

Kyoto University Financial Report

*A Financial Overview for
the Fiscal Year 2018*



Message from the President

The Role of Kyoto University and its Vision for Management Reform

In December 2018, Dr. Tasuku Honjo, distinguished professor and deputy director-general of the Kyoto University Institute for Advanced Study, was awarded the Nobel Prize in Physiology or Medicine. I greatly admire Dr. Honjo and his colleagues for the dedication and passion that they bring to their research, and I am delighted that their efforts have been acknowledged in this way.

In 2019, the Japanese government introduced a new system for the allocation of operational grants for national university corporations that is based on evaluations using objective and uniformly applied criteria. It has been suggested that the portion of government grants based on such evaluations will increase in the future. Under such circumstances, strengthening its own financial base in order to ensure operational stability has become a key challenge for every national university. It is also important, however, for universities to promote research—particularly basic research—with a long-term perspective, and without being overly focused on achieving results in the short term. Many researchers, including some of Japan's Nobel laureates have emphasized the importance of stable support for basic research.

Since its foundation, Kyoto University has maintained a tradition of academic freedom based on open dialogue, and cultivated a spirit of creativity in its students and researchers. This approach has advanced research founded on academic diversity and innovative ideas, and the development of solutions to emerging issues. The university places greater emphasis on widely supporting diverse research endeavors, rather than seeking short-term results. It is this nurturing environment that has facilitated breakthrough discoveries worthy of the Nobel Prize. The mission and methods for the management of universities pursuing education and research are completely different to those of profit-seeking industries. Universities must keep their focus on the future and strive to constantly evolve and improve, while fostering human resources who can think and act independently, unswayed by

the superfluous influences of our rapidly changing world, and who will shape the future.

We are fully aware of the reality that, even in the midst of Japan's difficult financial climate, national universities are greatly supported by taxpayers' money, and that is why the government must allocate those financial resources based on rigorous evaluations. It is vital, therefore, for universities to effectively convey to the general public the nature and importance of the work that we do.

In 2017, Kyoto University was granted Designated National University status under an initiative by the Japanese government. Within its strategy for the initiative, the university identified four key objectives to guide it in maintaining autonomy and fulfilling its institutional mission:

1. A flexible and dynamic approach to knowledge creation
2. Generating high-level and diverse “brain circulation”
3. Development of a new model for social engagement
4. A unique world-class management style.

To achieve the fourth objective—the development of a unique world-class management style—we have instituted initiatives to strengthen university governance by establishing a provost system, and also initiatives to strengthen the university's financial base. Through these initiatives, the university seeks to accelerate the enhancement of its research capabilities, human resources development, and international collaboration efforts, and function as a world-class center for research and human resources development.

This Financial Report is one of the various means by which we seek to provide information about the university's initiatives and their outcomes. We ask for your continued support of our endeavors.

October 2019

Juichi Yamagiwa
President



Financial Overview

Highlights of the Financial Statements for FY2018

Summary of Balance Sheets (as of March 31, 2018 and 2019)

(in billions of Yen)

Assets	2017	2018	% of total	Increase (Decrease)
Land	163.0	163.0	32.2%	(0.0)
Buildings and structures ⁽¹⁾	168.1	160.2	31.7%	(7.9)
Tools, furniture, and fixtures (incl. machinery and equipment) ⁽²⁾	22.1	21.1	4.2%	(1.0)
Books	34.6	34.5	6.8%	(0.1)
Construction in progress ⁽³⁾	3.9	10.4	2.1%	6.5
Investment Securities	4.6	6.1	1.2%	1.5
Investments in other securities of subsidiaries ⁽⁴⁾	4.2	5.4	1.1%	1.2
Long-term time deposits	3.5	3.5	0.7%	-
Cash and deposits ⁽⁵⁾	74.2	78.3	15.5%	4.1
Money held in trust ⁽⁶⁾	-	5.1	1.0%	5.1
Securities	1.0	0.5	0.1%	(0.5)
Accounts receivable	10.9	10.6	2.1%	(0.3)
Others	6.4	6.6	1.3%	0.2
Total assets	496.5	505.3	100.0%	8.8

Liabilities	2017	2018	% of total	Increase (Decrease)
Contra-accounts for assets ⁽⁷⁾	80.8	81.3	16.1%	0.5
Loans payable	22.1	26.7	5.3%	4.6
Long-term accounts payable ⁽⁸⁾	6.7	5.6	1.1%	(1.1)
Donation obligations ⁽⁹⁾	27.5	34.1	6.7%	6.6
Accounts payable	18.7	23.2	4.6%	4.5
Others	12.9	11.9	2.4%	(1.0)
Total liabilities	168.7	182.8	36.2%	14.1
Net assets	2017	2018	% of total	Increase (Decrease)
Capital stock	268.2	268.2	53.1%	-
Capital surplus ⁽¹⁰⁾	21.7	15.6	3.1%	(6.1)
Retained earnings	37.1	36.8	7.3%	(0.3)
Unappropriated retained earnings	0.8	1.9	0.3%	1.1
Total net assets	327.8	322.5	63.8%	(5.3)
Total liabilities and net assets	496.5	505.3	100.0%	8.8

Notes Regarding the Summary of Balance Sheets

Assets

(1) Buildings and structures: net decrease of 7.9 billion yen

- Increase of 2.7 billion yen due to the completion of construction of a dormitory for female students, and the improvement of basic infrastructure (including water supply facilities) on the Uji Campus.
- Decrease of 10.6 billion yen due to accumulated depreciation.

(2) Tools, furniture, and fixtures (including machinery and equipment): net decrease of 1.0 billion yen

- Increase of 5.7 billion yen due to purchases.
- Decrease of 6.7 billion yen due to accumulated depreciation.

(3) Construction in progress: increase of 6.5 billion yen

- Increase due to the construction of a new hospital ward for advanced medical treatment, an iPS cell clinical trial center, and a new library on Katsura Campus.

(4) Investments in other securities of subsidiaries: increase of 1.2 billion yen

- Additional investment in the Innovation Kyoto 2016 Investment Limited Liability Partnership, a subsidiary of Kyoto University, based on the Industrial Competitiveness Enhancement Act.

(5) Cash and deposits: net increase of 4.1 billion yen

- Increase of 17.8 billion yen due to cash flow from operating activities, and an increase of 2.5 billion yen due to financing activities.
- Decrease of 16.2 billion yen due to cash flow from investing activities (after adjustment for a net decrease in term deposits of 13.0 billion yen).

(6) Money held in trust: increase of 5.1 billion yen

- Increase of investment in money held in trust. (An amendment to the National University Corporation Act in FY2018 allows national university corporations to utilize Surplus Funds for investment in financial products with higher returns. Kyoto University only uses donated funds as Surplus Funds.)

Liabilities

(7) Contra-accounts for assets: increase of 0.5 billion yen

- Increase due to the acquisition of non-current assets funded by operational grants and other financial resources. (Contra-accounts for assets increase when non-current assets are acquired, and decrease when non-current assets depreciate.)

(8) Long-term accounts payable: decrease of 1.1 billion yen

- Decrease in the amount of accounts payable due to the completion of Private Finance Initiative (PFI) projects, including renovation of the Faculty of Agriculture Main Building on the North Campus.

(9) Donation obligations: increase of 6.6 billion yen

- Increase in the amount of unused donations received. ("Donation obligations" refers to donations received, but as yet unused for their intended purpose.)

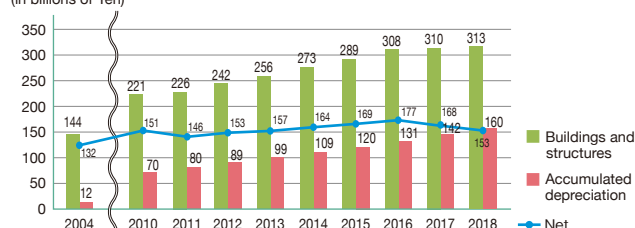
Net Assets

(10) Capital surplus: decrease of 6.1 billion yen

- Increase of 1.8 billion yen due to the acquisition of non-current assets funded by subsidies for facilities.
- Decrease of 7.9 billion yen due to accumulated depreciation not included in the statement of income (the amount of accumulated depreciation of assets contributed by the Japanese government or assets funded by subsidies for facilities).

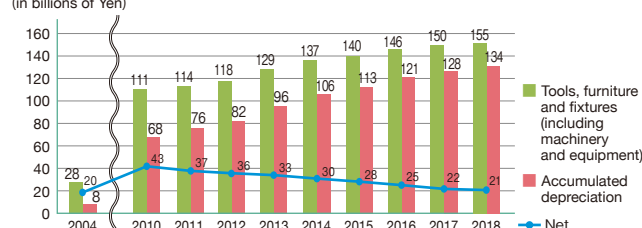
Change in the Amount of Assets in the form of Buildings and Structures

(in billions of Yen)



Change in the Amount of Assets in the form of Tools, Furniture, and Fixtures (including Machinery and Equipment)

(in billions of Yen)



Summary of Statement of Income (ended March 31, 2018 and 2019)

(in billions of Yen)

	2017	2018	% of total	Increase (Decrease)
Ordinary expenses				
Personnel expenses ⁽¹⁾	67.3	67.6	42.8%	0.3
Education	7.8	7.6	4.8%	(0.2)
Research ⁽²⁾	19.6	18.9	12.0%	(0.7)
Medical service ⁽³⁾	23.7	25.1	15.9%	1.4
Education and research support	2.5	2.8	1.8%	0.3
Commissioned research ⁽⁴⁾	31.9	31.8	20.1%	(0.1)
General and administrative expenses	4.5	3.9	2.5%	(0.6)
Financial expenses and other	0.3	0.2	0.1%	(0.1)
Total ordinary expenses	157.6	157.9	100.0%	0.3
Extraordinary losses	0.4	0.3		(0.1)
Total expenses and losses	158.0	158.2		0.2
Gross profit⁽⁵⁾	0.8	1.9		1.1
Total		160.1		

	2017	2018	% of total	Increase (Decrease)
Ordinary revenue				
Operational grants	53.2	53.0	33.2%	(0.2)
Tuition, admission and examination fees	13.7	13.7	8.6%	(0.0)
University hospital ⁽⁶⁾	36.7	38.6	24.2%	1.9
Grants for research ⁽⁷⁾	32.5	31.8	19.9%	(0.7)
Donations ⁽⁸⁾	4.8	5.2	3.3%	0.4
Subsidies ⁽⁹⁾	4.4	3.7	2.3%	(0.7)
Research-related revenue	3.1	3.0	1.9%	(0.1)
Other	10.2	10.5	6.6%	0.3
Total ordinary revenue	158.6	159.5	100.0%	0.9
Extraordinary income	0.0	0.0		0.0
Total revenue and income	158.6	159.5		0.9
Reversal of reserve for specific purposes	0.2	0.6		0.4
Total		160.1		

Notes Regarding the Summary of Statement of Income

Ordinary expenses (increase of 0.3 billion yen)

- (1) Personnel expenses: increase of 0.3 billion yen
 - Increase in the amount of personnel expenses as a result of salary revisions (in accordance with the recommendations of the National Personnel Authority) and the revision of legally-ordained welfare expenses.
- (2) Research: decrease of 0.7 billion yen
 - Decrease in the amount of research expenses due to a decrease of depreciation expenses, etc.
- (3) Medical service: increase of 1.4 billion yen
 - Increase in the amount of medical service expenses due to an increase in the university hospital's medical activities.
- (4) Commissioned research: decrease of 0.1 billion yen
 - Decrease in the amount of expenses derived from research activities due to a decrease of grants received for commissioned research, collaborative research, and commissioned projects.

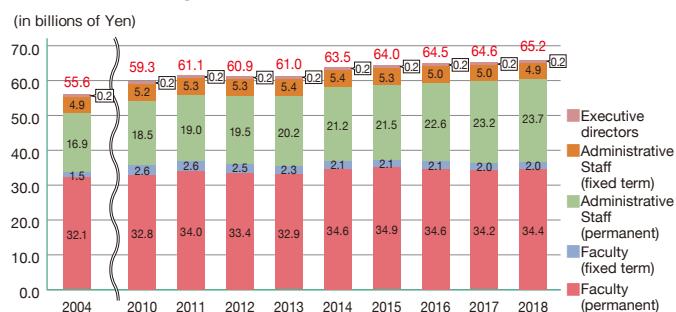
Gross profit (increase of 1.1 billion yen)

- (5) The gross profits (1.9 billion) for FY2018 comprise the following:
 - Profit as a result of university's management efforts (1.1 billion yen)
Profit generated as a result of efforts to improve the efficiency of university operations. Cash profits can be carried forward and utilized, subject to approval by the Minister of Education, Culture, Sports, Science and Technology.
 - Profits generated from non-cash transactions (0.8 billion)
The amount of profit or loss accrued by non-cash transactions is specified in the statement of income to distinguish it from the profit resulting from university management efforts.

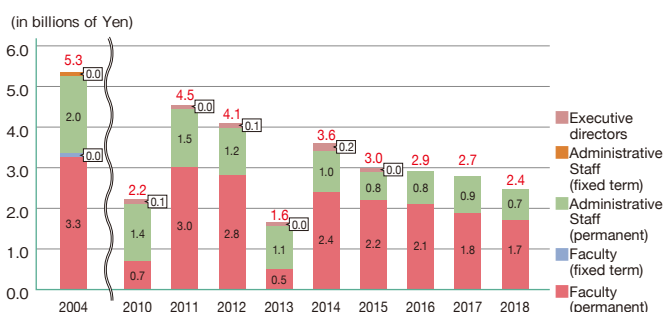
Ordinary revenue (increase of 0.9 billion yen)

- (6) Revenue from university hospital: increase of 1.9 billion yen
 - Increase of income from the university hospital's medical activities.
- (7) Revenue from grants for research: decrease of 0.7 billion yen
 - Decrease of grants received for commissioned research, collaborative research, and commissioned projects.
- (8) Revenue from donations: increase of 0.4 billion yen
 - Increase due to the amount of donations received.
- (9) Revenue from subsidies: decrease of 0.7 billion yen
Decrease due to a decrease of expenses recognized during the fiscal year. (In the accounts for university corporations, when an expense is recognized, liability (subsidies received) is settled and recognized as revenue in order to attain a balance between revenue and expense.)

Change in the Amount of Personnel Expenses (excluding Retirement Benefits) for Executive Directors, Faculty, and Administrative Staff



Change in the Amount of Personnel Expenses (Retirement Benefits) for Executive Directors, Faculty, and Administrative Staff



Audits and Compliance

The university's operations are audited from four different perspectives by four different parties: (1) Audits by internal auditors; (2) Audits by the university's Audit Office; (3) Audits by an independent accounting auditor; (4) Audits by the Board of Audit of Japan. (1) and (2) are internal audits, (3) and (4) are external third party audits.

Audits by internal auditors/internal audits by the university's Audit Office

Internal auditors appointed by the Minister of Education, Culture, Sports, Science and Technology perform audits of the entire university's management and operations. The audits that comprise two types: interim audits on specific areas during the fiscal year and an annual comprehensive audit of the university's operations and accounting at the end of the fiscal year. In the annual comprehensive audit, the auditors examine the details of the university's operations as a whole. In the provisional audits, they examine the current status of operations in the areas of education, research, and management, and the progress of specific operations designated in the previous fiscal year's audit report. If necessary, the auditors have the authority to give advice to the university's President or the Minister of Education, Culture, Sports, Science and Technology based on the audit results. The Audit Office, which is established under the university's President to perform internal audits, audits the legality of the university's operations and accounting processes, and provides advice and suggestions to ensure the appropriate management of the university.

► Proper use of research funds, etc.

Kyoto University's accounting rules and procedures are detailed systematically in the university regulations, Q&As, manuals, and other materials. To prevent the inappropriate and fraudulent use of research funds by faculty and staff members as a result of inadequate understanding of accounting rules and procedures, the university has published the Handbook on Research Fund Use, which provides an overview of the accounting regulations and other important information relating to the use of research funds. The handbook is provided to faculty and staff members to ensure that they are familiar with the university's accounting rules and procedures. It is also made available to the public through the university website. Guidelines for the Use of Competitive Funds have also been established, and various measures are being implemented to prevent the inappropriate and fraudulent use of research funds, and to provide education on compliance matters. The university also conducts reviews to confirm the current use and management of research funds, compliance education, and other initiatives at the departmental level, and inquiry desks for consultation on accounting rules and administrative procedures have been established in the central administration and other departments.



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For Reference: The Handbook on Research Fund Use:
<https://www.kyoto-u.ac.jp/en/research/research-compliance-ethics/proper-use-of-research-grants>

► Investigation of the inappropriate and fraudulent use of competitive research funds, etc.

In order to respond appropriately to reports received from within and outside the university about cases of inappropriate and fraudulent use of competitive research funds, the university has established a whistleblowing contact point. The university will investigate the case as required after confirming the reliability of the information provided. If a misuse is confirmed as the result of the investigations, the university will disclose the findings of the investigation, including the details of the misuse and the name and affiliation of the person(s) involved.

Audits by an independent accounting auditor

In addition to the audits by the internal auditors, the university's financial statements, a business report (accounting information only), and a statement of accounts are also audited by an independent accounting auditor selected by the Minister of Education, Culture, Sports, Science and Technology. Consultation meetings attended by internal auditors, the relevant executive director, the director of the Audit Office, and the independent accounting auditor are also regularly held to report the findings of audits by the independent accounting auditor and share information, including information about issues in accounting procedures and the status of internal controls. Close cooperation with accounting and audit professionals enables the effective and efficient implementation of audits by internal auditors, the university's Audit Office, and an independent accounting auditor, as well as effective and efficient operational management by the university.



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For reference: Audited financial statements (in Japanese) and English translation of financial statements:
<http://www.kyoto-u.ac.jp/ja/about/publication/disclosure/accounting.html>

Audits by the Board of Audit of Japan

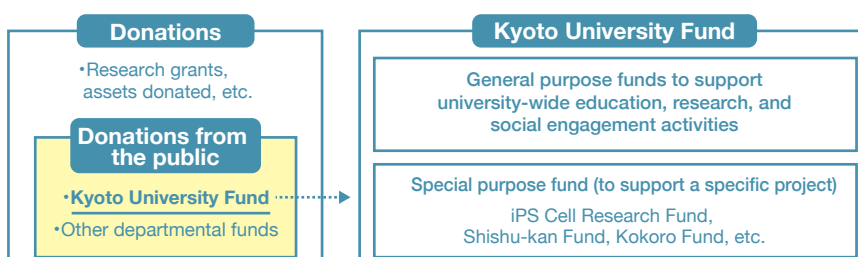
As the total amount of its capital stock comes from government funding, the university is subject to audits by the Board of Audit of Japan, in accordance with Item 5 of Article 22 of the Board of Audit Act. The audit focuses on accuracy, regularity, economy, efficiency, effectiveness, and other necessary objectives. Since the incorporation of Japan's national universities in April 2004, the university has been subject to annual on-site audits, in accordance with Article 25 of the Board of Audit Act. The university submits books, documents, reports, and other materials on request by the Board of Audit of Japan, and the audit findings are published on the Board of Audit of Japan website.

Kyoto University's 125th anniversary activities

The year 2022 marks the 125th anniversary of Kyoto University. The university is implementing several commemorative projects to celebrate the occasion and the significant leap forward that it represents. The commemorative projects are being planned with a view to enhancing the university's international competitiveness, strengthening its research capability, and promoting social engagement. In order to provide society with the next generation of human resources that will guide it into the future, Kyoto University is developing programs to cultivate students who are smart, resilient, and globally-minded, and that provide an environment in which young researchers can dedicate themselves to their research. The Kyoto University Fund is also being enhanced to generate more support. The fund is a valuable financial resource for the university, and with the aid of its supporters, the university aims to enhance the fund and make the 125th anniversary projects a success. To seek donations for specific purposes, the university has also established special purpose funds, including the iPS Cell Research Fund, the Tasuku Honjo "Yuh-shi" Fund to support world-class research, and the Student Support Fund to support students with financial difficulties.

What is the Kyoto University Fund?

Donations are an important financial resource for funding university operations. Financial resources regarded as donations in accounting procedures include research grants received by faculty or staff members in the capacity of their position at the university, donated fixed assets, and donations received from the public for the purpose of supporting students and promoting education and research. The funds managed within the Kyoto University Fund comprise general purpose funds to support university-wide education, research, and social engagement activities, and special purpose funds to support specific projects or activities. Some leading universities in the US and Europe receive donations equivalent to several hundred million, or even trillions, of yen as "endowments," which in some cases support the majority of their activities. Such universities endeavor to increase the scale of their endowment funds through long-term proactive fund-raising activities and fund management, and the returns on endowment funds constitute indispensable financial resources for university management. The scale of funds held by Japanese national universities, however, is much smaller. At present, the investment returns alone are not sufficient to fulfill the funding objectives sought by donors. Therefore, the university is now proactively engaging in fund-raising activities to increase the scale of funds, while maintaining a balance between the use of funds to fulfill the objectives and the accumulation of funds over the long term.



To those who donated to the Kyoto University Fund

The university holds a "thank-you gathering" as an expression of gratitude by the President, faculty, and staff to those who have donated a certain amount to the Kyoto University Fund. The 2018 gathering included a tour of the Center for Informatics in East Asian Studies of the Institute for Research in Humanities, followed by a lecture and a reception. The participants learned about the history of the Institute for Research in Humanities, which is an international hub for East Asian studies housed in a beautiful Spanish Romanesque-style building. The President delivered a lecture about the long tradition of humanities and social sciences at Kyoto University, and reports on recent university news and topics were given by executive vice-presidents.



Current status of the Kyoto University Fund

As of the end of FY2018, the cumulative total of donations to the Kyoto University Fund (including special purpose funds) was approximately 12.1 billion yen. Given the current difficult financial circumstances in Japan, the diversification of sources of revenue is a major issue for national university corporations. Kyoto University will endeavor to strengthen the Kyoto University Fund, and fulfill the expectations of its supporters. We ask for your continuing support as we head towards the university's 125th anniversary.



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Please refer to the following website for details of the Kyoto University Fund and how to make donations:
<http://www.en.kikin.kyoto-u.ac.jp/>

Key Data about Kyoto University (As of May 1, 2019)



Number of students:

Undergraduate: 13,094

Master's: 5,072

Doctoral: 3,671

Professional course: 734



Number of faculty and staff:

Total: 5,467

Faculty members: 2,660

Administrative and technical staff, etc.: 2,807



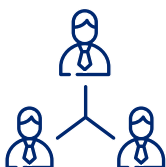
International outlook:

Faculty and administrative staff with non-Japanese nationality: 443

International students: 2,732 (113 countries and regions)

Academic exchange memoranda with international partners:

183 (51 countries and regions)



Organization:

10 Faculties, 18 Graduate Schools, and 13 Research Institutes

62 Overseas offices and facilities (26 countries and regions)

Land area: 50.57 million m² (Japan + Overseas)

Building area: 1.36 million m²



Award-winning research:

Nobel Prize: 10

Tasuku Honjo (Physiology or Medicine in 2018)

Isamu Akasaki (Physics in 2014)

Shinya Yamanaka (Physiology or Medicine in 2012)

Makoto Kobayashi (Physics in 2008)

Toshihide Maskawa (Physics in 2008)

Ryoji Noyori (Chemistry in 2001)

Susumu Tonegawa (Physiology or Medicine in 1987)

Kenichi Fukui (Chemistry in 1981)

Sin-iti Tomonaga (Physics in 1965)

Hideki Yukawa (Physics in 1949)

Lasker Award: 5

Kazutoshi Mori (2014)

Shinya Yamanaka (2009)

Yoshio Masui (1998)

Yasutomi Nishizuka (1989)

Susumu Tonegawa (1987)

Fields Medal: 2

Shigefumi Mori (1990)

Heisuke Hironaka (1970)

Gauss Prize: 1

Kiyoshi Ito (2006)

Chern Medal: 1

Masaki Kashiwara (2018)



Fiscal Year 2018 (April 1, 2018–March 31, 2019)

Financial Report 2019

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