

# Finance

## Budget for FY2003

The Japan Foundation conducts international cultural exchange programs funded by a national subsidy (subsidy for running costs since becoming an independent administrative institution), revenue from the equity fund from the government and donations from the public. The budget for FY2003 was as listed below.

### 1<sup>st</sup> half: April 1 to September 30, 2003

(unit: million yen)

Income		Expenditures	
Category	Amount	Category	Amount
Government Subsidies	6,582	Exchange of Persons	743
		Japanese Studies	2,407
		Events	477
Operating income	1,115	Media	326
		Surveys and research	71
		Overseas Offices	471
Contributions	606	Operations of Projects of the Japan Foundation Forum	299
		Asia Center programs	424
		Facilities Maintenance	500
Sundry income	35	Center for Global Partnership programs	506
		Middle East exchange programs	43
		General Administration	2,146
Operating reserve return	98	Reserves	47
<b>Total</b>	<b>8,436</b>	<b>Total</b>	<b>8,462</b>

1. There is a difference in the balance because the operating asset is broken down as the fund for acquisition of assets, etc.
2. Totals may not agree due to rounding of fractional amounts under 1 million yen.

### 2<sup>nd</sup> half: October 1, 2003 to March 31, 2004

(unit: million yen)

Income		Expenditures	
Category	Amount	Category	Amount
Government Subsidies	7,663	Operating expense	6,724
		Cultural exchange programs	1,960
Operating profit	953	Japanese-Language programs	1,926
		Japanese studies, intellectual exchange programs	1,524
Contribution	318	Surveys, investigation, information-provision programs	137
		Other	1,177
Sundry income	65	Facility Maintenance	130
		Administration	2,425
Breakdown of operating fund	130	Staff expenses	1,406
		Other	1,019
Carried-over reserve and breakdown income	150		
<b>Total</b>	<b>9,279</b>	<b>Total</b>	<b>9,279</b>

## Settlement of Accounts for FY2003

1<sup>st</sup> half

### Balance sheet

(as of September 30, 2003)

(unit: yen)

Assets		Liabilities and equity	
Category	Amount	Category	Amount
Current assets	930,886,161	Current liabilities	738,819,538
Cash and deposits	607,752,925	Accrued amount payable	612,054,037
Advances	25,356,762	Advances by customers	51,852,616
Accrued income	277,356,733	Deposits payable	74,912,885
Accrued revenue	5,497,854	Fixed liabilities	5,595,833,847
Other current assets	14,921,887	Asset reward subsidies	2,965,676,639
Fixed assets	113,629,230,759	Asset reward donations	2,630,157,208
Tangible assets	13,691,217,325	Allowance under special law	
Buildings	12,281,456,911	Operating profit research	780,920,959
Structures	303,512,351	(Liabilities total)	7,115,574,344
Machinery and equipment	9,134,105	Equity	
Vehicles and transportation	70,917,824	Government investment	106,205,000,000
Tools, equipment, supplies	737,659,795	Surplus	1,239,542,576
Artworks	286,772,339	Surplus capital	913,677,189
Construction in progress	1,764,000	Surplus profit	325,865,387
Intangible fixed assets		Deposits	840,920,116
Telephone subscriptions	3,735,475	Loss in the term	△ 515,054,729
Investments and other assets	99,934,277,959	(Equity total)	107,444,542,576
Operating fund asset	95,303,334,000		
Long-term deposits	2,949,585,794		
Deposit money, guarantee money	1,681,358,165		
<b>Total assets</b>	<b>114,560,116,920</b>	<b>Liabilities and equity total</b>	<b>114,560,116,920</b>

## Profit and loss statement

(April 1 to September 1, 2003)

(unit: yen)

Expenses		Profit	
Category	Amount	Category	Amount
Operating expense	8,167,044,193	Ordinary income	7,697,912,657
Human exchange program expense	647,124,006	Operating income	1,029,489,400
Japanese studies program expense	2,512,684,847	Interest on deposits	49,967
Events and other program expense	524,005,447	Interest on securities	1,027,702,916
Cultural introduction program expense	300,478,606	Income from redemption of securities	1,736,517
Survey and research expense	72,650,162	Income from subsidies, etc.	
Overseas operating expense	458,252,985	Income from national subsidies	6,213,197,966
International Exchange Forum operating expense	260,658,226	Income from donations	115,431,934
Japan-US friendly exchange program expense	563,448,765	Income from donations	22,082,923
Asia exchange program expense	368,376,602	Income from specific donations	93,349,011
Middle East exchange program expense	49,923,821	Refund from operating profit reserve	
Cooperation programs for cultural exchange institutes	4,520,000	Refund from operating profit reserve	85,291,314
General management expense	2,404,920,726	Asset reward refund	192,246,742
General management expense	2,060,059,017	Asset reward subsidy refund	150,053,434
Allowance for employee retirement benefits	3,603,431	Asset reward donation refund	42,193,308
Depreciation	341,258,278	Non-operating profit	62,255,301
Special losses	45,923,193	Interest received	107,785
Loss on sales of fixed assets	15,993,087	Income from using officials' residence	3,671,950
Loss on disposal of fixed assets	29,930,106	Income from copyrights, etc.	2,104,439
		Miscellaneous income	56,371,127
		Loss in this term	515,054,729
Total	8,212,967,386	Total	8,212,967,386

Note 1: The loss in this term, ¥515,054,729 shall be accounted for with the deposit as stipulated in the Japan Foundation Law, Article 29, Item 2.

Note 2: Breakdown of the loss in this term:

(1) Amount for the fixed asset acquired with the operating profit, FY2003	¥22,485,227
(2) Amount of depreciation of operating profits and other fixed assets for FY2003	Δ¥ 172,380,998
(3) Amount of depreciation of operating profit and other fixed assets for FY2003	Δ¥ 23,707,730
(4) Difference from accrued income, FY2003	Δ¥ 41,550,088
(5) Difference from carried-over programs, FY2003	Δ¥ 299,902,344
(6) Amount of accrued interest, FY2003	¥1,204

**Important accounting method, etc.**

**1. Evaluation standard and method for securities**

The cost method with the moving average is employed.

**2. Depreciation of fixed assets**

The standard in the Corporate Income Tax Law and the fixed amount method are employed. The cumulative depreciation is as follows.

Tangible fixed assets: ¥6,203,939,335

**3. Conversion standard for foreign currency assets and liabilities**

The foreign exchange market rate at acquisition is applied as the conversion standard for foreign currency assets and liabilities, and the amount converted to Japanese yen at the foreign exchange rate at the settlement of accounts for the cash and deposits of ¥19,310,953 was ¥18,741,881, incurring a loss of ¥569,072.

**4. Calculation standard for reserve**

Operating profit reserve

The operating profit reserve is declared as stipulated in the Japan Foundation Law, Accounting Rules Article 42, Item 4 and Article 42-2 when it is difficult to secure the expected operating profit due to changes in economic conditions, etc. The limit for the money transferred is 2.5% of the capital.

2<sup>nd</sup> half**Balance sheet**

(March 31, 2004)

(unit: yen)

<b>Assets</b>		<b>Liabilities and equity</b>	
Category	Amount	Category	Amount
Current assets	12,691,088,602	Current liabilities	1,527,708,162
Cash and deposits	8,122,116,444	Operating expense subsidy liabilities	767,671,532
Marketable securities	4,193,325,277	Accrued amount payables	664,532,077
Advances	64,563,719	Accrued expenses	1,911,360
Prepaid expense	17,136,009	Consumption tax payable	322,300
Accrued income	264,833,792	Deposits payable	44,468,361
Other current assets	29,113,361	Lease liabilities	30,312,378
Fixed assets	102,717,820,459	Allowance for employee retirement benefits	18,490,154
Tangible assets	13,678,767,889	Fixed liabilities	146,235,655
Buildings	12,270,576,606	Assets offsetting liabilities	72,269,970
Cumulative depreciation	△ 278,412,130	Asset offsetting operating expense subsidy	65,418,573
Structures	306,967,451	Construction temporary accounting offsetting operating expense subsidy	6,851,397
Cumulative depreciation	△ 13,877,913	Long-term deposited donations	32,970,391
Machinery and equipment	9,134,105	Long-term leasing liabilities	40,995,294
Cumulative depreciation	△ 875,785	(total liabilities)	1,673,943,817
Vehicles and transportation	81,033,430	Equity	110,970,859,465
Cumulative depreciation	△ 12,048,009	Government investment	110,970,859,465
Tools, equipment, supplies	788,464,053	Capital surplus	484,159,208
Cumulative depreciation	△ 124,792,390	Capital surplus	27,992,414
Artworks	429,420,074	Cumulative depreciation outside profit and loss	△ 438,639,018
Land	216,327,000	Difference in disposition of fixed asset outside profit and loss	△ 1,445,975
Construction in progress	6,851,397	Public endowment	896,251,787
Intangible fixed assets	131,293,910	Profit surplus	2,279,946,571
Leaseholds	10,598,000	Carried-over deposit	1,948,488,483
Software	120,128,910	Unappropriated profit in this term	331,458,088
Telephone subscriptions	567,000	(Total profit for the term	331,458,088)
Investments and other assets	88,907,758,660	(Equity total)	113,734,965,244
Invested securities	87,206,413,301		
Deposit money, guarantee money	1,701,345,359		
<b>Total assets</b>	<b>115,408,909,061</b>	<b>Liabilities and equity</b>	<b>115,408,909,061</b>

## Profit and loss statement

(October 1, 2003 to March 31, 2004)

(unit: yen)

Operating expense		
Culture and art exchange program expense		1,914,256,374
Japanese-Language education program expense		2,006,215,621
Japanese studies and intellectual exchange program expense		1,189,311,237
Other expenses		1,727,885,055
Survey, research, information-provision program expense		223,738,030
Overseas operating expense		1,304,108,959
Cooperation with cultural cooperating institutes operating expense		200,038,066
General management expense		1,208,561,347
Finance expense		714,638
Miscellaneous		6,543,783
Total operating expense		8,053,488,055
Operating profit		
Income from subsidies for operating expense		6,790,015,406
Income from operating		951,750,644
Interest on deposits		40,251
Interest on securities		951,710,393
Income from donations		222,896,073
Income from donations		28,354,150
Income from specific donations		194,541,923
Asset offsetting refund		
Refund of subsidies for asset offsetting operating expense		5,170,678
Finance profit		
Interest received		50,506
Miscellaneous profit		60,725,988
Total operating profit		8,030,609,295
Net loss for this term		22,878,760
Carried-over deposit breakdown amount		354,336,848
Gross profit for this term		331,458,088

## Cash flow statement

(October 1, 2003 to March 31, 2004)

(unit: yen)

<b>I</b>	<b>Cash flow from program activities</b>	
	Outgoings by programs	△ 5,154,177,931
	Outgoings for personnel expense	△ 1,213,159,923
	Outgoings for other operations	△ 1,697,769,091
	Income from subsidies for operating expense	7,663,120,000
	Income from operations	960,063,547
	Income from donations	204,013,848
	Other miscellaneous income	123,346,198
	Subtotal	885,436,648
	Amount of interest received	49,360
	Amount of interest paid	△ 714,638
	Cash flow from program activities	884,771,370
<b>II</b>	<b>Cash flow from investments</b>	
	Outgoings from acquisition of invested securities	△ 9,351,647,600
	Outgoings from redemption of invested securities	7,536,200,000
	Outgoings from acquisition of tangible fixed assets, etc.	△ 212,851,798
	Outgoings from acquisition of deposit money/guarantee money	△ 32,499,879
	Income from refund of deposit/guarantee money	152,809
	Cash flow from investments	△ 2,060,646,468
<b>III</b>	<b>Cash flow from financial activities</b>	
	Outgoings from refund of lease liabilities	△ 16,544,782
	Cash flow from financial activities	△ 16,544,782
<b>IV</b>	<b>Difference in conversion concerning fund</b>	△ 993,714
<b>V</b>	<b>Increase of fund</b>	△ 1,193,413,594
<b>VI</b>	<b>Balance at start of the term</b>	9,315,530,038
<b>VII</b>	<b>Balance of fund at end of the term</b>	8,122,116,444

## Documents on disposition of profit

(August 10, 2004)

(unit: yen)

<b>I</b>	<b>Unappropriated profit for the term</b>	
	Total profit for the term	331,458,088
<b>II</b>	<b>Amount of disposition of profit</b>	
	Deposit	331,458,088
		331,458,088

## Statement of administrative service execution cost

(October 1, 2003 to March 31, 2004)

(unit: yen)

<b>I</b>	<b>Operating expense</b>		
	Expense in the profit and loss statement		
	Operating expense	6,837,668,287	
	General management expense	1,208,561,347	
	Finance expense	714,638	
	Miscellaneous loss	6,543,783	8,053,488,055
	(Deducted) self-income, etc.		
	Operating income	△ 951,750,644	
	Income from donations	△ 222,896,073	
	Profit from finance	△ 50,506	
	Miscellaneous profit	△ 60,725,988	△ 1,235,423,211
	Total operating expense		6,818,064,844
<b>II</b>	<b>Amount equivalent to depreciation, etc. outside the profit and loss</b>		440,084,993
	Amount equivalent to depreciation outside the profit and loss	438,639,018	
	Amount equivalent to depreciation of fixed assets outside the profit and loss	1,445,975	
<b>III</b>	<b>Estimate of increased allowance for employee retirement benefits outside the reserve</b>		△ 119,903,904
<b>IV</b>	<b>Opportunity cost</b>		
	Opportunity cost from debit-credit transaction by gratis or reduced fee for assets of the State or local public organizations	193,613,177	
	Opportunity cost for investment by the government or local public organizations	794,737,535	988,350,712
<b>V</b>	<b>Administrative service execution cost</b>		8,126,596,645

## Important accounting policies

### 1. Standard for statement of the profit from subsidies for operating expense

The cost progress standard is employed.

### 2. Accounting method for depreciatio

#### (1) Tangible fixed assets

The fixed amount method is employed.

The service lives for the major assets are as follows.

Buildings:	2 to 43 years
Structures:	2 to 15 years
Machinery and equipment:	2 to 13 years
Vehicles and transportation:	2 to 6 years
Tools, equipment and supplies:	2 to 20 years

The depreciation of specified depreciable property (Independent Administrative Corporation Accounting Standard No. 86) is expressed as the cumulative amount of depreciation outside the profit and loss after deduction from the surplus capital.

#### (2) Intangible fixed assets

The fixed amount method is employed. The software used within the Foundation is based on the available period in the Foundation (5 years).

### 3. Standard for reserve and estimate for allowance for employee retirement benefit

No reserve for payment of the retirement benefit is declared for the retirement lump sum grants because they are funded by subsidies for operating expense.

No reserve for payment of the retirement benefit is declared for payment of pensions supplied by the welfare pension fund because they are funded by the subsidies for the operating expense as contributions to the welfare pension fund and the shortage in the deposit of pension fund.

The estimate for increase of unappropriated retirement benefit in the administrative service execution cost statement states the increase of the retirement benefit reserve concerning the retirement lump sum grants calculated in accordance with the Accounting Standard No. 38.

### 4. Standard for bonus payable

The estimate based on the provisions on payment of bonus of the Japan Foundation is stated to prepare for payment of bonuses to directors for whom a budget is not appropriated from the subsidies for the operating expense.

### 5. Evaluation standard and method for marketable securities

The depreciation method is used with the objective of possession until expiry.

### 6. Conversion standard for foreign currency assets and liabilities to Japanese yen

Credits and debits in foreign currencies are converted to Japanese yen at the foreign exchange spot market rate and the difference is included as a profit or loss.

### 7. Method of calculating opportunity costs in the administrative service execution cost statement

#### (1) Method of calculating opportunity costs by gratis fee of the assets of the State or local public organizations

It is calculated with reference to the land usage fee provided in the ordinances by prefectures and the rental fee in the neighboring area.

#### (2) Interest rate used in the calculation of opportunity cost subsidized by the government

It is calculated at the rate of 1.435% with reference to the interest rate on government bonds at the end of March 2004.

### 8. Treatment of lease transactions

The finance lease transactions over 3 million yen are treated in compliance with the accounting methods used in standard sales/purchase transactions.

The finance lease transactions under 3 million yen are treated in compliance with the accounting method used in standard lease transactions.

### 9. Treatment of consumption tax, etc.

Consumption tax, etc. are treated by the method including tax.

**Remarks****(Balance sheet)**

Estimate of allowance for retirement benefit to be appropriated with the subsidies for the operating expense

## Retirement benefit liabilities and breakdown

	FY2003
(1) Retirement benefit liabilities	4,381,995,592
(2) Pension assets	0
(3) Undeposited retirement benefits payable (1) + (2)	4,381,995,592
(4) Untreated amount of the difference upon changes of accounting standard	0
(5) Difference in unrecognized figure calculations	0
(6) Unrecognized past service cost (reduction of liabilities)	0
(7) Net amount in the balance sheet (3) + (4) + (5) + (6)	4,381,995,592
(8) Advanced pension expense	0
(9) Allowance for retirement benefits (7) – (8)	4,381,995,592

## Breakdown of retirement benefits payable

	FY2003
(1) Employment expense	82,037,070
(2) Interest expense	30,072,980
(3) Profit from expected investment	△ 9,999,790
(4) Amount for treating the expense of the difference in calculations	△ 63,739,961
(5) Others (contributions to the welfare pension fund)	△ 59,134,603

## Basis of calculating retirement benefits payable, etc.

	FY2003
(1) Discount rate Pension at retirement	2.0%
(2) Method of distributing estimated retirement benefits payable:	Standard for fixed amount during the period
(3) Treatment years of past service liabilities	—
(4) Treatment years of difference in calculations	1
(5) Others (treatment years of the difference upon change of accounting standard, actual investment profit, etc.)	1

**(Administrative service execution cost statement)**

Estimated increase of allowance for retirement benefits for officials dispatched from the government or local public organizations

¥6,376,700

**(Cash flow calculation)**

## 1. Relationship between cash or equivalents and the amount in the balance sheet

Balance of cash/deposit in the balance sheet                      ¥8,122,116,444

Balance of cash or equivalents at end of the term                      ¥8,122,116,444

## 2. Important non-financial transactions

None

**(Important debt liability actions)**

None

**(Important subsequent phenomena)**

None

## Financial Cooperation from the Private Sector

Ideally, the Japan Foundation should conduct its operations with a broad range of national support since the major objectives are to deepen understanding and maintain permanent friendship between the peoples.

Funding is expected not only from the government but also from the private sector including enterprises, organizations and individuals. The Japan Foundation therefore solicits various support, such as endowments, donations, and material supplies from the private sector.

There are two types of Financial Cooperation, namely endowments and donations. Endowments provide the principal for the projects of the Foundation. The donations come in two forms: general donations to be applied to the cultural exchange projects of the Foundation and specified donations for usage in particular cultural exchange programs conducted overseas by public benefit organizations. The total amount of general donations received since the establishment of the Foundation up until the end of FY2003 was 2,198.36 million yen, and for the specified donations the amount received was 60,496.8 million yen.

### 1. General Donations

Donations applied to cultural exchange programs conducted by the Japan Foundation (not applied to general management expense, etc.)

There are three types, namely the “general donation system” in which the time and amount of donation is at the discretion of the donors, the “support committee system” in which a fixed amount is to be donated annually and the “membership system” of the “friends’ company” which is aimed at promoting interest in and understanding of the Foundation’s projects. General donations were received from 14 donors in FY2003 and the amount was 23.31 million yen.

#### (1) General donations

Donations in any amount at any time

Donations are applied to the operations of the Foundation, using either the system in which all amounts are spent within the fiscal year in which the donations are received, or the system in which the donations are invested as a fund and the interest is continuously used for the operations.

In the event of the latter, the Foundation conducts special operations in accordance with the wishes of the donor and the amount of the donation, and the name of the donor (corporate or individual) may be included at the beginning of the project name. Examples are as follows.

##### “Uchida Scholarship” (donation from Mr. Genko Uchida)

This scholarship provides the opportunity for young musicians in the United States, Europe, etc. to come to Japan by invitation to participate in exchanges with noted music industry people in Japan and engage in joint performances or productions. (Reception Section, Human Exchange Department)

##### “Takasago Thermotics Industry Fund” (donation from Takasago Netsugaku Kogyo, Co., Ltd.)

This fund provides scholarships to graduate students in Southeast Asian countries for continuous education in the field of Japanese studies.

(Japanese Studies Section, Japanese Studies Department)

##### “Takashi Kaiko Memorial Asian Authors Lecture Series” (donation from (the late) Ms. Hatsuko Kaiko and (the late) Ms. Michiko Kaiko)

The Foundation invites literary persons from Asia every year and conducts a lecture tour at several cities in Japan to introduce Asian literature seldom presented in Japan and to provide the opportunity for exchange with literary persons in Japan with the objective of promoting exchange between Japanese and Asian literary people.

(Domestic Project Section, Asia Center Project Department)

##### “Ken Watanabe Fund” (donation from Mr. Yukinobu Watanabe, father of Mr. Ken Watanabe, former official of the Ministry of Foreign Affairs who was killed in a traffic accident in the United States during a study visit)

This fund continuously donates books for Japanese studies to Japanese studies institutes in China that conduct high-quality researches.

(Library Section, Media Operations Department)

#### <General donors>

Executive Committee for Venice Biennale, Shiseido Co., Ltd., JR Central Monitor Club members, Japanese Executive Committee for Japan Year and China Year 2002, Organization Committee for Events Commemorating the Establishment of Diplomatic Relations Between Japan-India, Japan-Pakistan, Japan-Sri Lanka and Japan-Bangladesh, Executive Committee for “Humans and Robots” Exhibition and UNESCO Asia Cultural Center

### (2) Membership system

#### A. Support Committee

This is a system in which a certain amount is received every year as an annual membership fee. The members of the “Support Committee” are divided into general members and special members, and the former is requested to pay one unit (¥100,000 for corporate and ¥20,000 for individual) and the latter is requested to pay at least five units a year.

The donations from the Support Committee are applied to cultural exchange projects, and the Foundation offers special privileges, such as distribution of publications, invitations to seminars, etc. hosted or co-hosted by the Foundation and usage of the Japan Foundation Library. The number of members as of the end of FY2003 was 190 (including anonymous members).

#### B. Friends’ Company

This system promotes understanding of the Foundation’s projects for individuals. The members pay an annual fee (¥4,000 for general and ¥2,000 for students) and receive such services as the “Japan Foundation News” that introduces the programs of the Foundation every month and other periodicals, invitations to seminars, etc. hosted or co-hosted by the Foundation and

admission to the Japan Foundation Library. The number of members as of the end of FY2003 was 172.

## 2. Specified Donations

Donations with a request for particular application to benefit a specified cultural exchange program conducted by a public benefit organization in Japan and overseas. The subject programs include personnel exchange, Japanese studies or Japanese-education overseas, performances, exhibitions, seminars, international conventions and other similar events, projects related to audio-visual materials for introducing Japanese culture to foreign countries, projects to conduct surveys and researches necessary for international cultural exchange, education with the objective of promoting international mutual understanding and support for institutions for education and cultural activities.

The amount of specified donations in FY2003 was ¥287.89 million for 23 projects.

## 3. Tax Privileges

The Japan Foundation is specified as a “corporation that significantly contributes to the promotion of public benefit” in the Corporate Tax Enforcement Order, Article 77 and the Income Tax Enforcement Order, Article 217, and donations to the Japan Foundation by corporations or individuals are applicable to the following tax privileges in the tax laws.

### (1) For corporations

Deductible expenses may be declared in addition to the standard deductible donation amount.

The limit is calculated using the following equation:

$$\text{Amount of deductible expense} = \{(\text{amount of capital, etc.} \times \text{number of working months} / 12 \times 2.5 / 1000) + (\text{amount of income} + \text{donations in deductible expense account}) \times 2.5 / 100\} \times 1/2$$

### (2) For individuals

The amount of donation minus ¥10,000 is the deductible expense with a limit of 1/4 of the income. Donations from an inheritance are also subject to tax privileges.

Number of donations per region

Region	Total	Asia	Oceania	Americas	Europe	Middle East	Africa
Number of donation cases	23	10	0	9	4	0	0
Amount ¥ (in 1,000)	287,890	90,150	0	188,220	9,520	0	0