

The southern Kyoto area has the longest history as a tea production site and boasts splendid landscapes. We will promote the tea industry, popularize the tea culture, etc.

~ Apr. 2015 ~

“Sauntering through the 800-year history of Japanese tea”—Yamashiro, Kyoto  
Recognized as a Japanese Heritage



# The Vision for Kyoto Prefecture



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# Long-Term Vision and Medium-Term Plan of

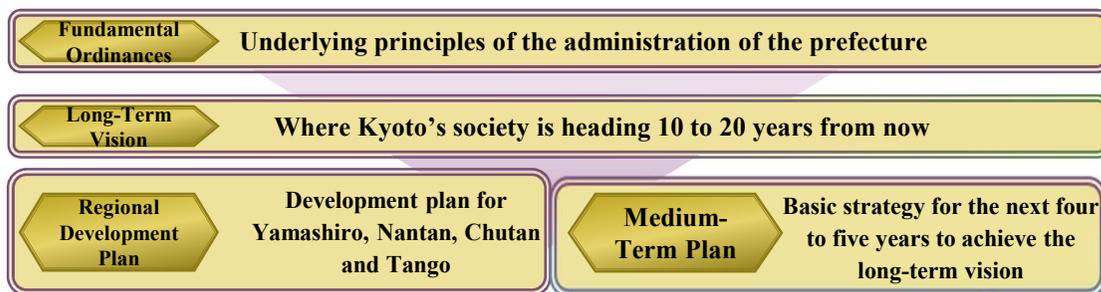
## “The Kyoto of Tomorrow”



- The Kyoto of Tomorrow, new guidelines for the administration of Kyoto Prefecture, started in January 2011
- The long-term vision specifies where Kyoto’s society is heading 10 to 20 years from now, and the medium-term plan outlines the basic strategy for the next four to five years.
- Under the medium-term plan, targeted levels, i.e., benchmarks are set and initiatives will continue to be taken to “Leverage the Strengths of Kyoto” and meet other objectives.

(The periods of the medium-term plan and the regional promotion plan ended in Mar. 2015, and a new plan for a period from Apr. 2015 to Mar. 2019 started.)

### Structure of “The Kyoto of Tomorrow”



### 3 Paths for Achieving the Long-Term Vision

- **Rebuild the security of residents**
  - ➔ Build Kyoto where everyone can live securely
- **Achieve regional co-existence and cooperation**
  - ➔ Build Kyoto in which society is held together by the bonds of trust, relationship and cooperation
- **Leverage the Strengths of Kyoto**
  - ➔ Build Kyoto where lifestyle, industry and regional growth are a reality

### Outline of the new “medium-term plan”

- “The long-term vision” specifies the future scheme, while “the medium-term plan” defines goals and methods for attaining the goals.

#### Basic viewpoints for revision

##### (1) Viewpoint of dispelling anxieties

- To cope with frequent wind and flood damages, and the decline in population

##### (2) Viewpoint of growth

- To vitalize the entire Kyoto by taking advantage of national growth strategies and the recovery of the Japanese economy

#### New directions for policies

##### I To dispel citizens’ anxieties

- ① Measures for preventing and reducing disaster
- ② Measures against the declining birthrate
- ③ Employment measures
- ④ Measures for the elderly

##### II Actualization of regional coexistence

##### III To bring out the potential of Kyoto

- ① Promotion of culture and sports
- ② Measures for local industries
- ③ Measures for regional promotion
- ④ Energy policies

#### Excerpts from the medium-term plan

<b>No worries about child-rearing</b>	<ul style="list-style-type: none"> <li>• To implement the comprehensive measures against the declining birthrate covering marriage, pregnancy, and childbirth, in addition to the existing support for child rearing (Support for spouse hunting, financial aid for fertility treatment, reduction of economic burdens of child-raising families, and development of the childcare environment)</li> </ul>	<b>【No. of births per year】</b> 2013: 20,106 → 2018: 22,000 ( +2,000 )
<b>No worries about working</b>	<ul style="list-style-type: none"> <li>• To promote the full-time employment of mainly young people and secure personnel demanded in the industrial sector (Support for employment, vocational training, and promotion of introduction of various ways of working)</li> </ul>	<b>【Cumulative No. of newly employed full-time workers】</b> 2013: 7,806 → 2014 to 2017: 30,000
<b>Industrial innovation and development of small to medium-sized firms</b>	<ul style="list-style-type: none"> <li>• Innovation of the industry ushering in the future (Development of the industry utilizing the features of Kyoto, including eco-friendliness, life, movies, and contents; promotion of “Kyoto Innovation Belt Scheme” for developing new industries in cooperation with enterprises, by utilizing the largest number of colleges per capita in Japan; establishment of “international innovation footholds in the medical and life fields” in the “National Strategic Special Zones”; and wide-range sightseeing promotion in Kyoto)</li> </ul>	<b>【No. of research institutes in Kansai Science City】</b> End of 2013: 66 → End of 2018: 80 ( up 20% ) <b>【No. of visiting sightseers per year】</b> 2008: 77.99 million (record-high) → 2018: 80 million (record-high)

# Current Financial Profile and Fiscal Reforms



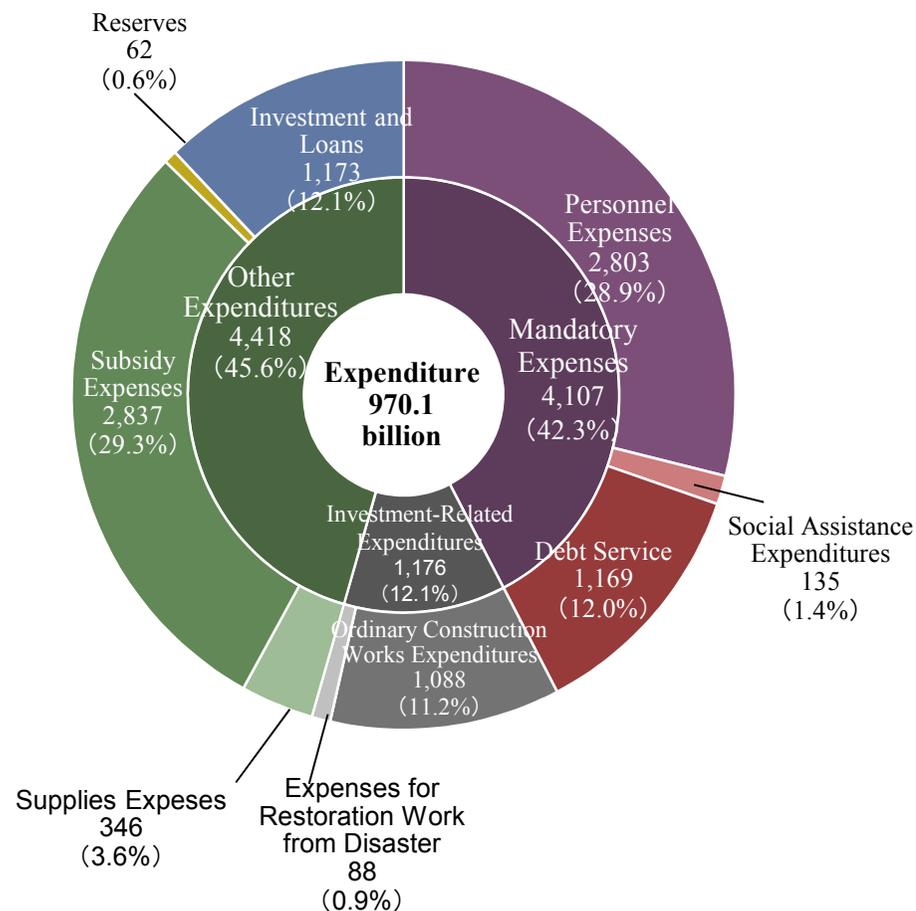
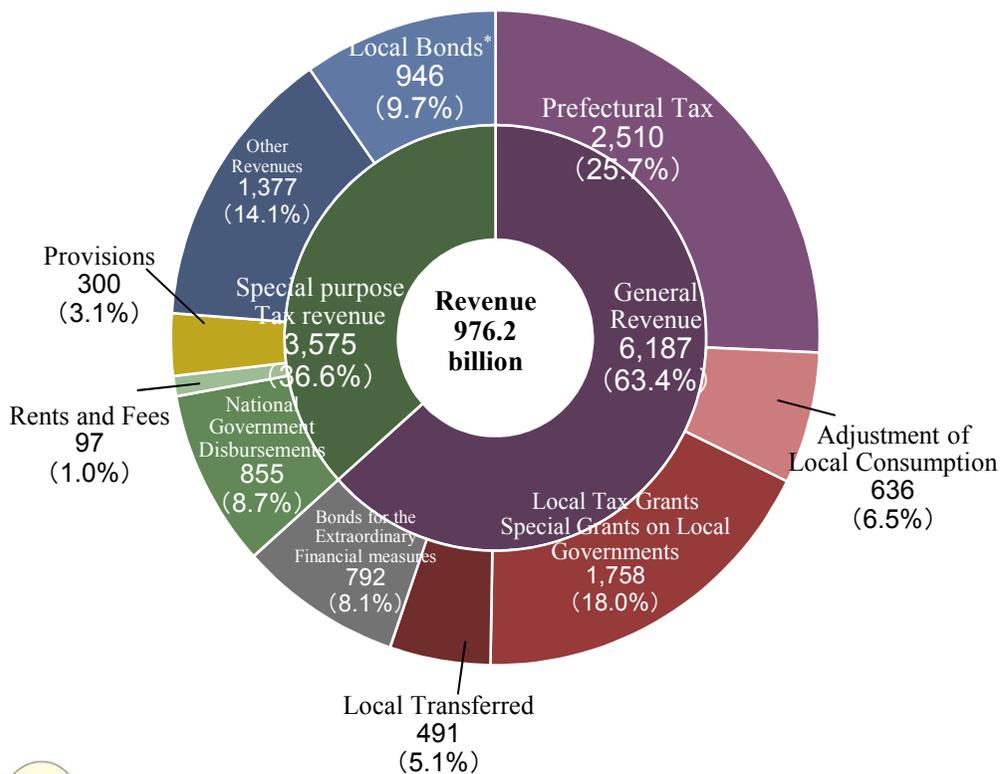
# General Account: Annual Revenues and Expenditures Structure



- General revenue sources accounts for over 60% of overall revenues in FY 2014 despite severe economic conditions
- Mandatory expenses (e.g. personnel expenses, debt service) accounts for over 40% of overall expenditures. Kyoto government intends to further decrease such expenses

## FY2014 General Account

\* Excluding bonds for the extraordinary financial measures

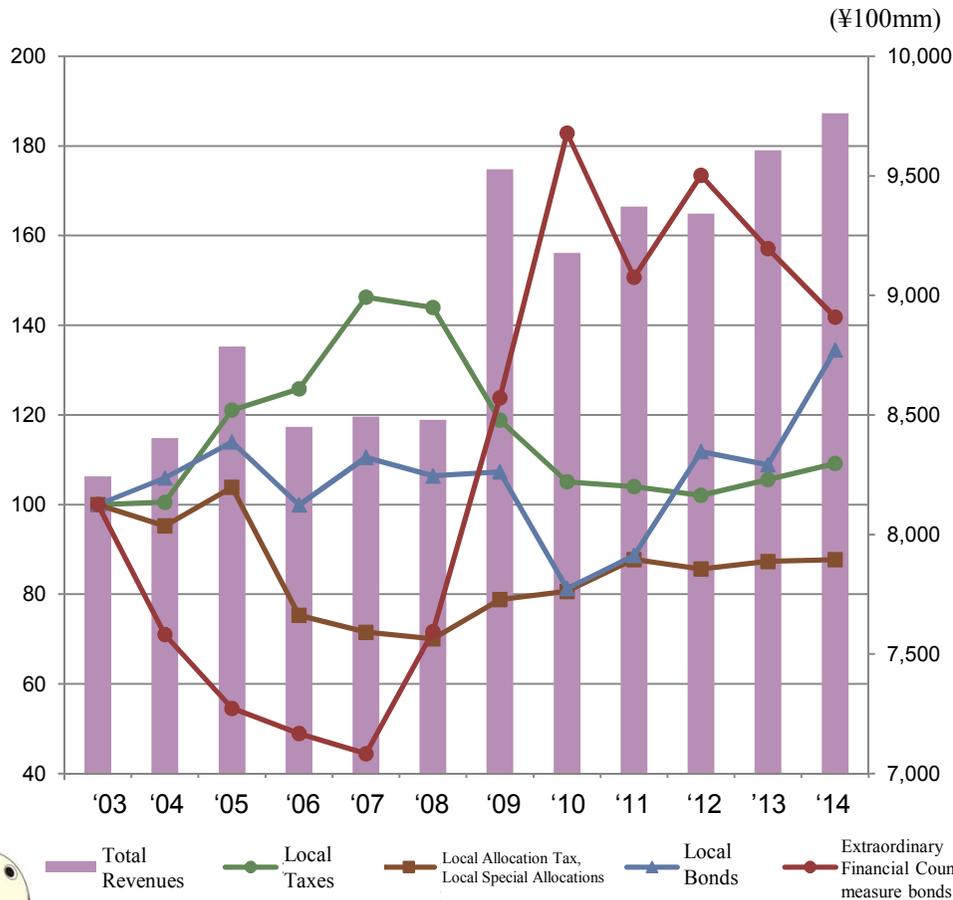


# General Account: Changes in Expenditures and Revenues

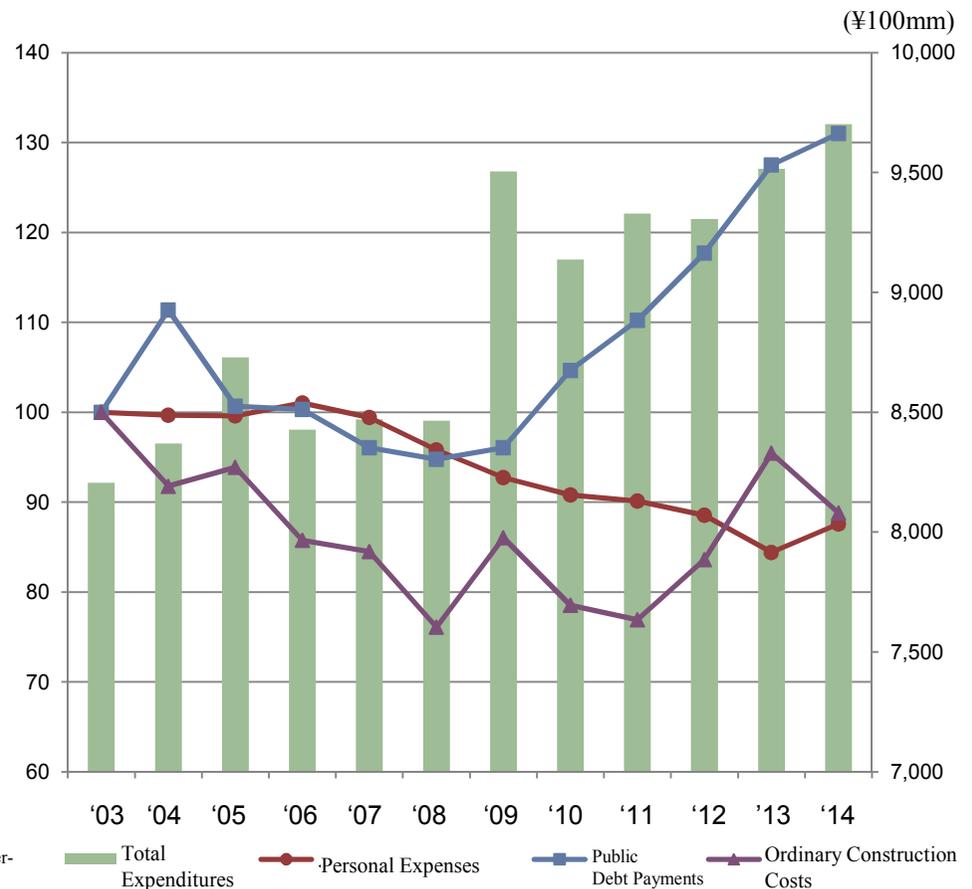


- Extraordinary financial counter-measure bond increased, but its principal and interest will be repaid with national tax revenue allocated to the local government.
- The augmentation of the local bond in fiscal 2014 is due to the issuance of the bond for promoting the reform of the third sector, etc. (18 billion yen)
- In social capital investment, etc., an appropriate balance is being sought between outstanding prefectural debt and tax revenue, etc.
- Efforts to reduce personnel expenses are being maintained

Change in Revenues and Major Revenue Sources  
(Figure in 2003 as 100)



Changes in Expenditures and Major Expenditure Items  
(Figure in 2003 as 100)

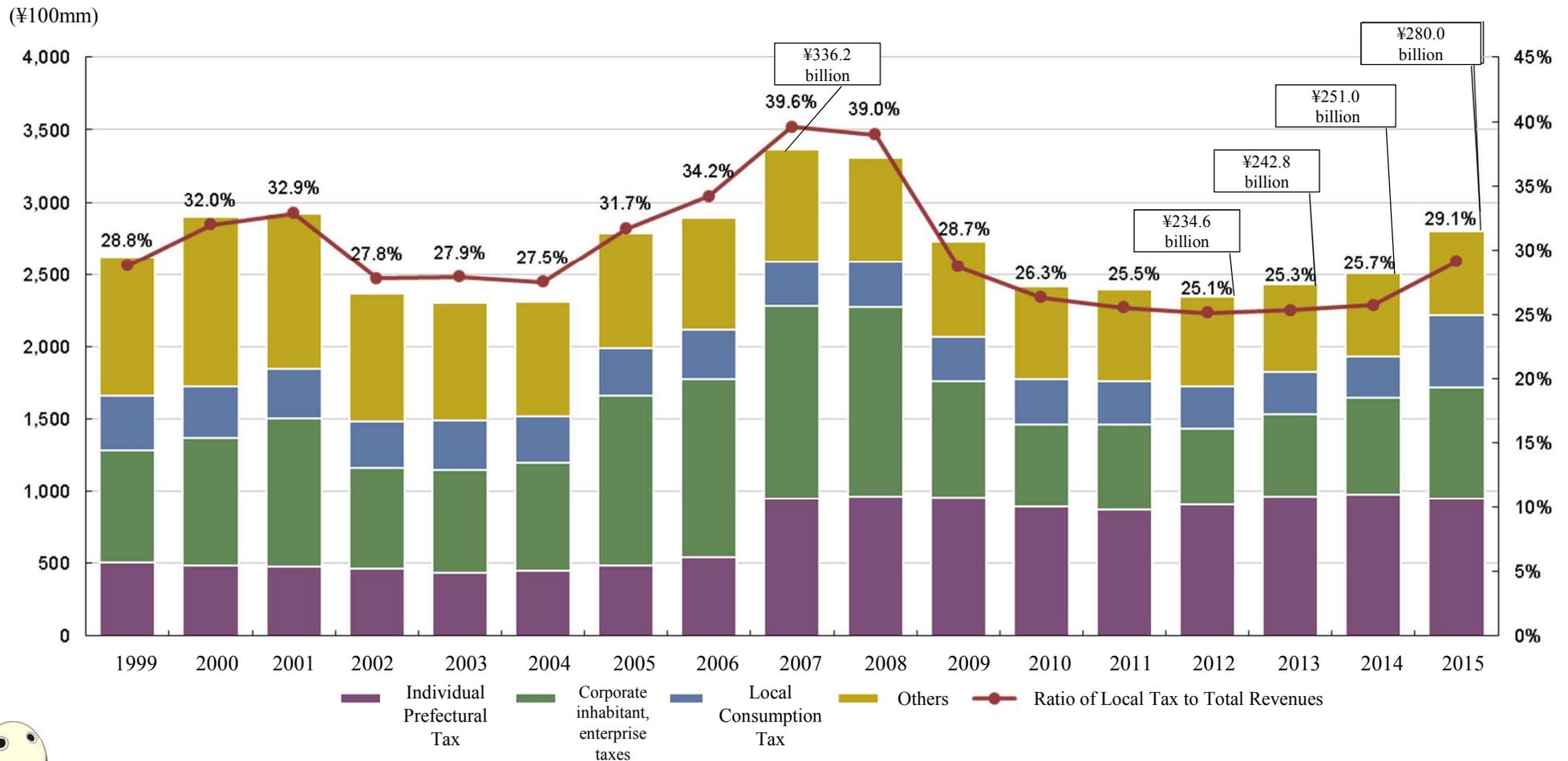


# Prefectural Tax Revenues



- The tax revenue had been declining due to the economic downturn, but it bottomed out in fiscal 2013, and increased in fiscal 2014.
- The tax revenue for fiscal 2015 is estimated to increase because of the recovery trend of the economy, the consumption tax hike, etc.

## Prefectural Tax



# Fiscal Reforms



Sound Public Finance  
Guideline (FY1999 to FY2003)

Target ¥65 billion, ¥67.7 billion balance improvement

Management Reform Plan  
(FY2004 to FY2008)

Target ¥50 billion, ¥59.7 billion balance improvement

Citizen  
Satisfaction  
Maximization  
Plan (FY2009 to  
FY2013)

Target ¥60 billion, ¥78.1 billion balance improvement

- While severe fiscal conditions continue, limited human, financial and infrastructure resources concentrated to maximize the satisfaction of residents
- Based on the needs of residents, streamline programs and enhance regional cooperation
- Simplified work process, human resource development to enhance strengths, and continued **Government Debt Program** (2006~) to decrease public debt and normal construction costs, led to meeting the goal of decreasing outstanding prefectural debt in FY2013, excluding emergency financial measures costs

Plan to Maximize  
Citizen Satisfaction  
and Gather Strength  
in Kyoto (FY2014 to  
FY2018)

- ◆ Evolve cooperation and collaboration between citizens, companies, NPOs and others, to gather strength in Kyoto as a whole with public and private cooperation, and further expand comprehensive services for citizens
- ◆ Eliminate unnecessary work, and have each employee strive to develop superior services for citizens, throughout the prefecture as a whole
- ◆ Strategic maintenance and management of public facilities to lower costs and optimize prefectural debt issued, as well as finding new investment resources
- ◆ To make finances sustainable, stimulate local economies with social capital investment to increase tax revenue, and realize an appropriate balance with outstanding prefectural debt and tax revenue that make up the social

[Outstanding prefectural debt target]

$$\begin{array}{c}
 \text{Outstanding} \\
 \text{prefectural debt} \\
 \text{(excluding emergency} \\
 \text{financial and disaster} \\
 \text{related costs)}
 \end{array}
 -
 \begin{array}{c}
 \text{Prefectural} \\
 \text{debt} \\
 \text{management fund}
 \end{array}
 \leq (
 \begin{array}{c}
 \text{Tax revenue} \\
 \text{(including consumption} \\
 \text{tax settlement)}
 \end{array}
 +
 \begin{array}{c}
 \text{Local tax} \\
 \text{allocation}
 \end{array}
 +
 \begin{array}{c}
 \text{Emergency} \\
 \text{Financial} \\
 \text{Measures}
 \end{array}
 ) \times \text{about 2}$$

※Currently 2.3

→ Estimated ¥40 billion fiscal effect

# A “project based on opinions solicited from Kyoto Prefecture residents” that is aimed at achieving improved resident satisfaction



- Established in fiscal 2009 a “resident participation-type” public works project. This was a project based on a process to determine project spots through soliciting opinions publicly from Kyoto Prefecture residents concerning local spots they believe should be rectified, on the basis of their daily observations and routine discoveries
- This project was aimed at “achieving higher interest of Kyoto residents in public works project,” at “fulfilling explanation responsibility for Kyoto residents” and at “attaining increased satisfaction of Kyoto citizens”

## A new local community opinion-driven municipal public works project of the first of its kind in Japan

Local infrastructure renovation and repair works that  
can bring about a greater sense of safety  
and security as well as improved scenic beauty

- ◆ Eliminate road bumps
- ◆ Repair paved roads
- ◆ Install guardrails and fall prevention facilities
- ◆ Install traffic lights
- ◆ Take rock fall preventive measures
- ◆ Repair river embankments and river walls
- ◆ Replace or repaint safety facilities such as road lights and guardrails

Over 10,000 applications from  
FY2009 to FY2015

An  
example of  
specific  
resident  
proposal



Gratings were installed on a street  
with little sidewalk width



# Four Financial Soundness Indicators

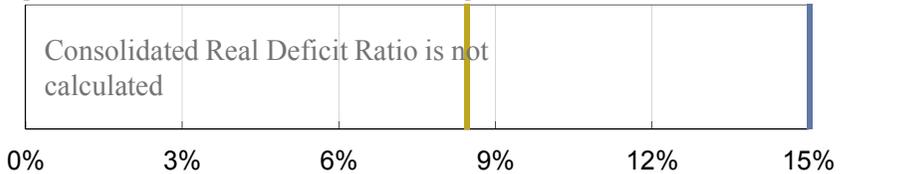


- All indicators are well below the limits for fiscal reconstruction and early financial soundness set by law
- Kyoto will step up efforts to maintain fiscal health in the future

[FY2014 Real Deficit Ratio]



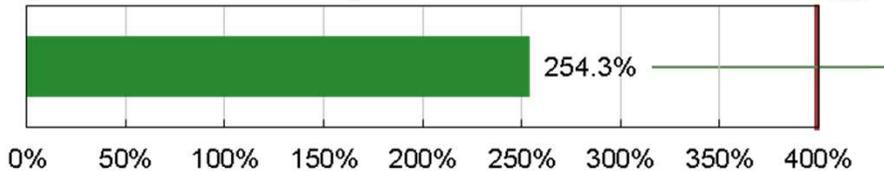
[FY2014 Consolidated Real Deficit Ratio]



[FY2014 Real Debt Service Ratio]



[FY2014 Future Burden Ratio]



▲ Early Warning Limit ● Reconstruction Limit

\* Future burden ratio (▲) as required for early financial soundness

## Calculation of Future Burden Ratio

Item	Amount (¥1mm)	Notes
Outstanding local government bonds	2,057,642	Current balance of local government bonds including bonds to be redeemed in full at maturity
Planned expenditures for debt burden	4,039	Part of budget to be allocated to public debt payments as debt burden
Est transfer from public corp bonds	32,972	Estimated funds to be transferred for redemption of local government bonds related to special accounts (non general account)
Est share for unions	N/A	
Est retirement bonus burden	216,463	Estimated retirement allowances assuming voluntary retirement by all employees at the end of previous fiscal year
Est share of established corporations' liabilities	888	
Local Roads Public Corp	0	Estimated burden of Roads Public Corp. loan balance debt
Land Development Corp	0	Estimated burden of Land Development Corp. debt
Quasi-sector, etc.	888	Estimated share of indemnities for quasi-corps
Quasi-sector, etc.	0	Real deficit on a total accounting basis
Est unions' consolidated real deficit burdens	N/A	
<b>Future Burden (A)</b>	<b>2,312,004</b>	
Allocable funds	137,255	Allocable funds to local government bond redemption from balance of all funds
Allocable special revenue	31,525	Special revenue (e.g. publicly-managed housing fees) allocable to redemption resources for local government bonds
Est in standard fiscal demand	995,914	Estimated funds gained by multiplying to ratio of regular local allocation tax by prefectural bond balance
<b>Allocable fiscal sources(B)</b>	<b>1,164,694</b>	
<b>Numerator (A-B)</b>	<b>1,147,310</b>	



# Prefectural Bond Issuance Operation



# Characteristics of the Issuance Operation



- Kyoto Prefecture conducts bond issuances in dialogue with the market

Public bonds to be underwritten by syndicates are issued basically in June, September, December and March

- As for 5-yr and 10-yr bonds, issuance is initially scheduled in order to help develop Annual financial plan
- The number of issues increased on demand from investors

~ FY2010: 3 issues/year

FY2011~ : 4 issues/year

Kyoto holds separate meetings with individual investors

- Meetings are held for individual investors for better understanding in Kyoto's fiscal situation

FY2009: 8 meetings

FY2010: 24 meetings

From FY2011, 50 per year on average

Kyoto steps up efforts to improve products

- Kyoto has been stepping up efforts to meet investors' demand for new issuance conditions

- In fiscal 2013, we established the flexible issuance facility, and managed bond issues flexibly according to the opinions and requests from investors and market conditions.
- We will keep managing bonds while emphasizing the communication with investors.

History of bonds with the lead managing method from 2013 onwards

Unit: 100 million yen

	Fiscal 2013		Fiscal 2014	
	First half	Second half	First half	Second half
20 years	200		200	
5 years	Flexible issuance facility		100	
7 years		100		
10 years	100	100		
15 years	100	100	100	100
20-year scheduled redemption	Challenge issuance facility	100		100

## Record of 2013 Vendor Award

Thomson Reuters DEALWATCH	<b>Innovative Debt Deal of the Year</b>
CAPITAL EYE	<b>BEST DEALS OF 2013 Special Prize of Regional Bonds Division</b>

# Past Results and Future Plans



- During fiscal 2015 as well, Kyoto Prefecture will continue to issue a 5-year, 10-year and 20-year municipal bonds, respectively, as nationwide-type bonds to be offered publicly in the market
- In fiscal 2014, we issued 5-year and 15-year bonds in April and 15-year bonds and 20 year irredeemable bonds in October, with the lead managing method, by utilizing the flexible issuance facility

(¥100mm)

〈FY2014〉	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
<b>5-yr</b>	100		200			100			100			100	600
5-yr (Citizen Participatory-type Bond)						25							25
<b>10-yr</b>			200			100			100			100	500
<b>15-yr</b>	100						100						200
<b>20-yr</b>					200		100 (Fixed time redemption)						300
<b>Joint Local Government Bonds</b>	50	50	100	100	50	50			50	50	50	50	600
<b>Total</b>	250	50	500	100	250	275	200		250	50	50	250	2,225

〈FY2015〉	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
<b>5-yr</b>	100		100			100			100			100	500
5-yr (Citizen Participatory-type Bond)						25							25
<b>10-yr</b>			100			100			100			100	400
<b>15-yr</b>	100						100						200
<b>20-yr</b>					200		100 (Fixed time redemption)						300
<b>Joint Local Government Bonds</b>	100	100	50	100	50	50			50	50		50	600
<b>Total</b>	300	100	250	100	250	275	200		250	50		250	2,025



# Contact Information



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