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# Subsidized Project Administration Manual

Budget and Accounts Division, Minister's Secretariat  
Ministry of Economy, Trade and Industry

*Note)*

*This is a tentative translation by Management Office for the Project of Decommissioning and Contaminated Water Management (Mitsubishi Research Institute Inc.). Only the original Japanese texts of the laws and regulations, guides have legal effect, and this translation is to be used solely as reference materials to aid in the understanding of Japanese laws and regulations. The government of Japan is not responsible for the accuracy, reliability or currency of this translation, or for any consequence resulting from use of this translation.*

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## Purpose of use and matters to bear in mind

### <Purpose of use>

This Manual describes basic matters including materials to be prepared upon accounting process, implementing inspection and other procedures pertaining to subsidized projects. It is expected this Manual will help implement inspection, etc. properly and effectively between a party to undertake subsidized projects (hereinafter called "Subsidized Project Operating Entity") and the Ministry of Economy, Trade and Industry (hereinafter called "METI").

### <Matters to bear in mind>

- The accounting process of subsidy is different from general business transactions and business customs (\*).
- This Manual gives a basic concept of accounting process and some other process different from the Manual may also be accepted so long as it is based on a concept appropriate to the situations.
- Administrative and accounting processes different from ordinary ones are required such as the maintenance of forms including a business log and management method of acquired property. Pay careful attention to avoid such an awkward situation that materials are not available on the day of inspection (on-site survey).
- \* • The concept of actual payment (exclude profitability and pay the cost actually incurred by Subsidized Project Operating Entity on a project).
- Categorized management of cost (there are limitations to diversions)
- Categorized management between subsidized project and other projects
- Chronological arrangement of materials (ensure the traceability of implementation date).

# I. Accounting process manual

## 1. Basic concept of accounting process of subsidized projects

### <Definition of subsidy>

Subsidies in the Act Concerning Regulation of Budget Execution Pertaining to Subsidies mean (1) subsidy (2) burden charge (excluding share of expenses under international treaties) (3) interest subsidy (4) other reasonable benefits without counter-performance which are provided for in Article 2 of the Enforcement Ordinance for the Act Concerning Regulation of Budget Execution Pertaining to Subsidies.

### <Basic rules of accounting process>

Upon executing accounting process of subsidized projects, expenses subject to subsidization shall be clearly classified for the process. Also note that there are differences from ordinary accounting process and administration as shown in various limitations to ensure appropriate accounting process and management method of acquired property.

It must also be noted that if any unlawful act is found in the inspection or the like such as false report of cost or receipt of subsidy for inflated bills, the party is subject to the disposition including cancellation of subsidization decision, order for a return (non-issuance) of the subsidy in whole or in part, payment of additional amount, announcement of the wrong content, suspension of subsidization (up to 36 months), or a criminal complaint. It is therefore requested to always observe appropriate accounting process.

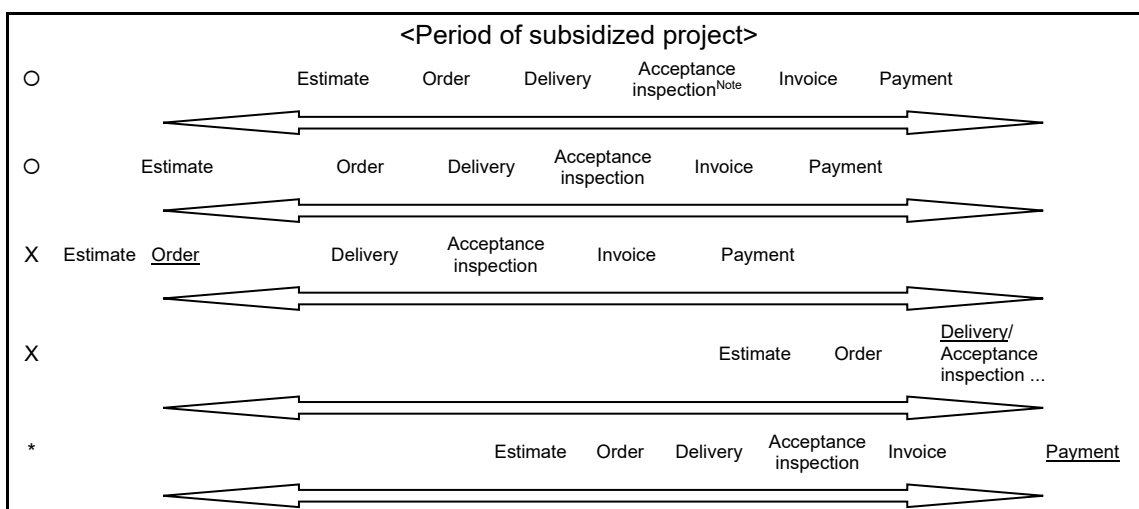
Since the cost subject to subsidy (hereinafter called "Subsidized Cost") differs from one system to another, carefully check with the Subsidization Outline, etc. from the stage of the project start whether or not the expected costs can be approved as Subsidized Cost.

Basically, Subsidy will be paid based on settlement after the completion of the project, however, depending on the situation of own fund etc. for the project subsidy could be paid based on estimation before the completion of the project. If you need payment by estimation, please consult with staff in charge at METI individually.

- The cost to be recorded are those accrued (placed an order) on or after the date of subsidization decision and ended (paid) during the project period\*1.
- The cost must be consistent with the project purpose and data needs to be organized to verify the use in the project concerned.
- The cost for receiving a final inspection or the like, cost for preparing a track record report after the end of the project, charges for fund transfer to financial institutions, exchange losses and the like are not subsidized in principle. However, if money transfer charge is borne by trading partner and is included in the transaction price, it can be posted as the subject of subsidization.
- In the case of in-house procurement, profit included in the procurement price must be excluded\*2.

- To secure the objectivity of evidence of payment, effect all payments by bank transfer in principle unless other payment method is specified. For the inspection for settlement of subsidy amounts, retain and arrange what can be a proof of payment (such as a receipt of bank transfer). Also, when paying by means other than bank transfer, retain and arrange a proof of payment as in the case of bank transfer. Especially for cash payment, the copies of cashbooks and such shall be retained and arranged in addition to the proof of payment above. Please be advised that you may be required to clarify the reasons for making payments by cash.
- Even if bill payable is specified as a payment method, the amount paid by endorsed bills cannot be admitted as Subsidized Cost.
- Calculate the yen equivalent of foreign currencies spent for overseas outsourcing, procurement of equipment, overseas business trip, etc. by applying the exchange rate at the time of use of such foreign currency or other practical method.
- Round off in principle any fractional figures after decimal point that occurs in the course of calculating the amount of Subsidized Cost. If treatment of fractional figures has been specified in internal rules, etc., however, posting after such treatment may be approved upon consultation with staff in charge at METI.
- When posting consumption tax paid for subsidized projects as the subject of subsidization, there is a possibility of the accrual of the tax deductions for the taxable purchase pertaining to subsidy\*<sup>3</sup>. Therefore, if the tax deductions for the taxable purchase is known by the tax return of the consumption tax, the tax deductions for the taxable purchase pertaining to said subsidy must be reported.
- When holding an exhibition, trade show, exposition or trade fair (hereinafter called "exhibition, etc."), value added tax (hereinafter called "VAT") imposed on some costs which cannot locally be treated as tax-exempt may be reimbursed after application procedures in accordance with the county's regulation. Therefore, in principle, if you post VAT as a Subsidized Cost, you must consider a possibility of reimbursement of the VAT, and if the amount of the reimbursement is known after completion of the subsidized project, you must report the amount of the reimbursement of the VAT pertaining to subsidy.

[\*1 Judgment examples of whether or not procurement may be subsidized in subsidized projects]



Note Acceptance inspection refers to the inspection to see whether the delivered goods conform to the particulars of order.

\* As an exception, even payment outside the period of subsidized project is acceptable as Subsidized Cost if the following requirements are met.

Cost accrues during the period of subsidized project for the fixed amount of cost (obligatory expenditure) and when there is a reasonable cause\* for not having paid during the project period.

(Examples of reasonable causes)

- (1) Labor cost (there are many cases of payment such as salary payment closed at the end of month and paid in the following month)
- (2) The cost accrues just before the end of the project period in terms of the progress of project, but it is difficult to effect payment during the project period for the convenience of accounting process.

\* If payment procedure is taken after the end of project period, it must be reported to METI promptly upon the completion of the payment and checked by the staff in charge. If any question or doubt arises as a result of the check by the staff in charge at METI, measures including an inspection may be taken as needed.

[\*2 The concept of excluding profit when procuring in-house in subsidized project]

If Subsidized Cost includes the procurement of own product of Subsidized Project Operating Entity in the subsidized project, it is considered not appropriate in view of the purpose of the subsidization that the results of the subsidized project include the amount corresponding to the profit of Subsidized Project Operating Entity. METI therefore post profit excluded cost (manufacturing costs of procured goods, etc.) as Subsidized Cost for in-house procurement and such. \*If there is any difficulty in calculating the manufacturing cost because of the industry sector of subsidized entities, profit excluded cost may be admitted as Subsidized Cost with rational explanations.

[\*3 What are tax deductions for the taxable purchase for consumption tax pertaining to subsidy?]

The tax deductions for the taxable purchase for consumption tax is a system under which, unless it is a business operator who is not subject to tax deductions for the taxable purchase (tax exempted business operator, etc.), the amount of consumption tax (consumption tax payable) paid during the period can be deducted from the amount of taxable consumption tax (suspense receipt of consumption tax) through reporting of the consumption tax.

Under the taxation system, subsidy is not taxable proceeds for consumption tax but restricted receipts, so when a subsidy including consumption tax is issued to a business operator, the consumption tax received as a part of the subsidy is not subject to suspense receipt of consumption tax.

However, the consumption tax received as a subsidy and paid in subsidized project is, in whole or in part, subject to consumption tax payable, so the Subsidized Project Operating Entity will receive tax deductions for the taxable purchase for consumption tax for the subsidy which was not borne by itself, along with consumption tax payable for other than the subsidized project.

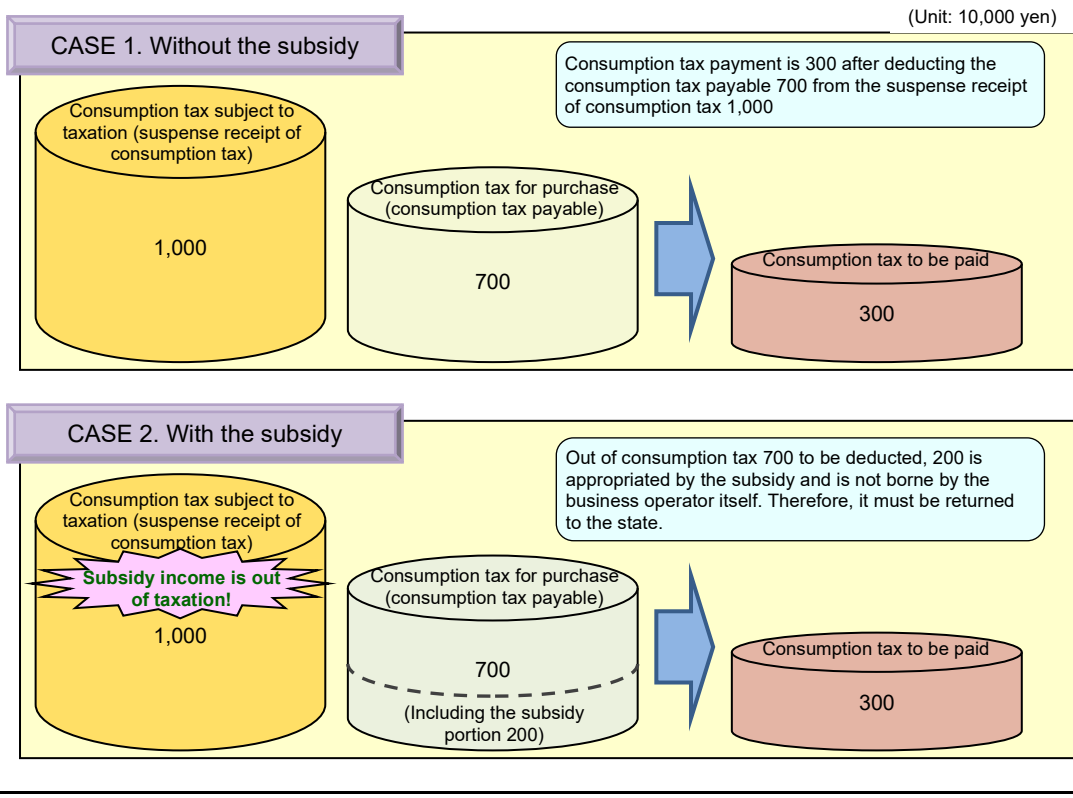
Therefore, when tax deductions for the taxable purchase are received also for consumption tax paid by the subsidy, the amount of subsidy portion in the deductions must be returned to the state in accordance with the Subsidization Summary. (See the chart below.)

Suppose final returns are filed with the consumption tax on sales as a result of business activities (suspense receipt of consumption tax) being 10 million yen and the consumption tax for purchase (consumption tax payable) being 7 million yen.

If this business operator has not received any subsidy from the state, it has to pay the consumption tax for 3 million yen only (10 million - 7 million) to the tax office. <CASE 1>

However, if the business operator has received a subsidy and suppose that 2 million yen out of the 7 million consumption tax payable is by the subsidy. In this case, said 2 million yen is not appropriated as suspense receipt of consumption tax of 10 million yen but appropriated as the consumption tax payable of 7 million yen. Therefore, in addition to CASE 1 (payment to the tax office), it becomes necessary to return the 2 million yen not borne by itself to the state. <CASE 2>

(Note) It is assumed here that the full deduction of the consumption tax amount 7 million yen has been approved.





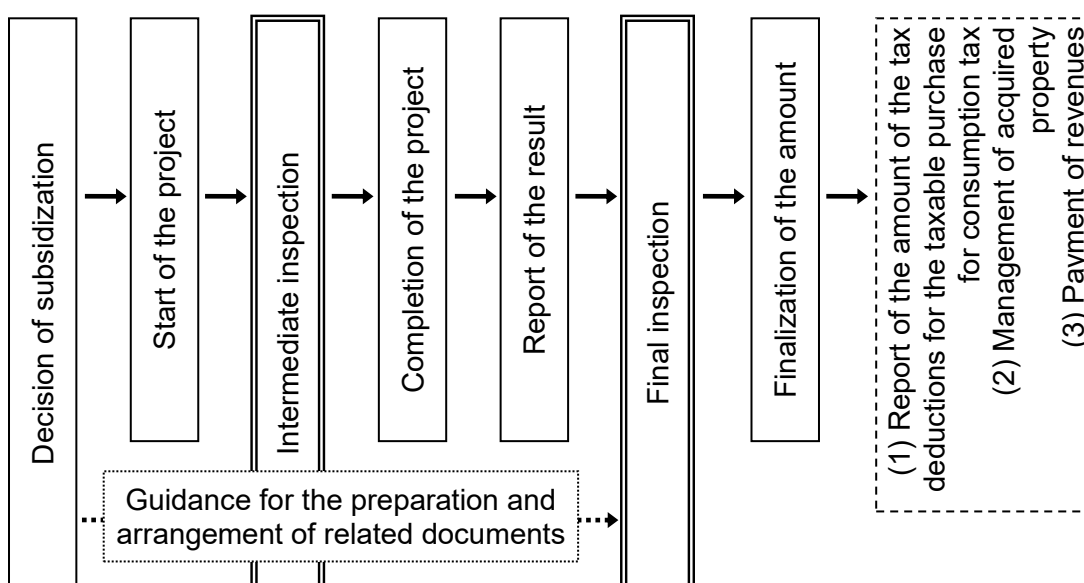
### <Matters to bear in mind while project is under way>

In cases where the originally planned project has been cancelled or changes are needed, or the project is not proceeding as originally planned, prescribed procedures are required in accordance with Subsidization Summary, etc. Subsidized Project Operating Entity should carefully read materials such as Subsidization Summary, Guidelines for Public Offering and this Manual and keep close contact with the staff in charge at METI to clarify any doubt or questions for smooth implementation of the project.

#### [Points to be confirmed]

- There are cases where Subsidized Project Operating Entity is required by the staff in charge at METI to report on the progress situation of the project.
- In the event of the change of project details, change of distribution amount exceeding a certain rate (10%, etc.) specified in the Subsidization Summary, etc. among the classification of cost, or suspension or cancellation of the whole or part of the project, application for the approval of plan change must be filed in advance with METI.
- If it is expected that the project will not be finished within the scheduled time frame, accident (delay) report must be submitted in advance to METI to receive further instructions from the Ministry.
- If unclear matter is found or information about fraudulent accounting is received during final inspection (same as after completion of the project), not only Subsidized Project Operating Entity but also those who receive part of the subsidy from Subsidized Project Operating Entity such as employee, outsourcing company of Subsidized Project Operating Entity, commissioned company, contractor, subcontractor, sub-subcontractor, etc., may be inspected.

### <Standard flowchart of subsidized projects>



## <Main cost items and their definitions>

Cost items which can be appropriated as subject cost differ from one project to another. Carefully read materials such as Subsidization Summary, Guidelines for Public Offering and this Manual and keep contact with the staff in charge at METI to clarify any doubt or questions for proper appropriation of costs.

| Cost item                     | Description   |
|-------------------------------|---|
| I. Labor cost                 | Labor cost for working hours of those engaged in the project.   |
| II. Project cost              |   |
| Travel expenses               | Cost for domestic business travels and overseas business travels necessary for performing the project.  |
| Meeting expense               | Cost for meetings, seminars, symposiums and the like necessary for performing the project (rent of a venue, rental charges of equipment and materials, cost for refreshments (coffee money), etc.)  |
| Gratuities                    | Gratuities necessary for performing the project (gratuities for external experts who attended meetings, seminars, symposiums, etc., gratuities for giving seminars, writing of drafts, cooperation with research, etc.)   |
| Fittings and appliances       | Cost for purchase or manufacture of goods necessary for performing the project (limited, however, to those serviceable for over one year)   |
| (Rent and hire)               | Cost for lease and rental of machinery, equipment and the like necessary for performing the project   |
| Supplies expense              | Cost for the purchase of goods necessary for performing the project but not belonging to fittings and appliances (however, only those verifiable for the use in the project)  |
| Outsourcing cost              | Cost for outsourcing to other business operator what Subsidized Project Operating Entity cannot implement on its own or not appropriate to do so (contract for work)  |
| Printing and bookbinding cost | Cost for printing and bookbinding of pamphlets, leaflets, result reports, etc. used for the project   |
| Cost for subsidiary labor     | Cost for subsidiary labor (part-timer, etc.) necessary for performing the project   |
| Other miscellaneous cost      | Cost necessary for performing the project which does not belong to any other category. In principle, those which can be identifiable and verifiable for the use in the project.<br>Example)<br>– Communication and transportation cost (postage, transportation charge, |

|                     |   |
|---------------------|---|
|                     | <p>communication and telephone charges, etc.)</p> <ul style="list-style-type: none"> <li>- Utility charges (electricity, water, gas. For example, the charges used for the project can be calculated by reading a dedicated meter in a large-scale research institute, etc.)</li> <li>- Cost for repair and maintenance of facilities</li> <li>- Cost for translation, interpretation and stenography</li> <li>- Cost for the purchase of literatures, charges for statutory inspection, testing fees, cost for patent application, etc.</li> </ul> |
| III. Commission fee | Cost for commissioning other business operator to do what Subsidized Project Operating Entity cannot implement on its own or is not appropriate to do so (commission contract)  |

## 2. Arrangement of related documents

### <Purpose of implementation>

As a prerequisite for the implementation of effective and efficient accounting process, it is necessary that the related documents pertaining to the start of subsidized project, implementation status, etc. are put in order. Appropriate arrangement of related documents also leads to prompt and proper implementation of inspection in the on-site survey mentioned later.

### <Specific implementation method>

- (1) Arrange and store related documents (see the main related documents below) in chronological order.
- (2) If any guidance is given by the staff in charge at METI regarding arrangement and storage status, record the details of the guidance and arrange and store according to the guidance.

### (Reference) Main related documents

- ⊙ Project plan (copy), application for subsidization (copy), subsidization notice (original),
- Progress status report (copy (if applicable)),
- Application for the approval of plan change (copy (if applicable)), Approval notice of plan change (original (if applicable)),
- Invoice for the payment by rough estimate (copy (if applicable)),
- Accident (delay) report (copy (if applicable)), Approval notice of accident (delay) report (original (if applicable)),
- ⊙ Result report (copy),
- Management ledger of acquired property, etc. (original (if applicable)) and Management statement of acquired property, etc. (copy (if applicable)),
- Other documents to be submitted (if applicable)

### 3. Accounting process on labor cost

#### <Basic concept>

Labor cost refers to the salary and other allowances of worker engaged in subsidized projects (hereinafter called "Project Worker") for their working hours. To check business operations and operation management, prepare data to show the division of roles of Project Worker pertaining to subsidized project (such as an organization chart).

Labor cost is basically calculated for each component by the following formula. Hourly rate\*<sup>1</sup> is calculated for each and every Project Worker by the calculation method described later. In addition, the calculation method of hourly rate, etc. is fixed at the time of subsidization decision and cannot be changed later at the time of result report or finalization (the amount of hourly rate may be changed according to the concept at the time of subsidization decision).

Also, appropriate only the number of hours\*<sup>2</sup> engaged in the project concerned. Preparation of a following work log will be the basis of calculating the number of hours, however under certain conditions a work report can be basis of grasping and calculating the number of hours by small and medium-sized enterprises, small enterprises or individual proprietors prescribed in the Small and Medium-sized Enterprise Basic Act.

The following treatment is the basic method for a general employee working under ordinary working arrangements, hence for the case of managerial staff (whose treatment is partly described in this document) or staff working under flexible working arrangements, the working hours of whom are not fixed, treatment specific to individual cases may be needed in the Subsidized Project Operating Entity.

$$\text{Labor cost} = \text{Hourly rate}^{*1} \times \text{Number of (work) hours}^{*2}$$

#### <\*<sup>1</sup>Calculation method of hourly rate>

Hourly rate is basically added up by the following method.

[Technique 1: Actual Rate Calculation]

#### **(1) How to add up hourly rate of labor cost for regular staff, loaned staff and temporary staff**

Hourly rate of labor cost = (Total annual payment + Annual statutory welfare cost) / Total theoretical annual working hours

\* Statutory welfare cost includes a portion of health insurance premiums, welfare pension insurance premiums (including premiums for welfare pension fund), labor insurance premiums, contributions to the child care funds, compensation for absence from work under the Labor Standards Act, etc. to be borne by Subsidized Project Operating Entity.

\* Total theoretical annual working hours are the number of hours obtained by first calculating the number of prescribed annual business days from annual business calendar, etc. and then calculating prescribed working hours per day from work rules, etc. and finally multiplying the number of days by the number of hours.

The total annual payment may include basic salary and various allowances such as administrative allowance, urban allowance, housing allowance, family allowance and commutation allowance as well as bonus, but those subsidized under welfare program such as overtime allowance and meal allowance cannot be included (the same shall apply

hereinafter).

\* The total annual payment and annual statutory welfare cost for the loaned staff and temporary staff are the annual salary and annual statutory welfare cost borne by Subsidized Project Operating Entity.

\* The hourly rate used for appropriating overtime work is calculated from the total overtime allowance paid by Subsidized Project Operating Entity and the total overtime hours.

**(2) How to add up hourly rate for managerial staff without overtime allowance**

Hourly rate of labor cost = (Total annual payment + Annual statutory welfare cost) / Total theoretical annual working hours

\* Cost to engage in overtime work for the project can only be appropriated when such prescribed overtime cost is borne by Subsidized Project Operating Entity.

[Technique 2: Health Insurance Grade Rate Calculation]

This calculation is carried out by confirming the appropriation method of health insurance grade rate in the subsidized project and the rate chart, etc.

○ The concept of hourly rate

The application of hourly rate in using the Health Insurance Grade Rate Calculation is basically as shown in the following table. When using this rate, the uniform rate shall apply irrespective of being within working hours, overtime or holiday.\*1

| Employment relationship                             | Salary  | Hourly rate   |
|---|---|---|
| Employees under health insurance grade              | All   | Select the classification in the hourly rate list according to the bonus frequency and apply the hourly rate corresponding to health insurance grade.     |
| Other than employees under health insurance grade*2 | Annual salary system<br>Monthly salary system | Calculate the amount of monthly salary*3 and apply the hourly rate corresponding to the range of monthly salary in the hourly rate list.                  |
|   | Day-rate system                               | Instead of applying the hourly rate list, apply the rate (less than one yen to be discarded) obtained by dividing day rate*4 by prescribed working hours. |
|   | Hourly wage system                            | Apply the hourly wage*4 instead of the hourly rate list.  |

\*1 However, in cases where labor cost based on the health insurance grade rate substantially exceeds labor cost borne by business operator, hourly rate needs to be adjusted.

\*2 The bonus to be paid within the project period (including the one whose payment has been set for the last day of the following month of the last day of the project period) may be added to the calculation of hourly rate. As for the method of the addition, when adding to monthly salary, add the amount of bonus paid in each period of first half (April to September) and last half (October to March) to monthly amount of respective periods (divided by corresponding number of months), and when adding to day rate, add the amount obtained by further dividing the above-mentioned method by the prescribed working days per month to the day rate (less than one yen to be discarded).

\*3 Calculation of standard monthly income for health insurance shall apply to the calculation of monthly salary from annual salary.

\*4 Add to the hourly rate the amount obtained by dividing commutation allowance per day (to be calculated from the contract of employment, etc.) by prescribed working hours.

\*5 For part-time workers (those for whom shortened working hours are specified in labor contract, etc. regardless whether they are part-time employees or short-time regular employees and so on) whose working hours are shorter than the prescribed working hours specified in the rules of employment, etc., the rate adjusted to the ratio of prescribed working hours can be used.

In applying the health insurance grade, use the rate based on the grade applied at the start of the subsidized project, and when there is any revision during the project period, the rate based on the new health insurance grade shall apply from the month of the revision.

<\*2Calculation method of the number of (work) hours>

As a general rule, the following methods will be used to grasp and calculate the number of (work) hours.

【Method I: Work log】

Prepare a work log to grasp the hours of project engagement.

<<Work log entry example 1>> (In case of the duplication with other multiple projects, etc.)

| Time<br>Date | 0 | .. | 8     | 9                  | 10    | 11 | 12 | 13 | 14                | 15 | 16 | 17    | 18 | 19 | 20 | ~ |
|--------------|---|----|-------|--------------------|-------|----|----|----|-------------------|----|----|-------|----|----|----|---|
| 1            |   |    | ← A → |                    |       |    |    |    | ← B →             |    |    | ← C → |    |    |    |   |
| 2            |   |    | 8:30  | ← A (Meeting(2)) → |       |    |    |    | ← C →             |    |    |       |    |    |    |   |
| 3            |   |    | 8:30  | ← C ( Trip ) →     |       |    |    |    |                   |    |    |       |    |    |    |   |
| 4            |   |    | ← B → |                    | ← A → |    |    |    | ← D →             |    |    |       |    |    |    |   |
| .            |   |    | ← C → |                    |       |    |    |    | ← A (Committee) → |    |    |       |    |    |    |   |
| .            |   |    | ← D → |                    |       |    |    |    | ← D →             |    |    |       |    |    |    |   |
| .            |   |    |       |                    |       |    |    |    |                   |    |    |       |    |    |    |   |
| 31           |   |    |       |                    |       |    |    |    |                   |    |    |       |    |    |    |   |

Total A: (XX) h B: (XX) h C: (XX) h D: (XX) h  
 A: NEDO Subsidy  
 B: JETRO Commission  
 C: METI Subsidy (xx subsidized project)  
 D: Communication with xx Co. (independent project) (3)

<<Work log entry example 2]>>(In case of no duplication with other project or insignificant duplication, etc.)

| Date  |         | Day   |       | Working Hours (enter time in 24-hour notation) |       | Elimination Hours | Working Hours | Detailed research contents, details of work<br>*To set up individual holidays, enter "holiday." |
|-------|---------|-------|-------|--|-------|-------------------|---------------|---|
| Start | End     | Start | End   | Start  | End   |                   |               |   |
| 4/1   | Wed.    | 9:00  | 12:00 | 15:00  | 17:00 | 0:30              | 4:30          | AM: Meeting for XXX development<br>PM: Preparation of XXX meeting materials                     |
| 4/2   | Thurs.  |       |       | 13:00  | 18:00 |                   | 5:00          | XXX meeting   |
| 4/3   | Fri.    |       |       |  |       |                   |               |   |
| ⋮     | ⋮       |       |       |  |       |                   |               |   |
| 4/29  | Holiday |       |       |  |       |                   |               |   |
| 4/30  | Thurs.  |       |       |  |       |                   |               |   |
| TOTAL |         |       |       |  |       |                   | 9:30          |   |

- (1) Maintain a work log for each Project Worker who is subject to labor cost. (Careful attention needs to be paid in the entry **so as not to mix up the engaged hours and contents of this subsidized project with those of other commissioned or subsidized projects, your own projects, etc.**)
- (2) **Entry to work log should be made every day by the person who are engaged in the project.** (Avoid entering the details of several weeks at one time or having someone else enter the details to prevent erroneous facts from being described.)
- (3) Enter hours engaged in the subsidized project. In addition, the cases of work outside prescribed hours (overtime, holiday work, etc.) being included in the hours of engagement are as follows:
  - If overtime work on weekdays is indispensable from the nature of the subsidized project and when Subsidized Project Operating Entity is providing overtime allowance.
  - If holiday work (e.g. holding of symposium on weekend, etc.) is necessary from the nature of the subsidized project and when Subsidized Project Operating Entity is providing holiday work allowance. Even in the case of non-provision, the same shall apply if Subsidized Project Operating Entity is providing substitute holidays.
- (4) Exclude lunch break and recess (Enter in the "Hours to be excluded" in the format in accordance with the Work log entry example 2).
- (5) Describe in such a way that specific details of engagement (business travel, meeting, research, etc.) in the subsidized project is known. In addition, travelling time in a business travel, etc. can also be appropriated as the time spent for the subsidized project.\*
  - \* Consideration needs to be given to the division of the trip schedule including other projects like an independent project and appropriation of the travel outside prescribed working hours.
- (6) In the case of being concurrently engaged in operations other than the subsidized project, ensure that the status of engagement between other project and subsidized project can be identified.
- (7) Responsible person should print its name and affix its seal only after having confirmed that the data does not contradict with such forms as a time card (attendance record if time card is not available) and there is no duplication of description with other project. (Seal is not necessary when it is clear that responsible person have confirmed. (e.g. work log is computerized and it is clear that responsible person have confirmed and approved it on the computerized system, or work log was submitted in electronic file with electronic signature by responsible person.))
- (8) If it is necessary from a viewpoint of the protection of personal information, take appropriate measures including masking.

#### **【Method II: Work report】**

To grasp the working hours, calculate the engagement rate of workers who are engaged in the subsidized project.

The engagement rate is calculated based on the ratio of Operating Cost in Subsidized Cost (excluding labor cost) to the total of the selling expenses, general and administrative expenses (for individual proprietors, total of expenses of blue return account statement or income and expense breakdown statement) and Operating Cost in Subsidized Cost (excluding labor cost) in profit-and-loss sheet in the latest financial statements with the necessary adjustments taking into account the correspondence between the financial statements and Subsidized Cos.

The working hours engaged in the subsidized project are grasped by multiplying the



calculated engagement rate by the total annual working hours.

<<Requirements for Method II>>

- Subsidized Project Operating Entity that fall under small and medium-sized enterprises, small enterprises or individual proprietors prescribed in the Small and Medium-sized Enterprise Basic Act. Excludes Subsidized Project Operating Entity that cannot present the data that is the basis of calculation of engagement rate, such as not yet producing financial statements due to founding year.
- Subsidized Project period is half a year or more.
- Person who is directly and continuously engaged in subsidized project through the project period (a person who is not identified in the implementation organization chart in the proposal, etc. or a person whose responsibility is only project implementation or management as a person who is engaged in the project in the short term which is not suitable for this method, and a person whose<sup>\*1</sup> working hours are significantly less than the average working hours of all the workers engaged in the project, are excluded)<sup>\*2</sup>.
  - <sup>\*1</sup> The term "significantly less" means that the working hours are less than those of person whose responsibility is only project implementation or management, or that the degree of involvement in the project is extremely low compared to other project workers.
  - <sup>\*2</sup> In the case of excluding those who are engaged in the project in the short term from the application of this method, the method will deliberately be different(Method I or II) depending on the project worker (although in principle, the method should be uniform).
- Subsidy rate of labor cost is other than a fixed amount (full subsidy).

<<Example : Description of Work Report>>

| <u>Work Report</u>   |  |
|--|--|
| Affiliation (Department, section) of the Project Worker:   | Affiliation & Title of the Project Manager:                  |
| <hr/>  |  |
| Name of the Project Worker & Seal:   | Name of the Project Manager & Seal:                          |
| <hr/>  |  |
| 1. Project Name  |  |
| 2. His/Her Assignment  |  |
| 3. Work Description  |  |
|  | Work Description (please describe concretely month by month) |
| Month /Year  | ○○○○○○○○○  |
| Month /Year  | ○○○○○○○○○  |
| Month /Year  | ○○○○○○○○○  |
| Month /Year  | ○○○○○○○○○  |
| Month /Year  | ○○○○○○○○○  |
| Month /Year  | ○○○○○○○○○  |
| Month /Year  | ○○○○○○○○○  |
| <p>Note: In principle, it should be stated monthly to the extent that it is possible to confirm that the content is commensurate with the engagement rate.</p>   |  |
| 4. Calculation of the engagement rate in the subsidized project<as stated in Attachment on calculation basis >   |  |
| $\text{Engagement rate}^{*1} = \frac{\text{JPY X,XXX,XXX}}{\text{JPY XX,XXX,XXX} + \text{JPY X,XXX,XXX}} = \underline{0.XX}$   |  |
| $*1 \text{ Engagement rate (round down to 3 decimal places) = } \frac{\text{Actual Operating Cost in Subsidized Cost}}{\text{Selling Expenses, General and Administrative Expenses in profit-and-loss sheet}^2 + \text{Actual Operating Cost in Subsidized Cost}^3}$ |  |
| *2 If Subsidized Cost includes the cost corresponding to the sales cost, such cost (part of labor cost, etc.) included in the sales cost shall be added.   |  |
| *3 Add the "Actual Operating Cost in Subsidized Cost" to both denominator and numerator.   |  |
| 5. Calculation of Project Working Hour   |  |
| Project Working Hour(s) = X,XXXH × 0.XX = <u>XXXH</u> *  |  |
| *Project Working Hour(s) = Annual Actual Working Hour(s)×Project Engagement rate (Rate calculated in 4.)   |  |
| 6. Others  |  |
| In the case of concurrently serving to other project besides this project, the information such as the name of the project , the name of the ministry, agency and department, division in charge shall be described. *   |  |
| *Be careful about the consistency of engagement rate with other projects.  |  |

- (1) Please provide referential document which can confirm each figure was the basis in calculation of Project engagement rate.
- (2) If Subsidized Cost includes the cost corresponding to the sales cost such as equipment is installed for commercial purpose, adjustment is necessary such as part of labor cost included in the sales cost shall be added to Selling Expenses and General and Administrative Expenses.
- (3) In the case of concurrently serving to other project besides this project, please be aware about consistency of engagement rate with other projects.
- (4) If a merger or an absorption split takes place after the latest account settlement,

please calculate the engagement rate based on the financial statements of the surviving company.

- (5) If a new company split is conducted after the latest account settlement, please calculate the engagement rate based on the financial statements used for subsidy grant application.

<<Instructions for the Application for Grant of Subsidy>>

- (1) If you calculate the labor cost by the engagement rate and apply as Subsidized Cost, please report the information on the eligible person, calculation of engagement rate, etc. at the time of grant application based on the following sheet. (Please refer to “4. Calculation of project engagement rate in the subsidized project” in the above “Work Report” for the rate calculation).
- (2) "Operating Cost in Subsidized Cost" are the estimated costs to list in the Application for Grant of Subsidy, and please calculate financial information and operating results based on the figures recorded in the most recent fiscal period at the time of grant application.
- (3) Calculate the total working hours based on the total theoretical annual working hours of workers who are engaged in the subsidized project.
- (4) The Work report after the submission of the grant application cannot be approved for project workers who were not supposed to apply the Work report at the time of grant application.

(Template)

Application (Change) Notification of Work Report

Date:

Name of Subsidized Project Operating Entity:  
Name of the representative person:  
Title of the representative person:

Seal

1. Name of the Subsidized Project Operating Entity  
Subsidized project of ○○○○○
2. Project period  
Month/Day/Year ~ Month/Day/Year
3. Information on the applied worker

| Worker Name *1 | Division/Title | In charge of | Number of working hours*2 |
|----------------|----------------|--------------|---------------------------|
|                |                |              |                           |
|                |                |              |                           |
|                |                |              |                           |
|                |                |              |                           |

\*1 The worker shall be directly and continuously engaged in the project through the project period.  
\*2 Number of working hours = Total theoretical annual working hours x Engagement rate (refer to the above "4. Calculation of project engagement rate in the subsidized project)

4. Calculation of the engagement rate of workers in the subsidized project<as stated in Attachment on calculation basis >

$$\text{Engagement rate} = \frac{\text{JPYX, XXX, XXX}}{\text{JPY XX, XXX,XXX} + \text{JPYX,XXX,XXX}} = \underline{0.XX}$$

<<Cautions during the project period>>

- (1) If a project worker who is applied to submit the Work Report is obliged to change the content of the notification at the time of grant application during the project

period, shall promptly report the change.

- (2) If a project worker who is applied to submit the Work Report ceases to meet the applicable requirements, such as when he/she ceases to be a person who is directly and continuously engaged in the project through the project period, calculate labor cost in the period up to the point when the project worker no longer meets the applicable requirements. (Example: Initially, when the project period is 9 months, a worker with an engagement rate of 0.4 retires after 5 months from the start of the project, the engagement rate is calculated as  $0.4 \times (\text{May} / \text{September})$ . Thus, the engagement rate shall be "0.22".)

#### <<Cautions during the Inspection>>

- (1) In principle, please describe in the Work Report the contents engaged in the subsidized project as specific as possible (about the extent to which you can confirm that the contents match the engagement rate).
- (2) "Operating Cost in Subsidized Cost" are actual amount to list in the result report, and please calculate it from financial statements based on the figures recorded in the latest account settlement at the time of final inspection.
- (3) Calculate the total working hours based on the total theoretical actual working hours of the project worker.
- (4) If the content of work and engagement rate for the project are in line with the actual situation or overlap with other projects, the manager in charge shall sign after confirming whether the engagement rate is appropriate.
- (5) As a result of reviewing the engagement rate based on the information at the time of project completion, when it differs from the time of grant application, engagement rate at the time of final inspection shall be applied. Even if the engagement rate calculated at the final inspection is higher, it cannot be paid beyond the labor cost calculated at the time of grant decision.
- (6) If any questions arise in relation to the contents of the Work Report submitted for project worker who applied to the work report, an interview shall be conducted in the final inspection. Even if the worker is not present at the final inspection, the worker may be asked questions by phone.

#### <Implementation method of accounting process>

##### [To calculate by actual rate calculation]

- (1) Maintain the salary ledger or pay roll, calculation table of the prescribed annual working hours (annual business calendar, rules of employment, etc.) to be the basis of the hourly rate calculation and calculate hourly rate based on the materials thus maintained. Prepare and arrange the table\* for the calculation of hourly rate of Project Worker pertaining to the subsidized project as well as the table tabulating the monthly labor cost for each individual.

\* When using statutory welfare cost (to be borne by Subsidized Project Operating Entity) for the calculation of hourly rate, appropriate the ratio of the amount to be borne by Subsidized Project Operating Entity based on the premiums table of health insurance and welfare pension insurance, and prepare and arrange the documents indicating the grounds. If there has been any change in insurance grade or premium rate, calculate the statutory welfare cost taking the effect of the change into account.

##### [To calculate by the Health Insurance Grade Rate Calculation]

- (1) Health insurance grade certificate\* (standard income decision notice, standard income revision notice, premiums table of standard monthly income) needs to be maintained for

employees under health insurance grade, and salary payment certificate\* (pay roll, employment contract, etc.) needs to be maintained for inapplicable employees.

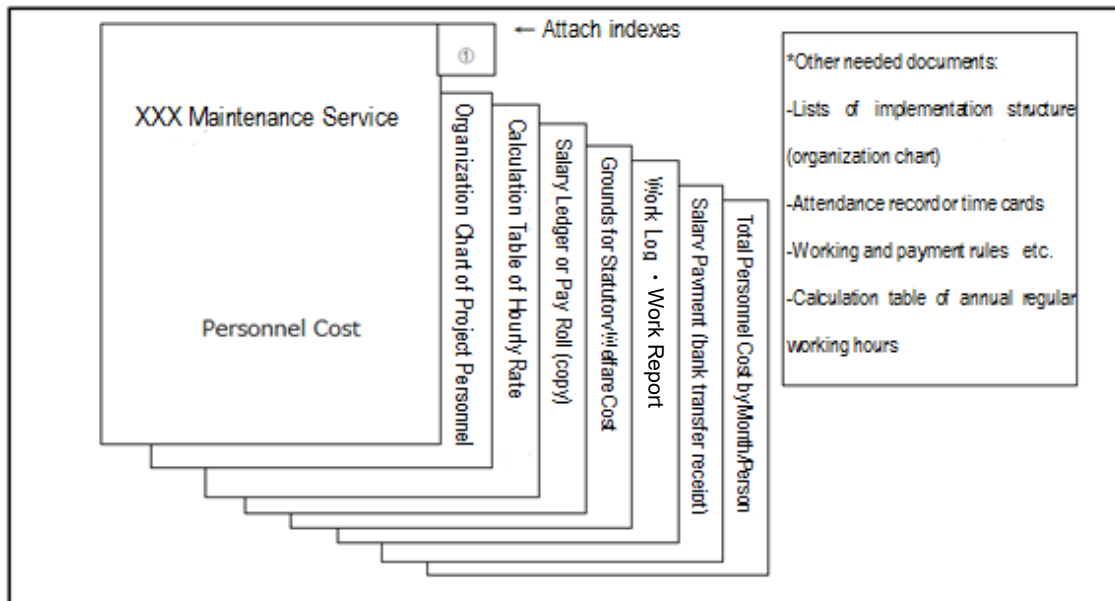
\* Certification shall be made by the chief of the department responsible for the pay roll and the certification shall be made after the expiration of the project period.

- (2) Maintain documents to verify the amount of salary payment (receipt of bank transfer, etc.), time card or attendance record, and documents to verify the payment for overtime if overtime is concerned.
- (3) By the time of reporting the result, finish payment of salary and statutory welfare cost in principle. If payment is not completed within the project period, however, finalize the amount of payment obligation.
- (4) If it is not possible to confirm the payment results at the time of final inspection, have them confirmed by the staff in charge at METI by submitting a report of payment results at a later date, etc.

Caution

- **If salary, etc. of Project Worker are being paid by other than Subsidized Project Operating Entity, such as for loaned worker from other organization or other business operator, appropriate only the portion borne by Subsidized Project Operating Entity! (Appropriate after deducting the portion paid by other than Subsidized Project Operating Entity, or calculate hourly rate by deducting such portion upon its calculation.)**

(Reference) Filing example of documents on labor cost



## 4. Accounting process for travel expenses

### <Basic concept>

This refers to the cost for domestic business travels and overseas business travels necessary for performing the project (travel expenses, accommodation expenses, daily allowances). Persons to receive travel expenses are Project Worker and people including external experts who attend meetings and other events necessary for performing the project.

Appropriate accounting process should be exercised for travel expenses based on the existing internal rules, etc. related to the travel expenses (hereinafter called "Travel Expense Rule") and by arranging forms like a business travel requisition and business travel report. (Assumed general flow is: business travel requisition -> business travel report -> payment)

In case there is no Travel Expense Rule, keep in mind a practical operation such as by developing Travel Expense Rule for the subsidized project. In developing it, study to use for reference to others of the same industry and size in the same territory.

If individual proprietors (including small and medium-sized enterprises who have difficulties of developing Travel Expense Rule by their own) who do not have their Travel Expense Rule and are considering its actual cost of own travel expenses as the necessary business expenses during performing own business record their travel expenses as Subsidized Cost, travel expenses recorded by the following "Individual proprietors etc. do not develop a Travel Expense Rule" can be the subject for expenses covered by a subsidy.

However, in the case individual proprietors, etc. record a per diem as Subsidized Cost, please separately create a Travel Expense Rule that can be applied for other than the subsidized project, as well as for own business.

### <Implementation method of accounting process>

General remarks (Applied to any)

- Assignment of business travel must be the one necessary for performing the project.
- The number of persons to go on a business travel must be the minimum possible to perform the project.
- If business travel includes other projects like an independent project, only the portion of the subsidized project (such as by dividing between a return trip) should be treated as Subsidized Cost.

**【For legal entities etc., who have a Travel Expense Rule】**

Business travel order

- It must be the one appropriately ordered according to Travel Expense Rule.

Calculation of travel expense

- Travel expenses should be properly calculated according to Travel Expense Rule. In the case of using a taxi or taking a route other than the shortest route, describe clear and valid reason for them in a business travel report, etc

Business travel report → Payment

- To clearly indicate the engagement in the project, describe in business travel report as to when, with whom, where and what was done, as well as the name of the person on a business travel, destination, date and purpose.
- Clarify the fact of payment (payee (person on a business travel), payment date, payment amount and any other details) by a receipt of bank transfer, etc.

【For Individual proprietors etc., who do not develop a Travel Expense Rule】

#### Business travel order

- Please create travel itinerary before the business travel.

#### Calculation of travel expense

- It is permitted to calculate a travel expense using a travel expense calculation software such as Ekispert, Japan Transit Planner etc. However, please use effectively discount fares etc. Also, when taking a route other than the shortest route, describe clear and valid reason for them in a business travel report, etc
- The following expenses cannot be accepted as travel expenses in Subsidized Cost.
  1. Per diem
  2. Express fare of interval less than 50 kilometers
  3. Specially charged fare such as green car extra fare
  4. Car rental fee, gasoline fee
  5. Specially charged fees such as domestic premium sheet, business class, etc.
- For overseas airfares, please attach to the business trip report quotes from travel agencies or a printout of a screen that can confirm the compared and reviewed purchase price when obtaining a quote via the Internet etc.
- Taxi fee will be covered by subsidy only when it is used for the following unavoidable reasons. If you use a taxi, please specify the content of the unavoidable reason in the business travel report, and surely attach the receipt to the business travel report.  
(If the amount on the receipt cannot be confirmed, it will not be subject of the subsidy).

#### 【Examples of unavoidable reasons】

- When there is no public transportation and travel on foot is difficult (walking distance is more than 1 km)
  - Traveling by public transportation other than taxi causes problems on business due to time constraints (eg, few number of buses per a day).
  - If not to use a taxi, causing problems with implementing subsidized project considering the purpose of business trip or the content of job etc. (concrete explanation about such problems shall be required)
- Description of accommodation fee is as follows.
    1. The accommodation fee for domestic business travels is based on the amount of actual expenses within the maximum amount defined in "Appendix 1" according to the number of nights of accommodation, if business travel interval is more than 50 kilometers one way.
    2. Accommodation fee for overseas business travels is based on the amount of actual expenses within the maximum amount defined in the "Appendix 2" according to the number of nights spent. However, the accommodation fee pertaining to the in-flight night at the time of movement is excluded.

**【Appendix 1】 Maximum amount of accommodation fee for domestic business travel**

|                                   | Region A  | Region B            |
|-----------------------------------|---|---------------------|
| Accommodation fee (Yen per night) | 10,900  | 9,800               |
| Regional provision                | Saitama City, Chiba City, Tokyo Special ward, Yokohama City, Kawasaki City, Sagamihara City, Nagoya City, Kyoto City, Osaka City, Sakai City, Kobe City, Hiroshima City, Fukuoka City | All except the left |

**【Appendix 2】 Maximum amount of accommodation fee for overseas business travel**

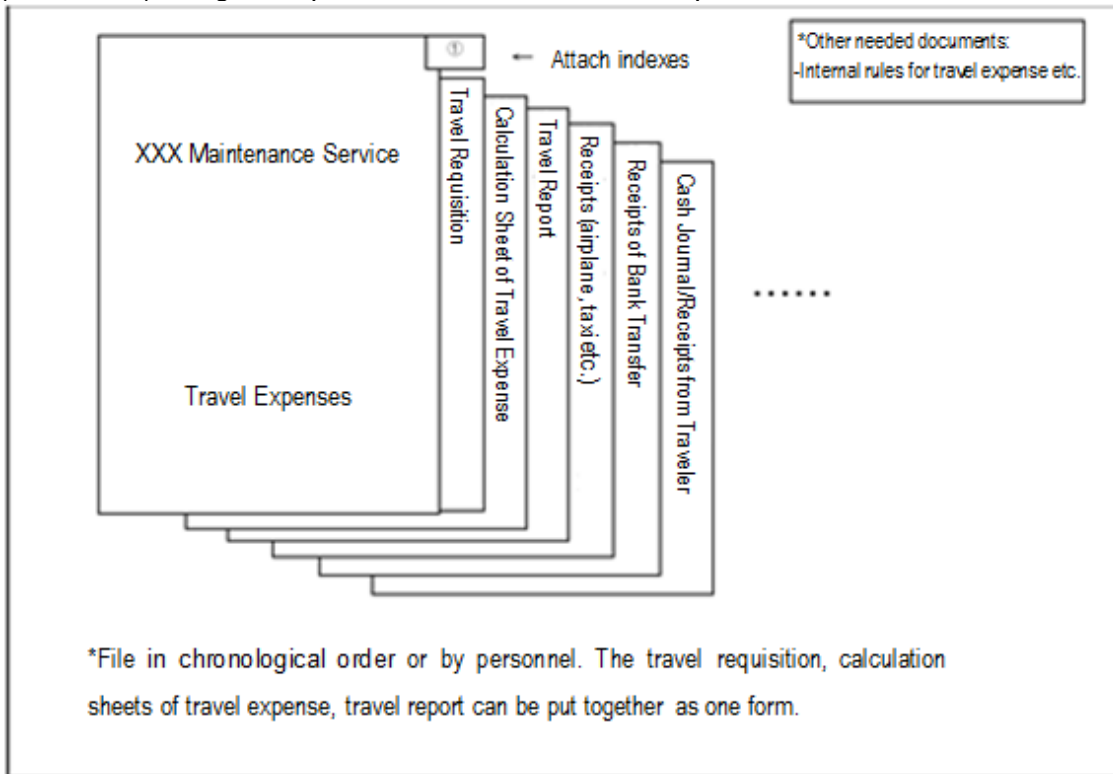
|                                    |                                  | Designated Cities                                | Region A                              | Region B                              | Region C                              |
|------------------------------------|----------------------------------|--|---------------------------------------|---------------------------------------|---------------------------------------|
| Accommodation fee (Yen/ per night) |                                  | 19,300   | 16,100                                | 12,900                                | 11,600                                |
| Region category                    | North America region             | Los Angeles, New York, San Francisco, Washington | All except the left Designated Cities |                                       |                                       |
|                                    | Europe region                    | Western Europe                                   | Geneva, London, Paris                 | All except the left Designated Cities |                                       |
|                                    |                                  | Eastern Europe                                   | Moscow                                |                                       | All except the left Designated Cities |
|                                    | Near and Middle East region      | Abu Dhabi, Jeddah, Kuwait, Riyadh                | All except the left Designated Cities |                                       |                                       |
|                                    | Asia region                      | Southeast Asia, Korea, Hong Kong                 | Singapore                             |                                       | All except the left Designated Cities |
|                                    |                                  | Southwest Asia, China                            |                                       |                                       | All                                   |
|                                    | Central and South America region |  |                                       |                                       | All                                   |
|                                    | Oceania region                   |  |                                       | All                                   |                                       |
|                                    | Africa region                    | Abidjan  |                                       |                                       | All except the left Designated Cities |
|                                    | Antarctic region                 |  |                                       |                                       | All                                   |

**Business travel report — payment**

- In order to make clear that you are engaged in the relevant business trip, preparing the "business travel report" and the "Calculation sheet of travel expense", and stating in the business travel report information about the business travel person, the destination of assignment, the date, beside the purpose, describe when, with whom, where and what you accomplished, when business travel finishes,
- Please attach the documents (receipt etc.) that can be confirmed the actually paid amount for the accommodation fee (package charge if purchased with a package), a taxi fare, and domestic and overseas airfares to the business trip report.
- Please clarify the fact of payment (the party who received a payment (business travel person), payment date, payment amount etc.) by bank transfer receipt etc.



(Reference) Filing example of documents on travel expenses



## 5. Accounting process for meeting expense and gratuities

### <Basic concept>

Meeting expense refers to the cost (rent of a venue, rental charges of equipment and materials, cost for refreshments (coffee money), etc.) for meetings, seminars, symposiums and the like (hereinafter called "Meetings") necessary for performing the project. Also, gratuities mean gratuities paid to external experts who attended Meetings and gratuities for giving seminars, writing of drafts, cooperation with research, etc.

In the case of using a meeting room owned by Subsidized Project Operating Entity, rent of a venue does not occur in principle. If it becomes necessary to rent a paid venue (including paid meeting room within the company) while there is own meeting room, carefully review its necessity.

Cost for refreshments should be the minimum possible after checking attendance and handle according to the existing internal rules, etc.\*<sup>1</sup>

If any cost is required other than a rent of a venue and cost for refreshments, arrange various kinds of forms as in the case of meeting expense and other cost items so that its necessity and fairness can be explained.

As for gratuities, after checking the necessity for giving gratuities in order to perform the project, effect payment, etc. properly according to the existing internal rules, etc.\*<sup>2</sup>

\*<sup>1</sup> If there is no internal rule or the like for the cost of refreshments, several hundred yen per participant will be considered standard. Under special circumstances (such as entertainment of foreign VIP), however, the above standard can be exceeded by preparing materials substantiating such circumstances and having it acknowledged as appropriate expense by the staff in charge at METI. Also, lunch cost may be spent only when a meeting lasts from the morning to the afternoon and the amount will be in the region of between 1,000 and 2,000 yen.

\*<sup>2</sup> If there is no internal rule or the like for gratuities, the following table may be used as a standard and can be spent within the range. Under special circumstances, however, the standard may be exceeded by preparing materials substantiating such circumstances and having it acknowledged as appropriate expense by the staff in charge at METI.

### Caution

The meeting expense and gratuities shown in \*<sup>1</sup> and \*<sup>2</sup> shall not preclude expenditure less than their unit prices. Considering the regional situations, the nature of the meeting and other factors, try to cut down on meeting expense and gratuities as much as possible.

[Reference] Standard payment levels of gratuities

(Unit: yen)

| Standard unit price |                     | Positions by category, etc.                       |  |                                     |                                    |
|---------------------|---------------------|---|--|-------------------------------------|------------------------------------|
| Division            | Unit price per hour | Positions at university                           | Average service years of those in university positions | Private sector                      | Local government, etc.             |
| (1)                 | 11,300              | University president level                        | 17 years or more                                       | Chairman, president, director level | Governor, mayors of municipalities |
| (2)                 | 9,700               | University vice president level                   |  |                                     |                                    |
| (3)                 | 8,700               | University dean level                             |  | Plant manager level                 | Department manager level           |
| (4)                 | 7,900               | University professor level 1                      |  |                                     |                                    |
| (5)                 | 7,000               | University professor level 2                      | 12 years or more                                       | Department manager level            | -                                  |
| (6)                 | 6,100               | University associate professor level              |  | Section manager level               | Section manager level              |
| (7)                 | 5,100               | University lecturer level                         | Less than 12 years                                     | Deputy section manager level        | Office manager level               |
| (8)                 | 4,600               | University research associate and assistant level |  | Subsection chief and chief level    | Assistant section manager level    |
| (9)                 | 3,600               | University assistant level 1 or lower             | Less than 12 years                                     | Person in charge 1                  | Section staff 1                    |
| (10)                | 2,600               | University assistant level 2 or lower             | Less than 8 years                                      | Person in charge 2                  | Section staff 2                    |
| (11)                | 1,600               | University assistant level 3 or lower             | Less than 4 years                                      | Person in charge 3                  | Section staff 3                    |

<Implementation method of accounting process>

[Rent for a venue]

- Review the necessity for holding Meetings outside. Select a meeting room by taking into consideration the size of a meeting, expected attendance, etc.
- When there are internal rules, etc., the expenditure must be based on them.
- Prepare materials such as an estimate or price table to verify the rent for the venue (room charge for a meeting room, lease charge of a venue).
- Prepare an invoice and receipt (receipt of a bank transfer).

[Cost of refreshments]

- Review the necessity for serving refreshment at Meetings.
- When there are internal rules, etc., the expenditure must be based on them.
- Arrange an attendance list or minutes of meeting so that the attendance of Meetings can be confirmed.
- Prepare an estimate, invoice and receipt (receipt of a bank transfer).

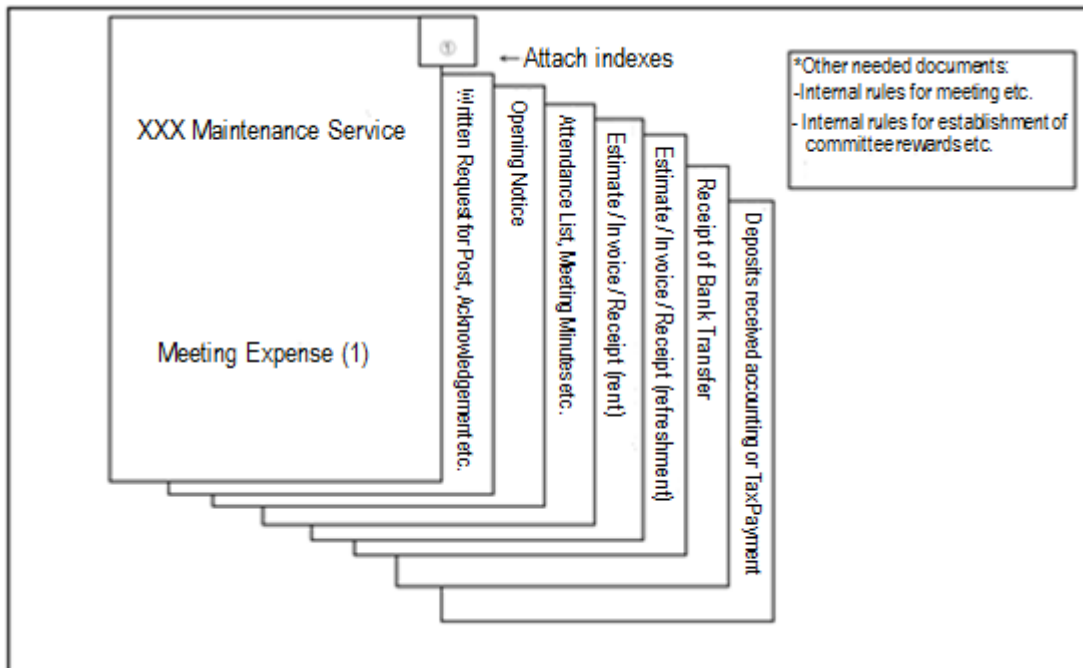
[Gratuities]

- Arrange documents evidencing requests to external experts for attending Meetings or giving lectures (for example: written request for assuming a post of committee

member, acknowledgement of appointment, business request, letter of acceptance, etc.)

- Prepare materials to show the date and time, attendees, contents of Meetings (for example: opening notice, attendance list, minutes of meeting, etc.)
- Arrange an attendance list or minutes of meeting of Meetings to clarify the payment to the attendee himself/herself. If payment is made to any substitute attendee, arrange data (proxy) to verify that the substitute attended the meeting on behalf of the committee member.
- When there are internal rules, etc., the expenditure must be based on them.
- Clarify the fact of payment (payee, payment date, paid amount, etc.) by a receipt of bank transfer, etc.
- Withhold tax on gratuities (implementation of “deposits received” accounting process by the business operator or payment to tax office) and arrange data to verify such processing.

(Reference) Filing examples of documents on meeting expense



## 6. Accounting procedures regarding equipment expenses and rental and hire fees

### <Basic concept>

Equipment expenses are expenses for purchasing or manufacturing items necessary to carry out a project (items that can be used continuously for one year or more). Rental and hire fees are expenses for leasing or renting machinery and appliances necessary to carry out a project.

As a rule, equipment expenses and rental and hire fees shall be processed in the following order:

Specifications -> Quote -> Purchase order -> Delivery -> Inspection -> Payment

Equipment acquired must only be used for the project concerned. As such, please clearly differentiate the equipment from other equipment etc. (Attach a sticker on a visible location), and be careful not to use it for any other purposes than the project concerned (e.g. non-subsidized project).

### <Accounting procedures>

- Organize documents in accordance with the following workflow:  
Specifications -> Quote (General competition, etc.) -> Purchase order -> Delivery -> Inspection -> Payment
- From the viewpoint of economy, obtain competitive quotes from multiple business operators wherever possible, and select the one who presented the lowest price among competitive quotes (General competition, etc.). If competitive quotes are not obtained or the one who presented the lowest price is not selected, prepare a document stating the reason for such selection.
- If an order was placed via the Internet or by email and a purchase order is not obtained, prepare a document that substitutes a purchase order (A document printed from electronic media, etc.).
- Check deliverables to see if they match the details of what were ordered.
- State the inspection date on a delivery slip and have the inspector affix his/her seal on it in accordance with internal regulations, etc.
- **Differentiate the item from other machinery and appliances by attaching a sticker or through other forms of display to identify the item was purchased for the project concerned. Also, differentiate the project concerned from other projects when entering on accounting books.**
- The item must not be used for a non-subsidized project or any other projects than the project concerned.
- Payment to a supplier shall be made in the name of Subsidized Project Operating Entity.
- Obtain a bank transfer receipt, etc. to evidence that payment was made (The payee, the payment date and the paid amount, etc.)

<Handling of procurement through leasing or rental>

If procuring equipment necessary for the project concerned through leasing or rental (hereinafter referred to as leasing, etc.), such leasing or rental fees (fixed monthly payments) may be recorded as expenses only for the period of the project concerned (as long as payment can be verified). However, if an order is placed or payment is made before the decision to grant a subsidy was made, such expenses will not be considered applicable expenses. Documents, etc. to be prepared are the same as those prepared for equipment expenses.

In regards to equipment that was already being leased or rented for a non-subsidized project, etc. when the decision to grant a subsidy was made, only those for which payment can be verified may be recorded as expenses for the period of the project concerned.

If fixed monthly payments are not made (e.g. a lump sum payment was made in advance\*), expenses that can be recorded shall be calculated using the formula below.

\* For a subsidized project, advance payment shall not be made in principle. (As a rule, payment shall be made after a lease has been completed.)

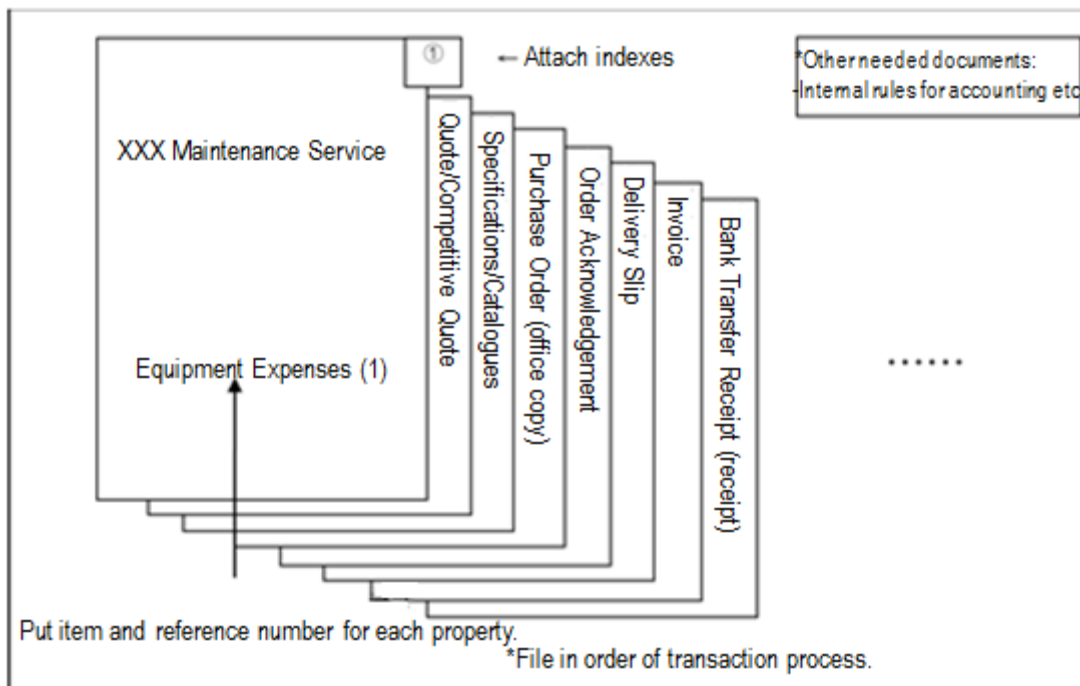
[Formula]

The contract amount for leasing, etc. X (The entire lease period/the period for the project concerned in the lease period)

(e.g.) If the period of a subsidized project is 10 months, when the lease amount is 960,000 yen for 4 years (48 months).

$$960,000 \text{ yen} \times (48 \text{ months} / 10 \text{ months}) = 200,000 \text{ yen}$$

(Reference) Example of filing documents relating to equipment expenses



## 7. Accounting procedures regarding supplies expenses

### <Basic concept>

Supplies expenses are expenses for purchasing items necessary to carry out a project but are not classified as equipment expenses (However, those identified as being used only for the project concerned). For example, raw materials and parts, etc. are considered supplies.

As a rule, supplies expenses shall be processed in the following order:

Specifications -> Quote -> Purchase order -> Delivery -> Inspection -> Payment

If it is difficult to judge that the purchase or consumption was actually made due to the nature of the item, (e.g. the item perishes after being processed), it is necessary to evidence the consumption through receipt/payment ledger, etc.

### <Accounting procedures>

- Organize documents in accordance with the following workflow:  
Specifications -> Quote (General competition, etc.) -> Purchase order -> Delivery -> Inspection -> Payment
- From the viewpoint of economy, obtain competitive quotes from multiple business operators wherever possible, and select the one who presented the lowest price among competitive quotes (General competition, etc.)\*. If competitive quotes are not obtained or the one who presented the lowest price is not selected, prepare a document stating the reason for such selection.  
\* In the case of not having to obtain competitive quotes because of the existing internal rules, etc., their collection and the document stating the reason for selection may be omitted.
- If an order was placed via the Internet or by email and a purchase order is not obtained, prepare a document that substitutes a purchase order (A document printed from electronic media, etc.).
- Check deliverables to see if they match the details of what were ordered.
- State the inspection date on a delivery slip and have the inspector affix his/her seal on it in accordance with internal regulations, etc.
- The item must not be used for a non-subsidized project or any other projects than the project concerned.
- Payment to a supplier shall be made in the name of Subsidized Project Operating Entity.
- Obtain a bank transfer receipt, etc. to evidence that payment was made (The payee, the payment date and the paid amount, etc.)

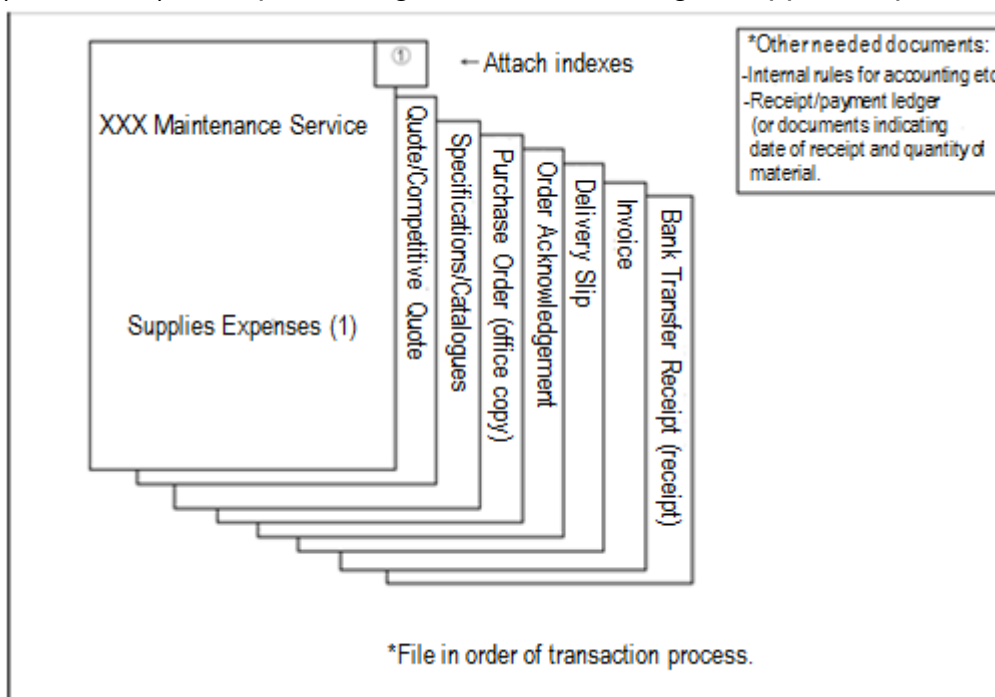
<Supplies and raw materials receipt/payment ledger>

In regards to supplies necessary for the project concerned, it is important to manage them at the time of purchase and delivery, differentiating them strictly for the project concerned, in order to clarify the use of such supplies.

If the above-mentioned requirements are met, it would be suffice to write necessary information, such as the date of receipt and the quantity of materials received, by the type or use of material at the time of purchase and to write stock when the project has ended. If these requirements are not met, necessary information, such as date of receipt and the quantity of materials received, shall be written each time such materials are received or payment is made.

As a rule, the national account is settled for each year. Therefore, only the quantity used for the period of the project concerned will be covered by subsidies.

(Reference) Example of filing documents relating to supplies expenses





## 8. Accounting procedures regarding outsourcing expenses

### <Basic concept>

Among expenses for carrying out a project, there are some work that cannot be done directly or are not suitable to be done by Subsidized Project Operating Entity. Outsourcing expenses are expenses for outsourcing such work to other business operators (Service contract). Examples of such work include building construction, designing, manufacturing, modifying, repairing and installing machinery and equipment and tools, appliances and parts, developing and modifying computer programs, creating contents, such as media programs, transporting goods, and manufacturing and analyzing and examining samples.

As a rule, outsourcing expenses shall be processed in the following order:

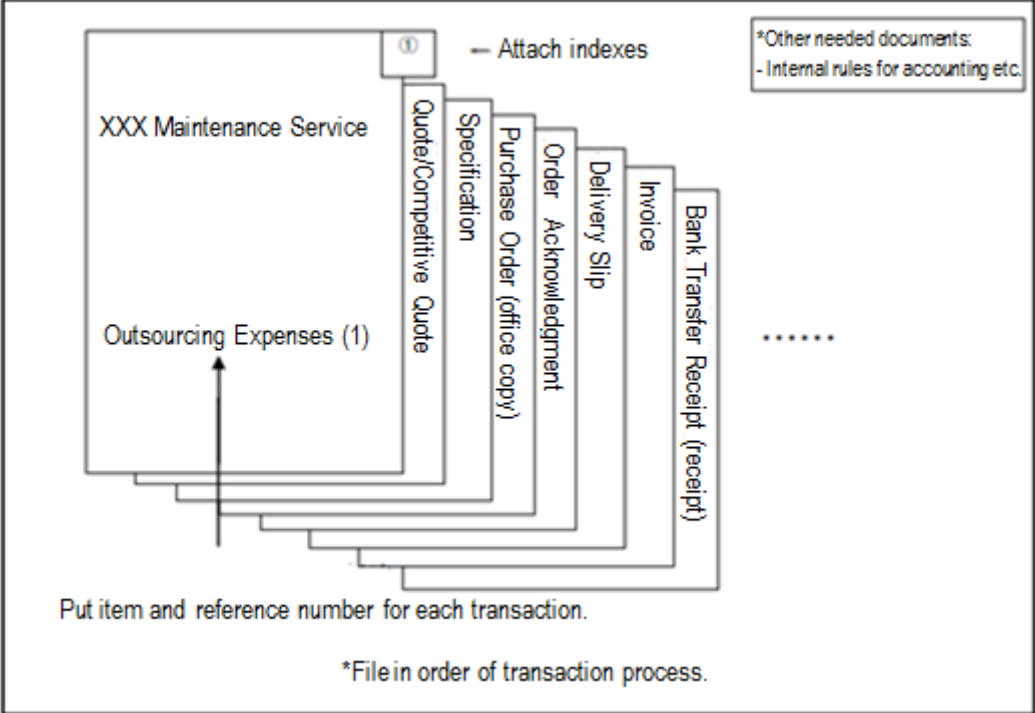
Specifications -> Quote -> Purchase order -> Delivery -> Inspection -> Payment

In addition, it is necessary to demonstrate that appropriate transactions are carried out, by presenting design drawings, specifications and deliverables, etc.

### <Accounting procedures>

- Organize documents in accordance with the following workflow:  
Specifications -> Quote (General competition, etc.) -> Purchase order -> Delivery -> Inspection -> Payment
- From the viewpoint of economy, obtain competitive quotes from multiple business operators wherever possible, and select the one who presented the lowest price among competitive quotes (General competition, etc.). If competitive quotes are not obtained or the one who presented the lowest price is not selected, prepare a document stating the reason for such selection.
- If an order was placed via the Internet or by email and a purchase order is not obtained, prepare a document that substitutes a purchase order (A document printed from electronic media, etc.).
- Check deliverables to see if they match the details of what were ordered.
- State the inspection date on a delivery slip and have the inspector affix his/her seal on it in accordance with internal regulations, etc.
- The item must not be used for a non-subsidized project or any other projects than the project concerned. In addition, the content of deliverables shall be sorted out.
- Payment to a supplier shall be made in the name of Subsidized Project Operating Entity.
- Obtain a bank transfer receipt, etc. to evidence that payment was made (The payee, the payment date and the paid amount, etc.)

(Reference) Example of filing documents relating to outsourcing expenses



## 9. Accounting procedures regarding printing and binding expenses

### <Basic concept>

Printing and binding expenses are expenses relating to printing and binding pamphlets, leaflets, business performance reports and other documents used in a project.

As a rule, printing and binding expenses shall be processed in the following order:  
Specifications -> Quote -> Purchase order -> Delivery -> Inspection -> Payment

Note that only the number of print copies\* necessary for the project shall be recorded as expenses.

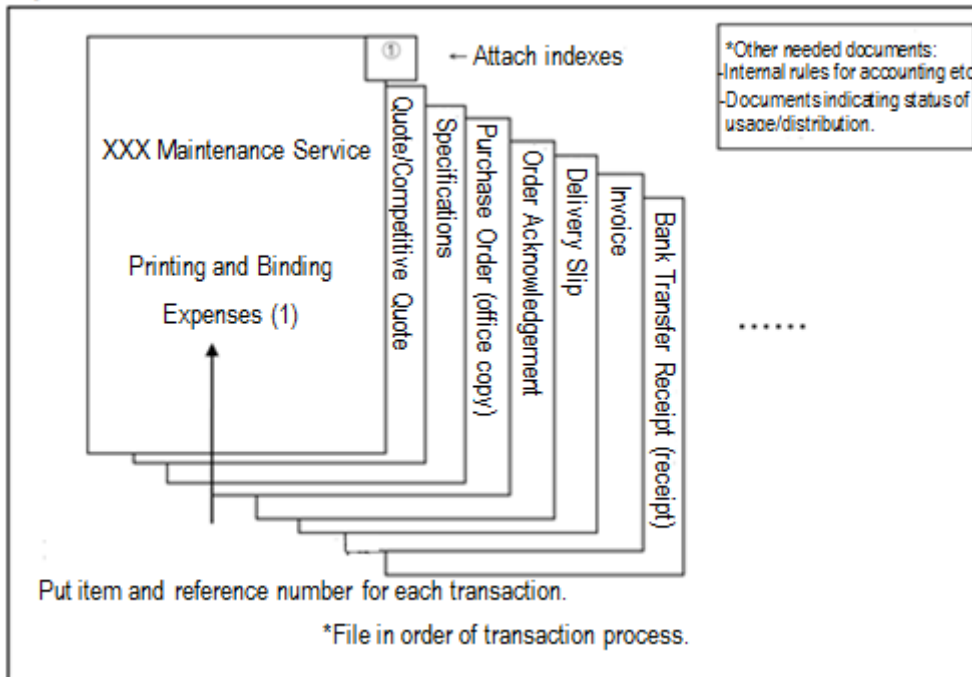
\* "Number of print copies necessary for the project" refers to

- The number of copies if recipients (Distribution list, etc.) and the schedule, etc. are specifically indicated in the project plan or similar documents for the project concerned.
- The number of copies used during the period of the project concerned, unless specifically indicated in the plan

### <Accounting procedures>

- Organize documents in accordance with the following workflow:  
Specifications -> Quote (General competition, etc.) -> Purchase order -> Delivery -> Inspection -> Payment
- From the viewpoint of economy, obtain competitive quotes from multiple business operators wherever possible, and select the one who presented the lowest price among competitive quotes (General competition, etc.). If competitive quotes are not obtained or the one who presented the lowest price is not selected, prepare a document stating the reason for such selection.
- If an order was placed via the Internet or by email and a purchase order is not obtained, prepare a document that substitutes a purchase order (A document printed from electronic media, etc.).
- Check deliverables to see if they match the details of what were ordered.
- State the inspection date on a delivery slip and have the inspector affix his/her seal on it in accordance with internal regulations, etc.
- The item must not be used for a non-subsidized project or any other projects than the project concerned.
- Payment to a supplier shall be made in the name of Subsidized Project Operating Entity.
- Obtain a bank transfer receipt, etc. to evidence that payment was made (The payee, the payment date and the paid amount, etc.)

(Reference) Example of filing documents relating to printing and binding expenses



## 10. Accounting procedures regarding assistant labor costs

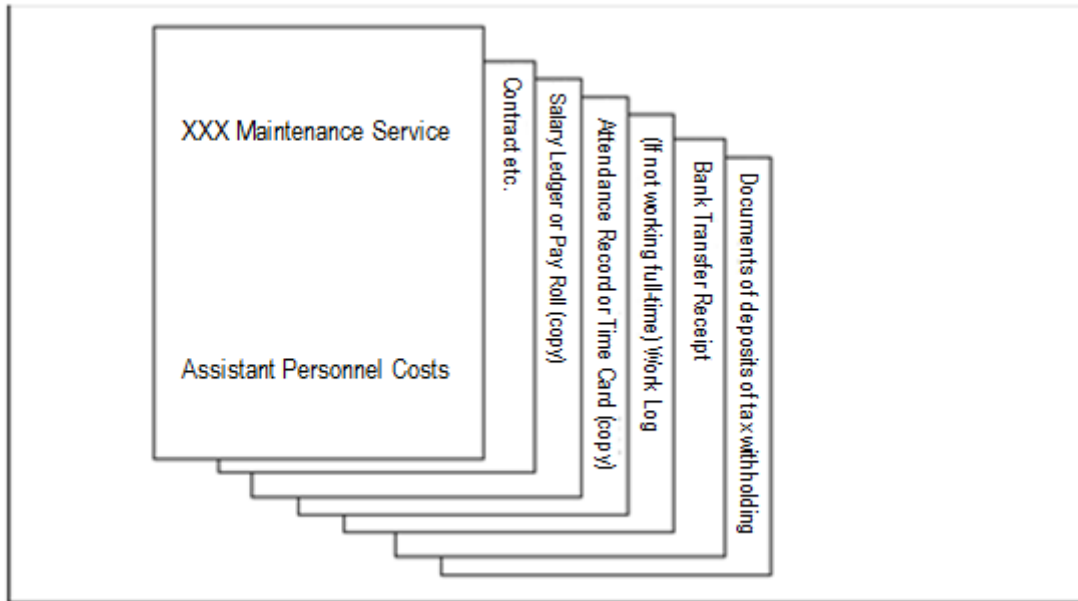
### <Basic concept>

Assistant labor costs refer to wages, etc. for assistant workers who are provide administrative support, etc. necessary to carry out a project (part-time workers, etc.).

### <Accounting procedures>

- Manifest the content of an assistant worker's duties through a contract, etc.
- Calculate an assistant worker's hourly rate from the hourly rate stated in a contract, etc.
- Prepare attendance records or time cards
- In the following cases, extra working hours (overtime or working on a holiday) are included in the hours worked:
  - If working extra hours on weekdays is essential due to the nature of a subsidized project, and Subsidized Project Operating Entity is paying overtime pay.
  - If working on holidays is essential due to the nature of a subsidized project (e.g. Holding a symposium on weekends), and Subsidized Project Operating Entity is paying holiday pay. The same applies to the cases where Subsidized Project Operating Entity is giving time off in lieu even if holiday pay is not paid.
- If an assistant worker has worked any other projects than the project concerned, have a work log ready to manifest the hours worked in the project concerned.
- Prepare documents which prove payment of wages to assistant workers (Bank transfer receipts, etc.).
- If payment records cannot be verified at the time of a confirmatory test, have them verified by the person in charge at METI at a later date, such as submitting a report on payment records.
- Prepare documents showing taxes deducted from assistant labor costs (Whether such taxes were processed by Subsidized Project Operating Entity as deposits or were paid to the taxation authorities).

(Reference) Example of filing documents relating to assistant labor costs



## 11. Accounting procedures regarding other miscellaneous expenses

### <Basic concept>

With regards to other expenses which are allowed by each system to be recorded as expenses, various documents and forms shall be verified based on the transaction flow, etc. according to other expenses to clarify the need for and the adequacy of transactions and the appropriateness of the period. Generally in many cases, the following expenses are not approved as expenses covered by a subsidy. Therefore, ask the person in charge at METI whether or not such expenses can be recorded as expenses covered by a subsidy, as well as checking the subsidy guidelines.

- Bond, deposit and broker's commission on rental properties, etc.
- Interest paid on debts, etc. and delinquency charges
- Payment for consumables, such as newspaper bills, and membership fees for organizations, etc.
- Expenses paid for tax accountants and chartered accountants, etc. to prepare tax returns and financial statements, etc., and legal fees for lawsuits, etc.
- Taxes and public dues and insurance costs

### <Accounting procedures>

Other miscellaneous expenses shall be processed according to other expenses (equipment expenses, etc.).

## 12. Accounting procedures regarding expenses for commission

### <Basic concept>

Among operations for carrying out the project concerned, there are some operations that cannot be done directly or are not suitable to be done by Subsidized Project Operating Entity. Expenses for commission are expenses for commissioning such operations to other business operators (Mandate agreement or quasi- mandate agreement). Examples of such work include commissioning administrative work for expenses on research operations and technical guidance, etc.

To determine the payment amount for a subcontractor, Subsidized Project Operating Entity must check various documents and forms in accordance with this manual.

### <Accounting procedures>

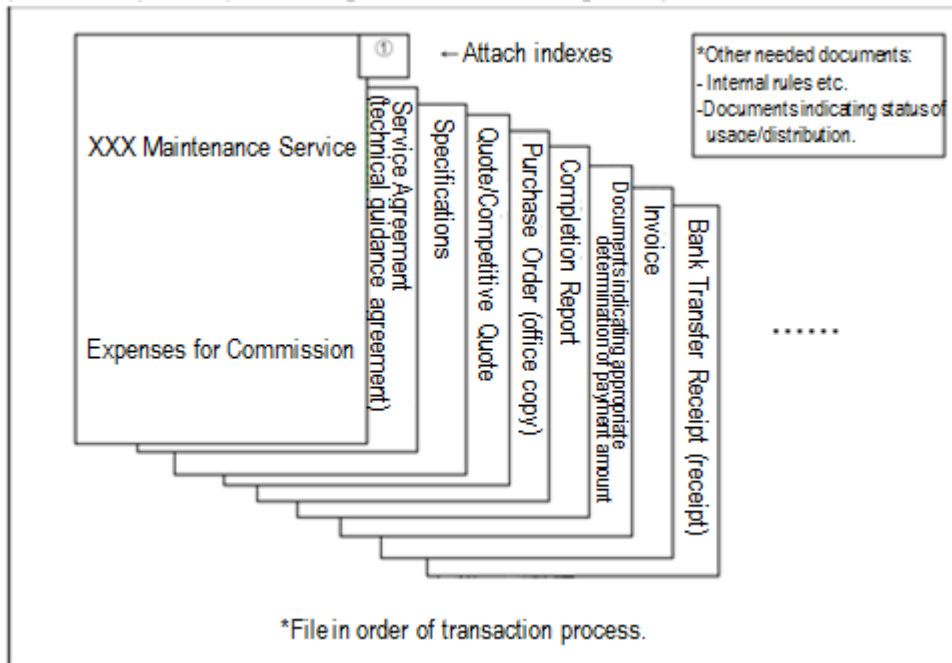
- Organize documents in accordance with the following workflow:  
Specifications -> Quote (General competition, etc.) -> Contract -> Completion report  
-> Inspection -> Payment
- From the viewpoint of economy, obtain competitive quotes from multiple business operators wherever possible, and select the one who presented the lowest price among competitive quotes (General competition, etc.). If competitive quotes are not obtained or the one who presented the lowest price is not selected, prepare a document stating the reason for such selection.
- Prepare documents including a service agreement, a technical guidance agreement, a completion report and technical guidance report, stipulating the content of work commissioned or guidance in detail. Please note that all rights to the service agreement concerned must belong to Subsidized Project Operating Entity.
- Use a completion report to check if the administrative work or operation commissioned has been completed.
- State the inspection date on a completion report and have the inspector affix his/her seal on it in accordance with internal regulations, etc.
- Payment to a supplier shall be made in the name of Subsidized Project Operating Entity.
- Obtain a bank transfer receipt, etc. to evidence that payment was made (The payee, the payment date and the paid amount, etc.)

### <Determining the payment amount for a subcontractor>

- **In executing commissioned operations, instruct a subcontractor to follow the same accounting procedure in this manual**
- **If you have received a report on the completion of commissioned operations, determine the payment amount after conducting an appropriate inspection, by reviewing the report and by conducting an on-site survey as needed.**



(Reference) Example of filing documents relating to expenses for commission



### 13. Preparing a result report

#### <Basic concept>

The content and results of the project concerned and its accounting procedures shall be sorted out according to a particular format. It is necessary to prepare a result report properly as the amount of a subsidy to be provided is determined based on a result report.

#### <Accounting procedures>

- Write a report according to the format specified in the subsidy guidelines.
- With regard to the content of the project, write details of what were implemented in the project concerned, comparing them to the initial plan. Write the process of executing the project in an easy-to-understand manner, using graphs, diagrams and photographs, etc.
- Write the rate of achieving the project goals indicated in the subsidy application as specific as possible.
- Ensure that the category and type of expenses paid are consistent with the subsidy application.
- Submit the report by the due date specified in the subsidy guidelines.

#### <Preparing an acquired property management ledger (Detailed list)>

If a facility, machine or equipment with a unit price of 500,000 yen or more is acquired or improved in a subsidized project, an acquired property management ledger (Detailed list) needs to be prepared. If transferring or discarding such a property or using it for another purpose during the period in which disposition of such properties is restricted, approval must be obtained in advance from the government agency granting the subsidy.

[Key points in preparing an acquired property management ledger]

- “A unit price of 500,000 yen” refers to “The price of a set of properties which can provide functions necessary to execute a project is 500,000 yen.” (Do not divide a property more than necessary.) However, if properties that make up such a set of properties have different periods of restrictions on disposition, the breakdown of such properties shall be listed.
- “Ministry of International Trade and Industry Notification No. 360 in 1978” shall be applied to “Period of restrictions on disposition”.
- Such properties acquired using a subsidy are subject to advanced depreciation. If using advanced depreciation, it must be stated clearly. However, when disposing of such a property, its book value shall be calculated including the value of a subsidy, not the reduced book value after advanced depreciation.

#### <Product of the project, such as intellectual property>

With regards to projects in which intellectual property is acquired in the course of business, it is stipulated in the subsidy guidelines, etc. that notification is required when intellectual property has been acquired. Therefore, if this applies, notification shall be given.

<Request for and payment of subsidies>

Payment procedures by the government need to be completed within the account adjustment term (by the end of April in the following year). As soon as receiving notice that the amount of a subsidy has been determined, submit a written request for final payment stipulated in the subsidy guidelines, etc.

## II. On-site survey

### 1. Outline of inspections

Inspections refer to written inspections and on-site survey conducted as needed to ensure the project concerned is carried out properly. Written inspections are conducted in the following manner: Subsidized Project Operating Entity sends or brings in documents necessary for inspections and the person in charge at METI inspects them. On-site survey is conducted in the following manner: The person in charge at METI visits the location of the project or other locations to check progress of the project, how purchased goods are managed and used, expenses incurred, how documents are organized and how accounts procedures stated in I. are being followed. The types of inspections are as follows:

- Interim inspection: An interim inspection is conducted as needed before the project concerned is completed. The aim of an interim inspection is to distribute the load of determining the subsidy amount at the end of a fiscal year and to promptly correct misunderstandings or errors.
- Final inspection: A final inspection is conducted after the project concerned is completed and results are reported. Based on a result report, the results of the project concerned and whether or not the accounting procedures were followed will be checked. The amount of a subsidy will be determined by this inspection.
- Other inspections: These inspections are conducted after the project period has ended if they are deemed necessary in addition to the above-mentioned inspections.

### 2. Aim of inspections

In addition to checking if the project concerned is carried out in accordance with its project plan (Checks include if the project started and ended within the project period and if the project conforms to the aim of the subsidy.), inspections will be conducted to check if the following points are observed in regard to accounting procedures.

- (1) If such expenses are necessary for the project concerned
- (2) If such expenses were generated and paid during the period of the project concerned
- (3) If such subsidy was used with other funds
- (4) If accounting procedures are appropriate according to laws and internal regulations, etc.
- (5) If such expenses are used in consideration of economy and efficiency

### 3. Request for cooperation on inspections

If unclear matter about contents of project or accounting etc. is found during final inspection, METI may interview project workers or employees. Those who are engaged in subsidized project (supplier, outsourcing company, commissioned company, contractor, subcontractor, sub-subcontractor etc.) may be requested to submit evidences for confirming transaction about subsidized project. In that case, please notify or make inquiries to engaged company/people when METI will request them for cooperation on inspections.

### 4. When conducting inspections

Before the date of an interim or final inspection, use the following checklist to check if documents are prepared or obtained in accordance with “I. Accounting process manual”.

In regards to matters pointed out or instructed in an interim or final inspection, share your understanding with the person in charge at METI and take corrective or appropriate action before the time when the final amount is determined.

<Notes on inspections>

It is required that inspections be conducted reasonably and efficiently as enormous amounts of documents must be checked within a limited time. Therefore, please ensure that inspections are conducted efficiently by organizing accounting documents and by performing self-inspection using the checklist.

\* You can download the Checklist of subsidized project from the following website.  
(Japanese text only)

[https://www.meti.go.jp/information\\_2/publicoffer/jimusyori\\_manual.html](https://www.meti.go.jp/information_2/publicoffer/jimusyori_manual.html)

<Checklist of subsidized project (image)>

Prepared: MM/DD/YYYY

The Checklist of XXX Subsidized Entity (example)

Targeted Examination Period: MM/DD/YYYY - MM/DD/YYYY

| Name of Entity: _____                  |  | *Entry Column for METI   |  |                       |                     |
|--|--|--|--|-----------------------|---------------------|
| Checked by (Accounting Manager): _____ |  | Department in Charge: ○ Division × Department  |  |                       |                     |
| Serial (Entity) Number: □□□□□□□□-□     |  | Examiner: ▲▲ ■■ ◇◇ ▼▼  |  |                       |                     |
| Targeted Item                          | Check Box  | Check Point  | Example of documents to be checked:  | Result of Examination | Column for Examiner |
| Overall Expenses                       | <input type="checkbox"/>   | Reported expenses are dated from the day of granting subsidy to the end of project and were paid during such a period.   | *Project plan (copy), application for subsidization (copy)   |                       |                     |
|  | <input type="checkbox"/>   | Reported expenses meet the purpose of and were spent for the project.  | *Subsidization notice (original)   |                       |                     |
|  | <input type="checkbox"/>   | There is no expenses reported which are out of range of subsidy (bank transfer fee, foreign currency transaction gain etc).  | *Application for the approval of plan change (copy, if applicable)   |                       |                     |
|  | <input type="checkbox"/>   | Expenses are in the range of distributed amount for each expense category and misappropriated money does not exceed the approvable amount.                                       | *Approval notice of plan change (original, if applicable)  |                       |                     |
|  | <input type="checkbox"/>   | For in-house procurement, the profit was excluded.   | *Accident report (copy, if applicable)   |                       |                     |
|  | <input type="checkbox"/>   | In the case of foreign currency payment, appropriate calculation methods, e.g. exchange rates of foreign currency, are applied to the conversion of foreign currencies into yen. | *Approval notice of accident (original, if applicable)   |                       |                     |
|  | <input type="checkbox"/>   | All the vouchers which verify respective payment methods are attached.   | *Progress status report (copy, if applicable)  |                       |                     |
|  | <input type="checkbox"/>   | Number of digits after decimal point are truncated.  | *result report (copy) )  |                       |                     |
| <input type="checkbox"/>               | Relative documents are arranged in chronological order.  | *Management ledger or acquired property (original, if applicable), Management statement of acquired property (copy, if applicable)   |  |                       |                     |
| Labor Cost                             | [General Items]  |  | *Lists of implementation structure   |                       |                     |
|  | <input type="checkbox"/>   | Labor costs which are only necessary for the subsidized project are reported according to the implementation plan and implementation organization chart etc.                     | *Working rules   |                       |                     |
|  | <input type="checkbox"/>   | Verification documents for the payment of labor costs are orderly arranged.  | *Employment agreement  |                       |                     |
|  | <input type="checkbox"/>   | Working rules, employment agreements, annual business calendar, attendance records, time cards and the like are orderly arranged.  | *Calculation table of annual regular working hours   |                       |                     |
|  | <input type="checkbox"/>   | Granted hourly rates are used.   | *Attendance record, time cards etc.  |                       |                     |
|  | [In the case of calculating unit price by Performance]   |  | *Pay statement   |                       |                     |
|  | <input type="checkbox"/>   | Hourly rates are calculated based on total amount of salary and total theoretical working hours.   | *Work log  |                       |                     |
|  | <input type="checkbox"/>   | If statutory welfare costs are included in hourly rate, documents indicating the rate and amount shared by the entity are orderly arranged.                                      | *Work report   |                       |                     |
|  | [In the case of calculating unit price by employee's health insurance grade]   |  | *Bank transfer receipts etc.   |                       |                     |
|  | <input type="checkbox"/>   | The Verifications of Employee's Health Insurance Grade were signed by a certifier at department in charge of wage.   | *Calculation table by personnel and month  |                       |                     |
|  | <input type="checkbox"/>   | Hourly rate on such verifications is applied.  | [In the case of calculation by unit price in accordance with performance]  |                       |                     |
|  | [In the case of using work log]  |  | *Documents indicating the payment of statutory welfare costs (Salary ledger etc.)  |                       |                     |
|  | <input type="checkbox"/>   | Working hours recorded on work logs are in consistency with the entity's record of working hours etc.  | *Documents indicating the grounds for statutory welfare costs  |                       |                     |
|  | <input type="checkbox"/>   | Contents of the implementation plan etc. are in consistency with those of work logs.   | (Notice of determination for average amount of health insurance and employees pension insurance and Notice of determination for average amount of insured personnel) |                       |                     |
|  | <input type="checkbox"/>   | The difference between full-time and part time is clearly stated.  | [In the case of calculating hourly rate of health insurance grade]   |                       |                     |
|  | <input type="checkbox"/>   | No other projects (including the entity's own projects) are overlapped or included in work log.  | *Certificates of health insurance grade  |                       |                     |
|  | <input type="checkbox"/>   | Work logs are checked and sealed appropriately by the manager (the person in charge).  | (Notice of determination for average amount, Notice of change in average amount, List of insurance amount and average monthly payment)                               |                       |                     |
|  | <input type="checkbox"/>   | Only the working hours recorded on work logs are reported.   |  |                       |                     |
|  | <input type="checkbox"/>   | Details of work are clearly stated.  |  |                       |                     |
|  | [In the case of using work report]   |  |  |                       |                     |
| <input type="checkbox"/>               | Work reports are made for each project worker who has been applied for this method at the time of subsidy grant application.   |  |  |                       |                     |
| <input type="checkbox"/>               | Contents of the project are in consistency with those described in work reports.   |  |  |                       |                     |
| <input type="checkbox"/>               | Referential documents which can confirm each figure and are the basis in calculation of project engagement rate are orderly arranged.                                  |  |  |                       |                     |
| <input type="checkbox"/>               | Project engagement rate is properly calculated based on the latest account settlement(financial statements) and actual operating cost at the time of final inspection. |  |  |                       |                     |
| <input type="checkbox"/>               | Working hours are calculated based on annual actual working hour.  |  |  |                       |                     |
| <input type="checkbox"/>               | Engagement rate in the case of concurrently serving to other project besides this project is consistent.   |  |  |                       |                     |
| <input type="checkbox"/>               | Work reports were properly confirmed and sealed by a manager (a person in charge).   |  |  |                       |                     |
| [Others]                               |  |  |  |                       |                     |
| <input type="checkbox"/>               | No labor costs for unpaid loaned employees etc. is reported.   |  |  |                       |                     |

|  |  |   |  |  |
|--|--|---|--|--|
| Travel Expenses  | Business travels which are only necessary for the subsidized project are reported.   | *Internal rules for travel expense etc.   |  |  |
|  | If other projects are included, the expenses are calculated by distribution etc.   | *Request for business travel  |  |  |
|  | Attendance records, time cards etc. are consistent with each other.  | *Travel requisition   |  |  |
|  | Written requests, certificates of approval, reports, calculation sheets or quasi-documents are orderly arranged.   | *Travel report  |  |  |
|  | Amounts are calculated based on internal rules (for travel expense) etc in a rational and economical matter.   | *Calculation sheet of travel expenses   |  |  |
| Receipts (for taxis and air tickets etc.) are orderly attached in the case of time and material settlement.      | *Receipts (airplane, taxi etc.)  |   |  |  |
| The facts of actual payments can be affirmed by bank transfer receipts, receipts, financial records of cash etc. | *Bank transfer receipts (for cash payments, receipts and cashbooks. Same for the below.)   |   |  |  |
| Meeting expense and rewards  | [Rent of Venue]  | [Common]  |  |  |
|  | Documents which show meetings needed to be held at a meeting room (scheduled number of attendees, reasons not to be able to hold inside the entity etc.) are orderly arranged. | *Opening notice   |  |  |
|  | Money was expended based on internal rules (for meetings) etc. If there exists no internal rules and such, it is proper expenditure.   | *Attendance list  |  |  |
|  | Quotes, price lists, invoices and receipts (bank transfer receipts) are orderly attached.  | (Costs of venue and refreshments)   |  |  |
|  | The number of attendees can be confirmed by the enrollment, meeting minutes etc.   | *Internal rules for meetings etc.   |  |  |
|  | [Costs for Refreshment]  | *Quotes or pricing lists  |  |  |
|  | Documents which indicate refreshments are necessary to be served are orderly arranged.   | *Purchase order, agreements   |  |  |
|  | Money was expended based on internal rules (for meetings) etc. If there exists no internal rules and such, it is proper expenditure.   | *Delivery slips (for refreshments)  |  |  |
|  | Quotes, price lists, invoices and receipts (bank transfer receipts) are orderly prepared.  | *Receipts   |  |  |
|  | The number of attendees can be confirmed by the enrollment, meeting minutes etc.   | *Bank transfer receipts etc.  |  |  |
| Equipment Expenses and Rental and Hire fees  | [Rewards]  | [Rewards]   |  |  |
|  | Written request for assuming a post of committee member, Acknowledgement of Appointment (business request, letter of acceptance) etc are properly prepared.                    | *Internal rules for rewards etc.  |  |  |
|  | Documents which show opening time and date, attendees, details are orderly arranged.   | *Written request for post, Acknowledgement (business request and acknowledgement)         |  |  |
|  | Money was expended based on internal rules (for rewards) etc. If there exists no internal rules and such, it is proper expenditure.  | *Meeting minutes  |  |  |
|  | If some payment is made to the substitution, it can be verified the company actually is the substitute of committee with a authorization letter etc.                           | *Bank transfer receipts etc.  |  |  |
|  | Receipts (bank transfer receipts) are orderly arranged.  | *Documents indication the process for amount of withholding                               |  |  |
|  | Documents indicating the payment or accounting process of withholdings are made to the tax office are orderly arranged.  |   |  |  |
| Supplies Expenses  | Transactions were processed in general procedures (specifications→quotes→order→delivery→acceptance inspection→payment).  | *Catalogues, Specifications   |  |  |
|  | If no competitive quote was requested, documents of reasons for selection is properly arranged and the reasons are appropriate.  | *Quotes (ground for selection)  |  |  |
|  | For online transactions, outputs of order details screen etc. are orderly arranged.  | *Purchase orders, documents indicating actual orders                                      |  |  |
|  | Delivery slips were inspected and accepted (with date and seal) by the person in charge of acceptance inspection.  | *Agreements   |  |  |
|  | Equipment such as purchased or manufactured facilities etc. is clearly organized so that they are readily identifiable as those obtained for the subsidized project at once.   | *Delivery slips (completion report)   |  |  |
|  | Purchased equipment was not used for other projects. (For POs, check and see if there are any problems with folders and files.)  | *Invoice  |  |  |
|  | Purchased equipment was used enough according to the subsidized project plan (there is no problem with its usage history).   | *Receipt  |  |  |
|  | The facts of actual payments can be affirmed by bank transfer receipts, receipts, financial records of cash etc.   | *Bank transfer receipt  |  |  |
|  | For equipment of which unit value is half a million yen or more, management ledger of acquired property and management statement of acquired property are orderly arranged.    | [In-kind Inspection]  |  |  |
|  | For leased or rented equipment, only the fees charged for the subsidized project period are reported.  | *Management status (actuals, identification seals etc.), operation status (movement etc.) |  |  |
| Outsourcing Expenses   | Transactions were processed in general procedures (specifications→quotes→order→delivery→acceptance inspection→payment).  | *Catalogues, Specifications   |  |  |
|  | If no competitive quote was requested, documents of reasons for selection is properly arranged and the reasons are appropriate.  | *Quotes (grounds for selection)   |  |  |
|  | For online transactions, outputs of order details screen etc. are orderly arranged.  | *Purchase order, documents indicating actual orders                                       |  |  |
|  | Delivery slips were inspected and accepted (with date and seal) by the person in charge of acceptance inspection.  | *Agreements   |  |  |
|  | Equipment such as purchased or manufactured facilities etc. is clearly organized so that they are readily identifiable as those obtained for the subsidized project at once.   | *Delivery slips (completion reports)  |  |  |
|  | The facts of actual payments can be affirmed by bank transfer receipts, receipts, financial records of cash etc.   | *Invoices   |  |  |
|  | Accounting ledgers which show acceptance and stock quantity or actual usages are orderly arranged.   | *Receipts   |  |  |
| Printing and Binding Expenses  | Transactions were processed in general procedures (specifications→quotes→order→delivery→acceptance inspection→payment).  | *Catalogues, Specifications   |  |  |
|  | If no competitive quote was requested, documents of reasons for selection is properly arranged and the reasons are appropriate.  | *Quotes (grounds for selection)   |  |  |
|  | For online transactions, outputs of order details screen etc. are orderly arranged.  | *Purchase orders, documents indicating actual orders                                      |  |  |
|  | Delivery slips were inspected and accepted (with date and seal) by the person in charge of acceptance inspection.  | *Agreements   |  |  |
|  | Purchased goods are used only for the subsidized project.  | *Delivery slips   |  |  |
|  | The facts of actual payments can be affirmed by bank transfer receipts, receipts, financial records of cash etc.   | *Invoices   |  |  |
|  | Accounting ledgers which show acceptance and stock quantity or actual usages are orderly arranged.   | *Receipts   |  |  |

|   |  |   |  |  |
|---|--|---|--|--|
| Assistant Personnel Costs   | Work contents of assistant workers are confirmed to be related to the subsidized project.  | <ul style="list-style-type: none"> <li>•Temporary employment / employment agreement, Appointment letter</li> <li>•Documents indicating work details (instructions etc.)</li> <li>•Attendance records, time cards</li> <li>•Bank transfer receipts</li> </ul>  |  |  |
|   | Basic calculation of hourly rate can be confirmed by agreements etc.   |   |  |  |
|   | Actual working statement can be confirmed by attendance records, time cards etc.   |   |  |  |
|   | Verification documents which shows the actual payment of assistant personnel costs are orderly arranged.   |   |  |  |
|   | Documents indicating the payment or accounting process of withholdings are made to the tax office are orderly arranged.  |   |  |  |
| Other Expenses  | Transactions were processed in general procedures (specifications→quotes→order→delivery→acceptance inspection→payment).  | <ul style="list-style-type: none"> <li>•Quotes (grounds for selection)</li> <li>•Purchase order, documents indicating actual orders</li> <li>•Agreements</li> <li>•Delivery slips (completion reports)</li> <li>•Invoices</li> <li>•Receipts</li> <li>•Bank transfer receipts</li> </ul>  |  |  |
|   | If no competitive quote was requested, documents of reasons for selection is properly arranged and the reasons are appropriate.  |   |  |  |
|   | For online transactions, outputs of order details screen etc. are orderly arranged.  |   |  |  |
|   | Delivery slips were inspected and accepted (with date and seal) by the person in charge of acceptance inspection.  |   |  |  |
|   | Equipment such as purchased or manufactured facilities etc. is clearly organized so that they are readily identifiable as those obtained for the subsidized project at once.                             |   |  |  |
|   | The facts of actual payments can be affirmed by bank transfer receipts, receipts, financial records of cash etc.   |   |  |  |
| Expenses for Commission   | Transactions were processed in general procedures (specifications→quotes→order→delivery→acceptance inspection→payment).  | <ul style="list-style-type: none"> <li>•Specifications</li> <li>•Quotes (grounds for selection)</li> <li>•Purchase orders, documents indicating actual orders</li> <li>•Agreements</li> <li>•Delivery slips</li> <li>•Certification indicating accountings of outsourcing company</li> <li>•Invoices</li> <li>•Receipts</li> <li>•Bank transfer receipts etc.</li> </ul>  |  |  |
|   | If no competitive quote was requested, documents of reasons for selection is properly arranged and the reasons are appropriate.  |   |  |  |
|   | Details of outsourced work can be confirmed with outsourcing agreements etc.   |   |  |  |
|   | Delivery slips were inspected and accepted (with date and seal) by the person in charge of acceptance inspection.  |   |  |  |
|   | It is provable that the subsidized entity confirmed that outsourcing company has done the accounting process same as the subsidized project.   |   |  |  |
| The facts of actual payments can be affirmed by bank transfer receipts, receipts, financial records of cash etc.  |  |   |  |  |
| Deductions of Consumption Tax and Purchase Tax (Show the applicability by a circle or cross mark. If all items are applicable, purchase tax deductions may be arise (deduction from application for subsidy and return to the government)).   | The subsidy is applied/granted with consumption tax.   | [Non-taxable Entity]<br><ul style="list-style-type: none"> <li>•Corporate tax return of the second preceding fiscal year of the subsidized project (Explanatory statement of overall condition of corporate business and attached P L or documents indicating sales amount such as detailed statement of sales amount by office.)</li> </ul> [Simple Taxation Entity]<br><ul style="list-style-type: none"> <li>•The final return of consumption tax in fiscal years of subsidized project</li> <li>[Corporate boy whose specific income rate is more than 5%]</li> <li>•The final return of consumption tax in fiscal years of subsidized project (including calculation sheets of taxable sales rates, purchase tax targeted for deduction etc and calculations of specific income rates.)</li> </ul> |  |  |
|   | This entity is taxable (not non-taxable or simple taxation entity).  |   |  |  |
|   | The entity does not fall under the category of companies whose rate of specific income exceed 5% which listed in Appendix 3 of Consumption Tax Act.  |   |  |  |
|   | *Write a circle mark if the entity corresponds to any of the following and a cross mark if not corresponding to any of these.  |   |  |  |
|   | 1) The entity's taxable sales rate is 95% or more and the amount of taxable sales is half a billion yen or less.   |   |  |  |
|   | 2) The entity's taxable sales rate is less than 95% or the amount of taxable sales is more than half a billion yen, but the lump-sum proportional distribution system is deployed.                       |   |  |  |
| 3) The entity's taxable sales rate is less than 95% or the amount of taxable sales is more than half a billion yen and the individual correspondence system is deployed. In addition, it the spending of the subsidized project falls under the category of purchases other than those needed only for non-taxable sales. |  |   |  |  |
| Considerations about VAT Refund System  | The entity gives exhibitions and such in targeted countries for VAT refund system.   | [In case of no VAT refund]<br><ul style="list-style-type: none"> <li>•Documents indicating grounds the reasons for not refunding VAT etc.</li> </ul> [In case of VAT refund]<br><ul style="list-style-type: none"> <li>•Vouchers related to VAT refund procedures such as agreements with VAT refund agencies etc.</li> </ul>   |  |  |
|   | The subsidized entity closed an agreement directly with a local company and pays the cost of exhibitions etc including VAT.  |   |  |  |
|   | The VAT paid by the subsidized entity is designated as subsidy by METI.  |   |  |  |
|   | * If the entity corresponds to all the above, fill out the following items regarding VAT refund. (If the entity corresponds to more than one item, write a circle mark for all the corresponding items.) |   |  |  |
|   | 1. No VAT refund   |   |  |  |
|   | 1) The amount of VAT per country is about three hundred thousand yen or less and the entity cannot get a refund which is appropriate for the expense.  |   |  |  |
|   | 2) The VAT refund is assumed to be difficult considering advices of VAT agencies, the status of each country etc.  |   |  |  |
|   | 3) Consultations for VAT refund are difficult due to geographical conditions of VAT refund agencies.   |   |  |  |
|   | 4) The VAT refund was deemed unreasonable for other reasons (attach the result of simple proforma calculation etc).  |   |  |  |
|   | 2. VAT will be refunded. (Choose the entity's state of VAT refund from the followings.)  |   |  |  |
| 1) The procedures for VAT refund is all completed and the report is already given at the time of the settlement of amount.  |  |   | Planned Report Date: around MM/DD/YYYY |  |
| 2) VAT refund is being applied now and the report of VAT refund will be delivered later.  |  |   |  |  |



### III. Subsequent tasks

These tasks are to be carried out after the subsidy amount has been determined and payment of the subsidy has been completed. Depending on the type of a subsidized project, the following tasks may be required.

#### 1. Accounting procedures relating to consumption tax deductions for taxable purchase

##### <Applicable cases and outline of the procedures>

If a subsidy is provided for consumption tax paid in a subsidized project, there may be consumption tax deductions for taxable purchase pertaining to subsidy. In this case, it must be reported promptly after a consumption tax return is filed.

If the amount of consumption tax deductions for taxable purchase has been determined and this has been reported by Subsidized Project Operating Entity, Subsidized Project Operating Entity will be order to return the subsidy pertaining to such consumption tax deductions for taxable purchase.

For details of this system, refer to “Consumption tax deductions for taxable purchase pertaining to subsidy” under “I. Accounting process manual”, “1. Understanding the subsidy system”.

##### <Specific procedures>

- If consumption tax deductions for taxable purchase pertaining to subsidy are identified after a consumption tax return is filed, prepare a report promptly in accordance with the format stipulated in the subsidy guidelines.
- If there is no consumption tax deduction for taxable purchase pertaining to subsidy, prepare documents showing the reason.

##### Note

- If the amount of consumption tax deductions (or refunds) for taxable purchase pertaining to subsidy is known when preparing a result report, report the amount after deducting such amount.
- As deductions (or refunds) are normally given after the final inspection is conducted and a consumption tax return is filed (May in the following year, if Subsidized Project Operating Entity’s business period is from April to March, make sure to perform this procedure if a subsidy was provided including consumption tax).

## 2. Procedures for managing and disposing of assets

### < Applicable cases and outline of the procedures >

If a facility, machine or equipment with a unit price of 500,000 yen or more is acquired or improved in a subsidized project, a Subsidized Project Operating Entity shall manage them with a care of a good manager even after the completion of the Subsidized Project, and strive to effectively make use of them in accordance with the purpose of the grant of the Subsidy.

When attempting to dispose of the acquired assets in the period of restrictions on disposition (conversion, transfer, lending, disposition, demolition or taking out a mortgage on such assets), the Minister's approval must be obtained in advance.

- Article 22 of the Act on Regulation of Execution of Budget Pertaining to Subsidies, etc.
- Article 13 and 14 of Order for Enforcement of the Act on Regulation of Execution of Budget Pertaining to Subsidies, etc.
- Period of restrictions on disposition of acquired assets or assets with increased utility as a result of subsidized projects (Ministry of International Trade and Industry Notification No. 360 in 1978)
- Handling of disposition, etc. of acquired assets or assets with increased utility as a result of subsidized projects (June 10, 2004)

### < Specific procedures >

- A Subsidized Project Operating Entity shall prepare and manage acquired asset management ledger and strive to effectively make use of them in accordance with the purpose of the project.
- If disposing of acquired assets during the period of restrictions on disposition of acquired assets, approval or other procedures must be done. If income is gained or expected, a Subsidized Project Operating Entity may be ordered to pay all or some of the income to the government.
- If acquired assets are disposed of without obtaining the Minister's approval during the period of restrictions on disposition of acquired assets, punitive action may be taken, such as canceling the decision to grant a subsidy.

### 3. Procedures for paying earnings

#### < Applicable cases and outline of the procedures >

If earnings are generated by the completion of a subsidized project, or if industrial property rights are acquired based on the outcome of a subsidized project and such rights are transferred, license is granted or other results are provided, a Subsidized Project Operating Entity shall report thereon to METI in accordance with the subsidy guidelines.

#### <Specific procedures>

- In accordance with the provisions of the subsidy guidelines, a Subsidized Project Operating Entity shall submit notification concerning the acquisition of intellectual property rights.
- In accordance with the provisions of the subsidy guidelines, a Subsidized Project Operating Entity shall report on commercialization, transfer of industrial property rights, grant of license or provision of other results.
- If METI has determined, based on the report, that income was generated, the Subsidized Project Operating Entity may be ordered to pay all or some of the income to the government.

### 4. Procedures for reimbursement of VAT

#### < Applicable cases and outline of the procedures >

When holding an exhibition, trade show, exposition or trade fair, VAT imposed on some costs which cannot locally be treated as tax-exempt may be reimbursed after application procedures in accordance with the country's regulation. Therefore, if you post VAT as a Subsidized Cost, you must consider a possibility of reimbursement of the VAT, and if the amount of the reimbursement is known after completion of the subsidized project, you must promptly report the amount of the reimbursement of the VAT pertaining to the subsidy. As for the costs needed to be reimbursed and paid to an agent, even though they are not subject to the subsidy, it can be deducted from the amount of the VAT reimbursement, if it was paid solely for the said reimbursement(\*) and the evidence was attached with the report.

If the amount of the VAT reimbursement is settled and the Subsidized Project Operating Entity notifies us of the reimbursement, METI may order the Company to return the subsidy pertaining to the VAT reimbursement.

(\*If you have proceeded with the procedures for reimbursement of the VAT including the part which is not the subject of the subsidy, you have to use a reasonable method, for example, pro rata distribution, to calculate the amount which can be covered with the subsidy and the one which cannot be covered with the subsidy.)

#### <Specific procedures>

- In application for reimbursement of VAT, technical knowledge is needed, for example, some countries allow only licensed agents to proceed with the procedure. Hence,

you have to consult with the agent, consider whether or not VAT can be reimbursed, and write the result on the check sheet.

- If you choose “The VAT reimbursement procedure is ongoing, and report the result at a future date.” in the check sheet, make the report promptly using the format designated in the Grant Guidelines if you are reimbursed.
- On the procedures for VAT reimbursement, the deadline for application or the procedures may vary between countries. Therefore, in submission of the said report, you have to check when to make it.

**!! Attention !!**

- In the grant decision of the Subsidy, if the VAT amounts of each country are less than around 300 thousand yen, it is supposed that the expected amount of the reimbursement commensurate with the corresponding cost cannot be received, therefore you are allowed not to apply for the VAT reimbursement. Even in this case, however, if you are reimbursed at a future date, please submit the report using the format designated in the Grant Guidelines.
- If the amount of the VAT reimbursement is already known in making a result report, please deduct the amount from the costs in the report and choose “The procedures for VAT reimbursement have already been completed and reported in Finalization of the amount.” in the check sheet.
- If you cannot prepare the original documents pertaining to the application for VAT reimbursement because of submission of the receipts, etc. to the tax authorities, please prepare alternative evidence such as copies of the original ones.

## IV. Others

### 1. About Handling of Confidential Correspondence

In the case where subsidized entities ask to conduct questionnaire surveys or to hand out some written materials etc. in this project, please consider if those written materials are categorized as confidential correspondence and be careful so that written materials will be sent in appropriate ways.

\*For the definition of confidential correspondence etc., please visit the following website.

The guideline of confidential correspondence (on the web page of Ministry of Internal Affairs and Communications)

[http://www.soumu.go.jp/yusei/shinsho\\_guide.html](http://www.soumu.go.jp/yusei/shinsho_guide.html)