May 20, 2025

To:     Board of Governors and Board of Councilors,

Okinawa Institute of Science and Technology School Corporation

From:

_(signature)_
Hiroyuki Ikeda, Auditor

_(signature)_
Satoshi Kaneshima, Auditor

_(signature)_
George Clark, Auditor

## FY 2024 Audit Report

This document is to report the results of our periodic independent audit, regarding the business and financial operation during fiscal year 2024, at the Okinawa Institute of Science and Technology School Corporation. The audit was conducted in accordance with Section 1, Article 29 of the Okinawa Institute of Science and Technology School Corporation Bylaws.

1.  Methods of Audit

(1) For the operational audit, we attended the Board of Governors and Board of Councilors meetings and conducted interviews with the President and other executive members regarding the School Corporation's business execution. We also reviewed important kessai (decision-making) documents and examined the adequacy of the business, in cooperation with the Internal Audit Section.

(2) For the audit of financial status, we confirmed the accuracy of the statements with the accounting firm, Ernst & Young ShinNihon LLC.

(3) With regard to the disciplinary case of an employee dated December 25, 2024, we are cooperating with the third-party committee that has been established.

2.  Conclusion

(1) We did not find any significant violation of laws, regulations, or bylaws, nor any act of misconduct or fraud pertaining to the School Corporation's business administration and its assets. However, in the case of the disciplinary action against the employee in 1(3), an investigation by the third-party committee is ongoing. In this matter, we have confirmed that

the School Corporation is committed to addressing recurrence based on the report that the third-party committee will issue, and we will continue to monitor to ensure that measures such as the implementation of recurrence-prevention actions are taken after the report is submitted.

(2)  We verify that the business report accurately reflects the condition of the School Corporation's business operation.

(3)  We also verify that the financial statements align with the accounting records, and that the School Corporation's status of assets, gains, and losses are properly presented in compliance with the law and the Okinawa Institute of Science and Technology Accounting Standards. The Financial Closing Report was prepared in accordance with the budget classification and properly reflects the status of the closing. We have been advised by Ernst & Young ShinNihon LLC that they are expected to issue an unqualified opinion.

We hereby submit the FY2024 Audit Results and Auditors' Opinion as attached.

separate volume

# Audit Results and Auditors' Opinion for FY2024

May 2025

Auditors, Okinawa Institute of Science and

Technology Graduate University School Corporation

Audit Results and Auditors' Opinion for FY2024

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| Abbreviation Index | | |
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| Abbreviation | Official Division Name (English) | Official Division Name (Japanese) |
| BFM | Buildings and Facilities Management Division | 施設管理ディビジョン |
| CPR | Communication and Public Relations Division | 広報ディビジョン |
| DOR | Office of the Dean of Research | 研究担当ディーンオフィス |
| FAO | Office of Dean of Faculty Affairs | 教員担当学監オフィス |
| FM | Division for Financial Management | 財務ディビジョン |
| GC | General Counsel Office | 統括弁護士オフィス |
| GS | Office of the Dean of the Graduate School | 研究科長オフィス |
| HR | Human Resource Division | 人事ディビジョン |
| IT | IT Division | IT ディビジョン |
| CIO | Chief Information Officer | 最高情報責任者 |
| OI | OIST Innovation | OIST イノベーションオフィス |
| PRO | Office of the Provost | プロボストオフィス |
| SGO | Office of the Secretary General | 事務局長オフィス |
| CTO | Chief Transformation Officer | 最高変革責任者 |
| UCS | University Community Services | 大学コミュニティーサービス |
| UMT | Upper Management Team | 上級幹部 |

## I. Introduction

Audit is stipulated as one of the duties of Auditors in Article 52 of the Private School Act (Act No. 270 of 1949). By the provisions of Section 1, Article 29, and Section 1, Article 70, of the Okinawa Institute of Science and Technology School Corporation Bylaws, it is to contribute to the proper and efficient operation of the university's business and to form the Auditors' opinions regarding financial results. Furthermore, the revised Private School Act went into effect on April 1, 2025. However, under Article 4 of the Supplementary Provisions of the Act, the preparation of Audit reports for fiscal years that began prior to the enforcement date will continue to follow previous practices. The information in this report is, in principle, based on data as of March 31, 2025.

## II. Audit Plan for FY2024

Specific policies and procedures for the Auditors' Audit are outlined in the "09. Auditors' Audit" of "OIST's Policies, Rules and Procedures" (hereinafter referred to as "PRP").

Based on this, the plan for the Auditors' Audit for FY2024, including audit items and audit implementation dates, was established, and the President was notified on November 12, 2024, as the "Notice of Auditors' Audit for FY2024", and the Auditors' Audit was implemented based on the plan.

An outline of the audit is as follows.

1. Audit items

   Of the matters listed in PRP-9.4.1 (Scope of Audit), the Auditors shall audit, among others, the matters listed in (1) through (5) in the Business Plan ((1) Education and Research, (2) Governance and Administrative Transparency and Efficiency, (3) Finance – External fundings, (4) Contribution to Self-Sustainable Development of Okinawa, and (5) University Campus and Community Development; Safety and Environment Protection), and the matters listed in 3 of the Guidelines for Auditors' Audit, Okinawa

Institute of Science and Technology (approved by the Auditors in September 2017), and other matters that the Auditors deemed necessary to audit to achieve sound and stable management of the School Corporation. The classified items are as follows.

(i) Operational efficiency and organizational management

(ii) Finance (budget execution management, subsidy management, etc.)

(iii) Efforts to obtain external fundings

(iv) Creation of a good working environment (working hour management, anti-harassment measures, health and safety management)

(v) Training and improvement of staff management skills

(vi) Information security and personal information protection

(vii) Disaster prevention and Business Continuity Plan (BCP)

(viii) Contribution to the promotion of Okinawa

(ix) Outreach activities to junior high and high school students, and others in Okinawa and beyond

(x) Others

2. Audit methods

The audit was conducted using the written and on-site audit methods specified in PRP-9.4.2 (Types and Methods of Audits). For the on-site audit, as Auditors, we requested the submission of documents and received explanations from the people in charge of each division. Continuing from last year, the on-site audit was conducted with the participation of the international auditor. Additionally, to gather information, we attended various meetings, including all meetings of the Board of Governors (BOG) and the Board of Councilors (BOC), collaborated with the Internal Audit Section, and actively engaged in discussions with each division, as well as circulated important kessai (decision-making) documents. In addition, we attended the on-site inspection by the Board of Audit and the university accreditation evaluation, which OIST was subject to in FY2024.

As Auditors, we confirmed the financial statements and financial reports by consulting with the audit firm in a timely manner, and by receiving the necessary explanations from FM. As for the Accounting Audit by the audit firm, we exchanged opinions on the audit plan, on matters to be considered regarding the settlement of accounts for the current fiscal year, and on other matters. We ensured close collaboration with the audit firm by requesting explanations and reports on the audit status and matters related to the

performance of the audit firm's duties.

Concerning the disciplinary case against an OIST employee (announced on December 25, 2024), an independent third-party committee was established to investigate the causes, determine responsibility, and consider measures to prevent recurrence. We confirmed that the committee was established and operated independently based on the Japan Federation of Bar Associations' guidelines, and we cooperated in its investigation. (Details related to the third-party committee are provided in p.32 separately)

## III. Audit Results

### 1. Operational efficiency and organizational management

Based on the strategic plan, OIST is working to reform its operations and organization. In addition to reporting on the progress at BOG and BOC meetings, the President herself explains the importance of the strategic plan to faculty and staff in her monthly newsletter and at townhall meetings (where she answers questions from those in attendance), while continuing to conduct engagement surveys. Furthermore, in September 2024, a CTO with a wealth of experience in consulting was hired for a one-year term. Their duties include reducing the silo effect, reorganizing overlapping work, and playing a vital role in the renewal of the ERP system.

#### (1) Efforts to reform operations by CTO

The CTO engages in wide-ranging discussions with each division and understands the state of OIST's operations. They participate in meetings with related divisions regarding the ERP system and are actively involved in reviewing workflows. The CTO pointed out several issues at OIST, such as multiple divisions performing the same tasks (e.g., the overlap between faculty and administrative HR responsibilities), as well as a strong vertical structure and weak horizontal collaboration in communication. We heard similar explanations from many divisions during the Auditors' Audit.

As an essential means of implementing the strategic plan, a portfolio of strategic projects has been organized, incorporating the opinions of various groups within the university. Some of these involve organizational reforms, such as outreach

initiatives. The CTO is also working on implementing these measures in collaboration with the relevant divisions. To quote the CTO, they are "actively encouraging and motivating" the university community, and it seems that the current OIST culture requires this kind of driving force to drive reform. After the CTO departs in September 2025, the Results Delivery Office, which will be established in the Office of the President, will play a key role in ensuring that the strategic project achieves its goals.

【Auditors' Opinion】

The CTO is actively exchanging opinions within OIST and working to reduce the silo effect and overlapping work. Their awareness of issues is consistent with the concerns we have identified in each division. The CTO's activities, backed by extensive consulting experience, are seen as a valuable approach to reforming OIST's work and organizational management. Promoting strategic projects is a positive development, and the CTO's active involvement in the ERP renewal project—particularly in reviewing workflows—is also regarded as highly beneficial.

Given the vital role of the CTO, OIST must carefully consider the system in place after the CTO's departure in September. It is reassuring to know that the organizational restructuring is being designed collaboratively between the CTO and the relevant divisions, and that the appointment of personnel to operate the Results Delivery Office is progressing. However, considering the critical role the CTO currently plays in implementing the strategic plan and the need to "actively encourage and motivate" each division, it is essential to fully prepare and support the personnel who will take over after September, as well as the support system.

If we may add, we believe it is necessary to develop internal human resources who can act as CTOs when required or support external CTOs as executors in the future. Additionally, from the perspective of broadly developing and securing human resources, we expect progress in the "Succession Planning" initiative undertaken by HR and the manager rotation carried out by FM.

(2)     Renewal of the ERP system

Maintenance of the current ERP system is set to end in December 2027, making its renewal a critical issue. Therefore, we received an explanation from the CIO and other related divisions.

Concerning the budget for renewing the ERP, 500 million yen has been secured for FY2025. It was explained that while this amount is less than the initial request, it falls within the expected range, and it is deemed acceptable due to efforts to reduce introduction costs. It was also stated that the necessary funding for FY2026 and beyond would be secured in coordination with the Cabinet Office.

Meetings are ongoing with stakeholders from HR, FM, CTO, and other divisions closely involved with ERP to discuss requirement definitions, such as examining potential solutions and analyzing business processes. The workflow used for ERP will be organized in the future. However, the "Workflow Repository Platform (WoRF)" already contains over 300 HR and FM workflows, with plans to add workflows from other divisions. It was said that the workflows for ERP would be extracted from the WoRF platform.

To make the renewed ERP efficient and user-friendly, it is necessary to have sufficient communication with all divisions. During the Auditors' Audit, we heard numerous complaints from various divisions regarding the current ERP system, such as its lack of necessary functions, difficulty in use, and challenges in interfacing with other systems, as well as high expectations for the new ERP. In this context, the CIO explained that Phase Zero would be scheduled for March to May 2025, and an RFP would be created after consulting with each division. Regarding specific functions, the basic approach will be to align with the package, considering budgetary constraints, and customization will be limited, following so-called "Fit to Standard" approach. It was mentioned that this policy would be explained to each division, and business processes would need to be reviewed for tasks that could not be handled with ERP.

To proceed with the ERP renewal, the role of the Project Manager (PM), who has knowledge of OIST's operations and IT, and is responsible for defining requirements and negotiating with the vendor, is crucial. At present, however, this position has not yet been filled. In this regard, the CIO mentioned that they are looking externally for individuals with the necessary skills. If that proves difficult, they are considering assigning internal staff to the role, with support from the CIO

and VPHR. The core team supporting the project has not yet been formed, as it is planned to be established during the execution of Phase Zero.

【Auditors' Opinion】

The fact that the budget for the FY2025 has been secured for the ERP renewal , that the ERP is being considered by the relevant divisions, including the CTO, and that the organization of workflows, in particular, is progressing, is certainly welcome. In addition, given the budget constraints, we can fully understand the policy of minimizing customization. On the other hand, considering the dissatisfaction with the current ERP across divisions and the high expectations for the new ERP, as well as the fact that this policy requires changes to the business processes of each division, it is important to explain this carefully to the divisions. We request that this be kept in mind.

The lack of progress in recruiting a PM and forming the core team, which plays a central role in the construction of ERP, is a cause for concern. The PM needs to have technical expertise and a strong understanding of OIST operations, and we hope that the appropriate person will be hired. However, if the hired PM does not fully meet the requirements, adequate support will be necessary. Therefore, it is important to quickly form a core team with the right people.

(3)     Initiatives in each division

Each division is working to improve operational efficiency, organizational management, and interdivisional coordination, and is making efforts to utilize IT technology, including digital transformation (DX). Following last year, we confirmed the initiatives taken by each division. While there were no significant changes from last year, the following is a summary of the initiatives.

Each division fully recognizes the importance of improving operational efficiency and managing progress. Key efforts include meetings, communication through various means, and the use of IT technologies such as software and tools. As for IT technologies, automation tools and portal systems are also progressively utilized. On the other hand, it was also pointed out that introducing new tools and processes may temporarily burden staff. Review of internal organizations (FM, GS) and the

reorganization of tasks between internal organizations (HR) have also been carried out.

Concerning progress management, there were widespread calls for the need to share information, including through IT tools, so that managers can effectively monitor progress. As part of individual initiatives, some highlighted the importance of documenting operations (IT), standardizing responses, centralizing management data (BFM), delegating appropriate authority (FM), and reviewing workflows (GS).

Concerning the use of IT, many expressed opinions about the current ERP system, which is generally not highly rated. When it came to the system update, specific requests included a user-friendly system (BFM, CPR, DOR), a centralized kessai and approval system (BFM), an interface with other systems (OI), an easy-to-learn system (UCS), and a system that is based on workflow (FAO). In areas other than ERP, there were widespread calls for further promotion of digitization.

We comprehended that effective communication through meetings and other means was essential for organizational management in each division, and that temporary staff and outsourcing were being used based on the nature and content of the work. On the other hand, compared to last year, there were many comments about the difficulties of retaining and utilizing temporary staff (CPR, DOR, GS, HR, UCS), outsourcing, and its costs (DOR, OI, UCS).

Regarding interdivisional coordination, most divisions agreed that sufficient mutual understanding and communication with the relevant divisions are critical. In particular, opinions were raised about the need for collaboration not only among those in charge but also at the managerial level (HR, SGO), defining clear ownership (GS), establishing shared priorities (UCS), and sharing of information outside of OIST (PRO). There was also a suggestion that setting and notifying a clear definition and operational policies for what "One OIST" is, so that all staff can understand, would be required (UCS).

(4)     Systems and regulations that need to be reviewed

As for the systems and regulations that each division thinks need to be reviewed, many requested the organization and clarification of work assignments and reduction of the silo effects. Specific overlaps were also mentioned, such as multiple

divisions handling the same tasks (e.g., payroll) (HR, UCS). Many suggestions were made for university-wide issues, such as the need for standardization when adopting various tools (PRO), the development of a system to prioritize and implement university-wide projects (CPR, PRO), and the establishment of a university-wide contact point for harassment (GS). A systematic review, revision, and efficiency of the rules, including PRP, is necessary, and the reorganization of work assignments that span multiple divisions cannot proceed without the leadership of executives who manage multiple divisions (FM). There were also a wide range of opinions regarding various budget-related procedures.

【Auditors' Opinion】

Many divisions identified specific challenges, such as organization and clarification of work assignments and reduction of silo effects. These are important issues that should be discussed and addressed both within the relevant divisions and across the university. However, it should be noted that many of these issues were raised in the Auditors' Audit last year. This indicates that, even if each division is aware of specific problems, it has not been easy to discuss or resolve them. In other words, in addition to the issues themselves, the fact that each division's issues have not been fully considered is also a problem for OIST. Fortunately, both the opinions themselves, such as the reorganization and clarification of work assignments and the reduction of silo effects, as well as the communication issues that hinder smooth discussions, are key components of the strategic plan. In particular, the activities related to the CTO and ERP renewal, as described in sections (1) and (2) of this chapter, provide a valuable opportunity to directly address these challenges. Given the opinions from each division indicate that the problem-setting in the strategic plan and the direction that OIST is taking are on the right track, we expect OIST to actively engage in problem-solving initiatives.

2. Finance (Budget execution management, subsidy management, etc.)

(1)      Budget execution management and subsidy management

FM and each division were interviewed regarding the current status of, and future prospects for, FY2024 budget execution and management, as well as any difficulties encountered in the process. Moreover, in October 2024 and May 2025, we received explanations directly from the accounting firm, Ernst & Young ShinNihon LLC

(hereafter referred to as "EY"), and maintained communication with it during other periods as well.

The budget for FY2024 is 22.2 billion yen (initial budget: 19.6 billion yen, supplementary budget: 2.6 billion yen), and the amount returned to the government from the initial budget of the subsidy for operation is zero. There are no significant issues with execution, and financial indicators are currently sound. However, there is a challenge, particularly with personnel costs (PEREX), as the actual number of employees exceeds the planned number, and the impact of base pay increases implemented in recent years has also contributed to the issue.

The budget and operational costs are appropriately managed on a monthly basis, and the Budget Section staff monitors the execution status through the ERP system. They also check the execution status with each division as needed.

The Board of Audit pointed out that the connection between disaster-related insurance payouts and the corporation's subsidies was inappropriate. Based on this, the Cabinet Office issued a notification, and in response, measures were taken, including the establishment of a principle that insurance payouts should be allocated to expenses necessary for recovering damage caused by the insured event. Furthermore, a monthly cash flow report has been prepared and is currently being shared within FM. It is planned to be reported to the Upper Management Team (UMT) in the future.

Regarding budget execution management for facilities and equipment, we interviewed BFM and FM to confirm that information sharing and consensus building between them were conducted promptly and appropriately and confirmed no problems.

A common challenge raised by a wide range of divisions is that divisional budgets have become even more stringent. The FAO specifically pointed out the impact of rising prices and the weak yen. Additionally, there was feedback that restrictions on procurement exceeding 3 million yen since December have made things difficult (IT). As a measure, reviewing overlapping IT services (IT) was mentioned. On the other hand, there were also calls for the diversification of funding sources (BFM, PRO, UCS), it was also said that the bidding deadline at the end of December is

unavoidable for OIST, which relies on government funding for most of its operating expenses, and that it will be difficult to change this in the future (FM).

【Auditors' Opinion】

Based on the above, we found no problems in the management of budget execution and subsidies and confirmed that they were conducted in accordance with the procedures. We also confirmed the appropriateness of the financial statements. The final report from EY is scheduled to be submitted in June 2025. As of May 2025, we have been advised by EY that they are expected to issue an unqualified opinion.

(2)      Delay in personal reimbursement of travel expenses and honoraria

We received an update from FM about the current status of the delay in the individual settlement of travel and honorarium expenses, which was addressed in the FY2022 and FY2023 Auditors' Audits. We confirmed that FM has implemented measures such as informing users about regulations during travel expense consultation meetings for administrative staff in the units/divisions to which the travelers belong, improving the business trip application flow system, and fully staffing the Travel Expenses Team. As a result, we confirmed that, generally, travel expenses are being processed within the usual four-week period.

(3)      Status of efforts to ensure the appropriateness of bidding contracts

(i)  Procurement

OIST's procurement policy is based on competition. Vendors must be selected through a comparison of quotations process when the procurement amount is not less than 1.5 million yen and less than 3 million yen, and a competitive bidding process when the procurement amount is not less than 3 million yen (5 million yen for some units and sections). In cases where procurement in which a vendor is selected based on a review of proposals and other factors, regardless of the procurement amount, may be suitable, contract negotiations may be conducted after various open call procedures are completed.

(ii) Status of single bidding

In order to conduct competitive bidding properly, it is essential to ensure competitiveness, and efforts should be made to avoid single bidding.

Looking at the percentage of single bidding on general competitive bidding in recent years, the rate for construction (54.2% [FY2023], 31.3% [FY2022], 42.1% [FY2021]), and for goods and services (63.2% [FY2023], 58.3% [FY2022], 64.3% [FY2021]), the percentage for goods and services is shown to be higher.

In addition to confirming the status with FM, as in the previous year, we confirmed the status with the divisions that placed orders for two large-scale procurements of goods and services, for which single bidding occurred multiple times: "Laboratory Animal Care and Management Services (PRO)" and "Facilities Maintenance Services (BFM)." As a result, it was confirmed that FM has communicated that overly exclusive requirements should not be imposed; that the public notice period, which was previously 10 business days, is now extended to approximately 14 business days; that they actively reach out to companies that have not provided reference quotations; and that a survey was conducted for companies that declined to bid or did not participate. The survey was conducted for the first time this year; however, the response rate was not satisfactory.

The preparation of appropriate specifications and the setting of estimated prices are essential for fair procurement. At OIST, the divisions that place orders prepare the specifications, while FM calculates the estimated prices based on unit price lists and vendor quotations. By separating these two tasks in this manner, fairness is ensured.

Regarding the "Laboratory Animal Care and Management Services" (PRO), which was subject to the Auditors' Audit, it is planned that in the next procurement cycle, the animal care outsourcing contract will be divided into three different agreements: "Aquatic Animals," "Terrestrial Animals," and "Washing and Cleaning Services." Additionally, the possibility of a multi-year contract is being considered. PRO expects that implementing a muti-year contract could make the agreement more attractive to companies based in mainland Japan.

There have been new developments regarding "Facilities Maintenance Services" (BFM). Previously, this contract was procured through an overall evaluation method once every few years. During the intervening years, it was renewed annually through a negotiated contract, provided that there were no issues with the contractor's performance. In FY2025, the contract was originally scheduled to be procured through a negotiated contract. However, with the contractor's consent, BFM decided to conduct an overall evaluation method for a one-year contract (as of the time of the Auditors' Audit, the procurement process was still ongoing). As part of this process, BFM split the "Facilities Maintenance Services" contract by separately contracting four of the eleven previously bundled services, including green space management. This resulted in a reduction of the budget to approximately 90% of the previous amount. It was explained that the current contractor would also be allowed to participate in the bidding. We pointed out the possibility of further dividing contracts by building, and by separating security and cleaning services from the general contract. In response, BFM and FM explained that they had conducted interviews with vendors and determined that, given the current labor shortage, a comprehensive contract remains the most appropriate approach. BFM also stated that they plan to reassess the situation based on this procurement and, for that reason, have opted for a one-year procurement period this time. It was confirmed that the manager overseeing the preparation of specifications in BFM had held the position for an extended period before recently leaving the university. Regardless of whether this actually led to any issues, this situation raises concerns regarding the fairness of the procurement process. Additionally, it was confirmed that, as has been the practice, BFM submits quotations from the current vendor to FM, which then calculates the estimated price based on the Construction Maintenance Labor Unit Price (developed by the Ministry of Land, Infrastructure, Transport and Tourism) and the submitted quotations.

(iii)     Status of small purchase orders

We confirmed that regular monitoring is carried out through Internal Audits.

【Auditors' Opinion】

As OIST's budget becomes more constrained, the importance of increasing competition and improving procurement through measures to prevent single bidding has grown. Therefore, in the Auditors' Audit last year, we pointed out that FM and divisions that place orders need to be more proactive in examining bidding requirements, procurement units, procurement schedules, and quality (service level) to be ensured and in disseminating information about procurement projects, including obtaining feedback from suppliers.

In this year's Auditors' Audit, it was confirmed that the need to ensure competitiveness in bidding and to address single bidding was recognized and that efforts were being made in line with the objectives of the Audit Report. In particular, FM's implementation of surveys for companies that declined or ultimately did not participate in the bidding is commendable, and further efforts toward improvement are expected. Regarding the estimated price, it was confirmed that FM, rather than the divisions responsible for placing orders, calculates it based on unit price lists and quotations. However, given the importance of the estimated price, further improvements toward more appropriate calculations are anticipated.

We confirmed that a review of the procurement methods for both "Laboratory Animal Care and Management Services" (PRO) and "Facilities Maintenance Services" (BFM) is underway. In particular, regarding the latter, it was confirmed that the original plan has been changed, and for FY2025, certain services will be split and contracted, with procurement proceeding on a one-year basis.

However, regarding "Facilities Maintenance Services," we believe that there is room for further improvements, such as splitting the contract by building or by separating security and cleaning services. BFM plans to review the procurement methods for future cycles based on this procurement, and we will continue to monitor these efforts closely. In this year's Audit, it was confirmed that the same staff member had held the position of manager overseeing the preparation of specifications in BFM for an extended period of time, although the individual has already left the organization. Regardless of whether any issues actually arose, this is a very serious concern in terms of ensuring fairness in procurement, and we strongly request regular personnel rotation.

(4)     Budgeting

Regarding the budgeting process, as in the previous year, there were widespread opinions from each division. These included that there were insufficient opportunities for explanation and discussion of the details of requests after submission of budget requests, that the process by which budget amounts are determined is not easy to understand, and that the timing of the notification of budget amounts is too late. On the other hand, since the government budget proposal is presented to OIST in late December each year, there is a significant time constraint in that the internal budget process effectively begins after the start of the new year. In addition, since the requested amounts and items are communicated to executives at the BOG and other meetings during each stage of the budget process, it is important to share information within divisions (FM).

【Auditors' Opinion】

OIST's budget is characterized by the fact that most of its funding comes from government subsidies, and it is bound by the government's budget system. Budgeting is conducted under an institutional framework such as the Strategic Resource Allocation Committee (SRAC). However, given the numerous complaints that arise from each division every year, it is clear that there is a lack of communication regarding budgeting. Therefore, it is necessary to provide further explanations, including making it clear that some requests cannot be accommodated.

3. Efforts to obtain external fundings

For OIST to remain a world-class institution for education and research, securing external funding as a valuable source of income is essential. The FY2024 Business Plan sets a target of obtaining external funding of 2.4 billion yen (13.7% of the ordinary expenses in the subsidy budget), but as of the end of January 2025, it has already reached approximately 4.1 billion yen (23.3%). Based on this achievement, the FY2025 Business Plan sets the target for obtaining external funds at approximately 4.4 billion yen (23.8% of the ordinary expenses in the subsidy budget). The plan also includes applying for at least one external fund for facility development (including the use of PPP (Public Private Partnership)/PFI (Private Finance Initiative) projects along with other proactive measures.

We confirmed the current status and prospects for external funding acquisition. According to the DOR, in FY2024, the following grants were awarded: the Japan-UK

Engineering Biology grant under the JST Adopting Sustainable Partnerships for Innovative Research Ecosystem (ASPIRE) program, which supports the development of young researchers; the AMED Brain/MINDS 2.0 project; and the HFSP Research Grants program. Although these are not as large-scale as the Program for Forming Japan's Peak Research Universities (J-PEAKS) by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) (5.5 billion yen over five years) from the previous fiscal year, they are still quite significant achievements. In addition, the number of applications for and acceptance rates of KAKENHI, including those involving young researchers, have remained favorable. Going forward, the plan is to put more effort into securing overseas grants. To support this, a dedicated staff member joined the Grants Section in FY2024, and the Domestic Grants Section and the International Grants Section will officially be established under DOR in April 2025. This team will focus on gathering information on overseas grants, disseminating information within OIST about opportunities available for applications from Japan, and providing support for the application process. It was also mentioned that OIST has an advantage as its faculty members, including young researchers, are proficient in applying in English, and in applying in English, and the effort to secure overseas grants within Japan is not yet widespread.

Under PRP27.5.6 overheads from external funding are consolidated in the budget of the Office of the President, and then decisions on the allocation of funds are made. In this regard, the research divisions suggested that "these overheads should be distributed to FM (Division for Financial Management), and the Office of the Provost (which handles research funds) in a certain ratio (PRO)," and "the overheads should ideally be allocated directly or preferentially to applicants, not limited to faculty members (DOR)." On the other hand, FM stated that with the increasing PEREX, the overheads have become a valuable revenue source. DOR also stated that they would like to explore using overheads as an incentive in the future, to the extent possible.

The acquisition of donations is becoming another key strategy for securing external funding. Specifically, a revised MOU with the OIST Foundation has concluded, a gift catalog has been created, and a system is being developed, including the hiring of a Vice President in charge of this initiative. Regarding these personnel and material efforts, the CEO explained that she is confident that donations will be a promising source of funding in the future and that proactive efforts by OIST will lead to excellent results.

【Auditors' Opinion】

The importance of acquiring external funding has increased as a supplement to the subsidy for operation, which is the primary source of funding for OIST. Regarding the acquisition of external funding, it is highly commendable that OIST has surpassed the FY2024 Business Plan targets and raised the target amount for FY2025.

The efforts of young researchers are highly praised, as they have continued to make significant progress in securing grants and have achieved promising results. Regarding overseas grants, we look forward to positive outcomes from the initiative through more proactive information collection and dissemination within OIST.

There are differing views between the research divisions and FM regarding the allocation of external funding, especially concerning overheads. Both perspectives—considering incentives for acquiring external funding and recognizing the challenges of further financial allocation—have valid grounds. In addition, as pointed out in the Auditor's Audit last year, it is also necessary to address the relationship with the subsidy for operations. In any case, careful deliberations are required, including the relationship with the subsidy for operations, and we look forward to comprehensive discussions to ensure OIST's financial stability and sustainability.

Efforts to increase donations as a crucial funding source are being made under the leadership of the CEO, including the development of a system for hiring new staff. We expect OIST to carefully examine the effects of these human and financial investments and to work efficiently.

4. Creation of a good working environment (working hour management, anti-harassment measures, health and safety management)

Appropriate working hour management and a good working environment are essential at OIST. From this perspective, as well considering the results of the Auditors' Audit last year, we interviewed HR, FAO, and each division to confirm the status of working hour management, anti-harassment measures, health and safety management, etc.

(1)     Working hour management

It is the employer's responsibility to strictly manage working hours in accordance with labor laws and regulations while also ensuring the health and well-being of employees. At OIST, a system is in place for submitting and approving timesheets

via the ERP system. Additionally, a system of consultations with industrial physicians has been established for employees who exceed 45 hours of overtime, which exceeds the standards set by the Industrial Safety and Health Act (Act No. 57, 1972).

In this year's Auditors' Audit, following last year's approach, we confirmed the appropriateness of (1) working hour management and (2) recording of working hours for managerial supervisors and employees subject to the discretionary labor system for specialized work, as required by recent legal amendments.

First, HR explained the status of overtime work based on the data, and we confirmed that no particular problems were observed. The number and rate of consultations with industrial physicians were confirmed to be in line with previous years.

It was explained that managers and supervisors appropriately manage the working hours of subordinate staff. However, following last year, some divisions mentioned that management using ERP timesheets must rely on accurate reporting by employees, and that it is essential for managers and supervisors to proactively monitor the work status of their subordinate staff to ensure the appropriateness of the system. On the other hand, some stated that there were no particular issues, as they are able to monitor the work status of their subordinates using Outlook calendars and Microsoft Teams (PRO). Regarding the timely reporting of working hours through timesheets, HR explained that, overall, there are no significant issues. However, there was one case where a staff member failed to submit a timesheet for an extended period, and the supervisor overlooked the issue. As a result, corrective action is being taken, including the submission of a written apology from both the staff member and the supervisor.

During last year's Auditors' Audit, it was found that for managers and supervisors, as well as those subject to the discretionary work system for specialized work, most of the working hours were left at the default setting in the ERP system records. The possible causes are as follows: As recording of working hours for them is a recent requirement based on a revision of the Industrial Safety and Health Act, this group may be unaware of this new rule. In addition, they are generally not subject to overtime allowances. In any case, this situation should be of concern, and therefore, it was pointed out during the Auditors' Audit, and active discussions were held at the BOG meeting as well.

In light of this background, we requested that HR provide an explanation of the situation. HR noted that frequent reminders for accurate record-keeping are being made via TIDA, and that improvements are gradually being made, particularly among managers and supervisors. Additionally, HR mentioned that efforts will continue to be strengthened, and that in the upcoming ERP renewal, measures will be considered to prevent default records from being used. As auditors, we also confirmed that HR is engaging in discussions with each division, including utilizing the Health and Safety Committee, to address this issue. When we asked about the situation in each division, unlike last year, where most responses indicated no issues, about half of the divisions acknowledged the issue and are taking action. In particular, DOR and GS said the Deans themselves have been actively encouraging proper record-keeping. In addition, according to CPR, HR's postings on TIDA are effective. On the other hand, FAO pointed out that an institutional system review is necessary to address this issue.

【Auditors' Opinion】

Following last year's Auditors' Audit, HR and each division have been addressing this issue, and as explained by HR, progress is gradually being made. As Auditors, we would like to commend that, in response to HR's efforts, about half of the divisions have recognized the issue and are taking action, particularly those where the Deans are directly involved in addressing the matter. We also have expectations regarding consideration of a systematic solution in the upcoming ERP renewal.

In light of this, it is necessary for managers and supervisors to actively monitor the work status of their staff, rather than relying solely on their reports, when managing working hours. Therefore, it is essential for each division and HR to continue ensuring awareness and implementation of this approach. Furthermore, it would be appropriate for HR to take action, such as contacting the relevant sections in cases where daily working hours remain at the default setting in the ERP system or where reporting and approvals have not been made for an extended period.

In particular, addressing the recording of working hours for managers and supervisors, as well as those subject to the discretionary labor system for specialized work, is even more challenging. However, as an employer, OIST has a legal obligation to ensure the health and well-being of all employees, including these

individuals. Therefore, it is essential for HR, FAO, and other divisions to more actively raise awareness of the need for accurate records, even more so than for general staff. In doing so, we encourage the use of examples from other organizations. In addition, it is necessary to communicate that individuals exceeding the university's specified threshold of 45 hours of overtime per month are subject to consultation with the industrial physician.

(2)     Remote work

As the COVID-19 pandemic subsided, the need to reconsider remote work was highlighted in last year's Auditors' Audit. In July 2024, new remote working regulations came into effect, expanding the number of remote work days and allowing for greater flexibility in work locations. In light of this situation, we sought candid opinions from each division. Most responses highlighted the benefits of the new regulations, such as reduced commuting time, improved work-life balance, and more efficient task management. However, some concerns were raised regarding staff management. Regarding this matter, we checked with HR, and they reported receiving similar feedback. They explained that remote work is not a right, and it is necessary to make staff aware of the need for prior permission. HR also stated that they would review the policy as needed based on the implementation status.

【Auditors' Opinion】

The new remote work regulations are being smoothly implemented, and we have confirmed that HR is appropriately monitoring and responding to the situation. We continue to expect ongoing consideration and action based on the evolving situation.

(3)     Childcare and nursing care leave

We have confirmed that HR, FAO, and other divisions are making efforts, such as identifying eligible individuals, to ensure an environment where those in need can take childcare and nursing care leave. Aside from the opinion that creating a supportive atmosphere is important, it was highlighted that establishing a team support system to facilitate leave-taking (DOR, UCS, FM), as well as implementing flexible return-to-work programs and guidelines for managers (OI), are effective. Additionally, regarding the recently enhanced parental leave system, it was

confirmed that both male and female staff at OIST have a higher take-up rate compared to the national average.

(4)     Paid leave

Regarding paid leave, the take-up rate for FY2024 is 84 percent. In addition, we confirmed that efforts are being made in each division to ensure an environment that facilitates taking leave. These efforts are similar to those from the previous year and include general encouragement, sharing of schedules for summer vacation and others, and ensuring backup systems. On the other hand, there has been continued feedback regarding cases where managers work overtime to cover for their subordinates who are on leave.

(5)     Anti-harassment measures

At OIST, the Respectful Workplace Policy has been established, and external and internal reporting channels have been set up, along with the provision of mandatory online training for employees, which has generally seen high completion rates. In the divisions, there are proactive efforts to encourage participation in training courses through meetings and to raise awareness of the reporting channels. Additionally, responses include the setting of a Code of Conduct at events (DOR) and information gathering through monthly meetings with the OIST Researcher Community (ORC) and the Student Council (FAO).

Discussions regarding a code of conduct for faculty-student relationships, including those that do not result in harassment, are underway in relevant divisions such as GS, GC, HR, and FAO. At present, regarding academic relationships, discussions are being held between GS and FAO, while in the case of romantic relationships, actions have been taken in accordance with PRP1.3.2 was enacted on legal advice. However, regarding the latter, GS believes that more proactive measures are necessary.

With regard to PRP39, which stipulates the resolution of complaints and disputes, including harassment, a review is being carried out under the leadership of HR. A revised draft was presented and discussed at the Executive Team in February, and discussions also began with ORC and the Student Council, providing a valuable opportunity to consider harassment. According to HR, the revised PRP was initially

scheduled to be implemented on April 1st. However, in light of the many opinions expressed at the Executive Team, HR has decided to take more time and handle the matter carefully.

【Auditors' Opinion】

We have confirmed that the completion rate of the mandatory online training is high, and that some divisions are taking proactive measures. The ongoing review of PRP39 and broad discussions taking place within OIST are highly beneficial for considering responses to harassment, and as Auditors, we highly commend these efforts. Additionally, the careful deliberation of the code of conduct regarding faculty-student relationships by relevant divisions is a proactive approach, and as we intend to continue monitoring as Auditors.

(6)　　Safety and health committee

The Safety and Health Committee is established under the Industrial Safety and Health Act to prevent occupational accidents through the joint efforts of labor and management. We have confirmed that the committee meets monthly and that a summary of its proceedings is posted on the university website and communicated to employees by e-mail each month. We have also confirmed that the results of deliberations are effectively utilized by the relevant divisions, given the nature of the university, which handles hazardous materials and chemicals and must ensure the safety of students and employees.　Since December 2023, the monthly report from HR has included the number of workers with long working hours (45 hours or more hours of overtime per month) and the number of employees on mental health leave, and relevant information has been exchanged. According to SGO, the committee members have gained a deeper understanding of the laws regarding working hours. They have also recognized that researchers are not fully aware of their obligation to record their working hours.

【Auditors' Opinion】

The meetings of the Safety and Health Committee are being held in a timely and appropriate manner, and the results of the discussions are being effectively utilized. Additionally, monthly information exchanges are taking place regarding the relationship between working hours management and employee health

management, which serves as a means for OIST to recognize the importance of these matters. This is highly commendable, and we expect that, through the ongoing activities of the committee, employee health management will continue to be ensured.

5. Training and improvement of staff management skills

Improving staff abilities, including management skills, is essential and is positioned as a key item in the strategic plan to manage an increasing number of tasks with a limited number of employees.

OIST makes use of online training (eFront). In addition to training for new employees, important courses such as information security, harassment prevention, and personal information protection are mandatory for all employees. Individual specialized courses, practical training on how to use the ERP system, and courses for managers (management support tools) are also provided in this format. Face-to-face training is also provided. In addition to HR-related training, C-Hub (Center for Professional Development and Inclusive Excellence) holds workshops, various training courses, and study sessions for staff as well. In addition to the examples listed here, each division also offers its own internal and external training programs.

In light of this situation, we interviewed each division to confirm the university's training status.

For the mandatory training, a 100% completion rate is required. Therefore, each division reminds its employees to complete the training. HR regularly compiles completion rates by division during the training period and informs each division of the rates so that they can encourage employees to participate. As the course completion rate for this year was slightly lower than last year, we checked with HR. They explained that this was due to a period when the staff member in charge was absent, and HR was unable to contact each division as much as they would have liked. They said that they would address this issue towards the end of the fiscal year.

To apply the training results to their work, in each division, employees widely report and share the training results through meetings, debriefing sessions, and through other methods. There were also comments emphasizing the importance of providing guidance related to work (DOR, OI) and the effectiveness of assigning both experienced and

inexperienced staff to work together (OI, PRO). The training provided within OIST, including C-Hub, was also highly evaluated, and external training was also actively utilized. On the other hand, there were also voices calling for budgetary measures to encourage active participation in training programs necessary for individual sections (DOR).

During the FY2023 Auditor's Audit, it was confirmed that many divisions requested a strengthening of training, particularly face-to-face sessions and those related to management skills, and that HR also planned to enhance this. In light of this, HR held face-to-face training sessions for management-level staffs in June and December. In order to make it a practical learning opportunity, the content incorporated group work and role-playing. According to HR, the participants gave it high marks, saying that it was effective and that they gained new insights through knowledge sharing. In fact, the responses from each division in the Auditors' Audit were highly positive, and we confirmed strong calls for the training to be continued, for its scope to be expanded, and for it to be provided online. HR is also considering holding "interview training" and publishing a "Manager's Handbook."

【Auditors' Opinion】

For mandatory training that staff are required to complete, the combined efforts of each division's response and HR's reminders to divisions with low completion rates have ensured completion and contributed to its success. During this year's Auditors' Audit, there was a trend of lower completion rates compared to the previous year. This is believed to be due to HR's reminders being less frequent than usual because of staffing issues. Conversely, this highlights the effectiveness of HR's reminders. In addition, it was confirmed that individual divisions were making various efforts to share training results, apply them to their work, and make use of external training. Such efforts made by the divisions are also significant. Regarding the face-to-face training for management conducted by HR, both HR's self-assessment and the assessments from each division were highly positive. Since it aligns with the objectives of the strategic plan, we expect further improvement.

6. Information Security and Personal Information Protection

    (1)     Ensuring Information Security

Ensuring information security is of paramount importance when utilizing IT technologies, as any inadequacy in this area could lead to critical consequences for the university. From this standpoint, we reviewed the status of information security with the Chief Information Officer (CIO) and each division.

Information security initiatives are primarily led by the CIO and the Chief Information Security Officer (CISO), who operates under the CIO. In FY2024, the IT Division and the CIO Office were restructured: the Vice President for IT position was eliminated, network services were transferred to Core Facilities, and the internal organization was reviewed. The reasons for the reorganization included high staff turnover and vacancies, reliance on individual capabilities rather than team-based structures, dependence on vendors without nondisclosure agreements, and poor management of business documentation. As these issues directly affect information security, we reviewed whether concrete measures were being implemented. The CIO acknowledged that reorganizing the IT Division and the CIO Office would not resolve all issues. In addition, the division is transitioning from individual-based to team-based responsibilities, thus reducing dependence on specific individuals' skills. Regarding vendor management, the division now documents all vendors' work, requires vendors to sign nondisclosure agreements, and has introduced a new Acceptable Use Policy (AUP). Furthermore, despite significant staffing challenges—including the interim CIO concurrently serving as Vice President for Financial Management—management continues to work closely with HR.

In order to strengthen IT security, a comprehensive security audit is scheduled for FY2025, and as a preliminary step, a basic audit was conducted in FY2024. The audit results released in January 2025 identified several issues, including weaknesses in the management system, existing vulnerabilities, and inappropriate use of security functions. The CIO regards these as serious problems and is committed to addressing them as soon as possible. Furthermore, it was explained that a comprehensive security audit would be conducted in FY2025 as scheduled, a roadmap for enhancing security based on the audit results would be developed, and that information security would be steadily strengthened in accordance with this roadmap.

According to the responses from each division, there were no information security incidents or near-misses in FY2024. However, OIST was subjected to two cyberattacks in the fall of 2024. According to the CIO, the seriousness of the

situation is recognized, and an investigation into the attackers and causes is underway. Additionally, information security agencies are conducting a cleanup of the information systems and monitoring them to prevent further attacks.

To ensure information security, information security training is provided as part of the mandatory training programs, and the completion rate is high due to the efforts of each division and HR. In addition, email phishing simulation exercises are also being conducted. In each division, measures are being taken to ensure proper lock management (UCS, HR, FM), share information on information security, including examples from other organizations' incidents (DOR, PRO, UCS), and ensure access authorization management (CPR, OI, UCS).

Regarding the individual concerns raised in last year's Auditors' Audit, as mentioned above, we have refrained from mentioning them this year, as information security is currently being reviewed comprehensively.

【Auditors' Opinion】

It is commendable that information security training is provided as part of the mandatory training programs, with a high completion rate, email phishing simulation exercises are also being conducted, and the IT organization has been restructured to improve efficiency. Furthermore, the proactive approach to the EY Cyber Risk Assessment review and the commitment to utilizing its results to enhance information security also deserve recognition. However, we are deeply concerned about the state of information security at OIST, as many issues were identified in the preliminary basic security audit, and multiple cyberattacks occurred, which have since been addressed by partnering with external contractors. Additionally, challenges such as securing human resources will persist even after the reorganization. Given that information security incidents could undermine the foundations of OIST, we strongly urge that addressing this issue be made a top priority for the entire organization, including in terms of budget and personnel.

(2)      Personal Information Protection

Regarding the protection of personal information, training on personal data protection is provided as part of the mandatory training courses, with a generally high completing rate.  For incidents involving personal data breaches, a new cyber

incident response plan will be implemented, including notification to the Rules and Compliance Section, to improve responsiveness and efficiency.

The Auditors' Audit last year revealed that there had been zero incidents of personal data breaches since OIST's establishment. Considering that this includes incidents such as email misdelivery due to the misuse of CC, it is difficult to dismiss the possibility that faculty and staff may be unaware of the definition of personal data breaches, and that such incidents have not been reported. For this reason, we requested that the Rules and Compliance Section (SGO) take action. In June 2024, the SGO conducted a survey to assess staff understanding of personal data protection, and it was found that several incidents leading to personal data breaches had occurred. Furthermore, the SGO took measures such as issuing warnings on TIDA and reviewing the content of personal data protection training (eFront), which will be revised in FY2025. When each division reported the number of incidents in FY2024 to the Auditors, their explanation differed from last year's, when all divisions reported zero incidents. The divisions that experienced incidents took the necessary measures, such as contacting the SGO. Both these divisions and those that had near-miss incidents used the cases as valuable training materials after reviewing the details to help prevent future incidents.

Other efforts by each division include attending training courses organized by external organizations (FAO), using cloud services, performing a double-check before sending materials containing personal information and verifying names when handing them over (HR), implementing access restrictions (GS, OI), promptly deleting personal information after use (CPR, UCS), and sharing information about incidents at other organizations (PRO).

【Auditors' Opinion】

In response to the Auditors' findings from last year, the SGO conducted a survey, issued warnings on TIDA, and reviewed training materials. It was confirmed that each division has taken appropriate actions during incidents, as well as effectively utilizing near-miss cases. Advancing specific improvements based on accurate data is a commendable approach for OIST, which contributes to the development of science and technology, and we expect this progress to continue.

7. Disaster Prevention and Business Continuity Plan (BCP)

Recently, the importance of disaster prevention efforts has increased. At the same time, the role of the BCP has become even more critical, as it defines how and to what extent operations should continue while ensuring the safety of employees and other personnel. It also defines how to obtain the necessary human and material resources in the event of a disaster or other emergencies. During last year's Audit, we focused on OIST's BCP and other disaster prevention systems from this perspective and identified. This year, in order to follow up, we interviewed SGO, BFM, and each division to confirm the status.

At OIST, the Fire Prevention and Control Plan stipulates necessary items related to fire and disaster prevention management, including the implementation of drills, inspection and maintenance of firefighting equipment, organization of a fire defense organization for self-protection, and emergency supplies. In addition, in May 2018, the OIST BCP document "Business Continuity Management and Safety Management System," which stipulates comprehensive responses for each of the seven disaster categories, was established. During last year's Audit, however, we confirmed that the BCP was last updated in January 2019. We also found that the emergency response personnel list, which shows the personnel in charge and those acting on their behalf in the event of a disaster, had not been sufficiently updated. Additionally, while some of the drills were confirmed during regular fire drills, a significant portion specified in the BCP had not been implemented. Following the Audit results, SGO revised the emergency response personnel list and recruited a risk manager to revise the BCP. The risk manager is expected to start on April 1, 2025, and SGO hopes that revising the BCP will be the risk manager's top priority, with completion expected within a year. However, although issues such as how to respond to tsunamis occurring far from the epicenter are being considered for the BCP revision, the actual revision work has not yet started.

BFM said that after the risk manager was appointed, they would like to ensure consistency with the Fire Prevention and Control Plan and review stockpiled food, among other things, together. Furthermore, it was explained that, although a Memorandum of Understanding with Onna Village regarding disasters (designating OIST as an emergency evacuation site) had been concluded, there had been no collaboration at the working level, nor were any concrete measures in place. It was also explained that, for this reason, they would use meetings and other opportunities to strengthen the cooperation with Onna Village and foster the development of an effective cooperative relationship, including evacuation drills for residents.

Although some divisions explained that they updated the emergency contact lists, it is not sufficient. It is necessary for each division to organize and respond to this based on the university-wide policy.

According to BFM, regarding the general disaster prevention system stipulated in the Fire Prevention and Control Plan, there are concerns with the same staff members being appointed as district captains and deputy district captains of the fire defense organization for self-protection for many years. Moreover, most of those members are general staff, rather than managers and executives. This issue should be addressed. However, the fire and disaster prevention manager, who plays a central role in the creation and implementation of the Fire Prevention and Control Plan and is in a position to oversee and manage the fire defense organization for self-protection, has only recently taken up the post and has other duties as well, so it seems that he is unable to respond fully.

【Auditors' Opinion】

Although revisions to the emergency contact list have been made and a risk manager has been appointed, with consideration now underway of the areas to address in revising the BCP, six years have passed since the BCP was last revised. Given the urgency of disaster countermeasures, we strongly urge OIST to take prompt action, including revising the BCP wherever possible and communicating it to the entire university. In doing so, as mentioned in last year's Audit, it is essential to incorporate the latest disaster prevention knowledge by referring to the plans of the government and other organizations, and to carefully examine damage assumptions, necessary and available resources, and operations to be performed. Ensuring consistency with the Fire Prevention and Control Plan is also essential. Furthermore, the annual BCP comprehensive training stipulated in the current BCP should be implemented without fail, leading to the subsequent revision of the BCP. Concerning the Memorandum of Understanding with Onna Village regarding disasters, ensuring concrete cooperation is an urgent matter, and it is essential to actively move forward with this.

It was confirmed that even though there were concerns with the fire defense organization for self-protection system and action was needed, the fire and disaster prevention manager could not take immediate action due to having just taken office and being too busy. The fire defense organization for self-protection is the cornerstone of the disaster prevention system, and the fire and disaster prevention manager plays a central role in creating and implementing the Fire Prevention and Control Plan. Therefore, this

situation needs to be resolved as soon as possible. Accordingly, it is necessary to take immediate action, such as reviewing the division of duties and ensuring a support system.

8.    Contribution to the promotion of Okinawa

Article 1 of the Okinawa Institute of Science and Technology Graduate University School Corporation Act (Act No. 76 of 2009) stipulates that "the purpose of this Act is to contribute to the promotion and autonomous development of Okinawa and to the development of science and technology worldwide." Thus, we reviewed the university's contributions to the promotion of Okinawa during FY2024.

According to PRO, OIST has been trying to address local challenges, such as declining sea grape production, following inquiries from local fishermen. OIST is also fostering innovation through joint research projects with partners, such as the University of the Ryukyus. Educational programs, such as the OIST-KEIO International Research Summer Camps, help enhance Okinawa's reputation as a hub for innovation and learning. Future challenges include strengthening industry-academia-government collaboration, tackling climate resilience, and aligning human resource development with regional needs. Efforts are underway, particularly regarding the Core Facilities, to strengthen ties with the University of the Ryukyus and OoPNet (Okinawa Open Facility Network) in Okinawa to enable external access. Okinawa-specific rates for external users are being revisited, and a monthly fee system and discount mechanisms are being considered to ensure profitability.

According to OI, in FY2024, there were 26 OIST-related startups in Okinawa, employing 59 people. Okinawa-related projects, such as the coral eDNA project, are also being carried out.

【Auditors' Opinion】

It was confirmed that OIST is continuously working to promote Okinawa as its key priority. We look forward to future efforts, including the development of a fee structure for external users of OIST Core Facilities in Okinawa.

9.    Outreach activities to junior high and high school students and others in Okinawa and beyond

As a graduate university located in Okinawa, it is essential to conduct outreach activities for young people, especially junior high and high school students, both within and outside of Okinawa. GS and CPR are engaged in these efforts. GS targets junior high and high school students interested in science as part of student recruitment activities, while CPR targets a wider audience. Below is a summary of the confirmed activities.

In FY 2024, GS carried out the OIST STEM Experience, Exploration, and Discovery (SEED) program, which was offered 20 times to 25 Super Science High Schools (SSH) (1,614 students). The program has been well-received, with over 80% of the students who responded to the survey indicating they would recommend it to other students, and over 90% of the teachers saying they would recommend it to other SSHs.

As part of initiatives for high school students in the prefecture, the SHIMA workshop, which educates students about the sustainability of island ecosystems and cultures in collaboration with islands in Japan and around the world, was held in August, and the HiSci Lab, aimed at female high school students, was held in January. Both of them were also well received.

CPR works year-round to promote science to the local community through community partnerships. The number of visitors to OIST during the first three quarters of FY2024 was 27,673, including 4,203 students from 74 schools. This figure is a significant increase from the previous year, clearly indicating the expansion of outreach activities.

Examples of individual programs include:
(1) Onna x OIST Children's School of Science: 142 participants
(2) The "Marine Day Kids Lecture," a special program on Marine Day: 450 participants
(3) The "Children's Kasumigaseki Tour Day," booth exhibition: 160 participants
(4) The Unna Festival booth exhibition: 150 participants
(5) The Science Tech Festival on Ishigaki Island: 100 participants
(6) SCORE! (Presentation contest for high school students in Okinawa prefecture)

In the fourth quarter, the OIST Science Festival (approx. 1650 visitors) was held. Ongoing events include a science talk on the theme of ADHD at the OIST Auditorium, a study tour to the US for the winners of SCORE!, exchange events with Onna Village, and an exhibition at the "Science Tech Festival" human resources development project with Okinawa Prefecture.

【Auditors' Opinion】

These outreach activities are important and align with the purpose for which OIST was established. In FY2024, OIST achieved results such as an increase in the number of participants and high ratings in participant surveys, and it is believed that the results achieved are in line with the strategic plan.

10. Others

(1)     OIST Risk Dashboard May 2025

The OIST Risk Matrix was explained by SGO and confirmed as follows: The 11th OIST Risk Management Committee meeting was held in November 2024 to review the situation in the first half of FY2024. During the meeting, the Committee added three new risks: (1) the potential of losing talented researchers and faculty due to a lack of high-level education for their children, (2) water pollution, and (3) the approaching end of mainstream maintenance for the current OIST ERP system. The Committee plans to evaluate the situation in the second half of the year at the 12th Committee meeting, scheduled for around April 2025, in the same manner. We also confirmed that the same committee discussed the risk register entries submitted by each division for each item.

【Auditors' Opinion】

The Risk Management Committee has been meeting every six months to review the risk registers and to revise the Risk Matrix accordingly. We commend the Committee for the timely and appropriate revision of these materials, which are essential for discussions about OIST risks at BOC/BOG meetings and other forums. We expect this practice to continue.

The Risk Dashboard, as of May 2025 and based on the results of the Auditors' Audit, is shown in the Appendix.

(2)     Legal

We confirmed that all legal cases in FY2024, including lawsuits, were adequately managed and handled by GC.

GC commented that the new conflict of interest policy regarding family relations, which came into effect in October 2024, is a positive development for OIST, given its tendency to hire the families of faculty and staff.

Regarding the employee disciplinary action case dated December 25, 2024, we confirmed that the GC had taken steps to ensure that the establishment and operation of a third-party committee, including the selection of committee members, was carried out independently in accordance with the guidelines of the Japan Federation of Bar Associations.

【Auditors' Opinion】

In the case of disciplinary action against the employee, the investigation by the third-party committee is ongoing. We confirmed that OIST is committed to preventing a recurrence based on the report that the third-party committee will issue, and we will continue to monitor to ensure that recurrence-prevention measures will be implemented after the report is submitted.

(3)     Research Productivity Report

We interviewed PRO, FAO, and DOR regarding the Research Productivity Report. There was a discussion between PRO, the three Deans, and the Office of the President. As a result, it was decided to introduce Interfolio (database software) at FAO so that items related to research productivity can be recorded on an annual basis. There was also a supplementary comment that establishing an Institutional Research (IR) Office is necessary because OIST previously had an IR Officer (FAO).

【Auditors' Opinion】

We commend that a policy to address research productivity has been established through discussions among the relevant parties.

(4)     High-level education for the children of faculty and staff

At OIST, a system is in place to support the education of faculty and staff members' children. Meanwhile, there are also strong calls for further support, such as the discussion at the BOG about establishing an international school. We interviewed SGO and UCS about the situation. As a result, we confirmed that the survey content is being discussed, centered around UCS, with the survey expenses allocated in the FY2025 budget. We also confirmed that UCS was fully aware of the issues regarding international schools, which had been requested many times, and they were considering them based on the results of previous studies.

【Auditors' Opinion】

We appreciate that the issue, which is of great interest to the OIST community, is being investigated and considered carefully based on past circumstances.

(5)      University accreditation

In FY2024, OIST was subject to university accreditation evaluation, and the results were "suitable". OIST will respond to the advice provided by the evaluation organization (Japan Institution for Higher Education Evaluation).


IV.  Conclusion

For OIST, whose purpose is to promote internationally distinguished research and education on science and technology based in Okinawa, and thus contribute to (1) the promotion and the autonomous development of Okinawa, and to (2) the development of science and technology worldwide, FY2024 marked a significant year. It saw the full-scale implementation of the OIST Strategy 2024–2029 and the commencement of projects related to "J-PEAKS" (Program for Forming Japan's Peak Research Universities).

During the Auditors' Audit, we cooperated, and engaged in active discussions, with those involved in the Internal Audits and Accounting Auditors' Audits. Above all, we carefully exchanged opinions and held discussions with each division. This year, our focus was on evaluating how the initiatives based on the strategic plan are being implemented in practice, and whether they are helping to address issues and achieve goals at OIST. By listening to the status of work implementation and the challenges within each division, we realized that a

significant portion of the issues stemmed from a lack of communication between divisions and the strong vertical structure (silo). This shows the relevance of the strategic plan, which includes promoting "One OIST" and strengthening horizontal communication as key objectives.

Humans are imperfect and make mistakes; we tend to accept the status quo without thinking about it. For OIST, which strives to conduct world-class education and research in the field of science, it is essential to consciously seize every opportunity to review and improve its operations through the strategic plan. As Auditors, we hope that the Auditors' Audit has provided an opportunity for such reflection and improvement.

The Japanese version of the Auditors' Audit Report is the original. If there is any discrepancy between the Japanese and English versions, the Japanese version shall prevail.

In preparing the English version, Akiko Ringdahl, Jun Tau, Rhett Register, and Elizabeth Speyer from CPR provided substantial assistance. In addition, Akiko Ringdahl and Mari Takenouchi provided interpretation during interviews and other occasions during the audit, which enabled us to communicate adequately. We would like to mention them and express our deepest gratitude.

Appendix

## OIST Risk Dashboard May 2025

| Risk Area | Link to OIST Risk Registry | Status | Trend |
|---|---|---|---|
| Operational Efficiency and Organizational Management | Operations / Strategic | 🟢 | → |
| Business Continuity | Operations / Strategic | 🟡 | → |
| Finance (Budget Execution Management, Grant Management) | Financial Management | ( 🟢 | → ) |
| Finance (Bidding Contracts, Travel Expenses and Honorariums) | Financial Management | 🟡 | → |
| External Funding | Financial Management | 🟢 | → |
| Human Resource Management | Operations | 🟢 | → |
| Legal | Reputation / Financial Management | 🟢 | → |
| IT/Cyber Security (Protection of Personal Information) | Operations / Strategic | 🟡🔴 | ↗ |
| Others | Operations | 🟢 | → |

🟢 Minimal and/or managed risk

🟡 Moderate risk and/or gaps in risk management objectives

🔴 High risk

→ Risk exposure & mitigation are stable

↗ Risk worsening and/or mitigation lagging

↘ Improving trend (i.e., risk is declining)