

Financial Affairs and Organization

Presented here are the activities of the Japan Foundation reported based on various numerical data and other information. This presentation includes not only basic financial statements but also data on the Japan Foundation's activities and a breakdown of its funds. The current organizational chart and contact points are also presented, as well as objective indexes to indicate the present status of the Japan Foundation's operations and the record of its operations.

Financial Statements

Budgets and Results April 1, 2004 to March 31, 2005.

(In millions of yen)

		Budget	Result
Revenues	Government subsidies	13,786	13,786
	Investment revenue	1,782	1,796
	Donation revenue	635	926
	Other revenue	129	171
	Revenue from disposition of inheritance reserve	413	113
	Total	16,747	16,795
Expenditures	Operating expenses	12,058	12,402
	Arts and cultural programs	3,227	3,252
	Japanese-language programs	3,498	3,538
	Japanese studies and intellectual exchange programs	2,430	2,282
	Survey, research, and information-service programs	495	486
	Other programs	2,407	2,841
	General and administrative expenses	4,725	4,528
	Salaries and wages	2,611	2,575
	Supplies	2,114	1,953
	Total	16,783	16,931

Notes: 1. Expenditures include ¥890 million brought forward from the previous year.

2. The increase in revenues mainly consists of increases in specified donation revenues and revenues from the Japanese proficiency tests given.

3. Totals may not meet due to rounding of fractional amounts of less than ¥1 million.

Balance Sheet As of March 31, 2005

Assets

(In yen)

Current assets	Cash and deposits		7,142,592,407	
	Marketable securities		9,365,989,473	
	Prepaid expenses		17,794,988	
	Accrued income		274,227,027	
	Other current assets		49,584,588	
	Total current assets			16,850,188,483
Fixed assets	Tangible fixed assets	Buildings	12,342,720,565	
		Accumulated depreciation	▲ 826,988,359	
	Structures	309,667,593	11,515,732,206	
		Accumulated depreciation	▲ 41,607,734	268,059,859
	Machinery and equipment	9,134,105		
		Accumulated depreciation	▲ 2,627,361	6,506,744
	Vehicles and transport equipment	88,861,660		
		Accumulated depreciation	▲ 35,042,722	53,818,938
	Tools, equipment, and fixtures	880,182,617		
		Accumulated depreciation	▲ 346,283,298	533,899,319
	Art objects			431,892,469
	Land			216,327,000
	Total tangible fixed assets			13,026,236,535
	Intangible fixed assets	Land lease rights		10,598,000
		Software		92,521,971
		Telephone subscription rights		567,000
Total intangible fixed assets			103,686,971	
Investments and other assets	Investment securities		82,962,759,262	
	Deposits and guarantee money		1,663,437,078	
Total investments and other assets			84,626,196,340	
Total fixed assets			97,756,119,846	
Total assets			114,606,308,329	

Liabilities

Current liabilities	Government operational expense subsidies		660,037,280	
	Donations entrusted		10,795,418	
	Amount in arrears		745,584,677	
	Accrued expenses		1,850,669	
	Consumption tax payable		370,300	
	Deposits payable		44,358,866	
	Lease liabilities		28,288,792	
	Allowances			
		Allowances for bonuses	17,161,191	17,161,191
	Total current liabilities			1,508,447,193
Fixed liabilities	Asset counterpart liabilities	Government operational expense subsidies related to asset counterpart	309,213,076	
			309,213,076	
	Long-term lease liabilities		15,628,431	
Total fixed liabilities			324,841,507	
Total liabilities			1,833,288,700	

Shareholders' equity

Capital stock	Government's investment		110,970,859,465
	Total capital stock		110,970,859,465
Capital surplus	Capital stock		▲ 49,222,776
	Accumulated depreciation outside profit and loss		▲ 1,261,291,005
	Endowments from private sector		896,251,787
Total capital surplus			▲ 414,261,994
Retained earnings	Inheritance reserve		1,834,523,423
	Reserve		331,458,088
	Unappropriated profit for the term		50,440,647
	(Of which: Gross profit for the term)		(50,440,647)
Total earned surplus			2,216,422,158
Total shareholders' equity			112,773,019,629
Total liabilities and shareholders' equity			114,606,308,329

Financial Statements

Profit and Loss Statement April 1, 2004, to March 31, 2005.

(In yen)

Ordinary expenses	Arts and cultural programs		3,590,342,084
	Japanese-language programs		3,893,518,905
	Japanese studies and intellectual exchange programs		2,602,129,574
	Survey, research, and information-service programs		
	Other programs		617,984,226
	Overseas programs	2,617,998,907	
	Cooperating in cultural exchange facilities program	914,020,455	3,532,019,362
	General and administrative expenses		2,470,061,905
	Financial expenses		886,491
	Total ordinary expenses		16,706,942,547
Ordinary income	Income from government operational expense subsidies		13,610,207,290
	Income from investments		1,815,061,340
	Income from donations		
	Income from donations	42,154,788	
	Income from specified donations	906,414,754	948,569,542
	Refund of asset counterpart		
	Refund of government operational expense subsidies related to asset counterpart	27,084,667	27,084,667
	Financial income		
	Interest received	214,957	214,957
	Sundry income		242,280,338
	Total ordinary income		16,643,418,134
	Ordinary loss		63,524,413
	Net loss for the term		63,524,413
	Income from disposition of inheritance reserve		113,965,060
	Net income for the term		50,440,647

Statement of Profit Distribution

(In yen)

Unappropriated retained earnings at the end of the term		50,440,647
	Gross profit	50,440,647
Appropriation of retained earnings		50,440,647
	Reserve	50,440,647

Cash Flow Statement April 1, 2004 to March 31, 2005

(In yen)

Cash flow from operating activities	Program expenses	▲12,001,515,160	
	Salaries and wages	▲2,597,385,410	
	Other operating expenses	▲1,995,047,854	
	Revenue from government operational expense subsidies	13,786,170,000	
	Investment revenue	1,796,904,337	
	Revenue from donations	926,394,569	
	Other miscellaneous revenue	223,963,444	
	Subtotal	139,483,926	
	Interest received	166,007	
	Interest paid	▲886,491	
	Cash flow from operating activities	138,763,442	
Cash flow from investment activities	Expenses for acquisition of investment securities	▲5,542,806,773	
	Revenue from redemption of investment securities	4,694,795,277	
	Expenses for acquisition of tangible fixed assets	▲264,027,773	
	Revenue from selling of tangible fixed assets	1,981,014	
	Expenses for acquisition of deposits and guarantee money	▲19,569,189	
	Revenue from return of deposits and guarantee money	43,793,014	
	Cash flow from investment activities	▲1,085,834,430	
Cash flow from financial activities	Expenses for repayment of lease liabilities	▲30,790,449	
	Cash flow from financial activities	▲30,790,449	
Difference in conversion related to funds		▲1,662,600	
Decrease in funds		▲979,524,037	
Balance at the beginning of the term		8,122,116,444	
Balance at the end of the term			7,142,592,407

Statement of Administrative Service Execution Costs April 1, 2004 to March 31, 2005

(In yen)

Operating expenses	Expenses in the profit and loss statement		
	Program expenses	14,235,994,151	
	General and administrative expenses	2,470,061,905	
	Financial expenses	886,491	16,706,942,547
	(Deducted) Revenue, etc. on hand		
	Income from investments	▲1,815,061,340	
	Income from donations	▲948,569,542	
	Financial income	▲214,957	
	Miscellaneous profits	▲242,280,338	▲3,006,126,177
	Total operating expenses		13,700,816,370
Amount equivalent to depreciation, etc. outside profit and loss	Amount equivalent to depreciation outside profit and loss	847,478,005	
	Amount equivalent to the value of retired fixed assets outside profit and loss	72,984,781	920,462,786
Estimated increase in retirement allowances not provided for			16,319,152
Opportunity cost	Opportunity cost of margin transactions by gratis or at a reduced fee for assets of the state or local public organizations	397,944,680	
	Opportunity cost of investments by the government or local public organizations	1,453,446,143	1,851,390,823
Administrative service execution cost			16,488,989,131

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

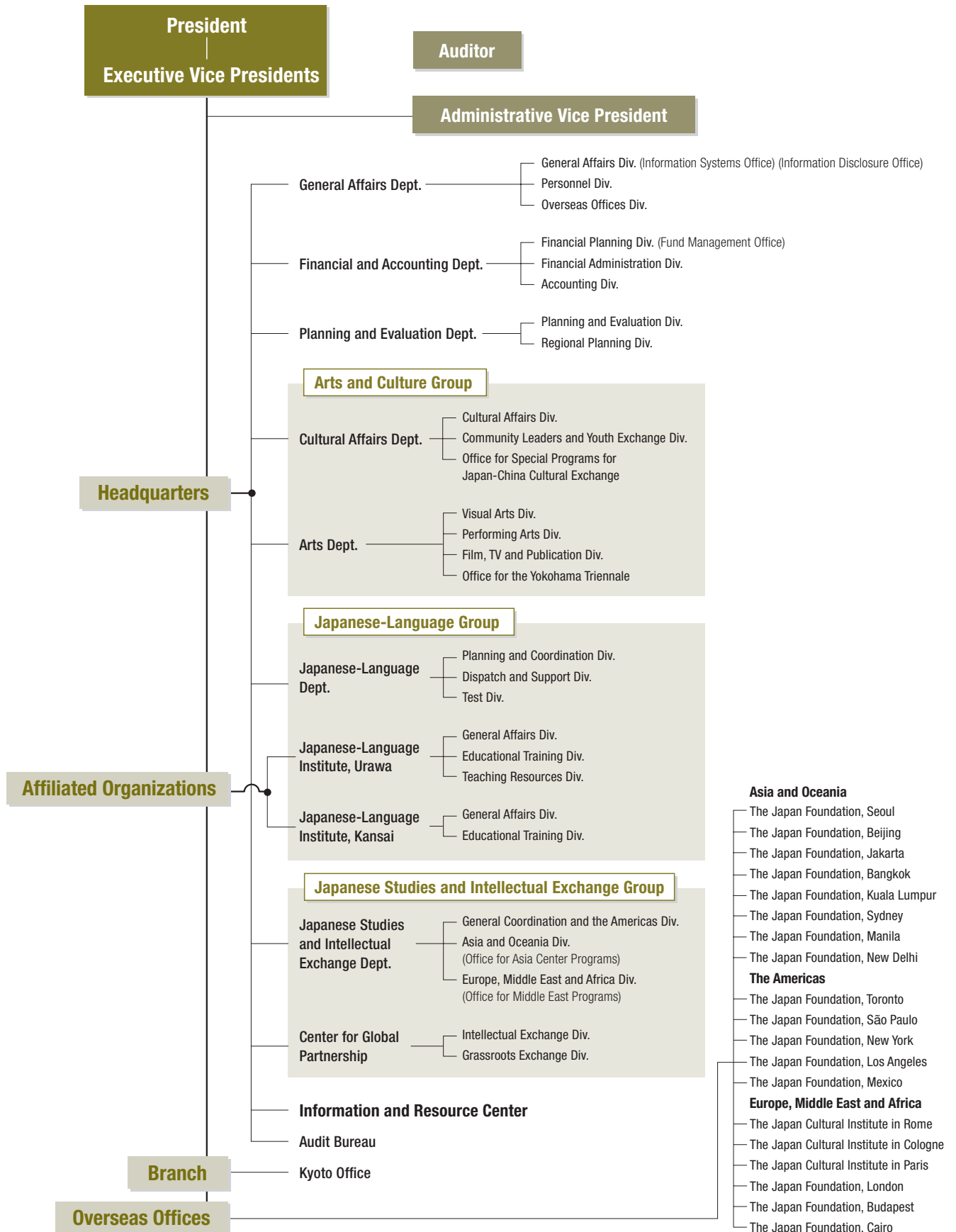
Cash flow calculation

- 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
- 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.

Organization Chart



Committee

The Advisory Committee for Evaluation of the Japan Foundation

This Committee evaluates Japan Foundation programs and related operations in response to requests by the President of the Japan Foundation, and provides advice on the improvement of operations and other necessary measures. Its members include experts and academics who have in-depth knowledge of international exchange and Japan Foundation activities.

Members (in alphabetical order)

Tamotsu Asami	Assistant Managing Editor of the Yomiuri Shimbun
Sumiko Iwao	Professor at Musashi Institute of Technology
Masao Katayama	Managing Director of Saison Foundation
Katsuhiko Sakuma	Professor at University of the Sacred Heart, Tokyo
Shuji Soda	Professor at Atomi University
Shuji Takashina	Director of Ohara Museum of Art, Chairman of the Committee
Shoji Hanawa	Adviser to Tokyo Electric Power Co.
Takasi Mikuriya	Professor at Research Center for Advanced Science and Technology, University of Tokyo

The American Advisory Committee for Japanese Studies

This committee has been established in order for the Japan Foundation to obtain opinions and advice about its programs to support Japanese studies in the United States. This is in view of the fact that the cultural exchanges between the two countries represent a major part of the Foundation's activities. The committee consists of 15 noted Japanologists. The committee screens the applications for fellowship programs and institutional assistance programs for the United States and makes recommendations.

Members (in alphabetical order)

Mary Elizabeth Berry	Professor at University of California, Berkeley
Mary C. Brinton	Professor at Harvard University
Kent Calder	Professor at Johns Hopkins University
James C. Dobbins	Professor at Oberlin University
Wayne Farris	Professor at University of Hawaii, Manoa
Laura Hein	Associate Professor at Northwestern University
William W. Kelly	Professor at Yale University
Ellis S. Krauss	Professor at University of California, San Diego
Leonard Lynn	Professor at Case Western Reserve University
Susan J. Napier	Professor at University of Texas, Austin
Laurel R. Rodd	Professor at University of Colorado, Boulder
Yoshiko Yokochi Samuel	Professor at Wesleyan University
Leonard Schoppa	Associate Professor at University of Virginia
Veronica Taylor	Professor at University of Washington
Kristina K. Troost	Chief of International and Regional Studies, Perkins Library, Duke University

The Advisory Committee for the Center for Global Partnership

This Advisory Committee consists of intellectuals from the United States and Japan. Such topics as basic policies, top priority areas, and relative priority areas are discussed at the semiannual meetings of this council.

Members (in alphabetical order)

Keiko Chino	Editorial Page Editor, the Sankei Shimbun
Thomas S. Foley	Former U.S. Ambassador to Japan
William E. Franklin	President of Franklin International
Barry D. Gaberman	Senior Vice President of the Ford Foundation
Ruby P. Hearn	Senior Vice President Emeritus of the Robert Wood Johnson Foundation
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Martin Meyerson	President Emeritus at University of Pennsylvania
Mike M. Mochizuki	Director of the Sigur Center for Asian Studies, George Washington University
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Shijuro Ogata	Former Deputy Governor of the Bank of Japan
Kenichiro Ohara	President of Ohara Museum of Fine Arts
Takeo Shiina	Senior Adviser to IBM Japan
Akihiko Tanaka	Professor at University of Tokyo
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Advisers

Hiroaki Fujii	Former President of the Japan Foundation
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