

Independent Auditor's Report

Mr. Hiroyuki Kato, the president
Not-for-Profit Organization Médecins Sans Frontières Japon

We have audited the financial statements, comprising the balance sheet, the statement of financial activities, the statement of cash flows, the notes to financial statements and the summary of assets of Not-for-Profit Organization Médecins Sans Frontières Japon as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with accounting principles of public interest corporation generally accepted in Japan; and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above are prepared, in all material respects, in accordance with the accounting standards of public interest corporation generally accepted in Japan.

Other Matter

We have no interest in the Partnership which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

KPMG AZSA LLC

Mar 20, 2018
Tokyo, Japan

Not-for-Profit Organization
Médecins Sans Frontières Japon

Balance Sheet

As of December 31, 2017

(Unit : JPY)

	2017	2016	Changes	
			Amount	%
I Assets				
1. Current Assets				
Cash and deposit with banks	987,841,608	1,186,190,987	-198,349,379	-16.7%
Accounts receivable (※1)	102,488,926	247,010,812	-144,521,886	-58.5%
Prepaid expenses	10,748,630	10,615,582	133,048	1.3%
Advances (※2)	84,367,840	117,502,991	-33,135,151	-28.2%
Other current assets	15,168,584	13,875,593	1,292,991	9.3%
Total Current Assets	1,200,615,588	1,575,195,965	-374,580,377	-23.8%
2. Non Current Assets				
Building structures	38,004,702	4,852,869	33,151,833	683.1%
Office equipment and fixtures	19,396,404	12,462,023	6,934,381	55.6%
Software	2,178,446	51,494,517	-49,316,071	-95.8%
Long-term deposit	40,813,000	46,823,780	-6,010,780	-12.8%
Total Non Current Assets	100,392,552	115,633,189	-15,240,637	-13.2%
Total Assets	1,301,008,140	1,690,829,154	-389,821,014	-23.1%
II Liabilities				
1. Current Liabilities				
Accounts payable (※3)	352,680,236	625,910,585	-273,230,349	-43.7%
Deposits received etc	21,070,366	2,179,311	18,891,055	866.8%
Total Current Liabilities	373,750,602	628,089,896	-254,339,294	-40.5%
2. Non Current Liabilities				
Provisions for retirement benefits	37,218,300	34,640,100	2,578,200	7.4%
Total Non Current Liabilities	37,218,300	34,640,100	2,578,200	7.4%
Total Liabilities	410,968,902	662,729,996	-251,761,094	-38.0%
III Net Assets				
Earmarked Net Assets	-	-	-	-
Non-earmarked Net Assets	890,039,238	1,028,099,158	-138,059,920	-13.4%
Total Net Assets	890,039,238	1,028,099,158	-138,059,920	-13.4%
Total Liabilities and Net Assets	1,301,008,140	1,690,829,154	-389,821,014	-23.1%

Notes:

(※1) Balance of the outstanding donations as of Dec. 31, 2017, which were already debited from the donor's bank accounts, however not yet arrived at our accounts with banks due to procedures of funds transfer by the outsourced vendor.

(※2) Advances temporarily paid for the expatriates on behalf of the operational centers such as MSF France and MSF Switzerland etc.

(※3) Payable includes grants payable to MSF France, MSF Spain and MSF Switzerland amounting to JPY 100 Million.

Statement of Financial Activities

For the year ended December 31, 2017

(Unit : JPY)

	2017		2016		Changes	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
I. Non-earmarked Net Assets Changes						
1. Changes in Operating Item						
(1) Operating Revenues						
① Donations	7,882,304,555	100.0%	7,722,444,018	100.0%	159,860,537	2.1%
Donations from private individuals (※1)	7,193,451,644	91.3%	6,952,407,243	90.0%	241,044,401	3.5%
Donations from private companies (※1)	602,724,610	7.6%	690,057,434	9.0%	-87,332,824	-12.7%
Donations from other organizations (※1)	86,128,301	1.1%	79,979,341	1.0%	6,148,960	7.7%
② Public institutional funds etc.	218,494,214		259,036,560		-40,542,346	-15.7%
Contributions to multilateral institutions	-		113,310,000		-113,310,000	-100.0%
Grants etc. from other MSF sections (※2)	218,494,214		145,726,560		72,767,654	49.9%
③ Other Revenues	3,841,244		1,648,448		2,192,796	133.0%
Lecture fee	21,146		1,012,745		-991,599	-97.9%
Association membership fee	583,446		480,000		103,446	21.6%
Interest income and revaluation gains etc	3,236,652		155,703		3,080,949	1978.7%
Total Operating Revenues	8,104,640,013		7,983,129,026		121,510,987	1.5%
(2) Operating Expenditures						
Social Mission Expenditures (①+②+③+④+⑤)	6,132,362,323	74.4%	6,438,193,167	78.3%	-305,830,844	-4.8%
① Program & Program Support	5,553,266,936	67.4%	5,847,113,250	71.1%	-293,846,314	-5.0%
Financial contribution to operational centers (Grants) (※3)	5,518,441,070		5,827,760,578		-309,319,508	-5.3%
Contribution to DNDi etc.	34,825,866		19,352,672		15,473,194	80.0%
② R&D (Personnel etc.)	57,704,807	0.7%	52,732,312	0.7%	4,972,495	9.4%
③ Field HR management	96,353,705	1.2%	76,137,973	0.9%	20,215,732	26.6%
Personnel expenses	59,587,536		50,093,738		9,493,798	19.0%
Others (Office rent, travel & depreciation etc.)	36,766,169		26,044,235		10,721,934	41.2%
④ Advocacy activity	57,295,475	0.7%	68,946,068	0.8%	-11,650,593	-16.9%
Personnel expenses etc.	23,951,947		44,474,128		-20,522,181	-46.1%
Contribution to Campaign for Access to Essential Medicines	33,343,528		24,471,940		8,871,588	36.3%
⑤ Awareness-raising	367,741,400	4.4%	393,263,564	4.8%	-25,522,164	-6.5%
Personnel expenses	94,231,647		81,393,919		12,837,728	15.8%
Newsletters and event (※4)	213,838,579		252,837,818		-38,999,239	-15.4%
Website related expenses	7,482,853		29,622,107		-22,139,254	-74.7%
Agent service fee	9,932,182		10,507,677		-575,495	-5.5%
Printing fee	716,571		101,400		615,171	606.7%
Others (Office rent, travel & depreciation etc.)	41,539,568		18,800,643		22,738,925	120.9%
Fundraising	1,695,129,485	20.6%	1,448,060,591	17.6%	247,068,894	17.1%
Personnel expenses	152,720,526		142,030,328		10,690,198	7.5%
Fundraising campaign expenses	1,109,684,694		902,390,972		207,293,722	23.0%
Agency service fees and system-related costs	260,555,397		265,174,929		-4,619,532	-1.7%
Communications and postage	58,845,263		52,896,184		5,949,079	11.2%
Printing fee	18,669,837		19,932,533		-1,262,696	-6.3%
Others (Office rent, travel & depreciation etc.)	94,653,768		65,635,645		29,018,123	44.2%
Management & General Administration	415,208,125	5.0%	332,268,628	4.1%	82,939,497	25.0%
Personnel expenses	125,126,376		114,826,946		10,299,430	9.0%
Contributions to MSF International Office	124,016,364		70,655,602		53,360,762	75.5%
Association related expenses (except personnel)	17,129,739		12,894,869		4,234,870	32.8%
Financial support to MSF Korea	106,148,064		98,597,677		7,550,387	7.7%
Others (Office rent, travel & depreciation etc.)	42,787,582		35,293,534		7,494,048	21.2%
Total Operating Expenditures	8,242,699,933	100.0%	8,218,522,386	100.0%	24,177,547	0.3%
Increase in Non-earmarked Net Assets	-138,059,920		-235,393,360		97,333,440	-41.3%
Non-earmarked Net Assets at Beginning of Year	1,028,099,158		1,263,492,518		-235,393,360	-18.6%
Non-earmarked Net Assets at End of Year	890,039,238		1,028,099,158		-138,059,920	-13.4%
II. Earmarked Net Assets Changes						
1. Revenues: Earmarked Donations (※5)	855,022,421		606,485,538		248,536,883	41.0%
2. Transfer to Non-earmarked Net Assets Changes	855,022,421		606,485,538		248,536,883	41.0%
Changes in Earmarked Net Assets	-		-		-	-
Earmarked Net Assets at Beginning of Year	-		-		-	-
Earmarked Net Assets at End of Year	-		-		-	-
III. Net Assets at End of Year to be carried forward	890,039,238		1,028,099,158		-138,059,920	-13.4%

Notes :

(※1) Transfer from "Earmarked Net Assets Changes" and in-kind donations of JPY 23,206,833 are included.

(※2) Grants allocated from MSF Korea in 2017. See Notes to Financial Statements No.12 and 13.

(※3) The funds were allocated to the humanitarian aid programs (for 23 countries including, Yemen, Central African Republic, South Sudan) which were operated respectively by MSF France, MSF Spain and MSF Switzerland in 2017.

(※4) Include public event costs for awareness raising. Also include expenses reclassified from Fundraising, such as expenses for reporting current humanitarian activities in the field to the existing donors etc., which were used for fundraising campaign.

(※5) Earmarked donations were allocated to the programs through MSF France, MSF Spain and MSF Switzerland in 2017.

Statement of Cash Flows

For the year ended December 31, 2017

(Unit : JPY)

	2017	2016	Changes
I. Cash flows from humanitarian aid activities			
1. Revenues from private donors etc.			
(1) Cash flows from private donors	7,856,995,693	7,649,896,623	207,099,070
① Donation from private individual donors	7,191,349,615	6,952,407,243	238,942,372
② Donation from private companies	579,517,777	617,510,039	-37,992,262
③ Donation from other organizations	86,128,301	79,979,341	6,148,960
(2) Cash flow from public institutional funds etc.	364,220,774	111,375,005	252,845,769
Contributions to multilateral institutions	-	113,310,000	-113,310,000
Funds received from other MSF entities	364,220,774	-1,934,995	366,155,769
(3) Cash flow from other revenues	2,561,919	1,648,448	913,471
Net cash provided by private donations etc. ①	8,223,778,386	7,762,920,076	460,858,310
2. Expenditures for humanitarian aid activities			
(1) Social Mission Expenditures			
(1)-a. Programs and Program Support expenditures	-5,863,086,228	-6,073,833,080	210,746,852
① Financial contribution to operational centers etc. (grants)	-5,653,266,936	-5,884,571,420	231,304,484
② Research & Development	-57,049,275	-48,008,306	-9,040,969
③ Field HR management	-94,627,743	-72,491,846	-22,135,897
④ Advocacy activity	-58,142,274	-68,761,508	10,619,234
(1)-b. Awareness-raising expenditures	-367,905,152	-405,668,965	37,763,813
Net cash used in social mission: ②	-6,230,991,380	-6,479,502,045	248,510,665
(2) Fundraising expenditures ③	-1,724,518,335	-1,328,641,481	-395,876,854
(3) Management & General administrative expenditures ④	-519,342,456	-220,668,459	-298,673,997
(4) Adjustment to derive net cash for the humanitarian aid activities ⑤	108,118,942	11,344,926	96,774,016
Adjustment due to changes in the other assets and liabilities	108,118,942	11,344,926	96,774,016
Total net cash used in humanitarian activities ⑥ = (②+③+④+⑤)	-8,366,733,229	-8,017,467,059	-349,266,170
Net cash provided by humanitarian activities ⑦ = (① + ⑥)	-142,954,843	-254,546,983	111,592,140
II. Cash flows from Investing Activities			
(1) Refund of long-term deposit	7,198,780	-	7,198,780
(2) Payment of long-term deposit	-1,188,000	-15,209,810	14,021,810
(3) Payment for purchase of fixed assets	-61,434,185	-17,061,346	-44,372,839
(4) Appropriation to specific purpose funds	-	61,560,000	-61,560,000
Net cash used in investing activities: ⑧	-55,423,405	29,288,844	-84,712,249
III. Cash flows from Financing Activities			
Repayment of lease obligation	-	-930,201	930,201
Net cash used in financing activities: ⑨	-	-930,201	930,201
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents ⑩	28,869	-109,314	138,183
V. Net Increase (Decrease) in Cash & Cash Equivalents ⑪ = (⑦+⑧+⑨)	-198,349,379	-226,297,654	27,948,275
VI. Cash and Cash Equivalents at Beginning of Year ⑫	1,186,190,987	1,412,488,641	-226,297,654
VII. Cash and Cash Equivalents at End of Year ⑬ = (⑫ + ⑪)	987,841,608	1,186,190,987	-198,349,379

Notes:

(※1) Scope of cash: Cash and cash equivalents are included.

(※2) Significant non-cash transaction: In-kind donations amounting to JPY 23,206,833 are adjusted.

Summary of Assets

As of December 31, 2017

(Unit: JPY)

	2017	2016	Changes
I. Assets			
1. Current Assets			
Cash and cash equivalents	987,841,608	1,186,190,987	-198,349,379
Petty cash	1,966,517	1,582,934	383,583
Ordinary accounts with Banks (MUFG) (SMBG etc.)	433,182,991	519,191,707	-86,008,716
Saving accounts with JP Bank	76,591,105	72,027,109	4,563,996
Fixed deposit	376,100,995	493,389,237	-117,288,242
100,000,000	100,000,000	-	-
Accounts receivable	102,488,926	247,010,812	-144,521,886
Donation receivable from outsourced vendor (※1)	100,725,687	98,623,658	2,102,029
Receivable from MSF Korea	-	145,726,560	-145,726,560
Others	1,763,239	2,660,594	-897,355
Prepaid expenses	10,748,630	10,615,582	133,048
Advances	84,367,840	117,502,991	-33,135,151
MSF France (for Tokyo Cell expenses)	28,418,660	18,899,752	9,518,908
MSF International Office etc.	19,611,692	1,487,357	18,124,335
Other MSF offices (Expatriates related expenses etc.)	36,337,488	97,115,882	-60,778,394
Other current assets	15,168,584	13,875,593	1,292,991
Gold ingot	14,997,533	13,718,208	1,279,325
Supplies	35,358	29,120	6,238
Suspense payment	135,693	128,265	7,428
Total Current Assets	1,200,615,588	1,575,195,965	-374,580,377
2. Non Current Assets			
Building structures	38,004,702	4,852,869	33,151,833
Interior finishing (Air condition, Electricity and LAN)	38,004,702	4,852,869	33,151,833
Office equipment and fixtures	19,396,404	12,462,023	6,934,381
Furniture	10,374,291	3,714,911	6,659,380
Equipment and fixtures	6,390,977	4,447,502	1,943,475
Video equipment	2,631,136	4,299,610	-1,668,474
Software	2,178,446	51,494,517	-49,316,071
Long-term deposit	40,813,000	46,823,780	-6,010,780
For office rent etc.	40,813,000	46,823,780	-6,010,780
Total Non Current Assets	100,392,552	115,633,189	-15,240,637
Total Assets	1,301,008,140	1,690,829,154	-389,821,014
II. Liabilities			
1. Current Liabilities			
Accounts payable (Grants etc.)	100,000,000	298,597,677	-198,597,677
Grants for MSF France	70,000,000	200,000,000	-130,000,000
Grants for MSF Spain	20,000,000	-	20,000,000
Grants for MSF Switzerland	10,000,000	-	10,000,000
Grants for MSF Korea (Financial support)	-	98,597,677	-98,597,677
Accounts payable (Other national expenses)	252,680,236	327,312,908	-74,632,672
Fundraising campaign related expenses	129,134,253	181,746,927	-52,612,674
Other expenses	123,545,983	145,565,981	-22,019,998
Deposits received etc.	21,070,366	2,179,311	18,891,055
Part of accepted comprehensive legacy donations to be refunded	19,019,910	-	19,019,910
Others	2,050,456	2,179,311	-128,855
Total Current Liabilities	373,750,602	628,089,896	-254,339,294
2. Non Current Liabilities			
Provisions for retirement benefits	37,218,300	34,640,100	2,578,200
Total Non Current Liabilities	37,218,300	34,640,100	2,578,200
Total Liabilities	410,968,902	662,729,996	-251,761,094
III. Net Assets			
Earmarked Net Assets	-	-	-
Non-Earmarked Net Assets (※2)	890,039,238	1,028,099,158	-138,059,920
Total Net Assets	890,039,238	1,028,099,158	-138,059,920
Total Liabilities and Net Assets	1,301,008,140	1,690,829,154	-389,821,014

Notes

(※1) Balance of outstanding donations as of Dec. 31, 2017, which were already debited from the donors' bank accounts, however not yet arrived at our accounts with banks due to procedures of funds transfer by the outsourced vendor.

(※2) See Notes to Financial Statement No.14.

Notes to Financial Statements

1. Basis for presenting Financial Statements

The financial statements of Médecins Sans Frontières Japon (hereinafter "MSFJ") have been prepared in accordance with the Accounting Standards of Public Interest Corporation generally accepted in Japan (revised in October 14, 2004), which are different in certain respects from the requirements for applications and disclosures required under International Financial Reporting Standards (IFRS).

2. Significant Accounting Policies

(1) Method of depreciation of Fixed Assets

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets.

Category of Fixed Assets	Period	Category of Fixed Assets	Period
Building structures	3 - 5 years	Equipment and fixtures	3 years
Furniture	3 - 5 years	Software	3 years

(2) Basis for recording provisions

Retirement benefits

In compliance with the internal "End of Service Payment Plan", MSFJ records required amount of payment as retirement benefits to staff at year-end.

(3) Revenue recognition

Donations are basically recognized on a cash basis. Certain donations are recognized as revenues when amount and timing of collection are fixed and receipts for the donations are issued to donors.

In-kind donations:

In addition to cash donations, MSFJ receives medicine, office equipment, software, mileage, stamps and complimentary coupon for a shareholder as well as the services on pro-bono basis, as in-kind donations. The in-kind donations are recognized as revenues based upon their available market prices when they are actually received and recorded as expenses when they are used for its activities.

(4) Operating Expenditures

The expenditures are allocated by major activities as shown in the Statement of Financial Activities. The overhead expenses are allocated to the following activities based on the total actual working hours employed in one full year.

(4)-1) Social mission

① Financial contribution to the operational centers (Grants)

This expense is related to grants allocated to each operational program handled by operational centers including MSF France, MSF Spain and MSF Switzerland per finance agreements signed under the international "Resource Sharing Agreement 3".

② Research and Development (R&D)

In order to contribute to humanitarian aid activities in Asia and globally, MSFJ initiated work on innovative research and development and improvement on medical and logistics areas, and to examine the possibility of supplying products to the fields directly from Japan.

③ Field HR management

This is related to cost of activities for recruiting field staff for the program operations, and arranging required training sessions for the program operations as well as preparing for departures to the fields.

④ Advocacy activity

④-a) MSFJ appeals to various national governments, international organizations and pharmaceutical companies in cooperation with other MSF offices.

④-b) Financial support to the Campaign for Access to Essential Medicines.

The Campaign has been implemented by MSF since 1999 worldwide. Its mission is to address governments, international organizations and pharmaceutical companies, in order to provide people suffering from infectious diseases with affordable and effective medicine. MSFJ provides funds along with other MSF offices under the coordination of the MSF International Office.

⑤ Awareness-raising activities

MSFJ informs the general public including donors about our current activities at each program via publications, MSF Japan website, exhibitions and other media.

(4) - 2) Fundraising activities

MSFJ implements fundraising activities to ensure sufficient funding for our operations. For this purpose, MSFJ launches several campaigns such as direct mailings and newsletter mailings.

(4) - 3) Management and administrative expenses

This includes the overhead expenses related to MSFJ's executive management and administration departments (human resources, finance, & accounting, general affairs and IT). Financial contribution shared by all MSF offices for the operating expenses of MSF International Office is also included. MSF International Office provides all MSF offices with coordination services.

(5) Accounting for consumption tax

All amounts stated are inclusive of national consumption and local consumption taxes.

3. Hedging foreign currency exposure

MSFJ utilizes foreign currency forward contracts to mitigate foreign currency exposure when remitting funds for humanitarian aid. MSFJ does not utilize the instruments for speculation purpose.

4. Changes, balances and breakdown of the endowment and the special funds

MSFJ has no such assets as being classified in the endowment and/or specific purpose funds as being invested, among the funds accepted in this year as earmarked funds and non-earmarked funds.

5. Assets pledged as collateral

Not applicable

6. Acquisition costs, accumulated depreciations and the carrying amounts of fixed assets at the end of current year (Unit: JPY)

	Acquisition Costs	Accumulated depreciation	Carrying amounts at the end of current year
Building structures	51,494,334	13,489,632	38,004,702
Office equipment and fixtures	67,214,187	47,817,783	19,396,404
Furniture	20,701,894	10,327,603	10,374,291
Equipment and fixtures	40,502,664	34,111,687	6,390,977
Video equipment	6,009,629	3,378,493	2,631,136
Software	59,782,493	57,604,047	2,178,446
Sub total	178,491,014	118,911,462	59,579,552
Leased assets (Donor management system)	63,392,091	63,392,091	-
Grand total	241,883,105	182,303,553	59,579,552

7. Retirement benefits

(1) The outline of the retirement benefit plan: MSFJ has lump sum retirement benefit under the internal provision.

(2) Obligation for retirement benefits Defined benefits obligation: JPY 37,218,300
Provision for retirement benefits: JPY 37,218,300

(3) Retirement benefits related expenses JPY 8,370,800

8. Contingent liabilities

Not applicable

9. Details, name of provider and the current year changes in terms of subvention etc.

Not applicable

10. Description of the transactions with the related parties

Not applicable

11. Significant subsequent events

Not applicable

12. Financial contribution to MSF operational centers in 2017

(Unit: JPY)

Operational Centers	Donation from individuals (Remark 1)	Donation from Companies etc (Remark 1)	Institutional grants	Total
MSF France	3,387,181,480	322,765,376	218,494,214	3,928,441,070
MSF Spain	967,780,000	92,220,000	-	1,060,000,000
MSF Switzerland	483,890,000	46,110,000	-	530,000,000
Total	4,838,851,480	461,095,376	218,494,214	5,518,441,070

Remark 1. The classification of "individuals" and "companies etc." is on a pro rata basis.

2. Regarding transaction with MSF Korea, please refer to below 13.

13. Transaction related to MSF Korea

In 2017, MSFJ provided MSF Korea (MSFK) with financial support amounting to JPY 106,148,064. MSFK allocated the funds equivalent to JPY 218,494,214 as grants to MSFJ, out of the total revenues raised in South Korea in 2017. MSFJ recognized the above grants from MSFK as "Operating Revenues" in this year, in accordance with the revised MOU signed between MSF Japan and MSF Switzerland.

14. Reserve policy

In accordance with the MSFJ Reserve Policy, MSFJ holds reserves with maximum 5 months of averaged domestic expenditures except overseas remittance like grants etc., in order to cope with emergency operations for natural disasters etc, or to mitigate negative impacts on cash flow due to unexpected income shortfall caused by economic downturn etc. The reserve balance at end of 2017 stays at 4.2 months level.