

FINANCE COMMITTEE REPORT TO MAY BOARD MEETING

The Finance Committee met on May 8th 2025. Present were: Anthony Rowley, Treasurer; Rick Dyck, Finance Committee member; Robert Whiting, Finance Committee member; Wayne Hunter, General Manager; Yoshiyuki Hirado, Chief Accountant.

The committee spent much of the session discussing the contribution which it is due make by mid May to the Task Force on the FCCJ's medium to longer-term financial future.

There was a consensus among committee members that the financial deficits and reserve depletions which the club has been experiencing over the past decade or so, and under various administrations, are unsustainable and that the club could encounter a financial crisis before long unless firm remedial actions are taken soon.

This situation will be spelled out in greater detail in the report to the Task Force and thence to the Board. The committee felt that FCCJ members should be appraised of the situation as soon as possible, beginning with the General Membership Meeting of Regular members, which is scheduled for June 25.

On more routine matters, the Finance Committee noted mixed financial trends in the year to March 31, 2025 compared with the preceding year. Income from members' dues payments was stable at around 21.4 million yen while initiation fees declined by some 29% from the previous month to around 1 million yen. Room rental revenues on the other had increased by just over 1 million yen to 2.4 million yen while outsourcing commission also showed improvement over the period.

Club total revenues in the year to March 31 rose by 9.3 million yen or 2.6 % to 366 million yen although total expenditures increased by 11.8 million or 3.3 per cent to 402.3 million yen. The main contributing factor is the loss of the 10.4M yen rent deduction benefitted from in the previous year. Other factors are additional personnel costs to cover two staff on long term sick leave, salary increases for two senior staff (2.3M yen), the new GM contract (2M), an increase for interpreters due to an increase in club events (1M yen) and an electricity cost increase (1.9M yen). The gross financial deficit for the year consequently rose by 2.4 million yen or 7 % to 36.3 million yen.

Initiation fee revenue for the year was 20.5M yen, a 43% increase over the previous year's 14.3M yen. In view of this increase a high increase in dues revenue would also be expected, however the result of 253M yen was a 2% increase over the previous year's result of 248M yen due to the continuing resignations of an elderly membership. Room rental revenue also increased, by 11.5%, while outsourcing commission increased by 6%.

Cash flow was once again in deficit for the year to March 31 2025 at 7.13 million yen. This a significant improvement over the preceding year (to march 31, 2024) when the cash flow deficit was 22 million yen. Also, the size of the latest cash flow deficit was exaggerated by an increase in "accounts receivable" linked chiefly to the timing of payment (3M yen) in respect of a large banquet held at the club.

Nevertheless, that fact that the club is still recording cash flow and gross deficits when it should instead be achieving surpluses to cover future financial obligations is a cause for real concern and is a matter that the Board needs to address with a sense of urgency.

In summary, FY 2025 showed improvement over FY 2024, and in terms of revenue and expenses it was a good and well managed year. Nonetheless, the loss of cash was Y7 million. This Y7 million loss comes out of our meagre reserves which have been in decline for over a decade. If the goal of the task force (and the board) is sustainability, clearly this situation is not sustainable. Our business model loses cash, even in a relatively good year. At the current rate, the club could survive for as long as five years if we begin to "borrow" from members' deposits. But "sustainability" also means the ability to survive contingencies such as a pandemic, natural disaster or severe economic downturn. Barring an emergency, we have barely enough left in our reserves to take remedial action.

Respectfully submitted

Anthony Rowley
Treasurer