May 29, 2015

To: Board of Governors and Board of Councilors,

Okinawa Institute of Science and Technology School Corporation

From: *Kiyotaka SOMA*

Kiyotaka Soma, Auditor

T. Toma

Tsugiyoshi Toma, Auditor

FY 2014 Audit Report

This report contains the result of our periodical independent audit of Okinawa Institute of Science and Technology School Corporation's business and financial operation for FY2014, as provisioned in Section 3, Article 15 of Okinawa Institute of Science and Technology School Corporation Bylaw.

1. Methods of Audit

(1) For the operational audit, we attended Board of Governors as well as Board of Councilors; we also audited from the President, the Provost and others on the execution status of the business. We reviewed important kessai (decision making)-documents and coordinated with the Internal Audit Section to examine the adequacy of the business.

(2) For the financial condition of the audit, we confirmed the accuracy of the statements with Ernst & Young Shin Nihon LLC.

2. Audit Result

(1) We did not find any significant violation of the laws and Bylaws, nor act of misconducts or frauds pertain to School Corporation's business administration and its properties.

(2) We verified that the business report correctly reflects the condition of business operation.

(3) We found that the financial statements match the contents of accounting records, and the School Corporation's status of assets and gain and loss are properly shown in compliance with laws and Okinawa Institute of Science and Technology Accounting Standard. Financial Closing Report was prepared according to the budget classification and properly reflected the status of closing.

FY2014 Audit Report and Auditors' Written Opinion is submitted separately as attached.

FY2014 Audit Report and Auditors' Written Opinion

1. Preventing Research Misconduct and Misuse of Research Funds

During the first half of 2014, the scandal of STAP cell research raised questions throughout Japan. We believe that executives must consider measures to prevent such misconduct and misuse of research funds, and if cases unfortunately arise, OIST must be prepared to address them properly. Such preparation is essential and will be beneficial to OIST.

Given that research misconduct can quickly come under fire as a result of societal interest, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) defined and issued guidelines on August 26, 2014 for "handling of fraud and misconduct in research activities" (approved by the Minister of Education, Culture, Sports, and Technology). MEXT designated March 31, 2015 as the deadline by which research organizations should have prepared for the effective operation under the new guidelines. It is crucial for OIST to comply with the new guidelines.

We queried the attitudes of university executives and investigated the status of efforts to prevent research misconduct and misuse of research funds, by interviewing the Executive Vice President (EVP) and other relevant personnel, and by reviewing submitted documents.

We will not cite all the findings from the interviews and document, but to summarize, we confirmed that under strong leadership by the President, the importance of preventing research misconduct and misuse of research funds is fully understood by the executives. We also verified that OIST accomplished what MEXT expected by amending the PRP and other measures to conform to the new guidelines.

Education and training are also important to prevent research misconduct. The Dean of the Graduate School explained that OIST provides students with instruction regarding research ethics as part of its curriculum. Students attend classroom lectures that provide a complete understanding of how research should be conducted.

EVP Iwama explained that OIST participates in the Collaborative Institutional Training Initiative (CITI) Japan Program (six universities in Japan collaborate to disseminate online courses in ethics education to university students and researchers). Although participation is not mandatory at present, OIST strongly recommends that students,

faculty and staff take the courses. Update Sessions that target all research staff (except Research Administrators), include training regarding research misconduct as one of the main topics.

Regarding misuse of research funds, the Vice President for Administrative Compliance (VPAC) explained that the Document Management System (DMS) that was adopted in April 2014 clarified the accounting process and should deter misuse.

We acknowledge that preparations to comply with MEXT's guidelines were completed in FY2014. At the same time, continually addressing this issue is necessary to prevent research misconduct. We call on executives to continue their efforts to establish a culture that tolerates no research misconduct.

2. Building Collaborative and Cooperative Relationships among Sections
No organization can avoid confronting administrative issues that inevitably arise as the organization matures. As OIST plans its expansion, we believe that it is critical at this early stage to establish a culture that ensures collaborative and cooperative relationships among sections, in order to provide for OIST's successful future operation and management. With this perspective, we investigated some potential administrative challenges.

(1) The accounting process for fixed asset management (OIST facilities) is an important matter that should not be neglected, considering the series of construction projects planned. The key to its smooth execution is close coordination between the Building and Facilities Management Division and the Accounting Section. The Building and Facilities Management Division recently hired a staff member with a background in accounting and taxation to facilitate tax procedures. This individual also serves as a point of contact for the Accounting Section. We found that this has significantly enhanced efficiency of operations.

(2) To prevent serious accidents or to respond to any incidents that might occur, research safety requires close coordination among different OIST sectors, especially among the Research Safety Section, the Facility Management Section and the Health Center. The OIST Safety and Health Committee provides a place for all three sections to share information and discuss concerns. We found that the Committee is fulfilling its role at present.

(3) A new transaction system to replace the current ERP system has been proposed. Reviewing just the technical aspects of potential replacement systems is not sufficient. It is also essential to perform a fundamental review of transaction flows, and to do so, close coordination and active discussions between the IT section and user sections are required.

The need to establish a new transaction system has been well recognized for a long while, but until recently, there hadn't been much progress in resolving the issue. However, a project team that draws members from pertinent sections was launched last September, and this has accelerated discussions. Currently, the basic architecture has been designed, and the system is scheduled to be ordered in FY2015.

(4) While we found that procedures for use of the auditorium and seminar rooms by external entities are generally considered user-friendly, collection of facility fees has devolved upon the Accounting Section, the Community Relations Section, and the Facility Management Section. As the result of discussions among affected sections, fee collection will be outsourced as of FY2015.

We selected the above four issues to see if there are any concerns in terms of coordination and collaboration. So far, there have been no dysfunctions. However, preventing sectionalism as this organization grows is of major importance. Currently, we have no perfect solution for dealing with this challenge, but there are some good models for resolving possible future issues. In the case of fixed asset management, responsible personnel were clearly defined within each participating section, and in planning the post-ERP system, a project team was launched to address specific problems.

At the same time, sectionalism can result from people's lack of awareness of their surroundings. Such cases will be difficult to overcome if employees focus only on their own tasks and lack imagination about what others are doing and what issues need to be solved.

In last year's audit report, we mentioned the importance of a "Respectful Workplace", and we wish to continue emphasizing the importance of following this policy.

3. Promotion, Advancement, and Employee Professional Development
OIST's career development system for administrative staff was revised in April 2014, replacing the previous position of "Specialist" with the category "Staff III" in range A3, and also adding categories of Specialist I, II, and III in managerial ranges from A4 to A6. This new career development system formally incorporates staff positions into a "career pyramid" by creating new "Specialist" positions to correspond to managerial line positions, creating a dual career ladder system. Apparently, this effort was made in consideration of future expansion of the university and increased awareness of how current employees view their career paths. In particular, the specialist track was needed to provide advancement for technical people, for whom increased specialization replaces increased management responsibility.

The Human Resources Division devised a roadmap for professional training, which lists training courses to be provided each fiscal year. This map is used to plan and implement

actual training, but it was never officially approved. A recent series of training sessions entitled, "The Seven Habits," which was supposedly or at least partially based on the roadmap, was implemented without formal approval by the university. This training program was cancelled after its launch due to some defects in implementation procedures. Currently OIST has no strategy for training that is revised annually, other than the simple roadmap for training, mentioned above.

We support the introduction of the dual ladder system, which revises the career development system for promotion and advancement of Administrative Staff. At the same time, additional efforts to enhance human resource development should be considered, especially for young employees, since OIST expects to hire more graduates as part of the university's expansion. For example, to help young employees develop concrete career plans, they could be given an opportunity to rotate among positions for a certain period of time.

We did not find a strategy for training. One possible improvement would be to formulate a strategic plan for employee promotion and advancement. For example, we recommend that OIST develop a strategic plan at the beginning of each fiscal year that includes the following: required skills at OIST, areas where those skills are employed, and revised programs based on employee needs and training results from the previous fiscal year.

4. The Clinic and Ganjuu Wellbeing Service
Despite some delays in preparing the campus clinic, the doctor has been hired and the clinic is scheduled to begin operations this May. The Ganjuu Wellbeing Service, which supports mental health for OIST staff, is already functioning with three clinical psychologists.

We are pleased to acknowledge that the opening of the Clinic has been scheduled, and that the Ganjuu Wellbeing Service is already operational.

5. Gender Equality
Achieving gender equality is important in many organizations, and OIST is no exception. The VPAC explained that it is imperative to raise the ratio of female researchers and managers. To achieve this goal, it will be necessary to establish a university culture in which male and female are equally valued and to create a family-friendly environment. Based on discussions within OIST's internal Gender Equality Committee, a variety of measures have been implemented. A person responsible for diversity in recruitment was appointed, gender equality posters were displayed around the campus, and seminars and workshops were held. To create a more family-friendly environment, multiple measures have been implemented, including "Stop the Clock Policy" to provide tenure-track faculty with options for extension of their fixed-term contracts and postponement of their

evaluations, the Business Trip Support Program to provide transportation and babysitting fees for child-rearing employees during business trips, and installation of diaper changing tables and break rooms in the campus.

We recognize the aforementioned measures are being actively employed to promote gender equality at OIST. The working environment should be as comfortable for female employees as for male employees. To avoid the misunderstanding that this matter concerns female employees only, we encourage responsible sections to continue efforts to educate all OIST personnel.

6. Research Safety

In addition to many other research safety efforts, a general training seminar called the Update Session has been held, targeting not only employees engaged in research, but administrative staff as well. A total of 102 members attended this Session in FY2014. The participation rate for all research unit members and students whose participation was strongly encouraged by the Research Safety Section (RSS) (excluding research administrators) was 21%. The participation rate for all OIST staff, whose participation was desired, was only 15%. The RSS is now preparing to offer a webinar version in the future.

The Update Session was held several times and we participated in one of these seminars as observers. We found that the content was outstanding. We believe that OIST's research safety efforts, including the Update Session, compare favorably to efforts made at other universities. However, the participation rate is very low. There are various measures to improve this, such as mandating participation and introducing an attendance system that allows supervisors, including faculty members, to monitor participation of their personnel. Research safety is an important matter that must be embraced by everyone at OIST. As a first step, sections with vested safety interests have started implementing efforts to improve participation in the Update Session. We request that these efforts be continued.

7. Donation

Efforts to expand donations include agreements with consulting companies that are experienced and knowledgeable about domestic and overseas fundraising. Such agreements are scheduled to conclude within this fiscal year. Efforts also include future hiring of a fundraising director in charge of donation activities.

We will assess the effectiveness of these activities in future audits, including the growth of donations.

8. Evaluation, Recruitment, and Promotion of Faculty

While the PRP delineates principles of faculty recruitment, external evaluation, promotion, and tenure, clear procedures had not been specified until the Faculty Assembly recently approved new handbooks of procedures.

We greatly appreciate the fact that the aforementioned handbooks of procedures were developed in an equitable and transparent manner. They will play significant roles in recruiting faculty, conducting external evaluations, promoting faculty, and granting tenure. We also acknowledge the major contribution of the Dean for Faculty Affairs who led this project. We reviewed some parts of the submitted documents and confirmed that faculty evaluations were properly performed.

9. OIST and the Development of Okinawa
(1) R&D Cluster Related Research
The FY2014 budget execution rate of R&D Cluster-related research is as follows: 100% for Marine Science; 99% for Energy; 87% for Environment; 72% for Advanced Medical; 100% for DNA sequencing; and 100% for High Performance Computing. To further ensure full execution of the budget, the EVP explained that starting this fiscal year, each faculty member will be asked to prepare a research plan that includes plans for future years.

We acknowledge that the R&D Cluster-related research budget has been properly executed, and support the direction of future improvements.

(2) Business Development and Technology Transfer
Six collaborative projects between OIST and private companies are already ongoing and new projects are being added yearly. The first venture company to be established based on research at OIST, Okinawa Protein Tomography Ltd., was established in June 2014. Revenues from external funding sources are expected to rise as well. Coupled with the above, the number of patents granted to OIST also shows an upward trend.

As for business development and technology transfer activities, we recognize the outcome of continuous effort by the Executive Vice President for Sustainable Development of Okinawa and his staff members, including responsible section managers. We assume there are seed technologies in many research units that could potentially be commercialized. While it is important to maintain a free research environment, we hope that efforts will be continued to effect the promotion and development of Okinawa, which is one of OIST's important missions.

10. Student Selection and Support
(1) Student Selection
Student recruitment activities in FY2014 employed the same approach used previously. In order to recruit outstanding students from both Japan and overseas, various recruiting

events were hosted, undergraduate schools were visited, and prospective students were invited from Japan and throughout the world to OIST. As a result, 27 students from 11 countries were admitted, of which 6 are Japanese (22%). The number of Japanese students has been rising over the past two years. The number of female students admitted this year was 12 (44%). Both the actual number and the percentage of female students have increased significantly since last year.

In the FY2013 audit, we called for additional effort to increase the ratio of Japanese students while maintaining the caliber of those admitted. We are pleased to acknowledge that these efforts have fulfilled our recommendations. We concur with the Graduate Dean that holding events such as OIST Cafés is effective in recruiting Japanese students. At the same time we would like to underline the importance of being flexible in developing OIST's recruitment strategy, continually reviewing whether the current strategy is maximally efficacious and cost-effective.

(2) Support for Student Wellbeing
While engaged in research activities and in outside pursuits, students can encounter problems, such as physical or psychological illness, injury, traffic accidents, or damage to research equipment. Continual effort is required to prevent such difficulties. The Graduate Dean explained that no serious illnesses or life-threatening accidents involving students have occurred at OIST. He reported that a fast reporting system to alert him about student accidents is in place, and he said that issues are addressed properly before becoming serious. Regular meetings between counselors of the Ganjuu Wellbeing Service and the Graduate School help to prevent student psychological problems.

We acknowledge that student problems are being handled appropriately, and that reasonable preventative measures have been instated under the leadership of the Dean.

11. Document Management System (DMS)
A new DMS was introduced in April 2014, and no major problems have occurred so far. To further enhance its utility, deployment of an internally developed electronic submission system and a Single Sign-ON system (SSO) are being considered.

We concur that the new DMS is operating successfully so far.

12. Accounting Management
(1) Procurement of Expensive Research Equipment
There have been some procurement challenges related to purchases of expensive research equipment. These issues include a lack of price competitiveness due to a paucity of manufacturers, limited production, and a dealership system that creates monopolies. These difficulties are not easily solved, but the best possible solution probably involves

forming a consortium among Japanese universities and institutes to allow them to negotiate prices more readily. OIST has begun discussions with other universities to this end, but no concrete solution has resulted yet.

We urge the staff to continue making concerted efforts in order to improve OIST's negotiating power.

(2) Asset Management

Proper management of OIST's assets is critical since most assets are purchased with taxpayer resources. There had been some discrepancies and confusion when inventorying assets based on ledger entries. However, new fixed asset management software introduced in FY2014, simplified the process and improved efficiency, reducing onsite workload. Previously an auditing firm found an inaccurate transfer from a temporary construction-in-progress account to a real account. Efforts are underway to prevent such cases by reconstructing workflows that involve more than one section and by ensuring double-checking.

Preventing the loss of research equipment is also imperative for asset management. The Vice President for Financial Management (VPFM) explained that damage to marine research equipment is unavoidable to a certain degree, given the severe natural environment of Okinawa. On the other hand, it is difficult to prevent some losses of other equipment while following the Openness in Research policy. Therefore, VPFM explains that the first focus will be on thorough investigation of losses.

We recognize that the ledger entry system and the method of asset management have been simplified and have become more efficient. Though asset management is indeed critical, it should not become so laborious as to render staff members unable to perform core tasks. Regarding the loss of research equipment, it is imperative to instruct users about proper ledger entry and proper use of equipment. If additional measures are required, it may be necessary to restrict access to certain areas or to install security cameras. We understand that Openness in Research is one of the university's core values; however, assets must be protected. We request that flexible consideration be given to develop appropriate asset management, while promoting open access to assets to the greatest extent possible.

(3) Promoting the Effective and Appropriate Use of Travel Expenses

Last fiscal year, we underlined the importance of efficient use of the travel budget. In particular, we requested that the use of packaged travel deals be increased. In this audit, we assessed the use of packaged travel deals and limousine buses in the first half of FY2014, compared with that in FY2013. There was no improvement on either count. Packaged travel deals were used approximately 40 times from September to March in FY2013, and 35 times from April to October in FY2014. Limousine buses were used

approximately 600 times in FY2013, and 279 times in the first half of FY2014. To improve this performance, VPFM will promote the use of packaged travel deals by raising the issue at faculty meetings. VPFM also plans to restrict use of taxis in order to encourage use of limousine buses.

Regarding the travel report, the internal auditors confirmed that all trips involving KAKENHI (grants in aid) were reported according to the rules and regulations stipulated by MEXT. However, no internal rules currently exist for reporting other types of travel to ensure the appropriate use of travel funds. According to VPFM, efforts are being made to enact appropriate measures. These include establishing approval procedures for changes in itinerary or travel content, and incorporating a mandatory travel completion report into the workflow of the new Enterprise Resource Planning (ERP) system.

We encourage aggressive enforcement of initiatives for efficient use of travel funds. To this end, we express our strong support for the improvements that VPFM is considering. Regarding the use of taxi tickets, we believe that a procedure should be considered whereby the Division of Financial Management issues taxi tickets upon request. (Because this might increase the workload at the Division, this task might be delegated to a section where taxis are frequently used. In such a case, the designated section would be responsible for reporting taxi use to the Division of Financial Management.)

We also agree with the VPFM's efforts to improve the submission of travel reports. We think that: 1) the necessity and urgency of travel must be able to withstand scrutiny afterward, and 2) beneficial outcomes of travel must be shared and made accessible throughout the organization.

Regarding 1), the key is to ensure that travelers' supervisors have carefully examined the purpose, content, and modes of travel before and after. To this end, VPFM is preparing effective solutions VPFM to establish approval procedures for changing itineraries or travel content and to incorporate submission of a travel completion report into the workflow of the new ERP system.

Regarding 2), the key is whether the outcome of travel is reported back to relevant employees and their supervisors, and is accessible throughout the organization. Travel is financed with precious organizational resources; therefore, sharing its outcomes is essential and should not require further explanation. We call attention to this issue once again.

(4) Response to the Findings by the Board of Audit of Japan
Two audits were conducted by the Board of Audit of Japan (BOA) in FY2014. No significant violations of the law were found on either occasion. As for needed

administrative improvements, discrepancies between specifications and deliverables were mentioned during the feedback meeting of the first audit, and the following items were noted during the feedback meeting of the second audit: 1) clarify which classes of air tickets PRP stipulates as usable; 2) adjust accounting processes for lunch fees at CDC; 3) investigate the possible availability of increased discount programs for electricity expenses; and 4) clarify the rules for purchase procedures in the PRP.

We acknowledge that each finding above is being addressed appropriately.

13 CDC Safety Measures
While hygiene issues, including food poisoning, and accidents during physical activities are important safety issues to consider at the CDC, the following are also potentially serious: 1) disasters (natural disasters such as tsunami and earthquake, and anthropogenic disasters including fire, explosion, and chemical contamination); and 2) intrusion by unauthorized individuals.

Though disaster preparation at the CDC is based on OIST's Fire Prevention and Control Plan, the CDC independently holds fire drills, tailored to its characteristics as a pre-school. All CDC staff members receive fire safety training and pediatric first aid training, and clear emergency procedures have been developed, including evacuation procedures and the role of each staff member. In addition to having children participate in monthly fire drills, the CDC takes measures to maintain safety awareness on a daily basis, such as teaching a "Fire Safety Song."

To prevent or respond to unauthorized intrusions, access to the CDC building is restricted. Access is generally allowed only through the front entrance, with back doors kept locked at all times. When visitors without a clear purpose or an appointment enter the facility, CDC staff members speak to them on the spot and ask them to follow procedures to schedule an appointment. The CDC also releases children only to authorized guardians; all guardians are required to register and to authorize delegates as emergency contacts, in advance. In October 2013, the CDC noticed a suspicious individual recording a video on its premises. Also, in September 2014, an incident occurred in which a dismembered kitten was found on a neighboring pre-school playground in Onna Village. In response to such incidents, the CDC requested the Ishikawa Police Office and the Onna Village Office to send an instructor to the CDC in January 2015. As requested, an instructor came and provided training to the children about crime, disaster prevention, and traffic safety.

We confirm that all reasonable measures have been taken for disaster preparation at the CDC. We conducted on-site survey to assess the current condition relative to the possibility of unauthorized intrusion. Based on our investigation and the incidents described above, we suggest several points for consideration relative to measures to

prevent unauthorized intrusion. While opinions of parents and guardians should be the primary considerations in regard to child safety, we hope that guardians will consider the recommendations below as other options in reaching final decisions.

(1) Keep the CDC entrance closed with an auto-lock system
We recognize that the CDC front entrance is located next to the staff office, such that CDC staff members can observe the entry of unauthorized individuals and can immediately intercept them. However, as the entrance is not locked at all times, it is doubtful that the current measure provides adequate security to prevent access by a determined, malicious intruder. An auto-lock system, such as digital door locks, would substantially enhance security.

(2) Install security cameras
According to what we have been told, a security guard patrols the CDC on a regular basis throughout the day, and stands guard and greets visitors at the entrance during both drop-off and pick-up times. While we believe such measures are helpful, they offer little protection when security guards are away from the area. To enable continuous monitoring by the CDC office or the Safety Control Center, security cameras should be placed at the CDC entrance and other key locations. Security cameras alone would offer some deterrence to unauthorized entry.

(3) Install sensors (including infrared sensors)
Fences surrounding the CDC are low enough for adults to easily jump. From the perspective of openness, we appreciate this welcoming design. It is indeed undesirable for CDC facilities to resemble a prison, with formidable walls. However, from the perspective of preventing malicious intrusion, we cannot help feeling a touch of uneasiness. In particular, it is difficult for CDC staff members to monitor intrusion from the adjacent woods. Therefore, we believe some measures must be taken there. For example, we recommend that installing sensors along that side be considered, although careful thought needs to be given to this idea, since small animals might potentially trigger an alarm.

(4) Receive training for crime prevention from local police
Expert advice is useful for the CDC to prevent crimes and to keep children from becoming victims of crimes; therefore, we are pleased with the training by the Okinawa Prefectural Police. The Okinawa Prefectural Police offers an email service called "*Annshin Yui* Mail (Safety Connection/Cooperation Mail)" to distribute information, including notices about suspicious individuals. This service is offered to people throughout the prefecture. We think it is desirable for CDC staff members and guardians to make proactive use of this service.

(5) Communicate with guardians about safety

Understanding and cooperation from guardians are very important when considering safety measures for children. We believe that the CDC should regularly organize meetings for staff members and guardians to respond to guardians' questions and anxieties, and to enlist their cooperation.

14 Campus Facilities

The construction of Laboratory 3, one of the main facilities of the university, was successfully completed in FY2014, as planned. Completion of the R&D Cluster Hall is anticipated in May 2015. Regarding the East Court at the Village Zone, which will be used as housing, construction of three buildings with 30 units in total will be completed in August, and one building with 24 units will follow in October. Efforts are being made to commence construction of the Onshore Marine Science Facility at Seragaki Fishery Port in June. It should be completed within this fiscal year.

The VPBFM explained that facilities construction (except Lab 3) has been delayed by the unfavorable bidding climate and the limited work force. These have resulted from the recovery of the Japanese economy, restoration efforts related to the Great East Japan Earthquake, and construction associated with the Tokyo Olympics in 2020. However, this has not necessitated rescheduling of the entire construction schedule of the OIST campus.

Looking at the current economic situation, we believe it is unlikely that construction prices will decrease in the near future. In previous audits, we advised collecting information or setting longer bidding periods. However, if it is impossible to cope even with these measures, we understand that OIST may have to postpone unnecessary and less urgent orders. Because campus facilities need to be built to last, we urge the staff to continue efforts to meet the budget while maintaining quality.

15. Language Environment at OIST

English is the official language at OIST. However, there are many people who either have inadequate English skills or who wish to improve their command of English. OIST provides English classes for such members at no cost. The classes are creative, employing an array of methods and targeting beginners to advanced participants. Still other classes use scientific articles as study materials to learn English in various scientific fields outside their own. Nonetheless, the classes are relatively short and many of them are scheduled during the lunch hour. The Vice President for Communication and Public Relations (VPCPR) explained that busy work schedules and perhaps even opposition from supervisors, make it difficult for many employees to attend classes during work hours.

We consider it extremely important to enhance the use of English at OIST, since it is the University's official language and because it enables communications among people of different nationalities and backgrounds. Extensive improvement of English ability

throughout the organization ultimately maximizes performance, especially in executing scientific research and in publishing research results.

As acknowledged above, a wide range of effective language classes is offered by the University. At the same time, these classes are not sufficiently utilized by those in need. While student self-motivation is essential for language learning, supervisors, including faculty members, must also understand the importance of improving the English skills of their staff members and students. They must not only permit, but actively encourage subordinates to take such classes, but this should not lead to de facto overwork. We request the VPCPR to consider suitable class hours and programs for participants, as well as an approach to enlighten all concerned parties regarding this matter.

Items mentioned above are primarily internal communication issues but it is also essential to communicate with the international community using orthodox and appropriate English. This issue is not only for non-native speakers, but also applies to native English speakers. On this occasion, we call for attention to this matter.

16. PR Activities and Community Relations
(1) PR Activities
Compared to 2013 (January to December), the number of articles about OIST that appeared in domestic and overseas media increased by 26% during the nine months from January to September 2014. In 2013 (January to December), 70% of the articles appeared in Japanese media, but in 2014 (January to September), that percentage dropped below 50%, indicating OIST's growing international recognition. Most of these articles have positively and accurately depicted OIST's activities and cutting-edge research results.

With VPCPR as editorial supervisor, Framework Document II was submitted to former Minister of State Ichita Yamamoto last July, convincingly elaborating details of OIST's vision. Its contents were highly commended by Cabinet Office officials, including the Minister, and are expected to play a significant role in presenting OIST's activities and in requesting future budgetary support.

We recognize and commend the active and well-organized efforts of the Media Section Manager and her staff, under the leadership of the VPCPR, which have resulted in increased coverage of OIST by overseas and domestic media, and especially the growing number of articles in overseas media promulgating OIST's research activities.

We also acknowledge and commend the success of Framework Document II, which was the result of great effort by the President and other members of the team, including the project head VPCPR and the Technical Editor.

(2) Community Relations
In order to contribute to the local community, OIST is engaged in various community-related programs, some at its own initiative, and others in collaboration with other organizations. The VPCPR explained that community relations activities serve to publicize the existence of OIST, to help local residents to understand OIST's purpose, and to generate support within the local community. Inviting local residents to the OIST campus helps them to understand OIST's importance. In particular, OIST has a strategy to invite students before they reach voting age.

We reviewed the community-related programs offered in FY2014 and the numbers of participants. Based on the materials provided, we recognize that community-related programs are very active at OIST. As the VPCPR mentioned, we believe these programs have great significance for people of Japan and Okinawa, to deepen their understanding of OIST.

In the future, we believe it would be beneficial to have a strategic view to clarify the purpose and expected outcomes when planning community-related programs. Strengthening relationships with other organizations is also meaningful, such as utilizing the university consortium scheme established in 2014. We believe that successful community-related activities are essential to bolster local pride in OIST, in conjunction with excellent research results.

17. Internal Audit
In FY2014, eight internal audits with specific themes were conducted.

Reviewing the results of the internal audit, we declare that each audit was conducted properly. We have some additional comments on the findings in regard to employment rules. We concur with all the recommendations made for improvement and particularly underline the importance of fully disseminating the information about labor management agreements to employees.

It is also important for the responsible HR sections to make further efforts to disseminate other information regarding human resources. Although the latest information is currently accessible from the top page of the HR website, apparently not many employees visit the HR page for updates. Therefore we believe that additional measures are needed for more effective communication with employees. For example, it would be beneficial to post updated announcements on TIDA or to notify all personnel via email about changes in rules.

Although the status of employment, promotion, and salary are stipulated in the PRP and related rules, in some cases, terms are highly technical and difficult for employees to understand. From this perspective, it might be worth creating an employee handbook that

contains pertinent rules excerpted from the PRP and other rules and regulations, with clear explanations.

As mentioned in last year's report, the success or failure of the internal audit depends on whether upper managers accept the audit results and take appropriate measures.

We continue to monitor responses to the findings of the internal audit.

18. Establishing Emergency Manuals

Preparation of Emergency Manuals started last fiscal year, and discussions have been conducted throughout the University. These manuals are soon to be completed and fully disseminated.

We are pleased at the prospect of completion of the Emergency Manuals. Their wide dissemination throughout the University is obviously essential, and we request continuous action on this matter. As mentioned in last year's audit, we encourage consolidation of different emergency manuals so that only one comprehensive manual suffices in case of an emergency response.

Overall Summary

These are our findings and opinions from the FY2014 audit. While some areas require further effort, we conclude that OIST has been operated properly overall. OIST is entering the fourth year since its inauguration. Although some challenges still remain, we find that the path has been comparatively smooth with no major disturbances. There is no doubt that this has resulted from guidance and support from all BOG members, including the Chairperson, Dr. Wiesel, and efforts of staff and executives who support President Dorfan and his strong leadership. We express our deep respect and sincere gratitude for the efforts and contributions of all parties involved.

The Japanese version is the official copy of this audit report. In editing the English translation, Steven Douglas Aird from the Language Section supported with considerable expertise and Tina Mularski offered kind and useful advice. We also commend Risa Sato and Shoko Lee Nakasone from the same section, who provided such an accurate and skillful interpretation that we were able to fully communicate our intent during the audit interview. We are grateful for their support.