

POLICY ON FRAUD RESPONSIBILITIES

Introduction

Like all companies, NOSM is faced with risks from wrongdoing, misconduct, dishonesty and fraud. As with all business exposures, we must be prepared to manage these risks and their potential impact in a professional manner.

The impact of misconduct and dishonesty may include:

- the actual financial loss incurred
- damage to the reputation of our company and our employees
- negative publicity
- the cost of investigation
- loss of employees
- loss of customers
- damaged relationships with our contractors and suppliers
- litigation
- damaged employee morale

Our goal is to establish and maintain a business environment of fairness, ethics and honesty for our employees, our customers, our suppliers and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every personnel every day.

Our company is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

Purpose

The purpose of this document is to communicate company policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

Definition of Misconduct and Dishonesty

For purposes of this policy, misconduct and dishonesty include but are not limited to:

- Acts which violate the company's Code of Conduct
- Theft or other misappropriation of assets, including assets of the company, our customers, suppliers or others with whom we have a business relationship
- Misstatements and other irregularities in company records, including the intentional misstatement of the results of operations
- Profiteering as a result of insider knowledge of company activities
- Disclosing confidential and proprietary information to outside parties
- Forgery or other alteration of documents
- Accepting or seeking anything of value of gifts and entertainment from contractors, vendors, or other persons providing services/materials to the company.
- Fraud and other unlawful acts
- Any similar acts.

The company specifically prohibits these and any other illegal activities in the actions of its employees, managers, executives and others responsible for carrying out the company's activities.

Policy and Responsibilities

Reporting

It is the responsibility of every employee, supervisor, manager and executive to immediately report **suspected** misconduct or dishonesty to their supervisor. If the suspected misconduct involves their supervisor, personnel are to report directly to the next higher level of authority, Head of Administration or directly to the Top Management. Supervisors, when made aware of such potential acts by subordinates, must immediately report such acts to their superior or Top Management. Any reprisal against any employee or other reporting individual because that individual, in good faith, reported a violation is strictly forbidden.

Due to the important yet sensitive nature of the suspected violations, effective professional follow up is critical. Managers, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstances perform any investigative or other follow up steps on their own. **Concerned but uninformed managers represent one of the greatest threats to proper incident handling.** All relevant matters, including suspected but unproved matters, should be referred immediately to those with follow up responsibility.

To facilitate reporting of suspected violations, especially in those situations where the reporting individual wishes to remain anonymous, individual may submit an email directly to the Managing Director whom will keep the identity of the informer strictly confidential.

Additional Responsibilities of Supervisors

All employees have a responsibility to report suspected violations.

However, employees with supervisory and review responsibilities at any level have additional deterrence and detection duties. Specifically, personnel with supervisory or review authority have three additional responsibilities.

First, you must become aware of what can go wrong in your area of authority.

Second, you must put into place and maintain effective monitoring, review and control procedures that will prevent acts of wrongdoing.

Third, you must put into place and maintain effective monitoring, review and control procedures that will detect acts of wrongdoing promptly should prevention efforts fail.

Authority to carry out these three additional responsibilities is often delegated to subordinates. However, accountability for their effectiveness cannot be delegated and will remain with supervisors and managers.

Assistance in effectively carrying out these responsibilities is available upon request through the Top Management.



Capt Ryuichi Takebayashi

Managing Director

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