

### Summary of the FY 2008 Settlement of Accounts

#### 1. **Financial Statements, Etc. of Public University Corporations** (Article 34, Local Independent Administrative Corporation Law)

It is compulsory for public university corporations to prepare and publicly announce financial statements, etc. in order to fulfill accountability to local citizens and other parties concerned, regarding financial and management situations, as well as to achieve internal understanding regarding financial situations of the corporations with an objective perspective.

Financial statements and other related documents must be prepared within three months following the end of a fiscal year, and then must undergo an audit by auditors and accounting auditors. After this procedure, they must be authorized by the Governor of Fukushima Prefecture, the representative of the Founder of the University. The Governor, prior to his/her authorization of relevant financial statements, must invite opinions from the Fukushima Prefecture Public University Corporation Evaluation Committee.

Titles of Documents Included in the Financial Statements	Description
Balance Sheet	This document describes financial situations for relevant fiscal years.
Statement of Income	This document describes management situations at the end of relevant fiscal years.
Appropriation of Profits	This document describes details of appropriation of profits.
Statement of Cash Flow	This document describes situations regarding balance of funds.
Calculation of Costs for Implementation of Administrative Services	This document describes costs funded by residents.
Notes Regarding Financial Statements and Remarks	These documents contain additional data and breakdowns to financial statements and accounting policies, etc.

#### <Other Documents Attached to the Financial Statements>

- Business report: This document covers major items regarding situations in terms of implementation of relevant business activities. (Details of this report are the same as those on the business evaluation report to be prepared separately.)
- Settlement of accounts: This document describes situations concerning execution of relevant budgets.
- Opinions from auditors and accounting auditors regarding the financial statements, business report (limited to sections related to accounting), and settlement of accounts

#### 2. **Accounting Standards for Public University Corporations**

Financial statements of public university corporations, for which the major activity categories are education and research, will be prepared based not only on corporate-style accounting, but also on the “accounting standards for local independent administrative corporations” to take into account special nature of accounting for this type of institution, for example, acquisition of profit is not a principle purpose of these corporations.

### 3. Summary of the FY 2008 Settlement of Accounts

#### (1) The Balance Sheet (Financial Situations)

##### ① Assets

The total value of assets was 19,117,000,000 (an increase of 2%, 375,000,000 yen, from last fiscal year) including fixed assets of 17,862,000,000 yen mainly consisting of land, buildings, and educational and research-purpose machines, etc. which account for 93.4% of the total value of assets.

[Major assets newly acquired by the University during FY 2008]

- Machine equipment (a machine for dyeing and finishing timbers installed at the Junior College Division): 1,000,000 yen
- Tools, furniture, and durable goods (personal computers for use in education and research (leased assets) and 3D plotter, etc): 1,220,000,000 yen
- Library materials (including donated library materials): 7,000,000 yen
- Construction in progress (Central Security System of the University): 143,000,000 yen

In addition to the above-mentioned assets, the value of current assets is 1,255,000,000 yen including 1,155,000,000 yen of cash on hand and in banks. This amount also includes an accrued amount of 455,000,000 yen for payments which must be made in April, 2009.

The main reason for the increase in the value of assets was from acquired assets which are mentioned above and increase of cash on hand in bank.

##### ② Liabilities

The total amount of liabilities was 3,730,000,000 yen (an increase of 39.9%, 1,063,000,000 yen, from last fiscal year) including the fixed liabilities of 2,520,000,000 yen. The major portion in this category was for assets offsetting liabilities for which the amount was 1,740,000,000 yen. This amount mainly corresponds to the balance from the inappropriate fixed assets category. The total amount of current liabilities was 1,208,000,000 yen including operational subsidy liabilities (the remaining amount of money allocated for personnel expenses and expenses for facility improvement) of 178,000,000 yen, donation liabilities (the portion of unused grant donations) of 33,000,000 yen, accrued expenses of 455,000,000 yen, short-term lease liabilities for computers of 480,000,000 yen.

The main reason for increase of the amount of liabilities were from renewal of long-term lease of the University's network system, short-term leases and construction in progress offsetting liabilities for replacing the central security system.

With regard to operational subsidies, portions to be disbursed for personnel expenses and expenses for facility improvement, which are determined by the Government of Fukushima Prefecture, will be reversed as income according to cost-based income realization criteria for reversal of expenses to income. Therefore, it is determined that remaining amounts of operational subsidies will be carried over to the following fiscal year as liabilities. Grant donations will be handled according to the same process.

##### ③ Capital

The total capital of the University was 15,387,000,000 yen (a decrease of 4.3%, 687,000,000 yen, from last fiscal year).

The amount of capital assets is 19,304,000,000 yen consisting of land and buildings, etc., which are infrastructures for management of the University, invested in kind by the Government of Fukushima Prefecture.

The amount of capital surplus was calculated at a deficit of 4,418,000,000 yen, for which the calculating formula is as follows: The amount of assets granted by the Government of Fukushima Prefecture at no cost was 1,046,000,000 yen, and the amount of accumulated depreciation related to assets invested by the Government of Fukushima Prefecture of 5,464,000,000 yen (categorized as depreciation not associated with profit and loss, according to the accounting standards) has been deducted from this amount.

The amount of earned surplus was 501,000,000 yen, and consisted of appropriated surplus and 263,000,000 yen for inappropriate surplus at the end of the fiscal year.

The main reason for the decrease in capital was depreciation not included in income for assets invested by the Government of Fukushima Prefecture.

## **(2) Statement of Income (Situations Regarding Business Management)**

### **① Ordinary Expenses**

The total amount of ordinary expenses was 4,055,000,000 yen (a decrease of 5.9%, 253,000,000 yen, from last fiscal year), including education and research expenses of 1,462,000,000 yen, personnel expenses of 2,046,000,000 yen, and general administration expenses of 369,000,000 yen.

The percentage of personnel expenses in relation to ordinary expenses was 50%, and the percentage of educational and research expenses in relation to ordinary expenses was 36%. Expenses for lease and maintenance of computers, which consist a main part of the educational and research infrastructure of the University, have occupied a large part of ordinary expenses.

### **② Ordinary Income**

The total amount of ordinary income was 4,317,000,000 yen (a decrease of 2.7%, 119,000,000 yen, from last fiscal year), mainly consisting of income from operational subsidies from the Government of Fukushima Prefecture of 3,039,000,000 yen, which was 70% of ordinary income, and income from tuition, etc. paid by students, for which amount was 970,000,000 yen and was 22% of ordinary income

The decrease of ordinary income was mainly from decrease of operational subsidy.

### **③ Current Net Profits (Ordinary Profits)**

Given all of the above, the amount of current net profits for FY 2008 was 262,000,000 yen (an increase of 104.7%, 134,000,000 yen, from last fiscal year).

The ordinary profits resulted from the total amount of admission fees and tuition received by the University which was larger than expected, and cost-conscious well-planned and effective execution of funds, such as increasing external funds, extending computer lease period, reviewing building management contract, etc.

### **④ Net Profits for the Fiscal Year**

In addition to above Current Net Profits, results of transfer from reserve for liability, which was accounts receivable of tuition that had been listed on unrecoverable allowance until previous fiscal year, became available to collect FY2008, FY2008's Net Profits for the Fiscal Year is 263,000,000 (an increase of 105.8%, 135,000,000 yen).

#### 4. Appropriation of Current Net Profit (Article 40, Local Independent Administrative Corporation Law)

##### (1) The Scheme for Appropriation of Profits

According to the scheme for appropriation of profits of public university corporations, profits earned by public university corporations as a result of their efforts to effectively and efficiently carry out relevant business activities and to put into practice their own ideas in order to increase self-income and cost economization shall be classified into the following two categories for appropriation:

Profits authorized by the Governor of Fukushima Prefecture created as a result of operational efforts shall be categorized as “appropriated surplus”, and profits for expenses for specific purposes, for which use has been originally specified, shall be categorized as “fund reserves”.

“Appropriated surplus” funds may be used for the following fiscal year and on for purposes stated in the mid-term plans, for example for improvement of quality of education and research, and organizational management, whereas “fund reserves” will be used for the following fiscal year and on to cover deficits.

The Governor of Fukushima Prefecture, when judging relevant profits, must in advance invite opinions from the Fukushima Prefecture Public University Corporation Evaluation Committee, in the same way as done for financial statements.

##### (2) Appropriation of Profits (Draft)

The Public University corporation the university of Aizu, in accordance with the scheme described in the financial statements, shall apply for authorization of the surplus of 263,000,000 yen as “appropriated surplus,” excluding the expenses for specific purposes of 184,000 yen, which are classified as “fund reserves.”

“Fukushima Prefecture Criteria for Authorization of Operational Efforts Made by Public University Corporations in Fukushima Prefecture” have been quoted below for reference.

**[Reference: Fukushima Prefecture Criteria for Authorization of Operational Efforts Made by Public University Corporations in Fukushima Prefecture]**

1. Profits created by public university corporations from their own financial resources (e.g. payments from students, income from medical business and external funds, etc.) shall be regarded as operational efforts according to the “accounting standards for local independent administrative corporations.”
2. Profits created from operational subsidies shall be recognized as those created by operational efforts of relevant public university corporations, as they fall under “cases where costs have been reduced by way of effectively conducting business activities,” stipulated in the accounting standards for local independent administrative corporations for the following reasons described in items ① to ③. However, this shall not apply to the case described in item 3 below.
  - ① A certain degree of operational efforts based on the rules for allocation of operational subsidies has been carried out by relevant public corporations.
  - ② Taking into account distinctive features of education and research, it is difficult to verify and authorize the difference in amounts between the budget and the settlement of accounts separately as operational efforts.
  - ③ In cases where time-based income realization criteria are used, operational subsidy liabilities must be converted to the operational subsidy income in a lump sum, according to passage of time.
3. Profits created from operational subsidies to be disbursed for expenses for specific purposes
  - ※ Expenses for specific purposes are operational subsidies allocated to public university corporations separately from general expenses, in order to attain specially-designated goals. Therefore, profits falling under this category must not be used for purposes of use of surpluses provided for in the mid-term plans.

#### 5. Other Major Statements

##### (1) Statement of Cash Flow

Preparation of a statement of cash flow is compulsory, and must include categories of operation activities, investing activities, and financial activities, in order to correctly understand flow of funds, as the statement of income which is prepared on an accrued basis, does not necessarily correctly describe situations of funds. The amount of fund balance at the end of the fiscal year was 855,000,000 yen.

##### (2) Calculation of Costs for Implementation of Administrative Services

Preparation of a statement of calculation of costs for implementation of administrative services including depreciation not associated with profits and losses and opportunity costs, which are not recognized as expenses from perspectives of accounting of profits and losses, must be disclosed to local citizens regarding the total cost shared by local citizens. The cost related to the University incurred for administrative services for local citizens, etc. was 4,178,000,000 yen.



## Summary of the Statement of Income

(From April 1, 2008 to March 31, 2009)

(Unit: million yen)

<b>【Ordinary Expenses】</b>		
Operating expenses	3633	90
Educational expenses	258	6
Research expenses	262	7
Educational and research assistance expenses	940	23
<u>Educational and research expenses sub-total</u>	<u>1462</u>	<u>36</u>
Commissioned research expenses	125	3
Personnel expenses for executives	91	2
Personnel expenses for faculty	1293	32
Personnel expenses for administrative staff	661	16
<u>Personnel expenses sub-total</u>	<u>2046</u>	<u>51</u>
Management expenses	369	9
Expenses for financial affairs	52	1
<u>Ordinary expenses total</u>	<u>4055</u>	<u>100</u>
<b>【Ordinary Income】</b>		
Operational subsidies	3039	70
Payments by students	970	23
Commissioned research	132	3
Donations	12	0
Reversal of asset offsetting liabilities	21	1
Income from grants	85	2
Other	55	1
<u>Ordinary income total</u>	<u>4317</u>	<u>100</u>
<u>Ordinary Profits</u>	<u>262</u>	
<u>Nonrecurring Profits</u>	<u>1</u>	
<u>Net Profit for the Fiscal Year</u>	<u>263</u>	

Notes:

Total amounts in the table above do not always coincide with the sum of individual categories, as fractions less than the unit amount have been rounded down.

【Increase/Decrease from Previous Fiscal Year】 (Unit: one million yen)

Category	Ordinary Expenses	Ordinary Income	Ordinary Profits	Nonrecurring Profits	Net Profit for the Fiscal Year
FY 2008	4055	4317	262	1	263
FY 2007	4309	4437	128	0	128
Increase/ Decrease	△ 253 △ 6	△ 119 △ 3	134 105	1 All increased	135 106

① The decrease in ordinary expenses was mainly fromr reduction of computer leasing fee of educational and research assistance expenses.

② The decrease in ordinary income was mainly from reduction of subsidy from the Government of Fukushima Prefecture.

③ The increase in ordinary was mainly from an increase in the amount of tuition and admission fees received, efficient excution of funds and extending computer lease period,etc.

④ Nonrecurring porfit was from unrecoverable reserve allowance (collecting outstanding tuition).

⑤ The increase in net profit for the FY 2008 was from above ③ .