UNITED STATES-JAPAN FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

UNITED STATES-JAPAN FOUNDATION

TABLE OF CONTENTS
DECEMBER 31, 2025 AND 2024

	Pages
Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-22

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Independent Auditor's Report

The Board of Trustees
United States-Japan Foundation
Washington, DC

Opinion

We have audited the accompanying financial statements of United States-Japan Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
November 12, 2026

Certified Public Accountants

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025 AND 2024

	2025	2024
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 1,548,235**	$ 370,011
Accrued Interest Receivable	**21,302**	209,400
Prepaid Expenses	**292,658**	122,976
Prepaid Compensation	**153,051**	-
Other Assets	**36,558**	34,808
Total Current Assets	**2,051,804**	737,195
Investments	**111,648,123**	101,454,353
Loan Receivables, Net	**1,947,193**	-
Operating Lease Right-of-Use Assets	**113,430**	139,605
Net Property and Equipment	**68,398**	94,695
Total Assets	**$ 115,828,948**	$ 102,425,848
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	**$ 86,765**	$ 93,017
Grants Payable	**327,458**	688,275
Operating Lease Liability	**27,854**	26,952
Total Current Liabilities	**442,077**	808,244
Deferred Excise Tax Liability	**372,966**	106,886
Operating Lease Liability, Net of Current Portion	**85,576**	112,653
Total Liabilities	**900,619**	1,027,783
Net Assets		
Without Donor Restrictions	**114,928,329**	101,398,065
Total Net Assets	**114,928,329**	101,398,065
Total Liabilities and Net Assets	**$ 115,828,948**	$ 102,425,848

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Revenue		
Contributions	**$ 100,000**	$ 6,528
Investment Income		
Interest and Dividends	**2,510,156**	2,525,912
Net Appreciation in Fair Value of Investments	**17,203,104**	6,864,237
Investment Expenses	**(94,493)**	(77,659)
Net Investment Income	**19,618,767**	9,312,490
Other Income	**29,919**	13,404
Total Revenue	**19,748,686**	9,332,422
Operating Expenses		
Program Services	**5,465,901**	4,609,785
Management and General	**444,691**	433,818
Total Operating Expenses	**5,910,592**	5,043,603
Income Tax Expense	**307,830**	40,268
Change in Net Assets Without Donor Restrictions	**13,530,264**	4,248,551
Net Assets Without Donor Restrictions, Beginning of Year	**101,398,065**	97,149,514
Net Assets Without Donor Restrictions, End of Year	**$ 114,928,329**	$ 101,398,065

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Program Services			Management and General			
	US-Japan Relations	US-Japan Leadership Program	Total	Administration	Investment Related Activities	Total	Grand Total
Grant and Contribution Expenses, Net	$ 3,093,165	$ -	$ 3,093,165	$ -	$ -	$ -	$ 3,093,165
Salaries	440,018	441,215	881,233	218,741	39,528	258,269	1,139,502
Payroll Taxes and Employee Benefits	55,535	70,556	126,091	41,567	9,387	50,954	177,045
Occupancy	48,634	-	48,634	2,048	512	2,560	51,194
Office Expenses	95,711	48,060	143,771	4,028	1,007	5,035	148,806
Travel, Meetings, and Conferences	192,918	484,776	677,694	45,076	35,314	80,390	758,084
Program and Project Developments	301,601	22,550	324,151	-	-	-	324,151
Professional Fees	58,090	-	58,090	10,325	10,325	20,650	78,740
Depreciation and Amortization	26,284	-	26,284	11,809	-	11,809	38,093
Other Expenses	85,135	1,653	86,788	15,024	-	15,024	101,812
Total	$ 4,397,091	$ 1,068,810	$ 5,465,901	$ 348,618	$ 96,073	$ 444,691	$ 5,910,592

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services			Management and General			
	US-Japan Relations	US-Japan Leadership Program	Total	Administration	Investment Related Activities	Total	Grand Total
Grant Expenses, Net	$ 2,427,660	$ -	$ 2,427,660	$ -	$ -	$ -	$ 2,427,660
Salaries	238,598	380,602	619,200	165,228	37,638	202,866	822,066
Payroll Taxes and Employee Benefits	59,228	65,862	125,090	36,816	10,200	47,016	172,106
Occupancy	35,457	-	35,457	1,493	373	1,866	37,323
Office Expenses	74,681	18,718	93,399	3,143	786	3,929	97,328
Travel, Meetings, and Conferences	210,156	659,843	869,999	49,673	37,114	86,787	956,786
Program and Project Developments	137,930	4,169	142,099	-	-	-	142,099
Professional Fees	172,060	-	172,060	32,985	32,985	65,970	238,030
Depreciation and Amortization	13,400	-	13,400	6,020	-	6,020	19,420
Other Expenses	109,737	1,684	111,421	19,364	-	19,364	130,785
Total	$ 3,478,907	$ 1,130,878	$ 4,609,785	$ 314,722	$ 119,096	$ 433,818	$ 5,043,603

See accompanying Notes to Financial Statements.

UNITED STATES-JAPAN FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	**$13,530,264**	$ 4,248,551
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation and Amortization	**38,093**	19,420
Loss on Disposals of Property and Equipment	**82**	2,489
Net Appreciation on Investments	**(17,203,104)**	(6,864,237)
Operating Lease Expense	**31,582**	28,963
(Increase) Decrease in Assets		
Accrued Interest Receivable	**188,098**	(95,198)
Prepaid Expenses	**(169,682)**	43,256
Prepaid Compensation	**(153,051)**	-
Other Assets	**(1,750)**	-
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**(6,252)**	(89,522)
Grants Payable	**(360,817)**	457,061
Deferred Excise Tax Liability	**266,080**	34,168
Operating Lease Liability	**(31,582)**	(27,655)
Net Cash Used in Operating Activities	**(3,872,039)**	(2,242,704)
Cash Flows from Investing Activities		
Advance on Loan Receivable	**(1,947,193)**	-
Purchases of Investments	**(9,052,715)**	(12,926)
Purchases of Property and Equipment	**(11,878)**	(45,973)
Proceeds from Sale or Maturity of Investments	**16,062,049**	1,731,742
Net Cash Provided by Investing Activities	**5,050,263**	1,672,843
Net Increase (Decrease) in Cash and Cash Equivalents	**1,178,224**	(569,861)
Cash and Cash Equivalents, Beginning of Year	**370,011**	939,872
Cash and Cash Equivalents, End of Year	**$ 1,548,235**	$ 370,011
Noncash Transactions from Investing Activities		
Establishment of Right-of-Use Operating Lease Asset	**$ -**	$ 141,739
Establishment of Operating Lease Liability	**-**	141,739

See accompanying Notes to Financial Statements.

1. ORGANIZATION

United States-Japan Foundation (the Foundation) is a private foundation incorporated in New York in 1980 for the purpose of promoting understanding and cooperation between the peoples and institutions of the United States and Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of accounting policies followed in the preparation of the Foundation's financial statements.

Basis of Accounting

The Foundation has presented its financial statements in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial reporting purposes, the Foundation considers highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents, except for those amounts held as part of the investment portfolio.

Loan Receivable

The Foundation records loans receivable at amortized cost, net of any unamortized discount and allowance for credit losses. Loans issued at below-market or no stated interest are initially measured at the present value of expected contractual cash flows using an imputed market interest rate, with any inherent contribution element recognized as contribution expense; the related discount is amortized to interest income using the effective interest method.

Prepaid Compensation

In connection with an employment agreement, the Foundation advanced compensation to an employee that is subject to service-based vesting terms. The advance is recorded as a prepaid compensation asset and is amortized to compensation expense over the required service period as the related services are rendered. Unamortized amounts may become repayable to the Foundation if specified employment conditions are not satisfied. The Foundation evaluates the classification and recoverability of any remaining unamortized balance at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation's investments in equity securities and mutual funds are reported at their fair values in the statements of financial position based on quoted market prices. Cash and cash equivalents held as part of the Foundation's investment portfolio are also included in the balances reported as investments. Certificates of deposit are recorded at cost plus accrued interest.

The Foundation also has investments in limited partnerships and limited liability companies which are considered to be alternative investments, for which readily determinable fair values do not exist. The fair value of the alternative investments has been estimated based on the respective net asset value (NAV) per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the alternative investments, the Foundation's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis.

Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

The Foundation portfolio managers that oversee the alternative investments enter into certain derivative contracts held or issued for trading purposes. These investments are subject to various market risks, which arise from changes in securities values and other market conditions. As part of their overall trading strategies, the investment managers may engage in the purchases and sales of index and equity options, for the purpose of generating profit and/or mitigating market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Foundation's investments, in general, are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in the statements of activities and changes in net assets are those specific fees charged by the Foundation's various investment managers in each year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

Translation of Foreign Currency

Any cash accounts and investments denominated in foreign currencies are translated at the closing exchange rates at the end of the reporting period. Foreign transactions occurring during the year, including purchases, sales, income, and expenses, are translated at the prevailing exchange rate on the dates of the transactions.

Property and Equipment

Property and equipment are stated at their original costs at the date of acquisition, or if contributed, at their fair values at the date of donation, net of accumulated depreciation and amortization.

The Foundation capitalizes items of property and equipment that have a cost of $1,000 or more and a useful life greater than one year, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Equipment is depreciated over five to seven years; and furniture and fixtures are depreciated over five to fifteen years. Direct costs incurred during the application stage of the development of the Foundation's website are capitalized and amortized over an estimated useful life of three years. Leasehold improvements are amortized over the term of the lease or useful life, whichever is shorter.

Financial Statement Presentation

Financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) *Topic Not-for-Profit Entities-Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions

These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

As of December 31, 2025 and 2024, the Foundation did not have any net assets with donor restrictions.

Revenue Recognition

Contributions to the Foundation are recognized as revenue upon the receipt of cash or other assets when the donor makes an unconditional promise to give. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Foundation's management or necessary events have taken place.

Grant Expenses

Grants are recognized as obligations at the time of approval by the Board of Trustees. Grants approved by the Board, but unpaid as of year end, are reported as grants payable in the statements of financial position. Grants are expected to be paid within the upcoming year. Grant funds that have been awarded and that have been returned to, or withdrawn by, the Foundation are included in net grant expenses in the statements of functional expenses.

Operating Lease Right-of-Use Assets and Operating Lease Liabilities

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The operating lease liability is initially measured at the present value of minimum lease payments using a risk-free rate and the remaining term of the lease. The operating right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Foundation's right-of-use assets and lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis.

The Foundation considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Foundation does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Management considers certain investment-related expenses to be included in the management and general functional allocation, which are allocated indirect costs specifically related to overseeing the Foundation's investment portfolio. Accordingly, direct costs have been allocated among the program and supporting services based on the nature of the expense. Indirect costs have been functionalized on the basis of time and space usage among employees. The Foundation incurs no significant fundraising expenses.

3. TAX STATUS AND INCOME TAXES

The Foundation qualifies as a tax-exempt private foundation under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is not subject to either federal or state income taxes, except on income from unrelated activities. The Foundation is, however, subject to a federal excise tax of 1.39% for 2025 and 2024, on net investment income, including realized gains, as defined in the IRC. The Foundation was subject to an excise tax of $307,830 and $40,268 in 2025 and 2024, respectively.

In addition, the Foundation must make certain minimum qualifying distributions, in the form of grants and expenses spent for charitable purposes, in an amount equal to 5% of the average fair value of its assets held during the year. The IRC allows for an organization to distribute any under-distributed income over the subsequent year. The required minimum qualifying distributions for 2025 and 2024 were $4,366,631 and $3,628,333, respectively. During 2025, the Foundation made qualifying distributions of $5,681,486 thereby satisfying the distribution requirement and leaving a remaining distribution carryover to future years of $3,126,652. During 2024, the Foundation made qualifying distributions of $4,247,831 thereby satisfying the distribution requirement and leaving a remaining distribution carryover to future years of $4,366,631.

The Foundation is also subject to the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes, which sets forth a threshold for financial statement recognition, measurement, and disclosure of a tax position taken, or expected to be taken, on a tax return. Such guidance requires the Foundation to determine whether a tax position of the Foundation is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Since the Foundation has always recorded the potential tax liability for excise and unrelated business income taxes, and, due to its general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements. As of December 31, 2025 and 2024, the Foundation had not recorded a liability for any unrecognized tax uncertainties.

4. LIQUIDITY AND AVAILABLE RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

The following reflects the Foundation's financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general operating expenditure within one year:

Description	**2025**	2024
Cash and Cash Equivalents	**$ 1,548,235**	$ 370,011
Loan Receivables, Net	**1,947,193**	-
Accrued Interest Receivable	**21,302**	209,400
Investments	**111,648,123**	101,454,353
Total Financial Assets and Liquidity Resources Available in One Year	**115,164,853**	102,033,764
Less Loan Receivable Amounts Due after One Year	**1,947,193**	-
Less Amounts Unavailable for General Expenditures within One Year Due to Investments Subject to Redemption Restrictions	**8,229,077**	9,251,867
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	**$ 104,988,583**	$ 92,781,897

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2025 and 2024, investments consisted of the following:

	2025		2024	
	Fair Value	**Cost**	Fair Value	Cost
Certificate of Deposit	**$ -**	**$ -**	$ 6,000,000	$ 6,000,000
US Government Securities	**8,610,429**	**8,610,429**	10,367,129	10,367,129
Mutual Funds				
Domestic Equity	**70,312,085**	**46,928,225**	39,587,103	24,649,305
Foreign Equity	**24,496,532**	**14,319,993**	36,248,254	34,668,347
Alternative Investments				
Private Credit Fund	**109,474**	**124,124**	141,812	145,061
Private Equity Fund	**7,950,479**	**7,792,605**	8,882,452	9,626,571
Private Real Estate Funds	**169,124**	**2,039,451**	227,603	2,071,140
	$ 111,648,123	**$ 79,814,827**	$ 101,454,353	$ 87,527,553

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2025:

	2025			
	Fair Value	Level 1	Level 2	Level 3
US Government Securities	$ 8,610,429	$ -	$ 8,610,429	$ -
Mutual Funds	94,808,617	94,808,617	-	-
Total	103,419,046	$ 94,808,617	$ 8,610,429	$ -
Investments Measured at NAV *	8,229,077			
Investments at Fair Value	$ 111,648,123			

* Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2024:

	2024			
	Fair Value	Level 1	Level 2	Level 3
Short-Term Cash Investments	$ 6,000,000	$ 6,000,000	$ -	$ -
US Government Securities	10,367,129	-	10,367,129	-
Mutual Funds	75,835,357	75,835,357	-	-
Total	92,202,486	$ 81,835,357	$ 10,367,129	$ -
Investments Measured at NAV *	9,251,867			
Investments at Fair Value	$ 101,454,353			

* Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Level 1 - Mutual funds are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period.

Short-term cash investments are valued at cost which approximates fair value.

Level 2 - Most US government securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Investments in Investment Entities

Authoritative guidance on fair value measurements permits the Foundation to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the NAV of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV. The net asset value per share is the amount of the investee's net assets attributable to each unit share of ownership interest.

The Foundation's investment in investment entities is subject to the terms of the respective private placement memoranda and governing agreements. Income or loss from investments in these investment entities is net of the Foundation's proportionate share of fees and expenses incurred or charged by these investment entities.

The Foundation's risk of loss in these entities is limited to its investment. The Foundation may increase or decrease its level of investment in these entities at its discretion.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Investment Entities (Continued)

The following table summarizes the Foundation's investments in certain entities that calculate NAV per share as fair value measurement as of December 31, 2025 and 2024, by investment strategy:

	2025		2024			
	Fair Value (in millions)	**Unfunded Commitments (in millions)**	Fair Value (in millions)	Unfunded Commitments (in millions)	Redemption Frequency	Redemption Notice Period
Private Credit Funds	**$ 0.11**	**$ 0.99**	$ 0.14	$ 0.99	Upon Liquidation	*
Private Equity Funds	**7.95**	**4.21**	8.88	4.81	Upon Liquidation	*
Private Real Estate Funds	**0.17**	**0.62**	0.23	0.62	Upon Liquidation	*

* The Foundation's investments in investment entities are in fixed duration funds in which individual partners are not permitted a redemption once invested. Redemptions are made at the discretion of the General Partner per the terms of the partnership agreement.

6. LOAN RECEIVABLES

On March 20, 2025, the Foundation entered into a noninterest-bearing loan agreement with a not-for-profit organization in Japan, under which the Foundation agreed to provide loan financing of up to ¥450,000,000. The loan is restricted for use on the specificized projects, to support Child and Youth Platform and Fundraising Support.

During the year ended December 31, 2025, the Foundation advanced ¥300,000,000 under the agreement. At December 31, 2025, the outstanding principal balance was ¥300,000,000 and the unfunded commitment was ¥150,000,000. The loan bears no stated interest unless an event of default occurs. Upon and during an event of default, outstanding principal bears interest at 8%, subject to the maximum rate permitted by law. Because the loan is noninterest-bearing, the Foundation recorded the loan at the present value of expected contractual principal repayments using an imputed market interest rate of 1.95%, and recognized contribution expense of $152,725, included in grant and contribution expenses, net, on the statement of functional expenses, for the below-market financing element in accordance with ASC 835-30.

The loan term is seven years, and the stated maturity date is March 31, 2032. Principal is receivable according to the repayment schedule in the loan agreement and is subject to no financial covenants.

The loan receivable is denominated in Japanese yen. The Foundation remeasures the yen-denominated receivable into US dollars at each reporting date, and foreign currency transaction gains and losses are recognized in the statements of activities and changes in net assets.

As of December 31, 2025, the carrying amount of the loan receivable was as follows:

Principal Amount Advanced	¥ 300,000,000
Foreign Currency Translation at ¥145 to $1	$ 2,073,900
Less Unamortized Discount from Below-Market Terms	(126,707)
Carrying Amount of Loan Receivable, Net	$ 1,947,193

6. LOAN RECEIVABLES (CONTINUED)

Contractual principal repayments based on total distributions as of December 31, 2025, are scheduled as follows:

Years Ending	Principal Repayments
December 31, 2027	$ 449,345
December 31, 2028	449,345
December 31, 2029	553,040
December 31, 2030	207,390
December 31, 2031	207,390
December 31, 2032	207,390
Total Principal Repayments	$ 2,073,900

7. PREPAID COMPENSATION

In connection with an employment agreement, the Foundation advanced compensation of ¥22,174,947 to an employee during the year ended December 31, 2025. The advance is service-based and is subject to forfeiture and/or repayment if specified employment conditions are not met. The Foundation accounts for the advance as a prepaid compensation asset and recognizes compensation expense over the employee's required service period in a systematic and rational manner. If a repayment event occurs under the terms of the employment agreement, any unvested or unamortized balance may become repayable by the employee. Interest, if applicable under the agreement, is assessed only upon a repayment event.

The prepaid compensation is denominated in Japanese yen. The Foundation remeasures the yen-denominated assets into US dollars at each reporting date, and foreign currency transaction gains and losses are recognized in the statements of activities and changes in net assets.

For the year ended December 31, 2025, no compensation expense was recognized related to the advance. As of December 31, 2025, expected future forgiveness of the advance is as follows:

Years Ending	Principal Repayments
December 31, 2026	$ 42,447
December 31, 2027	44,173
December 31, 2028	45,898
December 31, 2029	20,533
Total Principal Repayments	$ 153,051

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2025 and 2024:

Description	2025	2024
Leasehold Improvements	**$ 5,841**	$ 5,841
Furniture and Fixtures	**2,104**	2,104
Equipment	**58,250**	52,319
Website	**98,405**	98,405
	164,600	158,669
Less Accumulated Depreciation	**(96,202)**	(63,974)
Net Property and Equipment	**$ 68,398**	$ 94,695

9. EXCISE TAXES

The provision for excise taxes for the Foundation is as follows for the years ended December 31:

	2025	2024
Current Expense	**$ 41,750**	$ 6,100
Deferred Income Tax Expense	**266,080**	34,168
Net Income Tax Expense	**$ 307,830**	$ 40,268

The Foundation's deferred excise tax is calculated based on the excise tax on unrealized gains and losses on investments.

10. GRANT EXPENSES

The Foundation provides grants to a number of organizations each year, whose goal is to bring awareness and strengthen US-Japan relations through education, research, and special programs. The Foundation awarded 83 grants in 2025, and 80 grants in 2024. The Foundation provided grants totaling $2,948,181 and $2,427,660 during 2025 and 2024, respectively.

11. US-JAPAN LEADERSHIP PROGRAM

US-Japan Leadership Program (USJLP) is a signature program of the Foundation. The purpose of the USJLP is to develop a network of communication, friendship, and understanding among the next generation of leaders in each country. Annual conferences are held, alternating between Japan and the United States, for young leaders from each country to discuss a wide range of topics relevant to both countries and the world and to be exposed to a variety of experiential learning opportunities. The Foundation held annual conferences in Kyoto, Japan, in 2025, and in Seattle, Washington, in 2024.

12. RETIREMENT PLAN

The Foundation's United States office has a Money Purchase Plan, a defined-contribution retirement plan, established under Section 403(b) of the IRC. Under the terms of the plan, full-time employees over the age of 21 and completing one year of service and part-time employees over the age of 21 and completing 1,000 hours of service during a full year of employment are eligible to participate and may elect to defer a portion of compensation.

12. RETIREMENT PLAN (CONTINUED)

The Foundation's Tokyo office has a National Pension Plan and Nomura Security Pension Plan. The Foundation's total contributions to the plans were $2,271 and $1,329 for 2025 and 2024, respectively.

13. OPERATING LEASES

The Foundation is obligated under a conditionally cancelable operating lease for office space in Tokyo, Japan. The lease agreement was effective through November 30, 2024. The lease is subject to an escalation clause and contains an option to extend the lease term for an additional period or terminate at the lease expiration. On October 9, 2024, the Foundation exercised the option to extend the Tokyo lease term through November 30, 2029.

Under accounting principles generally accepted in the United States of America (US GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term. Operating lease expense for the years ended December 31, 2025 and 2024, was $31,582 and $28,963, respectively, and is included in occupancy on the statements of functional expenses.

Maturity of the operating lease liability as of December 31, 2025, is as follows:

For the Years Ending December 31,	
2026	$ 31,386
2027	31,386
2028	31,386
2029	28,768
Total Undiscounted Minimum Lease Payments	122,926
Less Discount to Present Value	(9,496)
Total Operating Lease Liability	$ 113,430

The supplementary qualitative operating lease information is as follows:

Supplementary Qualitative Operating Lease Information	
Weighted-Average Remaining Lease Term	3.92 Years
Weighted-Average Discount Rate	4.08%

14. CONCENTRATIONS

The Foundation maintains cash balances at financial institutions in the US and Japan. The accounts at the US institutions are insured by the Federal Deposit Insurance Corporation (FDIC), and the accounts at Japanese institutions are insured by Deposit Insurance Corporation of Japan up to the maximum amount allowed by laws in each country. While the amounts, at times, exceed the amount insured by the agencies and, therefore, bear some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds.

15. COMMITMENTS AND CONTINGENCIES

The Foundation has an employment contract with its President and CEO, effective April 6, 2023. In the event of termination without cause, the Foundation is obligated to pay the President and CEO two week's salary and benefits for each year of completed service, or three months' salary and benefits if terminated before three years of service, as well as any accrued but unused leave balances.

The Foundation has various contracts for services and accommodation for future meetings through 2026. These contracts include penalty clauses, which would require the Foundation to pay certain amounts if events were cancelled or room reservations did not meet room block guarantees.

16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 12, 2026, the date on which the financial statements were available to be issued.