

OPERATION MANUAL

FOR THE ADMINISTRATION OF
THE **Sylff** PROGRAM

JULY 2011

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* Blank forms of the attached samples are available at the Sylff website (www.sylff.org).

GLOSSARY OF FINANCIAL TERMS

Administrative expense

Administrative expenses refer to a university's operating costs in the administration of the Sylff program and management of the Sylff endowment.

Budget

The *budget* refers to the income and expenditure plan, which serves as the basis for the allocation of fellowships.

Capital

The *capital* is the 1 million US dollars of the original capital (explained below) plus the reserves earned through investment (explained below).

Earnings

Earnings are the sum of realized gains and change in unrealized gains (as explained below).

Expenditure

Expenditure refers to administrative expenses, as mentioned above, and fellowship disbursements.

Fellowship

A *fellowship* refers to the fund provided to a student who is selected for a Sylff fellowship.

Income / realized gain

Income refers to *realized gains*, such as interest from bank deposits and coupon interest from bond investments, as well as gains or losses from the sale of equities and bonds.

Original capital

The *original capital* is the 1 million US dollars (or equivalent in cases where the capital is converted into another currency, using the exchange rate at the time of conversion), donated to each Sylff institution. If the original capital is divided into two or more currencies, the amount for each currency should be calculated using the exchange rate at the time of initial conversion.

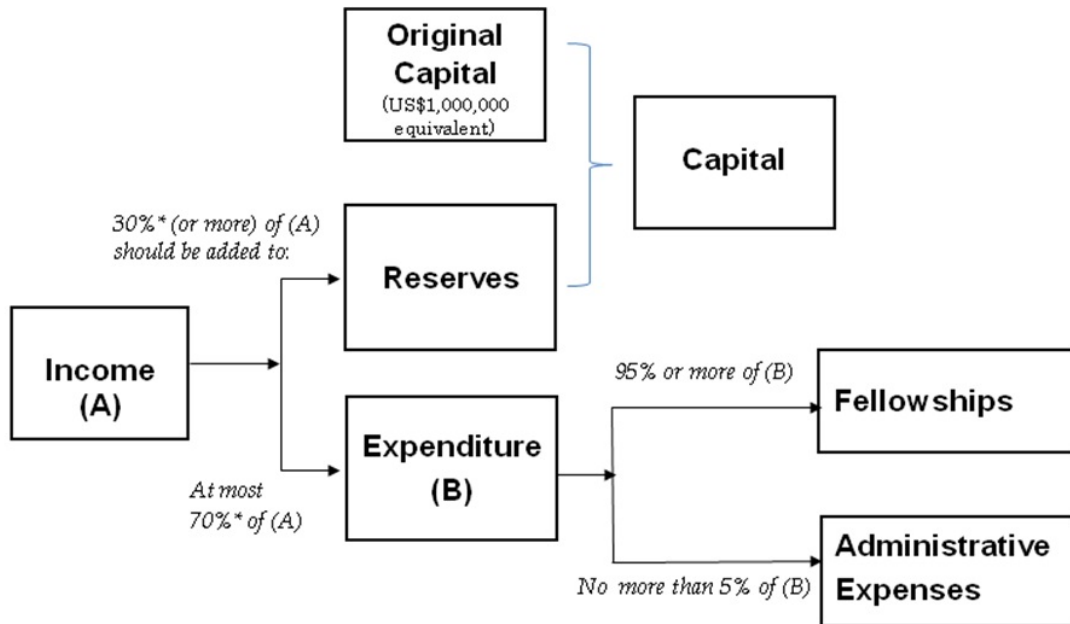
Reserves

Reserves are the part of capital that exceeds the original capital (US\$1 mil.) and are added to the capital.

Unrealized gain

An *unrealized gain* is the difference between the book value and market value of equity and bond investment.

Flow Chart of Sylff-related Money



*The portion may vary according to Sylff institution.

INTRODUCTION

This document is intended to provide Sylff program administrators at Sylff institutions with practical information and guidance for efficient and effective management of the program. Queries should be addressed to the Leadership Development section of the Tokyo Foundation, which is responsible for the overall management of the program (see contact information at the end of the document).

I. PROGRAM

Generally known as Sylff, the Ryoichi Sasakawa Young Leaders Fellowship Fund was launched by The Nippon Foundation in 1987 with the purpose of cultivating and nurturing leaders who can transcend various boundaries—be it geographical, political, cultural, ethnic, or religious—and engage proactively in addressing the challenges of our age at all levels in our community and in the world. It is an outgrowth of the philanthropic activities of the late Ryoichi Sasakawa, the founder of The Nippon Foundation.

One hallmark of this program is the “decentralization” of program administration, based on the commitment of each endowed institution to assume responsibility for achieving the overall goals of the program, that is, to identify and nurture future leaders in various fields who can make positive changes in society. At the same time, network building is encouraged among the Sylff institutions and fellows, as well as cooperation and collaboration with non-Sylff organizations and individuals.

II. OVERALL ORGANIZATIONAL STRUCTURE OF THE SYLFF PROGRAM

The Sylff program is a collaborative undertaking among the following organizations:

The Nippon Foundation

The Nippon Foundation is the donor of the Sylff endowment. It was established in 1962 to contribute to maritime development, support domestic social welfare and volunteer initiatives, and promote international cooperation with a focus on improving basic human needs, developing human resources, and encouraging international collaboration.

The Tokyo Foundation

The Tokyo Foundation is the organization responsible for overall Sylff program management, including:

- (1) Collaboration with the steering committees of Sylff institutions to maintain efficient and effective program operations and endowment management
- (2) Support for Sylff fellows' research activities and encouragement of network building through various programs and opportunities

Sylff Institutions (Sylff Steering Committees)

A Sylff institution operates the Sylff program through a Sylff steering committee, consisting of a chairperson and committee members. The steering committee is responsible for sound program operations and endowment management at each institution, including:

- (1) Operation of the Sylff fellowship program (see Section III)
- (2) Management of the Sylff endowment (see Section IV)
- (3) Reporting to and communicating with the Tokyo Foundation on the status of the program and endowment management (see Section III 5)
- (4) Cooperation and collaboration with the Tokyo Foundation on various Sylff-related programs and activities

III. PROGRAM ADMINISTRATION

1. Objective and Scope of the Program

The objective and scope of the fellowship program are stipulated in the Appendix to the original "Agreement" that was signed by the representatives of The Nippon Foundation and the Sylff institution, or in the "Memorandum of Understanding (MOU)" subsequently signed by the representatives of the Tokyo Foundation and the Sylff institution.

Besides institution-specific guidelines, the following items apply to all Sylff institutions:

(1) Sylff Identity

Each Sylff institution has its own program name; some program names have "Sylff" incorporated in them, while others do not. Regardless of whether or not "Sylff" is incorporated in the name, each institution is requested to make clear

that its program is a Sylff program and that the fellowship recipients are Sylff fellows who are part of the global Sylff network administered by the Tokyo Foundation.

(2) Eligibility

Fellowships are awarded to outstanding postgraduate students who are enrolled in degree programs with high potential for leadership at the local, national, regional, and international levels in their private and public lives.

(3) Scope / Research Areas

The scope of the fellowships must fall within the parameters of the social sciences or humanities. Recognizing the growing tendency toward inter- and multi-disciplinary approaches, though, students will be eligible for Sylff fellowships if they approach multi-disciplinary research themes from a social science or humanities perspective. If the Sylff steering committee wishes to change the scope of the program, it is requested to make a written proposal to the Tokyo Foundation **before** implementing the change, since the scope is contractually agreed upon in the original Agreement establishing the endowment. Please refer to Section V (Revision of Agreement) below.

(4) Amount of Fellowship

The Sylff fellowships are intended to enable the best and brightest students to commit themselves fully to their field of study or research. The amount of the fellowship should be reasonably determined according to this intent. It is recommended that the fellowship be comparable to other highly prestigious scholarships and fellowships.

(5) Duration of Fellowship

Fellowships may be awarded for a period of up to three years, provided that the student makes satisfactory progress toward the degree he or she is pursuing. Renewal of the fellowship should be based on an evaluation of the student's progress by the steering committee at the end of each academic year.

2. Budget

Sylff steering committees are responsible for developing a budget for expenditures, that is, the amount to be set aside for fellowships and administrative expenses in accordance with the "Approximate Breakdown of Annual Expenditures" specified in Appendix 2 of the Agreement. In principle, the budget should be developed on the

basis of actual income. Please refer to Section IV for details.

3. Announcement and Selection

The process of selecting fellowship recipients must be open and transparent; the Sylff steering committees should make announcements accessible to eligible students using posters, fliers, websites, institutional and local newsletters, etc., and screen applicants on a competitive basis. The name “Sylff” and its aims should be mentioned in the announcements.

The selection of Sylff fellows should be based on their academic excellence and leadership potential. Each institution can apply its own criteria to select fellowship recipients.

4. Orientation and Communication with Sylff Fellows

Once the new Sylff fellows are selected, they should be fully informed of the Sylff program – its mission, organization, and support programs for the fellows. Orientation and follow-up communication activities should be implemented to facilitate fellows’ understanding. Please keep abreast of recent developments by visiting the Sylff website at www.sylff.org.

5. Reporting (see Attachments)

All Sylff institutions are required to submit the following annual reports punctually.

(1) Program Report (Attachment 1)

The steering committee is required to submit a program report within three months of the end of each academic year.

(2) Sylff Fellows Information List (Attachment 2)

The steering committee is required to provide information on the fellows for the following academic year as soon as their selection is finalized.

(3) Financial Report

The steering committee is required to submit a financial report within three months of the end of each fiscal year. For details, please refer to Section IV 3-1 B. For institutions granted “Exceptions,” please refer to Section IV 3-2 B.

IV. ENDOWMENT MANAGEMENT*

1. Purpose of Endowment Management

The purpose of endowment management is to:

- (1) Generate sufficient income in accordance with the mid- to long-term plans for the fellowship program, and
- (2) Maintain the original capital (US\$1 million) permanently while ensuring gradual growth of the capital.

2. Separate Accounting/Pooled Investment

In principle, each institution is required to maintain a separate account for the Sylff endowment from other funds of the institution. In cases where the endowment is pooled and invested with other funds, the amount of the Sylff endowment and its income must be clearly demarcated. Generally, pooled investments are approved when an institution's fund is significantly large enough to achieve higher returns by scale and when fund management is conducted by groups of experts in accordance with rules approved by the institution's board as being transparent and accountable with clearly identified risks, returns, and responsibilities.

3. Investment Guidelines

3-1 Principles

A. Basic Policy

The Sylff endowment must be invested in a "safe and secure manner," which is defined as follows:

- a) Investable assets: The core of investments should be bank deposits or bonds rated A or better by one of the following three rating agencies: Standard and Poor's, Moody's, or Fitch.
- b) Diversification: Bond investments should be well diversified, avoiding concentration in terms of issuers, industries, and countries.
- c) Investment period: The average maturity should be less than five years.

* Subject to revision, as required by financial market conditions.

B. Reporting

The financial report should be submitted within three months following the end of each fiscal year. The report consists of:

- a) Income-Expenditure Statement / Breakdown of Capital (Attachment 3)
- b) Bond Portfolio in case of bonds, and/or and Description of Deposit in case of bank deposits (Attachment 4)
- c) Review Report confirming the validity of Attachment 3 and 4 (Attachment 6)
- d) Bank statement(s) showing the amount of cash, term deposits and bonds at the end of fiscal year in Attachment 3.

C. Use of Income / Re-investment

In accordance with the "Approximate Breakdown of Annual

Expenditures" specified in Appendix 2 of the Agreement, each institution is required to reinvest a portion of the income back into the capital as a hedge against inflation and other forms of financial instability. Even when there is no provision in the Agreement concerning the ratio, the institution is strongly recommended to return 30% (or more) of income to reserves and use remaining amount (at most 70%) as expenditures for fellowships and administrative expenses. Administrative expenses should be 5% or less of expenditures.

Please refer to the "Flow Chart of Sylff-related Money" on page ii.

Only realized gains should be used as sources for expenditures. Although unrealized gains may arise for bonds whose market values can be assessed, these gains shall not be recognized as sources for expenditure.

D. Use of Reserves

In case of a contingency, such as when continuing low-interest rates do not generate sufficient income vis-à-vis planned expenditures, the use of reserves (including partial or non-execution of mutually agreed re-investment plan) may be approved but only under the following conditions:

- a) The Sylff institution must first receive the approval of the Tokyo Foundation.
- b) Total fellowships awarded should not be more than the average amount granted over the past three years.

- c) Approval for the use of reserves is contingent on the entire capital not falling below the original capital of US\$1 million.
- d) For investments in currencies other than US dollars, the amount of the original capital will be calculated using the exchange rate applied at the time of the conversion from US dollars to that currency.
- e) The use of reserves will be **limited to a period of five years** from July 1, 2011, to the end June 2016. (A decision on whether or not to continue this measure will be made by July 1, 2015, one year prior to the end of this period.)

3-2 Exceptions

A. *Basic Policy*

If a Sylff institution intends to invest in bonds that carry higher risk or invest in stocks for historical reasons or on its own judgment, it will need not only to disclose the breakdown of its investment but also demonstrate that it has the organization and capacity necessary to manage such a riskier portfolio.

For investment in stocks, unrealized gains may be used to cover expenditures, but certain rules must be established and upheld.

- a) Rules determining percentage over capital for targeted earnings and planned expenditures must be clarified. These rules must receive the approval of the Sylff steering committee and the Tokyo Foundation.
- b) Actual expenditures in the medium- and long-term (about five years) must not exceed 70% of actual earnings. (The portion may vary according to Sylff institution.)
- c) The original capital of US\$1 million must be maintained.

B. *Reporting*

Please submit your financial report within three months following the end of each fiscal year. The report should consist of:

- a) A consolidated financial report explaining the breakdown of investments and the organization/capacity necessary to manage the riskier portfolio (no prescribed format)
- b) A statement for "Exceptions" that confirms A b above (see Attachment 5)
- c) Review Report confirming the validity of Attachment 5 (see Attachment 6)
- d) A bank statement showing the amount of capital at the end of fiscal year

3-3 Investment in Assets Denominated in Currencies Other than Key International Currencies

- A. Sylff institutions are allowed to invest up to US\$300,000 (equal to 30% of the original capital) or equivalent amount in assets denominated in their local currencies.
- B. Investment in local currency assets should follow the Investment Guidelines.
- C. Investment in local currency assets is a special provision **applicable for five years** from July 1, 2011. The Tokyo Foundation will decide on whether or not to continue this measure by July 1, 2015.

V. REVISION OF AGREEMENT

When a Sylff steering committee wishes to revise Appendix 1 (Management of the Fund) or Appendix 2 (Scope and Objective of the Program,) it should consult with the Tokyo Foundation and submit a written proposal **before** taking any action. The matter will be discussed, and, upon agreement, a Memorandum of Understanding (MOU) will be signed to execute the revision.

If both the Foundation and the steering committee agree that the proposed changes do not require an MOU, the changes can be implemented by way of an exchange of written correspondence (letter, fax, or e-mail) between the chairperson of the Sylff steering committee and the director for leadership development of the Tokyo Foundation.

* * *

For further information and inquiries, please contact:

Leadership Development, The Tokyo Foundation
The Nippon Foundation Bldg. 3rd floor
1-2-2, Akasaka, Minato-ku, Tokyo 107-0052
Phone: +81-(0)3-6229-5503 / Fax: +81-(0)3-6229-5507
e-mail: leadership@tkfd.or.jp / Sylff website: www.sylff.org
The Tokyo Foundation website: www.tokyofoundation.org/en

Program Report

This report should be signed and submitted by a Sylff steering committee member within three months following the end of each academic year.

Name of Institution: _____

Academic Year: From (month) _____ (year) _____ through (month) _____ (year) _____

Program Information

1. Overall assessment of the immediate past academic year's Sylff program and activities (e.g., positive outcomes, difficulties, and areas of improvement)

2. Changes in the competitiveness and prestige of the Sylff fellowship, compared with other major fellowships/scholarships available at your institution

3. Events or activities carried out for the Sylff program at your institution (e.g., an award ceremony for new Sylff fellows, discussion meetings organized by the Sylff fellows)

4. Promotion of Sylff support programs to the fellows

5. Notable accomplishments by fellows (past and present) or fellows associations

6. List of the members of the Sylff steering committee. Note if there have been any changes.

7. URL related to the Sylff program at your institution

Program Planning

1. Plans for the next academic year, including income and expenditure plans, the number of planned fellowships, and the program calendar

2. Anticipated revisions to Appendix 1 (Management of the Fund), and/or Appendix 2 (Scope and Objective of the Program) of the Agreement or the MOU in near future

This report has been completed by:

(name)

(title)

Date

Signature

Sylff Fellows Information List

Please report on the newly selected fellows and continuing fellows, for the coming academic year.

Institution Name	Student's Name			Male or Female	Title	Student's Address	Post/Zip Code	Country	E-mail address	Fellowship period			Doctor or Master	Type of Fellowship	New/Continuing Fellowship	Amount of Fellowship (currency)	Field of Specialization	Research Topic
	Surname	Given name	Middle name							Starting month	Starting year	Ending month						
ABC University	Brown	Erika		Female	Ms.	123 W. 321 St., Apt. E, New York, NY	456	USA	E2322@ABC.edu	Sep	2010	Jun	2011	Doctor	Continuing	\$10,000	Economics	Assessment of the earnings and health outcomes of individuals affected by the Asian Financial
ABC University	Nakamura	James		Male	Mr.	546 E. 478 St., Apt. Galleria, New York, NY	123	USA	J825@ABC.edu	Jul	2010	Sep	2010	Master	New	\$3,000	Economics	Economic development in Latin America

Income-Expenditure Statement

(for the fiscal year ended [MONTH/DATE])

Currency: [] (note 1)

Income	2010	2009	2008
Income (a1)	30,256	10,154	40,100
Income from bank deposits	256	154	100
Income from bond investments (note 2)	30,000	10,000	40,000
(IF ANY) Subsidy from other entity (a2)	0	1,146	0
Total (A=a1+a2)	30,256	11,300	40,100

Expenditure	2010	2009	2008
Expenditure (b1)	19,300	19,300	19,100
Fellowships granted	19,000	19,000	18,800
Administrative expenses (note 3)	300	300	300
(IF ANY) Payback of subsidy (b2)	1,146	0	0
Total (B=b1+b2)	20,446	19,300	19,100

Add to or disburse from reserves (C=A-B)	9,810	-8,000	21,000
Reserve Ratio (C/a1) (note 4)	32%	NA	52%

Breakdown of Capital

(as of [MONTH/DATE])

(Example) Bonds denominated in currency [X] in the amount of X300,000 reached maturity in 2009 and were reinvested in bonds denominated in currency [Y] in the amount of Y3,000,000 at an exchange rate of 1X=10Y.

	2010	2009	2008
Denominated in currency [X]			
Cash (note 5)	2,000	2,000	10,000
Term deposits	14,810	10,000	10,000
Bonds at "book value" (note 6)	1,200,000	1,200,000	1,500,000
Total	1,216,810	1,212,000	1,520,000
(Original capital) (note7)	700,000	700,000	1,000,000
(Reserves)	516,810	512,000	520,000
Denominated in currency [Y]			
Cash (note 5)	50,000	0	0
Term deposits	0	0	0
Bonds at "book value" (note 6)	3,000,000	3,000,000	0
Total	3,050,000	3,000,000	0
(Original capital) (note7)	3,000,000	3,000,000	0
(Reserves)	50,000	0	0

Note:

1. The statement should be denominated in the currency used for actual expenditures. Income denominated in other currencies should be converted by the exchange rate at the end of fiscal year.
2. If an asset management company is engaged, such fees should be deducted from income.
3. Bank charges, excluding asset management fees, should be included.
4. 30% (or more) of income should be returned to reserves. (The portion may vary according to Sylff institution.) Please refer to IV 3-1 C, D.
5. Cash includes deposits in savings and/or current account
6. Book value, not market value, should be used.
7. If the original capital is divided into two or more currencies, the amount for each currency should be calculated using the exchange rate at the time of initial conversion.

Bond Portfolio

Purchase Date	Description	Maturity Date	Credit Rating	Rated by	Coupon (%)	Book Value	Unit Price	Quantity
2009/12/4	IBRD (World Bank)	2013/12/4	AAA	S&P	1.62%	US\$400,000	US\$100.00	4,000
2009/5/4	Citibank	2012/5/7	A	S&P	3.20%	US\$300,990	US\$100.33	3,000
2007/10/17	European Investment Bank	2017/4/15	Aaa	Moody's	4.38%	EUR104,450	EUR104.45	1,000
2007/7/17	KFW	2012/10/12	F1+	Fitch	4.63%	EUR311,520	EUR103.84	3,000

Description for Term Deposit

Date of Deposit	Name of Deposit Institution	Maturity Date	Credit Rating	Rated by	Interest Rate	Currency and Value
2008/5/1	ABC International Bank	2012/4/30	A	S&P	3.30%	US\$693,609
2010/5/1	Banco de International	2012/4/30	Aa2	Moody's	0.24%	US\$50,240
2007/12/12	Bank of Euro	2011/12/12	AAA	S&P	4.06%	EUR259,884
2011/2/11	Banka de local	2012/2/11	A	S&P	0.30%	JPY400,500

Statement for "Exceptions"

(for the year ended [month])

	2011	2010	2009	2008	2007	Five Year Total
Capital, beginning of year	3,443,999	3,240,217	3,212,274	3,744,561	3,391,820	
Earnings (A)	362,514	330,135	150,034	-420,807	437,150	859,026
Expenditures (B=C+D)	127,842	126,353	122,091	111,480	84,409	572,175
Fellowships (C)	121,450	120,035	115,987	105,906	80,189	543,567
Administrative expenses (D)	6,392	6,318	6,104	5,574	4,220	28,608
Capital, end of year	3,678,671	3,443,999	3,240,217	3,212,274	3,744,561	

B/A	67%
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(note)

Note:

Five-year cumulative expenditure should be less than 70% of five-year cumulative earnings. (The portion may vary according to Sylff institution.) Please refer to IV 3-2 A b.

Review Report

(Sample)

To the Chairperson of the Steering Committee
The Sasakawa Young Leaders Fellowship Fund (Sylff)
ABC University

We have reviewed the accompanying Statement of Financial Position of ABC University regarding the Ryoichi Sasakawa Young Leaders Fellowship Fund (the "Fund") as of December 31, 2010, and the related Statement of Activities for the financial year then ended. These financial statements are the responsibility of the Fund's managers. Our responsibility is to express an opinion on these financial statements based on our review.

We conducted our review in accordance with the Sylff Operation Manual dated XX 2011. Those procedures require that we plan and perform a review to obtain reasonable assurances that the financial statements are free of material misstatement. A review includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2010, and the results of its operations for the year then ended in accordance with Sylff Operation Manual dated XX 2011.

[Name and Signature of Reviewer]

(Name) John Smith, Financial Expert

Date

Signature



Sylff