

**Okinawa Institute of Science and Technology Promotion Corporation**

**Business Report**

Supplementary information attached to financial statements

**Year ended March 2010**

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## Business Report

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# **Business Report**

## Overview of Okinawa Institute of Science and Technology Promotion Corporation

### 1. Message to the Public

Okinawa Institute of Science and Technology Promotion Corporation is the organization established for the opening of the "Best in the World" graduate university in the field of Science and Technology, and our mission is to contribute to the independent economic development of Okinawa through collaboration with the industry and working with the community.

We had quite an accomplishment both in preparation for the establishment of graduate university and research activity in FY2009. A major event in FY2009 was the enactment of the OIST School Corporation Act on July 10, which came following unanimous passage of the OIST School Corporation Bill by the Japanese House of Representatives and the House of Councilors. From the perspective of respecting the autonomy and the management flexibility of the school, the Act stipulates the establishment of the Graduate University as an independent special school corporation. The Act enables the OIST Graduate University to apply for accreditation by the Ministry of Education, Culture, Sports, Science and Technology to open in fiscal year 2012.

Another major activity was the relocation of the majority of research units from Uruma City to the new campus in Onna Village, following the completion of construction of Laboratory 1 and the Center Building.

The design of the buildings in the new campus is striking and blends well with the beautiful natural environment of the campus. The interiors have been designed to encourage multidisciplinary research and interactions among the scientists. On March 28, we held the New Research Laboratory Opening to commemorate the start of the use of these buildings.

An issue OIST is facing is how to establish secure infrastructure for living environment and education for foreign researchers and their families who come from around the world. This is an important project for the establishment of the OIST Community.

We will enthusiastically continue our efforts toward the opening of the "Best in the World" Graduate University and contribute to the community, thereby hope to play an important role in developing the future of Okinawa. We respectfully ask for your continued support.

## 2. Fundamental Information

### (1) Corporation overview

#### ① Objectives of the corporation

The objectives of the Independent Administrative Institution, Okinawa Institute of Science and Technology Promotion Corporation are to promote outstanding research and development in science and technology at a global level from Okinawa Prefecture in preparation for the opening of a graduate university. Thus the Corporation will develop the research and development infrastructure for science and technology, promote the self-sustaining development of the economy and society of Okinawa, and contribute to global progress in science and technology.

(Independent Administrative Institution Okinawa Institute of Science and Technology Promotion Corporation Act, Article 3)

#### ② Scope of Business

The Corporation shall conduct the following businesses to attain the objectives stated in Article 3 of the Independent Administrative Institution, Okinawa Institute of Science and Technology Promotion Corporation Act.

- (1) Conduct outstanding science and technology research and development on a global level;
- (2) Disseminate results through the business stated in (1) above and promote their use;
- (3) Convene research forums and/or workshops in science and technology and sponsor other affairs to promote communication among researchers;
- (4) Share the facilities and equipment of the Corporation with those who conduct science and technology research and development;
- (5) Train researchers in outstanding science and technology methods to enhance the level of expertise;
- (6) Prepare for the establishment of the Graduate University; and
- (7) Affairs incidental to the conduct of business stated in each of the preceding subparagraphs.

(Independent Administrative Institution, Okinawa Institute of Science and Technology Promotion Corporation Act, Article 16)

#### ③ History

Okinawa Institute of Science and Technology Promotion Corporation was established on September 1, 2005, as a newly organized Independent Administrative Institution.

#### ④ Based Act for establishment

Independent Administrative Institution, Okinawa Institute of Science and Technology Promotion Corporation Act (Act No. 26 of Apr. 1, 2005)

⑤ Competent minister  
Prime minister

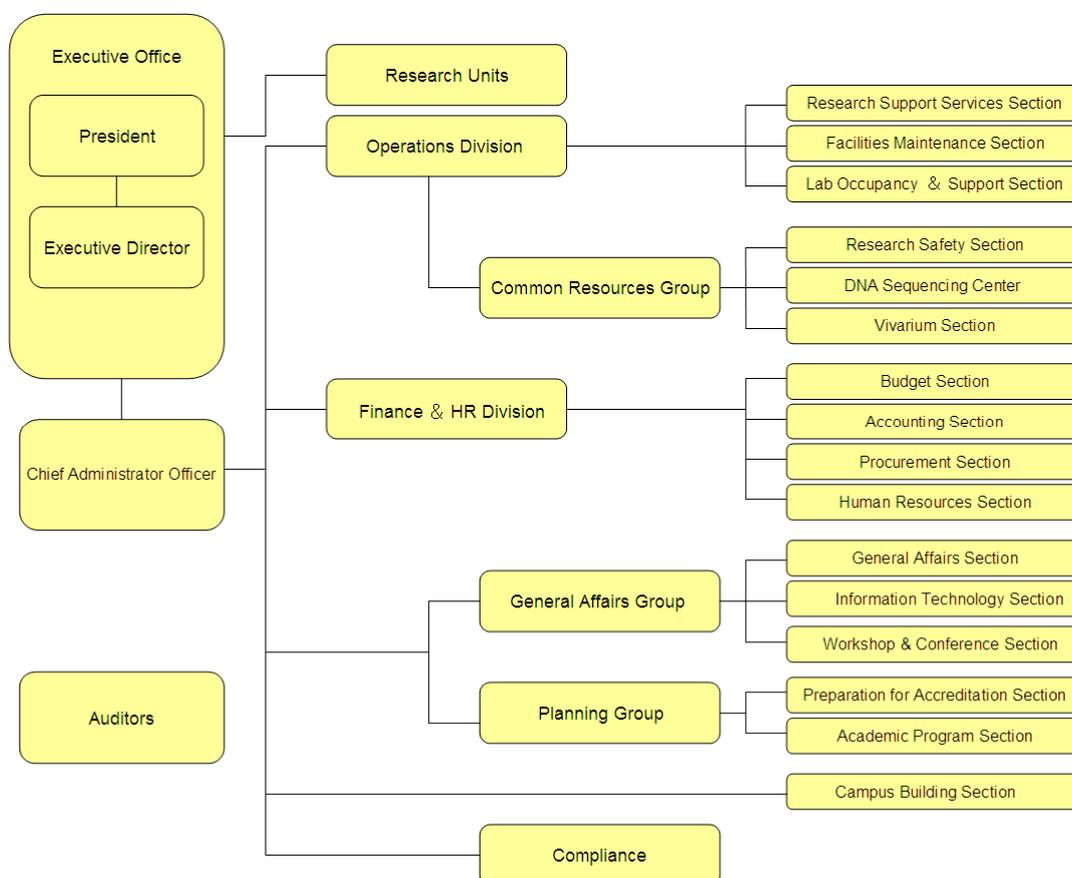
(Okinawa Development and Promotion Bureau, New Graduate University Project Office)

Minister of Education, Culture, Sports, Science and Technology  
(Higher Education Bureau, University Promotion Division,  
-Preparation for establishment of graduate university and  
Matters relating to its supplementary operations)

⑥ Organization Chart

As of March 2010

**Okinawa Institute of Science and Technology Promotion Corporation**



\* Organizational change was made on April 1, 2010.

(2) Location

Office:

7542 Onna, Onna-son, Kunigami-gun, Okinawa 904-0411

Research Laboratory:

12-22, Suzaki, Uruma, Okinawa 904-2234

## (3) Changes in Capital (Unit: Yen)

Category	Beginning balance	Increase	Decrease	Closing balance
Contribution from national government	527,467,000	0	0	527,467,000
Contribution from local government	830,000,000	0	0	830,000,000
Total capital	1,357,467,000	0	0	1,357,467,000

## (4) Executives

Position	Name	Tenure	Personal history	
President	Sydney Brenner	From Sept. 1, 2009 to Aug. 31, 2013	1954 1979  1986  1996  2000  2002  2005	DPhil, Oxford University, UK Director, Medical Research Council Laboratory of Molecular Biology, Cambridge, England Director, Medical Research Council Molecular Genetics Unit, Cambridge, England Founding President and Director of Science, The Molecular Sciences Institute, La Jolla and Berkeley Distinguished Research Professor, The Salk Institute, La Jolla Nobel Prize in Physiology or Medicine President, OIST
Executive Director (in charge of general operations of the Institution)	Robert Baughman	From Sept. 30, 2009 to Sept. 29, 2011	1974 1979  1985  1991  1996  1999  2005  2007 Jan 2007 Sep	PhD in Chemistry, Harvard University Assistant Professor of Neurobiology, Harvard Medical School Associate Professor of Neurobiology, Harvard Medical School Director, Graduate Program in Neurosciences, Harvard University Director, Division of Fundamental Neuroscience, National Institute of Neurological Disorders and Stroke (NINDS) Associate Director for Technology Development, Office of the Director, NINDS Special Adviser, OIST Senior Adviser to the President, OIST Executive Director, OIST

Auditor	Kensuke Katsuno	From Sept. 1, 2009 to Aug. 31, 2011	1973 2001  2004  2007 2008 Apr 2008 Sep	Prime Minister's Office Director General, Public Relations Office, Minister's Secretariat, The Cabinet Office  Director General, Decoration Bureau, The Cabinet Office  Executive Assistant to the President, OIST Compliance Officer, OIST  Auditor, OIST
Auditor	Hiroshi Nakachi	From Sept. 1, 2009 to Aug. 31, 2011	1962 1969 1971 1995 1997 1998 2001 2005	Shimoji C.P.A. Office Partner, Tohmatsu Awoki & Co. (Deloitte Touche Tohmatsu International) U.S. CPA (New York) Nakachi C.P.A. Office President, Nakachi & Co.  Chairman, The Japanese Institute of Certified Public Accountants Auditor, Shinkin Central Bank  Corporate Auditor, Ito-Yokado Co., Ltd. Corporate Auditor, Seven & i Holdings Co., Ltd. Auditor, OIST

(5) Full-time employees

The number of full-time employees is 218 (an increase of 41 employees, 23.2% year-to-year) at an average age of 37.7 years (36.2 years old as of the end of FY 2008). The number includes five employees from governmental organizations and two employees from private companies.

### 3. Summary of Financial Statements

#### ① Balance sheet

(Unit: Yen)

Assets	Amount	Liabilities	Amount
Current assets	11,861,233,292	Current liabilities	11,772,703,139
Cash and cash equivalents	2,536,843,531	Deposits received	913,308,029
Other	9,324,389,761	-subsidy for operation	
Noncurrent assets	30,609,809,228	Accounts payable	10,622,832,531
Property, plant, and equipment	30,583,474,186	Other	236,562,579
Other	26,335,042	Noncurrent liabilities	4,654,744,076
		Encumbrance for assets	4,654,744,076
		<b>Total liabilities</b>	<b>16,427,447,215</b>
		<b>Equity</b>	
		Capital	1,357,467,000
		Contribution from national government	527,467,000
		Contribution from local government	830,000,000
		Additional paid-in capital	24,589,972,814
		Retained earnings	96,155,491
		<b>Total equity</b>	<b>26,043,595,305</b>
<b>Total assets</b>	<b>42,471,042,520</b>	<b>Total liabilities and equity</b>	<b>42,471,042,520</b>

② Profit and loss statements

(Unit: Yen)

	Amount
Ordinary expenses (A)	4,935,354,489
Research expenses	4,170,016,361
Personnel costs	1,272,440,747
Depreciation	1,075,933,761
Other	1,821,641,853
General and Administrative expenses	765,298,011
Personnel costs	294,043,823
Depreciation	23,169,964
Other	448,084,224
Financial expenses	40,117
Other	40,117
Ordinary revenues (B)	5,031,509,980
Subsidy for operation	3,753,719,027
Revenue from outside parties	41,959,775
Reversal of encumbrance for assets-subsidy for operation	1,055,156,402
Other	180,674,776
Extraordinary gain/loss (C)	0
Adjustment (D)	0
Gross profit/loss (B-A+C+D)	96,155,491

③ Statements of cash flows

(Unit: Yen)

	Amount
I Cash flows from operating activities (A)	1,887,259,120
Payments to employees	Δ 1,563,343,530
Funds received from government-subsidy for operation	5,717,985,000
Funds received from outside parties-sponsored research	29,317,536
Other, net	Δ 2,296,699,886
II Cash flows from investing activities (B)	Δ 785,787,535
III Cash flows from financing activities (C)	4,052
IV Net cash increase/decrease (D=A+B+C)	1,101,475,637
V Cash and cash equivalents at beginning of year (E)	1,435,367,894
VI Cash and cash equivalents at end of year (F=E+D)	2,536,843,531

④ Statements of administrative service costs

(Unit: Yen)

I	Ordinary expenses	4,884,971,731
	Ordinary expense stated on P/L statement	4,935,354,489
	(Deduction) Revenue from outside parties	Δ 50,382,758
II	Depreciation-directly deducted from equity	114,946,933
III	Estimated allowance for bonus	3,323,775
IV	Estimated allowance for retirement benefits	13,812,100
V	Opportunity cost	269,964,434
	(Deduction) Corporate tax and return to national	
VI	government	Δ 120,000
VII	Administrative service cost	5,286,898,973

## Chart of accounts

### ① Balance sheet

Cash and cash equivalents	Cash and bank deposits
Other (Current assets)	Accounts receivable and others
Property, plant, and equipment	Tangible fixed assets held for long-term use such as land, buildings, structures, machinery, vehicles, and equipment
Other (Fixed assets)	Long-lived Intangible fixed assets which have no physical substance such as the security deposit, software, patents in the process of filing except for tangible assets
Deposits received -subsidy for operation	Unmonetized amount of received subsidy
Accounts payable	Unpaid liabilities for purchase of goods and services
Other (Current liabilities)	Unpaid liabilities except for accounts payable and deposits received such as withholding tax and social insurance
Encumbrance for assets	Encumbrance for assets-subsidy for operation: Liabilities encumbered for depreciable/ non-depreciable assets acquired by subsidy for operation Encumbrance for assets-donation: Liabilities encumbered for depreciable/non-depreciable assets acquired by donation Encumbrance for assets-donated by national government: Liabilities encumbered for depreciable assets donated by national government Encumbrance for construction in progress-subsidy for facility: Liabilities encumbered for construction in progress covered by subsidy for facility
Contribution from national government	Contribution in kind from national government
Contribution from local government	Contribution in kind from local government except for monetary assets
Additional paid-in capital	Assets acquired by subsidy for facility which should become foundation of IAI
Retained earnings	Accumulated net income from operations

② Profit and loss statements

Research expenses	Expenses for research activities
Personnel costs	Salaries, bonuses, allowance for retirement benefits, and legal welfare costs concerning research activities
Depreciation	Depreciation concerning assets for research activities
Other (Research expenses)	Research supplies, such as research materials and consumables and other expenses concerning research activities except for personnel costs and depreciation
General and administrative expenses	Expenses for administrative activities
Personnel costs	Salaries, bonuses, allowance for retirement benefits, and legal welfare costs concerning executives and administrative employees
Depreciation	Depreciation concerning assets for administrative activities
Other (General and administrative expenses)	Expenses for administrative activities except for personnel costs and depreciation
Financial expenses	Financial expenses such as foreign currency transactions
Revenue -Subsidy for operation	Revenue covered by subsidy for operation in accordance with IAI Accounting standards, Article 81
Reversal of encumbrance for assets -subsidy for operation	Revenue equal to depreciation amount on assets covered by subsidy for operation, which were not specified in IAI Accounting standards, Article 87
Revenue from outside parties	Sponsored research: Revenue from sponsored research Donation: Revenue from non-specified donations and donations spent according to the specific purpose Reversal of encumbrance for assets-donation: Revenue equal to depreciation amounts on assets covered by specified/non-specified donations
Other (Revenue)	Reversal of encumbrance for assets donated by national government: Revenue equal to depreciation amount on assets covered by donations from the national government Interest and miscellaneous
Extraordinary gain/loss	Gain/loss on disposal of fixed assets and others

③ Statements of cash flows

Cash flows from operating activities	Cash flows from ordinary activities of the corporation; revenue from services; expenses for purchasing materials, merchandise, and services; payments to employees; and others
Payments to employees	Payments to employees for research activities and administrative activities
Funds received from government-subsidy for operation	Subsidy for operation from the national government
Funds received from outside parties-sponsored research	Funds from sponsored research, contracted research, and joint research
Other net	Expenses concerning research activities and administrative activities, except for payments to employees, and other cash flows
Cash flows from investing activities	Cash flows concerning investing activities as the foundation of the corporation, such as acquisition/disposal of fixed assets and revenue from government-subsidy for facility.
Cash flows from financing activities	Cash flows from foreign currency exchange and others

④ Statements of administrative service costs

Ordinary expenses stated on Profit and Loss Statements	Service cost recorded on the Profit and Loss Statements
(Less) Revenue from outside parties	<p>Donation: Revenue from non-specified donations and donations spent according to the specific purpose</p> <p>Reversal of encumbrance for assets-donation: Revenue equal to depreciation amounts on assets covered by specified/non-specified donation</p> <p>Financial revenue: Interest of bank deposits</p> <p>Sponsored research: Revenue from sponsored research</p>

	Miscellaneous and extraordinary revenue
Depreciation-directly deducted from equity	Depreciation on specified assets not expected to yield revenue from the use of assets (Depreciation is not recorded on the Profit and Loss Statements, but on the Balance Sheet as Depreciation-directly deducted from equity.)
Estimated allowance for bonus	Estimated amount obviously covered by subsidy for operation (Not recorded on the Profit and Loss Statements, but described in the notes to financial statements.)
Estimated allowance for retirement benefits	Estimated amounts obviously covered by subsidy for operation (Not recorded in the Profit and Loss Statements, but described in the notes to financial statements.)
Opportunity costs	Costs charged for the use of assets contributed from the national/local government

#### 4. Financial information

##### (1) Summary of Financial Statements

###### ① Historical comparison and analysis of primary financial data

###### (Ordinary expenses)

Ordinary expenses for FY 2009 were ¥4,935,354,489, an increase of ¥172,886,930 (by 3.6%) on a year-to-year basis. Personnel costs increased ¥228,233,898 (up 17.1%) as a result of the increase in principal researchers, researchers, and employees. However, outsourced research and rent decreased ¥133,879,505 (down 60.3%) and ¥38,652,532 (down 23.4%), respectively, and ordinary expenses were strictly controlled but increased slightly.

###### (Ordinary revenues)

Ordinary revenues for FY 2009 were ¥5,031,509,980, an increase of ¥204,908,213 (up 4.2%) on a year-to-year basis. Major factors were as follows: reversal of encumbrance for assets-subsidy for operation increased ¥189,247,632 (up 21.9%), the subsidy for the facility increased ¥125,108,246 (up 100.0%), the subsidy for operation increased ¥97,728,402 (up 2.7%), and the reversal of encumbrance for assets donated by national government decreased ¥233,131,150 (down 86.2%).

###### (Gross profit)

Gross profit for FY 2009 was ¥96,155,491, an increase of ¥9,512,959 (up 11.0%) on a year-to-year basis. The major factor in the increase was that the unexecuted budget allocated for general and administrative activities, ¥84,486,805, was recognized as revenue in accordance with the periodic basis.

###### (Assets)

Total assets increased ¥25,867,759,898 by 155.8% to ¥42,471,042,520 as of the end of FY 2009. Major factors were as follows: construction in progress decreased ¥7,509,432,599 (down 86.3%) on completion of the new campus, buildings and structures increased ¥18,856,254,599 (up

1,211.0%) and ¥4,387,734,888 (up 607.1%), respectively, and accounts receivable increased ¥9,320,161,260 (up 295,846.7%).

(Liabilities)

Total liabilities were ¥16,427,447,215, an increase of ¥3,291,061,113 (up 25.1%) as of the end of FY 2009. Major factors were as follows: encumbrance for construction in progress-subsidy for facility decreased ¥7,398,879,847 (down 87.6%) on completion of the new campus, accounts payable including construction costs increased ¥9,503,627,536 (up 849.1%), and deposits received-subsidy for operation increased ¥913,308,029 (up 100.0%).

(Cash flows from operating activities)

Cash flows from operating activities for FY 2009 were ¥1,887,259,120, an increase of ¥836,296,637 (up 79.8%). Major factors were as follows: the subsidy for operation increased ¥1,263,667,000 (up 28.4%), personnel costs increased ¥227,560,278 (up 17.0%), and returned amount to the national government increased ¥348,171,660 (up 100.0%) upon the achievement of the previous medium-term objective.

(Cash flows from investing activities)

Cash flows from investing activities for FY 2009 were minus ¥785,787,535, an increase of ¥122,567,674 (up 13.5%). Major factors were as follows: the subsidy for facility decreased ¥686,511,014 (down 9.3%) and the purchase of property, plant, and equipment decreased ¥818,615,235 (down 9.9%).

(Cash flows from financing activities)

Cash flows from financing activities for FY 2009 were ¥4,052, an increase of ¥1,728,812 (up 100.2%) from paying off the lease obligation.

(Unit: Yen)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Ordinary expenses	1,233,006,452	3,109,504,575	4,070,805,376	4,762,467,559	4,935,354,489
Ordinary revenues	1,297,181,978	3,202,570,498	4,176,984,229	4,826,601,767	5,031,509,980
Gross profit	64,175,526	92,867,624	104,485,978	86,642,532	96,155,491
Assets	4,630,361,447	7,580,579,391	9,674,988,215	16,603,282,622	42,471,042,520
Liabilities	3,748,011,228	5,076,748,179	5,953,817,489	13,136,386,102	16,427,447,215
Retained earnings	64,175,526	157,043,150	261,529,128	348,171,660	96,155,491
Cash flows from operating expenses	1,805,244,213	1,680,920,467	1,395,165,805	1,050,962,483	1,887,259,120
Cash flows from investing activities	△ 182,436,444	△ 1,729,731,366	△ 1,639,986,192	△ 908,355,209	△ 785,787,535
Cash flows from financing activities	△ 8,590,994	△ 15,333,036	△ 10,767,073	△ 1,724,760	4,052
Cash at end of year	1,614,216,775	1,550,072,840	1,294,485,380	1,435,367,894	2,536,843,531

Notes: FY 2005 contains actual figures for seven months since the corporation was established on Sept. 1, 2005, as a newly organized Independent Administrative Institution.

② Historical comparison and analysis of profit and loss by segment  
(Research unit)

Revenue for the research unit was ¥3,127,397, an increase of ¥18,037 (up 0.6%), which is nearly the same as the previous fiscal year.

(Research service)

Net income was zero since the corporation adopted an achievement basis for accounting for research services. In FY 2008, which is the final year of the medium-term objective period, the liability balance of deposits received-subsidy for operation was fully recognized as revenue.

(Administration)

Net income was ¥93,028,094, an increase of ¥45,407,899 (up 95.4%). The

major factor in the increase was that the unexecuted budget allocated for general and administrative activities, ¥84,486,805, was recognized as revenue in accordance with the periodic basis.

(Unit: Yen)

Segment	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Research Unit	-	-	1,950,859	3,109,360	3,127,397
Research Service	△250,996	696,893	5,338,285	13,404,653	-
Administration	64,426,522	92,170,731	98,889,709	47,620,195	93,028,094
Total	64,175,526	92,867,624	106,178,853	64,134,208	96,155,491

Notes: FY 2005 contains actual figures for seven months since the corporation was established on Sept. 1, 2005, as a newly organized Independent Administrative Institution.

Segments classified “Research activities” until FY 2007 were divided into “Research unit” and “Research service,” and a new segment was added as “Administration” from FY 2008. Figures for the past four fiscal years in the table were reclassified according to the new segments.

③ Historical comparison and analysis of total assets by segment

(Research unit)

Total assets of the research unit were ¥1,229,222,333, a decrease of ¥288,583,272 (down 19.0%). Major factors were as follows: total purchase amounts for research machinery and equipment, ¥304,930,189, were less than depreciation, ¥545,824,334, which was recognized this fiscal year.

(Research service)

Total assets of the research service was ¥15,197,810,555, an increase of ¥11,766,948,855 (up 343.0%) due to the completion of laboratory 1 on the new campus (cost ¥11,330,237,974).

(Administration)

Total assets for administration was ¥26,044,009,632, an increase of ¥14,389,394,315 (up 123.5%). Major factors were as follows: capitalization of the Center building and the Energy Center was ¥5,812,388,389 and ¥1,391,048,442, respectively, on completion of the new campus, construction in progress decreased ¥7,509,432,599 (down 86.3%), and accounts receivable increased ¥9,320,161,260 (up 295,846.7%).

(Unit: Yen)

Segment	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Research unit	512,829,464	1,600,500,355	1,603,225,345	1,517,805,605	1,229,222,333
Research service	3,302,023,647	3,072,516,520	2,957,627,021	3,430,861,700	15,197,810,555
Administration	815,508,336	2,907,562,516	5,114,135,849	11,654,615,317	26,044,009,632
Total	4,630,361,447	7,580,579,391	9,674,988,215	16,603,282,622	42,471,042,520

Notes: FY 2005 contains actual figures for seven months since the corporation was established on Sept. 1, 2005, as a newly organized Independent Administrative Institution.

Segments classified “Research activities” until FY 2007 were divided into “Research unit” and “Research service,” and a new segment was added as “Administration” from FY 2008. Figures for the past four fiscal years in the table were reclassified according to the new segments.

④ Application for reserve for a specific purpose and reversal of reserve

Net income mainly results from unexecuted personnel costs. Reserve for a specific purpose is not filed out of consideration for management effort authorization.

⑤ Historical comparison and analysis of Statements of Administrative Service Costs

Administrative service costs were ¥5,286,898,973, an increase of ¥440,836,313 (up 9.1%). Major factors were as follows: general and

administrative expense including personnel costs increased ¥117,118,486 (up 18.1%) as a result of the growth in the number of principal investigators, researchers, and employees and the increased opportunity costs of ¥160,990,949 (up 147.7%).

(Unit: Yen)

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Ordinary expenses	1,287,429,166	3,104,115,784	4,045,749,229	4,708,631,221	4,884,971,731
Expense stated on P/L	1,290,901,596	3,109,702,874	4,072,498,251	4,762,467,559	4,935,354,489
(Deduction) Revenue from outside parties	△ 3,472,430	△ 5,587,090	△ 26,749,022	△ 53,836,338	△ 50,382,758
Depreciation-directly deducted from equity	4,786,807	19,292,514	19,292,514	20,885,738	114,946,933
Estimated allowance for bonus	-	-	△ 8,054	1,272,616	3,323,775
Estimated allowance for retirement benefits	4,904,766	9,137,684	7,021,600	6,419,600	13,812,100
Opportunity cost	6,946,875	30,318,855	48,165,793	108,973,485	269,964,434
(Deduction) Corporate tax and return to national government	-	△ 1,374,200	△ 4,040,400	△ 120,000	△ 120,000
Administrative service cost	1,304,067,614	3,161,490,637	4,116,180,682	4,846,062,660	5,286,898,973

Notes: FY 2005 contains actual figures for seven months since the corporation was established on Sept. 1, 2005, as a newly organized Independent Administrative Institution.

## (2) Significant investment in facilities

### ① Main facilities completed in FY 2009

Completion of New campus

Laboratory 1 (Acquisition cost: 11,330 million yen)

Center building (Acquisition cost: 5,812 million yen)

Energy center building (Acquisition cost: 1,391 million yen)

② Main facilities in progress at the end of FY 2009

New campus construction

Laboratory 2 and Laboratory 3 (Acquisition cost: 1,190 million yen)

③ Main facilities disposed in FY 2009

N/A

(3) Budget and actual comparisons

(Unit: million Yen)

Division	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		
	Budget	Actual	Diff								
Revenues	3,158	3,383	7,678	5,377	8,702	6,183	19,592	11,380	11,284	12,592	1,308
Subsidy for operation	2,553	2,553	4,148	4,148	4,283	4,283	4,454	4,454	5,718	5,718	-
Subsidy for equipment	-	-	-	-	-	-	170	-	-	170	170
Subsidy for facility	605	330	3,530	1,228	4,419	1,861	14,942	6,888	5,511	6,662	1,151
Other	-	500	-	1	-	39	26	38	55	42	△ 13
Expenses	3,158	2,512	7,678	5,056	8,702	6,443	19,592	12,027	11,284	20,511	9,227
Research expenses	2,044	1,237	3,461	3,234	3,558	3,876	3,779	4,464	4,829	3,880	△ 949
General and admin (except for personnel costs)	336	336	381	380	399	400	414	414	565	565	-
Personnel costs	174	109	307	214	325	228	287	253	379	294	△ 85
Equipment	-	-	-	-	-	-	170	-	-	170	170
Facility	605	330	3,530	1,228	4,419	1,921	14,942	6,896	5,511	15,602	10,091
Other	-	500	-	-	-	18	-	-	-	-	-

Notes: FY 2005 contains actual figures for seven months since the corporation was established on Sept. 1, 2005, as a newly organized Independent Administrative Institution.

Research revenue and expenses for temporary personnel are included in the category "Other" and "General and Admin", respectively, due to the change in the classification of the annual budget from FY 2009.

(4) Financial results relating to the objective of cost reduction and efficiency improvements

One of the most important objectives of the corporation is to improve the efficiency of organizational management to cut operational costs. Continuously from the previous fiscal year, the corporation has focused on streamlining and improving the efficiency of the organization. With rapid business expansion, effective efforts have been made in establishing a prompt and flexible organization; the corporation was extensively reorganized in April 2009. The efforts mentioned above enabled the corporation to control ordinary expenses as indicated below in spite of the rapid business expansion.

(Unit: Yen)

Category	FY 2008	FY 2009	Increase/Decrease	Ratio
Total assets	16,603,282,622	42,471,042,520	25,867,759,898	155.8%
Ordinary expenses	4,762,467,559	4,935,354,489	172,886,930	3.6%
(included General and administrative expenses)	648,179,525	765,298,011	117,118,486	18.1%

## 5. Explanation of business

### (1) Structure of financial resources

Ordinary revenue of the corporation was ¥5,031,509,980. The breakdown of revenue was as follows: subsidy for operation totaled ¥3,753,719,027 (74.6%), reversal of encumbrance for assets-subsidy for operation totaled ¥1,055,156,402 (21.0%), subsidy for facility totaled ¥125,108,246 (2.5%), reversal of encumbrance for assets-donated by national government totaled ¥37,395,825 (0.7%), sponsored research totaled ¥35,656,898 (0.7%), and the “Other” category totaled ¥24,473,582 (0.5%).

Ordinary revenue of the research unit was ¥2,619,695,416. The breakdown of revenue was as follows: subsidy for operation totaled ¥2,031,492,974 (77.6% of research unit), reversal of encumbrance for assets-subsidy for operation totaled ¥540,554,317 (20.6% of the research unit), sponsored research totaled ¥35,656,898 (1.4% of the research unit), and the “Other” category totaled ¥11,991,227 (0.5% of the research unit).

Ordinary revenue of the research service was ¥1,553,448,342. The breakdown of revenue was as follows: subsidy for operation totaled ¥1,023,431,740 (65.9% of the research service), reversal of encumbrance for assets-subsidy for operation totaled ¥490,440,621 (31.6% of the research service), reversal of encumbrance for assets-donated by national government totaled ¥37,395,825 (2.4% of the research service), and the “Other” category totaled ¥2,180,156 (0.1% of the research service).

Ordinary revenue for administration was ¥858,366,222. The breakdown of revenue was as follows: subsidy for operation totaled ¥698,794,313 (81.4% of administration), reversal of encumbrance for assets-subsidy for operation totaled ¥24,161,464 (2.8% of administration), and the “Other” category totaled ¥135,410,445 (15.8% of administration).

### (2) Explanation of business relating to financial data and performance report

#### ① Research unit

The research unit promotes activities in natural science, such as

neuroscience, molecular sciences, and mathematical and computational biology as research activities before the establishment of the graduate university. The financial resources of the research unit are the subsidy for operation (¥2,572,047,291), sponsored research revenue from outside parties (¥35,656,898), and other resources (¥11,991,227). Expenses for the research unit are personnel costs (¥1,158,177,959), research supplies (¥392,030,143), depreciation (¥545,824,334), and other expenses (¥520,535,583).

## ② Research service

The research service includes support for research units, common research using DNA sequencing, publication of research results, and workshops/seminars. Financial resources for the research service are the subsidy for operation (¥1,513,872,361), donated assets from the national government (¥37,395,825), and other resources (¥2,180,156). Expenses for the research service are personnel costs (¥114,262,788), research supplies (¥323,130,636), depreciation (¥530,109,427), and other expenses (¥585,945,491).

## ③ Administration

Administration includes the administrative divisions such as Finance & HR Division and General Affairs Division except for the research unit and the research service.

Financial resources for administration are mainly the subsidy for operation (¥722,955,777) and other resources (¥135,410,445). Administrative expenses are personnel costs (¥294,043,823) and other expenses (¥471,254,188).

# Performance Report

I. Matters relating to the Improvement in the Quality of Services Provided to the public and other operations

1. Research and Development on Science and Technology (R&D Activities)

(1) Research Programs

The Okinawa Institute of Science and Technology Promotion Corporation (hereinafter OIST P.C.) steadily improved its research program in light of nature of the Graduate University that conducts advanced and interdisciplinary education and research (refer to the Attachment of the Medium-term Objectives), toward the opening of the Graduate University in FY2012 in order to create an international center for science and technology in Okinawa.

Recruitment of the researchers was carried out focusing on the research balance required for the graduate university, which led to building on the established research fields as well as adding research fields through hiring investigators with innovative new research programs; for example, new research units in Marine Biophysics and Ecology & Evolution.

In March 2010, the facility operation of new campus in Onna village was partly started and a number of researchers relocated from the research facility in Uruma.

List of Research Units

	Name of PI	Nationality	Unit Name
1	Dr. Kenji Doya	Japanese	Neural Computation Unit
2	Dr. Mitsuhiro Yanagida	Japanese	G0 Cell Unit
3	Dr. Sydney Brenner	British	Molecular Genetic Unit
4	Dr. Ichiro Maruyama	Japanese	Information Processing Biology Unit
5	Dr. Takayuki Naito	Japanese	Molecular Neurobiology Unit
6	Dr. Robert Sinclair	Australian	Mathematical Biology Unit
7	Dr. Ichiro Masai	Japanese	Development Neurobiology Unit
8	Dr. Klaus Stiefel	Austrian	Theoretical and Experimental Neurobiology Unit

9	Dr. Jeff Wickens	New Zealander	Neurobiology Research Unit
10	Dr. Gail Tripp	New Zealander	Human Developmental Neurobiology Unit
11	Dr. Gordon Arbuthnott	British	Brain Mechanism for Behavior Unit
12	Dr. Erik De Schutter	Belgian	Computational Neuroscience Unit
13	Dr. Fadel Samatey	French	Trans-Membrane Trafficking Unit
14	Dr. Tomoyuki Takahashi	Japanese	Cellular and Molecular Synaptic Function Unit
15	Dr. Mary Ann Price	American	Developmental Signalling Unit
16	Dr. Noriyuki Satoh	Japanese	Marine Genomics Unit
17	Dr. Jonathan Miller	American	Physics and Biology Unit
18	Dr. Holger Jenke-Kodama *	German	Evolutionary Systems Biology Unit
19	Dr. Hiroaki Kitano	Japanese	Open Biology Unit
20	Dr. Alexander Mikheyev *	American	Ecology and Evolution Unit
21	Dr. Satoshi Mitarai *	Japanese	Marine Biophysics Unit
22	Dr. Ulf Skoglund	Swede	Structural Cellular Biology Unit

\* Independent New Investigator (as of March 31, 2010)

(2) Installation of the resources (such as research equipments)

The new laboratory in Onna has facilities with an open layout that emphasizes collaboration among researchers and share of use in research equipments as well as promotion of multidisciplinary research. To foster sharing and efficient use of the resources, a database of all research equipments at OIST P.C. was compiled and a central 144-core high-performance computing cluster (shared computational resources) was incorporated. Further, RI (radio isotope) monitoring system and common equipment for RI experiment were installed into RI facility and animal facilities for rodent (including genetically modified mice) were opened as common facilities. Also, as common resources, imaging equipment, e.g. light microscopes and an electron microscope, and

biotech equipment, e.g. microarray systems and cell sorters were relocated, set-up and started operation. PI offices were laid out next to each other on each floor of the Lab 1 with the least number of partition walls possible, effectively creating an “Open Lab” to encourage daily interaction among researchers. Moreover, common equipments and researchers’ desks were allocated collectively resulting in increased opportunities of interaction among numbers of different research groups. Meanwhile, in order to improve efficiency, a plan for bulk purchase of reagents and supplies was developed and it will be implemented in FY2010.

(3) Measures taken to promote Joint research and Shared use

Joint researches were done with 18 domestic institutions and 4 overseas institutions in FY2009 (12 domestic and 4 overseas in FY2008). Also, 3 externally funded researches were conducted.

To promote the use of the OIST equipment and facilities in DNA Sequencing Center with external researchers, a manual for shared use was prepared.

(4) Research Evaluations

In accordance with the principles of "National Guideline for Evaluating Government Funded R&D" (Prime Minister Decision made on October 31, 2008), research evaluations were carried out with external committees containing internationally recognized experts as below:

1) Dr. Maruyama (Information Processing Biology Unit)

Chairman	Dr. Tim Hunt (Cancer Research UK, OIST BOG (Nobel Laureate: Physiology or Medicine, 2001))
Members	Dr. Jonathan Hodgkin (University of Oxford) Dr. Ian Hope (University of Leeds) Dr. Ryuzo Shingai (Iwate University) Dr. Yossi Yarden (Weizmann Institute)
Evaluation Result	The unit was favorably reviewed with some concern about over-extension, and it will be renewed for 5 years at reduced size.

2) Dr. Naito (Molecular Neurobiology Unit) and Dr. Brenner (Molecular Genetic Unit)

Chairman	Dr. Terrance Sejnowski (Howard Hughes Medical Institute)
Members	Dr. Stephen Heinemann (Salk Institute) Dr. Masashi Yanagisawa (UT Southwestern Medical Center) Dr. Sacha Nelson (Brandeis University) Dr. Tony Hyman (Max Planck Institute) Dr. Roger Cone (Vanderbilt University)
Evaluation Result	On the basis of the review report the Naito research unit will not be renewed. The Brenner research unit focused on creating a genome analysis facility and technology center, which was reviewed favorably and will be continued.

(Remark) Because the projects were carried out together, a combined review was held for Drs. Naito (Molecular Neurobiology) and Brenner (Molecular Genetics).

(5) Recruitment Status of PIs

Steady recruitment toward the open of the university continues. Consistent with the multidisciplinary nature of OIST, some PIs have secondary appointments in more than one research field. The PIs in the table have been appointed or recruited in FY2009.

PI	Starting Period	Research Field			
		Molecular Sciences	Neuro -science	Math/Comp biology	Environ -mental Science
Dr. Holger Jenke-Kodama *	May, 2009	○			○
Dr. Hiroaki Kitano	Jun., 2009	○		○	
Dr. Alexander Mikheyev *	Aug., 2009	○			○
Dr. Satoshi Mitarai *	Sep., 2009			○	○
Dr. Ulf Skoglund	Jan., 2010	○		○	
Dr. Masaki Isoda	Apr., 2010		○		
Dr. Igor Goryanin **	Jun., 2010			○	○
Dr. Alexander Maier	Signed offer		○		
Dr. Bernd Kuhn	Signed offer		○		
Dr. David Van Vactor **	Signed offer	○	○		

\* Independent New Investigator / \*\* Visiting PI (The position name is TBC)

The recruitment in condensed matter physics will be conducted later due to pending resolution of concerned equipments etc.

Recruitment selection criteria for PIs include strong international research experience, combined with collaborative and shared resources experience, teaching, and university service. We are also seeking visiting PIs with expertise required for teaching courses and carrying out research in areas not covered by our current PIs.

#### (6) Recruitment of Researchers

Recruitment of researchers continued based on advertisements on the OIST website, in international journals Nature and Science, and through contacts via the President, Executive Director and PIs and the increasingly extensive pool of speakers, instructors, and participants in the OIST workshops and seminars.

The ratio of foreign staffs (researchers and research administrators) within the research units was 40% in total; and it was increased approximately 3 points, comparing with the same month last year. Continuous efforts will be made to raise the ratio to 50%.

Category	Number of staffs	(ratio)
Principle Investigator	13 out of 22	(59%)
Group Leader	1 out of 3	(33%)
Researcher	32 out of 74	(43%)
Graduate Student Research Assistants	3 out of 10	(30%)
Technicians	10 out of 38	(26%)
Total	59 out of 147	(40%)

(As of March 31, 2010)

#### (7) HR Policy for Researchers and Logistics Support for Foreign Researchers

We developed a HR Policy for researchers pursuant to the “Law concerning Effective Promotion of R&D and Enhancement of R&D Ability by Facilitating Reform in R&D System;” and it will be made public in FY2010. A program targeted for hiring young investigators as independent PIs, titled the

"Independent New Investigator" program, was started with appointments of 3 researchers.

These appointments are restricted to investigators within five years of receiving their Ph.D., the resources provided are limited to two researchers and to a small lab. The appointments are not renewable, but the appointees are free to apply for full PI positions at OIST (or elsewhere) when their term expires.

A dedicated team within HR is established to be in charge of support to new comers. Logistic support for foreign researchers was enhanced by the improvement of visa applications, the resettlement process, and language training. We established an OIST users group to assist HR in understanding the needs of various communities at OIST (young researchers, families, etc.).

The OIST Child Care Association (OCCA) was established. Steady progress was made in the design and specification of a Child Care facility.

## 2. Publication of research results and promotion of their use

### (1) Publication of research results

Research publications and presentations from the research units including 4 units stated in FY2009 are as follows:

- Publications in journals: 50
- Publications in Books: 13
- Oral presentations: 83
- Poster presentations: 105

\* Publications are totaled in calendar year and presentations are totaled in fiscal year.

### (2) Management of Intellectual property and Filing of the Patent application

A training seminar about intellectual property was held for researchers and administrative staffs in January 2010, inviting a patent lawyer as a lecturer.

A dedicated staff has been hired and appointed for managing joint research contracts and intellectual properties. Totally 11, including 3 overseas, patent applications has been filed and one of them has been approved.

### (3) Exchange and Collaboration with Industry

5 joint researches with private companies were conducted in FY2009. The PIs with industry experience conducted the research in

collaboration with the industry.

Furthermore, following measures were taken in order to facilitate collaboration with the industry:

- OIST made a lecture in the Biotechnology Cluster Conference 2009 (Naha City)

toward the industrial society. In addition, we started developing a network with the industry through a providing a site tour on the next day where approx. 65 people including members of the biotechnology related companies from both in and out of Okinawa participated.

- OIST gave interviews to business magazines and emphasized our policy for

promoting industrial collaborations. (Yakuji Nippo on December 2009 and Kyushu business magazine)

- Efforts were made to collaborate with the concerned organizations in the

Prefecture by accepting a staff with experience in Clusters seconded from Okinawa Prefectural Government.

### 3. Training of researchers, enhancement of research skills and exchange of researchers

#### (1) Collaborative graduate programs and Accepting students

We renewed MOUs for research and graduate training with the Nara Institute of Science and Technology and The University of the Ryukyus and introduced 4 more MOUs (the Doshisya University, the University of Edinburgh, the University Ottawa and the Kyoto University).

For accepting both domestic and international graduate students enrolled at other universities for doctoral research training in OIST laboratories, we newly enacted the Regulations for receiving students at OIST PC and the Regulations for Short Term Student Research Assistant (SSRA), and revise the regulations for Graduate Student Research Assistant (GSRA) in September 2009.

## (2) Holding international Workshop & Seminars

International Workshop and Seminars in FY2009 were held as follows:

### Number of Workshop/Seminars held and participants

	FY2009
<b>International Workshop</b>	
Number of workshop held	8
Participants (non-Japanese)	362 (194)
<b>Seminar</b>	
Number of seminars held	68
Participants (non-Japanese)	1,532 (823)

### Details of International Workshops (hosted by OIST)

Date	Name of Workshops
May 13 – 15, 2009	Fundamentals of Quantum Mechanics and Its Applications
June 15 – July 2, 2009	Okinawa Computational Neuroscience Course 2009
Sep 8 – 10, 2009	Reinforcement and Attention Deficit Hyperactivity Disorder
Nov 2 – 7, 2009	DNA Topology Course 2009
Nov 9 – 12, 2009	The Retina: Neural Stem Cells and Photoreceptor Degeneration
Nov 29 – Dec 2, 2009	The 4 <sup>th</sup> International Workshop on Cell Regulation in Division and Arrest
Dec 7 – 12, 2009	Evolution of Complex Systems 2009
Feb 23 – 25, 2010	Garuda One: Open and Unified Software Platform

Many leading international universities and research institutes participated in the workshops held by OIST. This strengthened the identification of OIST as an international research education center. According to the result of the questionnaire conducted to the participants, we received high reputation in comprehensive evaluation. Especially, we found comments from young researchers who were hoping to do their research at OIST. In addition to the 8 workshops hosted by OIST, 6 international workshops were co-sponsored with other institutes. For example, the workshop "Geometry Conference for Friendship of Japan and China" was a good opportunity for promoting OIST to the Asian district.

#### 4. Preparation for establishment of OIST Graduate University

##### (1) Development of the basic education research capabilities toward the opening of the Graduate University

The Graduate University Preparation Working Group developed the graduate programs for the new university. This includes consideration on characteristics of graduate schools and majors, curriculum design policies, educational and research guidance methods, course selection models, thesis examination systems, etc., considering results of intensive surveys on prestigious universities and graduate schools both inland and abroad. In addition, we formulated drafts of other major items required for accreditation applications, such as bylaws, university rules, and school corporation administrative structure.

Moreover, as an independent administrative institution that is promoting a national project, we conducted a press conference in order to explain the Graduate University by the establishing members in March 2010, and made effort to obtain public understanding widely.

We established the basic principles of the academic and administrative appointments structure. This included tenure, remuneration, benefits, retirement, and service obligations for performance evaluation.

Based on our studies on other international graduate programs, we formulate a draft recruiting plan that will include conditions required for enrolling outstanding graduate students in science.

##### (2) Meeting of Establishing Members and Function of administrative office

In response to the appointment of Establishing Members of OIST SC by the Prime Minister in September 2009, Meeting of Establishing Members were held (1<sup>st</sup> meeting: October 2009, 2<sup>nd</sup> meeting: March 2010), at which president search, accreditation preparation, and school organization were discussed in detail.

OIST has assisted its activities as a task of the administrative office of MEM, and established rules for the MEM operation.

##### (3) SC President search

OIST recruited Egon Zehnder International as its recruiting company for OIST School Corporation President, to conduct recruitment activities worldwide. Thorough search was conducted with attention to securing

transparency by (1) candidate search through public notice and recruitment announcement through Nature and Science, (2) candidate identification through BOG member networks, and (3) candidate identification through EZI.

## 5. Effective public relations activities and transmission of information

### (1) Public relations activities and Transmission of information

The OIST Website was redesigned and the following actions took place to provide more information in a more user-friendly interface:

- Enabling access to different types of information by different users
- Uploading latest information on the progress of campus construction and research
- Listing workshops, seminars, etc as well as introducing research publications
- Providing information in a timely manner by adding a function of mailing list registration

For research results of the PIs and their units, FY2008 Annual Report, including a list of publications and other published items, was published and distributed beyond to other universities, research institutions, relevant ministries, municipal governments and visitors as well as being opened to public through the Website.

We also issued 11 press releases about upcoming international workshops, etc as well as 3 press releases about research papers published in international scientific journals. For research progress and other activities, Newsletters were issued on a quarterly basis and distributed to other research institutions, relevant ministries, municipal governments and visitors, as well as at workshops and other events.

As part of our active information dissemination efforts, and our efforts to gain public understanding of the OIST project and its progress, we received 16 media interviews and submitted an op-ed to local paper and magazine for each.

## II. Matters Relating to the Efficient Business Operation

### 1. Enhancement of efficiency of organizational management

#### (1) Measures for the enhancement of efficiency of organizational management

While operation expands on preparing for the opening of the Graduate University, effective efforts have been made in streamlining the administrative operation to avoid the organization from bloating.

1) Improving efficiency of Research administration: the secretarial support has been reorganized, and the principle of shared Secretaries has been generalized for small Units. Implementation is to start with the relocation to the New Campus in FY2010. This reorganization includes a transfer of duties from Units Secretaries to HR with regards to the support to OIST employees, particularly non-Japanese.

2) Improving efficiency of Technical support: the concept of shared equipment has been designed and is being implemented following the relocation to the new campus. Efficient support system was enhanced by appointing a dedicated technical staff for operation of Common and shared equipments,.

3) Improving efficiency of general administration: main improvements made in FY2009 are as follows:

- With the relocation to the new campus, scope of responsibility was clarified among concerned sections for facility maintenance of new campus.
- In the area of Human resources, the social insurance administration was outsourced and preparation was promoted to unify the HR related tasks such as job advertising and assistance to the employees.
- As the first phase of the ERP project, main administrative processes and workflows were analyzed. Meanwhile, the preparation for the new attendance management system has been promoted, which will be introduced in FY2010.
- Outsourcing of travel management to reduce costs was investigated, and tender will be released in FY2010.

#### (2) Ratio of administrative staff

Although we made effort to decrease ratio of administrative staff by

controlling the number of staff by outsourcing or streamlining works, there was no ratio change (33%) compared with that of the previous year, due to the introduction of necessary administrative staff required for the university accreditation.

## 2. Appropriate and efficient budget enforcement

To enforce budget control, we conducted recruitment for budget section staffs by the end of FY2009 and 2 staffs were recruited. The Budget Section consolidates budget execution status of all OIST activities in administration, construction, and research units. We developed and implemented a new financial database with automated budget consolidation and reporting functions. A monthly report of budget execution now is produced and sent to the executive committee.

(Problem concerning budget implementation in facility construction)

In facility construction conducted from FY2008 to FY2009, a problem of overspending the budget was found in implementing the budget, which was caused by the significant changes made in the specification for developing research facilities. Investigation was carried out to clarify the cause, and we have decided to take measures to prevent reoccurrence including organizational restructuring, enhancement of working-level structure, operational improvements and enforcement of rigorous audit by the auditors. As part of these measures, the "OIST Facilities and Construction Budget Review Committee" was established to review and monitor execution and contract change of construction during the facility construction. (The Review Committee was established on Apr.19, 2010)

Meanwhile, the issue was reported to the IAI Evaluation Subcommittee on OIST held in February and March 2010; and the above measures are implemented by taking the recommendations made by the Subcommittee into consideration as well.

## 3. Compliance with appropriate tendering and contracting processes and enhancement of procurement efficiency

### (1) Promotion in Competitive tendering

We set general competitive tendering as a general principle and steadily implemented "Review Plan on Contracts without Tenders" (Stipulated in December, 2007). Consequently, the ratio of "Contracts without

competitiveness” was equivalent level as the last year as follows:

	FY2006	FY2007	FY2008	YF2009
Based on number of cases	83.8%	57.9%	17.4%	17.7%
Based on contract amount	47.7%	8.7%	3.9%	6.8%

As for the review framework, procurement method (OGVM, competitive bidding, qualified bidder identification, negotiated contracts without competitiveness), reasons for negotiated contracts, specifications, and bid conditions were reviewed in Procurement Contract Examination Committee whose chair is the director of Finance and HR division prior to the contract. Moreover, when OIST conducts a competitive bidding (proposal competition) we establish Proposal Examination Committee with respect to each contract based on the detailed stipulations and examine its evaluation standard and proposal.

After the contracts were concluded, the competitiveness and transparency of the bids/contracts were reviewed in the Third-Party Committee on Tenders and Contracts consisting of external intellectuals (This committee was reorganized into the Contract Review Committee on December 1, 2009).

Regarding “the Inspections and Reviews of IAI Contracts” (Cabinet Decision on November 17, 2009), Contract Review Committee aforementioned was held five times and total 192 contracts were inspected. OIST developed “Review Plan for the Negotiated Contracts” (amended version stipulated in April, 2010) in accordance with the inspection result.

OIST developed the procurement database (vendor, item name, list price, contract price, discount % and quantity) concerning bidding contracts so that we can see / visualize the actual procurement achievement, and streamline procurement procedure.

(2) Streamlining the contract process

To cope effectively with the growing complexity of the procurement procedures resulting from the increase of open competitive tenders, we streamlined the contracting process by concluding five multi-year contracts in an appropriate manner.

As for the e-bidding system, we conducted 4 substantive tests (2 goods,

2 construction services) in August 2009, and then began operating fully in October. As of March 31 2010, we have conducted 67 bid cases.

#### 4. Adjustment of the salary level

As for permanent employees with monthly salary system who salaries are subject to be compared with Government Officials, Laspeyres index (comparing with Government Officials) of FY2009 ended up with 122.8, decreasing on about 10 points from 132.7 in the previous year as a result of the efforts made by hiring new graduates and younger employees through the recruitment accompanied with the operational expansion for the establishment of the Graduate University.

Reasons of difference from that of Government Officials are made public on OIST website. <http://www.oist.jp/ja/about/information/information22.html>

The above calculation was conducted within 25.4% (18 out of 71) out of total administrative/technical staff. In case of trial calculation on Laspeyres index including the total number, the index would be about the same level as that of Government Officials.

Furthermore, while continuing our efforts in streamlining the organization and enhancing efficiency of the administrative operation, we will continue to make efforts in ensuring the proper salary standard through measures such as reviewing the salary table etc as necessary.

#### 5. Effective use of the assets

##### (1) Use/Management of Facilities and equipments

Seaside House and the Faculty Housing were effectively utilized in accordance with the rules and regulations as follows.

(Seaside House)

8 OIST International Workshops with 362 participants were conducted; and 4 workshops by external public organizations were held with 188 participants.

We examined the basic utilization policy that Seaside House will continued to be utilized for our workshops and seminars and that some space released by the move of administrative office will be used as an exhibition space for OIST's research results etc. and a working area for students in

order to expand our teaching and training resources. The detailed plan will be developed in FY2010.

(Seaside Faculty Housing)

The housing was utilized in accordance with the Stipulations. Out of 8 housing, 6 were used for the long-term residents and 2 were used for the short-term residents, and total usage rate was 72.8 %. (Number of days used p.a.: 2127, Number of available days p.a.: 2920)

(New Campus)

Based on aforementioned policy, the regulations, stipulations, and rules will be established; and OIST will ensure appropriate management and the proper utilization accordingly.

## 6. Implementation of measures for greater operational efficiency

### (1) Internal control and Enhancement of governance

Auditor's audit was conducted five (5) times in FY2009 as below, which is an increase from usual years. (1st: April 13-15, 2009, 2nd: June 24-26, 2009, 3rd: Sep 30-Oct 2, 2009, 4th: Dec 3-5, 2009, and 5th: Feb 12-13, 2010) In addition, a full time Auditor was appointed on Sep 1, 2009, and efforts have been made in providing rigorous verification on the appropriateness of tendering, contract procedure, budget execution status, and utilization of assets.

### (2) Formulation of FY2010 Annual Plan

Items that have been stated in a descriptive style in the FY2009 Plan will be revised to itemized description in the FY2010 Plan to clarify each item and contents to be implemented.

### (3) Self-inspection/evaluation on the administrative operation

The monthly Operation Review Report includes information on budget execution and indicators of operational performance of OIST sections and Research Units. This monthly report is provided to the Executive Committee, which will be communicated to all section managers and PIs from FY2010. Weekly Executive Committees and Monthly Managers Committees give regular opportunities to OIST employees to raise operational issues and then to report on action taken.

The evaluation result provided from the Evaluation Committee were properly reflected through measures such as; clarification of administrative posts including dual positions, promoting acquisition of external funding through establishing a dedicated team, and recruiting members for important posts that were vacant.

### III. Budget, Income & Expenditure Planning, and Capital Planning

While the expenditure budget of the Subsidy for Facilities was 5,511 million yen, 15,602 million yen including 12,730 million yen carried over from the previous fiscal year was executed following the completion of Laboratory 1 and Center building etc. In addition, DNA sequencer and confocal laser microscope were installed by applying for the supplementary budget of 170 million yen for the Subsidy for Equipment of the previous fiscal year. Out of operation expenditure, 935 million yen was carried over to the next fiscal year, but there is no negative impact on the operation progress.

Please refer to the page 18 (*the page of the Japanese original version*) for summary of budget and account settlement.

#### 1. Improvement of financial conditions

##### (1) Acquisition status of external funds

- Competitive research grants: 59,085,142 JPY (target figure: 26,000,000 JPY)
- Externally sponsored research: 24,557,625 JPY (target figure: 9,000,000 JPY)
- Donation: 0 JPY (target figure: 20,000,000 JPY)

The targets for the acquisition of external funding have been exceeded for FY2009 for competitive research grants and revenues from sponsored research. Meanwhile, as to donation, it turned out that it is difficult to set a separate target for it due to the current circumstances; the targets for FY2010 and after is reviewed and a new target is set for external funding as a whole, which includes competitive research grants, sponsored research and donation. The acquisition target for external funding is raised to 120 million yen which is a 50% increase from the original target of 80 million yen.

##### (2) Actions to be taken in order to acquire external funds

To promote the expansion of external funds, "OIST Competitive Funding

Team” was established for the acquisition of competitive funds, and one team member was assigned full time. A supporting system that considers expertise of researchers is planned for implementation in FY2010.

#### IV. Other important items related to the operation

##### 1. Facilities and equipment

###### (1) Construction and occupation/use of the facilities including the Lab

The core facility & fit-out work, such as interior, mechanical, electrical, and plumbing works for Lab1 and the Center Building, were completed by January 2010. Use of laboratory & general furniture, audiovisual equipment, and IT infrastructure has started in March, and will be expanded as necessary.

The relocation of research laboratories from the research facility in Uruma was successfully carried out and research units started their research activities on the new campus in March 2010. Regarding the relocation of research units, we held meetings with PIs and prepared schedules for each unit in advance to minimize obstacles to their research. 14 research Units were able to resume their research activities after the move of approx. 3 weeks. Most of the research equipment were moved and resumed operation on schedule. In the major move consisting of 14 research units, only a few cases of temporarily missing materials or unprepared utilities occurred, resulting in minor delays in resuming operations.

On the new Campus, operation of the new facility with open layout focused on collaboration and common use for multidisciplinary research.

As for Lab2, the basic design and preparation for construction of the NHP research facility planned in Lab2 was proceeded on receiving advice from researchers of other institutes. In addition, we have applied for the building permit to develop the NHP research facility in Lab2 and obtained permission.

During the building construction, the consultant implemented regular environmental monitoring and provided proper instruction to the developers and designers so that the impact on the environment would be minimized. From the viewpoint of developing an environmentally friendly campus, we also developed efficient air conditioning and

ventilation equipment, LED illumination, and solar battery systems as well as the architectural technique to enhance heat-insulation capacity.

(2) Development of housing and amenities program

As for the Village Zone development, we decided to adopt the PPP (Public Private Partnership) procedure. We posted a public announcement in October 2009 and have conducted a project briefing session. We are in the process of having consultations with the applicant on the terms and conditions such as rent, quality, service, and financial viability.

2. HR related matters

(1) Recruitment of Administrative staffs in a planned manner toward the opening of the Graduate University

We have recruited 38 administrative staffs as Permanent, Fix-term, and Part-time employees in FY2009. We have made efforts in collecting many candidates suitable for the position by using specialized magazines, newspapers, OIST website, and recruiting agencies for administrative staffs.

A Manager of HR section which position had been vacant was appointed in September 2009, and a manager of General Affairs section was appointed in March 2010, both having sufficient experience in each area.

Number of full time employee (except fix term employee) was 29 at the end of the fiscal year.

The percentages of employees from Okinawa are as below. Overall, it remained almost at the same level from last year. Recruitment activities for people from Okinawa were conducted by posting recruitment advertisement on local newspapers and holding a recruitment seminar for local students.

Percentages of employees from Okinawa

	FY2008	FY2009
Administrative staff	50%	40%
Technician	31%	19%
Researcher	3%	8%
Overall	22%	20%

(2) Job-related training to develop employees' specialties

When employees plan for an annual performance evaluation, supervisors are required to discuss with each employee a training plan for the year. Training requests for all employees will be reviewed in order to develop standard training courses. Both training proposals made by employees themselves as well as management-directed training will be included.

For example, a method English language program was conducted in order to strengthen language capability of the employees. Additionally, in response to strong demands from the employees, a Japanese language course was carried out for foreign researchers and staff throughout the year. As part of managerial training, an industrial physician held a mental health awareness session with supervisors for enhancing their understanding in relation to employee management and counseling.

(3) Utilization/Assignment of Permanent and Fixed-term Employees

By allocating permanent staffs throughout the administrative sections, and hiring fixed-term employees with high level of expertise, adequate salary level as well as stable, effective, and flexible operation of the organization were ensured.

(4) Performance Evaluation of Employees

By introducing employee evaluation system following suit of those for national public employee, performance evaluation has been implemented with transparency and fairness.

The evaluation consists from "values/competencies" and "performance", and comprehensive evaluation is provided through processes of self-report, manager's evaluation, and confirmation by supervisor, in which assessment is provided in 5 scales. As for salary increase and promotion, based on the above procedure, the manager will make the suggestion, and after the verification by the supervisor, the Executive Director will make final decision.

(5) Arrangement of Personnel Exchange with Other Educational research institutions, Governmental institutions, and Private companies

In order to receive practical support as well as to set up an opportunity

for OIST employees to lean, we have received staffs with considerable knowledge/expertise in specialized areas from MEXT, University of the Ryukyus, Okinawa Prefectural Government, and Bank of Okinawa continuously. Meanwhile, in aim of fostering employees, it was determined to second an employee to the Cabinet Office for training purpose from the next fiscal year.

## 1. Enhancement of the Administrative Structure

### (1) Establishment of administrative structures towards the opening of the Graduate University

- For the open positions that are important in the organizational management (such as Manager of GA section, Manger of HR section), staffs were promptly appointed through recruitment or officially assigned as dual position. For the posts that were covered as dual positions until appropriate personnel were appointed, efforts were made in assigning a dedicated staff as soon as the personnel was ensured.
- Reorganization plan for establishment of administrative structures toward the opening of the Graduate University was prepared, and was conducted in FY2010.as listed below:
  - Academic Affairs Division was established in order to make sufficient preparation toward the opening of the graduate university.
  - Budget management system was enhanced by expanding the staffs in the Budget Section.
  - A plan was made for HR Section to be changed to an upper level “HR Group” with an HR Operations Section and Recruiting & Assistance Section. This will enable building a consolidated HR management system covering the research units as well, and enhance the function for supporting non-Japanese OIST staffs.
  - A member from MEXT who is knowledgeable in research institutes has been assigned to the position of Executive Assistant, and a dedicated accreditation team has been established under this person to plan and support smooth transition to the Graduate University.

#### 4. Social responsibilities

##### (1) Thorough Compliance with Laws, Regulations, and Codes of Ethical Conduct

For the administrative management, compliance with laws was enhanced through measures such as thorough conduct of the document circulation process to Auditors, strengthening the system for ensuring ethics in research units by revising the "Officer and Employee Ethic Regulations", and providing Compliance Officer's review in light of compliance in drafting and revising regulations. In addition, the whistle blowing system was enhanced by setting internal and external whistle blowing contact points.

For the research side, a seminar for the prevention of scientific misconduct and misconduct in the use of research funds was held (in Oct 2009). In addition, Genetic Recombination Experiment Committee and Biosafety Committee were held in January, and Human Subjects Research Review Committee was held in March to review experiment plans. Furthermore, to ensure proper conduct of animal experiments, Animal Care and Use Committee was held to review protocols applied from researchers in accordance to relevant Laws and standards.

##### (2) Cooperation with the Local Community

OIST provided various opportunities for local citizens; including students, teachers, and general people, to learn about our research and other activities through lectures, school visits, exhibition, etc. with the collaboration and cooperation of Okinawa Prefecture and Onna Village and others. Also, with the assistance from Okinawa Prefecture and Okinawa General Bureau of CAO, OIST provided scientific demonstrations by PIs, and exhibition of OIST at the OGB office and at a monorail station in Naha-city.

Throughout the year, OIST received many visitors at Seaside House, Campus, and research facilities in Uruma, and the people's understanding for OIST has been promoted through such site tours.

OIST Open House 2009 took place in mid-November, and approximately 500 citizens came to see the event, which included lectures by PIs, scientific exhibitions, demonstrations, and lab tours. Prior to the event, 4 lectures, by the PIs and an introduction of OIST by

an administrative staff at local junior high schools took place in October and November.

### (3) Environmental Consideration

Solar battery panel with overhead lighting was installed on the roof of the corridor leading to OIST gallery tunnel at the main entrance. The electricity generated is supplied mainly to lighting equipment of the OIST Gallery tunnel. Throughout the buildings on the Campus, LED lighting is widely used from the point of cost reduction and long life. Air conditioning costs are also reduced through using insulating tile for the exterior surface on the building and through adopting awning windows. To maximize the efficient use of water supply on the campus, advanced water treatment and that of recycle is conducted extensively.

We promoted the use of recyclable products (e.g. recyclable expendables) in every section where possible.

### (4) Development of Safe and Friendly Work Environment

Employee training has been conducted in this fiscal year to inform the importance of safety and health management to OIST employees. Furthermore, two PIs have been appointed as contact persons to share information and to find problems concerning safety & health management in the research units.

The manager of HR section and the industrial physician had meetings regularly to discuss how to make appointments and about the frequency of the consultation. To enhance physical and mental health of the employees, educational sessions, etc are planned to be implemented.

The Whistle-blowing Regulations was revised, and accordingly in September 2009, the external contact point was established and the improvements made were informed to the employees. As for prevention of labor problems, preparations were made for the training planned for implementation in the next fiscal year.

In order to achieve work-life balance, preparation for updating the working time management system was made to grasp the employees working hours in a timely manner and to introduce the flexible-hours system.

# **Budget Closing Report**

**Budget closing report**  
**For the year ended March 31, 2010**

(Unit: Million yen)

	Budget	Actual	Difference	Remarks
<b>Revenues</b>				
Subsidy for operation	5,718	5,718	0	
Subsidy for equipment	0	170	170	*1
Subsidy for facility	5,511	6,662	1,151	*2
Other	55	42	△ 13	
<b>Total</b>	<b>11,284</b>	<b>12,592</b>	<b>1,308</b>	
<b>Expenses</b>				
Research expenses	4,829	3,880	△ 949	*3
General and Administrative Expenses(except for personnel costs)	565	565	0	
Personnel costs	379	294	△ 85	
Equipments	0	170	170	*1
Facilities	5,511	15,602	10,091	*4
<b>Total</b>	<b>11,284</b>	<b>20,511</b>	<b>9,227</b>	

Notes:

1. Total amount may not match due to rounding off of fractions
2. Main reasons for Difference are as follows;
  - \*1 Granted and executed subsidy of Supplementary budget (170 million yen) for FY 2008
  - \*2 The balance brought forward from FY 2008 (3,695 million yen) and the balance carried forward to FY 2010 (2,544 million yen)
  - \*3 The balance carried forward to FY 2010 (935 million yen)
  - \*4 The balance brought forward from FY 2008 (12,730 million yen) and the balance carried forward to FY 2010 (2,639 million yen)

# **Internal Auditor's Report**

## 意見書

独立行政法人  
沖縄科学技術研究基盤整備機構  
理事長 シドニー・ブレナー 殿

監事 中地 宏



監事 勝野 聖



独立行政法人通則法第19条第4項の規定に基づき、独立行政法人沖縄科学技術研究基盤整備機構の平成21年4月1日から平成22年3月31日までの平成21事業年度の財務諸表、事業報告書及び決算報告書について監査を実施した。その結果につき以下のとおり報告する。

### 監査の結果

- (1) 財務諸表は、独立行政法人会計基準及び我が国において一般に公正妥当と認められる会計基準に準拠し、独立行政法人沖縄科学技術研究基盤整備機構の財政状況、運営状況、キャッシュフローの状況並びに行政サービス実施コストの状況を適正に示しているものと認める。
- (2) 事業報告書は、独立行政法人沖縄科学技術研究基盤整備機構の業務運営の状況を正しく示しているものと認める。
- (3) 利益の処分に関する書類は、指摘すべき事項は認められない。
- (4) 付属明細書は、記載すべき事項を正しく示しており、指摘すべき事項は認められない。
- (5) 財務諸表、事業報告書及び決算報告書に重大な影響を与える不正及び誤謬並びに違法行為は認められない。

なお、事業報告書II-2「予算の適正かつ効率的な執行」に記述されているように、平成20年度から21年度の施設整備において予算執行上の問題が遺憾ながら生じている。本件に関しては、機構及び機構監事から事実関係の調査結果について内閣府独立行政法人評価委員会分科会に報告し、同分科会の提言及び監督官庁の指示を受けて再発防止のための対応策が講じられているところである。今後、各種対応策を着実に実施するとともに、機構の管理運営体制を強化して適正な業務運営の確保に努めることを求めるものである。

以上