

Okinawa Institute of Science and Technology School Corporation

Financial Statements

Year ended March 2017

From: April 1, 2016

To: March 31, 2017

Report of Independent Auditors

June 21, 2017

The Board of Governors
Okinawa Institute of Science and Technology Graduate University School Corporation

Ernst & Young ShinNihon LLC

Kazuhide Koda
Certified Public Accountant
Designated and Engagement Partner

Kazutaka Okubo
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 12, Section 2 of the Okinawa Institute of Science and Technology Graduate University Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statements of income, cash flows, appropriation of retained earnings, costs of conducting business, and notes on significant accounting policies, other explanatory notes to the financial statements, and the related supplementary schedules of Okinawa Institute of Science and Technology Graduate University School Corporation applicable to the year ended March 31, 2017 based on Cabinet Office Notification No. 525 of November 1, 2011.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles of Okinawa Institute of Science and Technology Graduate University (Article 6 of Cabinet Office Ordinance No. 59, 2011), and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Okinawa Institute of Science and Technology Graduate University School Corporation at March 31, 2017, the results of its operations, cash flows, and its costs of conducting business for the year then ended in conformity with accounting principles of Okinawa Institute of Science and Technology Graduate University (Article 6 of Cabinet Office Ordinance No. 59, 2011).

Conflicts of Interest

We have no interest in the Okinawa Institute of Science and Technology Graduate University School Corporation which should be disclosed in compliance with the Certified Public Accountants Act.

Contents

		<u>Page</u>
Balance Sheets	• • •	1
Profit and Loss Statements	• • •	2
Statements of Cash Flows	• • •	3
Profit Appropriation Statements	• • •	4
Statements of Administrative Service Costs	• • •	5
Notes to Financial Statements	• • •	6
Annexed Detailed Statements	• • •	8
1. Acquisition, disposal and depreciation of fixed asset, and accumulated impairment loss (Includes depreciation, which is excluded from ordinary expenses, specified in the OIST Accounting standards, Article 40, Accounting treatment for depreciation of specific asset.)		
2. Supplies		
3. Securities		
4. Voluntary use of national property		
5. PFI		
6. Allowance-retirement benefits		
7. Contribution and additional paid-in contribution		
8. Changes in reserve fund		
9. Research expenses and general and administrative expenses		
10. Subsidy for operation		
11-1. Subsidy for facility		
11-2. Other subsidies		
12. Personnel costs for executives and employees		
13. Segment information		
14. Donation		
15. Sponsored research		
16. Joint research		
17. Primary assets, liabilities, expenses, and revenues		
18. Related Public Corporations		

Balance Sheets

As of March 31, 2017

(Unit: Yen)

Assets

I Noncurrent assets

1 Properties, plants, and equipment

Land		1,659,667,000
Buildings	39,596,640,452	
Accumulated depreciation	<u>-8,028,106,523</u>	31,568,533,929
Structures	6,599,883,733	
Accumulated depreciation	<u>-1,276,935,882</u>	5,322,947,851
Machineries	234,608,056	
Accumulated depreciation	<u>-162,137,914</u>	72,470,142
Equipment	18,289,008,761	
Accumulated depreciation	<u>-10,861,062,798</u>	7,427,945,963
Books		4,702,995
Ships and vessels	2,004,437	
Accumulated depreciation	<u>-879,496</u>	1,124,941
Vehicles and transportation equipment	27,866,282	
Accumulated depreciation	<u>-17,969,587</u>	9,896,695
Lease assets	1,776,817,316	
Accumulated depreciation	<u>-1,617,030,840</u>	159,786,476
Construction in progress		<u>3,651,961,526</u>
Total properties, plants, and equipment		49,879,037,518

2 Intangible assets net of amortization

Patents		18,005,001
Trademark rights		634,412
Softwares		872,107,174
Patents (in the process of filing)		124,126,285
Others		<u>31,229,019</u>
Total intangible assets, net		1,046,101,891

3 Investments and other assets

Investments in securities		5,000
Security deposits		2,455,500
Long-term prepaid expenses		114,405
Lease investment assets (Long-term)		<u>4,432,908,993</u>
Total investments and other assets		4,435,483,898

Total noncurrent assets

55,360,623,307

II Current assets

Cash and cash equivalents	6,175,361,469	
Accounts receivable	706,163,869	
Supplies	74,835,842	
Prepaid expenses	7,819,719	
Lease investment assets (Short-term)	<u>114,074,415</u>	
Total current assets		<u>7,078,255,314</u>

Total assets

62,438,878,621

Liabilities

I Noncurrent liabilities

Encumbrance for assets - subsidy for operation	13,850,130,533	
Encumbrance for assets - donation	48,411,908	
Encumbrance for assets - donated by Japan government	179,804	
Allowance-retirement benefits	108,273,900	
Long-term accrued amounts payable	4,444,980,537	
Long-term lease obligations	<u>26,638,914</u>	
Total noncurrent liabilities		18,478,615,596

II Current liabilities

Advance received	53,291,307	
Deposits received - subsidy for operation		
Deposits received - subsidy for operation	727,699,093	
Deposits received-subsidy for facility	<u>3,568,756,320</u>	4,296,455,413
Deposits received - donation		49,503,374
Deposits received - Kakenhi		39,480,862
Deposits received - others		82,480,123
Accounts payable		5,744,383,258
Short-term lease obligations		162,852,084
Accrued expenses		<u>73,056,689</u>
Total current liabilities		<u>10,501,503,110</u>
Total liabilities		<u>28,980,118,706</u>

Equities

I Contributions

Contributions from government	<u>24,317,681,264</u>	
Total contributions		24,317,681,264

II Additional paid-in contributions

Additional paid-in contributions	17,111,151,129	
Accumulated depreciation - directly deducted from equity (-)	<u>-8,439,286,391</u>	
Total additional paid-in contributions		8,671,864,738

III Retained earnings

Voluntary reserve funds		
Special reserve funds	80,532,854	
Accumulated net income	<u>388,681,059</u>	
(Net income/(-loss) for FY2015)	(36,871,226)	
Total retained earnings		<u>469,213,913</u>
Total equities		<u>33,458,759,915</u>
Total liabilities and equities		<u>62,438,878,621</u>

Profit and Loss Statements

For the year ended March 31, 2017

(Unit : Yen)

Ordinary revenues				
Tuition fees		60,480,000		
Subsidy for operation		11,954,462,427		
Subsidy for facility		16,455,960		
Sponsored research from national and local governments		119,306,073		
Sponsored research from nongovernments		104,156,591		
Joint research		38,483,601		
Donations		3,529,073		
Subsidy for other		32,427,502		
Property rent revenue		8,602,833		
Land rent revenue		10,748,822		
Reversal of encumbrance for assets - subsidy for operation		3,340,589,937		
Reversal of encumbrance for assets - donations		24,289,976		
Reversal of encumbrance for assets - donated by Japan government		51,620		
Financial revenues				
Interest	109,499,573			
Foreign currency transaction gain	<u>396,806</u>	109,896,379		
Miscellaneous revenues		<u>104,780,144</u>		
Ordinary revenues total				15,928,260,938
Operating expenses				
Research and education expenses				
Personnel costs	4,376,035,005			
Other expenses				
Research supplies	1,126,264,940			
Supplies & Consumables	418,242,756			
Utilities	524,768,677			
Travel and transportation	529,228,419			
Communication and transportation expenses	89,738,643			
Rent	252,713,560			
Outsource	688,755,063			
Repair costs	173,534,860			
Maintenance fees	1,258,074,817			
Library expenses	240,212,127			
Depreciation	3,807,955,662			
Others	<u>116,069,998</u>	<u>9,225,559,522</u>	13,601,594,527	
General and administrative expenses				
Personnel costs		1,375,279,742		
Other expenses				
Office supplies	42,763,773			
Travel and transportation	247,255,405			
Communication and transportation expenses	44,399,705			
Rent	9,223,301			
Outsource	166,305,300			
Service and advisory fees	74,075,705			
Advertising expenses	18,081,478			
Depreciation	11,421,204			
Others	<u>186,833,933</u>	<u>800,359,804</u>	2,175,639,546	
Financial expense				
interest expenses		<u>117,000,607</u>	117,000,607	
Miscellaneous loss			<u>1,799,032</u>	
Operating expenses total				<u>15,896,033,712</u>
Net ordinary income/(-loss)				32,227,226
Extraordinary income				
Subsidy for operation		70,995,465		
Reversal of encumbrance for assets - subsidy for operation		19		
Reversal of encumbrance for assets - donation		8,724,296		
Gain on sales of fixed assets		<u>4,644,000</u>		
Total extraordinary income				84,363,780
Extraordinary loss				
Loss on retirement of noncurrent assets		8,724,315		
Prior period adjustment loss		<u>70,995,465</u>		
Total extraordinary loss				<u>79,719,780</u>
Net income/(-loss)				<u>36,871,226</u>
Gross income/(-loss)				<u>36,871,226</u>

Statements of Cash Flows

From April 1, 2016 to March 31, 2017

(Unit: Yen)

I Cash flows from operating activities	
Tuition fees	60,480,000
Funds received from government - subsidy for operation	16,411,456,453
Funds received from outside parties - sponsored research	262,507,077
Funds received from outside parties - donations	15,832,909
Funds received from government - subsidy for others	32,427,502
Funds received from employees - property rent - dormitory	8,602,833
Funds received from others	110,673,749
Net cash increase in advanced-received (Kakenhi:Grant-in-aid for scientific research)	-16,900,013
Payments to employees	-5,729,561,479
Purchase of inventories	-12,815,226
Payments of other than payments to employees	-6,433,563,342
Returns to national government - subsidy for operation	-312,168,401
Net cash provided by operating activities	4,396,972,062
II Cash flows from investing activities	
Purchase of property, plant, and equipment	-5,061,257,700
Purchase of intangible assets	-529,798,425
Funds received from government - subsidy for facility	4,042,076,411
Payments for other investing activities	1,338,237
Subtotal	-1,547,641,477
Received interest and dividends	3,222
Net cash used in investing activities	-1,547,638,255
III Cash flows from financial activities	
Payments for finance lease liabilities	-426,242,458
Net cash used in financial activities	-426,242,458
IV Foreign exchange gain	396,806
V Net cash increase/(decrease) in cash and cash equivalents	2,423,488,155
VI Cash and cash equivalents at beginning of year	3,751,873,314
VII Cash and cash equivalents at end of year	6,175,361,469

Profit Appropriation Statements
As of March 31, 2017

(Unit: Yen)

I Unappropriated retained earnings

Gross profit	36,871,226
--------------	------------

Retained earnings at the beginning of a period	351,809,833
--	-------------

II Retained earnings

	<u>388,681,059</u>
--	--------------------

Statements of Administrative Service Costs

From April 1, 2016 to March 31, 2017

(Unit: Yen)

I Ordinary expenses		
(1) Ordinary expenses stated on Profit and Loss Statements		
Research expenses	13,601,594,527	
General and administrative expenses	2,175,639,546	
Financial expenses	117,000,607	
Miscellaneous loss	1,799,032	
Extraordinary loss	79,719,780	15,975,753,492
(2) (Less) Revenue from outside parties		
Tuition fees	Δ 60,480,000	
Sponsored research	Δ 223,462,664	
Joint research	Δ 38,483,601	
Donations	Δ 3,529,073	
Property rent revenue	Δ 8,602,833	
Land rent revenue	Δ 10,748,822	
Reversal of encumbrance for assets-donation	Δ 24,289,976	
Financial revenue	Δ 109,896,379	
Miscellaneous	Δ 70,749,346	Δ 550,242,694
Total ordinary expenses		15,425,510,798
II Depreciation-directly deducted from equity		1,737,522,324
III Impairment loss-directly deducted from equity		
III Estimated allowance for retirement benefits		1,359,400
IV Opportunity costs		
Opportunity costs of free rental fee or reduction rental fee from national/local government	153,014,715	
Opportunity costs of national/local government	22,889,673	175,904,388
V Administrative service costs		17,340,296,910

Notes to Financial Statements

I. Important accounting policy

1. Supplies

Others are reported at lower of cost or progressive average inventory method.

2. Depreciation

(1) Property, plant, and equipment

Depreciation is recognized on the straight-line method under The Corporation Tax Law.

In accordance with OIST Accounting standards, Article 40 depreciation on specified assets is directly deducted from equity stated as "Accumulated depreciation-directly deducted from equity."

(2) Intangible Assets

Depreciation is calculated on the straight-line method.

Useful life of software for in-house use is amortized over three to five years.

3. Allowance for retirement benefits

(1) Allowance-retirement benefits

Allowance for retirement benefits for employees is recognized on liability for FY2016 within estimated payment amount in the future.

4. Opportunity costs on the statements of administrative service costs

(1) Calculation of opportunity costs of lending by means of free rental fee or reduction rental fee of the property of the national/local governments has been calculated based on the JASDF Onna Sub Base and agricultural land unit price.

(2) Interest rate used to calculate the opportunity cost pertaining to government contributions

Opportunity costs of the national/local government are calculated at the percentage of 0.065% which refers to the interest rate for 10-year government bonds at the end of March 2017.

5. Foreign currency transactions

Finance lease transactions are calculated in accordance with standard sales transaction procedures.

Among those finance lease transactions, non-ownership transfer finance lease transactions where a total amount of leasing is less than 3 million yen, are calculated in accordance with standard operating lease transaction procedures.

6. Leases

Lease transactions in excess of 3 million yen are recorded as finance leases.

Lease transactions less than 3 million yen and non-ownership transfer are calculated as operating leases.

7. Accounting standards for income and expenses

(1) Accounting standards related to income from finance leases (lessor)

Accounted for based on the method of allocating an amount equivalent to the interest to each period without posting sales.

8. Consumption tax

The tax-included method is adopted for consumption tax accounting.

II. Additional information

1. Summary of transactions and accounting treatment regarding the village zone housings

The University entered into a contract with OKINAWA SCIENTISTS VILLAGE Co., Ltd. (hereafter the "Business Operator") on September 30, 2011, regarding the housings maintenance business. The Business Operator, based on the corresponding contract, was to construct housings located on premises owned by the University that would be for use by students and faculty staff members and transfer the housings to the University after its completion. Construction of the housings was to consist of three phases. The first phase, the second phase, the third-(1) phase and the third-(2) phase were completed at each fiscal year 2012, 2013, 2014 and 2015. The housings were then delivered to the University. Upon completion of the received them from the Business Operator under a long-term installment purchase and at the same time entered into a building loan agreement by way of a periodic lease with the Business Operator, and is leasing the housings. The long-term installment purchase amount in accordance with the acquisition of the housings is the same amount as the lease payments relating to the housings. Further, the payment schedule and the amount to pay each year including interest are also set at the same amount. Hence, the payment amounts for each year are canceled out and no payments are made to each other. The building loan agreement by way of a periodic lease stipulates that the Business Operator cannot in principle cancel the lease contract during the term and that the housings will be returned to the University after the end of the lease term. Lease transactions between the University and the Business Operator are accounted for by treating them as a finance lease where ownership is not transferred (to the lessor). Furthermore, when accounting for such transactions they are treated as a finance lease where ownership is not transferred (to the lessor), and an amount equivalent to the interest is allocated to each period without posting sales and the housings that were handed over is stated as a lease investment asset.

III. Balance sheet

1. Subsidy for operation and facility

(1) Deposits received - subsidy for operation

Returns to National government	528,111,202 yen
Closing balance of encumbrance for construction in progress - subsidy for operation in SC	75,461,606 yen
Closing balance of encumbrance for patent - subsidy for operation in SC	123,627,143 yen
Closing balance of encumbrance for patent-subsidy for operation in PC	499,142 yen
Total of closing balance	727,699,093 yen

(2) Deposits received - subsidy for facility

Closing balance of encumbrance for construction in progress - subsidy for facility in SC	3,568,756,320 yen
Total of closing balance	3,568,756,320 yen

IV. Statement of Cash Flows

(1) Breakdown of the balance sheet by year-end balance of funds

Cash and cash equivalent	6,175,361,469 yen
Balance of funds at end of year	6,175,361,469 yen

(2) Important non-financial transactions

Amount of investments related to finance leases (lessee) newly recognized in the term	6,768,360 yen
Amount of lease payable related to acquisition of lease assets newly recognized in the term	6,768,360 yen

V. Statements of administrative service costs

Estimated allowance for retirement benefits includes 1,359,400 yen concerning loaned employees from the government and other organizations.

VI. Notes to finance leases

1. Lessee

(1) Details of lease assets

Service vehicles (OIST bus) and research equipment (Regenerative Amplifier Laser System with Pump Lasers set)

(2) Depreciation method of lease assets

< Leased assets relating to ownership-transfer finance lease transactions >

Ownership-transfer finance lease transactions are depreciated using the same method adopted for self-owned fixed assets.

< Leased assets relating to finance lease transactions without the transfer of ownership >

Depreciated using the straight-line method over the useful life of the lease term, with no residual value.

2. Lessor

(1) Breakdown of investments in leases

(i) Investments and other assets

Portion of lease receivables	6,046,640,238yen
Amount equivalent to interest income	Δ1,613,731,245yen
Lease investment assets	4,432,908,993yen

(ii) Current assets

Portion of lease receivables	220,954,759yen
Amount equivalent to interest income	Δ106,880,344yen
Lease investment assets	114,074,415yen

(2) Scheduled recoverable amount of the lease receivables part pertaining to lease investment assets after the closing date

(i) Investments and other assets

	Within 1 year	More than 1 year but not more than 2 years	More than 2 year but not more than 3 years	More than 3 year but not more than 4 years	More than 4 year but not more than 5 years	More than 5 years
Portion of lease receivables	-	221,125,211	221,299,927	221,479,009	221,662,569	5,161,073,522

(ii) Current assets

	Within 1 year	More than 1 year but not more than 2 years	More than 2 year but not more than 3 years	More than 3 year but not more than 4 years	More than 4 year but not more than 5 years	More than 5 years
Portion of lease receivables	220,954,759	-	-	-	-	-

VII. Important subsequent events

Not applicable.

Annexed Detailed Statements

1. Acquisition, disposal and depreciation of fixed asset, and accumulated impairment loss

(Includes depreciation, which is excluded from ordinary expenses, specified in the OIST Accounting standards, Article 40, Accounting treatment for depreciation of specific asset).

(Unit: Thousand Yen)

Asset		Beginning balance	Increase	Decrease	Closing balance	Accumulated depreciation		Accumulated impairment loss			Closing net book value	Memo
							Depreciation for FY 2016		Included in ordinary expenses FY2016	Excluded in ordinary expenses FY2016		
Property, plant, and equipment (Depreciation - Included in ordinary expenses)	Buildings	5,535,711	635,892	827	6,170,776	895,380	290,644	-	-	-	5,275,396	
	Structures	333,349	30,932	-	364,282	118,507	25,484	-	-	-	245,774	
	Machinery	191,527	-	-	191,527	146,503	29,405	-	-	-	45,024	
	Equipment	15,373,430	3,033,029	261,892	18,144,567	10,728,862	2,912,058	-	-	-	7,415,705	
	Books	4,107	595	-	4,702	-	-	-	-	-	4,702	
	Ship	2,004	-	-	2,004	879	400	-	-	-	1,124	
	Vehicle and transportation equipment	24,952	2,913	-	27,866	17,969	3,628	-	-	-	9,896	
	Lease assets	1,794,703	6,768	24,654	1,776,817	1,617,030	422,162	-	-	-	159,786	
	Total	23,259,788	3,710,130	287,374	26,682,544	13,525,133	3,683,783	-	-	-	13,157,411	
Property, plant, and equipment (Depreciation - Excluded from ordinary expenses)	Buildings	32,329,430	1,096,433	-	33,425,863	7,132,726	1,493,685	-	-	-	26,293,137	
	Structures	5,908,665	326,936	-	6,235,601	1,158,428	239,281	-	-	-	5,077,173	
	Machinery	43,080	-	-	43,080	15,634	2,886	-	-	-	27,446	
	Equipment	132,036	12,404	-	144,440	132,200	1,625	-	-	-	12,240	
	Total	38,413,213	1,435,774	-	39,848,987	8,438,989	1,737,479	-	-	-	31,409,997	
Non-depreciable assets	Land	1,659,667	-	-	1,659,667	-	-	-	-	-	1,659,667	
	Construction in progress	903,299	3,433,530	684,867	3,651,961	-	-	-	-	-	3,651,961	
	Total	2,562,966	3,433,530	684,867	5,311,628	-	-	-	-	-	5,311,628	
Total property, plant, and equipment	Land	1,659,667	-	-	1,659,667	-	-	-	-	-	1,659,667	
	Buildings	37,865,142	1,732,325	827	39,596,640	8,028,106	1,784,329	-	-	-	31,568,533	
	Structures	6,242,015	357,868	-	6,599,883	1,276,935	264,765	-	-	-	5,322,947	
	Machinery	234,608	-	-	234,608	162,137	32,292	-	-	-	72,470	
	Equipment	15,505,467	3,045,433	261,892	18,289,008	10,861,062	2,913,683	-	-	-	7,427,945	
	Books	4,107	595	-	4,702	-	-	-	-	-	4,702	
	Ship	2,004	-	-	2,004	879	400	-	-	-	1,124	
	Vehicle and transportation equipment	24,952	2,913	-	27,866	17,969	3,628	-	-	-	9,896	
	Lease assets	1,794,703	6,768	24,654	1,776,817	1,617,030	422,162	-	-	-	159,786	
	Construction in progress	903,299	3,433,530	684,867	3,651,961	-	-	-	-	-	3,651,961	
	Total	64,235,967	8,579,435	972,241	71,843,160	21,964,123	5,421,262	-	-	-	49,879,037	
Intangible assets (Depreciation - Included in ordinary expenses)	Patents	9,834	13,897	-	23,732	5,727	2,214	-	-	-	18,005	
	Trademark right	1,119	-	-	1,119	485	111	-	-	-	634	
	Software	653,660	480,049	-	1,133,709	261,602	129,324	-	-	-	872,107	
	Other intangible assets	51,785	-	-	51,785	20,970	3,942	-	-	-	30,814	
	Total	716,399	493,947	-	1,210,346	288,785	135,593	-	-	-	921,561	
Intangible assets (Depreciation - Excluded from ordinary expenses)	Other intangible assets	711	-	-	711	296	54	-	-	-	414	
Non-depreciable assets	Patent in the process of filing	72,776	65,247	13,897	124,126	-	-	-	-	-	124,126	
Total intangible assets	Patents	9,834	13,897	-	23,732	5,727	2,214	-	-	-	18,005	
	Trademark right	1,119	-	-	1,119	485	111	-	-	-	634	
	Software	653,660	480,049	-	1,133,709	261,602	129,324	-	-	-	872,107	
	Patent in the process of filing	72,776	65,247	13,897	124,126	-	-	-	-	-	124,126	
	Other intangible assets	52,496	-	-	52,496	21,267	3,996	-	-	-	31,229	
	Total	789,886	559,195	13,897	1,335,184	289,082	135,647	-	-	-	1,046,101	
Investments and other assets	Investments in securities	5	-	-	5	-	-	-	-	-	5	
	Security deposit	3,665	285	1,495	2,455	-	-	-	-	-	2,455	
	Prepaid expense (long-term)	742	-	628	114	-	-	-	-	-	114	
	lease investment assets	4,546,983	-	114,074	4,432,908	-	-	-	-	-	4,432,908	
	Total	4,551,396	285	116,197	4,435,483	-	-	-	-	-	4,435,483	

Notes:

1. Increased buildings : Okinawa Marine Science Center(OMSC) 750,885 thousand yen, Engineering Support Building(ESB) 639,739 thousand yen
2. Increased structures : Campus road infrastructure 262,332 thousand yen, OMSC-related 43,506 thousand yen
3. Increased equipment : DC and Core Switches Renewal Project 221,398 thousand yen, High Resolution, High Accuracy, Hybrid Mass Spectrometer 176,342 thousand yen, Ultra-Fast High Resolution Mass Spectrometer System, 1set 113,454 thousand yen
4. Increased construction in progress : Lab4-related 3,515,645 thousand yen, Engineering Support Building second-stage construction 65,575 thousand yen
5. Increased software : New personnel system(HCM) 454,268 thousand yen

2. Supplies

(Unit: Thousand Yen)

Item	Beginning balance	Increase		Decrease		Closing balance	Memo
		Purchase and Transfer	Others	Consumption and Transfer	Others		
Research supplies	70,809	7,214	-	12,275	-	65,748	
Other	11,348	12,815	-	15,075	-	9,087	
Total	82,157	20,029	-	27,351	-	74,835	

3. Securities

Investments in securities

(Unit: Thousand Yen)

		Description	Acquisition cost	Amount of denomination	market value	Balance sheet	Profit and loss statement	Valuation difference of securities	Memo
Securities-other	Fair value		-	-	-	-	-	-	
	Non-fair value	Okinawa Protein Tomography Limited	-	-	-	5	-	-	Gratis allotment of stock acquisition rights 5,000
Total			-	-	-	5	-	-	

4. Voluntary use of national property

Category	Item	Address	Space (㎡)	Structure	Opportunity costs (Thousand yen)	Memo
Land	Campus	1919-1 Tancha, Onna-son Okinawa	631,410.60	-	151,216	
Land	Seragaki Marine Station	656 Seragakibaru, Seragaki, Onna-son Okinawa	7,508.42	-	1,798	
Total			638,919.02	-	153,014	

5.PFI

(Unit: Thousand yen)

Project	Outline	Type	Contractor	Contract term	Description
Okinawa Institute of Science and Technology Housing Development Project	Housing development(building) and maintenance, administration, management	BTO	OKINAWA SCIENTISTS VILLAGE INC.	From September 30, 2011 to March 31, 2045	First phase:Deliverd between August 2012 and January 2013 Second phase: Deliverd in June 2013 Third-1 phase: Deliverd in August 2014 Third-2 phase: Deliverd in August & October 2015

6.Allowance-retirement benefits

(Unit: Thousand yen)

Category		Beginning Balance	Increase	Decrease	Closing Balance	Memo
Total of accumulated benefits obligation		108,006	26,488	26,220	108,273	
	Obligation of retirement lump-sum grants	108,006	26,488	26,220	108,273	
Unrecognized prior service cost		-	-	-	-	
Unrecognized net actual loss on assets		-	-	-	-	
Pension asset		-	-	-	-	
Allowance-retirement benefits		108,006	26,488	26,220	108,273	

7. Contribution and additional paid-in contribution

(Unit: Thousand Yen)

Category		Beginning Balance	Increase	Decrease	Closing balance	Memo
Contribution	Contribution from national government	24,317,681	-	-	24,317,681	
	Total	24,317,681	-	-	24,317,681	
Additional paid-in contribution	Additional paid-in contribution					
	Subsidy for Facility	15,675,377	1,435,774	-	17,111,151	Note (1)
	Total	15,675,377	1,435,774	-	17,111,151	
	Accumulated depreciation directly deducted from equity	6,701,764	1,737,522	-	8,439,286	
	Balance	8,973,612	Δ 301,749	-	8,671,864	

Note(1):Increase in the subsidy for facility was mainly due to the completion of Engineer Support Building 469,141 thousand yen and Marine Science Station 451,082 thousand yen.

8. Changes in reserve fund

(Unit: Thousand yen)

Category	Beginning balance	Increase	Decrease	Closing balance	Memo
Special reserve fund	58,867	-	-	58,867	With regards to allowance-retirement benefits for employees in the previous corporation that were not posted in the balance sheet in accordance with accounting standards for an independent administrative institution, at the beginning of the first fiscal year, we posted the required amount for the reserve as a liability and handled the corresponding reserve amount as a school subsidy in the same fiscal year. In this way, we monetized the required amount for the reserve.
Special reserve fund	21,665	-	-	21,665	With regards to allowance-bonuses in the previous corporation that were not posted in the balance sheet in accordance with accounting standards for an independent administrative institution, at the beginning of the first fiscal year, we posted the required amount for the reserve as a liability and handled the corresponding reserve amount as a school subsidy in the same fiscal year. In this way, we monetized the required amount for the reserve.
Total	80,532	-	-	80,532	

9.Research expenses and general and administrative expenses

(Unit: Thousand Yen)

Account item	Amount	Memo
Research expenses		
Salaries - Base	3,543,806	
Salaries - Allowance	240,895	
Salaries - Commutation	40,394	
Salaries - Over time	86,492	
Salaries - Others	56,065	
Periodic retirement benefits	13,590	
Legal welfare	394,791	
Research supplies	1,126,264	
Supplies	255,892	
Consumables	162,350	
Utilities	524,768	
Travel and transportation - Domestic	125,500	
Travel and transportation - International	231,497	
Travel and transportation - Invite (Domestic)	62,837	
Travel and transportation - Invite (International)	103,676	
Travel and transportation - Others (Domestic)	2,864	
Travel and transportation - Others (International)	2,852	
Communication and transportation expenses	89,738	
Lease fees	13,362	
Rent fee - Land and buildings	224,402	
Rent fee - Others	14,947	
Welfare expenses	1,165	
Event expenses	4,399	
Payment commissions	1,661	
Membership fees	28,781	
Meeting expenses	9,441	
Training fees	8,950	
Professional fees	552	
Honorariums	13,583	
Outsource	688,755	
Repair costs	173,534	
Maintenance fees	1,258,074	
Insurance - Property	9,824	
Advertising expenses	10,296	
Depreciation - Buildings	291,362	
Depreciation - Structures	25,484	
Depreciation - Machinery	29,405	
Depreciation - Equipment	2,903,777	
Depreciation - Vehicle and transportation equipment	3,628	
Depreciation - Ships and vessels	400	
Depreciation - Intangible assets	131,734	
Depreciation - Lease assets	422,162	
Library expenses	240,212	
Taxes and dues	4,074	
Import consumption tax	4,071	
Other expenses	19,267	
Total:	13,601,594	
General and administrative expenses		
Executive salaries	110,097	
Salaries - Exe commutation	225	
Salaries - Exe others	1,140	
Salaries - Base	943,117	
Salaries - Allowance	53,031	
Salaries - Commutation	16,978	
Salaries - Over time	52,993	
Salaries - Others	27,282	
Periodic retirement benefits	12,898	
Legal welfare	157,513	
Research supplies	5,927	
Supplies	4,065	
Consumables	38,698	
Utilities	2,756	
Travel and transportation - Domestic	40,237	
Travel and transportation - International	22,889	
Travel and transportation - Invite (Domestic)	46,668	
Travel and transportation - Invite (International)	110,362	
Travel and transportation - Others (Domestic)	14,130	
Travel and transportation - Others (International)	12,967	
Communication and transportation expenses	44,399	
Lease fees	2,365	
Rent fee - Land and buildings	4,195	
Rent fee - Others	2,662	
Welfare expenses	8,667	
Event expenses	27,121	
Payment commissions	496	
Membership fees	3,713	
Meeting expenses	6,992	
Training fees	6,839	
Professional fees	22,986	
Honorariums	51,088	
Outsource	166,305	
Repair costs	981	
Maintenance fees	6,023	
Insurance - Property	32,885	
Advertising expenses	18,081	
Patent expenses	222	
Depreciation - Equipment	7,562	
Depreciation - Intangible assets	3,858	
Library expenses	5,150	
Taxes and dues	67,170	
Import consumption tax	103	
Other expenses	11,781	
Total:	2,175,639	

10.Subsidy for operation

(Unit: Thousand yen)

Category	Received amount	Transactions				Memo
		Encumbrance for construction in progress	Encumbrance for patents	Encumbrance for assets	Revenue from Subsidy for operation	
The Granting of Subsidies to the Okinawa Institute of Science and Technology	15,869,411	65,951	61,579	3,797,953	11,943,927	
Total	15,869,411	65,951	61,579	3,797,953	11,943,927	

Notes: Revenue of Subsidy for operation on the P/L includes 81,530 thousand yen produced by transferring from Patents and construction (in the process of filing) acquired in the past fiscal year to patent other expenses.

11-1.Subsidy for facility

(Unit: Thousand yen)

Category	Received amount	Transactions				Memo
		Encumbrance for construction in progress	Additional paid-in contribution	Deposits received-subsidy for facility	Others	
OIST Subsidy for Facility as of February 16, 2016 Lab4	3,080,692	3,080,692	-	-	-	
OIST Subsidy for Facility as of March 3, 2015 Engineering Support Building	261,847	0	261,847	-	-	
OIST Subsidy for Facility as of April 1, 2016 Annual Infrastructure improvement	171,465	63,844	91,165	-	16,455	
OIST Subsidy for Facility as of April 9, 2015 Annual Infrastructure improvement	236,491	0	236,491	-	-	
OIST Subsidy for Facility as of April 9, 2015 Seawater Supply Facility	224,415	-	224,415	-	-	
OIST Subsidy for Facility as of April 1, 2014 Okinawa Marine Science Station	250,609	-	250,609	-	-	
OIST Subsidy for Facility as of December 28, 2015 Lab4 (Execution Design)	190,080	190,080	-	-	-	
OIST Subsidy for Facility as of October 24, 2016 Child Development Center (2nd phase)	25,218	25,218	-	-	-	
Total	4,440,819	3,359,834	1,064,529	-	16,455	

11-2 Other subsidies

(Unit: Thousand yen)

Category	Received amount	Transactions				Memo
		Encumbrance for assets	Deposits received - subsidy (long-term)	Revenue from Subsidy	Others	
OPG Grant: Project for Enhancement of Competitiveness of Medical Industry in Okinawa	35,532	7,405	0	28,126	-	
OGB Grant: Project for Support the Advancement of Strategic Core Technologies	10,529	7,511	0	3,018	-	
Okinawa Convention & Visitors Bureau Subsidy for MICE shuttle bus	300	-	0	300	-	
Total	46,361	14,917	-	31,444	-	

12. Personnel costs for executives and employees

(Unit: Thousand yen)

Category	Compensation/Salaries		Retirement benefits	
	Amount	Number of people	Amount	Number of people
Executives	(1,704) 109,759	(1) 3	(-) 16,856	(-) 1
Employees	(84,518) 4,976,540	(44) 682	(-) 9,364	(-) 3
Total	(86,222) 5,086,299	(45) 685	(-) 26,220	(-) 4

- Notes:
1. Payments of compensation/salaries and retirement benefits for executives (including part-time executives) are made in conformity with the regulations as follows in principle:
Policy Library chapter 34 and chapter 35
 2. Payments of compensation/salaries and retirement benefits for employees are made in conformity with the regulations as follows in principle:
Policy Library chapter 34 and chapter 35
 3. Number of people is stated on a yearly average basis.
 4. Personnel costs on the P/L includes legal welfare costs (552,304 thousand yen) other than the figures in the above table.
 5. Figures for part-time executives and employees are put in parentheses, which is not included in each total amount.
 6. Total amounts doesn't include allowance-retirement benefits and allowance-bonuses.

13. Segment information

(Unit: Thousand Yen)						
Category	Research Unit	Research Service	Education	Subtotal	Administration	Total
Ordinary revenue						
Tuition fees	-	-	60,480	60,480	-	60,480
Subsidy for operation	5,158,420	4,010,548	736,936	9,905,905	2,048,556	11,954,462
Subsidy for facility	-	16,455	-	16,455	-	16,455
Sponsored research	261,946	-	-	261,946	-	261,946
Donation	0	2,219	712	2,933	595	3,529
Subsidy for others	32,127	-	-	32,127	300	32,427
Reversal of encumbrance for assets - subsidy for operation	780,580	2,536,280	12,596	3,329,457	11,132	3,340,589
Reversal of encumbrance for assets - donation	19,972	4,129	187	24,289	-	24,289
Reversal of encumbrance for assets - donated by Japan government	-	-	-	-	51	51
Miscellaneous revenue	Δ720	40,579	343	40,202	83,929	124,131
Financial revenue	26	109,496	-	109,523	373	109,896
Total	6,252,354	6,719,710	811,256	13,783,321	2,144,939	15,928,260
Operating expenses	6,264,108	6,714,628	772,735	13,751,472	2,144,561	15,896,033
Net ordinary income	Δ11,753	5,081	38,521	31,849	377	32,227
Total assets	2,771,545	53,253,334	45,110	56,069,990	6,368,887	62,438,878

(Notes to segment information)

(1) Definition of segments and detailed activities

Contents of Activities

Research unit: Molecular science, neuroscience, promotion of research and development for mathematics and computer science, the training of researchers, etc.
Research service: Support for research units, dissemination of research results, etc.
Education: Matters related to graduate student enrollment and education

(2) Amounts that are not allocatable and categorized as "Administration" are mainly related to administrative divisions as following.

Personnel costs 1,342,402 thousand yen
Depreciation 258,152 thousand yen
Others 247,255 thousand yen

(3) Total assets categorized as Administration mainly include:

Cash and cash equivalents 6,175,361 thousand yen
Patents (in the process of filing) 124,126 thousand yen

(4) Depreciation (directly deducted from equity) and estimated allowance for retirement benefits by segment are indicated below.

(Unit: Thousand Yen)						
	Research Unit	Research Service	Education	Subtotal	Administration	Total
Depreciation (directly deducted from equity)	-	1,737,522	-	1,737,522	-	1,737,522
Estimated allowance for retirement benefits	-	-	-	-	1,359	1,359

14. Donation

Category	Received amount (Thousand yen)	Case	Memo
Research Unit	10,000	1	
Research Service	-	-	
Education	5,173	1	Donation of goods 1 case: 5,138 Thousands yen
Administration	609	5	
Total	15,783	7	

15. Sponsored research

(Unit: Thousand yen)

Category	Beginning Balance	Received Amount	Sponsored Research Revenue	Closing Balance
Research Unit	14,729	221,637	223,462	12,903
Research Service	-	-	-	-
Administration	-	-	-	-
Total	14,729	221,637	223,462	12,903

16. Joint research

(Unit: Thousand yen)

Category	Beginning Balance	Received Amount	Joint Research Revenue	Closing Balance
Research Unit	2,952	75,697	38,483	40,166
Total	2,952	75,697	38,483	40,166

17. Primary assets, liabilities, expenses, and revenues

(1) Cash and bank deposits

(Unit: Thousand Yen)

Category	Amount
Cash	161
Bank deposits	6,175,199
Total	6,175,361

(2) Grant-in-aid for scientific research

(Unit: Thousand Yen)

Category	Received Amount	Number	Memo
Scientific research (S)	(2,200) 660	(1) 1	
Scientific research (A)	(712) 213	(2) 2	
Scientific research (B)	(13,268) 3,980	(12) 12	
Scientific research (C)	(18,718) 5,615	(25) 25	
Challenging Exploratory research	(3,300) 990	(5) 5	
Young scientists (A)	(10,600) 3,180	(3) 3	
Young scientists (B)	(7,518) 2,255	(7) 7	
JSPS Fellows	(9,700) 390	(10) 1	
Scientific Research on Innovative Areas□ (Research area proposed type)	(43,563) 12,310	(11) 9	
Research Support Allowance	(590) -	(4) -	
HFSP Grants	(10,833) 1,083	(1) 1	
Pancreatic Disease Incentive Award	(440) -	(1) -	
Okinawa bank Furusato Fund	(600) -	(1) -	
Naito Memorial Specific Research Award	(3,000) -	(1) -	
International Joint Research for Accelerator	(10,100) 3,030	(1) 1	
JSPS Summer Program	(158) -	(1) -	
Total	(135,303) 33,709	(86) 67	

Notes: 1. Received amount indicates the amount for administrative activities, and the amount for research activities are put in parenthesis, which is not included in each amount.

2. Subsidized research subjects	
Scientific research (S)	- Royal Epigenetics: Molecular basis of the extended longevity of reproductives in social insects
Scientific research (A)	- Extraction of Agricultura tacit knowing by multistage mining combined swarm intelligence type method with mathematical modeling method
	- Development of line gamma ray astronomy by innovation of semiconductor Compton camera
Scientific research (B)	- Coral population genomics analysis across south-west Pacific ocean
	- Elucidation of coral larva dispersal distance by different field cooperation for coral preservation
	- Elucidation of population maintenance system of coral reef organisms in the Kuroshio Sphere by seascape genomics approach
	- Creation of innovative analysis method of unproven bioactivation of antioxidant which support healthy longevity food
	- Epigenetic control of intragenic heterochromatin in higher plants
	- Artificially-structured coral multilateral analysis of mutualism biological event using zooxanthella symbiosis
	- Comparative genome scientific analysis of the origin and evolution of chordates
	- Modeling of coral recruitment in view of mass synchronous spawning and fertilization efficiency
	- Controllable Quantum Turbulence
	- Jet lag in a season-encoding circadian network
Scientific research (C)	- Lattice and Charge Engineering of Spin Ice
	- Studies on high resolution MR micro imaging by QSI and DTI
	- Interactive simulation platform for model-driven real-time system control
	- Epigenomics of the symbiotic dinoflagellates in corals
	- Mechanisms that form cone mosaic pattern in zebrafish retina
	- Elucidation of neural mechanism of patience controlled by serotonin system
	- One step antibacterial of silk fibers using fibroin binding peptide
	- The role of the ion channel distribution in dendritic computation of the cerebellar Purkinje cell
	- Research on non-adiabatic quantum control using Lie algebra
	- Neuronal Mechanism of Critical Period for vocal learning in zebra finches
	- Replica in conformal bootstraps and critical exponents
	- Functional analysis of BNIP1, a protein that transforms vesicular fusion defects into photoreceptor apoptosis
	- Molecular and cellular analysis of decision making in a small neural network of C. elegans
	- Evolutionary study of vertebrate genome based on the phylogenetic analysis and chromosome comparison
	- A new conceptual understanding of brain function by macro representation
	- Function analyses of Ras-related protein Rap2 on Skin wound healing
	- Elucidation of the reality and maintenance mechanism of the coral community in the coastal area of Japan by integrated approach
	- Exploration to locate home of tropical freshwater fish: dispersal mechanism of amphidromous fish larvae
	- Spin superfluidity and magnonics in solid antiferromagnets
	- Neural mechanisms of sensorimotor learning in songbird
Challenging Exploratory research	- 3 dimensional conformal field theory and its application to statistical physics
	- Establishment of the functional analysis method of cis-regulatory modules using CRISPR-Cas9 system
	- Mutational robustness in ribozyme quasispecies
	- Visualization of plant metabolism by space-resolved metabolomics
	- Structure of Membrane protein expression by modified E. coli
Young scientists (A)	- Cholinergic mechanisms for control of motor habit
	- Genetic control of honeybee dance
Young scientists (B)	- Establishment and deployment of 3D visualization techniques for RI by Compton camera
	- High stability perovskite solar cells
	- Optical Bistability of Resonant Light in an Atom-Microcavity System
	- Analysis of the role of HLX1 in development and function of T helper cells
	- CNOT3 is required for the maintenance of immune homeostasis
	- Biological elucidation of neural plasticity using advanced MR imaging
	- Research toward the identification of the roles of cytoskeleton on synaptic transmission in central nervous system
	- Reproductive specific network model for lincRNAs in rice
	- Genomic basis of the subfunctionalization of two brachyury genes in Xenopus
	- Elucidation of dynamics and connectivity in marine species at multiple scales for coastal ecological conservation in the Nansei Islands
	- The role of 5-HT receptor during the self control behavior for the future reward
JSPS Fellows	- Superfluidity of matter-wave bright soliton and its control in dipolar Bose-Einstein condensates
	- Mechanism of small spatial scale adaptive dissipation exploring from comparative genomics of diatoms
	- Development of effective nanomaterials using microfluidic devices for delivery of medicinal molecules
	- Role of intratellencephalic nerve in bilateral coordinated movement of rat
	- Creation of oxidation catalyst and C-H bond activation catalyst with heterogeneous binuclear metal complex and transition metal complex in second coordination sphere
	- Analysis of cerebral plasticity and development of cerebral plasticity promotion by longitudinal brain imaging
	- Population dynamics of neurons based on voluntary and willful behavior in the cerebral cortex
	- Effects of Southeast Asian rubber farms on classification, function, population genetics and systematic diversity of ant communities
	- Search and function analysis of novel genes controlling aging-associated motor diseases
	- Genome decoding of brachiopod Lingula Anatina
Scientific Research on Innovative Areas (Research area proposed type)	- Chronic effects of non-24 hour solar days
	- A new method of rice fertilization by lincRNA and miR2118
	- Macro representation of neural populations in the hippocampus of freely-behaving rats
	- Investigation of the mechanism of cortical network shift depending on behavioral strategies
	- Development of efficient amine-based catalyst systems
	- Non-invasive imaging technique for measuring neural circuit activity
	- Formation of international network of fusion research between artificial intelligence and brain science
	- Promotion of fusion research between artificial intelligence and brain science
	- Bioimaging Support Initiative
	- Elucidation of mathematical basis and neural mechanism of multi-layered expression learning
Research Support Allowance	- Effect of reward magnitude and uncertainty on the role of serotonin in the regulation of patience
	- Evolution of epigenetic mechanisms regulating transposable elements in plant species
	- Large-scale spiking model of the basal ganglia in normal & pathological conditions
	- Comparative genomics of animal evolution
HFSP Grants	- Characterizing interactions between cold Rydberg atoms and the surface of an optical nanofiber
	- The physics of social behavior in the 3-dimensional shoaling of zebrafish, Danio rerio
Pancreatic Disease Incentive Award	- Development of new heavy particle therapy method focusing on microRNA controlling pancreatic cancer stem cells
Okinawa bank Furusato Fund	- Science Project for Ryukyu Girls
Naito Memorial Specific Research Award	- Promotion of fusion research between artificial intelligence and brain science
International Joint Research for Accelerator	- Using machine vision to understand causes and consequences of collective behavior in a honey bee society
JSPS Summer Program	- EAPSI: The cascade of experience: how early events in a critical life stage alter adult song behavior

18. Related Public Corporations

FRIENDS OF OIST FOUNDATION, INC.

(1) The purpose of the Friends of OIST foundation is to:

- ① Promote science and technology to address global grand challenges through the support of research and educational activities conducted by the OIST and its collaborators and partners in the United States, Japan, and abroad.
- ② Promote the globalization of science and technology research and education originating in Japan by increasing awareness of OIST and its research programs in the United States, and by expanding its global impact.
- ③ Enable self-sustaining economic growth in Okinawa by fostering an environment that supports innovation, entrepreneurship, and the application of scientific and technological knowledge to meet the world's needs.

(2) Relationship between the Board of Directors and OIST

Jerome Friedman, one of OIST BOG members, is concurrently a Board of Directors of the Friends of OIST Foundation.

(3) Members of the Board of Directors:

- ① Jerome Friedman: Director
- ② Sachiko McAlinn: Director

(4) Status of Capital funds

There are no membership fees, contributions and etc., burdened by OIST to contribute to capital fund of the foundation, operating expenses, project costs and etc.

(5) Status of business transactions with OIST

Not applicable.