

Summary of the FY 2009 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 the special nature of accounting for this type of institution, for example, acquisition of profit is not a principle purpose of these corporations.

Starting from this fiscal year, the previously overvalued fixed assets posted to the balance sheet have been reset to appropriate values and asset impairment losses have been considered to further clarify the University’s situation regarding business operations, based on the “regional independent administrative agency accounting standards for asset impairment losses for fixed assets” and annotations thereof.

3. Summary of the FY 2009 Settlement of Accounts

(1) The Balance Sheet (Financial Situations)

① Assets

The total value of assets was 18,536,000,000 (a decrease of 3%, 581,000,000 yen, from last fiscal year) including fixed assets of 17,329,000,000 yen mainly consisting of land, buildings, and educational and research-purpose machines, etc. which account for 93.5% of the total value of assets.

[Major assets newly acquired by the University during FY 2009]

- **For buildings: 257,000,000 yen** (University: Central monitoring system, Junior College Division: Air-conditioning equipment, washrooms, surveillance cameras for prevention of crime) .
- **Tools, fixtures, and durable goods: 242,000,000 yen** (computers for use in education and research (leased assets)
- **Library materials: 9,000,000 yen** (including donated library materials)
- **Construction in progress: 101,000,000 yen** (Replacement of the light-control system, etc.)

In addition to the above-mentioned assets, the value of current assets is 1,207,000,000 yen including 1,046,000,000 yen of cash on hand and in banks. This amount also includes an accrued amount of 270,000,000 yen for payments which must be made in April, 2010.

The main reason for the decrease in the value of assets was from more depreciation in asset value.

② Liabilities

The total amount of liabilities was 3,391,000,000 yen (a decrease of 9.1%, 339,000,000 yen, from last fiscal year) including the fixed liabilities of 2,470,000,000 yen. The major portion in this category was for assets offsetting liabilities for which the amount was 1,964,000,000 yen. This amount mainly corresponds to the balance fixed assets category which were not appropriated.

The total amount of current liabilities was 921,000,000 yen including operational subsidy liabilities (the remaining amount of money allocated for personnel expenses and expenses for facility improvement) of 96,000,000 yen, donation liabilities (the portion of unused grant donations) of 27,000,000 yen, accrued expenses of 270,000,000 yen, short-term lease liabilities for computers of 468,000,000 yen.

The main reason for the decrease in liabilities were from decreased operational expense liabilities due to an increase in personnel expenses for faculty members, and decreased accrued expenses.

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 Net Assets

The total for net assets of the University was 15,145,000,000 yen (a decrease of 1.6%, 242,000,000 yen, from last fiscal year).

Included in the net 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 4,878,000,000 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. Liabilities of 194,000,000 yen for asset retirement regarding replacement of the central monitoring system at the University, the accumulated depreciation of 5,728,000,000 yen related to assets invested by the Government of Fukushima Prefecture (categorized as depreciation not associated with profit and loss, according to the accounting standards), and accumulated impairment losses of 2,000,000 yen have been deducted from this amount.

The amount of earned surplus was 718,000,000 yen, and consisted of appropriated surplus and 217,000,000 yen for non-appropriated surplus at the end of the fiscal year. The main reason for the decrease in net assets 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 4,177,000,000 yen (an increase of 3.0%, 122,000,000 yen, from last fiscal year), including education and research expenses of 1,431,000,000 yen, personnel expenses of 2,151,000,000 yen, and general administration expenses of 409,000,000 yen.

The percentage of personnel expenses in relation to ordinary expenses was 51%, and the percentage of educational and research expenses in relation to ordinary expenses was 34%. The University has many expenses for lease and maintenance of computers, which serve as infrastructure for its educational and research.

The main reason for increase in ordinary expenses was due to increased personnel expenses stemming from a higher number of faculty members employed by the University and an increase in retirement allowances paid out.

② Ordinary Income

The total amount of ordinary income was 4,395,000,000 yen (an increase of 1.8%, 78,000,000 yen, from last fiscal year), mainly consisting of income from operational subsidies from the Government of Fukushima Prefecture of 3,110,000,000 yen, which was 70% of ordinary income, and income from tuition, etc. paid by students, for which amount was 976,000,000 yen and was 22% of ordinary income

The increase in ordinary income was mainly due to the increase in income from operational subsidies stemming from increased personnel expenses for faculty members.

③ Current Net Profits (Ordinary Profits)

Given all of the above, the amount of current net profits for FY 2009 was 218,000,000 yen (a decrease of 16.8%, 44,000,000 yen, from last fiscal year). The main reason for the decrease was higher personnel expenses due to a higher number of faculty members, although efforts were made for well-planned and effective execution of funds.

④ Net Profits for the Fiscal Year

In addition to above current net profits, as a result of appropriation of liabilities for fixed assets, gross profit for FY 2009 was 217,000,000 (a decrease of 17.5%, 46,000,000 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 217,000,000 yen as “appropriated surplus,” excluding the expenses for specific purposes of 547,000 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 for the Corporation was 446,000,000 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 Corporation incurred for administrative services for local citizens, etc. was 3,752,000,000 yen.

Summary of the Balance Sheet

(March 31, 2010)

(Unit: 1 million yen)

【Assets】			【Liabilities】		
I Fixed Assets	17,329	(93.5%)	I Fixed Liabilities	2,470	(13.3%)
1. Tangible Assets	17,306	(93.4%)	Asset offsetting liabilities	1,964	(10.6%)
Land	6,620	(35.7%)	Long-term lease liabilities	502	(2.7%)
Accumulated impairment loss	△2	(0.0%)	Other	2	(0.0%)
Buildings	12,724	(68.6%)	II Current Liabilities	921	(5.0%)
Accumulated depreciation	△5,023	(△27.1%)	Operational subsidy liabilities	96	(0.5%)
Structures	1,039	(5.6%)	Liabilities for donations	27	(0.1%)
Accumulated depreciation	△652	(△3.5%)	Accrued expenses	270	(1.5%)
Tools, furniture and durable goods	1,850	(10.0%)	Short-term lease liabilities	468	(2.5%)
Accumulated depreciation	△867	(△4.7%)	Other	58	(0.3%)
Sub-total	15,690	(84.6%)	Total Liabilities	3,391	(18.3%)
Library materials	1,503	(8.1%)	【Net assets】		
Construction in progress	101	(0.5%)	I Capital Stock	19,304	(104.1%)
Other	10	(0.1%)	II Capital Surplus	△4,878	(△26.3%)
2. Intangible Assets	22	(0.1%)	Capital Surplus	852	(4.6%)
Patent right in progress	18	(0.1%)	Depreciation not included in income	△5,728	(△30.9%)
(Telephone rights, etc.)	4	(0.0%)	Impairment losses not included in income	△2	(0.0%)
II Current Assets	1,207	(6.5%)	III Earned Surplus	718	(3.9%)
Cash on hand and in banks	1,046	(5.6%)	The expenses of specific purposes, etc.	501	(2.7%)
Other	160	(0.9%)	Unappropriated surplus at the end of the fiscal year	217	(1.2%)
Total Assets	18,536	(100.0%)	Net asset Total	15,145	(81.7%)
			Total Liabilities	18,536	(100.0%)

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.

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

Category	Assets		Liabilities		Net assets	
		Fixed Assets		Fixed Assets		Capital
		Current Assets		Current Assets		
FY 2009	18,536		3,391		15,145	
		17,329		2,470		19,304
		1,207		921		
FY 2008	19,117		3,730		15,387	
		17,862		2,521		19,304
		1,255		1,208		
Increase/Decrease	△581 △3.0%	△533 △48	△339 (△9.1%)	△51 △287	△242 (△1.6%)	0

① The main reason for the decrease in the value of assets was due to an increase in depreciation values.

② The main reason for the decrease in the amount of liabilities was due to decreases in operational expense liabilities due to an increase in personnel expenses stemming from an increase in the number of faculty members, and decreased accrued expenses

③ The main reason for the decrease in net assets was depreciation not included in income for assets invested by the Government of Fukushima Prefecture.

Summary of the Statement of Income

(From April 1, 2009 to March 31, 2010)

(Unit: million yen)

【Ordinary Expenses】		
Operating expenses	3,706	(88.7%)
Educational expenses	232	(5.6%)
Research expenses	252	(6.0%)
Educational and research assistance expenses	946	(22.6%)
<u>Educational and research expenses sub-total</u>	<u>1,431</u>	<u>(34.3%)</u>
Commissioned research expenses	123	(2.9%)
Personnel expenses for executives	109	(2.6%)
Personnel expenses for faculty	1,389	(33.3%)
Personnel expenses for administrative staff	651	(15.6%)
<u>Personnel expenses sub-total</u>	<u>2,151</u>	<u>(51.5%)</u>
Management expenses	409	(9.8%)
Expenses for financial affairs	57	(1.4%)
Miscellaneous losses	3	(0.1%)
<u>Ordinary expenses total</u>	<u>4,177</u>	<u>(100.0%)</u>
【Ordinary Income】		
Operational subsidies	3,110	(70.8%)
Payments by students	976	(22.2%)
Commissioned research	131	(3.0%)
Donations	11	(0.3%)
Reversal of asset offsetting liabilities	31	(0.7%)
Income from grants	77	(1.8%)
Other	55	(1.3%)
<u>Ordinary income total</u>	<u>4,395</u>	<u>(100.0%)</u>
<u>Ordinary Profits</u>	<u>218</u>	
<u>Nonrecurring Losses</u>	<u>0</u>	
<u>Net Profit for the Fiscal Year</u>	<u>217</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 Losses	Nonrecurring Profits	Net Profit for the Fiscal
FY 2009	4,177	4,395	218	0	-	217
FY 2008	4,055	4,317	262	-	1	263
Increase/ Decrease	122 (3.0%)	78 (1.8%)	$\Delta 44$ $(\Delta 16.8\%)$	0 -	$\Delta 1$ All decreased	$\Delta 46$ $(\Delta 17.5\%)$

① The decrease in ordinary expenses was mainly from 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 execution of funds and extending computer lease period, etc.

④ The decrease in net profit for the FY 2009 was due to the same reason as in ③.

