

Important Accounting Policies

1. The standard for booking income from government operational expense subsidies

The cost progress standard is used.

2. Accounting method for depreciation

(1) Tangible fixed assets

The straight-line method is used.

The service lives of the main assets are as follows:

Buildings: 2 to 43 years

Structures: 2 to 15 years

Machinery and equipment: 2 to 13 years

Vehicles and transport equipment: 2 to 6 years

Tools, instruments, and fixtures: 2 to 20 years

Depreciation of specified depreciable assets is expressed as the cumulative total of depreciation outside profit and loss after deduction from surplus capital (in conformance with Article 86 of the Independent Administrative Corporation Accounting Standard).

(2) Intangible fixed assets

The straight-line method is used. For software used within the Foundation, depreciation is made on the basis of the length of time that such software can be used within the Foundation (five years).

3. Standard for booking the allowance for estimated amounts of employee retirement benefits

Regarding the retirement lump-sum grants, no allowance is booked for retirement benefits because they are funded by government subsidies for operational expenses.

Regarding the pensions paid from the employees' pension fund, no allowance is booked for retirement benefits because premiums to be paid to the fund and the reserve shortage of the fund are covered by government operational expense subsidies.

The estimate of the increase in retirement benefits outside the allowance for retirement benefits in the administrative service execution cost statement is booked as the increase for the current term in the allowance calculated in accordance with the Accounting Standard No. 38.

4. The standard for booking an allowance for bonus payments

To provide for the payment of bonuses to officers and employees for which no budget appropriation is made through the instrument of the government operational expense subsidy, an estimated sum is booked on the basis of the Foundation's rules for bonus payments.

5. Evaluation standard and appraisal method for securities

The depreciable cost method is used because the Japan Foundation makes it a goal to hold securities until maturity.

6. The standard for converting foreign currency assets and liabilities into Japanese yen

Foreign currency claims and monetary liabilities are converted into yen at the spot exchange rate as of the term end, and the balance is treated as a profit or loss.

7. The method for booking the opportunity costs in the administrative service execution cost statement

(1) The method of calculating the opportunity cost of a margin transaction, based on free fees, in the property of the state or local public organizations

The opportunity cost of such a transaction is calculated by referring to the land use fee specified in prefectural regulations, etc. and the rent in the neighboring area.

(2) The interest rate used in calculating the opportunity cost of a government investment

The opportunity cost of a government investment is calculated at an interest rate of 1.320% a year by referring to the yield of interest-bearing 10-year government bonds as of the end of March 2005.

8. The method of treating lease transactions for accounting

Financial lease transactions of ¥3 million or more in total lease value are treated by the same method as ordinary sales transactions.

Financial lease transactions of less than ¥3 million in total lease value are treated by the same method as ordinary lease transactions.

9. Accounting treatment of the consumption tax, etc.

Consumption and other taxes are treated by the tax-included method.

10. Change in accounting treatment

In the past, of the Japan Foundation's grants, those covering the following fiscal year and exceeding ¥1 million were treated as a cost by dividing the grant concerned into the starting year and the following year on a pro rata basis and in accordance with the state of progress in the program funded. Effective from the current term, however, the Foundation is discontinuing this practice and is treating such grants entirely as a cost in the starting year.

Programs funded by a grant from the Foundation cannot be smoothly executed if the grant is provided in the following fiscal year, the year in which the period covered by the grant ends. The Foundation provides grants in the starting year of the program, the year in which the period covered by the grant begins, to ensure its smooth execution. For this reason, grants from the Foundation can attain their purposes through their issuance. The above change has been made because it is believed that the Japan Foundation's activities can be better presented if the grants are booked entirely as a cost in the year in which they are provided.

As a result, program expenses and income from the operational expense subsidy increased ¥79,579,347 and ¥14,196,828, respectively, compared with those that would arise if the old standards were applied. Ordinary income, net income and gross profit decreased by a combined ¥655,382,519.

Explanatory notes

Balance sheet

The estimated allowance for retirement benefits to be appropriated from the operational expense subsidies:

▲¥3,121,284,250

Retirement benefit liabilities and their breakdown

(fiscal 2004)

(1) Retirement benefit liabilities	▲ 4,483,425,410
(2) Pension assets	1,362,141,160
(3) Accrued retirement benefit liabilities (1)+(2)	▲ 3,121,284, 250
(4) Untreated amount of the difference upon changes in accounting standards	0
(5) Difference in unrecognized numerical calculations	0
(6) Unrecognized past service cost (reduction of liabilities)	0
(7) Net amount in balance sheet (3) + (4) + (5) + (6)	▲ 3,121,284,250
(8) Prepaid pension expenses	0
(9) Allowance for retirement benefits (7) - (8)	▲ 3,121,284,250

Breakdown of retirement benefit expenses

(fiscal 2004)

(1) Service cost	342,052,200
(2) Interest cost	63,084,400
(3) Expected income from investments	0
(4) Difference in numerical calculations disposed of as cost	▲ 205,779,198
(5) Other costs (Premiums paid by subscribers to employees' pension fund)	▲ 47,045,266

Basis of calculating retirement benefit liabilities, etc.

(fiscal 2004)

(1) Discount rate for retirement pensions	2.0%
(2) Method of periodic allocation of estimated retirement benefits	Fixed amount
(3) Number of years for disposition of past service liabilities	—
(4) Number of years for disposition of difference in numerical calculations	1
(5) Others (Number of years for disposition of difference at the time of changing the accounting standard, actual income from investments, etc.)	1

Items related to statement of administrative service execution costs

Estimated increase in non-provided allowance for retirement benefits for personnel dispatched from state or local public bodies ▲¥31,019,700

Cash flow calculation

1. Relationship between cash and cash equivalents and the amounts entered in balance sheet

Balance of cash and deposits in balance sheet: ¥7,142,592,407

Term-end balance of cash and cash equivalents: ¥7,142,592,407

2. Important non-monetary transactions: none

(Important debt burdens borne): none

(Important subsequent events): none

Information on particular items indicated

- The "inheritance reserve" is a surplus inherited by the Japan Foundation, an independent administrative juridical person, from the Japan Foundation, a special juridical person, as "the monetary amount to be allocated to the operating financial resource in the period for the Foundation's initial medium-term goal" stipulated in Article 3, Paragraph 6, of the supplementary regulations of the Japan Foundation Law.
- The "inheritance reserve" is to be withdrawn to meet the shortage when the program expenses in the settled accounts, which depend on investment revenue, donation revenue (excluding income from designated donations), and other revenue as the revenue source, exceed these revenues in the settled accounts.