

## Notes on Financial Statements

### 1. Key accounting policies

The Foundation applies the accounting standards for public interest corporations “*Agreement in liaison council of relevant agencies concerning guidance, supervision, etc. of public interest corporations and other organizations*”, October 14, 2004).

#### (1) Standards and methods for valuation of securities

The amortized cost method is applied to bonds intended to be held to maturity.

#### (2) Method of depreciation of fixed assets

Depreciable assets included in fixed assets are depreciated by the straight-line method.

#### (3) Standards for booking of reserves

- 1) Reserves for nonperforming loans are booked by the actual percentages of nonperforming loans for ordinary claims and booked in amounts expected to be non-recoverable, based on a consideration of recoverability for specific claims, such as those associated with default risk concerns.
- 2) In preparation for the payment of bonuses to employees, the anticipated amount of employee bonuses payable attributable to the current fiscal year is booked as bonus reserves.
- 3) In preparation for payment of retirement benefits to employees, the amount of such benefits expected to arise at the end of the current fiscal year, based on retirement benefit obligations and pension assets at the end of the current fiscal year, is booked as employee retirement benefit reserves. Retirement benefit obligations are calculated based on the amount of benefits payable for employees leaving voluntarily as of the end of the year and the amount of liability reserves under pension finance calculations.
- 4) In preparation for lump-sum retirement payment to executives, the amount payable as of the end of the fiscal year is booked as executive retirement benefit reserves.

#### (4) Accounting for consumption tax and other taxes

Consumption tax and other taxes have been booked by the tax-included method.

### 2. Changes in the accounting policy

The range of designated net assets has been changed, starting from the current fiscal year.

#### (1) Assets previously treated as designated net assets

- 1) Donations at time of establishment
- 2) Donated land

#### (2) Assets treated as designated net assets from the current fiscal year

- 1) Grants from motorboat racing

2) Donations received

(3) Reason for changes

In the process of applying to become a public interest incorporated foundation we revaluated our assets. This resulted in the decision to treat the donations restricted under Japan's Motorboat Racing Law as designated net assets. In addition, we are also treating donations received as designated net assets, in principle, in light of their increasing importance.

(4) Adjusted figures for designated net assets and general net assets

The figures below concern the transfer figures for the adjustment of general net assets to designated net assets.

(Units: yen)

Account	Grant No.1	Grant No. 2	Total
Amount of received grants transferred	243,575,429,429	24,080,764,146	267,656,193,575
Amount of received donations transferred	0	128,015,659	128,015,659
Total	243,575,429,429	24,208,779,805	267,784,209,234

3. Increases/decreases in basic funds and specified assets and balances thereof

Shown below are increases and decreases in basic funds and in specified assets and balances of such assets.

(Units: yen)

Account	Balance at end of previous fiscal year	Amount transferred for the adjustment	Increase during current fiscal year	Decrease during current fiscal year	Balance at end of current fiscal year
<b>Basic Funds</b>					
Land	14,703,073,248	0	0	1,692,605,792	13,010,467,456
Deposits	669,746,444	0	1,380,000,000	0	2,049,746,444
Money trusts	9,440,000,000	0	0	980,000,000	8,460,000,000
Securities	5,685,426,109	0	6,123,618	401,215,805	5,290,333,922
Subtotal	30,498,245,801	0	1,386,123,618	3,073,821,597	28,810,547,822
<b>Specified assets</b>					
Grant assets received	0	2,124,771,227	25,871,415,907	27,090,307,147	905,879,987
Loan funds	204,500,000,000	0	92,489,500,000	92,489,500,000	204,500,000,000
Loan fund reserve assets	2,677,200,000	0	49,413,600,000	43,075,900,000	9,014,900,000
Long-term loans	201,822,800,000	0	43,075,900,000	49,413,600,000	195,485,100,000
Reserve for nonperforming loans	▲703,092,532	0	0	▲22,069,070	▲681,023,462
Operating cost parity fund reserve assets	23,460,205,611	0	8,546,322	0	23,468,751,933
Fixed asset acquisition fund reserve assets	3,676,165,000	0	0	0	3,676,165,000
Lump-sum retirement payment assets	0	0	198,154,045	0	198,154,045
Retirement benefit reserve assets	992,894,018	0	110,500,000	306,031,807	797,362,211
Nonperforming loan reserve assets	703,092,532	0	0	22,069,070	681,023,462

Buildings (specified)	0	2,632,199,884	2,420,250	281,193,634	2,353,426,500
Structures (specified)	0	127,611,052	0	10,468,074	117,142,978
Machinery and equipment (specified)	0	59,853	0	59,853	0
Vehicles and transportation (specified)	0	9,812,047	0	3,934,622	5,877,425
Fixtures (specified)	0	235,162,532	5,364,653	53,839,867	186,687,318
Land (specified)	0	704,571,640	0	0	704,571,640
Software (specified)	0	250,626,935	9,460,500	101,695,781	158,391,654
Copyrights (specified)	0	3,524,500	0	0	3,524,500
Trademarks (specified)	0	851,689	1,066,000	211,423	1,706,266
Telephone subscription rights (specified)	0	3,299,292	0	0	3,299,292
Security deposits (specified)	0	2,641,180	0	2,575,000	66,180
Received donation assets	0	128,015,659	589,423,536	148,607,287	568,831,908
Subtotal	232,629,264,629	6,223,147,490	119,285,851,213	120,488,424,495	237,649,838,837
Total	263,127,510,430	6,223,147,490	120,671,974,831	123,662,246,092	266,460,386,659

#### 4. Breakdown of sources of basic funds and specified assets

A breakdown of sources of basic funds and specified assets is shown below.

(Units: yen)

Account	Balance at end of current fiscal year	Amount included in balance allocated from designated net assets (in parentheses)	Amount included in balance allocated from general net assets (in parentheses)	Amount included in balance corresponding to liabilities (in parentheses)
<b>Basic funds</b>				
Land	13,010,467,456	(13,010,467,456)	(0)	(—)
Deposits	2,049,746,444	(2,049,746,444)	(0)	(—)
Money trusts	8,460,000,000	(8,460,000,000)	(0)	(—)
Securities	5,290,333,922	(5,290,333,922)	(0)	(—)
Subtotal	28,810,547,822	(28,810,547,822)	(0)	(—)
<b>Specified assets</b>				
Received grant assets	905,879,987	(905,879,987)	(0)	(—)
Loan funds	204,500,000,000	(204,500,000,000)	(0)	(—)
Loan funds reserve assets	9,014,900,000	(9,014,900,000)	(0)	(—)
Long-term loans	195,485,100,000	(195,485,100,000)	(0)	(—)
Reserve for nonperforming loans	▲681,023,462	(▲681,023,462)	(0)	(—)
Operating cost parity fund reserve assets	23,468,751,933	(23,468,751,933)	(0)	(—)
Fixed asset acquisition fund reserve assets	3,676,165,000	(3,676,165,000)	(0)	(—)
Lump-sum retirement payment assets	198,154,045	(0)	(0)	(198,154,045)
Retirement benefit reserve assets	797,362,211	(0)	(0)	(797,362,211)

Nonperforming loan reserve assets	681,023,462	(681,023,462)	(0)	(—)
Buildings (specified)	2,353,426,500	(2,353,426,500)	(0)	(—)
Structures (specified)	117,142,978	(117,142,978)	(0)	(—)
Vehicles and transportation (specified)	5,877,425	(5,877,425)	(0)	(—)
Fixtures (specified)	186,687,318	(186,687,318)	(0)	(—)
Land (specified)	704,571,640	(704,571,640)	(0)	(—)
Software (specified)	158,391,654	(158,391,654)	(0)	(—)
Copyrights (specified)	3,524,500	(3,524,500)	(0)	(—)
Trademarks (specified)	1,706,266	(1,706,266)	(0)	(—)
Telephone subscription rights (specified)	3,299,292	(3,299,292)	(0)	(—)
Security deposits(specified)	66,180	(66,180)	(0)	(—)
Received donation assets	568,831,908	(568,831,908)	(0)	(—)
Subtotal	237,649,838,837	(236,654,322,581)	(0)	(995,516,256)
Total	266,460,386,659	(265,464,870,403)	(0)	(995,516,256)

5. Fixed asset acquisition prices, cumulative depreciation, and balances at end of fiscal year

Shown below are acquisition prices, cumulative depreciation amounts, and balances at the end of the current fiscal year for fixed assets.

(Units: yen)

Account	Acquisition price	Cumulative depreciation	Balance at end of current fiscal year
Buildings (specified)	4,211,166,906	1,857,740,406	2,353,426,500
Structures (specified)	224,412,131	107,269,153	117,142,978
Vehicles and transportation (specified)	26,731,855	20,854,430	5,877,425
Fixtures (specified)	624,370,916	437,683,598	186,687,318
Software (specified)	699,180,148	540,788,494	158,391,654
Trademarks (specified)	2,114,235	407,969	1,706,266
Total	5,787,976,191	2,964,744,050	2,823,232,141

6. Breakdown of bonds intended to be held to maturity, book values, market values, and revaluation gains/losses

(Units: yen)

Issued	Book value	Market value	Revaluation gains/losses
Municipal bonds	3,277,784,987	3,323,838,200	46,053,213
Special bonds	20,294,914,868	20,277,999,400	▲16,915,468
Money trusts	12,660,000,000	13,074,726,468	414,726,468
Total	36,232,699,855	36,676,564,068	443,864,213

7. Breakdown of subsidies, grant providers, and gains/losses and balances at end of the current fiscal year

The breakdown of subsidies, etc. and the grant providers, and the gains/losses and balances at the end of the current fiscal year are as follows.

(Units: yen)

Name of subsidy, etc.	Provider	Balance at end of previous fiscal year	Amount transferred for adjustment	Gain for current fiscal year	Loss for current fiscal year	Balance at end of current fiscal year	Classification listed for balance sheet
Grants based on the Motorboat Racing Law	33 boaat-race operators	0	2,124,771,227	25,871,415,907	27,090,307,147	905,879,987	Designated net assets
Total		0	2,124,771,227	25,871,415,907	27,090,307,147	905,879,987	

8. Breakdown of amounts transferred from designated net assets to general net assets

The breakdown of the amounts transferred from designated net assets to general net assets are as follows.

(Units: yen)

Transfers	Amount
Amount transferred to ordinary revenue	
Amount transferred for allocated operating costs	23,707,981,962
Amount transferred for allocated administrative costs	940,809,073
Amount transferred for allocated depreciation costs	291,754,019
Amount transferred for nonrecurring revenue	
Amount undesignated from handover of fixed assets	1,850,890,468
Amount undesignated from retirement of fixed assets	3,939,559
Amount undesignated from achieving donation objective	148,607,287
Total	26,943,982,368

9. Retirement benefits

(1) Summary of retirement benefit system employed

A defined-benefit corporate pension fund system and a defined-benefit system of lump-sum retirement benefits have been established.

(2) Retirement benefit obligations and breakdown thereof

(Units: yen)

① Retirement benefit obligations	▲1,028,126,526
② Pension assets	147,718,702
③ Retirement benefit reserves (①+②)	▲880,407,824

(3) Retirement benefit expenses

(Units: yen)

④ Labor costs	74,444,331
⑤ Retirement benefit expenses	74,444,331

(4) Basis for calculating retirement benefit obligations, etc.

Retirement benefit obligations were calculated from the amount of benefits payable to employees leaving voluntarily as of the end of the year under the system of lump-sum retirement benefits and from the amount of liability reserves indicated by pension finance calculations under the corporate pension fund system.

10. Major subsequent events

The Nippon Foundation was certified as a public interest incorporated foundation on April 1, 2011 under Article 44 (Item 50 of the 2006) Act on Arrangement of Relevant Acts Incidental to the Enforcement of the Act Concerning General Corporations and General Foundations and the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations.