

(Translation)

April 27, 2018

Summary of Investigation Report

To: Japan Emergency NGO (JEN)  
President Keiko Kiyama

Japan Emergency NGO (JEN) Special Investigation Committee

Committee Members

Chairman      Attorney-at-law      Ryo Kotoura

Members      Certified Public Accountant Satoko Suzuki  
Vice President/Non-Executive Trustee of JEN and  
Attorney-at-law      Tokuji Nishitani  
Auditor for JEN      Yasuhiro Nishi

Japan Emergency NGO (hereinafter “JEN”) began investigating the operational situation in Jordan after it received several whistleblowing complaints from several employees and former employees of JEN, especially pertaining to allegations of misuse of funds at JEN’s Jordan Office (hereinafter “Jordan Office”). During the investigation, some suspicious and wrongful activities were found to have been carried out, and therefore the board of trustees of JEN decided to call in external experts and formed a Special Investigation Committee (hereinafter the “SIC”) to conduct the investigation on March 1, 2018.

Based on the aforementioned instructions, the SIC conducted its investigation on the alleged suspicious wrongful activities from March 1, 2018 to April 26, 2018 and submitted its investigation report on its investigations and findings to the board of trustees of JEN.

This summary of the investigation report (hereinafter the “Summary”) briefly describes the essence of the aforementioned investigation report submitted by the SIC. However, among the misconducts described in the investigation report which are found or likely to be found to have a detrimental impact on JEN, matters on which JEN is still continuing its investigation to further clarify the details and the staff involved in such misconducts as of the date of the Summary are not included in the Summary.

## 1. Outline of the investigation

### (1) Outline of the SIC’s investigation

The members of the SIC and its assistants are described below. The SIC is not an external committee and although it observes the principles of the “Guidelines for Independent Investigation Committees for Corporate Misconducts” of the Japan Federation of Bar Associations, the investigation was not entirely carried out in accordance with such guidelines.

<b>Chairman Ryo Kotoura</b>	Attorney-at-law (Anderson Mori & Tomotsune). He has extensive knowledge and experience advising on corporate legal affairs, conducting corporate investigations and understanding on corporate affairs for emerging countries. He is the representing lawyer for JEN. Apart from this case, he has never advised or worked for JEN in the past.
<b>Member Satoko Suzuki</b>	Certified public accountant (Satoko Suzuki Accounting Office). She has considerable knowledge in accounting matters of non-governmental organizations and extensive knowledge and experience on accounting audit. Apart from this case, she has never advised or worked for JEN in the past.
<b>Member Tokuji</b>	Attorney-at-law (Ebashi and Suzuki Law Firm), Vice

<b>Nishitani</b>	President/Non-Executive Trustee of JEN. He has intensive knowledge regarding JEN's internal affairs and is appointed as the administrative director of a general incorporated foundation.
<b>Member Yasuhiro Nishi</b>	Certified public accountant (Nishi Accounting Office) and JEN's auditor. He has intensive knowledge regarding JEN's internal affairs and is appointed as the auditor of a company listed in the first section of the Tokyo Stock Exchange.

<b>Assistant to the investigation</b>	<b>Major roles</b>
Anderson Mori & Tomotsune	general assistance in investigation and legal advice
Hitoshi Matsufuji Accounting Office	advisor from the perspective of accounting and investigation for corporate misconducts
Eversheds Sutherland (Law firm in Jordan)	assistance in investigation and legal advice in The Hashemite Kingdom of Jordan (hereinafter " <b>Jordan</b> ")
Precise Business Consulting (Accounting firm in Jordan)	assistance in accounting and investigation for corporate misconducts
FRONTEO, Inc.	assistance in forensic investigation in Japan
Ernst & Young (EY) Jordan	assistance in forensic investigation in Jordan

## (2) Purpose, method and scope of the investigation

The following three matters were entrusted to the SIC from the board of trustees of JEN:

- (a) whether the usage of funds by the Jordan Office from 2012 was appropriate;
- (b) whether JEN's governance on these matters was effective and functional; and
- (c) any other matters the SIC found to be necessary to investigate.

From March 1, 2018 to April 26, 2018, the SIC carried out its investigation within the scope of the aforementioned matters and other relative matters which were reasonably considered to be within such scope. The investigation was limited to (i) verifying the matters where reasonable suspicion arose from whistle-blowing and preliminary investigations and (ii) investigating the execution of project budget regarding past funds. The investigation involved in addition to reviewing disclosed materials from JEN (including emails, data, vouchers and others obtained from forensic investigation), interviewing more than 20 personnel including all members of the board of trustees (excluding the SIC Member Nishitani), employees (including former employees), as well as other affiliated personnel.

## 2. Result of investigation

Pursuant to the investigation carried out, the SIC confirmed that there were multiple misconducts that were committed at the Jordan Office and the same have been explained in detail below.

#### Outline of misconducts during the operation

(1) Usage of funds that was beyond the scope of its intended purpose

JEN had received funds from Japan Platform (hereinafter “**JPF**”) specifically for the purpose of supplying water and a hygienic environment and for learning improvement projects for Syrian refugees in Jordan. However, it was discovered that by the sole discretion of the Head of Mission at the Jordan Office, a building equivalent to a movie theater (construction cost being approximately JPY 9.2 million) was being constructed within the Syrian refugee camp in Jordan. The construction of such a building was for recreational purposes and to provide informal educational opportunities to Syrian refugees, which was beyond the scope of the intended usage of the funds that was originally approved by JPF (i.e. developing and repairing water and sanitation facilities).

(2) Handling of off-the-book cash

It was confirmed that the safe deposit vaults at the Jordan Office had cash which was unaccounted for in the books of accounts. It is not clear if the source of such off-the-book cash was from funds for other projects or the personal fund of the Head of Mission at the Jordan Office, but it can be acknowledged that this off-the-book cash had been in the vaults of the Jordan Office since 2013 at least. As of April 24, 2018, the total amount of the off-the-book cash was about JPY 750,000.

(3) Transactions made against internal procurement rules

At the Jordan Office, even though there was a rule that JEN employees could not let their family or relatives or the like be involved in any procurement activities for JEN, it was discovered that an employee of JEN who was in charge of procurement at the Jordan Office had entered into and executed an agreement for procurement of services with a company whose shareholder and representative was a family member of that employee of JEN. The amount of damage JEN suffered would be the difference between the price actually paid for such services procured and the market price of such service. Since it was difficult to confirm the market price of the service during the time period when such service was procured, JEN’s damage from such violation could not be calculated.

### **3. Issues in governance (root cause)**

First, we found that the root cause of the misconducts is absence of effective governance within and toward Jordan Office, including lack of proper control and insufficient internal monitoring on the Jordan Office and lack of proper and smooth communication, which can be called as insulation of information, between the Jordan Office and the Tokyo headquarters of JEN.

Second, as a so-called 'accredited NPO', JEN is socially expected to conduct its activities in public interest in a more responsible and fair manner compared to other regular NPOs. Moreover, since its activities have been supported by donations and institutional funds, JEN should have performed its duties through its employees with a stronger sense of responsibility as a trustee of such donation and institutional funds.

Although the objectives of JEN to support refugees and internally displaced persons as well as disaster survivors was acknowledged and a sense of achieving their mission was shared at JEN, they lacked the sense of strong responsibility that they are the ones entrusted with donations and public funds. In other words, JEN and its employees lacked of the compliance consciousness for understanding of the code of conducts and regulations, having sense of complying with the internal protocol and fulfilling compliance requirements in the course of implementation of the projects.

### **4. Proposed measures for recurrence prevention**

Taking into consideration such circumstances, SIC proposes the following measures to prevent recurrence of any future misconduct in operation and for JEN to restart anew as an organization with effective governance and controls desirable for an accredited NPO:

- (i) sharing amongst the employees of JEN with a strong sense of responsibility as a trustee of the donation and institutional funds by individuals and institutions;
- (ii) reviewing an appointment term of the Head of Mission of overseas office, such as introducing personnel rotations (fixed-term appointment) and abolition of double-hatting of Head of Mission of overseas office and Director of Global Program Department of Tokyo headquarter office by one person;
- (iii) clarifying the roles and responsibility of members of the board of trustees at the Tokyo headquarters and optimizing the central control system; and
- (iv) continuing the investigation and implementing improvement plans for JEN to pursue.