

June 10, 2026

To: Board of Governors and Board of Councilors,
Okinawa Institute of Science and Technology School Corporation

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FY2025 Audit Report

This document is to report the results of our periodic independent audit of the Okinawa Institute of Science and Technology School Corporation regarding its business operations, financial condition, and the execution of duties by the Members of the Board of Governors during fiscal year 2025. 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) With respect to the operation of the internal control system, we received the necessary explanations, including those provided in the business report and its supplementary schedules.
- (3) Regarding the disciplinary case involving an OIST employee (announced on December 25, 2024), we confirmed the School Corporation's response in light of the Third-Party Investigation Committee Report on the Misconduct of a Former Employee (June 12, 2025).
- (4) For the audit of the financial statements, we received reports from the independent audit firm on the execution of its duties and requested explanations as necessary, in order to monitor and verify that the firm maintained its independence and conducted its audit appropriately. We also received notification from the audit firm that a system to ensure proper execution of duties had been established in accordance with the Quality Control Standards for Audits (Business Accounting Council, October 28, 2005) and other relevant standards, and obtained explanations as necessary. We have reviewed the FY2025 financial statements and their

(5) supplementary schedules using the methods described above.

2. Conclusion

(1) Audit Results of the Business Report and Related Documents

- ① We confirm that the business report and its supplementary schedules accurately reflect the status of the Okinawa Institute of Science and Technology School Corporation in accordance with applicable laws, regulations, and bylaws.
- ② We found no misconduct in the execution of duties by the Members of the Board of Governors, nor any material violation of applicable laws, regulations, or bylaws.
- ③ The content of the Board of Governors resolution concerning the internal control system is deemed appropriate. Furthermore, in relation to the internal control system, we identified no matters requiring comment regarding the content of the business report or the execution of duties by the Members of the Board of Governors. No matters requiring special mention were identified with respect to the disciplinary case involving an OIST employee (announced on December 25, 2024).

- (2) Audit Results of the Financial Statements and Their Supplementary Schedules
We acknowledge that the audit methods and results of Ernst & Young ShinNihon LLC, the audit firm, are appropriate.

We hereby submit the Audit Results and Auditors' Opinion for FY2025, as attached.

separate volume

Audit Results and Auditors' Opinion for FY2025

June 2026

Auditors, Okinawa Institute of Science and Technology

Graduate University School Corporation

Audit Results and Auditors' Opinion for FY2025

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Abbreviation Index		
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
IA	Internal Audit Section	内部監査セクション
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
RCS	Rules and Compliance Section	法令・コンプライアンスセクション
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

FY2025 Audit Results and Auditors' Opinion

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. The information in this report is, in principle, based on data as of March 31, 2026.

II. Audit Plan for FY2025

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 FY2025, including audit items and audit implementation dates, was established, and the President was notified on October 31, 2025, as the “Notice of Auditors' Audit for FY2025”, 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) Internal Control
- (ii) Operational efficiency and organizational management
- (iii) Finance (budget execution management, subsidy management, etc.)
- (iv) Efforts to obtain external fundings
- (v) Creation of a good working environment (working hour management, anti-harassment measures, health and safety management)
- (vi) Training and improvement of staff management skills
- (vii) Information security and personal information protection
- (viii) Disaster prevention and Business Continuity Plan (BCP)
- (ix) Contribution to the promotion of Okinawa
- (x) Outreach activities to junior high and high school students, and others in Okinawa and beyond
- (xi) Business Report and 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. 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 reviewed circulated important kessai (decision-making) documents and various meeting materials. In addition, we attended the on-site inspection by the Board of Audit and the meeting with MEXT to exchange opinions on public research funds.

As Auditors, we examined the financial statements and related documents, as well as the financial reports, as follows. We coordinated closely with the audit firm and received the necessary explanations from FM. As for the Accounting Audit conducted 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 then received explanations and reports on the audit status and the performance of duties. We monitored and verified whether the audit firm maintained its independence and conducted its audit appropriately. We also received notification from the audit firm that “the system to ensure proper execution of duties” had been established in accordance with the Quality Control Standards for Audits (Business Accounting Council, October 28, 2005) and other relevant standards, along with the necessary explanations. The final audit results from the audit firm, together with the required explanations, were provided on June 5.

With respect to the business report, in addition to the audit procedures described above, we received a notification from OIST on May 13, 2026, and obtained the necessary explanations.

III. Audit Results

1. Internal Control

(1) Status of Internal Control Operations

Regarding internal controls at OIST, we assessed the general operational status by attending BOG and BOC meetings and reviewing business reports and related materials. This allowed us to investigate and verify the following matters.

- ① Regarding legal issues, we confirmed that all legal cases in FY2025, including lawsuits, were appropriately managed and handled by GC. GC recognized that the conflict of interest policy regarding family relations, which came into effect in October 2024, was being properly enforced.
- ② Regarding the OIST Risk Matrix, the 13th OIST Risk Management Committee meeting was held in November 2025 to review the situation in the first half of FY2025. During the meeting, the Committee added “Lack of holistic computing asset management” and modified “Fire”, “Lack of HR strategy,” “Cyber attack,” and “End of ERP system.” The Committee plans to evaluate the situation in the second half of the year in the same manner at the 14th Committee meeting, scheduled for around April 2026.
- ③ Internal Audits were conducted based on the FY2025 Internal Audit Plan, covering “Execution of Competitive Research Funds,” “Periodic Monitoring for Small Amounts Orders,” etc., and the results were reported to the President. No particular issues have been identified regarding the implementation of the Whistleblower Protection Act (Related Matters [2] and [3])
- ④ Regarding the past activities of the Rosalind Franklin Forum for Female Scientists (“ROZ”) involving the university, OIST announced on its website in January 2026 that an investigation would be undertaken under the supervision of an external lawyer. As auditors, we confirmed that preparations for the investigation have begun. We will continue to monitor the developments.
- ⑤ We commend the BOG/BOC for their actions to address cyberbullying and anonymous attacks.

⑥ Documents submitted to the Japanese government must be in Japanese; however, at OIST, it is common for responsible personnel to be non-Japanese speakers. Although no English translation has been prepared for the Checklist of the Guidelines for Managing and Auditing Public Research Funds at Research Institutions, we confirmed that this has not created any particular issues, as sufficient explanations have been provided to non-Japanese-speaking executives. While no significant problems have been identified at present, it will be necessary to consider measures, including the preparation of English language materials, considering the possibility of personnel changes.

【Auditors' Opinion】

As described above, operations are being carried out in accordance with the Basic Policy on the Establishment of Internal Control Systems, and no particular issues were identified. However, with respect to ROZ, it will be necessary to conduct a rigorous investigation and fulfill accountability obligations, such as publicly disclosing the investigation results, in order to maintain trust in OIST. Furthermore, because it is not always possible to provide non-Japanese-speakers with sufficient explanations regarding materials submitted to the government, we expect processes that do not rely on individual expertise, including the preparation of English-language materials.

(2) The Third-Party Investigation Committee Report on the Misconduct of a Former Employee (June 12, 2025) (hereinafter referred to as the “Committee report”).

Regarding the disciplinary case involving an OIST employee (announced on December 25, 2024), a Third-Party Investigation Committee was established to examine the cause, determine the allocation of responsibility, and review the recurrence-prevention measures. We confirmed the status of implementation of the Recurrence Prevention Measures described in the Committee report. (Matters related to procurement are described in section [3].)

- ① To prevent such situations from recurring, it is necessary to disseminate the Committee report throughout the university. OIST publishes essential matters, such as the Results of Research Misconduct Investigation at OIST (2021.1.27), on its Information Disclosure webpage (<https://www.oist.jp/about/disclosure>). However, because the Committee report had not been published as of October 2025, we requested that SGO arrange for its publication, and it was subsequently published in November.
- ② At the press conference following the release of the Committee report, the President stated that “holding the former employee and others accountable would be considered,” which was widely reported. However, as of October 2025, no results of this consideration had been disclosed. Upon inquiry by the Auditor to the President, the response provided was that “further consideration was conducted, but holding them accountable would be difficult from a legal standpoint.” Consequently, we requested that the results of this consideration be disclosed in order to fulfill OIST's accountability obligations. The President and the SGO responded that they wished to disclose the findings together with the status of progress in the recurrence prevention measures. Both were subsequently published on the OIST website in February 2026.
- ③ Managers and staff involved in large-scale procurement contracts are subject to regular personnel rotations and periodic interviews conducted by the responsible executives and HR. Based on procurement risk indicators, such as purchase amounts, BFM, IT, and Core Facilities were selected as the targeted divisions, and HR conducted initial interviews and identified rotation candidates between November 2025 and January 2026. The rotation plan is currently being formulated and is scheduled to commence in April 2026. While the targeted divisions are

currently limited to these three, there is potential for expansion in the future. Interviews are scheduled approximately every six months.

- ④ Regarding the promotion of awareness and utilization of the external whistleblowing contact point, 357 contractors were notified of the Whistleblower Hotline. On the OIST website, a link to the Whistleblower Hotline is provided at the bottom of the homepage, and “7. Contact window for illicit or inappropriate actions” is posted on the “Supplier Guidance (Japan)” page (<https://www.oist.jp/about/procurement/guidance-business-partners-japan>). Furthermore, in November, the system was upgraded so that the Whistleblower Hotline is now displayed on all purchase orders.
- ⑤ Regarding the survey of staff below management level who were not covered by the Committee's investigation, a questionnaire survey was conducted with a response deadline of October 2025. It was reported that no direct concerns were identified in the responses.
- ⑥ A questionnaire survey was conducted among staff below management level to confirm whether they had observed or become aware of receiving money or similar benefits. Based on the results, the objectives of the Internal Audit will be reviewed, and the Internal Audit will be conducted accordingly. The timing and content of the next questionnaire are currently under consideration.
- ⑦ To enhance ethics education, a new mandatory e-learning program on ethics has been introduced for all employees.
- ⑧ The Whistleblower Protection Act has been communicated to employees and other relevant parties through TIDA and other channels. However, there is room for improvement in ensuring that the information is adequately communicated to employees who have left within the past year and employees of OIST-related companies who have left within the past year.

【Auditors' Opinion】

The Auditors commend the disclosure via the OIST website, based on discussions with the Auditors, of the Committee report, the progress in recurrence prevention measures, and the results of the consideration of the measures referred to in the President's remarks at the press conference.

Regarding recurrence prevention measures, no particular issues have been identified at this stage with respect to their implementation status. However, specific measures such as personnel rotation, interviews, questionnaire surveys, and ethics education have only just begun to be implemented. It remains essential to conduct appropriate reviews on an ongoing basis, in line with developments in the situation. Regarding the Whistleblower Protection Act, there is room to improve awareness among employees who left within the past year and among employees of OIST-related companies who left within the past year. HR has stated that it will discuss improvements with IA on this point, and we expect action to be taken.

(3) Procurement (Including matters pertaining to the Committee report)

① Facilities Maintenance Services

With regard to “Facilities Maintenance Services” (BFM), given the large scale of procurement and the continued occurrence of single-bid tenders, this has been selected as an audit item since the FY2023 audit, and we have requested measures such as the division of contracts.

In the FY2024 Auditor's Audit, BFM explained that, in procuring the FY2025 contract, it would reduce the scope of “Facilities Maintenance Services” by separately contracting four of the eleven

services that had previously been bundled, including green space management, resulting in a reduction to approximately 90% of the previous budget. We pointed out the possibility of further dividing the contracts, such as by building, and of separating security and cleaning services. In response, BFM and FM explained that, based on consultations with vendors, they had determined that, under the current labor shortage, a comprehensive contract would be the most appropriate approach. The tender results remained unchanged, with only a single bid received.

In light of these circumstances, the FY2025 audit confirmed that a review of this procurement had been undertaken, taking into account the Committee report. For the FY2026 contract, based on interviews with multiple vendors, “Facilities Maintenance Services” have been divided into three separate contracts: “Facilities Maintenance,” “Security,” and “Cleaning,” with BFM Staff responsible for coordination among the services and overall management. The tender eligibility requirements were also relaxed. In addition, in preparing the specifications, rationalization measures were implemented, including the clear designation of personnel responsible for each service, with a view to preventing over-reliance on specific individuals. The tender results showed multiple bidders in all categories: two for “Facility Maintenance,” two for “Security,” and three for “Cleaning” with a new vendor entering the “Cleaning” category.

② Role of Internal Audit

In FY2025, an Internal Audit was conducted on contracts that have been continuously awarded to a single bidder over an extended period. The audit confirmed that the reasons for the continued use of single-bid tenders were explained in accordance with internal regulations and that the contract terms and conditions were generally appropriate. Furthermore, as in previous years, regular monitoring of small-value procurement has been carried out by internal audits.

③ Transfer of construction-related contract procedures to FM

Previously, construction-related contract procedures were handled by BFM; however, in order to establish a centralized procurement management system, only tasks such as the preparation of specifications have been retained by BFM, while procedures related to bidding and contract execution have been transferred to FM.

④ Formulation of a procurement rationalization plan and establishment of the Procurement Compliance Monitoring Committee

With reference to the procurement rationalization plan of RIKEN, consideration is underway for the formulation of OIST's procurement rationalization plan. Meanwhile, in order to further enhance the transparency of procurement, a Procurement Compliance Monitoring Committee has been established. The first meeting of the Committee was held on February 4, 2026, with Facilities Maintenance Services among the agenda items, and it is planned that the Committee will meet approximately three times per year going forward. It is expected that the Committee's views will be sought in the course of formulating the procurement rationalization plan.

【Auditors' Opinion】

Facilities Maintenance Services have been a focus of attention for the auditors since the FY2023 Audit, due to the continued occurrence of single bid-tenders. On this occasion, in addition to relaxing the tender eligibility requirements, the services were divided into three separate contracts, with overall management assigned to BFM staff. As a result, multiple bids were received for all of the contracts, and a new contractor was awarded the cleaning services contract. This outcome is commendable, and continued efforts in this direction are encouraged. Furthermore, efforts to enhance transparency in the preparation of specifications are also to be commended. However, given that the content of the specifications is a key factor in enabling the participation of new vendors, further efforts are expected.

Based on the investigation report, we confirmed progress has been made in implementing internal audits, transferring construction-related contract procedures to FM, establishing a Procurement Compliance Monitoring Committee, and formulating a procurement rationalization plan. While these initiatives are important, in order to ensure effective prevention of recurrence, we expect that attention will be paid to avoiding a merely formalistic approach and that these measures will be implemented steadily.

2. Operational efficiency and organizational management

In the strategic plan, operational efficiency and organizational reform are identified as key priorities. In FY2025, amid challenging financial conditions and considerations regarding the expansion of OIST, several new initiatives were launched. These include the “Harmonization” initiative to address organizational silos and operational duplication, staff reductions, the ERP renewal, and the “Engagement Action Plan” developed in response to the results of the engagement survey. These initiatives, together with those undertaken by each division, are outlined below.

(1) Harmonization and staff reductions

At OIST, operations remain highly siloed between divisions, resulting in operational overlaps, including the existence of separate HR functions within the administrative and research divisions. Addressing these issues is identified as a key priority in OIST’s Strategic Plan and has been a focus of the Auditors’ Audit.

In FY2025, efforts were initiated to strengthen human resources and organizational management and to analyze workflows, primarily in HR and FM. Ultimately, a decision was made by the President to launch the Harmonization initiative. This initiative aims to improve operational efficiency and reduce costs by streamlining overlapping functions across the organization. Specifically, based on consultations with division leaders, 14 target areas were identified, of which two — “Payroll” and “Relocation” — were selected as initial pilot cases for FY2026.

Meanwhile, as the ERP renewal is scheduled to be completed in 2026, prompt action is now required in areas beyond these two pilot cases in order to make effective use of the ERP for streamlining. During the interview with HR, it was also stated that Harmonization is, by its nature, not a one-time project but an ongoing process to be undertaken on an annual basis.

In the responses from each division, some noted that the transfer of duplicate tasks enabled them to concentrate on their core responsibilities (GS). In contrast, others pointed out that the initiative remained limited to eliminating duplication in certain areas and had not reached the level initially envisioned, that is, incorporating enhanced human resources and organizational management as well as workflow analysis (SGO). Others also expressed the view that it is necessary to listen to feedback from line managers and staff (UCS).

The materials submitted by OIST to the CAO Review Panel in October stated that the number of administrative and support staff would be reduced by 5% annually through 2028 by limiting the replacement of retiring employees. The rationale for this reduction is to align with the average number of administrative and support staff per PI at comparable institutions, which is 4.15. Faculty and staff were informed of this plan via an email from the President at the time the materials were submitted, and further explanations were provided during a town hall meeting in November. In relation to this initiative, we gathered input from the President, HR, FM, SGO, and other divisions.

If staff reductions are pursued by limiting the replacement of retiring employees without implementing inter-division transfers, a situation may arise in which divisions with surplus staff will not see reductions unless employees retire, while divisions that are already understaffed may face reductions if retirements occur. Since it was not clear from the previous explanations provided at the town hall meeting and on other occasions whether inter-

division transfers were included in the initiative, we confirmed this with HR. In response, HR explained that although this had not been explained previously, inter-division transfers are planned. HR also acknowledged that the understanding of this initiative, as well as Japan's legal and human resources systems within OIST, including among VPs and others, remains insufficient, and stated that HR intends to proceed while providing thorough explanations. On the other hand, many divisions, citing already tight staffing conditions, expressed concerns about the initiative and pointed to a lack of communication.

As measures to reduce staff numbers, the use of IT — such as ERP renewal — is expected to contribute alongside Harmonization. As noted earlier, the scope of Harmonization is limited at the initial stage, and challenges remain, including the strengthening of human resources and organizational management as well as workflow analysis. With regard to ERP, the materials submitted to the CAO Review Panel state that “efficiency gains equivalent to 50 full-time employees (FTE) are estimated,” and this figure is cited as one of the bases for the plan. When this point was confirmed with the CIO, it was explained that this estimate is based on tentative assumptions made at the planning stage and that the figure requires verification through future reviews of business processes. Furthermore, in addition to the degree of certainty around the FTE estimate, the actual impact will vary significantly depending on which categories of staff can be reduced.

Across the divisions, widespread concerns were expressed that staffing levels are already insufficient and that retiring employees may not be replaced.

【Auditors' Opinion】

At OIST, siloed operations and overlapping functions, and the resulting inefficiencies in budgeting and staffing, present significant challenges. Harmonization and staff reductions can be viewed as initiatives to address these issues. The approach of eliminating operational overlaps through Harmonization in order to streamline the organization, together with the use of IT, such as the ERP renewal, as a means of achieving staff reductions, is also understandable.

However, there are also matters that warrant careful attention moving forward. While the scope of Harmonization is limited, at least in its initial phase, the ERP renewal — expected to have a significant impact on future OIST workflows — is scheduled for completion in 2026, resulting in a misalignment in timing. Furthermore, contrary to the original concept, it is difficult to conclude that the initiative is sufficiently based on the strengthening of human resources and organizational management or on thorough workflow analysis.

Given that Harmonization and the ERP system renewal are undertaken with the expectation of achieving workforce reductions, this raises a matter of concern. Moreover, at this stage, it remains difficult to identify concrete figures regarding the staff reduction effects of the ERP renewal. Accordingly, rather than addressing Harmonization, staff reductions, and the ERP renewal as separate initiatives, it is essential to pursue them in an integrated manner from the perspective of improving OIST's overall operational efficiency. Specifically, we strongly urge that, to the greatest extent possible, workflow improvements be implemented in parallel with the ERP renewal — including operations not currently within the scope of Harmonization — so as to facilitate the review and streamlining of business processes and thereby lead to staff reductions.

As a method of staff reduction, the plan is to limit the replacement of retiring employees, and this has been explained at the town hall meeting. However, in order to achieve balanced staff reductions across OIST as a whole, inter-division transfers are indispensable, yet no explanation has been provided regarding this aspect. Furthermore, it has been indicated that gaining understanding within OIST — including at the vice president level — regarding this initiative and Japan's legal and human resources systems, remains a key challenge going forward. We therefore strongly urge that,

through careful and thorough explanations, effective staff reductions be implemented in a manner that ensures the full understanding of the OIST community.

Recognizing that it is standard practice for organizations to identify the tasks performed by each department, determine staffing levels based on those tasks, and review staffing allocations or reassign personnel (including inter-division transfers) in response to changes in operations, we request that OIST undertake its efforts with reference to the practices of other organizations. One example is the improvement of the human resources planning system, which has room for improvement, particularly with regard to the management of headcount and associated job grades. Such improvements are also expected to assist in assessing the potential impact of staff reductions.

(2) Renewal of the ERP system

With regard to the ERP renewal, the project is currently in the design phase, with development and testing to follow, and data migration scheduled for November. We received an update on the current status from the CIO and the relevant divisions.

Regarding the budget for the ERP renewal, 800 million yen was secured in the FY2026 budget, approximately 200 million yen remains unfunded, as reported to the BOG and the BOC. The CIO explained that this shortfall will be addressed either through additional budget allocation or by revising the project scope.

An ERP project team composed of key stakeholders from HR, FM, SGO, and other divisions closely related to the ERP system has been established and is serving its role for the renewal process.

To ensure the renewed ERP system is efficient and user-friendly, sufficient communication with all divisions is essential. In particular, for this ERP renewal, OIST has adopted the so-called “Fit-to-Standard” approach, which prioritizes alignment with the standard package while limiting customization. As each division is required to review its business processes in light of the ERP system, such communication is especially important. During the FY2024 Auditors' Audit, many divisions commented that sufficient explanation had not been provided during the previous renewal, that the current ERP system contains many inconvenient features, and that they expect adequate explanations and improvements in connection with the new ERP system. In response, the CIO stated that sufficient explanations would be provided this time. During the FY2025 Auditors' Audit, the Auditors again confirmed the situation with each division. The majority responded that communication had improved compared with the previous renewal, while remaining divisions indicated that they expect further communication going forward.

A Project Manager (PM) responsible for the ERP renewal has been appointed. The PM's responsibilities include defining system requirements and serving as the primary point of contact with the vendor, which requires a solid understanding of OIST's operations and IT systems. As the PM was recruited externally and has no prior experience at OIST, we confirmed whether sufficient support is being provided by OIST. The PM explained that, although he is still in the process of gaining an understanding of OIST's operations, he has been communicating openly with relevant staff and is receiving the necessary support.

【Auditors' Opinion】

Regarding the budget for the ERP renewal, a shortfall of approximately 200 million yen has arisen. Although it was explained that this will be addressed through additional budget allocation or a review of the project scope, prompt action is strongly requested to avoid delays in the project.

The active engagement of the ERP project team and the improvement in communication with the divisions are commendable. However, in light of the points noted in (1) and the adoption of the Fit-

to-Standard approach, it is extremely important for each division to review its business processes for the new ERP system. OIST is therefore requested to place even greater emphasis on communication with the divisions.

A new PM from outside OIST has been recruited and has begun work. While no particular issues have been identified at this stage, the PM is required to possess not only technical expertise but also a thorough understanding of OIST's operations. OIST is therefore expected to provide sufficient support to the PM, particularly in helping the PM gain familiarity with OIST's operations.

(3) Engagement Action Plan

OIST conducts engagement surveys among its faculty and staff; however, overall scores have consistently remained low. In response, the 2025 Engagement Action Plan was formulated based on the lowest-scoring items in the engagement survey and input from the Strategic Unit. The plan consists of five initiatives, including (1) Improve Processes and Transparency in Basic Resource Allocation, (2) Improve Research Unit Environment, and (3) Improve Recruitment and Address Poor Performance. Under this plan, several initiatives have been launched, including improvements to PEREX management, standardization of job description templates, updating evaluation criteria, evaluation training for managers, and the redefinition of OIST's values.

【Auditors' Opinion】

The consistently low ratings given by faculty and staff in OIST's engagement surveys represent a significant challenge. It is commendable that OIST has engaged in extensive discussions in response to this issue, formulated an action plan, and begun its implementation. The plan also includes a number of initiatives that appear to be meaningful.

However, it is likely to take time before these measures lead to a stronger sense of unity across OIST and are reflected in the results of future engagement surveys. We urge OIST to further enhance and refine these initiatives in light of future survey results.

(4) Initiatives in each division and OIST systems and regulations requiring review

A review of each division's initiatives to improve operational efficiency, organizational management, and interdivisional coordination confirmed that there have been no significant changes from the previous fiscal year in their efforts to leverage IT technologies, including digital transformation (DX), to enhance these areas. Ongoing efforts include the prioritization of tasks, standardization, clarification of roles and responsibilities, and simplification of processes. Initiatives such as robotic process automation (RPA), AI chatbots, and business automation are also being implemented. But it was noted that the introduction of new business processes and technologies entails additional burdens, in terms of personnel and budget (GS, OI, and FM), while they are being established.

With regard to systems and regulations considered to require review, as in previous years, many views were expressed calling for the reorganization and clarification of work assignments, the breaking down of organizational silos, and the elimination of duplicative tasks. In light of the ongoing ERP renewal and PRP review, there were also calls for a broad review of approval processes and various regulations, including the PRP (OI, BFM, HR, UCS). In particular, requests were made for the simplification of travel expense regulations (SGO, GS, DOR). Furthermore, in response to the increasing importance of external funding, the need for the planned execution of overhead (PRO) and for measures to address the additional workload arising from externally funded projects (OI) was also highlighted.

【Auditors' Opinion】

Across the divisions, efforts to improve operational efficiency and organizational management are being steadily undertaken, and views were expressed regarding OIST systems and regulations that

should be reviewed. Many of these views correspond to the objectives of OIST's initiatives addressed in this chapter and support the appropriateness of the current efforts. It is expected that OIST will continue to advance its initiatives while fully taking into account the views of each division and obtaining their understanding.

3. Finance (Budget execution management, subsidy management, etc.)
 - (1) Budget execution management and subsidy management

FM and each division were interviewed regarding the current status and outlook of FY2025 budget execution and management, as well as any challenges encountered in the process.

The FY2025 budget totals 22.2 billion yen (initial budget: 20.1 billion yen; supplementary budget: 2.1 billion yen), and the amount returned to the government from the initial budget of the subsidy for operations is zero. No material issues were identified in budget execution, and financial indicators are currently sound. Regarding the personnel cost deficit, which has been an issue in recent years, initiatives have been launched to reduce OPEX by 500 million yen and reallocate the savings to address the PEREX shortfall.

The budget and operational costs are appropriately managed on a monthly basis. Budget execution is monitored by the Budget Section through the ERP system, with confirmations conducted with each division as necessary. With regard to financial reporting, FM currently reports to the executive team approximately once every six months; however, there are plans to begin providing monthly cash flow reports going forward. As for UMT, it was noted that reports have not been requested for approximately the past year.

Across the divisions, it was strongly emphasized that the reduction in OPEX has made their budgets increasingly constrained.

Ongoing coordination was maintained with the accounting auditor, Ernst & Young ShinNihon LLC (hereinafter referred to as "EY"). Explanations were received from EY in October 2025 and March 2026, and in June 2026, their audit report was received together with a further briefing. The audit report states that no issues were identified in the management of budget execution or subsidies, that these were conducted in accordance with prescribed procedures, and that the appropriateness of the financial statements was confirmed. As auditors, we have no objection to the appropriateness of the contents of EY's audit report. Furthermore, in order to monitor and verify that EY maintains independence and conducts audits appropriately, we received reports on the performance of its duties and requested explanations as necessary. We also received notification and explanations from EY that it has established a system to ensure the proper execution of its duties in accordance with applicable standards. No issues were identified in this regard.

【Auditors' Opinion】

Based on the above, we confirmed that the management of budget execution and subsidies has been conducted appropriately in accordance with prescribed procedures. We also confirmed the appropriateness of the financial statements.

- (2) Budgeting

In the FY2023 and FY2024 Auditors' Audits, a wide range of views were expressed by divisions regarding the budgeting process, including that the notification of budget allocations was late and that there were insufficient opportunities to explain and discuss budget requests after submission. In light of these observations, the matter was reviewed in the FY2025 Auditors' Audit. It was confirmed that, in response to requests from divisions for earlier budget allocations, and to address the situation in which personnel expenses exceeded the PEREX, FM presented the budgeting policy

in the summer of 2025 and the initial FY2026 budget allocation proposal in December of the same year, three months earlier than in previous years. In subsequent meetings and consultations with individual divisions, we confirmed that FM provided each division with an overview of the financial situation, measures for budget reductions, and approaches to securing alternative funding sources, and conducted proactive coordination with divisions regarding budget allocations. As a result, we were informed that, as of the end of the fiscal year, a prospect had been established for achieving the required 500 million yen reduction in OPEX. In the FY2025 Auditors' Audit, feedback was obtained from each division, while the severity of the financial situation of each division was strongly emphasized, there was also an understanding of OIST's overall financial situation. In addition, the PRO expressed a positive view regarding the earlier initiation of the budgeting process, including the earlier notification of budget allocations.

【Auditors' Opinion】

In response to funding constraints, the budgeting process was revised. An initial allocation proposal was presented in December 2025 — three months earlier than in previous years — and, following detailed consultations with each division, the final allocation was determined, achieving the required 500 million yen reduction in OPEX. This can be positively evaluated as contributing to enhanced transparency in the budgeting process and improved efficiency in expenditures. At the same time, given that initiating discussions and making budget adjustments at an early stage is standard practice in many organizations, we, as auditors, strongly urge that such efforts be further advanced in future fiscal years, with reference to the practices of other government agencies, universities, and similar institutions.

4. Efforts to obtain external fundings

As OIST's expansion presents ongoing challenges, securing external funding is essential. The FY2025 Business Plan sets a target of obtaining external funding of 4.4 billion yen (23.8% of the ordinary expenses in the subsidy budget), but as of the end of December 2025, it has reached approximately 4.1 billion yen (22.4%). Based on this achievement, the FY2026 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).

Both overall, and as described later, at the divisional level, the acquisition of external funding is progressing steadily. Meanwhile, materials submitted by OIST to the CAO Review Panel include a backcasting model, which assumes an increase to 200 principal investigators (PIs) by 2045 (https://www8.cao.go.jp/okinawa/4/kentoukai/4/r7_4_shiryoushiyou2-2.pdf). According to this model, the projected acquisition (target) amounts for 2025, 2029, and 2045, expressed in millions of yen, are as follows: competitive grants (overhead only): 517 (2025), 1,560 (2029), 4,519 (2045), private funding: 66 (2025), 1,369 (2029), 6,234 (2045), and donations: 23 (2025), 939 (2029), and 7,039 (2045).

While this is only a backcasting model, the projected amounts are exceptionally high compared with the current situation, particularly when taking into account that, unlike the figures in the business plan, competitive research grants exclude direct expenses, and donation amounts do not include funds related to the International Baccalaureate (IB) school. Similar views were expressed by the divisions responsible for external funding when consulted. Accordingly, substantial internal discussion will be required in order to achieve these funding targets.

The current status and future outlook for external funding acquisition by divisions are as follows:

According to DOR, in FY2025, OIST achieved notable results, including successful awards under programs such as JST Moonshot, AMED PRIME, JST ASPIRE-UK, and JST ASPIRE Top Scientist. The favorable trend has continued, as reflected in the number of applications for and success rates of KAKENHI, including among early-career researchers. To further focus on acquiring overseas grants,

an International Grants Section was established in April 2025 under the DOR, separate from the Domestic Grants Section, and staffing was increased. The section actively gathers information on overseas grants, disseminates information within OIST on funding opportunities open to applications from Japan, and provides application support, which has led to positive outcomes. Meanwhile, the Domestic Grants Section has faced delays in filling vacancies due to staff departures and has been managing its operations with support from the International Grants Section.

With regard to the allocation and use of overhead from external funding, constructive discussions are underway between FM, DOR, and research units, taking into account the current practice of using such to offset personnel cost deficits. According to DOR, in light of faculty views, it may be appropriate to reduce the administrative burden on researchers not only through financial returns but also by strengthening administrative and project management support for large-scale externally funded projects, for example, through the assignment or hiring of dedicated staff.

According to OI, the primary sources of external funding under its jurisdiction are participation in large-scale competitive national programs such as COI-NEXT and research funding from collaborative projects conducted under comprehensive partnerships with industry, both of which have been increasing year by year. In addition, licensing revenue from acquired patents has also shown positive results.

With donations positioned as a key source of external funding, the organizational framework has been strengthened, including the appointment of a Vice President for Advancement (AD) and an Executive Director of the OIST Foundation. Efforts to organize information and initiate fundraising activities have also commenced. However, it was noted that it will take time to achieve tangible results.

【Auditors' Opinion】

External funding has traditionally supplemented OIST's primary source of revenue, the operational subsidy; however, its importance is increasing in light of the anticipated expansion. The targets set in the FY2025 business plan are expected to be achieved, and there are no significant issues in the acquisition status across individual divisions, with solid results being observed. With respect to international grants, organizational capacity has been strengthened, and more proactive efforts to collect information and disseminate it within OIST are ongoing.

Furthermore, constructive discussions are taking place between the research divisions and FM regarding the allocation of external funding, particularly overhead, which we, as auditors, would like to commend.

Efforts to expand donations as a key source of funding have been initiated, including the development of organizational capacity through measures such as the recruitment of new staff. While it is premature to assess these efforts at this stage, we expect that due consideration will be given to the effectiveness of both human and financial investments, and that initiatives will be carried out efficiently.

Meanwhile, a review of the materials submitted by OIST to the CAO Review Panel indicates a backcasting model showing that achieving 200 principal investigators by 2045 will require securing external funding at an extremely high level. Going forward, in order to secure such high levels of external funding, we, as auditors, request that OIST undertake thorough internal discussions in advance, develop a feasible strategy, and proceed in a planned and systematic manner.

5. 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, and based on the results of the Auditors' Audit to date, 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. 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 the approach taken in previous years, 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, a disciplinary case has been initiated against a manager for failing to properly manage their subordinates' attendance. Some divisions noted that management using ERP timesheets must rely on accurate self-reporting by staff, and that it is essential for managers and supervisors to proactively monitor the work status of their subordinates to ensure the appropriateness of the system.

In FY2023 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. Given the significance of this issue, it was highlighted during the Auditors' Audit, and subsequent initiatives have been undertaken primarily by HR.

We requested an explanation from HR regarding the current situation. HR noted that repeated reminders regarding accurate time-recording continue to be issued via TIDA; however, improvements remain insufficient. HR stated that further efforts would be made and that, in the upcoming ERP renewal, additional measures — such as salary suspension — would be considered to prevent continued use of default records. As auditors, we also confirmed that HR is engaging with each division and that the Health and Safety Committee is being utilized to address this issue. Upon our inquiries regarding the status of each division, approximately half were found to have recognized the issue and are taking action, consistent with last year.

【Auditors' Opinion】

Following the FY2023 Auditors' Audit, HR and each division have continued to address this issue; however, as explained by HR, progress in FY2025 has not been sufficient. Nevertheless, about half of the divisions have recognized the issue and are taking action, and the upcoming ERP renewal includes consideration of systematic options, including salary suspension. We have high expectations for these efforts.

Furthermore, in light of the recent disciplinary case, it is essential for managers and supervisors to actively monitor the work status of their subordinates rather than relying solely on self-reporting. We

request further efforts to raise awareness in this regard. In addition, it would be appropriate for HR to take action in cases where issues are identified, such as contacting the relevant section.

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. We request that HR, FAO, and other divisions raise awareness of the need for accurate records even more than for general staff.

(2) Remote work

In July 2024, new remote working regulations came into effect, expanding the number of remote workdays and allowing for greater flexibility in work locations. We sought opinions from each division. Most responses were positive, noting the benefits of a more flexible working style. We confirmed with HR that the proportion of remote work has reached approximately 20%. However, HR has expressed concerns that some staff may choose to work remotely rather than take leave when they are unwell, and that others may attempt to work overtime while working remotely.

【Auditors' Opinion】

The remote work regulations are being smoothly implemented, and we have confirmed that HR is appropriately monitoring the situation. We continue to expect suitable actions to be taken in accordance with future developments.

(3) Childcare and nursing care leave

We have confirmed that HR, FAO, and other divisions are making ongoing efforts — such as identifying eligible individuals and creating a supportive environment — to ensure that those in need can take childcare and nursing care leave. OIST completed separation of childcare- and nursing care-related provisions from the Rules of Employment, and the Handbook for New and Expecting Parents has been updated.

(4) Paid leave

Regarding paid leave, the take-up rate for FY2025 is 79 percent. 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 encouragement, sharing of schedules for summer vacation and others, and ensuring backup systems. On the other hand, some divisions pointed out that they were struggling to cope amid staff shortages.

(5) Anti-harassment measures

OIST has established a Workplace Policy and set up both internal and external reporting channels, as well as mandatory online training for employees, which has generally achieved 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 a Code of Conduct at events (DOR) and information gathering through monthly meetings with the OIST Researcher Community (FAO).

Regarding PRP39, which outlines procedures for resolving complaints and disputes, including harassment, an active OIST-wide discussion was held under the leadership of HR, and the policy was revised in October 2025. Each division has evaluated this revision positively, noting that it followed thorough discussion. Looking ahead, there were requests to strengthen training programs, including face-to-face sessions and manager-focused programs (SGO, BFM, UCS). According to HR, although

the barriers to reporting have been reduced, there has also been an increase in casual or ambiguous reports. HR is considering implementing harassment-prevention training.

Discussions on a code of conduct regarding faculty-student relationships took place in the relevant divisions, and, as a result, it has been incorporated into PRP1.3.2. in June 2024.

【Auditors' Opinion】

We have confirmed that the completion rate of the mandatory online training is high, and that some divisions are taking proactive measures. We also confirmed that PRP39 was revised based on broad discussion and has been positively evaluated, and that many have requested further strengthening of training programs. We evaluate this progress highly and expect continued development. Additionally, following careful deliberation by relevant divisions, the code of conduct regarding faculty-student relationships was incorporated into PRP and is now being addressed. We commend this outcome.

(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. We have confirmed that the committee receives a monthly report from HR, which includes the number of workers with long working hours (45 hours or more of overtime per month) and the number of employees on mental health leave, and that the committee engages in relevant information sharing.

【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. We expect that, through the ongoing activities of the committee, employee health management will continue to be ensured.

6. Training and improvement of staff management skills

Improving staff abilities, including management skills, is essential to managing an increasing number of tasks with a limited number of employees.

OIST actively makes use of online training (eFront). In addition to training for new employees, important courses such as information security, and personal information protection are mandatory for all employees. Individual specialized courses, practical training on how to use the ERP, and courses for managers (management support tools) are also provided in this format. As for face-to-face training, HR provides in-person sessions for management-level staff (explained later in this section). C-Hub (Center for Professional Development and Inclusive Excellence) also offered workshops, training courses, and study sessions for staff. 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.

To improve the completion rate for mandatory training, each division reminds its employees to complete the required courses, and HR regularly compiles completion rates by division during the training period and informs each division of its rate. Since this year's completion rate was slightly

lower than last year's, we checked with HR. HR recognized this situation and committed to addressing this issue toward the end of the fiscal year.

Mandatory training courses are regularly updated. In FY2025, Proper Use of Public Funds course was substantially revised, and Fixed Asset Management Training became a mandatory course.

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 relating to work (HR, OI). The training provided within OIST was also highly evaluated, and external training was actively utilized.

HR held face-to-face training sessions for management-level staff beginning in FY2024 and continuing in FY2025. These sessions take the form of practical learning that incorporates group work and role-playing. According to HR, participants gave high ratings (average 4.55/5). HR is considering additional programs, including leadership training, training for research support personnel, and harassment prevention workshops. Many divisions also expressed strong interest in face-to-face training for management candidates and newly appointed managers. In light of the disciplinary cases involving managers (P13), such programs are expected to be highly effective. When asked about feasibility, HR indicated that although there are capacity constraints, they would like to explore the possibility. In January 2026, C-Hub's functions were streamlined and integrated into HR and GS.

【Auditors' Opinion】

For mandatory training, the combined efforts of each division's response and HR's reminders to divisions with low completion rates have ensured completion. During this year's Auditors' Audit, there was a trend of lower completion rates compared to the previous year; however, we confirmed that HR plans to address this issue toward the end of the fiscal year. 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. Regarding the face-to-face management training, we expect further progress, including the implementation of in-person programs for management candidates and newly appointed managers. We also expect HR and GS to fully take over the functions previously handled by C-Hub.

7. Information Security and Personal Information Protection (1) Ensuring Information Security

At OIST, information security initiatives should be officially led by the CIO and the Chief Information Security Officer (CISO), who reports to the CIO. However, following the previous CISO's departure, recruitment has proven difficult, and the CIO has been serving concurrently in this role. From an organizational perspective, restructuring was carried out in FY2024 in response to issues such as a high turnover rate, staff vacancies, and overreliance on individual staff capabilities rather than team-based structures: the Vice President for IT position was abolished, network services were transferred to the Core Facilities, and the internal organizational structure was reviewed. However, discussions are underway in FY2025 on a new reorganization plan, including the possibility of returning network services from the Core Facilities. When asked about the reason for this, it was stated that although many of the issues that had necessitated the previous reorganization have been improved, in addition to the need to respond to technological changes, some aspects of the organizational restructuring carried out in FY2024 were not appropriate from a security standpoint and are therefore being reviewed.

As a preliminary step toward a comprehensive security audit, a basic security audit was conducted in FY2024. The audit identified many issues, including weaknesses in the management system, existing vulnerabilities, and inappropriate use of security functions, making it clear that OIST's information security is in a highly critical state. In FY2024 Auditor's Audit, we inquired about this matter and were informed that the CIO recognizes the situation as serious and intends to take prompt

action. Furthermore, it was explained that a comprehensive security audit and a roadmap for enhancing security based on the audit results would be conducted in FY2025.

In light of the above, we inquired about the initiatives for FY2025. The CIO is addressing issues identified in the basic security audit, including the development of a risk management plan, a review of access rights and permissions, and strengthening log monitoring and incident response capabilities through a SIEM contract. In addition, OIST aims to obtain ISO 27001 certification. However, challenges remain, including insufficient cooperation from departments outside the IT function and resource constraints that prevent the timely patching of all identified vulnerabilities. Accordingly, it is difficult to conclude that the issues identified in the basic security audit have been fully addressed.

As the CIO is prioritizing the resolution of issues identified in the basic security audit, and due to budget constraints and the impact of personnel changes, the comprehensive security audit and the development of a roadmap to ensure information security based on its results could not be carried out as planned in FY2025 and have been postponed to FY2026. Furthermore, with regard to the risks associated with USB storage devices in laboratories, which were identified in the FY2023 Auditors' Audit and for which a commitment to take action was made, the consideration of response measures remains pending.

According to the responses from each division, there were no information security incidents or near-misses in FY2025. Meanwhile, the CIO indicated that there remain concerns regarding the potential underreporting of incidents due to insufficient staff awareness. Furthermore, while no cyberattacks were reported in FY2025, attempts of external attacks at a level blocked by firewalls have continued to occur.

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.

【Auditors' Opinion】

It is commendable that information security training is provided as part of the mandatory training programs, with a high completion rate, and email phishing simulation exercises are also being conducted. Additionally, initiatives based on the basic security audit conducted in FY2024 are underway. However, due to resource constraints and insufficient cooperation within OIST, it is difficult to conclude that the issues identified in the basic security audit — including those related to management structures and vulnerabilities — have been fully addressed. Furthermore, the comprehensive security audit and the development of a roadmap have been postponed to FY2026. Regarding organizational structure, the CISO position remains unfilled, with the CIO currently serving in that role, and further adjustments to the organizational restructuring are required. In light of these circumstances, we continue to have serious concerns regarding the state of information security at OIST. Given that IT security incidents could undermine the foundations of OIST, we strongly reiterate our request that addressing this issue be made a top priority for the entire organization, including in terms of budget and personnel.

[Auditor Clark's Supplementary Opinion]

Auditor Clark is concerned the recent decision to terminate the contract with the outsourced security provider, NCD, and place the work in-house may increase risk in the short term.

(2) Personal Information Protection

In the FY2023 Auditors' Audit, we received a report that there had been zero incidents of personal data breaches since OIST's establishment. Given that this figure includes incidents such as misdirected emails caused by the misuse of CC, this raises some questions. We therefore requested

that SGO take appropriate action. In June 2024, the SGO conducted a survey to assess staff understanding of personal data protection, and it was found that several incidents had occurred. In response, the SGO took measures such as issuing warnings on TIDA and reviewing the content of mandatory personal data protection training (eFront). For FY2025, improvements to training content are being implemented, including the incorporation of near-miss cases from FY2024. SGO has indicated that participants' level of understanding and awareness has improved to a certain extent. Regarding the reporting of incidents by each division, unlike in and prior to FY2023, when all divisions reported zero incidents, divisions in which incidents have occurred are now taking appropriate actions, such as notifying RCS. We also confirmed that near-miss cases, like actual incidents, are identified and subsequently utilized as valuable lessons for incident prevention.

【Auditors' Opinion】

In response to FY2023 Auditors' findings, the SGO conducted a survey, issued warnings on TIDA, and reviewed training materials. Each division has begun taking appropriate actions during incidents and using near-miss cases effectively. We confirmed that these efforts have continued in FY2025. We expect that these initiatives will be sustained going forward and that continued efforts will be made to ensure the protection of personal information.

8. Disaster Prevention and Business Continuity Plan (BCP)

As natural disasters increase in frequency, the importance of disaster prevention efforts has become more critical. 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 FY2023 Auditors' 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 updated. Additionally, a significant portion of the drills specified in the BCP had not been implemented. Following these serious Audit results, SGO revised the emergency response personnel list and began the process of revising the BCP in FY2025, led primarily by the risk manager hired for this purpose (the BCP is scheduled to be revised at the Risk Management Committee in April 2026). In November 2025, based on the BCP draft under consideration, the first Crisis Management Tabletop Exercise was conducted with the participation of executives. The exercise not only enhanced executives' understanding of crisis management but also confirmed that stockpiles of food, water, portable toilets, and other supplies were insufficient, and that the storage was limited to a single location, presenting a risk of becoming inaccessible in an emergency.

In FY 2024 Auditors' Audit, 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. Regarding this point, while consideration of increasing storage locations has begun, the situation remained unchanged in FY2025. Stockpiles of food, water, and other supplies are sufficient for only two days, fuel for emergency generators lasts for only about three days, and portable toilets are also insufficient. BFM stated that it is currently working to enhance stockpiles, and further enhancements will continue to be considered.

According to the risk manager, given these circumstances, the revised BCP will not include detailed damage assumptions or stockpiled supplies. Instead, it will address these areas by providing links to the Fire Prevention and Control Plan and stockpile list as related reference materials (arrangements are currently being made to post the stockpile list together with the Fire Prevention and Control Plan

on BFM Groups to ensure campus-wide notification).

Regarding the status of each division, several Vice Presidents (VPs) have highly praised the first Crisis Management Tabletop Exercise, and BCP considerations for IT are progressing. However, the preparation of emergency contact lists and duty rosters for each division is still insufficient. It is necessary for each division to organize and respond to this based on the university-wide policy.

Regarding the general disaster prevention system stipulated in the Fire Prevention and Control Plan, in the FY2024 Auditors' Audit, the following issues were identified:

1. the fire and disaster prevention manager is unable to adequately fulfill its duties due to excessive workload and other factors;
2. the fire defense organization for self-protection lacks sufficient capacity;
3. specific arrangements under the Disaster Cooperation Agreement with Onna Village remain undefined.

Upon reviewing the current status of measures, the following points were confirmed:

1. BFM has established an organizational framework to support the fire and disaster prevention manager;
2. the appointment requirements and terms for fire and disaster prevention liaison officers for each building have been clarified, and new appointments have strengthened the functions of the campus self-defense firefighting teams;
3. contact has been made with the Onna Village disaster prevention officer, and discussions regarding training and other matters have begun.

On the other hand, the Fire Prevention and Control Plan — similar to the previously mentioned issues with stockpiled supplies — has not been revised since June 2023, despite the addition of new incubation facilities to the university in May 2025.

【Auditors' Opinion】

We commend the progress made in revising the BCP, which is expected to be revised for the first time in seven years, and in conducting the first Crisis Management Tabletop Exercise, which raised awareness among participating executives and facilitated the sharing of identified issues. We urge OIST to improve the system and conduct such drills regularly to prevent the importance of BCPs and disaster prevention measures from being forgotten again, as happened after the BCP was initially formulated.

On the other hand, since stockpiles of essential supplies such as water, food, fuel, and portable toilets are not necessarily sufficient, we request that they be expanded. While the decision to exclude disaster scenarios and stockpiled supplies from the current BCP and instead provide links to related information is understandable given the current situation, we nevertheless request that stockpiled supplies be promptly prepared and clearly stated.

The establishment of a system to support the fire and disaster prevention manager, the strengthening of the campus self-defense firefighting teams, and increased cooperation with Onna Village's disaster management personnel are commendable. We ask OIST to continue developing these initiatives. On the other hand, in addition to the issues with stockpiled supplies, it is a serious concern that, despite the addition of new incubation facilities to the university in May 2025, the Fire Prevention and Control Plan has not been revised since June 2023, nor has any notification been submitted to the fire department. Immediate corrective action is required, and operational procedures must be reviewed to prevent such issues from recurring.

9. Contribution to the promotion of Okinawa

“Contribution to the promotion of Okinawa” is a key objective of OIST, as stipulated in the Okinawa Institute of Science and Technology Graduate University School Corporation Act (Act No. 76 of 2009). OIST has implemented and communicated numerous initiatives to date. However, according to the PRO, these communications were conducted on a case-by-case basis and were not centrally managed.

In December 2025, OIST submitted a document titled OIST's Input to the Promotion and Self-Sustaining Development of Okinawa, and Industry-Academia Collaboration (https://www8.cao.go.jp/okinawa/4/kentoukai/5/r7_shiryuu.html) to the CAO Review Panel. This document compiles relevant information and provides clear, concrete explanations organized into three areas: ① Promoting Understanding of OIST Through Community Interaction, ② Contribution to Okinawa (Addressing Okinawa's Challenges), and ③ Industry-Academia Collaboration. PRO intends to utilize the J-PEAKS framework and work with OI to centralize the management and dissemination of information on OIST's contributions to Okinawa.

Specific contributions are detailed in the aforementioned document. These contributions are organized into three areas.

① Promoting understanding of OIST through community interaction:

These initiatives include academic exchanges with universities and research institutions in Okinawa, collaboration with Okinawa Prefectural Government and local municipalities, research activities related to Okinawa's characteristics and resources, initiatives involving local businesses, the number of visitors to OIST, and media engagements.

② Addressing Okinawa's challenges:

By leveraging Okinawa's strengths to realize a sustainable and resilient future, focusing on three priority areas for research and innovation: Marine Science and Blue Economy; Biodiversity, Environment, and Sustainability; and Health, Longevity, and Wellbeing.

③ Industry-Academia collaboration:

Efforts in this area focus on building an innovation ecosystem, supporting the commercialization of research outcomes, and fostering global entrepreneurs and startups.

【Auditors' Opinion】

It was confirmed that OIST continues to carry out its activities with contributing to the promotion of Okinawa as its key priority. The materials submitted to the CAO Review Panel are regarded as extremely valuable resources, even from the perspective of the Auditors. We welcome the PRO's policy to strengthen the centralized management and dissemination of information on OIST's contributions to Okinawa, and we look forward to its implementation.

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

In FY2025, OIST consolidated outreach activities previously conducted by GS, CPR, and others under OI. Although challenges remain regarding task allocation among the divisions involved in the transfer, we confirmed that these are being appropriately addressed. In the FY2024 Auditors' Audit, OI expressed concern about the excessive workload placed on the Executive Vice President. Upon confirmation this time, it was explained that this will be addressed by hiring a dedicated director starting in FY2026.

Outreach activities are conducted in three categories: ① Science Education and Youth Engagement, ② Public Outreach, and ③ Public-Private-University Partnerships. Within this structure, and following FY2024, the FY2025 Auditors' Audit will document OIST's outreach activities for the next generation, particularly junior high and high school students, both within and outside Okinawa, in its role as a graduate university located in Okinawa Prefecture.

Regarding the OIST STEM Experience, Exploration, and Discovery (SEED) Program for students from Super Science High Schools (SSH), the results for FY2025 indicate that the number of applicants by the end of the fiscal year reached 1,571 (354 from within Okinawa Prefecture and 1,217 from outside the Prefecture), nearly meeting the target.

The OIST Science Studio, opened in October 2025 in partnership with Yomitan Village and located inside the new Yomitan Public Library complex, has become a popular facility, welcoming approximately 4,000 visitors per month. During the Auditor's visit, it was striking to see many Okinawan residents, including numerous children, visiting the studio, offering them an opportunity to engage with OIST research.

Additionally, SCORE!, a competition for Okinawa high school students sponsored by OIST with support from the Okinawa Prefectural Government, also attracted many participants. A team from Okinawa, composed of 15 students from OIST, the University of the Ryukyus, and the National Institute of Technology, Okinawa College, achieved an outstanding result by winning a gold medal at the iGEM competition, the world's largest synthetic biology competition.

Furthermore, preparations are underway for the launch of STEP OKINAWA in FY2026, a new program that aims to give all junior high school students in Okinawa the opportunity to visit OIST. The initiative seeks to deepen students' interest and learning through campus tours and lectures on science and related topics. The plan is to welcome more than 25,000 junior high school students from Okinawa Prefecture over the next four years.

【Auditors' Opinion】

After consolidating outreach activities under OI, operations have generally continued to run smoothly. Programs such as SEED are also progressing steadily, and the OIST Science Studio in Yomitan Village has attracted many visitors. Furthermore, STEP OKINAWA represents a valuable outreach opportunity for junior high school students in Okinawa Prefecture, and we look forward to seeing its results.

11. Others

(1) Quality education for the children of faculty and staff; IB school

In FY2025, as a new initiative to support the education of the children of faculty and staff, an OIST staff member was assigned to Onna Elementary School. With regard to Unna Junior High School, cooperative efforts, including the holding of meetings, are also being strengthened. As for the IB school, studies have been conducted primarily by UCS and SGO, and discussions have been held at the BOG, indicating that consideration is now being advanced in earnest. While there are many matters to be examined and it will take time to reach a conclusion, we have confirmed that issues such as the purpose and demand for the IB school, funding sources including donations, and relationships with the local community have been identified.

【Auditors' Opinion】

We have confirmed that consideration of the IB school is being advanced based on the findings of the relevant studies. Given that there are issues requiring resolution, including funding sources, and that educational programs are difficult to discontinue once commenced, we strongly urge that this initiative be pursued in a realistic and sustainable manner.

(2) OIST Risk Dashboard June 2026

The Risk Dashboard as of June 2026, prepared based on the results of the Auditors' Audit, is as set out

in the Appendix.

IV. Conclusion

In the FY2025 Auditors' Audit, based on the revised Private School Act, we examined the status of the operation of the internal control system. A key focus of this audit was the status of implementation of OIST's recurrence prevention measures in response to the Third-Party Investigation Committee Report on the Misconduct of a Former Employee (June 12, 2025). Based on the results of the Auditors' Audit, we once again strongly urge OIST to further strengthen its internal controls and restore trust in OIST, which has been undermined, through the effective implementation of recurrence prevention measures, including those related to procurement.

In light of OIST's expansion, initiatives such as the ERP renewal, as well as efforts in organizational and budgetary aspects, are being advanced. In addition, Harmonization as part of organizational management and an engagement action plan, developed in response to the engagement survey indicating low levels of faculty and staff satisfaction with OIST, have also been initiated. Over the past three years of conducting Auditors' Audit, we have observed, from the auditors' perspective, issues such as siloed operations, duplication of work, insufficient communication among divisions, inadequate coordination across the organization, and the resulting budgetary challenges. In this regard, we consider these initiatives to be meaningful. Furthermore, progress has been made in addressing matters pointed out in past Auditors' Audits, including BCP and disaster response, IT security, and working hours management. In this report, while duly recognizing areas that merit commendation, we have candidly described areas where there remains room for improvement and where further efforts are required. We sincerely hope that this audit report will contribute to the improvement of OIST.

The Japanese version of the Auditors' Audit Report shall be deemed the original. In the event of any discrepancy between the Japanese and English versions, the Japanese version shall prevail.

In preparing the English version, Akiko Ringdahl, Jun Tau, and Rhett Register from CPR provided substantial assistance. In addition, Akiko Ringdahl and Mari Takenouchi provided interpretation during interviews and other audit-related occasions during the audit, which enabled us to communicate adequately. We would like to acknowledge their contributions and extend our sincere appreciation.

Appendix
OIST Risk Dashboard June 2026



OIST Risk Dashboard June 2026

Risk Area	Link to OIST Risk Registry	Status	Trend
Internal Control	Operations / Strategic		NEW
Recurrence Prevention Measures (General and Procurement)	Reputation / Operations / Financial Management		NEW
Operational Efficiency and Organizational Management	Operations / Strategic		
Business Continuity	Operations / Strategic		
Finance (Budget Execution Management, Grant Management, Budgeting)	Financial Management		
External Funding	Financial Management		
Human Resource Management	Operations		
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)

