

Summary of the FY 2017 Settlement of Accounts

1. Financial Statements, Etc. of Public University Corporation

(Article 34, Local Independent Administrative Corporation Law)

The Public University Corporation, the UoA is obligated to prepare and publicly disclose the financial statements, etc., as they are held accountable to local citizens and other interested parties for the status of its finance and operational management and must achieve objective understanding regarding the financial status of the corporation.

The financial statements, etc. 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, the statements must be authorized by the Governor of Fukushima Prefecture, the head of the founder.

Title of Documents Included in the Financial Statements	Description
Balance Sheet	This document describes financial situations for relevant fiscal year.
Statement of Income	This document describes Overview of Business Management situations at the end of the fiscal year.
Cash Flow Statement	This document describes the situation regarding the balance of funds.
Profit appropriation statement	This document describes details of appropriation of profits.
Cost Statement for Implementation of Administrative Services	This document describes costs burdened by residents.
Notes Regarding Financial Statements and Remarks	These documents contain additional data/breakdowns to financial statements, accounting policies, etc.

<Attachments to the Financial Statements>

- Business Report: This document covers major items regarding situations in terms of implementation of business activities.
- Report on the 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 Report on 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 on the "Accounting Standards for Local Independent Administrative Corporations" to utilize corporate accounting standards into this type of entities, which does not assume financial independence and is not run for acquisition of profits principally.

3. Summary of the FY 2017 Settlement of Accounts

(1) The Balance Sheet

① Assets

The total value of assets was 18,451M (a year-on-year decrease of 2.2 % or 415M yen).

This includes fixed assets of 16,394M yen mainly consisting of land, buildings, and educational and research-purpose machines, etc. which account for 88.9% of the total value of assets.

The value of current assets is 2,057M yen including 1,656M yen of cash on hand and in banks. The amount of account payable due in April is 450M yen, which is recorded separately.

The main factor of the decrease in assets was due to an increase in cumulative depreciation related to campus buildings, etc.

[Major assets newly acquired by the University in FY 2017 (including construction in progress)]

Two-way audio and video transfer system 36M yen

② Liabilities

The total amount of liabilities was 3,956M yen (a year-on-year decrease of 9.0% or 391M yen). This includes fixed liabilities of 3,180M yen which consists of 2,745M yen assets offsetting liabilities as the majority. This amount of offsetting liabilities mainly corresponds to the undepreciated balance of fixed assets.

The total amount of current liabilities was 776M yen including accounts payable of 450M yen, and short-term lease liabilities for computers of 210M yen.

The major factor for the decrease in liabilities is the fact that we have recorded all the operational subsidy liabilities as profits since this is the final year of the medium-term goal period.

③ Net Assets

The total net asset was 14,495M yen (a year-on-year decrease of 0.2 % or 24M yen).

The net assets included the capital of 19,947M yen which consists of land and buildings, etc., invested in kind by the Government of Fukushima Prefecture for operational infrastructure of the University.

The amount of capital surplus was a deficit of 6,882M yen, for which the calculation formula is as follows:

The amount of structures and other assets granted by the Government of Fukushima Prefecture at no cost, as well as Somei House was 1,356M yen. The accumulated depreciation expenses of 8,231M yen related to assets invested by the Government of Fukushima Prefecture (excluded in depreciation associated with profit and loss based on the Accounting Standards), and accumulated impairment losses of 7M yen have been deducted from this amount.

The amount of earned surplus was 1,430M yen, and consisted of reserve funds for specific purposes and 469M yen of unappropriated surplus at the end of the fiscal year.

The main factor of the decrease in net assets was due to the recording the amount of cumulative depreciation of buildings, etc. to the amount of cumulative depreciation which is not associated with profits and losses.

Summary of the Balance Sheet

(March 31, 2018)

In millions of Japanese Yen

【Assets】			【Liabilities】		
I Fixed Assets	16,394	(88.9%)	I Fixed Liabilities	3,180	(17.2%)
1. Tangible Assets	16,322	(88.5%)	Asset offsetting liabilities	2,745	(14.9%)
Land	6,620	(35.9%)	Long-term lease liabilities	435	(2.4%)
Accumulated impairment loss	$\Delta 7$	($\Delta 0.0\%$)	II Current Liabilities	776	(4.2%)
Buildings	14,915	(80.8%)	Operational subsidy liabilities	0	(0.0%)
Accumulated depreciation	$\Delta 7,821$	($\Delta 42.4\%$)	Liabilities for donations	27	(0.1%)
Facilities	1,071	(5.8%)	Accrued expenses	450	(2.4%)
Accumulated depreciation	$\Delta 809$	($\Delta 4.4\%$)	Short-term lease liabilities	210	(1.1%)
Tools, furniture and durable goods	1,754	(9.5%)	Other	89	(0.5%)
Accumulated depreciation	$\Delta 909$	($\Delta 4.9\%$)	Total Liabilities	3,956	(21.4%)
<u>Sub-total</u>	<u>14,814</u>	<u>(80.3%)</u>	【Net assets】	0	
Library materials	1,501	(8.1%)	I Capital Stock	19,947	(108.1%)
Other	7	(0.0%)	II Capital Surplus	$\Delta 6,882$	($\Delta 37.3\%$)
Construction in progress	0	(0.0%)	Capital Surplus	1,356	(7.3%)
2. Intangible Assets	68	(0.4%)	Depreciation not included in income	$\Delta 8,231$	($\Delta 44.6\%$)
Patent right	14	(0.1%)	Impairment losses not included in income	$\Delta 7$	($\Delta 0.0\%$)
	0	(0.0%)	III Earned Surplus	1,430	(7.8%)
Software	35	(0.2%)	Funds for specific purposes, etc.	961	(5.2%)
Patent right in progress	1	(0.0%)	Unappropriated surplus at the end of the fiscal year	469	(2.5%)
Other (Telephone rights, etc.)	18	(0.1%)	Net Asset Total	14,495	(78.6%)
3. Investments and other asset	4	(0.0%)			
Long-term prepaid expenses	4	(0.0%)			
Long-term deposits	0	(0.0%)			
II Current Assets	2,057	(11.1%)	Total Liabilities and Net Assets	18,451	(100.0%)
Cash on hand and in banks	1,656	(9.0%)			
Other	401	(2.2%)			
Total Assets	18,451	(100.0%)			

【Increase/Decrease from the Previous Fiscal Year】

In millions of Japanese Yen

Category	Assets		Liabilities		Net assets	
	Fixed Assets	Current Assets	Fixed Assets	Current Assets	Capital	
FY2017	18,451	16,394 2,057	3,956	3,180 776	14,495	19,947
FY2016	18,866	17,219 1,647	4,347	3,029 1,318	14,519	19,947
Increase/ Decrease	$\Delta 415$ ($\Delta 2.2\%$)	$\Delta 825$ 410	$\Delta 391$ ($\Delta 9.0\%$)	151 $\Delta 542$	$\Delta 24$ ($\Delta 0.2\%$)	0

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.

- ① The main factor of the decrease in assets was due to an increase in accumulated depreciation related to campus buildings, etc
- ② The main factor of the decrease in liabilities was the fact that we have recorded all the operational subsidy liabilities as profits since this was the final year of the medium-term goal period.
- ③ The main factor of the decrease in net assets was due to the recording the amount of cumulative depreciation of assets from in-kind donations to the amount of cumulative depreciation which is not associated with profits and losses.

(2) Income Statement

① Ordinary Expenses

The total ordinary expenses was 5,117M yen (a year-on-year increase of 5.6% or 273M yen), including education and research expenses of 1,812M yen, personnel expenses of 2,375M yen, and general administration expenses of 838M yen.

The percentage of personnel cost in relation to ordinary expenses was 46.4%, and the percentage of educational and research expenses was 35.4%, both accounting for most part of ordinary expenses. In our corporation, as infrastructure for education and research, the amount of expenses for lease and maintenance of computers is large.

The main factor of the increase in ordinary expenses was due to an increase of facility repair costs, etc.

② Ordinary Income

The total amount of ordinary income was 5,222M yen (a year-on-year increase of 6.7% or 330M yen), mainly consisting of operational subsidies from the Government of Fukushima Prefecture of 3,435M yen, which was 65.8% of ordinary income, and student-related income such as tuition and admission fee for which amount was 953M yen and was 18.3% of ordinary income.

The major factor for the increase in ordinary income was the increase in the operational subsidy as the additional operational subsidy was provided for facility repair costs.

③ Ordinary Profits

Given all of the above, the amount of ordinary profits for FY 2017 was 105M yen (a year-on-year increase of 123.4%, or 58M yen).

The major factor for the increase in the ordinary revenue is cutbacks in the rent for the computer systems and the increase in the revenue from tuition fees.

④ Net Profits for the Fiscal Year

Subtracting the extraordinary losses from the ordinary profits, the amount of net profits for the fiscal year was 309M (a year-on-year increase 543.8% or 261M yen).

Since FY2017 was the last year of the second medium-term goal period, the remainder of the operational subsidy for personnel expenses was recorded as the non-recurring profit. This caused a significant increase in net profits.

⑤ Reversal of the Reserve Funds for Specific Purposes

In order to raise funds for the facility repair costs including replacement work of uninterruptible power system (UPS) and protection relay, 160M yen was reversed from the reserve funds for specific purposes.

⑥ Gross Profits for the Fiscal Year

As a result of adding the reversal of the reserve funds for specific purposes into the net profits above, gross profit for FY 2017 was 469M yen (a year-on-year increase of 162.0% or 290M yen).

Summary of the Income Statement

(From April 1, 2017 to March 31, 2018)

In millions of Japanese Yen

【Ordinary Expenses】		
Operating expenses	4,266	(83.4%)
Educational expenses	352	(6.9%)
Research expenses	596	(11.6%)
Educational and research assistance expenses	864	(16.9%)
<u>Educational and research expenses sub-total</u>	<u>1,812</u>	<u>(35.4%)</u>
Commissioned research expenses	79	(1.5%)
Personnel expenses for executives	127	(2.5%)
Personnel expenses for faculty	1,509	(29.5%)
Personnel expenses for administrative staff	739	(14.4%)
<u>Personnel expenses sub-total</u>	<u>2,375</u>	<u>(46.4%)</u>
Management expenses	838	(16.4%)
Expenses for financial affairs	12	(0.2%)
Miscellaneous losses	1	(0.0%)
<u>Ordinary expenses total</u>	<u>5,117</u>	<u>(100.0%)</u>
【Ordinary Income】		
Operational subsidies	3,435	(65.8%)
Payments by students	953	(18.3%)
Commissioned research	95	(1.8%)
Donations	20	(0.4%)
Reversal of asset offsetting liabilities	199	(3.8%)
Income from grants	434	(8.3%)
Other	86	(1.6%)
<u>Ordinary income total</u>	<u>5,222</u>	<u>(100.0%)</u>
<u>Ordinary Profits</u>	<u>105</u>	
<u>Nonrecurring Losses (loss on retirement of fixed assets)</u>	<u>1</u>	
<u>Extraordinary profits (Collect non allowances input)</u>	<u>204</u>	
<u>Net Profit for the Fiscal Year</u>	<u>309</u>	
<u>Reversal of Reserve Funds for Specific Purposes</u>	<u>160</u>	
<u>Gross Profits for the Fiscal Year</u>	<u>469</u>	

【Increase/Decrease from Previous Fiscal Year】

In millions of Japanese Yen

Category	Ordinary Expenses	Ordinary Income	Ordinary Profits	Net Profit for the Fiscal Year	Reversal of Reserve for Specific	Gross Profit for the Fiscal Year
FY2017	5,117	5,222	105	309	160	469
FY2016	4,844	4,892	47	48	130	179
Increase/ Decrease	273 (5.6%)	330 (6.7%)	58 (123.4%)	261 (543.8%)	30 (23.1%)	290 (162.0%)

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.

- ① The major factor for the increase in the ordinary expenses is the increase in the expenses for facility renovation, etc.
- ② The major factor for the increase in the ordinary revenue is the increase in the operational subsidies by receiving additional operational subsidies for facility renovation, etc.
- ③ The major factor for the increase in the ordinary revenue is cutbacks in the rent for the computer systems and the increase in the revenue from tuition fees.
- ④ The major factor for the increase in the gross profit in this fiscal year is that we have recorded all the amount of balance of the operational subsidies as profits this is the final year of the medium-term goal period.

4. Appropriation of Gross Profits for the Fiscal Year (Article 40, Local Independent Administrative Corporation Law)

(1) The Scheme for Appropriation of Profits

In the scheme for appropriation of profits of public university corporations, profits generated by public university corporations as a result of carrying out business effectively and efficiently in aims of increasing self-income and cost reduction shall be classified into “reserve funds for specific purposes” of which the Governor of Prefecture approves as the result of the management effort, and “reserve funds” which are profits from special factor expenses and use of it is initially specified.

“Reserve funds for specific purposes” may be used for the following fiscal year and so on, for purposes stated in the Mid-term Plans such as the improvement of the quality of education/research and university operation, whereas “reserve funds” are to be used for covering deficits in the following fiscal year and on.

However, there is a specific rule for the final year of the medium-term goal period. In accordance with this rule; (1) the gross profits of the fiscal year and (2) all the remainder of “reserve funds for specific purposes” and “reserve funds” from the past years shall be recorded as “reserve funds”.

Among the “reserve funds”, we may carry over the amount approved by the Governor of Prefecture to the next medium-term goal period as “reserve funds for specific purposes”. The remainder shall be paid back to the prefecture.

(2) Appropriation of Profits (Draft)

In this corporation, in accordance with the description in the “document regarding appropriation of profits (draft)” of our financial statements, a total of 1,429M yen including the sum of the gross profits of FY2017 and the remainder of “reserve funds for specific purposes (960M yen)” shall be recorded as “reserve funds”. As such, the term-end balance of “reserve funds” will be 1,431M yen.

Further, we will file a request to the prefecture to carry over the sum of the following (1) and (2) to the next medium-term plan period, and the remainder will be paid back to the prefecture.

(1) The remainder of the amount of “reserve funds for specific purposes” approved as the management efforts by the Governor of Prefecture

(2) The amount equivalent to the “reserve funds for specific purposes” of the gross profits of FY2017

5. Other Major Statements

(1) Cash Flow Statement

Preparation of a cash flow statement is compulsory, and it must include categories of business activities, investing activities, and financial activities, in order to correctly understand flow of funds, as the statement of income is prepared on an accrued basis, does not always describe situations of funds correctly. The amount of fund balance of the corporation at the end of the fiscal year for was 1,156M yen.

(2) Cost Statement for Implementation of Administrative Services

It is compulsory to prepare a cost statement for implementation of administrative services, including “depreciation not associated with profits and losses” and “opportunity costs,” both of which are not recognized as “expenses” from perspectives of accounting of profits and losses. The statement is to show the total cost shared by local citizens, and allow them to evaluate the University’s operation and activities. The relevant cost for FY 2017 was 4,359M yen.

