

Summary of the FY 2010 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 fiscal year 2010, the “Accounting Standard for Financial Instruments,” the “Guidance on Disclosures about Fair Value of Financial Instruments,” the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property,” and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” have been applied

3. Summary of the FY 2010 Settlement of Accounts

(1) The Balance Sheet (Financial Situations)

① Assets

The total value of assets was 18,417,000,000 (a decrease of 0.6 %, 118,000,000 yen, from last fiscal year) including fixed assets of 17,029,000,000 yen mainly consisting of land, buildings, and educational and research-purpose machines, etc. which account for 92.5% of the total value of assets.

[Major assets newly acquired by the University during FY 2010]

- **For buildings: 442,000,000 yen** (University: the Housing Facility to Support Learning for Students “Somei House”)
- **Tools, fixtures, and durable goods: 77,000,000 yen** (University: renewal of computer systems)

In addition to the above-mentioned assets, the value of current assets is 1,388,000,000 yen including 1,171,000,000 yen of cash on hand and in banks. This amount also includes an accrued amount of 415,000,000 yen for payments which must be made in April, 2011.

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 3,331,000,000 yen (a decrease of 1.8%, 59,000,000 yen, from last fiscal year) including the fixed liabilities of 2,391,000,000 yen. The major portion in this category was for assets offsetting liabilities for which the amount was 2,150,000,000 yen. This amount mainly corresponds to the balance fixed assets category which was not appropriated.

The total amount of current liabilities was 940,000,000 yen including operational subsidy liabilities (the remaining amount of money allocated for personnel expenses, and the amount carried over due to the East Japan Massive Earthquake) of 78,000,000 yen, donation liabilities (the portion of unused grant donations) of 32,000,000 yen, accrued expenses of 415,000,000 yen, short-term lease liabilities for computers of 339,000,000 yen.

The main reason for the decrease in liabilities was the decreased liabilities for computer lease.

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 15,086,000,000 yen (a decrease of 0.4 %, 58,000,000 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 4,974,000,000 yen, for which the calculating formula is as follows: The amount of assets granted by the Government of Fukushima Prefecture at no cost plus Somei House was 1,068,000,000 yen. Liabilities of 11,000,000 yen for asset retirement regarding tennis courts due to the establishment of Somei House at the University, the accumulated depreciation of 6,040,000,000 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 3,000,000 yen have been deducted from this amount.

The amount of earned surplus was 757,000,000 yen, and consisted of appropriated surplus and 286,000,000 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 4,482,000,000 yen (an increase of 7.3%, 305,000,000 yen, from last fiscal year), including education and research expenses of 1,481,000,000 yen, personnel expenses of 2,344,000,000 yen, and general administration expenses of 491,000,000 yen.

The percentage of personnel expenses in relation to ordinary expenses was 52.3%, and the percentage of educational and research expenses was 33%, both accounting for most part of ordinary expenses. 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 increase in faculty members' retirement allowances paid out and increase in repair expenses of facilities because of aging deterioration.

② Ordinary Income

The total amount of ordinary income was 4,748,000,000 yen (an increase of 8%, 352,000,000 yen, from last fiscal year), mainly consisting of income from operational subsidies from the Government of Fukushima Prefecture of 3,234,000,000 yen, which was 68.1% of ordinary income, and income from tuition, etc. paid by students, for which amount was 979,000,000 yen and was 20.6% of ordinary income.

The increase in ordinary income was mainly due to the increase in operational subsidies stemming from increased personnel expenses for faculty members, as well as increase in subsidies for repair work of the facilities.

③ Current Net Profits (Ordinary Profits)

Given all of the above, the amount of current net profits for FY 2010 was 265,000,000 yen (an increase of 21.5%, 46,000,000 yen, from last fiscal year).

④ Reversal of the Funds of Specific Purposes

For the improvement of educational environment for students, 20,000,000 yen was spent to renew deteriorated educational equipment on campus.

⑤ Net Profits for the Fiscal Year

In addition to above current net profits, as a result of reversal of the expenses of specific purposes and appropriation of liabilities for fixed assets, gross profit for FY 2010 was 286,000,000 (an increase of 31.6%, 68,000,000 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 286,000,000 yen as “appropriated surplus,” excluding the expenses for specific purposes of 700 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 571,000,000 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 3,717,000,000 yen.

Summary of the Balance Sheet

(March 31, 2011)

(Unit: 1 million yen)

【Assets】			【Liabilities】		
I Fixed Assets	17,029	(92.5%)	I Fixed Liabilities	2,391	(13.0%)
1. Tangible Assets	17,005	(92.3%)	Asset offsetting liabilities	2,150	(11.7%)
Land	6,620	(35.9%)	Long-term lease liabilities	235	(1.3%)
Accumulated impairment loss	△3	(0.0%)	Other	5	(0.0%)
Buildings	13,262	(72.0%)	II Current Liabilities	940	(5.1%)
Accumulated depreciation	△5,344	(△29.0%)	Operational subsidy liabilities	78	(0.4%)
Structures	1,028	(5.6%)	Liabilities for donations	32	(0.2%)
Accumulated depreciation	△669	(△3.6%)	Accrued expenses	415	(2.3%)
Tools, furniture and durable goods	1,900	(10.3%)	Short-term lease liabilities	339	(1.8%)
Accumulated depreciation	△1,308	(△7.1%)	Other	73	(0.4%)
Sub-total	15,485	(84.1%)	Total Liabilities	3,331	(18.1%)
Library materials	1,504	(8.2%)	【Net assets】		
Construction in progress	5	(0.0%)	I Capital Stock	19,304	(104.8%)
Other	9	(0.0%)	II Capital Surplus	△4,974	(△27.0%)
2. Intangible Assets	23	(0.1%)	Capital Surplus	1,068	(5.8%)
Patent right	5	(0.0%)	Depreciation not included in income	△6,040	(△32.8%)
Design right	1	(0.0%)	Impairment losses not included in income	△3	(0.0%)
Patent right in progress	14	(0.1%)	III Earned Surplus	757	(4.1%)
Other (Telephone rights, etc.)	2	(0.0%)	Funds for specific purposes, etc.	470	(2.6%)
3. Investments and other assets	0	(0.0%)	Unappropriated surplus at the end of the fiscal year	286	(1.6%)
Long-term prepaid expenses	0	(0.0%)	Net asset Total	15,086	(81.9%)
II Current Assets	1,388	(7.5%)	Total Liabilities		
Cash on hand and in banks	1,171	(6.4%)	Total Liabilities	18,417	(100.0%)
Other	217	(1.2%)			
Total Assets	18,417	(100.0%)			

【Increase/Decrease from the Previous Fiscal Year】

(Unit: one million yen)

Category	Assets		Liabilities		Net assets	
	Fixed Assets	Current Assets	Fixed Assets	Current Assets	Capital	
FY 2010	18,417	17,029	3,331	2,391	15,086	19,304
		1,388		940		
FY 2009	18,536	17,328	3,390	2,469	15,145	19,304
		1,207		921		
Increase/Decrease	△118	△299	△59	△78	△58	0
	(△0.6%)		(△1.8%)		(△0.4%)	
		181		19		

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 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 decreased liabilities for computer lease.
- 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, 2010 to March 31, 2011)

(Unit: million yen)

【Ordinary Expenses】		
Operating expenses	3,951	(88.2%)
Educational expenses	336	(7.5%)
Research expenses	277	(6.2%)
Educational and research assistance expenses	867	(19.3%)
<u>Educational and research expenses sub-total</u>	<u>1,481</u>	(33.0%)
Commissioned research expenses	125	(2.8%)
Personnel expenses for executives	90	(2.0%)
Personnel expenses for faculty	1,604	(35.8%)
Personnel expenses for administrative staff	650	(14.5%)
<u>Personnel expenses sub-total</u>	<u>2,344</u>	(52.3%)
Management expenses	491	(11.0%)
Expenses for financial affairs	36	(0.8%)
Miscellaneous losses	2	(0.0%)
<u>Ordinary expenses total</u>	<u>4,482</u>	(100.0%)
【Ordinary Income】		
Operational subsidies	3,234	(68.1%)
Payments by students	979	(20.6%)
Commissioned research	133	(2.8%)
Donations	17	(0.4%)
Reversal of asset offsetting liabilities	62	(1.3%)
Income from grants	262	(5.5%)
Other	58	(1.2%)
<u>Ordinary income total</u>	<u>4,748</u>	(100.0%)
<u>Ordinary Profits</u>	<u>265</u>	
<u>Nonrecurring Losses</u>	<u>0</u>	
<u>Nonrecurring Profits</u>	<u>0</u>	
<u>Gross Profit for the Fiscal Year</u>	<u>266</u>	
<u>Funds for Specific Purposes</u>	<u>20</u>	
<u>Net Profit for the Fiscal Year</u>	<u>286</u>	

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

Category	Ordinary Expenses	Ordinary Income	Ordinary Profits	Gross Profit for the Fiscal Year	Reversal of Funds for Specific Purposes	Net Profit for the Fiscal Year
FY 2010	4,482	4,748	265	266	20	286
FY 2009	4,177	4,395	218	217	-	217
Increase/Decrease	305 (7.3%)	352 (8.0%)	46 (21.5%)	48 (22.1%)	- (100.0%)	72 (31.6%)

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 increase in ordinary expenses was mainly from increase in faculty members' retirement allowances paid out and also in repair expenses of facilities because of aging deterioration.

② The increase in ordinary income was mainly from increase in subsidy from Fukushima Prefecture to be spent for increasing number of faculty members and for repair work of facilities.

③ The main reason for an increase in ordinary profits was the same as ②.

④ The main reason for an increase in net profit for the FY 2009 was the same as ②.

