

FY2004

Annual Report on Public Interest Corporations

Outline

July 2004

Ministry of Internal Affairs and Communications

Background and Composition

O Background

Annual Reports on Public Interest Corporations have been produced every year since FY1997, based on “Standards on Permission for Establishment and Supervisory Guidance of Public Interest Corporations” and “Standards on Entrustment of Inspections, etc., to Public Interest Corporations” (Cabinet Decision of Sept. 20th, 1996). The purpose of these Reports is to clarify the current circumstances of public interest corporations and the state of implementation of these standards, among others.

O Composition

This Report consists of four chapters. Chapter 1 gives an outline of the public interest corporation system, while Chapter 2 surveys the current status of public interest corporations and Chapter 3 the relationship between public interest corporations and the administration. Finally, Chapter 4 outlines the Public Trust System and discusses its current status.

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“Median Value”

The “median value” lies at a point that divides a series of variables into two equal groups when they are sequenced in order of size. When there is an even number of variables, the average of the two middle values is taken as the median. For example, when the assets of all 25,825 public interest corporations are sequenced in order of size, those of the 12,913rd corporation represent the median value.

Chapter 1 An Outline of the Public Interest Corporation System

Section 1 Definition of Public Interest Corporations

1 Definition of public interest corporations

Public interest corporations are incorporated associations (*shadan-houjin*) or incorporated foundations (*zaidan-houjin*) that are established under Article 34 of the Civil Code (Law No. 89 of 1896). Requirements for establishing such corporations are that they must undertake business of a public interest nature, their purpose must not be to create profit, and they must obtain the permission of the presiding ministry.

2 Incorporated associations and incorporated foundations

Incorporated associations (*shadan-houjin*) are collective bodies of people that are formed under certain objectives, have organization, intentions, and other aspects as a group, and are groups that act in the name of the group as separate social entities to company employees. Incorporated foundations (*zaidan-houjin*) are collections of assets that are contributed and formed under certain objectives, and are groups that are managed and operated for public interest (non-profit) purposes.

3 Public interest corporations, etc., in the broad sense

Besides incorporated associations and incorporated foundations, other corporations that are established under special laws other than the Civil Code and whose purpose is not to create profit are also called public interest corporations in the broad sense. Examples of these include school corporations (Public Schools Law), social welfare corporations (Social Welfare Services Law), religious corporations (Religious Corporations Law), medical corporations (Medical Treatment Law), rehabilitation corporations (Rehabilitation Service Law), and specified non-profit activity corporations (Law to Promote Specified Nonprofit Activities). The establishment of these corporations is based on the principle of approval or certification. Compared to public interest corporations, whose establishment is based on the principle of permission under the Civil Code, the scope for discretion on the part of the presiding ministry is narrower.

The Intermediate Corporations Law was enacted in April 2002 as a general legal system for intermediate groups whose purpose is neither public interest nor profit. Intermediate groups based on the provisions of special laws include, for example, labor unions (Trade Union Law), *Shinkin* banks (Shinkin Bank Law), cooperative associations (various cooperative association laws), and mutual benefit associations (various mutual benefit association laws).

Section 2 The System of Laws Related to Public Interest Corporations

As stated above, public interest corporations are established under Article 34 of the Civil Code. Provisions governing the establishment of public interest corporations, the organization of public interest corporations, changes to articles of incorporation, the registration of public interest corporations, the powers of public interest corporations, the dissolution of public interest corporations, and other matters are set out in the Civil Code, Part 1, Chapter 2 (Corporations).

Section 3 The System of Supervisory Guidance to Public Interest Corporations

1 The system of presiding ministries

Under the provisions of the Civil Code, powers concerning permission for establishment and supervisory guidance of public interest corporations are given to “the presiding ministry”. This refers to the Cabinet Office plus ten central ministries and agencies that have jurisdiction over administrative work concerning the objectives and business of public interest corporations. When the objectives and business come under the jurisdiction of more than one ministry or agency, these act jointly as the presiding ministry.

2 Processing of work by prefectural governors, etc.

The Civil Code provides that the powers of the presiding ministry may be entrusted to administrative agencies belonging to the state, as stipulated in Cabinet Orders, and that prefectural governors or other executive agencies may process administrative work coming under these powers. The processing of work by prefectural governors, etc., and entrustment to the heads of regional branch bureaus are stipulated in the Cabinet Order Concerning Processing of Work Coming Under the Authority of Presiding ministries Pertaining to Public Interest Corporations (Cabinet Order No. 161 of 1992), which was enacted on the basis of these provisions.

3 Competent authorities for public interest corporations

Administrative agencies actually in charge of work related to permission for establishment and supervisory guidance of public interest corporations, etc., are referred to as “competent authorities” in the Supervisory Guidance Standards. Altogether, there are 284 competent authorities, consisting of the Cabinet Office plus ministries and agencies (11), external bureaus, ministers, agencies, etc., of the Cabinet Bureau (3), heads of regional branch bureaus (176), prefectural governors (47), and prefectural boards of education (47).

4 The system for achieving uniform supervisory guidance, etc.

Since permission for establishment and supervisory guidance of public interest corporations are undertaken by so many competent authorities, including the various presiding ministries and the prefectural governors who process the administrative work coming under their authority, steps need to be taken to ensure the uniformity of the work undertaken by these authorities.

To this end, the appropriateness of supervisory guidance of public interest corporations is currently being promoted uniformly and vigorously through a system of occasional “Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc”, among others.

“Standards on Permission for Establishment and Supervisory Guidance of Public Interest Corporations” and “Standards on Entrustment of Inspections, etc., to Public Interest Corporations” were decided by the Cabinet on Sept. 20th, 1996, as standards for uniform supervisory guidance, etc. The aim of these Standards is to further enhance the supervisory guidance given to public interest corporations, and to uniformly and vigorously promote the enhanced transparency of actions by public interest corporations on behalf of the administration. The various competent authorities offer supervisory guidance and other matters in line with these standards.

5 Accounts processing of public interest corporations

Accounting standards for public interest corporations were first decided in March 1977. They were subsequently reviewed, and the existing accounting standards for public interest corporations were decided in September 1985 (and applied from April 1st, 1987).

These accounting standards are, in principle, applied to all public interest corporations established under Article 34 of the Civil Code.

The actual state of application of these accounting standards is as follows.

Accounting standards for public interest corporations completely applied:

19,132 corporations (74.1%)

Accounting standards for public interest corporations partly applied:

4,373 corporations (16.9%)

Corporate accounting standards applied:

753 corporations (2.9%)

Others applied (i.e. other accounting standards, such as ministerial accounting):

1,567 corporations (6.1%)

Section 4 Taxation Related to Public Interest Corporations

1 Taxation related to public interest corporations

Taxes related to public interest corporations are corporation tax, income tax, consumption tax, and other national taxes, and inhabitants tax, enterprise tax, local consumption tax, real estate acquisition tax, fixed property tax, city planning tax, and other local taxes. Some of these include preferential tax measures for public interest corporations.

2 Tax on donations to public interest corporations

For certain monetary donations to public interest corporations whose business has a high public interest nature (such as the promotion of education and science, improvement of culture, or contributions to social welfare), special consideration is given, including tax exemptions for monetary donations.

Section 5 Policy Trends Related to Public Interest Corporations

1 Reform of public interest corporations

(1) Reforms of involvement in public interest corporations by the administration

In the “Outline of Administrative Reform”, the involvement of the administration in public interest corporations is to be rigorously reviewed in terms of the work and business of inspection, accreditation, grading, and others accepted by public interest corporations under entrustment or recommendation from the central government, and subsidies, entrustment costs, and others issued by the government to public interest corporations. These are to be reviewed from the perspective of role-sharing between public and private sectors, regulatory reform, and the reduction or rationalization of treasury burdens. In response to this, after due deliberation and adjustment within the government, a “Plan for Reform of Involvement in Public Interest Corporations by the Administration” was decided by the Cabinet on March 29th, 2002. This Reform Plan outlines the content of initiatives to be tackled by the end of FY2005, within the period for concentrated reform, and the various ministries and agencies are now gradually implementing reforms based on the Reform Plan.

(2) Radical reform of the public interest corporation system

Japan’s system of public interest corporations has not been significantly revised for more than 100 years since the Civil Code was enacted in 1896, and is consequently the object of some criticism.

On March 29th, 2002, therefore, the government made a Cabinet Decision on “Efforts aimed at a radical reform of the public interest corporation system”, launching a radical and systematic review of the system and other related systems.

In response to this Cabinet Decision, the Cabinet Secretariat started studies, in cooperation with related ministries and private-sector experts, including basic initiatives for reform. Then, on August 2nd, 2002, it published “Towards a radical reform of the public interest corporation system (enumeration of arguments)”, and, from November of the same year, held “Informal Meetings on Radical Reform of the Public Interest Corporation System”, consisting of experts under the Minister with Responsibility for Administrative Reform, and heard their opinions. Among the opposition parties, moreover, attempts were made to focus opinion aimed at a radical reform of the public interest corporation system, and on May 30th, 2003, a petition to this end was submitted to the government.

Following this process of deliberation, the government made a Cabinet Decision on “Basic Principles on Radical Reform of the Public Interest Corporation System” (hereinafter “Basic Principles”) on June 27th, 2003.

The “Basic Principles” state that studies are to be made of the creation of a new system of public interest corporations, tax measures for new public interest corporations, and measures for transfer to the new category of public interest corporations. Meanwhile, the Cabinet Secretariat is to pursue studies on

the new system of public interest corporations. Having materialized a basic framework by the end of 2004, the competent authorities are to promote expert studies related to tax measures, and should aim to devise legal and other measures by the end of FY2005.

In response to this, an “Expert Meeting on Reform of the Public Interest Corporation System” (hereinafter “Expert Meeting”) has been held under the Minister with Responsibility for Administrative Reform since November 2003, to provide reference points for the government’s studies. A “Public Interest Corporations Working Group” has been set up within the Expert Meeting, and expert studies on the new system of public interest corporations, irrespective of the level of public interest, are being pursued.

The Expert Meeting has held broad-ranging debate on matters of immediate concern, such as the significance of reform, the new system of public interest corporations, ideal ways of handling their public interest nature, etc. On March 31st, 2004, the debate up to that point was summarized and published in the form of “Interim Outline of Discussions”, to contribute to more concrete studies in future.

Based on this Interim Outline, the Expert Meeting is taking steps to pursue concrete studies to meet the schedule of the Basic Principles, namely that of further materializing the basic framework within the government by the end of this year.

2 Review of accounting standards for public interest corporations

Accounting standards for public interest corporations have not been changed for 19 years since the last amendment, despite changes in the circumstances surrounding them. In view of this, a Study Group on Accounting Standards for Public Interest Corporations, set up in the former Prime Minister’s Office in April 2000 (switched to the Ministry of Internal Affairs and Communications after the ministerial reorganization in January 2001), studied ways in which these standards could be changed to bring them more in line with reality. As a result, an “Enumeration of arguments concerning a review of accounting standards for public interest corporations (Interim Report)” was published in December 2001.

Based on the results of this study, and the fact that, in the “Outline of Administrative Reform” decided by the Cabinet in December 2000, measures to improve accounting standards for public interest corporations were also to be studied, a “Study Group on Accounting Standards for Public Interest Corporations” was set up in March 2002. Consisting of experts under the Managerial Board of Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc., the Group conducted studies over the space of about one year.

Then, in March 2003, the “Report by the Study Group on Accounting Standards for Public Interest Corporations”, consisting mainly of “Accounting Standards for Public Interest Corporations (Draft)”, was compiled and published. The Report focuses on greater transparency of fiscal information, clarification of the trustee responsibilities of public interest corporations, and simplification of financial statements.

Concerning these Draft Accounting Standards, a “Research Committee on the Draft Accounting Standards for Public Interest Corporations” met in the Ministry of Internal Affairs and Communications from June 2003. The Committee consisted of experts, and studied directions for application, the timing of application, and other issues, based on trends in radical reform of the public interest corporation system, etc.

3 Enhancement of disclosure, supervision of public interest corporations, etc.

Due to unsavory incidents involving some public interest corporations, the manner of operation, supervisory guidance, and other aspects of public interest corporations are now subject to critical scrutiny. In view of this, the government, reached an agreement on “Enhancing the system for supervisory guidance of public interest corporations, etc.” on February 9th, 2001, in the Managerial Board of Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc., to further increase the rigor of its supervisory guidance. The content of this agreement included establishing a system of responsibility for supervisory guidance, such as setting up public interest corporation supervisory guidance officers in each ministry or agency, aiming to enhance the system, such as by holding on-site inspections

at least once every three years, and devising requisite measures to deal with requests for external monitoring of public interest corporations above a certain size, among other issues.

Meanwhile, as well as aiming for increased transparency and appropriateness of business operations through enhanced disclosure by public interest corporations, an agreement on “Internet disclosure by public interest corporations” was reached by the Managerial Board of Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc., on August 28th, 2001, as an initiative contributing to the promotion of reforms of public interest corporations based on the “Outline of Administrative Reform”, etc. Currently, the various ministries and agencies, based on this agreement, are publishing lists of public interest corporations under their jurisdiction on their Internet websites, while the Ministry of Internal Affairs and Communications has published a “Database of Public Interest Corporations” on its website.

The prefectures have also been requested to take measures similar to the two agreements outlined above.

4 Training on supervisory guidance of public interest corporations, etc.

To ensure the uniformity of administrative work related to permission for establishment and supervisory guidance, which is carried out by numerous competent authorities, awareness needs to be rigorously instilled by training employees engaged in this kind of work. To this end, the Ministry of Internal Affairs and Communications, as well as prefectures and other authorities, hold training for public interest corporation administrative officers, conferences of division managers with responsibility for administration of prefectural public interest corporations, regional lecture meetings on public interest corporations, block conferences of prefectural public interest corporation administration officers, and so on.

5 Agreement on Principles for Conversion to Profit-Making Corporations, etc.

A Corporation System Research Group Report published in March 1998 stated that it was basically possible for public interest corporations to convert to profit-making corporations, etc., under the existing legal system. In response to this, the Managerial Board of Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc., agreed “Principles for Conversion to Profit-Making Corporations, etc.” on December 4th of the same year, including procedures for conversion to profit-making corporations, etc., action to be taken after conversion, and so on.

6 Efforts to reorganize dormant companies and corporations of unknown jurisdiction

Dormant companies that are inactive for long periods without justifiable reason and corporations of unknown jurisdiction that are registered but whose competent authority is unknown could invite abuse of the public interest corporation system. For example, they could engage in business outside the original purpose by persons appointed as officers through buyouts, etc., or profit-making business taking advantage of preferential measures under tax law, and so on.

As measures to combat this, for dormant companies, the Civil Code was partially amended in 1979, while in 1985 “Uniform Standards on the Reorganization of Dormant Companies” and others were formulated. Currently, the various competent authorities are making efforts to organize dormant companies under their jurisdiction in line with these Standards, etc. The number of those under central government jurisdiction decreased from 33 as of October 1st, 1993, to 6 as of October 1st, 2003. In the prefectures, the number decreased from 387 as of October 1st, 1993, to 143 as of October 1st, 2003.

Concerning corporations of unknown jurisdiction, meanwhile, a “Survey of Public Interest Corporations of Unknown Jurisdiction” in FY1995 revealed that there were some 1,860 such corporations throughout the country. The former Prime Minister’s Office allocated these to the various ministries, agencies, and prefectures, which are now processing them.

In March 2002, the Ministry of Internal Affairs and Communications issued a notification to the various competent authorities concerning the promotion of processing for unprocessed corporations. The

notification indicated procedures and target deadlines designed to promote processing work, with the target of completing processing for all corporations of unknown jurisdiction by the end of 2002, in principle.

A survey of the organization status in allocated competent authorities as of October 1st, 2003, revealed that processing was completed or finalized for 83.1% of cases (1,559 corporations; central government 92.8%, prefectures 79.6%).

7 Measures based on the Outline of Reform of the Civil Service System

In the “Outline of Reform of the Civil Service System” decided by the Cabinet on December 25th, 2001, necessary reviews were to be made of re-employment by public interest corporations, as well as by profit-making companies, special public corporations, and others, in line with their character as private-sector corporations, with a view to establishing appropriate rules for re-employment.

In response to this Cabinet Decision, on March 29th, 2002, the Managerial Board of Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc., reached an agreement on “Measures Based on the Outline of Reform of the Civil Service System”, stipulating specific matters that the various ministries and agencies should instruct to public interest corporations under their jurisdiction.

Chapter 2 The Current Status of Public Interest Corporations

Section 1 Basic Matters

1 The number of public interest corporations

The number of public interest corporations was 25,825 as of October 1st, 2003 (7,009 under central government jurisdiction, 18,987 under prefectural jurisdiction), a decrease of 218 corporations (0.8%) from the previous year. Of these, 12,836 were incorporated associations and 12,989 were incorporated foundations.

Table 1 Number of Corporations by Competent Authority (Central Government)

| | Main Ministry/Agency | | | Regional branch bureaus | | | Total by Ministry/Agency | | |
|--|----------------------|---------------|-------|-------------------------|---------------|-------|--------------------------|---------------|-------|
| | <i>shadan</i> | <i>zaidan</i> | Total | <i>shadan</i> | <i>zaidan</i> | Total | <i>shadan</i> | <i>zaidan</i> | Total |
| Cabinet Office | 44 | 47 | 91 | - | - | - | 44 | 47 | 91 |
| National Police Agency | 23 | 29 | 52 | - | - | - | 23 | 29 | 52 |
| Defense Agency | 7 | 15 | 22 | - | - | - | 7 | 15 | 22 |
| Financial Services Agency | 39 | 16 | 55 | 87 | 3 | 90 | 126 | 19 | 145 |
| Ministry of Internal Affairs and Communications | 74 | 169 | 243 | 65 | 16 | 81 | 139 | 185 | 324 |
| Ministry of Justice | 111 | 26 | 137 | - | - | - | 111 | 26 | 137 |
| Ministry of Foreign Affairs | 99 | 133 | 232 | - | - | - | 99 | 133 | 232 |
| Ministry of Finance | 20 | 42 | 62 | 645 | 2 | 647 | 665 | 44 | 709 |
| Ministry of Education, Culture, Sports, Science and Technology | 593 | 1,346 | 1,939 | - | - | - | 593 | 1,346 | 1,939 |
| Ministry of Health, Labour and Welfare | 295 | 466 | 761 | 325 | 148 | 473 | 620 | 614 | 1,234 |
| Ministry of Agriculture, Forestry and Fisheries | 295 | 170 | 465 | - | - | - | 295 | 170 | 465 |
| Ministry of Economy, Trade and Industry | 486 | 374 | 860 | - | - | - | 486 | 374 | 860 |
| Ministry of Land, Infrastructure and Transport | 322 | 280 | 602 | 436 | 148 | 584 | 757 | 428 | 1,185 |
| Ministry of the Environment | 41 | 51 | 92 | - | - | - | 41 | 51 | 92 |
| Total for ministries and agencies | 2,258 | 2,894 | 5,152 | 1,548 | 317 | 1,865 | 3,805 | 3,204 | 7,009 |

(Note) 1 The Total for ministries and agencies does not include corporations with joint jurisdiction

2 “*shadan*” = incorporated associations (*shadan-houjin*), “*zaidan*” = incorporated foundations (*zaidan-houjin*)

Table 2 Trends in the Number of Corporations

| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------|---------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Central government | <i>shadan</i> | 3,654 | 3,672 | 3,691 | 3,704 | 3,883 | 3,877 | 3,850 | 3,805 |
| | <i>zaidan</i> | 3,161 | 3,171 | 3,178 | 3,175 | 3,271 | 3,266 | 3,236 | 3,204 |
| | Total | 6,815 | 6,843 | 6,869 | 6,879 | 7,154 | 7,143 | 7,086 | 7,009 |
| Prefectures | <i>shadan</i> | 9,023 | 9,130 | 9,196 | 9,228 | 9,139 | 9,147 | 9,154 | 9,160 |
| | <i>zaidan</i> | 10,343 | 10,396 | 10,410 | 10,342 | 10,145 | 10,070 | 9,978 | 9,827 |
| | Total | 19,366 | 19,526 | 19,606 | 19,570 | 19,284 | 19,217 | 19,132 | 18,987 |
| All corporations | <i>shadan</i> | 12,618 | 12,743 | 12,827 | 12,872 | 12,889 | 12,889 | 12,872 | 12,836 |
| | <i>zaidan</i> | 13,471 | 13,532 | 13,553 | 13,482 | 13,375 | 13,294 | 13,171 | 12,989 |
| | Total | 26,089 | 26,275 | 26,380 | 26,354 | 26,264 | 26,183 | 26,043 | 25,825 |

(Notes) 1 The total of corporations under central government jurisdiction and prefectures is more than the number of all corporations, as some corporations are under joint jurisdiction between the central government and prefectures.
2 Figures as of October 1st each year.

To classify public interest corporations according to their nature, judging from present standards on public interest nature, there are 21,837 original public interest corporations, 3,804 friendly societies, mutual aid groups, etc., 30 candidates for conversion to profit-making corporations, and 154 other corporations.

The numbers of newly established corporations and dissolved corporations over the last 8 years are shown in Table 4. The number of newly established corporations fell by around a third from the most recent peak of 434 in 1996 to 144 corporations in 2003.

Table 3 Number of Corporations by Nature

| Competent authority | Number of corporations | Number of corporations by nature | | | |
|---------------------|------------------------|---------------------------------------|---|---|--------|
| | | Original public interest corporations | Friendly societies, mutual aid groups, etc. | Candidates for conversion to profit-making corporations | Others |
| Central government | 7,009 | 6,801 | 208 | 0 | 0 |
| Prefectures | 18,987 | 15,205 | 3,598 | 30 | 154 |
| Total | 25,825 | 21,837 | 3,804 | 30 | 154 |

Table 4 Number of Newly Established and Dissolved Corporations

| Competent authority | Number of newly established corporations | | | | | | | |
|---------------------|--|------|------|------|------|------|------|------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 80 | 51 | 48 | 47 | 26 | 46 | 24 | 19 |
| Prefectures | 354 | 283 | 218 | 165 | 145 | 156 | 123 | 126 |
| Total | 434 | 332 | 265 | 212 | 171 | 202 | 147 | 144 |

| Competent authority | Number of dissolved corporations | | | | | | | |
|---------------------|----------------------------------|------|------|------|------|------|------|------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 189 | 24 | 31 | 38 | 44 | 62 | 78 | 98 |
| Prefectures | 152 | 149 | 172 | 228 | 236 | 240 | 236 | 344 |
| Total | 341 | 172 | 203 | 266 | 280 | 299 | 312 | 439 |

(Note) The number of dissolved corporations under central government jurisdiction in 1996 includes 164 that changed their organization to rehabilitation service.

Section 2 Analysis of Individual Matters

1 Officers and employees

(1) Directors

Under the Civil Code, directors are positioned as executive agencies as well as representatives of corporations, and thus play an important role in the running of corporations. There are 407,514 directors in total and 15.8 on average per corporation, with a median of 13. In descending order of the number of corporations by scale of numbers of directors, there were 11,962 corporations (46.3%) with 10-19 directors, 7,966 corporations (30.8%) with 0-9, and 3,672 corporations (14.2%) with 20-29. These combined account for around 90% of the total number.

In all, there are 20,007 full-time directors (i.e. those who attend on at least 3 days per week), with an average of 0.8 per corporation.

Table 5 Number of Corporations by Scale of Number of Directors

| Competent authority | Number of corporations | Number of corporations by scale of number of directors | | | | | | Total number of directors | Average number of directors |
|---------------------|------------------------|--|--------|-------|-------|-------|------------|---------------------------|-----------------------------|
| | | 0-9 | 10-19 | 20-29 | 30-39 | 40-49 | 50 or more | | |
| Central government | 7,009 | 1,576 | 2,715 | 1,355 | 561 | 291 | 511 | 150,268 | 21.4 |
| Prefectures | 18,987 | 6,439 | 9,313 | 2,365 | 556 | 169 | 145 | 259,929 | 13.7 |
| Total | 25,825 | 7,966 | 11,962 | 3,672 | 1,109 | 460 | 656 | 407,514 | 15.8 |

(2) Ex-civil servants

Of the directors of central government corporations, 3.9% or 5,889 (138 fewer than in the previous year) are ex-national civil servants. In principle, this refers to directors who have experience in posts equivalent to Division Manager in the main ministries or agencies, and who were appointed as directors of the corporation in question less than 10 years after retirement. In terms of the number of corporations, these according for 33.2% or 2,325 corporations (a decrease of 66 compared to the previous year). Of these, 26.5% or 1,563 of national ex-civil service directors had been appointed as full-time directors (69 fewer than in the previous year).

Of the directors of prefectural corporations, 5.0% or 13,005 (546 fewer than in the previous year) are ex-prefectural civil servants. In terms of the number of corporations, this applies to 26.8% or 5,095 corporations (a decrease of 170 compared to the previous year). Of these, 23.3% or 3,024 of prefectural ex-civil service directors had been appointed as full-time directors (82 fewer than in the previous year).

Table 6 Number of Corporations with Ex-Civil Service Directors and Trends in Numbers of Directors

| Competent authority | Number of corporations | Number of corporations with ex-civil service directors | | | | | | | |
|---------------------|------------------------|--|-------|-------|-------|-------|-------|-------|-------|
| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 7,009 | 2,483 | 2,470 | 2,441 | 2,428 | 2,469 | 2,473 | 2,391 | 2,325 |
| Prefectures | 18,987 | 5,443 | 5,591 | 5,563 | 5,631 | 5,523 | 5,443 | 5,265 | 5,095 |

| Competent authority | Number of directors | Ex-civil service directors | | | | | | | |
|---------------------|---------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|
| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 150,268 | 7,080 | 6,903 | 6,338 | 6,112 | 6,134 | 6,185 | 6,027 | 5,889 |
| Prefectures | 259,929 | 14,633 | 15,657 | 15,329 | 14,960 | 14,458 | 14,052 | 13,551 | 13,005 |

(Notes) Figures as of October 1st each year.

Table 7 Number of Corporations with Full-Time Ex-Civil Service Directors and Trends in Numbers of directors

| Competent authority | Number of corporations | Number of corporations with full-time ex-civil service directors | | | | | | | |
|---------------------|------------------------|--|-------|-------|-------|-------|-------|-------|-------|
| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 7,009 | - | 1,159 | 1,114 | 1,125 | 1,122 | 1,133 | 1,113 | 1,059 |
| Prefectures | 18,987 | - | 2,673 | 2,639 | 2,604 | 2,546 | 2,505 | 2,421 | 2,363 |

| Competent authority | Number of directors | Number of full-time ex-civil service directors | | | | | | | |
|---------------------|---------------------|--|-------|-------|-------|-------|-------|-------|-------|
| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 150,268 | 1,742 | 1,721 | 1,657 | 1,651 | 1,644 | 1,652 | 1,632 | 1,563 |
| Prefectures | 259,929 | 3,591 | 3,481 | 3,436 | 3,370 | 3,254 | 3,208 | 3,106 | 3,024 |

(Notes) 1 Figures as of October 1st each year.

2 The number of corporations was not surveyed in 1996.

(3) Directors appointed from competent authorities

Of corporations under central government jurisdiction, 1,919 (69 fewer than in the previous year) have appointed 4,475 directors from competent authorities (148 fewer), while 4,861 prefectural corporations (134 fewer) have appointed 12,241 directors from competent authorities (450 fewer than in the previous year).

The Supervisory Guidance Standards, meanwhile, stipulate that the ratio of directors appointed from competent authorities is to be no more than one-third of the total current number of directors (in the case of corporations under joint jurisdiction, the total of directors from all ministries and agencies with joint jurisdiction should be no more than one-third). The number of corporations in which directors from competent authorities account for more than one-third of the current number is shown in Table 8. Central government corporations account for 10 of these (the same as in the previous year; the situation has been

improved in 9 corporations as of July 1st, 2004), and the prefectures have jurisdiction over 441 such corporations (82 fewer than in the previous year).

Table 8 Number of Corporations in Which Directors Appointed from Competent Authorities Account for More Than One-Third

| Competent authority | Single jurisdiction | Joint jurisdiction | Total | Previous year's total |
|---------------------|---------------------|--------------------|-------|-----------------------|
| Central government | 7 | 3 | 10 | 10 |
| Prefectures | 436 | 5 | 441 | 523 |
| Total | 443 | 7 | 450 | 532 |

Table 9 shows changes in the number of corporations since October 1st, 1996, immediately after the decision of the Supervisory Guidance Standards. It shows that, since the decision of the Standards, there have been progressive moves to correct the composition of directors, but that in prefectural corporations, the number is still more than one-third in many corporations.

Table 9 Changes in Number of Corporations in Which Directors Appointed from Competent Authorities Account for More Than One-Third

| Competent authority | Number of corporations in which directors appointed from competent authorities account for more than one-third | | | | | | | |
|---------------------|--|------|------|------|------|------|------|------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Central government | 239 | 176 | 104 | 20 | 10 | 9 | 10 | 10 |
| Prefectures | 710 | 841 | 790 | 659 | 570 | 529 | 523 | 441 |

(4) Directors connected with the same industrial sector

The Supervisory Guidance Standards state that the ratio of directors connected with the same industrial sector should be no more than half of the current total. Nevertheless, directors connected with the same industrial sector exceed half of the current total in 6,201 corporations (77 fewer than in the previous year).

Moreover, there are a total of 3,658 corporations in which all of the directors are connected with the same industrial sector.

(5) Auditors

Auditors are responsible for inspecting the operation and other aspects of corporations. Although their appointment is optional under the Civil Code, the Supervisory Guidance Standards stipulate that auditors must be appointed without fail. In all, there are 57,068 auditors, with an average of 2.2 per corporation. In terms of scale, 18,872 corporations (73.1%) have 2 auditors, accounting for the majority (46 corporations do not have an auditor system).

(6) Average salary of paid full-time officers

The Supervisory Guidance Standards stipulate that officers' remunerations "shall not be unduly excessive compared to the assets and revenue-expenditure balance of the corporation, and salary levels in the private sector". The Articles of Association or Acts of Endowment of public interest corporations, while stating that officers are to be unremunerated, often stipulate that full-time officers may be paid. Table 10 shows the average annual salary per paid full-time officer.

This reveals that, of 10,399 corporations that have paid officers, 3,822 (36.8% of corporations with paid officers) pay between 4 million yen and 8 million yen, while 3,307 corporations (31.8%) pay less than

4 million yen. Corporations that pay up to 8 million yen account for just under 70% of corporations that have paid officers. On the other hand, there are 92 corporations that pay an average annual salary of 20 million yen or more (23 fewer than in the previous year).

Table 10 Average Salary of Paid Full-Time Directors

| Controlling agency | Number of corporations by scale of average annual salary of paid full-time officers | | | | | | | |
|--------------------|---|------------------|----------------------|-------------------------|--------------------------|---------------------------|---------------------------|---------------------|
| | Number of corporations | No paid officers | Less than ¥4 million | ¥4 million - ¥8 million | ¥8 million - ¥12 million | ¥12 million - ¥16 million | ¥16 million - ¥20 million | ¥20 million or more |
| Central government | 7,009 | 2,808 | 672 | 1,414 | 1,000 | 735 | 338 | 42 |
| Prefectures | 18,987 | 12,686 | 2,638 | 2,490 | 842 | 229 | 52 | 50 |
| Total | 25,825 | 15,426 | 3,307 | 3,822 | 1,831 | 958 | 389 | 92 |

(7) Employees

Employees not only assist the directors in their work, but are also key elements that undertake the actual activity of corporations. In total, there are 568,106 of these employees, averaging 22.0 per corporation with a median of 3. By scale, 11,748 corporations (45.5%) have 2-9 employees, accounting for nearly half of all corporations. The next largest group is 10-49 employees, in 4,948 corporations (19.2%).

On the other hand, 4,528 corporations (17.5%) have only 1 employee, while 2,699 corporations (10.5%) have no employees at all.

There are 487,763 full-time employees in all, accounting for around 90% of the total number of employees.

(8) Counselors

Counselors in incorporated foundations are responsible for receiving consultations and making decisions on important matters concerning their corporations. The Supervisory Guidance Standards stipulate that Boards of Counselors must be established in incorporated foundations and deliberate on important matters such as the election of directors, budgets and accounts settlement, etc.

A system of Counselors (or Boards of Counselors) has been adopted in 11,630 corporations (45.0%). Incorporated foundations account for 10,133 of these; systems of Counselors (or Boards of Counselors) have been introduced in nearly 80% of incorporated foundations. The total number of Counselors is 283,763. The average number in corporations that have systems of Counselors (or Boards of Counselors) is 24.4 Counselors, with a median of 15.

2 Finances and accounts

(1) Annual revenue

The revenue of public interest corporations can be broadly divided into membership fees, asset investments, donations and subsidies, etc., business revenue, and others. The total annual revenue is 19,022.9 billion yen (a decrease of 1,358.9 billion yen compared to the previous year), giving an average of 736.61 million yen and a median of 59.09 million yen. Viewing the composition of annual revenue, as shown in Table 11, business revenue accounts for a major weight in both incorporated associations and incorporated foundations.

Table 11 Composition of Annual Revenue

(million yen)

| | | Member- ship fees | Asset invest- ments | Donations | Subsidies and other revenue from the central government | Subsidies and other revenue from prefectures | Subsidies and other revenue from private- sector support organizations, etc. | Other subsidies, etc. | Business revenue | Other revenue | Total |
|-----------------------|---------------|----------------------|---------------------------|-----------|--|--|---|-----------------------------|---------------------|------------------|------------|
| Central government | <i>shadan</i> | 404,838 | 42,816 | 21,169 | 108,233 | 40,245 | 29,683 | 151,357 | 2,215,453 | 408,489 | 3,422,282 |
| | <i>zaidan</i> | 191,253 | 235,318 | 141,366 | 694,608 | 59,625 | 42,373 | 104,939 | 4,621,769 | 1,193,852 | 7,285,094 |
| Prefectures | <i>shadan</i> | 232,921 | 65,248 | 9,228 | 30,925 | 66,286 | 46,944 | 107,370 | 1,260,307 | 380,173 | 2,199,401 |
| | <i>zaidan</i> | 143,298 | 131,669 | 79,995 | 29,101 | 284,576 | 11,957 | 240,920 | 3,827,197 | 1,462,192 | 6,210,852 |
| Total | | 971,136 | 474,879 | 251,656 | 862,867 | 448,783 | 130,458 | 603,154 | 11,846,270 | 3,433,764 | 19,022,906 |
| (%) | | 5.1 | 2.5 | 1.3 | 4.5 | 2.4 | 0.7 | 3.2 | 62.3 | 18.1 | 100.0 |
| Previous year's total | | 1,003,784 | 503,500 | 316,464 | 433,421 | 455,612 | 154,089 | 528,251 | 12,428,557 | 4,553,422 | 20,381,804 |

(2) Annual expenditure

The expenditure of public interest corporations can broadly be divided into business costs, management costs, fixed asset acquisition expenditure, and others. The total annual expenditure is 19,043.8 billion yen (a decrease of 1,415.9 billion yen compared to the previous year). The average is 737.42 million yen, with a median of 58.94 million yen. Viewing the composition of annual expenditure, as shown in Table 12, business costs account for a major weight in both incorporated associations and incorporated foundations. With respect to business costs, the Supervisory Guidance Standards stipulate that the scale of the principle business of public interest corporations (excluding auxiliary business whose purpose is to create revenue) should be “at least half of the total expenditure if possible”. However, only 11,235 corporations (43.5%) meet this condition. With respect to management costs, meanwhile, the Supervisory Guidance Standards stipulate that the ratio should be “no more than half of the total expenditure if possible”. This condition is satisfied by 23,211 corporations (89.9%).

Table 12 Composition of Annual Expenditure

(million yen)

| | | Business costs | Management costs | Fixed asset acquisition costs essential to the business | Other expenditure | Total |
|-----------------------|---------------|-------------------|---------------------|--|----------------------|------------|
| Central government | <i>shadan</i> | 2,714,791 | 280,949 | 64,073 | 406,440 | 3,466,253 |
| | <i>zaidan</i> | 5,502,777 | 482,912 | 168,798 | 1,156,147 | 7,310,632 |
| Prefectures | <i>shadan</i> | 1,520,301 | 315,266 | 48,229 | 281,025 | 2,164,824 |
| | <i>zaidan</i> | 4,010,098 | 608,898 | 154,903 | 1,422,781 | 6,196,651 |
| Total | | 13,686,281 | 1,678,024 | 420,950 | 3,258,597 | 19,043,824 |
| Ratio (%) | | 71.9 | 8.8 | 2.2 | 17.1 | 100.0 |
| Previous year's total | | 13,984,969 | 1,735,631 | 392,879 | 4,346,215 | 20,459,655 |

(3) Profit-making business under the Supervisory Guidance Standards

Public interest corporations are permitted to engage in profit-making business as a method of securing revenue in order to maintain healthy operations and carry out their original public benefit activities. Profit-making business must always be auxiliary to the original non-profit-making business. The Supervisory Guidance Standards stipulate details concerning the scale, sector, use of profits, and other aspects of profit-making business. They also require that, when corporations engage in profit-making business, this should be specified in their business plans and accounted separately from other business.

The total profit-making business revenue is 925.4 billion yen (a decrease of 159.5 billion yen compared to the previous year), with an average of 35.84 million yen and a median of 0. By scale, as Table 13 shows, the largest group consists of 20,849 corporations (80.7%) that are not engaged in profit-making

business. Conversely, the total expenditure invested in profit-making business is 786.0 billion yen. Viewed as a simple equation, the difference of 139.4 billion yen between this and the revenue represents profit.

The Supervisory Guidance Standards stipulate that the scale of expenditure on profit-making business should be “no more than half of the total expenditure if possible”. There are 589 corporations that fail to meet this requirement.

Table 13 Number of Corporations by Scale of Profit-Making Business Revenue

| Competent authority | Number of corporations | Number of corporations by scale of profit-making business revenue | | | | | | Total revenue from profit-making business (¥ million) |
|---------------------|------------------------|---|-----------------------|---------------------------|----------------------------|-----------------------------|----------------------|---|
| | | 0 | Less than ¥10 million | ¥10 million - ¥50 million | ¥50 million - ¥100 million | ¥100 million - ¥500 million | ¥500 million or more | |
| Central government | 7,009 | 5,493 | 562 | 403 | 175 | 274 | 102 | 303,702 |
| Prefectures | 18,987 | 15,498 | 1,329 | 903 | 401 | 612 | 244 | 630,597 |
| Total | 25,825 | 20,849 | 1,883 | 1,301 | 569 | 880 | 343 | 925,446 |

(4) State of internal reserves

The Supervisory Guidance Standards permit “internal reserves” to the extent necessary for the appropriate and continuous execution of non-profit-making business. These “internal reserves” are defined as the amount remaining after deducting the basic assets of incorporated foundations, funds maintained in order to execute non-profit-making business, fixed assets essential to the running of the corporation, assets held in reserve for specific future payments, etc., and an amount equivalent to debts, from gross assets. Furthermore, the Operating Principles of the Supervisory Guidance Standards state that the level of internal reserves, “though difficult to stipulate uniformly, should in principle be no more than 30% of the total of business costs and management costs in a single business year plus the cost of fixed asset acquisition essential for the business undertaken by the corporation (not including expenditure for purposes of fund investment, etc.)”.

As Table 14 shows, 15,822 corporations, or more than 60% of the total number, keep their level of internal reserves at 30% or below, as stipulated in the Supervisory Guidance Standards.

Table 14 Number of Corporations by Level of Internal Reserves

| Competent authority | Number of corporations | Number of corporations by level of internal reserves | | | | |
|---------------------|------------------------|--|----------|------------|---------------|----------------|
| | | Less than 0% | 0% - 30% | 30% - 100% | 100% - 1,000% | 1,000% or more |
| Central government | 7,009 | 654 | 3,811 | 1,815 | 654 | 75 |
| Prefectures | 18,987 | 2,308 | 9,182 | 3,607 | 3,183 | 707 |
| Total | 25,825 | 2,941 | 12,881 | 5,405 | 3,817 | 781 |

3 Others

(1) State of shareholdings

The Supervisory Guidance Standards prohibit the holding of shares in principle, except when managing and investing investment assets (when this is clearly portfolio investment via open markets, etc.) or when donated as basic assets in incorporated foundations. Shareholdings other than these were to be sold by the end of September 1999.

The state of shareholdings is shown in Table 15. Shares are held by 1,832 corporations (16 fewer than in the previous year), of which 500 are engaged in portfolio investment, 875 hold them as basic assets (permitted only for incorporated foundations), and 702 have holdings for other reasons.

Table 15 State of Shareholdings

| Competent authority | Incorporated foundations only | | | | All corporations (incorporated associations + incorporated foundations) | | | | | |
|---------------------|-------------------------------|------------------------------------|--------------|---------------------------------------|--|-----------|--------|-----------|-------------|-----------|
| | Total number of corporations | Number of incorporated foundations | Basic assets | Ratio (% of incorporated foundations) | Portfolio investment | Ratio (%) | Others | Ratio (%) | No holdings | Ratio (%) |
| Central government | 7,009 | 3,204 | 390 | 12.2 | 243 | 3.5 | 245 | 3.5 | 6,262 | 89.3 |
| Prefectures | 18,987 | 9,827 | 485 | 4.9 | 258 | 1.4 | 461 | 2.4 | 17,897 | 94.3 |
| Total | 25,825 | 12,989 | 875 | 6.7 | 500 | 1.9 | 702 | 2.7 | 23,993 | 92.9 |

(Note) Shares include equity in limited companies.

(2) State of information disclosure

There are no provisions in the Civil Code concerning information disclosure by public interest corporations, and no particular effort has been made to disclose such information in the past. However, since public interest corporations need to voluntarily disclose information in view of the important role they play in the Japanese socio-economy, and their corresponding social responsibility, the Supervisory Guidance Standards include a provision to the effect that “their principle offices should be furnished with Articles of Association or Acts of Endowment, registers of officers, registers of employees (for incorporated associations), business reports, statements of income and expenditure, statements of changes in net assets, balance sheets, inventories of assets, business plans and income and expenditure budgets, and these must be made available for general perusal”. This provision was implemented from the new business year starting in January 1998.

Table 16 shows the state of information disclosure. The average disclosure rate for items requiring disclosure is 88.0% (an improvement of 0.4 points compared to the previous year).

Table 16 State of Information Disclosure

| Competent authority | Articles of Association or Acts of Endowment | Register of officers | FY2002 documents | | | | | | FY2003 documents | | Average |
|---------------------|--|----------------------|------------------|-------------------------------------|-----------------------------------|---------------|---------------------|---|------------------|-------------------------------|---------|
| | | | Business reports | Statement of income and expenditure | Statement of change in net assets | Balance sheet | Inventory of assets | Register of employees (for incorporated associations) | Business plans | Income and expenditure budget | |
| Central government | 99.4 | 99.3 | 98.0 | 97.9 | 95.7 | 97.5 | 97.4 | 96.2 | 97.7 | 97.5 | 97.7 |
| Prefectures | 89.8 | 89.8 | 86.8 | 86.4 | 73.4 | 79.8 | 84.0 | 80.9 | 86.7 | 86.4 | 84.4 |
| Total | 92.4 | 92.3 | 89.8 | 89.5 | 79.3 | 84.5 | 87.6 | 85.3 | 89.6 | 89.4 | 88.0 |

- (Notes)
- 1 The average is a simple average of the disclosure ratios for each item.
 - 2 “FY2002 documents (business reports, statement of income and expenditure, statement of change in net assets, balance sheet, inventory of assets, and register of employees)” shows the ratio to the number of corporations in FY2002, and “FY2003 documents (business plans, income and expenditure budget)” the ratio to the number of corporations in FY2003.

(3) State of website creation

“Concerning disclosure by public interest corporations over the Internet” (see Chapter 1 Section 5) was agreed in August 2001, as an initiative designed to make the running of public interest corporations more proper and transparent by enhancing their disclosure, as well as helping to promote the reform of public interest corporations based on the “Outline of Administrative Reform”, etc. Based on this agreement, the various ministries and agencies requested public interest corporations under their jurisdiction to disclose data concerning their operations, finances, and other aspects, as far as possible, by the end of 2001.

Table 17 shows the state of website creation, as of October 1st, 2003, by public interest corporations under the jurisdiction of the central government and the prefectures. The website creation for central government corporations was 71.4%, and that for prefectural corporations was 35.5%.

Table 17 State of Website Creation

| Competent authority | Number of corporations | All corporations | | <i>shadan</i> | | <i>zaidan</i> | | | |
|-----------------------|------------------------|------------------|---------------|---------------|-----------|---------------|-----------|-------|------|
| | | <i>shadan</i> | <i>zaidan</i> | Ratio (%) | Ratio (%) | Ratio (%) | Ratio (%) | | |
| Central government | 7,009 | 3,805 | 3,204 | 5,006 | 71.4 | 2,800 | 73.6 | 2,206 | 68.9 |
| Prefectures | 18,987 | 9,160 | 9,827 | 6,735 | 35.5 | 3,677 | 40.1 | 3,058 | 31.1 |
| Total | 25,825 | 12,836 | 12,989 | 11,650 | 45.1 | 6,412 | 50.0 | 5,238 | 40.3 |
| Previous year's total | 26,043 | 12,872 | 13,171 | 9,290 | 35.7 | 5,054 | 39.3 | 4,236 | 32.2 |

(Notes) 1 Number of corporations as of October 1st, 2003.

2 "All corporations" is the actual number, excluding duplication due to joint jurisdiction.

(4) State of implementation of on-site inspections

Under the Civil Code, competent authorities may exercise their authority to conduct inspections (on-site inspections). Table 18 shows the state of implementation of on-site inspections over the last 3 years. These on-site inspections are an effective means of appropriately promoting supervisory guidance, and in February 2001, with a view to enhancing the system of supervisory guidance, an agreement was reached on regular implementation of on-site inspections. In response to this, as shown in Table 19, on-site inspections were conducted for 98.9% of central government corporations between FY2001 and FY2003.

Table 18 State of implementation of on-site inspections

(%)

| Competent authority | State of implementation of on-site inspections | | | |
|---------------------|--|--------|--------|-----------|
| | FY2000 | FY2001 | FY2002 | FY2000-02 |
| Central government | 35.4 | 44.7 | 40.8 | 88.2 |
| Prefectures | 20.3 | 25.2 | 27.1 | 54.0 |
| Total | 24.6 | 30.7 | 31.0 | 63.6 |

(Notes) 1 The Table concerns corporations under jurisdiction in each fiscal year.

2 "FY2000" shows the ratio based on the number of corporations in FY2000, "FY2001" that based on the number of corporations in FY2001, and "FY2002" and "FY2000-02 (implemented at least once every three years)" the ratios based on the number of corporations in FY2002.

3 "The number of corporations in FY2000" is the number of corporations established up to October 1st, 2000 (extended total), "the number of corporations in FY2001" is the number established up to October 1st, 2001 (extended total), and "the number of corporations in FY2002" is the number established up to October 1st, 2002 (extended total) .

Table 19 On-Site Inspections of Public Interest Corporations under Central Government Jurisdiction in FY2003

| Ministry or agency | Number of public interest corporations under jurisdiction | Number of corporations inspected in FY2003 | Number of corporations with points for improvement in FY2003 | Number of corporations inspected in FY2001-FY2003 | FY2001-FY2003 inspection implementation rate (%) (corporations inspected in FY2001-FY2003 / corporations under jurisdiction × 100) |
|--|---|--|--|---|--|
| Cabinet Office | 91 | 32 | 10 | 89 | 97.8 |
| National Police Agency | 51 | 50 | 2 | 51 | 100.0 |
| Defense Agency | 22 | 9 | 3 | 22 | 100.0 |
| Financial Services Agency | 145 | 61 | 55 | 145 | 100.0 |
| Ministry of Internal Affairs and Communications | 324 | 133 | 52 | 321 | 99.1 |
| Ministry of Justice | 137 | 66 | 4 | 136 | 99.3 |
| Ministry of Foreign Affairs | 231 | 76 | 7 | 214 | 92.6 |
| Ministry of Finance | 709 | 416 | 90 | 707 | 99.7 |
| Ministry of Education, Culture, Sports, Science and Technology | 1,939 | 598 | 46 | 1,895 | 97.7 |
| Ministry of Health, Labour and Welfare | 1,234 | 426 | 222 | 1,226 | 99.4 |
| Ministry of Agriculture, Forestry and Fisheries | 465 | 321 | 64 | 464 | 99.8 |
| Ministry of Economy, Trade and Industry | 860 | 331 | 120 | 855 | 99.4 |
| Ministry of Land, Infrastructure and Transport | 1,185 | 635 | 263 | 1,182 | 99.7 |
| Ministry of the Environment | 92 | 28 | 16 | 92 | 100.0 |
| Total | 7,485 | 3,182 | 954 | 7,399 | 98.9 |

- * The frequency of on-site inspections by the various ministries and agencies may be once a year, once every two years, once every three years, etc., depending on their respective Reform Plans.
- * The ministries and agencies have stipulated their own standards and other criteria for on-site inspections based on the agreement, while each also makes its own judgement on points for improvement.
- * "Total" shows the extended total of corporations, including duplication due to joint jurisdiction.
- * The on-site inspection implementation rate in FY2001-FY2003 is the ratio of corporations under the jurisdiction of the various ministries and agencies for which inspection has been carried out at least once. Meanwhile, corporations yet to be inspected are newly established corporations, dissolved corporations, and corporations that are difficult to inspect owing to the nature of their business operations, etc.

(Reference) Overview of Public Interest Corporations

| Main items | Total value | Average value | Median |
|---|--------------------|-------------------|-----------------|
| Annual revenue | ¥19,022.9 billion | ¥736.61 million | ¥59.09 million |
| Membership fees | ¥971.1 billion | ¥37.60 million | ¥1.22 million |
| Asset investments | ¥474.9 billion | ¥18.39 million | ¥0.15 million |
| Donations | ¥251.7 billion | ¥9.74 million | ¥0 |
| Subsidies and other revenue from the central government | ¥862.9 billion | ¥33.41 million | ¥0 |
| Subsidies and other revenue from the prefectures | ¥448.8 billion | ¥17.38 million | ¥0 |
| Subsidies and other revenue from the private-sector support organizations | ¥130.5 billion | ¥5.05 million | ¥0 |
| Other subsidies and other revenue | ¥603.2 billion | ¥23.36 million | ¥0 |
| Business revenue | ¥11,846.3 billion | ¥458.71 million | ¥13.87 million |
| Income-expenditure balance brought forward from previous term | ¥2,601.4 billion | ¥100.73 million | ¥6.08 million |
| Assets | ¥119,206.0 billion | ¥4,615.92 million | ¥105.40 million |
| Liabilities | ¥100,393.6 billion | ¥3,887.46 million | ¥7.28 million |
| Net assets | ¥18,812.4 billion | ¥78.46 million | ¥70 million |
| Basic assets (for incorporated foundations only) | ¥5,054.6 billion | ¥389.14 million | ¥53.50 million |
| Annual expenditure | ¥19,043.8 billion | ¥737.42 million | ¥58.94 million |
| Business costs | ¥13,686.3 billion | ¥529.96 million | ¥30.25 million |
| Management costs | ¥1,678.0 billion | ¥64.98 million | ¥12.88 million |
| Income-expenditure balance carried forward to next term | ¥2,579.8 billion | ¥99.90 million | ¥6.34 million |
| Employees under the Civil Code (for incorporated associations only) | 14,421,465 | 1,124 | 150 |
| Associate members, etc. | 39,579,036 | 5,563 | 52 |
| Number of directors | 407,514 | 15.8 | 13 |
| Number of auditors | 57,068 | 2.2 | 2 |
| Number of employees | 568,106 | 22.0 | 3 |
| Number of Counselors | 283,763 | 24.4 | 15 |

- (Notes)
- 1 Income-expenditure balance brought forward from previous term is an amount estimated from “(annual expenditure + Income-expenditure balance carried forward to next term) - annual revenue”.
 - 2 Employees under the Civil Code are calculated for incorporated associations only, and Basic assets for incorporated foundations only.

Chapter 3 The Relationship Between Public Interest Corporations and the Administration

Section 1 Status of Commissioned Corporations

To ensure the transparency of actions undertaken by public interest corporations on behalf of the administration, the government has since FY1997 conducted “Surveys on actions undertaken on behalf of the administration”, in conjunction with surveys on the circumstances of public interest corporations, based on the “Standards on Entrustment of Inspections, etc., to Public Interest Corporations” decided by the Cabinet in September 1996.

In this Section, the results of these surveys will be outlined.

1 Definition of “commissioned corporations”

“Commissioned corporations” is a collective term for public interest corporations which, under specific legislative provisions, systematically accept administrative work and business from various government bodies through entrustment, recommendation, or other means. The work and business undertaken by commissioned corporations can be divided into “entrustment” and “recommendation”, in accordance with the form of involvement by the administration, and into “inspections” and “work other than inspections”, in accordance with the nature of the work and business undertaken.

“Entrustment” means that the content of such work and business is stipulated in the legislative process, specific corporations are designated in some form or other, and they then systematically carry out that work. “Recommendation” means that government bodies are systematically involved (through certification, authorization, etc.), encouraging corporations to undertake work or business independently.

“Inspections” refers to work whereby capability, performance, technology and other aspects are surveyed or appraised, and the results of this are evaluated and approved. “Work other than inspections” corresponds to work such as research, promotion and dissemination, or guidance and advice.

From the above, forms of involvement by the administration in commissioned corporations can be organized into the following four types.

Entrustment of inspections

Entrustment of work other than inspections

Recommendation of inspections

Recommendation of work other than inspections

“Standards on Entrustment of Inspections, etc., to Public Interest Corporations” (Cabinet Decision of Sept. 20th, 1996), which stipulate necessary requirements when corporations accept entrustment or recommendation for inspections, etc., and “Measures for enhanced transparency and rationality of involvement by the state in public interest corporations, etc.” (transparency and rationalization rules) in the “Plan for Reform of Involvement in Public Interest Corporations by the Administration” (Cabinet Decision of March 29th, 2002) are applied to and above, as will be discussed below.

2 Number of commissioned corporations

There are 513 commissioned corporations under central government jurisdiction, as shown in Table 20. Of these, 362 have been entrusted, and another 192 have been recommended. In terms of inspections or work other than inspections, 257 corporations have been entrusted with inspection work and another 126 with work other than inspections, while 187 corporations have been recommended for inspections and another 5 corporations for work other than inspections. In other words, about 80% of commissioned corporations have received entrustment or recommendation for inspection work.

Table 20 Number of Commissioned Corporations under Central Government Jurisdiction

| Ministry or agency | Entrustment | | | Recommendation | | | Ministry /agency total (A) | Of which, corporations designated only by ministries or agencies without jurisdiction | Number of corporations under jurisdiction (B) | (A) ÷ (B) × 100 |
|--|-------------|----------------------------|-------------------|----------------|----------------------------|----------------------|----------------------------|---|---|-----------------|
| | Inspection | Work other than inspection | Entrustment total | Inspection | Work other than inspection | Recommendation total | | | | |
| Cabinet Office | - | - | - | - | - | - | - | - | 91 | - |
| National Police Agency | - | - | - | 2 | 0 | 2 | 2 | 0 | 52 | 3.8 (%) |
| Defense Agency | - | - | - | - | - | - | - | - | 22 | - |
| Financial Services Agency | 1 | 2 | 3 | 0 | 0 | 0 | 3 | 1 | 145 | 2.1 (%) |
| Ministry of Internal Affairs and Communications | 6 | 3 | 7 | 6 | 1 | 7 | 12 | 0 | 324 | 3.7 (%) |
| Ministry of Justice | 1 | 1 | 2 | 1 | 0 | 1 | 2 | 0 | 137 | 1.5 (%) |
| Ministry of Foreign Affairs | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 1 | 232 | 0.9 (%) |
| Ministry of Finance | 2 | 0 | 2 | 0 | 0 | 0 | 2 | 1 | 709 | 0.3 (%) |
| Ministry of Education, Culture, Sports, Science and Technology | 9 | 8 | 14 | 67 | 1 | 68 | 81 | 4 | 1,939 | 4.2 (%) |
| Ministry of Health, Labour and Welfare | 150 | 16 | 163 | 20 | 0 | 20 | 172 | 1 | 1,234 | 13.9 (%) |
| Ministry of Agriculture, Forestry and Fisheries | 26 | 6 | 32 | 14 | 2 | 16 | 45 | 3 | 465 | 9.7 (%) |
| Ministry of Economy, Trade and Industry | 38 | 15 | 45 | 34 | 1 | 35 | 70 | 12 | 860 | 8.1 (%) |
| Ministry of Land, Infrastructure and Transport | 49 | 80 | 121 | 55 | 0 | 55 | 158 | 12 | 1,185 | 13.3 (%) |
| Ministry of the Environment | 5 | 3 | 8 | 3 | 1 | 4 | 10 | 0 | 92 | 10.9 (%) |
| Total | 257 | 126 | 362 | 187 | 5 | 192 | 513 | 32 | 7,009 | 7.3 (%) |

- (Notes)
- 1 "Total" shows the actual number of corporations, excluding duplication due to joint jurisdiction.
 - 2 The number of corporations for each ministry or agency under "Entrustment total", "Recommendation total", and "Ministry/Agency total" are the actual figures, excluding duplication of corporations entrusted or recommended for more than one type of work or business.
 - 3 Of commissioned public interest corporations under central government jurisdiction, corporations designated by the government to carry out autonomous work for prefectures are excluded.

3 Content of work and business undertaken by commissioned corporations

The content of the work and business undertaken by commissioned corporations under entrustment or recommendation from the various ministries or agencies is categorized according to its nature in Table 21. Under entrustment, inspection and testing with 55 (25.5%), examinations with 47 (21.8%), and seminars and training with 31 (14.4%) are more numerous, while, under recommendation, seminars and training with 60 (52.6%), screening and certification with 19 (16.7%), and examinations with 15 (13.2%) account for the majority.

Table 21 Work and Business Undertaken by Commissioned Corporations

[Entrustment]

| | Designating provisions | Ratio (%) | Main examples |
|-----------------------------|------------------------|-----------|---|
| Examinations | 47 | 21.8 | Examinations |
| Seminars and training | 31 | 14.4 | Seminar (meetings), training, education, instruction |
| Registration | 23 | 10.6 | Registration, records |
| Issue and display | 8 | 3.7 | Issue, public notification, display, bill posting |
| Inspection and testing | 55 | 25.5 | Inspection, testing, confirmation, accreditation, certification, screening, authorization, verification, etc. |
| Support | 22 | 10.2 | Financial support, loans, issue of subsidies, debt guarantee, debt repayment, mutual aid business |
| Surveys and research | 27 | 12.5 | Surveys, research, information gathering and provision |
| Promotion and dissemination | 20 | 9.3 | Promotion, dissemination, PR, support |
| Guidance and advice | 26 | 12.0 | Guidance, advice, consultation |
| Others | 49 | 22.7 | |

[Recommendations]

| | Designating provisions | Ratio (%) | Main examples |
|-----------------------------|------------------------|-----------|--|
| Exams | 15 | 13.2 | Examinations |
| Screening and certification | 19 | 16.7 | Screening, certification, inspection, approval, accreditation, appraisal, permission, evaluation, maintenance checks, etc. |
| Seminars and training | 60 | 52.6 | Seminar (meetings), training |
| Registration | 5 | 4.4 | Registration |
| Others | 18 | 15.8 | |

- (Notes)
- 1 The total number of designating provisions may not equal the number of such provisions in Table 22, because several types of work or business may be provided for under a single provision.
 - 2 The “ratio” is the ratio to the “designating provisions” in Table 22.

4 Number of designating provisions

The current survey cited 330 designating provisions pertaining to entrustments and recommendations to commissioned corporations, as shown in Table 22. Of these, there were 216 entrustments and 114 recommendations. Dividing these further into those related to inspection and work other than inspection, entrustments accounted for 137 and 79 and recommendations for 108 and 6, respectively.

Table 22 Number of Designating Provisions Pertaining to Entrustments or Recommendations to Commissioned Corporations, by Ministry or Agency

| Ministry or agency | Entrustment | | | Recommendation | | | Ministry / agency total |
|--|-------------|----------------------------|-------------------|----------------|----------------------------|----------------------|-------------------------|
| | Inspection | Work other than inspection | Entrustment total | Inspection | Work other than inspection | Recommendation total | |
| Cabinet Office | - | - | - | - | - | - | - |
| National Police Agency | - | - | - | 1 | 0 | 1 | 1 |
| Defense Agency | - | - | - | - | - | - | - |
| Financial Services Agency | 0 | 3 | 3 | - | - | - | 3 |
| Ministry of Internal Affairs and Communications | 6 | 4 | 10 | 8 | 1 | 9 | 19 |
| Ministry of Justice | 1 | 1 | 2 | 2 | 0 | 2 | 4 |
| Ministry of Foreign Affairs | - | - | - | - | - | - | - |
| Ministry of Finance | - | - | - | - | - | - | - |
| Ministry of Education, Culture, Sports, Science and Technology | 10 | 9 | 19 | 2 | 0 | 2 | 21 |
| Ministry of Health, Labour and Welfare | 41 | 21 | 62 | 22 | 2 | 24 | 86 |
| Ministry of Agriculture, Forestry and Fisheries | 4 | 7 | 11 | 1 | 2 | 3 | 14 |
| Ministry of Economy, Trade and Industry | 26 | 10 | 36 | 21 | 0 | 21 | 57 |
| Ministry of Land, Infrastructure and Transport | 45 | 24 | 69 | 50 | 0 | 50 | 119 |
| Ministry of the Environment | 8 | 6 | 14 | 2 | 1 | 3 | 17 |
| Total | 137 | 79 | 216 | 108 | 6 | 114 | 330 |

(Notes) 1 The number of designating provisions is, in principle, based on units of paragraphs in laws and ordinances, etc.

2 "Total" shows the actual number of corporations, excluding duplication due to joint jurisdiction.

5 Commissioned corporations that accept entrustments or recommendations from prefectures

In total, there are 1,221 commissioned corporations that receive entrustments or recommendations from the various prefectures. Most of their work and business consists of management and operation of facilities, equipment, etc., revealing a trend differing from that of the central government.

Section 2 Subsidies, Entrustment Costs, and Others to Public Interest Corporations

1 Subsidies, entrustment costs, and others to public interest corporations under central government jurisdiction

As shown in Table 23, the total amount of subsidies and other payments from the various ministries and agencies to public interest corporations under central government jurisdiction, based on settled accounts for FY2002, was around 802.8 billion yen, issued to a total of 533 corporations. The total of entrustment costs was about 170.2 billion yen, issued to 683 corporations.

Table 23 Subsidies, Entrustment Costs, and Others Issued from Ministries and Agencies to Public Interest Corporations under the Central Government

(FY2002 settlement base: million yen)

| | Amount issued | Number of corporations | Number of corporations by amount | | | |
|--------------------------------|---------------|------------------------|----------------------------------|----------------------------|---------------------------|--------------------|
| | | | Less than ¥10 million | ¥10 million - ¥100 million | ¥100 million - ¥1 billion | ¥1 billion or more |
| Subsidies, etc. (ratio %) | 802,841 | 533 | 111 (20.8) | 227 (42.6) | 145 (27.2) | 50 (9.4) |
| Entrustment costs (ratio %) | 170,244 | 683 | 158 (23.1) | 349 (51.1) | 140 (20.5) | 36 (5.3) |
| Total (ratio %) | 973,085 | 971 | 191 (19.7) | 446 (45.9) | 247 (25.4) | 87 (9.0) |

- (Notes)
- 1 “Amount issued” and “Number of corporations” show the actual figures, excluding duplication due to joint jurisdiction.
 - 2 In principle, the subsidies and others used as data here are subsidies, state burdens, grants, supply funds, and others under Item Code “16” in the code numbers for FY2002 settled accounts. Entrustment costs are those under Item Code “14”.
 - 3 The total of Subsidies, etc., and Entrustment costs is not the same as the Total, as amounts of less than a million yen have been rounded off.

2 Subsidies, entrustment costs, and others to public interest corporations under prefectural jurisdiction

As shown in Table 24, the total amount of subsidies and other payments from the various prefectures to public interest corporations under their jurisdiction, based on settled accounts for FY2002, was around 350.9 billion yen, issued to a total of 4,421 corporations. The total of entrustment costs was about 501.7 billion yen, issued to 3,053 corporations.

Table 24 Subsidies, Entrustment Costs, and Others Issued from Prefectures to Public Interest Corporations under their Jurisdiction

(FY2002 settlement base: million yen)

| | Subsidies, etc. | | Entrustment costs | |
|--|-----------------|------------------------|-------------------|------------------------|
| | Amount issued | Number of corporations | Amount issued | Number of corporations |
| Under jurisdiction of governors, departments and bureaus | 284,612 | 3,824 | 440,611 | 2,841 |
| Under jurisdiction of Boards of Education | 92,311 | 635 | 84,884 | 247 |
| Total | 350,862 | 4,421 | 501,691 | 3,053 |

- (Notes)
- 1 “Total” shows the actual number of corporations, excluding duplication due to joint jurisdiction.
 - 2 Subsidies, etc., and Entrustment costs are, respectively, based on section headings “19 – Local government burdens, support and grants” and “13 – Entrustment fees” annexed to Article 15 paragraph 2 of the Local Autonomy Law Enforcement Regulations.

Section 3 Progress in Promotion of the “Plan for Reform of Involvement in Public Interest Corporations by the Administration”

1 Background to formulation of the Reform Plan

In the “Outline of Administrative Reform” decided by the Cabinet in December 2000, study was to be made on issues such as reviewing the operations of public interest corporations, particularly designated corporations and those receiving support or entrustment from the government. Specifically, concerning the involvement of the administration in public interest corporations,

inspections, tests, grading, and other work and business entrusted or recommended to public interest corporations by the government (hereinafter “entrustment and recommendations”), and subsidies, entrustment costs, and others issued to public interest corporations by the government would be rigorously reviewed from the perspective of role-sharing between public and private sectors, regulatory reform, and reducing and rationalizing treasury burdens. A Reform Plan would then be formulated by the end of FY2001, and executed as soon as possible before the end of FY2005.

In response to the formulation of the “Outline of Administrative Reform”, the related ministries conducted necessary studies and coordination under the guidance of the Secretariat for Promotion of Administrative Reform within the Cabinet Secretariat, and the “Plan for Reform of Involvement in Public Interest Corporations by the Administration” (hereinafter “the Reform Plan”) was decided by the Cabinet in March 2002.

2 Follow-up to the Reform Plan

The Reform Plan indicates the content of initiatives that should be tackled by the end of FY2005 (positioned as a period for concentrated reform) concerning inspections, accreditation, grading, and other work or business entrusted or recommended by the government to public interest corporations, and subsidies, entrustment costs, and others provided to public interest corporations by the government (hereinafter “subsidies, etc.”). The Plan also stipulates measures designed to enhance the transparency and rationality of government involvement in public interest corporations, among other issues. Meanwhile, the Ministry of Internal Affairs and Communications, in cooperation with related ministries and agencies, is to provide follow-ups to the Plan, by for example announcing “Annual Reports Concerning Public Interest Corporations” every fiscal year, giving an outline of progress in implementing the Reform Plan so far. In response to this, the Ministry of Internal Affairs and Communications surveyed the progress in promoting the Reform Plan as of the end of FY2003.

3 Reform of work and business pertaining to entrustments

Of the measures stipulated in the Reform Plan, there are 83 systems for which measures are to be taken in the Reform Plan in connection with work and business pertaining to entrustments, as shown in Table 25 (targeting 229 corporations). There were none for which measures were to be newly taken during FY2003 (targeted corporations were increased by 6, namely 3 corporations newly targeted during FY2003, in addition to another 3 corporations targeted in the previous fiscal year for which measures had not yet been taken). Of these, necessary measures were taken for 68 systems (targeting 189 corporations), or 81.9% of the scheduled total. Moreover, measures have been taken for all 57 cases whose deadline was in FY2003.

4 Reform of work and business pertaining to recommendations

As shown in Table 25, there are 107 systems for which measures are to be taken in the Reform Plan in connection with work and business pertaining to recommendations (targeting 200 corporations). There were none for which measures were to be newly taken during FY2003, while 5 systems targeted for measures in the previous fiscal year were added (targeted corporations were increased by 3, namely 1 corporation newly targeted during FY2003, in addition to another 2 corporations targeted in the previous fiscal year for which measures had not yet been taken). Of these, necessary measures were taken for 75

systems (targeting 88 corporations), or 67.0% of the scheduled total. Moreover, measures have been taken for all 57 cases whose deadline was in FY2003.

Table 25 State of Promotion of the Reform Plan (Entrustments and Recommendations)

| | Content of measures | Targets of measures Total | | Measures taken | | Reform Plan | | | | Newly added matters | | | | |
|---|---|--|--------------|----------------|--------------|-----------------------|--------------|----------------|--------------|---------------------|--------------|----------------|--------------|-------|
| | | | | | | Upon Cabinet Decision | | Measures taken | | New additions | | Measures taken | | |
| | | Systems | Corporations | Systems | Corporations | Systems | Corporations | Systems | Corporations | Systems | Corporations | Systems | Corporations | |
| Work and business pertaining to entrustments | Inspections, tests, etc. | Abolition of system | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| | | Self-confirmation, etc., by enterprises | 5 | 7 | 4 | 4 | 5 | 7 | 4 | 4 | 0 | 0 | 0 | 0 |
| | | Implementation, etc., by registration bodies | 16 | 55 | 9 | 25 | 16 | 53 | 10 | 25 | 0 | 6 (3) | 0 | 0 |
| | | Implementation, etc., by government or independent administrative institutions | 13 | 11 | 11 | 8 | 13 | 11 | 11 | 8 | 0 | 0 | 0 | 0 |
| | | Measures in accordance with implementation by registration bodies | 14 | 18 | 14 | 4 | 14 | 18 | 14 | 4 | 0 | 0 | 0 | 0 |
| | | Others | 0 | 0 | 2 | 3 | 0 | 0 | 2 | 3 | 0 | 0 | 0 | 0 |
| | Subtotal | 45 | 73 | 37 | 36 | 45 | 70 | 37 | 36 | 0 | 6 (3) | 0 | 0 | |
| | Grading, etc. | Integration of grades | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| | | Implementation by registration bodies | 2 | 137 | 3 | 138 | 2 | 137 | 3 | 138 | 0 | 0 | 0 | 0 |
| | | Implementation, etc., by government or independent administrative institutions | 9 | 9 | 1 | 1 | 9 | 9 | 1 | 1 | 0 | 0 | 0 | 0 |
| | | Implementation by existing system | 0 | 0 | 2 | 1 | 0 | 0 | 2 | 1 | 0 | 0 | 0 | 0 |
| | | Others | 14 | 11 | 13 | 13 | 14 | 11 | 13 | 13 | 0 | 0 | 0 | 0 |
| | Subtotal | 26 | 158 | 20 | 153 | 26 | 158 | 20 | 153 | 0 | 0 | 0 | 0 | |
| | Registration, others | Abolition of system, etc. | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 |
| | | Implementation by registration bodies | 0 | 0 | 3 | 2 | 0 | 0 | 3 | 2 | 0 | 0 | 0 | 0 |
| | | Implementation by government or independent administrative institutions | 8 | 7 | 0 | 0 | 8 | 7 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Measures in accordance with implementation by registration bodies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Implementation by existing system | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Others | 2 | 2 | 6 | 6 | 2 | 2 | 6 | 6 | 0 | 0 | 0 | 0 |
| | Subtotal | 12 | 11 | 11 | 10 | 12 | 11 | 11 | 10 | 0 | 0 | 0 | 0 | |
| | Entrustments Total | | 83 | 232 | 68 | 189 | 83 | 229 | 68 | 189 | 0 | 6 (3) | 0 | 3 |
| Work and business pertaining to recommendations | Skill tests, etc. | Abolition of recommendation | 10 | 86 | 2 | 1 | 10 | 86 | 2 | 1 | 0 | 0 | 0 | 0 |
| | | Abolition, etc., of recommendation | 17 | 27 | 14 | 24 | 17 | 27 | 14 | 24 | 0 | 0 | 0 | 0 |
| | Recommendations incorporated in systems, etc. | Implementation, etc., by registration bodies | 83 | 109 | 59 | 79 | 78 | 107 | 54 | 79 | 5 | 3 (1) | 5 | 2 (0) |
| | | Others | 2 | - | 0 | 0 | 2 | - | 0 | 0 | 0 | 0 | 0 | 0 |
| | Subtotal | 102 | 119 | 73 | 87 | 97 | 118 | 68 | 87 | 5 | 3 (1) | 5 | 2 (0) | |
| Recommendations Total | | 112 | 201 | 75 | 88 | 107 | 200 | 70 | 88 | 5 | 3 (1) | 5 | 2 (0) | |
| Grand Total | | 195 | 394 | 143 | 259 | 190 | 391 | 138 | 259 | 5 | 9 (4) | 5 | 2 (0) | |

- (Notes)
- 1 The numbers of corporations are the actual numbers in all cases, excluding duplication due to joint jurisdiction.
 - 2 The total of systems for each "Content of measures" do not match the respective Subtotals or Grand Total, as more than one measure has been devised for a single system in some cases.
 - 3 Measures specified in the Reform Plan are not always the measures that were actually taken.
 - 4 When the number of corporations is shown as "-", it means that no corporation has yet been designated.
 - 5 Under "Newly added matters", figures in brackets show the number of corporations newly added in FY2003.

5 Reviews of subsidies, etc.

In terms of reviews of subsidies, etc., as shown in Table 26, there were 332 items for which measures were to be taken in the Reform Plan (targeting 183 corporations). There were 29 cases in which measures were to be newly taken in the FY2002 settled accounts (targeting 18 corporations), and another 1 case that was targeted in the FY2001 settlement, but for which measures were not taken (targeting 1 corporation). Of these, necessary measures were taken in 263 cases (targeting 145 corporations), and measures were complete for 88.6% of all cases (excluding 65 exceptional matters). Moreover, measures were complete for 256 (99.6%) of 257 cases whose deadline fell in FY2003.

Table 26 State of Promotion of the Reform Plan (Subsidies, etc.)

| | Content of measures | Targets of measures Total | | Measures taken | | The Reform Plan | | | | Newly added matters | | | |
|--|---|---------------------------|--------------|----------------|--------------|-----------------------|--------------|----------------|--------------|---------------------|--------------|----------------|--------------|
| | | Cases | Corporations | Cases | Corporations | Upon Cabinet Decision | | Measures taken | | Newly arising | | Measures taken | |
| | | | | | | Cases | Corporations | Cases | Corporations | Cases | Corporations | Cases | Corporations |
| Third-party allocation subsidies, etc. | Abolition of subsidies, etc. | 116 | 66 | 108 | 61 | 100 | 59 | 92 | 54 | 16 (16) | 8 (8) | 16 (16) | 8 (8) |
| | Paid directly by state | 27 | 18 | 22 | 16 | 26 | 17 | 22 | 16 | 1 | 1 | 0 | 0 |
| | Allocation rate improved to less than 50% | 55 | 44 | 51 | 40 | 49 | 40 | 45 | 36 | 6 (6) | 5 (5) | 6 (6) | 5 (5) |
| | Implementation by independent administrative institutions | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| | Others (when there are special reasons) | 36 | 28 | - | - | 33 | 27 | - | - | 3 | 3 | - | - |
| | Subtotal | 235 | 126 | 182 | 98 | 209 | 116 | 160 | 89 | 26 (25) | 16 (15) | 22 (22) | 12 (12) |
| Subsidy-dependent public interest corporations | Abolition of subsidies, etc. | 9 | 9 | 6 | 5 | 9 | 9 | 6 | 5 | 0 | 0 | 0 | 0 |
| | Proportion of subsidies, etc., to annual salaries improved to 2/3 | 52 | 51 | 40 | 37 | 48 | 47 | 36 | 33 | 4 (4) | 4 (4) | 4 (4) | 4 (4) |
| | Implementation by independent administrative institutions | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 0 | 0 | 0 | 0 |
| | Others (when there are special reasons) | 29 | 27 | - | - | 29 | 27 | - | - | 0 | 0 | - | - |
| | Subtotal | 94 | 91 | 50 | 46 | 90 | 87 | 46 | 42 | 4 (4) | 4 (4) | 4 (4) | 4 (4) |
| Assistance with officers' salaries | Abolished | 33 | 28 | 31 | 25 | 33 | 28 | 31 | 25 | 0 | 0 | 0 | 0 |
| Total | | 362 | 195 | 263 | 145 | 332 | 183 | 237 | 135 | 30 (29) | 19 (18) | 26 (26) | 16 (15) |

- Notes) 1 The numbers of corporations are the actual numbers in all cases, excluding duplication due to joint jurisdiction.
2 Under "Newly added matters", figures in brackets show the number of cases newly arising or the number of corporations newly added in FY2003.

6 Measures for greater transparency and rationality of government involvement, etc.

Of measures for greater transparency and rationality of government involvement, etc., Table 27 shows the state of measures to be taken by each ministry or agency with jurisdiction over work and business, in terms of the promotion of matters related to entrustments and recommendations of inspection. As shown in the Table, of the total of 216 cases of work and business subject to measures, necessary measures had been taken for 192 cases (88.9% of the total). As for the state of measures to be taken by corporations, all measures had been taken for 182 (84.3%) of the 216 systems targeted.

Meanwhile, in terms of progress in matters related to the issue of subsidies, etc., measures were to be taken for 332 cases in the Reform Plan and for 29 additional cases in FY2002 settlement, while 1 further case was targeted in the FY2001 settlement but was not yet resolved, totaling 362 cases in all. Of these, all measures had been taken for 308 cases (85.1% of the total).

In terms of the promotion of measures for subsidies, etc., aimed at public interest corporations overall, all measures had been taken for 726 of 950 targeted corporations (76.4% of the total).

Table 27 State of Progress in Rules for Increased Transparency and Rationality (Entrustments and Recommendations)

| | Work and business items | Measures to be taken by ministries and agencies | | | Measures to be taken by corporations | | |
|-------------------------|-------------------------|---|---------------------|-------------------|--------------------------------------|---------------------|-------------------|
| | | All measures taken | Some measures taken | No measures taken | All measures taken | Some measures taken | No measures taken |
| Entrustments (ratio) | 103 | 91 (88.3) | 12 (11.7) | 0 (0.0) | 80 (77.7) | 23 (22.3) | 0 (0.0) |
| Recommendations (ratio) | 113 | 101 (89.4) | 12 (10.6) | 0 (0.0) | 102 (90.3) | 11 (9.7) | 0 (0.0) |
| Total (ratio) | 216 | 192 (88.9) | 24 (11.1) | 0 (0.0) | 182 (84.3) | 34 (15.7) | 0 (0.0) |

Table 28 State of Progress in Rules for Increased Transparency and Rationality (Subsidies, etc.)

| | Number of corporations targeted | Matters to be published on websites by ministries and agencies | | | Measures to be taken by corporations | | |
|--------------------------------|---------------------------------|--|---------------------|-------------------|--------------------------------------|---------------------|-------------------|
| | | All measures taken | Some measures taken | No measures taken | All measures taken | Some measures taken | No measures taken |
| Number of corporations (ratio) | 950 | 726 (76.4) | 220 (23.2) | 4 (0.4) | 494 (52.0) | 427 (44.9) | 29 (3.1) |

Notes) The numbers of corporations are the actual numbers in all cases, excluding duplication due to joint jurisdiction.

Section 4 Progress in Promotion of Measures Related to Officers of Public Interest Corporations Based on the “Outline of Reform of the Civil Service System”

1 Background

In the “Outline of Reform of the Civil Service System” decided by the Cabinet on December 25th, 2001, a review was to be made of re-employment in profit-making companies, special public corporations, and others, as well as in public interest corporations, in order to establish proper rules for re-employment. In doing so, their nature as private-sector corporations would be taken into account.

Based on this, on March 29th, 2002, the Managerial Board of Meetings of Cabinet Ministers Related to Supervisory Guidance of Public Interest Corporations, etc., agreed “On Measures Based on the Outline of Reform of the Civil Service System”. This stipulated concrete matters for which the various ministries and agencies were to give instructions, etc., to the public interest corporations under their jurisdiction, based on the aforementioned Cabinet Decision. Instructions, etc., were to be given to public interest corporations on these issues from FY2002.

2 State of promotion of “On Measures Based on the Outline of Reform of the Civil Service System”

The government conducted a survey on the state of promotion of “On Measures Based on the Outline of Reform of the Civil Service System” (hereinafter “the Agreement”) as of November 1st, 2003, and published the results in March 2004.

(1) Disclosure of information on the appointment of retired ex-civil service officers

In Point 1 of the Agreement, the various ministries and agencies were to instruct to public interest corporations under their jurisdiction to mark, in their register of officers, the final post held by those who were formerly national civil servants.

The state of implementation of this is that, of all targeted corporations (2,913), 2,724 (93.5% of all targeted corporations) have disclosed the state of appointment of retired ex-civil service officers.

(2) Preparation and disclosure of rules for officers' salaries and retirement allowances

In Point 2 of the Agreement, the various ministries and agencies were to instruct public interest corporations that receive subsidies, etc., from the state to draw up rules regarding officers' salaries and retirement allowances. The state of implementation of this is that, of all targeted corporations (1,192 corporations), 1,072 (89.9% of all targeted corporations) have prepared rules concerning officers' salaries, while 1,081 corporations (90.7% of all targeted corporations) have prepared rules concerning retirement allowances in line with the Agreement.

(3) State of measures concerning levels of officer' salaries and retirement allowances and maximum age of officers

In Point 3 of the Agreement, the various ministries and agencies were to instruct public interest corporations that have a particularly close relationship with the central government to ensure that their full-time officers' salaries and retirement allowances, etc., are not excessively high compared not only to levels of salaries and retirement allowances in the private sector but also to those of national civil servants. Meanwhile, corporations were to be requested to draw up appropriate rules concerning officers' maximum age, based on the fact that a decision had been made on the officers of independent administrative institutions, in addition to those of special public corporations as before (in "Concerning Salaries and Retirement Allowances of Officers in Special Public Corporations, etc." (Cabinet Decision of March 15th, 2002), this was set at a maximum age of 65 in principle (70 for presidents)).

Firstly, in terms of the level of officers' salaries and retirement allowances, of the corporations targeted in Point 3 of the Agreement (478 corporations) concerning the average annual salary of officers, there were 341 corporations with paid officers (71.3% of all targeted corporations), and corporations paying between 12 million yen and 16 million yen were most numerous at 114 (23.8% of all targeted corporations). Concerning officers' average retirement allowances, of corporations whose retirement allowances are possible to calculate (473 corporations; hereinafter "corporations with calculable allowances"), the average retirement allowance paid if a full-time officer retired after 4 years was zero in the largest number of corporations (155 corporations, 32.8% of all corporations with calculable allowances).

Next, in terms of the development of rules concerning maximum age, a total of 372 corporations have either prepared or are studying the preparation of rules concerning maximum age. In other words, steps are being taken in line with the Agreement, following requests from the competent authority, by 77.8% of targeted corporations (478).

Section 5 Progress in Implementation of "Concerning Permission for Establishment of Public Interest Corporations"

In the year from October 2nd, 2002, to October 1st, 2003, the government gave permission for the establishment of 19 public interest corporations. Of these, there were no corporations that had received donations from permitted or approved companies, etc., in the formation of their basic assets, etc. Meanwhile, there was 1 corporation that had appointed persons with civil service experience to posts as full-time officers (3 persons). There were no corporations that had, as their principle business, business entrusted from the state or special public corporations, etc.

Chapter 4 The Public Trust System

Section 1 Outline of the Public Trust System

(1) Definition of public trusts

The system of “public trusts” is one whereby an entrustor transfers property to a trustee, causes the trustee to administer or dispose of that property in accordance with a certain public-benefit objective (such as festivals, religion, charity, academia or entertainment), and thereby materializes that public benefit objective, based on the Trust Law (Law No. 62 of 1922).

(2) Characteristics of public trusts

In the case of public interest corporations, a new legal entity is created in the form of a corporation, and this carries out independent activities for the sake of public benefit objectives. With public trusts, however, the title to the contributed property (trust property) is transferred to the name of an existing legal entity, i.e. the trustee, and this property is administered and deployed separately from other property owned by the trustee, for the sake of specific public benefit objectives. Thus, the two differ in their legal structure. Again, public interest corporations are expected to remain in existence permanently or for a considerably long period of time, while for public trusts, in view of the trust system itself, the specified period may be relatively short. In this and other ways, the public trust format allows for greater flexibility of deployment.

(3) The system of public trusts

Public trusts are established when a legal relationship of trust is created – either by concluding a trust agreement between entrustor and trustee for placing property in trust to achieve certain public benefit objectives, or through the last will of the entrustor – and the trustee obtains the permission of the presiding ministry.

Public trusts come under the supervision of the presiding ministry, and the trustee engages in non-profit-making business by administering or disposing of the entrusted property in the trustee’s own name, as stipulated in the trust deeds. Although the trust property is transferred to the trustee, it is differentiated from other property owned by the trustee. The trustee bears obligations such as the “care of a good manager”, etc., concerning the processing of administrative work, and must compensate for losses arising from violations of trust obligations.

(4) Standards for uniform supervisory guidance of public trusts, etc.

As uniform standards to ensure proper supervisory guidance of public trusts, etc., the Council on Supervisory Guidance for Public Interest Corporations, etc., made a decision concerning “Screening Standards for Permission for Acceptance of Public Trusts, etc.” on September 13th, 1994. The presiding ministries now undertake supervisory guidance, etc., in line with these standards.

(5) Taxation of public trusts

As taxation when property is donated to public trusts, there are various preferential measures for both individuals and corporations, such as the system of deemed contributions concerning money expended for specific public trusts.

Section 2 Current Status of Public Trusts

(1) Number of trusts and trust property

As shown in Table 29, there were 578 trusts and about 72.1 billion yen of trust property as of October 1st, 2003 (falling by 3 in number and some 1.1 billion yen in value compared to the previous year).

Table 29 Number of Trusts by Scale of Trust Property

| Competent authority | Trusts | Number of trusts by scale of trust property | | | | | Total value of trust property (thousand yen) | Average value of trust property (thousand yen) |
|---------------------|--------|---|---------------------------------|----------------------------------|-----------------------------------|-------------------------|--|--|
| | | Less than 10 million yen | 10 million yen - 50 million-yen | 50 million yen - 100 million yen | 100 million yen - 500 million yen | 500 million yen or more | | |
| Central government | 188 | 22 | 67 | 32 | 58 | 9 | 32,794,440 | 174,439 |
| Prefectures | 390 | 50 | 185 | 83 | 59 | 13 | 39,286,550 | 100,735 |
| Total | 578 | 72 | 252 | 115 | 117 | 22 | 72,080,990 | 124,708 |

(2) Number of trusts by trust objective

In the number of trusts by trust objective, as shown in Table 30, trusts are more numerous in payments of academic scholarships, promotion of education and promotion of international cooperation and international exchange.

Table 30 Number of Trusts by Trust Objective

| Trust objective | Total | | Central government | | Prefectures | |
|---|-------|-----------|--------------------|-----------|-------------|-----------|
| | | Ratio (%) | | Ratio (%) | | Ratio (%) |
| Payment of academic scholarships | 203 | 28.5 | 32 | 13.4 | 171 | 36.1 |
| Natural science research grants | 78 | 10.9 | 56 | 23.4 | 22 | 4.6 |
| Humanities science research grants | 20 | 2.8 | 15 | 6.3 | 5 | 1.1 |
| Promotion of education | 94 | 13.2 | 6 | 2.5 | 88 | 18.6 |
| Social welfare | 64 | 9.0 | 14 | 5.9 | 50 | 10.5 |
| Promotion of art and culture | 56 | 7.9 | 20 | 8.4 | 36 | 7.6 |
| Preservation and use of cultural assets | 8 | 1.1 | 3 | 1.3 | 5 | 1.1 |
| Protection and propagation of flora and fauna | 4 | 0.6 | 2 | 0.8 | 2 | 0.4 |
| Protection of natural environments | 29 | 4.1 | 11 | 4.6 | 18 | 3.8 |
| Promotion of greening | 2 | 0.3 | 0 | 0.0 | 2 | 0.4 |
| Development and protection of urban environments | 26 | 3.6 | 2 | 0.8 | 24 | 5.1 |
| Promotion of international cooperation and exchange | 83 | 11.6 | 63 | 26.4 | 20 | 4.2 |
| Others | 46 | 6.5 | 15 | 6.3 | 31 | 6.5 |
| Total | 713 | 100.0 | 239 | 100.0 | 474 | 100.0 |

(Notes) 1 Some trusts have more than one trust objective.

2 "Ratio" is the percentage of the total number of trusts.

(3) Status of acts of benefaction

As shown in Table 31, most acts of benefaction are targeted at individuals, in terms of both cases and amounts.

Table 31 Number of Trusts by Status of Act of Benefaction (Cumulative Totals)

(monetary unit: thousand yen)

| Competent authority | Trusts | Status of act of benefaction | | | | | | | |
|---------------------|--------|------------------------------|------------|-------------------------|-----------|--------------|-----------|--------|------------|
| | | Individuals | | Voluntary organizations | | Corporations | | Total | |
| | | Cases | Amount | Cases | Amount | Cases | Amount | Cases | Amount |
| Central government | 188 | 12,378 | 7,484,214 | 6,503 | 1,981,436 | 2,228 | 2,650,635 | 21,109 | 12,116,285 |
| Prefectures | 390 | 42,759 | 6,249,692 | 12,090 | 6,130,332 | 4,854 | 3,551,313 | 59,703 | 15,931,336 |
| Total | 578 | 55,137 | 13,733,906 | 18,593 | 8,111,768 | 7,082 | 6,201,948 | 80,812 | 28,047,621 |