

Okinawa Institute of Science and Technology School Corporation

Financial Statements

Year ended March 2014

From: April 1, 2013

To: March 31, 2014

*Translation of the original audit report in Japanese.
For discussion purposes only.*

Report of Independent Auditors

June 23, 2014

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

Ernst & Young ShinNihon LLC

Takashi Tanemura
Certified Public Accountant
Designated and Engagement Partner

Kazutaka Okubo
Certified Public Accountant
Designated and Engagement Partner

Kenji Izawa
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, 2014 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, 2014, 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.

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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.)

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Balance Sheets

As of March 31, 2014

(Unit : Yen)

Assets

I Noncurrent assets

1 Properties, plants, and equipment

Land		1,659,667,000	
Buildings	29,315,715,453		
Accumulated depreciation	<u>△ 3,113,442,884</u>	26,202,272,569	
Structures	5,797,871,670		
Accumulated depreciation	<u>△ 523,864,971</u>	5,274,006,699	
Machineries	200,503,189		
Accumulated depreciation	<u>△ 82,325,873</u>	118,177,316	
Equipment	7,890,539,879		
Accumulated depreciation	<u>△ 4,016,288,865</u>	3,874,251,014	
Books		1,394,341	
Vehicles and transportation equipment	15,406,041		
Accumulated depreciation	<u>△ 9,385,430</u>	6,020,611	
Lease assets	1,581,008,996		
Accumulated depreciation	<u>△ 343,768,052</u>	1,237,240,944	
Construction in progress		<u>2,611,390,394</u>	
Total properties, plants, and equipment		40,984,420,888	

2 Intangible assets net of amortization

Patents		4,454,645	
Trademark rights		970,277	
Softwares		104,831,990	
Patents (in the process of filing)		15,458,915	
Others		<u>41,735,742</u>	
Total intangible assets, net		167,451,569	

3 Investments and other assets

Security deposits		3,839,000	
Long-term prepaid expenses		1,599,823	
Lease investment assets (Long-term)		<u>2,577,549,812</u>	
Total investments and other assets		2,582,988,635	

43,734,861,092

II Current assets

Cash and cash equivalents		1,706,671,225	
Accounts receivable		54,034,326	
Supplies		11,455,718	
Prepaid expenses		6,627,036	
Lease investment assets (Short-term)		<u>57,278,540</u>	

Total current assets

1,836,066,845

Total assets

45,570,927,937

Liabilities

I Noncurrent liabilities

Encumbrance for assets - subsidy for operation		6,519,947,331	
Encumbrance for assets - donation		67,247,715	
Encumbrance for assets - donated by Japan government		184,366	
Allowance-retirement benefits		82,534,400	
Long-term accrued amounts payable		2,581,933,943	
Long-term lease obligations		<u>878,454,554</u>	

Total noncurrent liabilities

10,130,302,309

II Current liabilities

Advance received		3,799,115	
Deposits received - subsidy for operation			
Deposits received - subsidy for operation	321,090,401		
Deposits received-subsidy for facility	<u>2,342,613,430</u>	2,663,703,831	
Deposits received - donation		12,333,000	
Deposits received - Kakenhi		66,644,228	
Deposits received - others		50,025,988	
Accounts payable		1,327,512,119	
Short-term lease obligations		393,654,669	
Accrued expenses		<u>53,690,554</u>	

Total current liabilities

4,571,363,504

Total liabilities

14,701,665,813

Equities

I Contributions

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

24,317,681,264

II Additional paid-in contributions

Additional paid-in contributions		9,781,797,184	
Accumulated depreciation - directly deducted from equity		<u>△ 3,480,814,474</u>	

Total additional paid-in contributions

6,300,982,710

III Retained earnings

Voluntary reserve funds		80,532,854	
Special reserve funds		170,065,296	
Accumulated net income		<u>(△ 9,765,542)</u>	

Total retained earnings

250,598,150

Total equities

30,869,262,124

Total liabilities and equities

45,570,927,937

Profit and Loss Statements

For the year ended March 31, 2014

(Unit: Yen)

Ordinary revenues			
Tuition fees		24,300,000	
Subsidy for operation		8,308,177,161	
Subsidy for facility		5,804,230	
Sponsored research from national and local governments		76,195,737	
Sponsored research from nongovernments		42,164,576	
Joint research		32,304,758	
Donations		5,003,373	
Subsidy for other		37,388,000	
Property rent revenue		6,014,542	
Land rent revenue		6,014,617	
Reversal of encumbrance for assets – subsidy for operation		2,111,461,228	
Reversal of encumbrance for assets – donations		25,829,433	
Reversal of encumbrance for assets – donated by Japan government		6,390,820	
Financial revenues			
Interest	59,660,369	59,660,369	
Miscellaneous revenues		80,826,459	
Ordinary revenues total		<u>80,826,459</u>	10,827,535,303
Operating expenses			
Research expenses			
Personnel costs	3,275,122,731		
Other expenses			
Research supplies	696,854,754		
Supplies & Consumables	432,215,286		
Utilities	394,636,931		
Travel and transportation	347,174,528		
Communication and transportation expenses	83,720,703		
Rent	87,803,707		
Outsource	381,642,417		
Repair costs	60,035,245		
Maintenance fees	635,824,051		
Library expenses	164,458,296		
Depreciation	2,444,826,512		
Others	101,083,356	<u>5,830,275,786</u>	9,105,398,517
General and administrative expenses			
Personnel costs	936,491,908		
Other expenses			
Office supplies	40,768,255		
Travel and transportation	229,444,638		
Communication and transportation expenses	36,514,769		
Rent	32,229,988		
Outsource	103,426,209		
Service and advisory fees	63,904,754		
Advertising expenses	42,474,001		
Depreciation	11,805,678		
Others	168,779,782	<u>729,348,074</u>	1,665,839,982
Financial expense			
interest expenses	64,529,440		
Foreign currency transaction loss	979,802	65,509,242	
Miscellaneous loss			
Miscellaneous loss	553,104	<u>553,104</u>	
Operating expenses total			<u>10,837,300,845</u>
Net ordinary income/(△loss)			△ 9,765,542
Extraordinary income			
Reversal of encumbrance for assets – subsidy for operation		<u>3,246,958</u>	
Total extraordinary income			3,246,958
Extraordinary loss			
Loss on retirement of noncurrent assets		<u>3,246,958</u>	
Total extraordinary loss			<u>3,246,958</u>
Net income/(△loss)			<u>△ 9,765,542</u>
Gross income/(△loss)			<u><u>△ 9,765,542</u></u>

Statements of Cash Flows

From April 1, 2013 to March 31, 2014

(Unit: Yen)

I Cash flows from operating activities	
Tuition fees	24,300,000
Funds received from government - subsidy for operation	11,046,588,892
Funds received from outside parties - sponsored research	165,935,336
Funds received from outside parties - donations	8,406,000
Funds received from government - subsidy for others	37,388,000
Funds received from employees - property rent - dormitory	6,014,542
Funds received from others	207,060,152
Net cash increase in advanced-received (Kakenhi:Grant-in-aid for scientific researc	△ 772,026
Payments to employees	△ 4,152,172,635
Purchase of inventories	△ 7,245,378
Payments of other than payments to employees	△ 4,093,017,040
Returns to national government - subsidy for operation	△ 166,642,863
Net cash provided by operating activities	3,075,842,980
II Cash flows from investing activities	
Purchase of property, plant, and equipment	△ 5,051,729,228
Purchase of intangible assets	△ 38,312,795
Funds received from government - subsidy for facility	2,254,294,302
Payments for other investing activities	1,261,300
Subtotal	△ 2,834,486,421
Received interest and dividends	1,398
Net cash used in investing activities	△ 2,834,485,023
III Cash flows from financial activities	
Payments for finance lease liabilities	△ 287,430,170
Net cash used in financial activities	△ 287,430,170
IV Foreign exchange gain	787,063
V Net cash increase/(decrease) in cash and cash equivalents	△ 45,285,150
VI Cash and cash equivalents at beginning of year	1,751,956,375
VII Cash and cash equivalents at end of year	1,706,671,225

Profit Appropriation Statements
As of March 31, 2014

(Unit: Yen)

I Unappropriated retained earnings	
Gross loss	Δ 9,765,542
Retained earnings at the beginning of a period	179,830,838
II Retained earnings	<u><u>170,065,296</u></u>

Statements of Administrative Service Costs

From April 1, 2013 to March 31, 2014

(Unit: Yen)

I Ordinary expenses		
(1) Ordinary expenses stated on Profit and Loss Statements		
Research expenses	9,105,398,517	
General and administrative expenses	1,665,839,982	
Financial expenses	<u>65,509,242</u>	10,836,747,741
(2) (Less) Revenue from outside parties		
Tuition fees	Δ 24,300,000	
Sponsored research	Δ 118,360,313	
Joint research	Δ 32,304,758	
Donations	Δ 5,003,373	
Property rent revenue	Δ 6,014,542	
Land rent revenue	Δ 6,014,617	
Reversal of encumbrance for assets-donation	Δ 25,829,433	
Financial revenue	Δ 59,660,369	
Miscellaneous	<u>Δ 44,676,342</u>	<u>Δ 322,163,747</u>
Total ordinary expenses		10,514,583,994
II Depreciation-directly deducted from equity		1,523,652,922
III Estimated allowance for retirement benefits		1,341,700
IV Opportunity costs		
Opportunity costs of free rental fee or reduction rental fee from national/local government	141,341,262	
Opportunity costs of national/local government	<u>209,431,437</u>	<u>350,772,699</u>
V Administrative service costs		<u><u>12,390,351,315</u></u>

Notes to Financial Statements

I. Important accounting policy

1. Supplies

(1) Research supplies

Research supplies are reported at lower of cost or market value under moving average method.

(2) Others

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 two to five years.

3. Allowance for retirement benefits

(1) Allowance-retirement benefits

Allowance for retirement benefits for employees is recognized on liability for FY2013 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 0.640% which refers to the interest rate for 10-year government bonds at the end of March 2014.

5. Foreign currency transactions

Foreign currency transactions are converted to yen at the spot exchange rate as of the closing date, and the translation difference is recorded in profit and loss.

6. Leases

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

In addition, future lease payments for operating leases where the contract cannot be terminated during the lease term are as follows.

(1) Future lease payments relating to a lease period of not more than one year after the balance sheet date	5,964,645 yen
(2) Future lease payments relating to a lease period of more than one year after the balance sheet date	0 yen

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 and the second phase were completed at each fiscal year 2012 and 2013. The housings were then delivered to the University. Upon completion of the housings, the University 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	36,854,522 yen
Closing balance of encumbrance for construction in progress - subsidy for operation in SC	226,388,088 yen
Closing balance of encumbrance for patent - subsidy for operation in SC	13,956,951 yen
Closing balance of encumbrance for construction in progress - subsidy for operation in PC	42,388,876 yen
Closing balance of encumbrance for patent-subsidy for operation in PC	1,501,964 yen
Total of closing balance	321,090,401 yen

(2) Deposits received - subsidy for facility

Closing balance of encumbrance for construction in progress - subsidy for facility in SC	2,105,534,508 yen
Closing balance of encumbrance for construction in progress - subsidy for facility in PC	237,078,922 yen
Total of closing balance	2,342,613,430 yen

IV. Statement of Cash Flows

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

Cash and cash equivalent	1,706,671,225 yen
<u>Balance of funds at end of year</u>	<u>1,706,671,225 yen</u>

(2) Important non-financial transactions

Amount of assets and liabilities related to finance leases (lessee) newly recognized in the term	1,121,317,652 yen
Amount of investments related to finance leases (lessor) newly recognized in the term	727,268,850 yen
Amount of long-term accounts payable related to acquisition of tangible fixed assets newly recognized in the term	727,268,850 yen

V. Statements of administrative service costs

Estimated allowance for retirement benefits includes 1,341,700 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 (X-ray photoelectron spectroscope set)

(2) Depreciation method of lease assets

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	3,641,290,436 yen
<u>Amount equivalent to interest income</u>	<u>1,063,740,624 yen</u>
Lease investment assets	2,577,549,812 yen

(ii) Current assets

Portion of lease receivables	120,012,549 yen
<u>Amount equivalent to interest income</u>	<u>62,734,009 yen</u>
Lease investment assets	57,278,540 yen

(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
Lease investment assets	-	58,710,503	60,178,267	61,682,723	63,224,790	2,333,753,529

(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
Lease investment assets	57,278,540	-	-	-	-	-

VII. Important subsequent events

Not applicable.

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 2013		Included in ordinary expenses FY2013	Excluded in ordinary expenses FY2013				
Property, plant, and equipment (Depreciation - Included in ordinary expenses)	Buildings	2,201,755	292,502	8,072	2,486,185	227,038	114,327	-	-	-	2,259,147	
	Structures	261,581	21,303	-	282,885	45,985	21,207	-	-	-	236,900	
	Machinery	154,561	2,861	-	157,422	75,350	28,721	-	-	-	82,071	
	Equipment	6,514,404	1,328,461	84,362	7,758,503	3,906,866	1,946,234	-	-	-	3,851,636	
	Books	488	906	-	1,394	-	-	-	-	-	1,394	
	Vehicle and transportation equipment	15,406	-	-	15,406	9,385	4,118	-	-	-	6,020	
	Lease assets	459,691	1,121,317	-	1,581,008	343,768	312,619	-	-	-	1,237,240	
	Total	9,607,888	2,767,353	92,435	12,282,806	4,608,393	2,427,229	-	-	-	7,674,412	
Property, plant, and equipment (Depreciation - Excluded from ordinary expenses)	Buildings	26,855,143	-	25,614	26,829,529	2,886,404	1,272,485	-	-	-	23,943,125	
	Structures	5,364,457	150,528	-	5,514,986	477,879	210,312	-	-	-	5,037,106	
	Machinery	43,080	-	-	43,080	6,975	2,886	-	-	-	36,105	
	Equipment	132,036	-	-	132,036	109,422	37,914	-	-	-	22,614	
	Total	32,394,718	150,528	25,614	32,519,633	3,480,682	1,523,598	-	-	-	29,038,951	
Non-depreciable assets	Land	1,659,667	-	-	1,659,667	-	-	-	-	-	1,659,667	
	Construction in progress	524,230	2,389,612	302,452	2,611,390	-	-	-	-	-	2,611,390	
	Total	2,183,897	2,389,612	302,452	4,271,057	-	-	-	-	-	4,271,057	
Total property, plant, and equipment	Land	1,659,667	-	-	1,659,667	-	-	-	-	-	1,659,667	
	Buildings	29,056,899	292,502	33,686	29,315,715	3,113,442	1,386,812	-	-	-	26,202,272	
	Structures	5,626,038	171,832	-	5,797,871	523,864	231,519	-	-	-	5,274,006	
	Machinery	197,641	2,861	-	200,503	82,325	31,608	-	-	-	118,177	
	Equipment	6,646,441	1,328,461	84,362	7,890,539	4,016,288	1,984,148	-	-	-	3,874,251	
	Books	488	906	-	1,394	-	-	-	-	-	1,394	
	Vehicle and transportation equipment	15,406	-	-	15,406	9,385	4,118	-	-	-	6,020	
	Lease assets	459,691	1,121,317	-	1,581,008	343,768	312,619	-	-	-	1,237,240	
	Construction in progress	524,230	2,389,612	302,452	2,611,390	-	-	-	-	-	2,611,390	
	Total	44,186,504	5,307,494	420,502	49,073,496	8,089,076	3,950,827	-	-	-	40,984,420	
Intangible assets (Depreciation - Included in ordinary expenses)	Patents	4,823	1,284	-	6,107	1,652	812	-	-	-	4,454	
	Trademark right	1,119	-	-	1,119	149	111	-	-	-	970	
	Software	96,998	60,444	630	156,813	51,981	24,630	-	-	-	104,831	
	Other intangible assets	50,387	-	-	50,387	9,230	3,848	-	-	-	41,156	
	Total	153,328	61,729	630	214,427	63,013	29,402	-	-	-	151,413	
Intangible assets (Depreciation - Excluded from ordinary expenses)	Other intangible assets	711	-	-	711	132	54	-	-	-	578	
Non-depreciable assets	Patent in the process of filing	10,693	7,694	2,929	15,458	-	-	-	-	-	15,458	
	Patents	4,823	1,284	-	6,107	1,652	812	-	-	-	4,454	
Total intangible assets	Trademark right	1,119	-	-	1,119	149	111	-	-	-	970	
	Software	96,998	60,444	630	156,813	51,981	24,630	-	-	-	104,831	
	Patent in the process of filing	10,693	7,694	2,929	15,458	-	-	-	-	-	15,458	
	Other intangible assets	51,098	-	-	51,098	9,362	3,903	-	-	-	41,735	
	Total	164,732	69,423	3,559	230,597	63,146	29,457	-	-	-	167,451	
	Investments and other assets	Security deposit	5,100	519	1,780	3,839	-	-	-	-	-	3,839
		Prepaid expense (long-term)	1,414	979	794	1,599	-	-	-	-	-	1,599
lease investment assets		1,919,026	700,240	41,717	2,577,549	-	-	-	-	-	2,577,549	
Total		1,925,541	701,740	44,292	2,582,988	-	-	-	-	-	2,582,988	

Notes:

1. Increased buildings : Expansion Work of Power and Heat Source in Server Room 73,458 thousand yen, Lab2 A666 Laser Laboratory Renovation Work 46,716 thousand yen
2. Increased structures : Outdoor facility work in the west park of the site 57,719 thousand yen, Planting Work in the Site 8 36,099 thousand yen
3. Increased equipment : MRI for Animals 261,765 thousand yen, Okinawa Coastal Ocean Observation system 213,524 thousand yen
4. Increased lease investment assets : Village zone housings (Phase 2) 727,268 thousand yen
5. Increased lease assets : X-Ray Photoelectron Spectroscopy 285,752 thousand yen, Diffraction Microscope with FIB 211,795 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	4,901	14,136	-	15,489	2,124	1,423	
Other	-	10,423	-	391	-	10,031	
Total	4,901	24,560	-	15,881	2,124	11,455	

Notes:

Reason of decrease of Others: Disposition of expired items and difference in number between ledger and actual number

3. 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	-	141,341	
Total					141,341	

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:Delivered between August 2012 and January 2013 Second phase: Delivered in June 2013 Third phase: Scheduled to deliver in March 2015

Notes: The above delivery schedules are stated based on the most recent memorandum of understanding regarding change to the business contract.

5-2.Allowance-retirement benefits

(Unit: Thousand yen)

Category	Beginning Balance	Increase	Decrease	Closing Balance	Memo
Total of accumulated benefits obligation	66,638	15,895	-	82,534	
Obligation of retirement lump-sum grants	66,638	15,895	-	82,534	
Unrecognized prior service cost	-	-	-	-	
Unrecognized net actual loss on assets	-	-	-	-	
Pension asset	-	-	-	-	
Allowance-retirement benefits	66,638	15,895	-	82,534	

6. 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	9,656,882	124,914	-	9,781,797	Note (1)
	Total	9,656,882	124,914	-	9,781,797	
	Accumulated depreciation directly deducted from equity	1,957,161	1,523,652	-	3,480,814	
	Balance	7,699,720	Δ 1,398,739	-	6,300,982	

Note(1): Increase in the subsidy for facility was mainly due to the completion of Outdoor facility work in the west park of the site 53,640 thousand yen and Planting Work in the Site 8 36,099 thousand yen.

7. 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	

8. Research expenses and general and administrative expenses

(Unit: Thousand Yen)

Account item	Amount	Memo
Research expenses		
Executive salaries	21,400	
Salaries - Exe allowance	5,000	
Salaries - Base	2,573,894	
Salaries - Allowance	265,894	
Salaries - Commutation	32,778	
Salaries - Over time	67,479	
Salaries - Others	35,587	
Periodic retirement benefits	5,386	
Legal welfare	267,701	
Research supplies	696,854	
Supplies	177,579	
Consumables	254,635	
Utilities	394,636	
Travel and transportation - Domestic	97,965	
Travel and transportation - International	159,534	
Travel and transportation - Invite	84,871	
Travel and transportation - Others	4,802	
Communication expenses	50,875	
Transportation expenses	32,845	
Lease fees	9,094	
Rent fee - Land and buildings	67,667	
Rent fee - Others	11,042	
Welfare expenses	26	
Payment commissions	1,049	
Membership fees	17,670	
Meeting expenses	3,565	
Training fees	8,887	
Professional fees	17,097	
Honorariums	7,781	
Outsource	381,642	
Repair costs	60,035	
Maintenance fees	635,824	
Insurance - Property	3,314	
Advertising expenses	3,932	
Depreciation - Buildings	114,327	
Depreciation - Structures	21,207	
Depreciation - Machinery	28,721	
Depreciation - Equipment	1,944,306	
Depreciation - Vehicle and transportation equipment	4,118	
Depreciation - Intangible assets	19,524	
Depreciation - Lease assets	312,619	
Library expenses	164,458	
Taxes and dues	19,458	
Import consumption tax	789	
Other expenses	17,510	
Total:	9,105,398	
General and administrative expenses		
Executive salaries	69,742	
Salaries - Exe commutation	237	
Salaries - Base	627,779	
Salaries - Allowance	33,188	
Salaries - Commutation	11,382	
Salaries - Over time	49,925	
Salaries - Others	26,276	
Periodic retirement benefits	10,508	
Legal welfare	107,450	
Research supplies	4,270	
Supplies	4,963	
Consumables	35,804	
Utilities	25,203	
Travel and transportation - Domestic	35,661	
Travel and transportation - International	29,361	
Travel and transportation - Invite	135,724	
Travel and transportation - Others	28,697	
Communication expenses	3,040	
Transportation expenses	33,474	
Lease fees	58	
Rent fee - Land and buildings	27,795	
Rent fee - Others	4,375	
Welfare expenses	10,360	
Event expenses	21	
Payment commissions	4,365	
Membership fees	1,625	
Meeting expenses	3,225	
Training fees	4,597	
Professional fees	38,714	
Honorariums	25,190	
Outsource	103,426	
Repair costs	420	
Maintenance fees	5,649	
Insurance - Property	28,351	
Advertising expenses	42,474	
Patent expenses	2,425	
Depreciation - Equipment	1,927	
Depreciation - Intangible assets	9,878	
Library expenses	782	
Taxes and dues	48,878	
Import consumption tax	69	
Social expenses	50	
Other expenses	28,481	
Total:	1,665,839	

9.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	10,140,542	213,191	7,694	1,613,124	8,306,532	
Total	10,140,542	213,191	7,694	1,613,124	8,306,532	

Notes:

Revenue of Subsidy for operation on the P/L includes 1,644 thousand yen produced by transferring from Patents(in the process of filing) in the past fiscal year to patent expenses.

10-1.Subsidy for the 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 March 19, 2013 Lab 3	1,751,400	1,751,400	-	-	-	
OIST Subsidy for Facility as of April 5, 2012 Infra-environmental improvement	46,043	8,307	37,352	-	383	
OIST Subsidy for Facility as of May 29, 2013 CDC	100,905	100,905	-	-	-	
OIST Subsidy for Facility as of May 29, 2013 Infra-environmental improvement	106,339	29,400	71,517	-	5,421	
Total	2,004,687	1,890,012	108,870	-	5,804	

10-2 Other subsidies

(Unit: Thousand yen)

Category	Received amount	Transactions				Memo
		Encumbrance for assets	Deposits received - subsidy (long-term)	Revenue from Subsidy	Others	
Subsidy of regional cooperation among government, industry and academia for science and technology development	32,140	-	-	32,140	-	
Subsidy for promotion of university reform	3,520	-	-	3,520	-	
Subsidy for promotion of employment of handicapped	1,728	-	-	1,728	-	
Total	37,388	-	-	37,388	-	

11. 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)	(1)	(-)	(-)
	94,675	3	-	-
Employees	(65,505)	(33)	(-)	(-)
	3,658,681	562	-	-
Total	(67,209)	(34)	(-)	(-)
	3,753,357	565	-	-

Notes: 1. Payments of compensation/salaries and retirement benefits for executives (including part-time executives) are made in conformity with the regulations as follows:

Policy Library chapter 34

2. Payments of compensation/salaries and retirement benefits for employees are made in conformity with the regulations as follows:

Policy Library chapter 34

3. Number of people is stated on a yearly average basis.

4. Personnel costs on the P/L includes legal welfare costs (375,151 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.

12. Segment information

(Unit: Thousand Yen)

Category	Research Unit	Research Service	Education	Subtotal	Administration	Total
Ordinary revenue						
Tuition fees	-	-	24,300	24,300	-	24,300
Subsidy for operation	4,006,563	2,310,166	431,573	6,748,302	1,559,874	8,308,177
Subsidy for facility	-	5,804	-	5,804	-	5,804
Sponsored research	150,665	-	-	150,665	-	150,665
Donation	4,489	-	-	4,489	513	5,003
Subsidy for others	32,140	-	-	35,660	1,728	37,388
Reversal of encumbrance for assets - subsidy for operation	894,534	1,183,448	21,502	2,099,486	11,974	2,111,461
Reversal of encumbrance for assets - donation	25,678	150	-	25,829	-	25,829
Reversal of encumbrance for assets - donated by Japan government	1,033	5,305	-	6,339	51	6,390
Miscellaneous revenue	48,256	23,745	13	72,015	20,840	92,855
Financial revenue	-	59,658	-	59,658	1	59,660
Total	5,163,360	3,591,800	477,389	9,232,550	1,594,984	10,827,535
Operating expenses	5,099,651	3,594,695	472,566	9,166,912	1,670,387	10,837,300
Net ordinary income	63,709	△ 2,896	4,823	65,637	△ 75,404	△ 9,766
Total assets	2,889,406	40,830,493	32,031	43,751,932	1,818,995	45,570,927

(Notes to segment information)

(1) Definition of segments and detailed 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	939,506 thousand yen
Depreciation	11,805 thousand yen
Others	719,075 thousand yen

(3) Total assets categorized as Administration mainly include:

Cash and cash equivalents	1,706,671 thousand yen
Accounts receivable	21,160 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)	-	1,523,534	-	1,523,534	118	1,523,652
Estimated allowance for retirement benefits	-	-	-	-	1,341	1,341

13. Donation

Category	Received amount (Thousand yen)	Case	Memo
Research Unit	4,648	8	Donation of goods 5 cases: 4,248 Thousands yen
Research Service	500	1	
Education	6,000	3	
Administration	1,506	7	
Total	12,654	19	

14. Sponsored research

(Unit: Thousand yen)

Category	Beginning Balance	Received Amount	Sponsored Research Revenue	Closing Balance
Research Unit	15,317	106,834	118,360	3,791
Total	15,317	106,834	118,360	3,791

15. Joint research

(Unit: Thousand yen)

Category	Beginning Balance	Received Amount	Joint Research Revenue	Closing Balance
Research Unit	-	32,304	32,304	-
Total	-	32,304	32,304	-

16. Primary assets, liabilities, expenses, and revenues

(1) Cash and bank deposits

(Unit: Thousand Yen)

Category	Amount
Cash	192
Bank deposits	1,706,478
Total	1,706,671

(2) Grant-in-aid for scientific research

(Unit: Thousand Yen)

Category	Received Amount	Number	Memo
Scientific research (S)	(31,500) 9,450	(2) 2	
Scientific research (A)	(5,100) 1,530	(1) 1	
Scientific research (C)	(15,804) 4,263	(13) 13	
Challenging Exploratory	(3,300) 990	(3) 3	
Young scientists (B)	(15,738) 4,526	(12) 12	
Research Activity Start-up	(1,100) 330	(1) 1	
Grant-in-aid for JSPS fellows	(3,038) -	(4) -	
Scientific Research on Innovative Areas	(1,300) 390	(2) 2	
Scientific Research on Innovative Areas (Research area proposed type)	(56,800) 17,040	(7) 7	
HFSP Grants	(19,514) 1,864	(2) 2	
Research Support Allowance	(1,944) -	(2) -	
Nansei Islands Special Grant	(2,950) -	(1) -	
Public Trust Hayashi Female Scientist Research Support Fund	(22) -	(1) -	
Total	(158,112) 40,383	(51) 43	

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) - Dissection of mRNA degradation pathways and anomalies associated with targeted disruption of CCR4-NOT deadenylase complex
- Royal Epigenetics: Molecular basis of the extended longevity of reproductives in social insects
- Scientific research (A) - Genome scientific analyses of coral-symbiont bio symbiosis
- Scientific research (C) - Duality and application of random matrix theory
- Testing a hypothesis of hierarchical decision making in the striatum
- Comparative analyses of organelle genomes of end symbiotic din flagellates in corals
- Information theoretic optimization of internal rewards for reinforcement learning
- Analysis of Neuronal Mechanism for the critical period in speech development
- Quantification of spatio-temporal variability in recruitment at hydrothermal vents
- Molecular mechanisms of Slit-Robo signaling in neural development
- The mechanism of Hedgehog inhibition of Ci processing
- Development of the selection method of the sperm in the Assisted reproductive technology
- Regulation of the synchronized chromosome separation mediated by auto-cleavage of separase
- Structural analysis of band 3 protein in the membrane environment
- Phenotypic analysis of the Rap2-knockout mice toward an understanding
- Duality and application of random matrix theory

Notes:

- Challenging Exploratory - Randomized Control Trial of Parenting Training Program
 - Exploring stress responsible genes in corals
 - The development of a new nuclear magnetic resonance method using ballistic conductance and the detection of a small amount of molecules
- Young scientists (B) - Development of network info structure for large scale modeling in neuroscience
 - Role of condensin on mitotic gene regulation and chromosome segregation
 - Analysis on the molecular mechanism of mitochondrial maintenance by the cooperation of proteolytic machineries
 - The regulation of the CCR4-NOT deadenylase complex in obesity through mRNA degradation
 - Regulation of Histone H3K9 demethylase in higher plant
 - Xenophyophores as bioindicators for pollutant concentrations and species diversity assessment
 - Research on the mechanisms of PKG-dependent synaptic vesicle endocytosis and its developmental change
 - The role of serotonin for behavior control under the prediction of reward and punishment: Verification by the optogenetics approach
 - Novel sex-determination system in the little fire ant
 - Taxonomy and life history of sicydiine goby in northwestern Pacific
 - Development of orthology identification pipeline for the actinopterygian phylogenetics using genome data
 - Elucidation of dynamics and connectivity in marine species at multiple scales for coastal ecological conservation in the Nansei Islands
- Research Activity Start-up - Functional analysis of CCR4-NOT complex in cancer progression
- Grant-in-aid for JSPS fellows - Development of the comprehensive action-selection model for understanding the brain mechanism of decision making
 - ChIP-seq approaches for the evolutionary process of notochord from blastopore
 - Thermal adaptation of mitochondria
 - Functional analysis of ARGONAUTE protein, MEL1 in rice reproduction
- Scientific Research on Innovative Areas - Research and development of a software platform for integrative multi-level systems biology
 - Development of the next-generation simulation platform for multilevel physiological functions
- Scientific Research on Innovative Areas (Research area proposed type) - Continued development of a comprehensive computational platform for systems biology
 - Promotion of the research on the neural computation mechanisms for prediction and decision making
 - Elucidation of the neural network dynamics for prediction and decision making
 - Enamine-based organocatalytic molecular transformations: Development of highly efficient catalysts
 - Integration of reinforcement learning with model based predictive feedback control
 - Structural analysis of the mRNA decay machinery
 - Comparative genomics of endosymbiotic and photosynthetic apicomplexans in corals
- HFSP Grants - The striatal cholinergic system and attention for learning: from neurotransmission to personality
 - Foot in motion: materials, mechanics and control
- Research Support Allowance - Organization and connectivity of Purkinje cells and cerebellar nuclei neurons
 - Optical binding effects in surface evanescent fields
- Nansei Islands Special Grant - Conservation genetic study in multiple scales for reef-building corals inhabit the Nansei Islands
- Public Trust Hayashi Female Scientist Research Support Fund - Technology development of RNA-protein colocalization using fluorescence label in plant cells