

Kyoto Prefecture's Fiscal Standing and Management Reform Program



October 2008



Kyoto Prefecture

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Kyoto Prefecture : An Introduction



Kyoto at a Glance

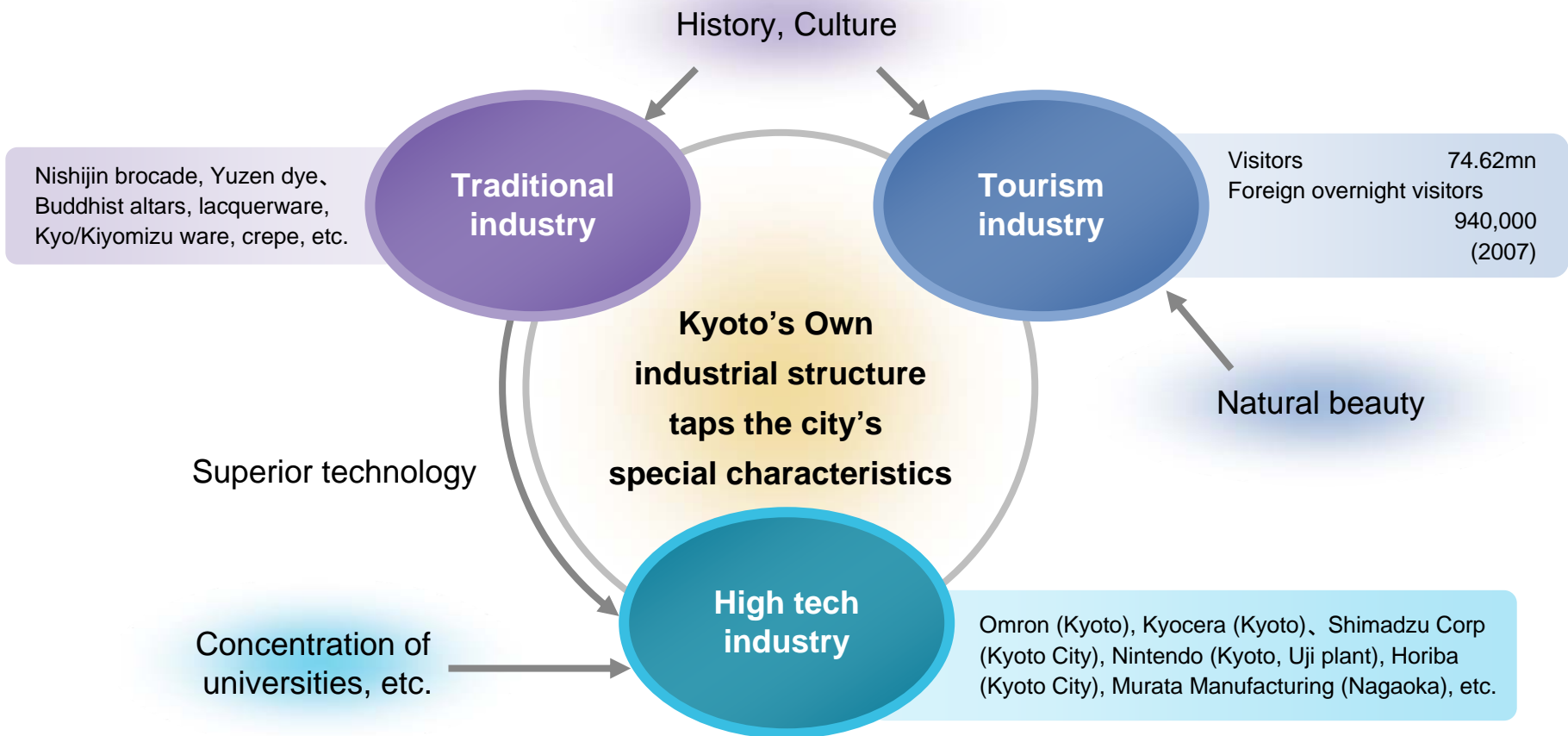
■ Population, economy in top quarter among prefectures



Population	2.65mn	13th	2005 census
	2.64mn	13th	2000 census
Area	4,613km ²	31st	2006
Prefectural GDP	10.297trn yen	13th	2005
	9.8879trn yen	13th	2004
Industrial shipments (manufacturing) (workplaces with 4+ employees)	5.3193 trn yen	22nd	2006
	4.8695 trn yen	22nd	2005
Income per resident	JPY2.90mn	14th	2005
	JPY2.86mn	16th	2004
Government-designated cultural assets (no.)	2,292	Nearly 20% of all in Japan	
	253 natural treasures among designated cultural assets (more than 20% of all in Japan)		

Industrial Structure

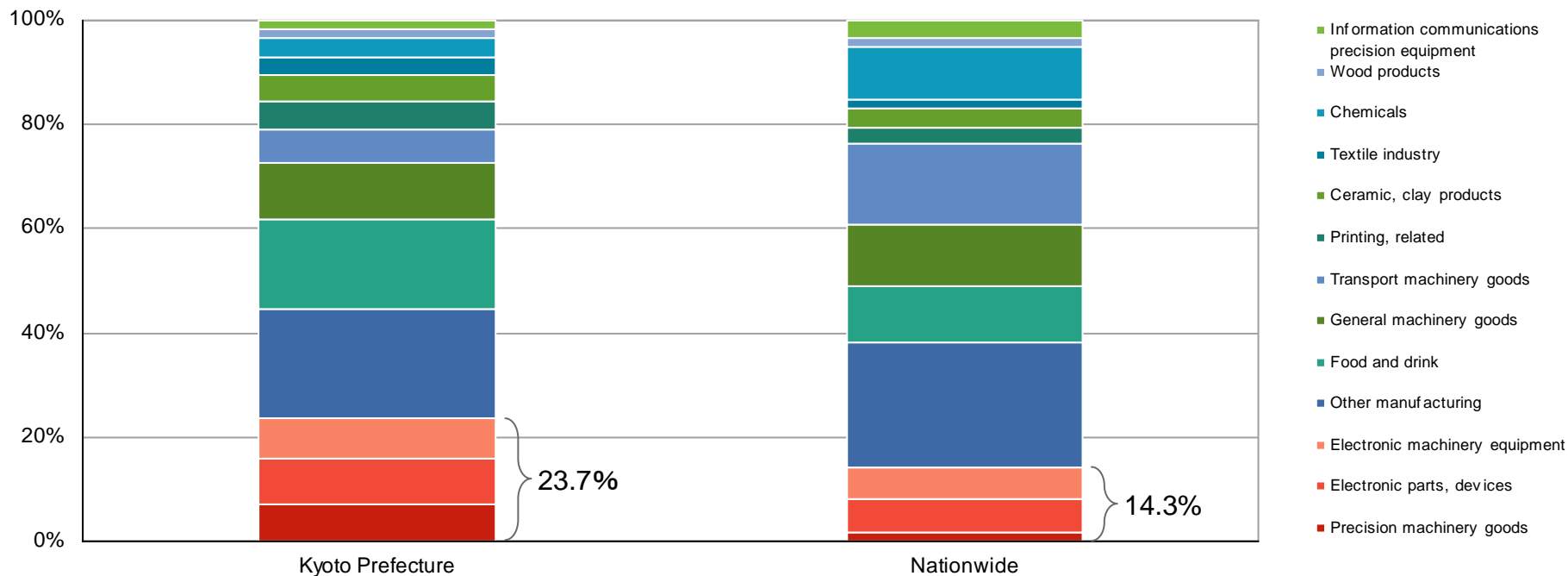
- Kyoto has a strong, unique value-adding industrial structure. The prefecture's tourism and tradition-based industries, built upon 1200 years of history and culture, have cultivated superior technology and craftsmanship. The addition of new knowledge has spawned IT-related industries.



Manufacturing

- High percentage (vs. nationwide) of value-added production in electronic parts & devices, precision equipment, and electronic machinery manufacturing.

Kyoto Prefecture Breakdown of Manufacturing Industries

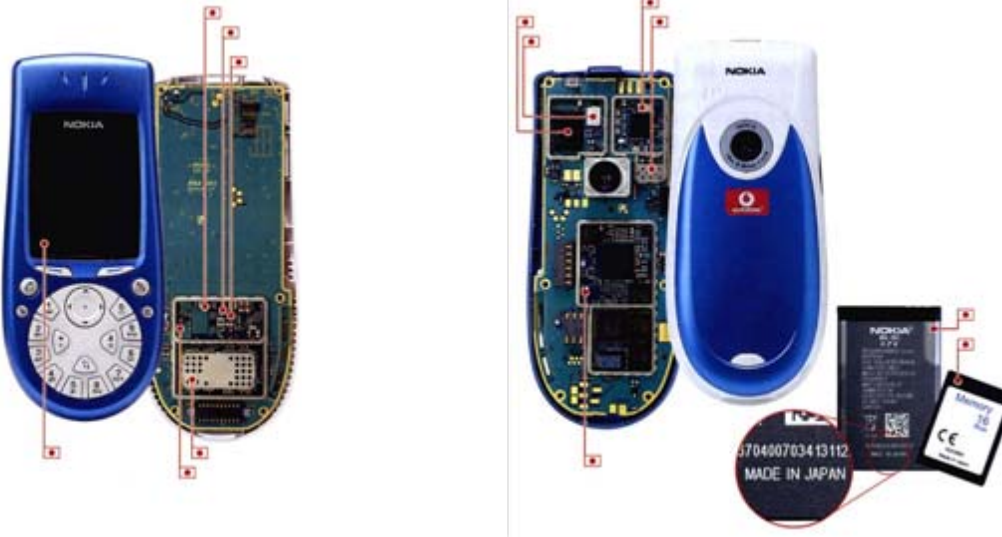


※Source:FY2006 Industrial statistics (added value) (for companies with four or more employees) compiled by METI

Companies relocating to Kyoto (2001~Aug 2008)	124 companies
Resulting production	Approx 430.0bn yen
Increase in resident population	Approx 19,000

Kyoto Technology Inside World's Cellphones

Critical components in Nokia cellphones made in Japan



Japan-made parts inside Nokia cellphones

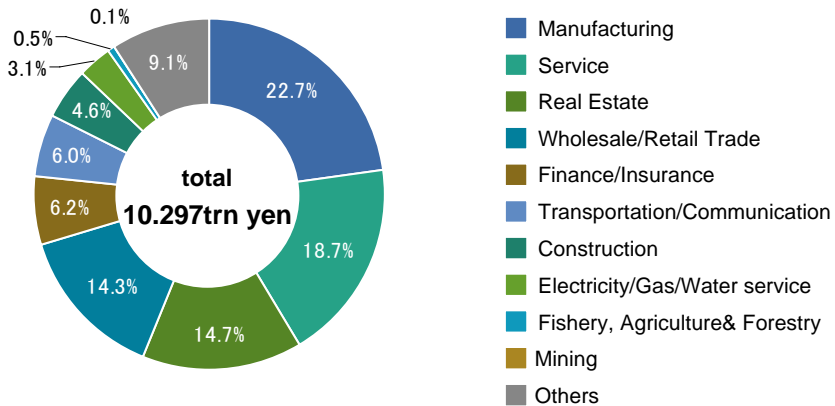
- Ocellator
- LCR (coil, condenser, etc)
- Filter
- Flexible board
- Camera module
- Speaker
- Microphone
- Motor
- Dial buttons
- Connector
- Prototype die

Cellphones packed with Kyoto-made technology

- | | | | |
|------------------------|-----------------------------------|------------------------------|--------------------------------|
| ■ Murata Manufacturing | (ceramic capacitors) | ■ Kyocera | (ceramic capacitors) |
| ■ Omron | (backlighting, connectors) | ■ Fukuda Metal Foil & Powder | (printed wiring, shield paint) |
| ■ Nichicon | (aluminum electrolyte capacitors) | ■ Lifemold | (cellphone bodies) |
| ■ Rohm | (LSI) | ■ Faith | (music distribution) |
| ■ Nidec Corporation | (small motors) | ■ Tose | (mobile contents) |
| ■ Nissha Printing | (decorative film) | | |

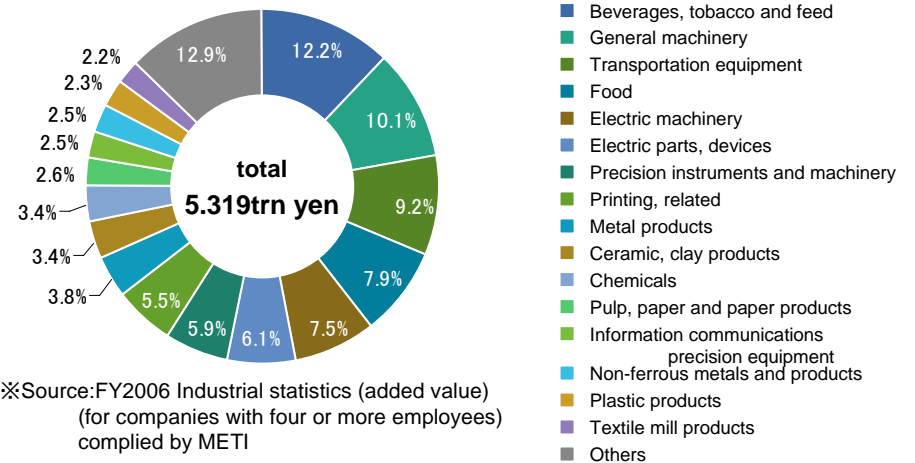
Kyoto's Economy

Prefectural GDP (nominal)



※Source:FY2005 Prefectural GDP compiled by Kyoto pref.

Value of Manufactured Products Shipments



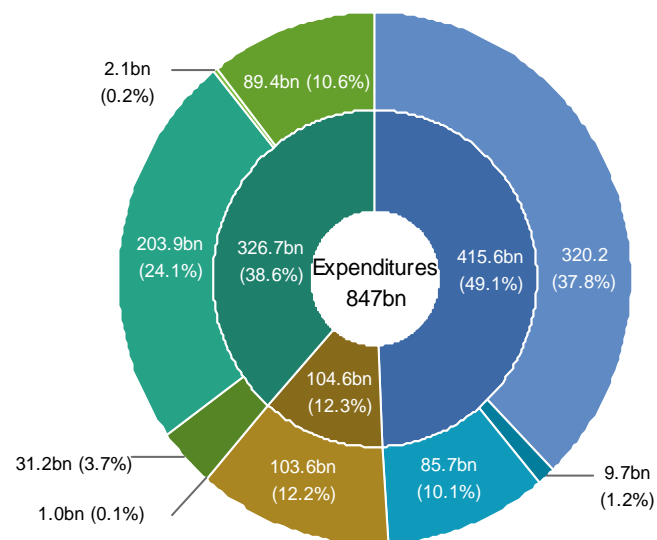
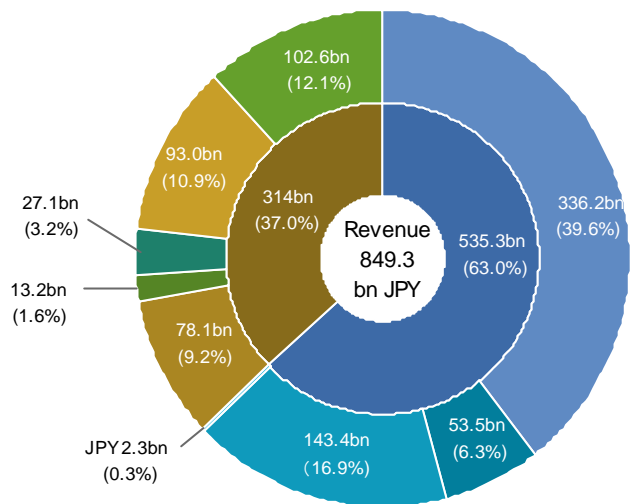
※Source:FY2006 Industrial statistics (added value)
(for companies with four or more employees)
compiled by METI

Kyoto's Fiscal Standing



General Account Revenue, Expenditures

■ Kyoto Prefecture FY07 revenue and expenditures are illustrated below. Note the reduction in high Obligatory costs (personnel expenses and public debt payments)



- | | | | | | | | |
|---|----------------------|-----------------------------------|------------------------------|------------------------------|------------------------|-------------------------------|--------------------------|
| ■ General revenue source | ■ Special sources | ■ Local Taxes | ■ Local consumption tax fund | ■ Obligatory expenses | ■ Investment expenses | ■ Other expenses | ■ Personnel expenses |
| ■ Local allocation tax, local special allocations | ■ Local transfer tax | ■ National treasury disbursements | ■ Fees | ■ Social assistance expenses | ■ Public debt payments | ■ Ordinary construction costs | ■ Disaster mgmt expenses |
| ■ Transferred funds | ■ Misc revenue, etc | ■ Local bonds | | ■ Bldg maintenance | ■ Subsidies | ■ Reserves | ■ Injection loans |

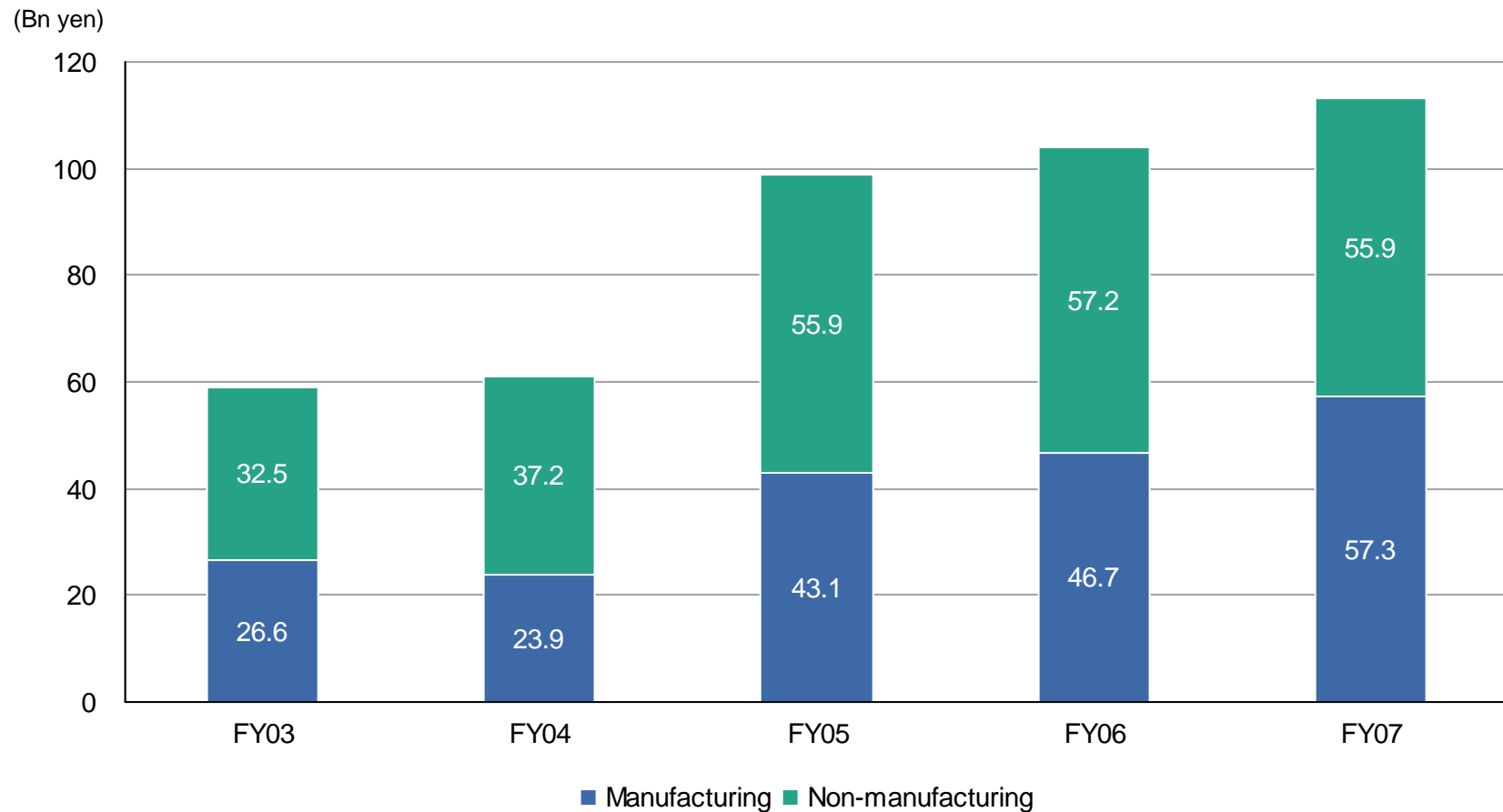
Independent revenue ratio: 60.2%

0.5% increase in revenues, expenditures over FY08 roughly on par with previous years

- FY07 prefectural taxes also included tax resource transfers (16.3% increase, JPY47.0bn, of which approximately JPY40.0bn from tax resource transfers)
- Obligatory expenses decreased 0.8% YoY in FY06, as retirement bonuses exceeded the cut in employee compensation

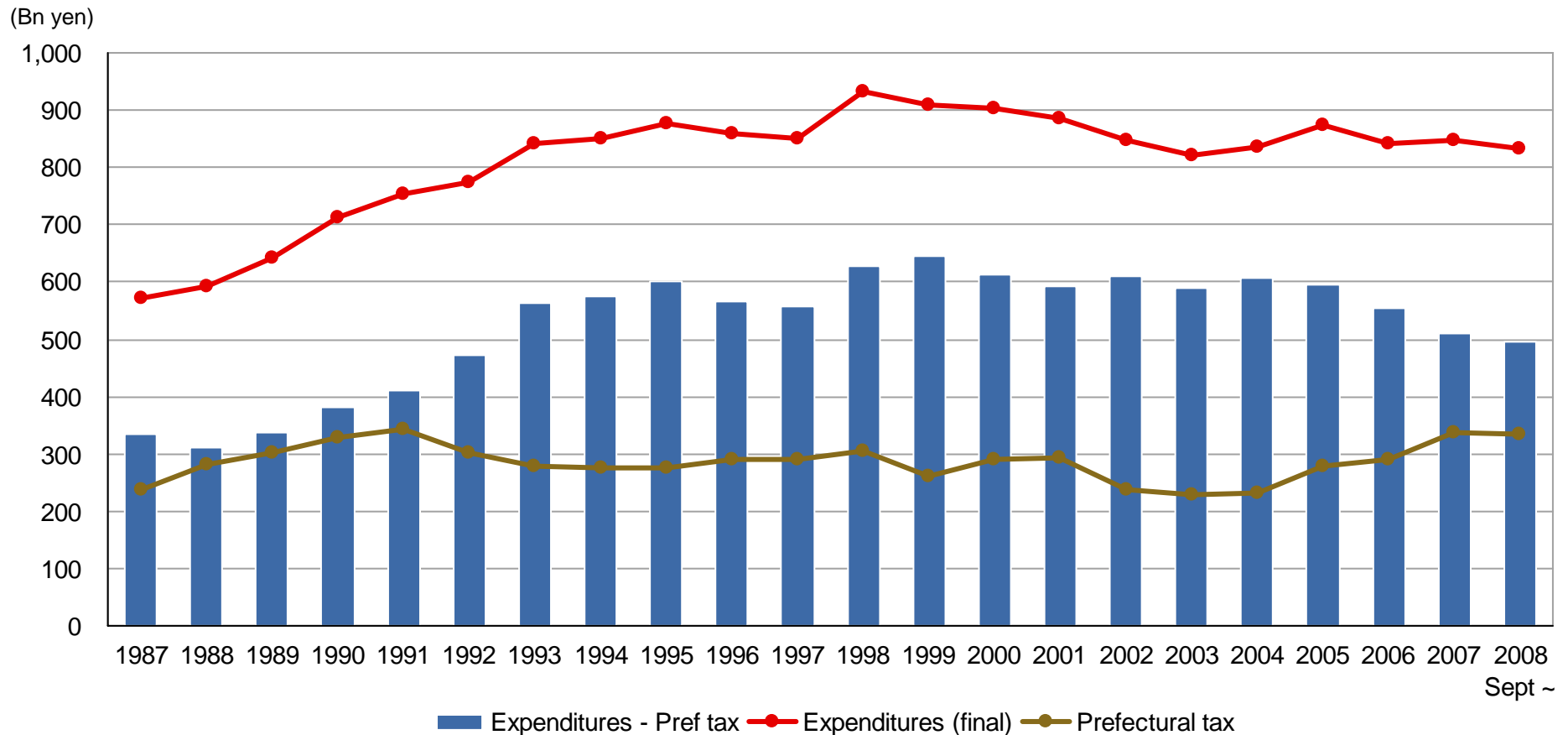
Corporate Enterprise tax

- FY07 Corporate Enterprise tax rose 1.2x YoY for manufacturers and were approximately level for non-manufacturers. Overall, Corporate Enterprise tax grew 1.1x YoY.



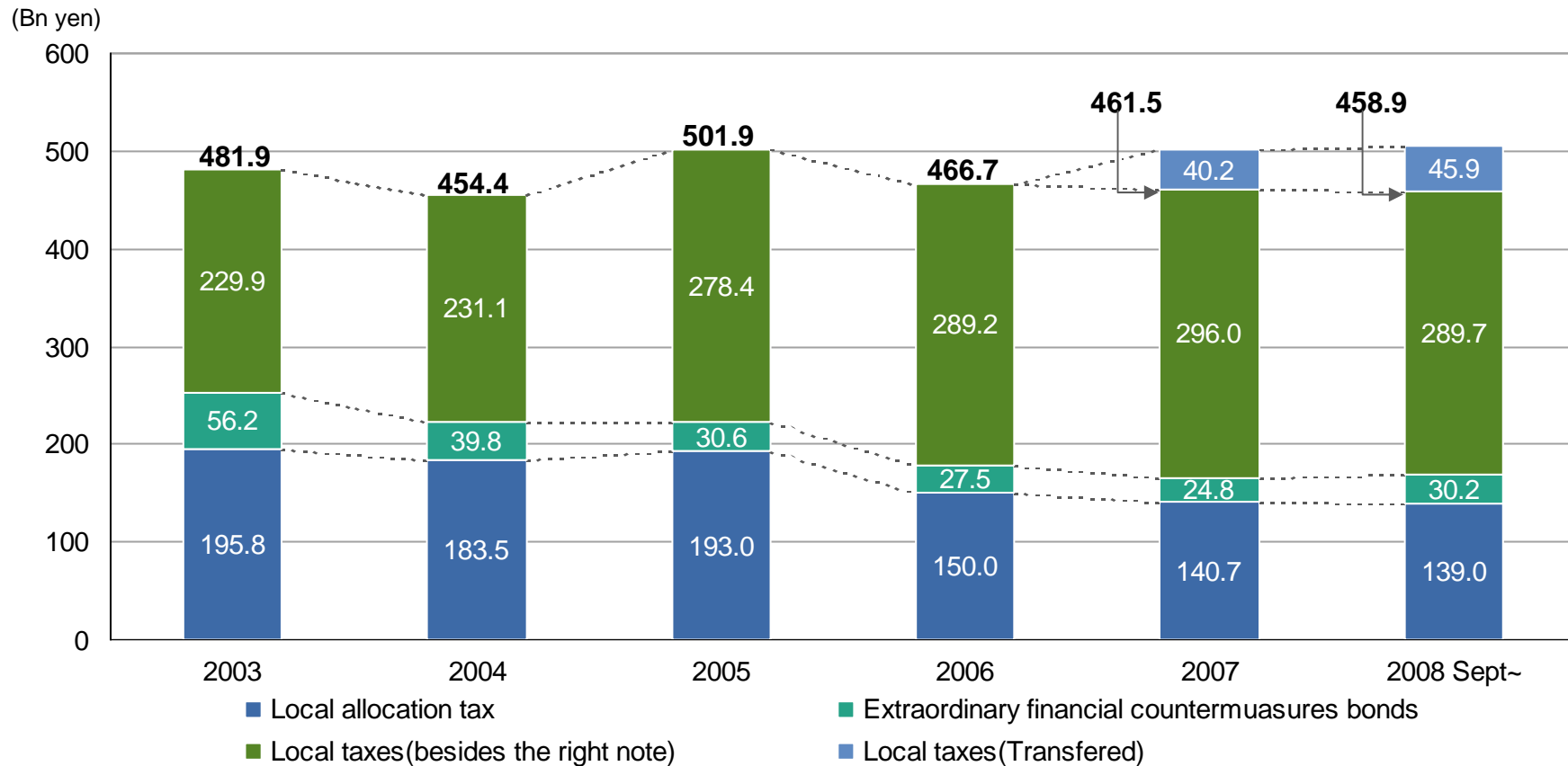
Expenditures and Prefectural Tax Revenue

- The difference between expenditures minus prefectural tax revenue had been sizeable, but is expected to improve as tax revenues increase and expenditures decline.



Main General Resource Revenues

■ Prefectural tax revenue is expected to improve, but Local allocation tax and Extraordinary financial countermeasures bonds are declining and general financial resources are not growing

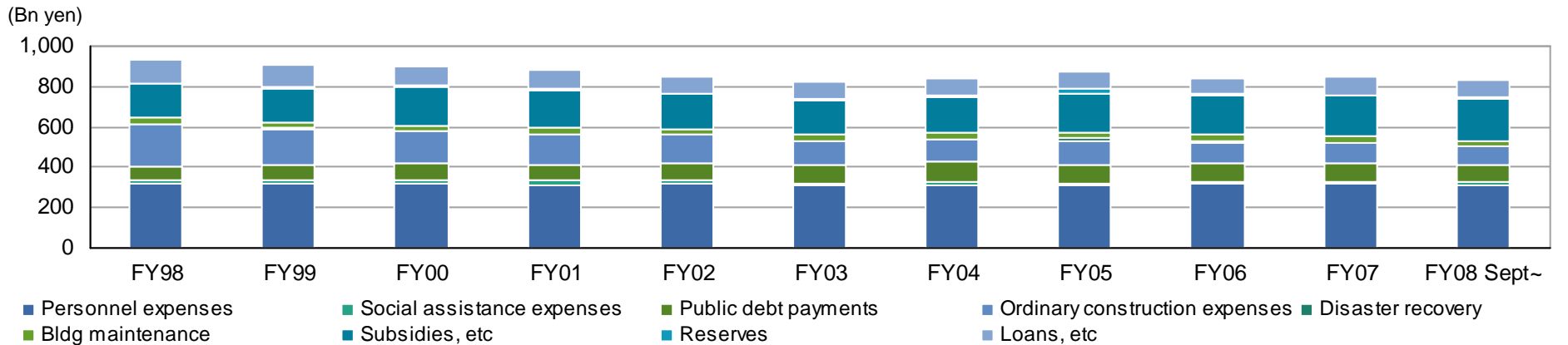


※Items have been rounded, so totals may not match.

Expenditures by Character

■ The graph below illustrates general account expenditures by Character from FY98~FY08. public debt payments and welfare costs have risen, but personnel expenses and ordinary construction expenses have been controlled with management reform measures. As a result, overall expenditures have been declining.

General account (final) by Character



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 Sept-	2008 -1998
Personnel expenses	320.3	321.1	323.0	313.1	321.2	309.0	314.8	309.9	319.6	320.2	309.2	-11.1
Social assistance expenses	15.9	16.5	17.5	18.6	17.2	11.5	11.2	10.9	9.9	9.7	15.1	-0.8
Public debt payments	65.2	72.0	76.6	82.2	85.3	89.2	99.4	89.8	89.5	85.7	86.4	21.2
Ordinary construction expenses	211.7	179.8	162.4	152.5	140.0	122.6	112.5	115.1	105.1	103.6	93.8	-117.9
Disaster recovery	2.4	5.5	2.0	0.5	0.4	0.4	3.6	19.4	3.6	1.0	0.5	-1.9
Bldg maintenance	29.1	27.1	27.7	27.6	27.9	28.6	28.9	30.3	31.3	31.2	28.4	-0.7
Subsidies, etc.	170.8	169.7	188.1	186.8	172.1	173.9	181.1	189.5	198.4	203.9	209.8	39.0
Reserves	0.3	9.6	7.2	9.7	4.4	5.8	1.7	27.6	4.2	2.1	2.1	1.8
Loans, etc	116.7	106.8	97.5	94.4	79.1	79.5	83.8	80.4	81.0	89.4	87.2	-29.5
Total	932.4	908.1	902.0	885.4	847.6	820.5	837.0	872.9	842.6	847.0	832.5	-99.9

Main Fiscal indices

- The main fiscal indices are presented below. The Fiscal power index (size of local tax revenue), Real debt service ratio (size of debt redemption burden), and Debt service payment ratio used for permission to issue local bonds are all among the top in the nation.

		(Mn yen, %)						
		2001	2002	2003	2004	2005	2006	2007
Fiscal power index	Kyoto Pref	0.50858	0.49871	0.48788	0.47986	0.48049	0.53867	0.59363
	Nationwide	0.40501	0.40573	0.40786	0.41125	0.42806	0.46305	0.49715
	Rank	9th	10th	11th	12th	16th	13th	11th
Current balance	Kyoto Pref	86.8	94.1	88.6	92.8	86.9	96.5	98.8
	Nationwide	88.9	91.5	89.1	92.4	92.9	93.5	96.4
	Rank	14th	35th	21st	27th	2nd	42nd	36th
Debt service payment ratio used for permission to issue local bonds	Kyoto Pref	10.5	10.1	9.9	10.0	9.8	9.2	7.9
	Nationwide	12.6	12.6	12.5	12.6	12.4	12.3	11.8
	Rank	5th	4th	4th	4th	3rd	3rd	3rd
Real debt service ratio	Kyoto Pref					10.3	10.7	10.9
	Nationwide					14.5	14.4	14.0
	Rank					1st	4th	6th
Debt service expenses burden ratio	Kyoto Pref	15.5	16.6	17.0	17.1	15.5	15.8	15.3
	Nationwide	20.3	21.7	22.0	22.1	21.7	21.4	21.5
	Rank	7th	4th	6th	8th	3rd	6th	5th
Debt service expenses ratio	Kyoto Pref	13.2	13.1	13.1	13.8	12.3	10.9	9.3
	Nationwide	17.0	17.5	17.6	18.4	17.1	16.4	15.7
	Rank	6th	5th	5th	8th	6th	4th	3rd
Laspeyres index	Kyoto Pref	100.3	100.3	99.6	98.1	98.2	100.5	100.2
	Nationwide	101.7	102.2	101.7	99.6	99.6	99.2	99.5
	Rank		44th	43rd	39th	37th	13th	20th

- Fiscal power index is 3-month moving average. Ranking is best down.
- Fiscal power index: Demand minus revenue used in calculation of local allocation tax ; higher index indicates more ample resources.
- Current balance: Ratio of general resources allocated to operational expenses to recurring revenue in general resources. Approx 70-80% is desirable. Gauges elasticity of fiscal structure.
- Debt service payment ratio used for permission to issue local bonds: Ratio of public debt payments to general resources standard financial scale. Excl figure for regular Local allocation tax. Bond issuance limited if ratio is 20%+.
- Real debt service ratio : Together with public debt payments used in calculating "Debt service payment ratio used for permission to issue local bonds", adds meaning to public debt payments (expenditures related to public debt burden) and balance of amortization funds (theoretical shortfall versus balance). Bond issuance must be approved if ratio exceeds 18%.
- Debt service expenses burden ratio: Ratio of general resources allocated to public debt payments. Warning level is 15%, critical level is 20%.
- Debt service expenses ratio: Ratio of public debt payments in general resources. Quantitatively shows limit of future fiscal year burdens from issuing local government bonds. A ratio of 10% or less is usually considered desirable.

Current balance worsening due to calculations of allocation tax, but efforts underway to cut Obligatory costs.

Four indices of Financial Soundness and Financial shortfall Ratio 1

- Deficit ratio not calculated, as no real deficits in general account or Local Public Enterprise accounts.
- Real debt service ratio and Future burden ratio well below “Early financial soundness criterion”.
- Financial shortfall Ratio not calculated, as no capital shortfall in any Local Public Enterprise

Index	Figure	Explanation of Index and Kyoto Prefecture's standing	Formula
Real deficit ratio	—%	<ul style="list-style-type: none"> • Ratio of general account real deficit to standard financial scale • Real balance surplus, so ratio not calculated 	$\frac{\text{real deficit of general account}}{\text{Standard financial scale}}$
	Early financial soundness criterion 3.75%		
	Fiscal rebuilding criterion 5.00%		
Consolidated real deficit ratio	—%	<ul style="list-style-type: none"> • Ratio of real deficit in all accounts to standard financial scale • Real balance surplus and no fund deficit in public corps, so ratio not calculated 	$\frac{\text{consolidated real deficit}}{\text{Standard financial scale}}$
	Early financial soundness criterion 8.75%		
	Fiscal rebuilding criterion 15.00%		
Real debt service ratio	10.9% (6 th in Japan)	<ul style="list-style-type: none"> • Ratio of real public debt payments borne by general accounts to standard financial scale • Well below 25% Early financial soundness criterion 	$\frac{(A+B)-(C+D)}{E-D}$
	Early financial soundness criterion 25.0%		
	Fiscal rebuilding criterion 35.0%		
Future burden ratio	238.9% (25 th in Japan)	<ul style="list-style-type: none"> • Ratio of real burden (to be borne in future by general account, incl public corp, stakeholder corp) to standard financial scale • Well below 400% Early financial soundness criterion 	$\frac{A-B}{C-D}$
	Early financial soundness criterion 400.0%		
	Fiscal rebuilding criterion —		

Four indices of Financial Soundness and Financial shortfall Ratio 2

<Calculation contents of the Future burden ratio>

Item	Figure (‘000 yen)	Details
Outstanding Local Government Borrowing	1,449,612	Current balance of local govt bonds, incl bullet bonds
Planned expenditures for debt burden	14,512	Part of budget to be allocated to public debt payments as debt burden
Est transfer from public corp bonds	44,528	Est funds to be transferred for redemption of local govt bonds related to special accounts (non general account)
Estimated share for unions		N/A
Estimated retirement bonus burden	310,200	Est retirement allowances assuming voluntary retirement by all employees at end of previous FY.
Estimated share of est corporations' liabilities	23,547	
Local Roads Public Corp	0	Est burden of Roads Public Corp loan balance debt
Land Development Corp	0	Est burden of Land Development Corp debt
Quasi-sector, etc.	23,547	Est share of indemnities for quasi-corps
Consolidated real deficit	0	Real deficit amount for all accounts
Est of unions' consolidated real deficit burdens		N/A
Future burden	1,842,398	
Allocable funds	65,798	Allocable funds to local govt bond redemption from balance of all funds
Allocable special revenue	31,968	Special revenue (eg, publicly-managed housing fees) allocable to redemption resources for local govt bonds
Est in standard fiscal demand	697,146	Estimated funds added to ratio of regular Local allocation tax in pref bond balance
Allocable fiscal sources, etc.	794,912	
Numerator	1,047,486	

Management Reform



Kyoto Administrative Reform Efforts

Fiscal Stabilization Plan Efforts (FY01 ~ FY03)

- Avert designation as fiscal rehabilitation body with drastic cuts
 - Balance worsened suddenly due to declining revenues following the collapse of the Bubble economy. Salaries and project costs were cut across the board, resulting in **67.7bn yen improvement** and allowing Kyoto to avoid being labeled a Financial Rebuilding Body



Efforts in Management Reform Plan (FY04 ~ FY08)

- Streamlining of internal organization/projects not impacting resident services
 - **Improved balance by approx JPY56bn yen**, above target, by thoroughly streamlining internal structure and procedures and promoting public debt service program with no direct relation to resident services. These were accomplished despite severe fiscal conditions with plans to efficiently utilize tax money and salary programs.



New efforts to maximize resident services

In order to ensure a fiscal structure that can meet resident needs into the future in times of limited resources, drafted a new plan emphasizing maximizing resident services

Management Reform Plan

■ Management Reform Plan (through FY08)

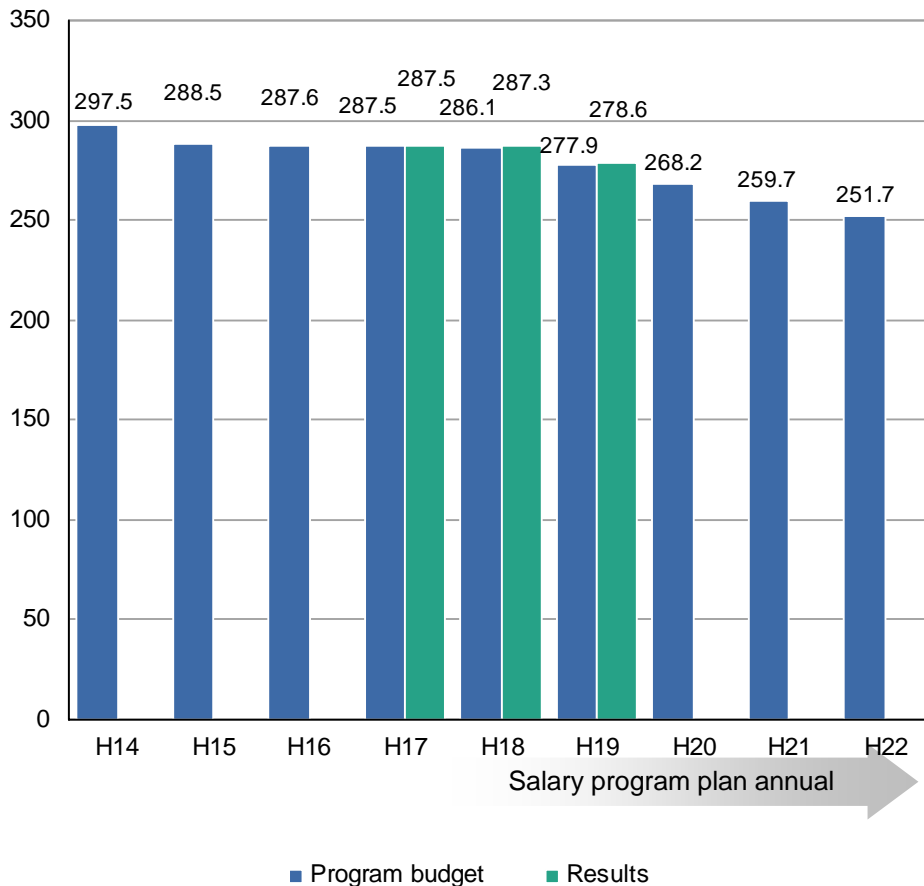
Intended direction of reform	<ul style="list-style-type: none"> ■ Establish sustainable fiscal structure appropriate for decentralization ■ Citizen-based community-building with participatory planning and production 	
Measures	<ul style="list-style-type: none"> ■ Thorough streamlining of internal organization/ projects without impacting resident services, and establishment of efficient, effective administrative management system ■ Review policies by concentration, selection ■ Reform production procedures ■ Divide and coordinate roles of residents, private companies, and localities ■ Sound fiscal management with long-term perspective ■ Ensure strategic self-financing ■ Rebuild tax structure 	
Objectives	<ul style="list-style-type: none"> ■ Encourage operational reform <ul style="list-style-type: none"> ● Reduce workers, prioritize public investment, etc. 	Approx 25bn
	<ul style="list-style-type: none"> ■ Review policies by concentration, selection <ul style="list-style-type: none"> ● Prioritize policies with action plan 	Approx 15bn
	<ul style="list-style-type: none"> ■ Ensure strategic self-financing <ul style="list-style-type: none"> ● Develop industrial measures to cultivate tax revenue, raise tax collection rate, etc. 	10bn+

Personnel Expenses

- Though budget figures exceed FY06 and FY07 results somewhat, overall personnel expenses will continue to be cut with employees reduced

- Draft and promote Compensation Program in order to control personnel expenses (40% of expenditure budget), part of the Management Reform Plan

(Bn yen)



※Budget figures exclude national govt system revisions substituting for FY05 results.

First cap on personnel expenses in Japan

To contain personnel expenses, a Obligatory expense, within a pre-determined level



Reducing personnel expenses by 12.5% over 5 years (2006~2011)

① Cutting employee numbers

- Streamline sections, esp those not directly linked to resident services, (eg, internal admin) and cut numbers
- **Reduce employee numbers by 17% in administrative sections of governor's office, police, and education (by 25% between FY98 ~ FY10).**

② Reforming compensation structure

- Abolishing seniority-based system and lowering compensation level

③ Complete review of expenses

- Review allowances for government, private sectors

Prefectural Bond Issuance

- Implementing Public Debt Payments Program to control Public Debt Payments and Ordinary Construction Project Costs as part of Management Reform Plan

Keeping real investment expenses
(public debt payments + ordinary construction costs)
at FY05 level

FY05 budget	public debt payments (excl Extraordinary Financial Countermeasures Bonds, issuances for disaster relief)	JPY87.7 bn	} Approx JPY 190bn
	Ordinary construction costs (exc. disaster relief projects)	JPY101.2bn	

public debt payments to rise

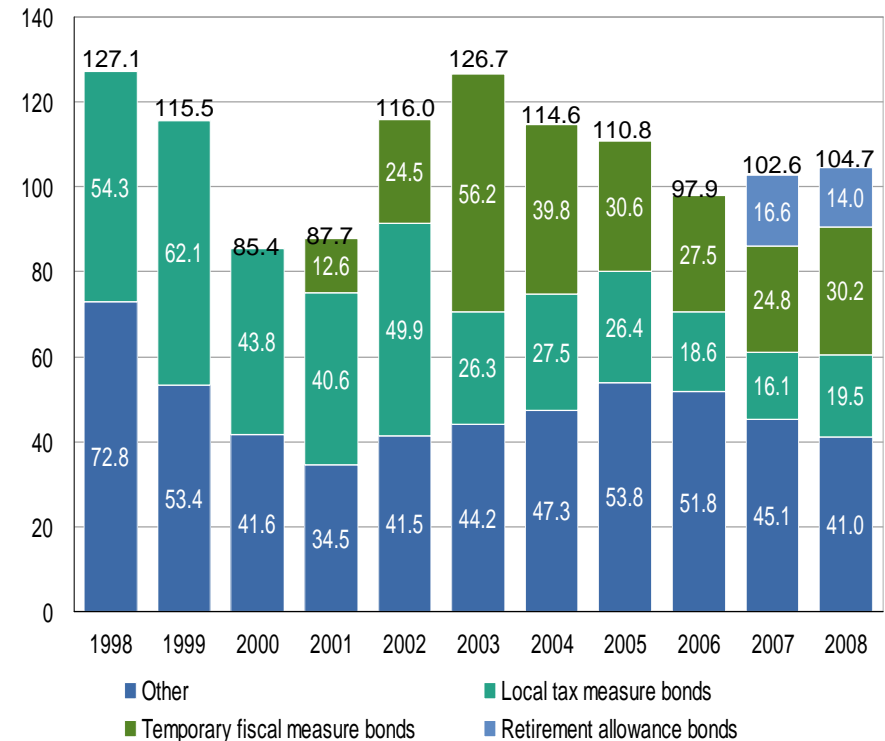
Counter this by adjusting ordinary construction projects

- Lifestyle-related services (schools, social services, police, hospitals, etc.)
 - Sound preparation of annual plans in line with resident needs
 - Prioritizing sites and facility management in public projects

Reduce prefectural bonds outstanding in FY13

- Controlled bond issuance since FY04, particularly since FY06. Govt bond issuances now approx JPY100bn/year due to controlling investment under Public Debt Payments Program

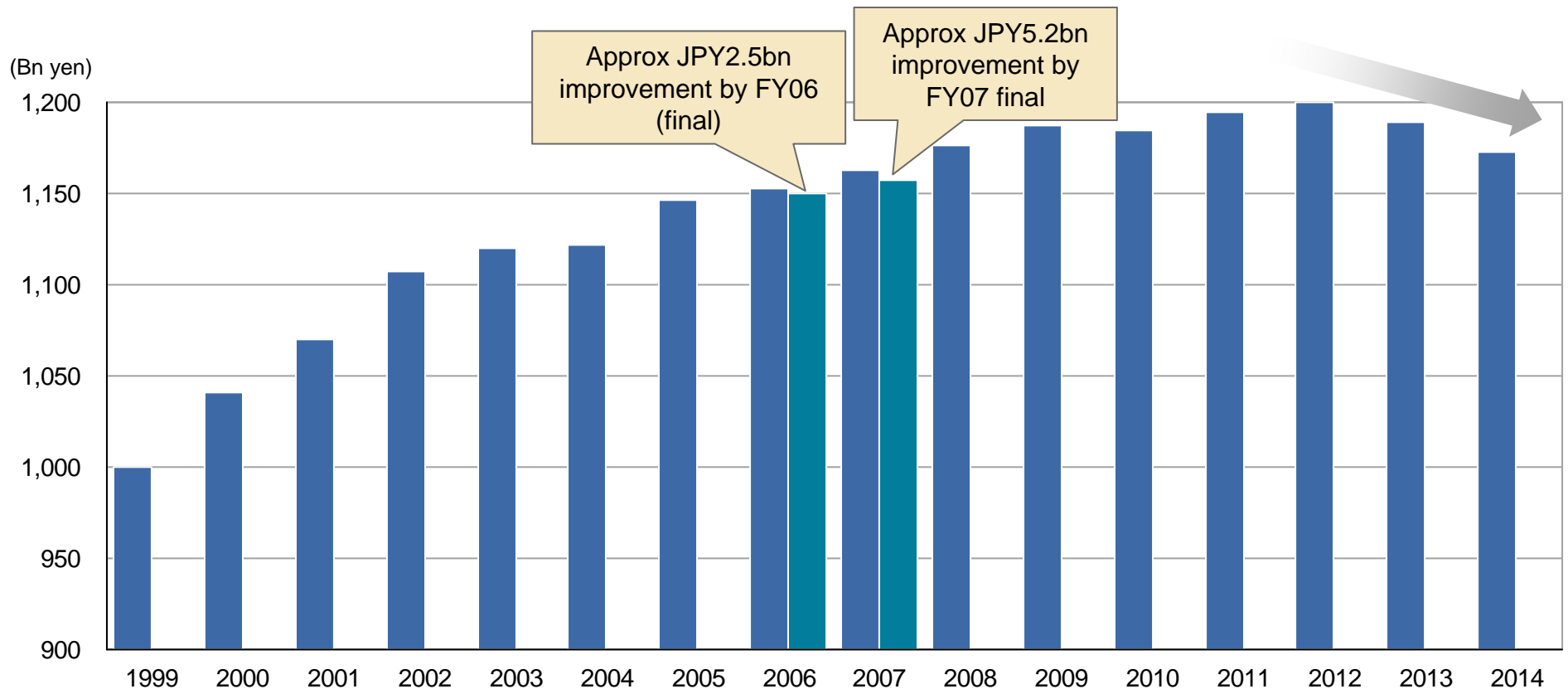
(Bn yen)



1998~2007 final; 2008 figures following Sept revision
※Based on issuance value; differs from revenue value

Prefectural Bond Balance Forecast

- Encouraging shift to bullet bonds (publicly-solicited). Prefectural bonds outstanding to rise until redemptions start in FY12, but will start to decline in FY13 after efforts by Public Debt Payments program

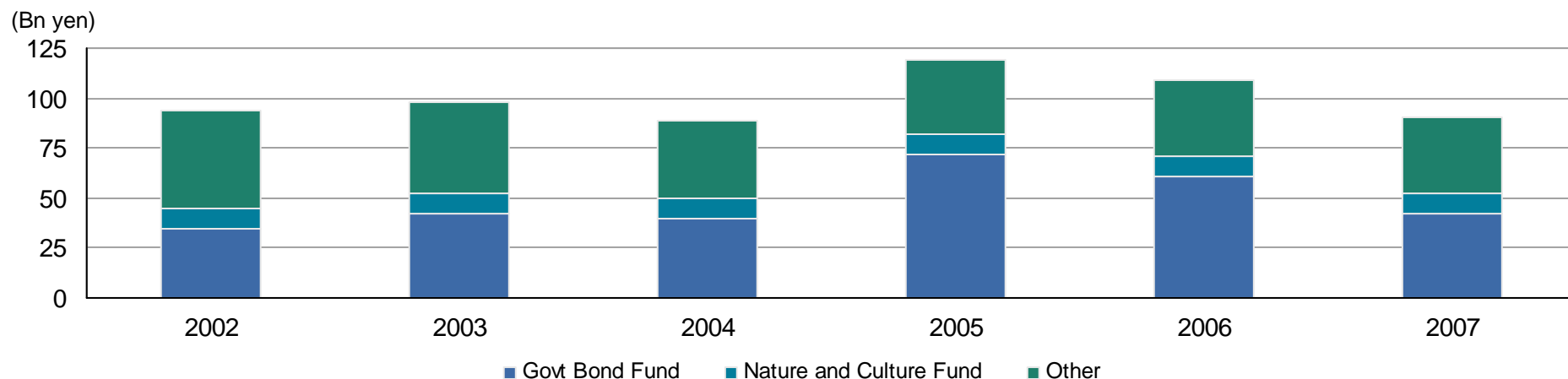


(Excl Extraordinary financial countermeasures bonds, disaster management bonds)

Prefectural bonds outstanding to decline in FY13

Funds Balance

■ Required amount for government bond fund is ensured.



(Bn yen)

Type	2002	2003	2004	2005	2006	2007
Fiscal Adjustment Fund	0	0	0	0	0	0
Prefectural Bond Management Fund	34.5	42.0	39.6	72.1	60.8	42.4
Nature and Culture Fund	10.0	10.0	10.0	10.0	10.1	10.1
Other	48.9	46.2	39.2	36.7	38.3	37.9
Total	93.4	98.2	88.8	118.8	109.2	90.4

※'0' in Fiscal Adjustment Fund reflects balance of <JPY100mn.

All from cash deposits, bonds, except for part of Land Fund (JPY4.7bn)

Outline of New Plan Proposal

Five Perspectives for Maximizing Resident Services

1	Residents' needs first perspective	Re-examine residents' needs <ul style="list-style-type: none">• Re-assess resident needs and consider if they have been met
2	Emphasis on regional coordination perspective	Examine proper regional coordination <ul style="list-style-type: none">• Examine linkages, coordination between main providers in order to maximize appropriateness of service providers
3	Streamlining administrative process perspective	Study optimal administrative procedures for providing resident services <ul style="list-style-type: none">• Examine and follow up ideal project processes by thoroughly reassessing programs unrelated to resident services and granting discretion to sites, etc.
4	Developing human resources perspective	Study developing human resources <ul style="list-style-type: none">• Investigate ways to improve capacity in order to properly meet residents' needs
5	Sustainable, steady supply perspective	Examine sustainable, steady supply <ul style="list-style-type: none">• Consider generating new fiscal resources for the future through creation of a fiscal structure by continuing salary programs and public debt expense programs, etc., in order to ensure uninterrupted resident services.

Public Enterprises and Affiliated Bodies

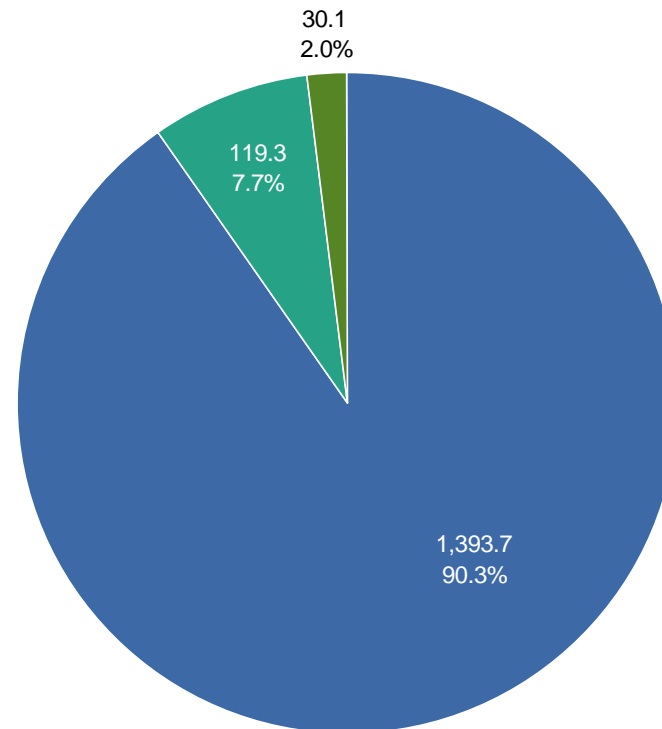


Outstanding Bond Issuances by Account

- Approximately 90% of bonds outstanding are from general account.

Account balances as of end-FY07

(Bn yen)



■ General account ■ Special account ■ Public enterprise account

Public Corporation Account 1

Hospitals

(Mn yen)

	Revenue balance (p / l account)			Capital balance (capital account)					Notes		
	Revenue	Expenditures	Difference	Revenue	Corp bonds	Expenditures	Corp bond redemption	Difference	Depreciation	Corp bonds outstanding	Surplus (shortfall)
FY03	10,325	10,821	- 496	842	342	883	509	- 41	639	5,306	- 11,980
FY04	10,673	11,106	- 433	1,003	513	1,069	534	- 66	623	5,289	- 12,414
FY05	8,510	9,148	- 638	895	312	906	547	- 11	674	5,055	- 13,055
FY06	8,526	9,129	- 603	647	280	719	398	- 72	687	4,937	- 13,659
FY07	8,383	9,214	- 831	1,108	723	1,068	911	40	729	4,749	- 14,491

Electricity business

(Mn yen)

	Revenue balance (p / l account)			Capital balance (capital account)					Notes		
	Revenue	Expenditures	Difference	Revenue	Corp bonds	Expenditures	Corp bond redemption	Difference	Depreciation	Corp bonds outstanding	Surplus (shortfall)
FY03	640	591	49	0	0	196	47	- 196	127	1,084	40
FY04	534	508	26	0	0	328	50	- 328	132	1,034	14
FY05	638	645	- 7	0	0	198	88	- 198	135	946	- 11
FY06	516	527	- 11	0	0	280	89	- 280	131	856	- 27
FY07	519	512	7	0	0	122	90	- 122	138	766	- 22

Public Corporation Account 2

Water-supply business

(Mn yen)

区分	Revenue balance (p / l account)			Capital balance (capital account)					Notes		
	Revenue	Expenditures	Difference	Revenue	Corp bonds	Expenditures	Corp bond redemption	Difference	Depreciation	Corp bonds outstanding	Surplus (shortfall)
FY03	5,691	5,331	360	1,645	475	3,750	1,013	- 2,105	2,009	26,270	- 47
FY04	5,717	5,396	321	1,297	362	3,060	1,126	- 1,763	2,100	25,506	210
FY05	5,705	5,329	376	1,203	363	4,448	994	- 3,245	2,080	24,875	292
FY06	5,715	5,227	488	2,040	1,174	4,776	1,318	- 2,736	1,991	24,732	380
FY07	5,730	4,981	749	1,988	884	5,122	1,103	- 3,134	1,879	24,513	584

Industrial water-supply business

(Mn yen)

区分	Revenue balance (p / l account)			Capital balance (capital account)					Notes		
	Revenue	支出	Difference	Revenue	Corp bonds	Expenditures	Corp bond redemption	Difference	Depreciation	Corp bonds outstanding	Surplus (shortfall)
FY03	200	189	11	55	0	57	2	- 2	61	51	- 15
FY04	242	286	- 44	83	0	124	2	- 41	57	49	- 62
FY05	198	177	21	84	0	387	2	- 303	59	47	- 40
FY06	211	182	29	188	0	195	2	- 7	59	44	- 11
FY07	229	208	21	99	0	310	2	- 211	55	42	0

Outlook for Affiliate Bodies

- Cutting affiliate body costs, especially among facilities operators, by first introducing a designated operator system before actively merging affiliates, in line with the reassessment

Corporations with Kyoto Prefecture stake

	FY02	FY03	FY04	FY05	FY06	FY07
No. of corps	112	110	108	108	108	106

Facilities operators: 22 corporations, 37 facilities

	FY05	FY06	FY07	FY08 (budget)
Result (Mn yen)	4,307	4,002	3,759	3,640
Employees	617	576	569	589

JPY1.7bn+ improvement
between FY02~FY08
(budget)

(Review plans for affiliated bodies – Management Reform Plan)

- In the midst of extreme social changes, reviewing suitability of government linkage and reassessing affiliate existence and scope of operations.
- Continuing reassessment of government facility operator affiliates, with introduction of designated operator system

Local Quasi-Public Corporation Earnings

(As of Mar 31, 2008)

(Mn yen)

		Kyoto Prefecture Land Development Corp		Kyoto prefecture Roads Corp		Kyoto Prefecture Housing Supply Corp				
		FY07	FY08	FY07	FY08	FY07	FY08			
		Capital injection		20	20	9,471	9,471	10	10	
Balance sheet	Assets	Liquid assets	21,755	20,939	1,673	1,612	203	303		
		Fixed assets	33	32	27,359	26,836	2,714	2,700		
		Total assets	21,788	20,971	29,032	28,448	2,917	3,003		
	Liabilities	Liquid liabilities	3,972	3,727	6,588	5,715	47	40		
		Fixed liabilities	15,563	14,898	14,877	15,113	614	637		
		Special corp reserves	—	—	544	443	—	—		
		Total liabilities	19,535	18,625	22,009	21,271	661	677		
	Capital	Capital stock	20	20	9,471	9,471	10	10		
		Surplus funds	—	—	-2,448	-2,294	2,246	740		
		Statutory reserves	2,233	2,326	—	—	—	1,576		
		Total capital	2,253	2,346	7,023	7,177	2,256	2,326		
			Total liabilities, capital		21,788	20,971	29,032	28,448	2,917	3,003
	Profit-loss statement	Recurring profits/losses	Operating revenue (a)	6,890	7,046	5,294	4,318	303	421	
			Operating costs (b)	6,979	7,088	5,005	4,359	321	384	
General administrative expenses (c)			16	16	312	—	45	60		
Operating income (d=a-b-c)			-105	-58	-23	-41	-63	-23		
Non-operating income (e)			41	6	7	6	8	5		
Non-operating costs (f)			30	25	138	125	2	3		
Recurring profits (g=d+e-f)			-94	-77	-154	-160	-57	-21		
Extraordinary profits/losses		Extraordinary profits (h)	—	—	—	—	—	—		
		Extraordinary losses (l)	—	—	—	—	13	4		
		Reversal of special reserves (j)	—	—	—	—	—	394		
		Transfer of special reserves (k)	—	—	—	—	—	—		
		Current income (g+h-l+j-k)	-94	-77	-154	-160	-70	369		
Debt balance related to debt guaranteed by prefecture		2,881	2,888	17,842	17,672	—	—			

Earnings of Main Capital-Stake Corporations

('000 yen)

	Capital		Net assets	FY07		FY08		
		(of this, prefectural expenditures)		FY07 balance gap	FY08 rollover balance gap	Net assets	FY08 balance gap	FY09 rollover balance gap
Kyoto Prefecture International Center	100,000	(100,000)	259,114	1,792	97,504	257,639	532	68,902
Kyoto Culture Foundation	1,243,008	(1,065,000)	731,843	41,557	127,752	673,061	38,754	85,766
Kyoto Prefecture Residents' Exchange Agency	44,000	(25,000)	-22,028	3,735	38,324	-42,599	26,052	34,589
Kyoto Prefecture Social Welfare Agency	10,000	(10,000)	487,934	57,535	144,492	346,721	59,695	86,957
Kyoto Prefecture SME Center	4,000	(2,000)	275,093	18,571	165,919	249,505	9,787	147,348
Kyoto Industrial Support Organization 21	210,000	(65,000)	2,386,538	-56,459	172,415	2,467,683	38,699	228,874
Kyoto Prefecture Agricultural Development Corp	309,310	(299,400)	309,310	765	18,518	309,310	1,922	17,753
Tango Ajiwai no Sato	20,000	(10,000)	43,185	-770	380	46,087	-5,814	1,150
Kyoto Prefecture Forest and Greenery Corp	13,340	(10,000)	13,340	-61,388	51,447	13,340	-228,241	112,835
Kyoto Prefecture Park Corp	10,000	(10,000)	-33,947	-77,778	-67,359	-60,957	9,155	10,419
Kyoto Prefecture Youth Education Promotion Association	10,000	(10,000)	18,493	2,456	6,080	16,037	2,351	3,624
Kyoto Prefecture Research Center for Archeological Properties	10,000	(10,000)	137,716	-15,800	0	138,185	15,800	15,800

Bond Guarantees and Indemnities

- Prefectural guarantees of debt and indemnities totals JPY68.7bn, approximately 5% of Kyoto Prefecture debt balance.

(Bn yen)

Guaranteed	FY07 Guarantee balance	Details
Kyoto Industrial Support Organization 21	0.2	Compensation related to small businesses' equipment purchases (excl those covered by Japan Finance Corp for Small Businesses)
Kyoto Prefecture Agricultural Development Corp	0.1	Compensation for rationalizing agricultural land transactions
Kyoto Prefecture Forest and Greenery Corp	20.6	Compensation for forestation projects, etc.
Kyoto Fisheries Promotion Agency	1.2	Compensation for financing from measures to support fishing cooperatives
Kyoto Land Development Corp	17.5	Guarantees debt related to land procurement
Kyoto Roads Corp	28.7	Guarantees debt related to toll road facilities
Other	0.4	
Total	68.7	

Bond Issuance



Bonds Issued and FY08 Issuance Plans

Kyoto Prefecture publicly-offered bond issuance and FY08 issuance plan

(FY07) (Bn yen)

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
5yr bonds									20.0				20.0
Citizen participatory bonds (5yr)					10.0								10.0
10yr bonds						20.0						20.0	40.0
20yr bonds											20.0		20.0
Joint issue bonds	5.0	5.0	5.0	5.0	5.0	5.0	5.0		5.0	5.0	5.0		50.0
Total	5.0	5.0	5.0	5.0	15.0	25.0	5.0		25.0	5.0	25.0	20.0	140.0

(FY08) (Bn yen)

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
5yr bonds												20.0	20.0
Citizen participatory bonds (5yr)					5.0								5.0
10yr bonds						20.0			20.0				40.0
20yr bonds									← 20.0 →				20.0
Joint issue bonds	5.0	5.0	5.0	5.0	5.0	5.0	5.0		5.0	5.0	5.0		50.0
Total	5.0	5.0	5.0	5.0	10.0	25.0	5.0	20.0	25.0	5.0	5.0	20.0	135.0

New Efforts

■ New efforts from FY06

Appoint Kyoto Prefecture Issuance Advisory Committee

Exchange of opinions between market participants and experts to improve issuance of bonds trusted by the market



Emphasizing dialog with markets

Super-long bond issuance

Launching issue of super-long 20-year bonds



Diversifying marketability

Itinerary

No. 1	2007 July 20 (Fri)	<ul style="list-style-type: none"> • Committee issues for FY08
No. 2	2007 Aug 22 (Wed)	<ul style="list-style-type: none"> • Challenges (undetermined form of JPY20bn issuance) • Issuance schedule for public subscription bonds
No. 3	2007 Oct 19 (Fri)	<ul style="list-style-type: none"> • Citizen participatory public subscription bonds • IR activities • Assessment of amortization fund <p style="text-align: right;">Etc</p>
No. 4	2008 May 20 (Fri)	<ul style="list-style-type: none"> • Re-assessing 4 affiliates Market assessment of Kyoto bonds <p style="text-align: right;">Etc</p>
No. 5	2008 Oct 17 (Fri)	<ul style="list-style-type: none"> • Future issuance plans (schedule for 5yr bonds) • Assessment of Sept bonds <p style="text-align: right;">Etc</p>

For Further Information

Finance Division, Department of General Affairs,
Kyoto Prefecture

Tel 075-414-4415

Fax 075-441-7308

Takashi Yamaguchi

t-yamaguchi55@pref.kyoto.lg.jp

Masaki Yamaguchi

m-yamaguchi31@prer.kyoto.lg.jp

Fiscal Dept URL <http://www.pref.kyoto.jp/zaisei/index.html>