

Important Accounting Policies

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

The percentage-of-completion method is used.

▶ 2. **Accounting method for depreciation**

(1) *Tangible fixed assets*

The straight-line method is used.

The service lives of 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, equipment 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 capital surplus (in conformance with Article 86 of the Independent Administrative Corporation Accounting Standards).

(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 operational expense subsidies.

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 Statement of Administrative Service Execution Costs is booked as the increase for the current term in the allowance calculated in accordance with Article 38 of the Independent Administrative Corporation Accounting Standards.

▶ 4. **The standard for booking an allowance for bonus payments**

To provide for the payment of bonuses to staff 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 of calculating the opportunity cost in the Statement of Administrative Service Execution Costs**

(1) The method of calculating the opportunity cost of a margin transaction, based on free fees, from national or local public bodies:

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 1.770% a year by referring to the yield of interest-bearing 10-year government bonds as of the end of March 2006.

▶ 8. **The accounting method for treating lease transactions**

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

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

▶ 9. **Accounting treatment of the consumption tax and other taxes**

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

► Explanatory notes

Balance Sheet

The estimated allowance for retirement benefits to be appropriated from government operational expense subsidies:
(4,291,254,615 yen)

Retirement benefit liabilities and their breakdown (fiscal 2005)

(In yen)

(1) Retirement benefit liabilities	(6,098,033,099)
(2) Pension assets	1,806,778,484
(3) Accrued retirement benefit liabilities (1) + (2)	(4,291,254,615)
(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)	(4,291,254,615)
(8) Prepaid pension expenses	0
(9) Allowance for retirement benefits (7) – (8)	(4,291,254,615)

Breakdown of retirement benefit expenses (fiscal 2005)

(In yen)

(1) Service cost	298,060,400
(2) Interest cost	68,600,800
(3) Expected income from investments	0
(4) Difference in numerical calculations disposed of as cost	(220,797,609)
(5) Other costs (Premiums paid by subscribers to employees' pension fund)	(59,039,412)

Basis of calculating retirement benefit liabilities, etc. (fiscal 2005)

(In yen)

(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 national or local public bodies: 7,797,300 yen

► 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:

9,233,125,948 yen

Balance at the end of term of cash and cash equivalents:

9,233,125,948 yen

2. Important non-monetary transactions: none

Important debt burdens borne: none

Important subsequent events: none

► Information on particular items indicated

1. The “inheritance reserve” is a surplus inherited by the Japan Foundation, an independent administrative institution, from the Japan Foundation, a special public corporation, 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.

2. The “inheritance reserve” is to be withdrawn to meet a shortage if program expenses in the settled accounts, which depend on investment revenue, donation revenue (excluding income from designated donations), and other revenue as revenue sources, exceed these revenues.