



December 28, 2021

To Whom It May Concern

Company Name: OUTSOURCING Inc.
Representative: Haruhiko Doi
Chairman and CEO
(First Section of TSE, Securities Code: 2427)
Contact: Kazuhiko Suzuki
Executive Vice President and
Executive General Manager
in charge of Business
Management Division
Phone: +81-3-3286-4888 (main)

**Notice Regarding Submission of Approval Application for Re-extension of
the Deadline for Filing the Quarterly Securities Report for the Three Months
Ended September 30, 2021**

As announced in the "Notice Regarding Approval of Extension of the Deadline for Filing the Quarterly Securities Report for the Three Months Ended September 30, 2021" dated November 15, 2021, the Company had received approval for the deadline for filing the Quarterly Securities Report for the three months ended September 30, 2021 as December 28, 2021. However, we hereby announce that today we decided to submit an approval application for re-extension of the deadline for filing the Quarterly Securities Report to the Kanto Local Finance Bureau as stipulated in Article 17-15-2, Paragraph 1 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs as follows.

Particulars

1. Relevant Quarterly Securities Report
Quarterly Securities Report for the third quarter of the fiscal year ending December 31, 2021 (July 1, 2021 to September 30, 2021)
2. Deadline for filing before re-extension
Tuesday, December 28, 2021
*The original statutory filing deadline was November 15, 2021, but the Kanto Local Finance Bureau approved the extension of the filing deadline on November 15, 2021.
3. Deadline for filing provided re-extension is approved
Friday, January 14, 2022
4. Reasons for the need to re-extend the filing deadline
As the Company announced on November 5, 2021, "Notice Regarding Suspicions of Inappropriate Accounting at Our Consolidated Subsidiaries and Postponement of Announcement of Financial Results for the Third Quarter of the Fiscal Year Ending December 2021," and announced on November 15, 2021, "Notice Regarding Submission of Application for Approval to Extend the Deadline for Filing the Quarterly Securities Report for the Three Months Ended September 30, 2021," we discovered suspicions of inappropriate accounting during the preparation process for the public listing of our consolidated subsidiary, OUTSOURCING TECHNOLOGY, Inc., concerning its subsidiary enable Inc., so we established an investigation committee and we have been conducting an investigation.

In order to ensure the expertise, objectivity, and fairness of the investigation to the degree possible, the Company, as an

[Translation]

investigation committee based on a third-party committee that complies with the guidelines established by the Japan Federation of Bar Associations, has invited external lawyers and certified public accountants who do not have an interest in the Company as Investigation Committee members, and all Group officers and employees have fully cooperated in this investigation.

The Investigation Committee expanded the scope of the investigation to clarify the full picture, such as interviews and document investigation of related parties including officers and employees of the Company, digital forensics investigations, investigations of similar cases for Group companies, etc., and as originally planned, we expect to receive the investigation report today on December 28, 2021.

At the same time, due to a delay in sharing the amounts affected from the Investigation Committee to the independent auditing firm, it takes time for the additional review process by the independent auditing firm, and we determined it will be difficult to meet the approved deadline extension for filing the Quarterly Securities Report: therefore, we decided to apply for approval for re-extension of the filing deadline.

Specifically, this time, the investigation committee sharing the amounts affected with the independent auditing firm was delayed, and it has become necessary for the independent auditing firm to consider additional similar cases in the audit. Since the scope of impropriety has expanded, it takes time for the audit, and considering there are also preparations of the Quarterly Securities Report as well as additional consideration of similar cases by the independent auditing firm, we determined it will be difficult to meet the approved deadline extension for filing the Quarterly Securities Report.

(1) Understanding suspicions of inappropriate accounting beyond initial assumptions

The result of digital forensics of 32 people from 7 companies found more than 900 suspected inappropriate accounting emails that were detected intermittently from September 21 to December 11 in the course of investigating allegations of inappropriate accounting in enable Inc., OUTSOURCING TECHNOLOGY Inc., Thinketh Bank Co., Ltd., and OUTSOURCING Inc., and the Investigation Committee scrutinized the emails in turn after each detection date. At the same time, as a result of individual certification work with information grasped from the results of the questionnaire to all board members and in-house employees of OUTSOURCING TECHNOLOGY Inc. and OUTSOURCING Inc., at the time of reporting adjustment entries on December 21 (there were roughly 500 adjustment entries in total over the past 5 years), it was discovered that 13 consolidated subsidiaries (of which 4 were absorbed) other than the 4 companies initially surveyed had a wide range of inappropriate accounting. These are not the companies listed in the inappropriate accounting management list (initially 4 companies) that were known at the time of the previous application for approval of the filing deadline. However, they were identified one by one as a result of interviews with related parties based on the above email check.

The initial investigation targets (4 companies, when the filing deadline was extended on November 15) are as follows.

Company Name	Business Segment	Relationship
enable Inc.	Domestic Engineering Outsourcing Business	Our second-tier subsidiary, subsidiary of OUTSOURCING TECHNOLOGY Inc.
OUTSOURCING TECHNOLOGY Inc.		Our subsidiary
Thinketh Bank Co., Ltd.		Our second-tier subsidiary, subsidiary of OUTSOURCING TECHNOLOGY Inc.
OUTSOURCING Inc.	Domestic Manufacturing Outsourcing Business	-

The additional investigation targets (13 companies) are as follows. (of which 4 were absorbed)

[Translation]

Company Name	Business Segment	Relationship
RPM Co., Ltd.	Domestic Engineering Outsourcing Business	Our second-tier subsidiaries, subsidiaries of OUTSOURCING TECHNOLOGY Inc.
Kyodo Engineering Corporation		
Mobile Communications Co., Ltd.		
Advantec Co.,Ltd.		
TryAngle Co., Ltd. *1		Our second-tier subsidiary, subsidiary of OUTSOURCING TECHNOLOGY Inc. (as of March 31, 2021)
GLocal Co., Ltd. *2		Our second-tier subsidiary, subsidiary of OUTSOURCING TECHNOLOGY Inc. (as of December 31, 2019)
Three S Japan Co., Ltd. *3	Our Subsidiary (as of December 31, 2018)	
PEO Co., Ltd.	Domestic Manufacturing Outsourcing Business	Our subsidiary
Element Co., Ltd. *4		Our second-tier subsidiary (as of July 31, 2021)
ORJ Inc.		Our subsidiary
OTS Inc.	Domestic Service Operations Outsourcing Business	Our subsidiary
PT. OS SELNAJAYA INDONESIA	Overseas Manufacturing and Service Operations Outsourcing Business	Our subsidiary
OS VIETNAM CO., LTD.		Our subsidiary

*1 absorbed by RPM Co., Ltd. (effective April 1, 2021)

*2 absorbed by OUTSOURCING TECHNOLOGY Inc. (effective January 1, 2020)

*3 absorbed by TryAngle Co., Ltd. (effective January 1, 2019)

*4 absorbed by AVANCE CORPORATION (effective August 1, 2021)

Major impropriety items discovered are as follows.

Impropriety items	Details of the impropriety
Overstatement of work in process	<ul style="list-style-type: none"> - In the accounting department, the work-in-process list reported by each business department was falsified and the work-in-process balance was manipulated. - Regarding contract outsourcing projects, recording work-in-process was started when an order was expected, but it was discovered that some orders were lost. In order to avoid discovery, the cost of lost order work-in-process was replaced with contracted projects still not received and inspected, thus avoiding discovery. - At the time of receipt and inspection, all work-in-process costs should be recorded as expenses, but some were not recorded as expenses and were left in work-in-process and replaced with other work-in-process by the same method as above.
Understatement of provision for losses on orders	<p>Since the estimated total cost for contract outsourcing projects exceeds the order amount, a provision for losses on orders must be recorded for the loss portion that originally applies, but the cost is replaced with a work-in-process project with low progress ratio, and disguised so that no order losses occurred, thus avoided recording the provision for losses on orders.</p>
Fictitious recording of sales	<ul style="list-style-type: none"> - Barter transactions Near the end of the fiscal year, a request is made to a staffing agency that is in the same industry to post a recruitment advertisement on our dispatch recruitment website, recording it as sales, and in return, the Company post recruitment advertisements on the partner staffing agency's dispatch recruitment website from the next fiscal year onward. - Round-tripping Ask a supplier to cooperate in fictitious recording of consulting and training sales at the end of the fiscal year (complete with preparation of quotation, purchase order, invoice set), and

[Translation]

	in return, disguise transactions such as fictitious payment fees from the next fiscal year onward, thereby refunding the original payment.
Early recording of sales	<ul style="list-style-type: none"> - For contract outsourcing contracts that should be recorded as sales at the time of customer acceptance, sales were recorded at the time of advance payment. - Regarding the pre-paid portion of School business, revenue recognition was done in line with the budget, not based on the progress of lessons.
Cost deferral	A request is made for the cooperation of a supplier, having them stage a discount campaign near the end of the fiscal year, significantly reducing the amount billed for December, then compensating them for the price reduction in the following fiscal year from January onward. In addition, regarding payment fees near the end of the fiscal year, suppliers are requested to cooperate by delaying issuance of invoices more than usual to avoid accrual as unpaid expenses at the end of the fiscal year.
Early recording of expenses	Regarding paid employment referral fees which adopt a ticket system, the ticket usage list was falsified, and the cost was recorded in consideration of the budget, not based on the ticket usage record.
Recording expenses as property, plant and equipment (PPE)	Work-in-process projects that had losses on orders from lost orders or could not make additional invoice claims were disguised as transfers for internal use purposes and transferred to non-current assets.
Overstatement of software	Work-in-process projects that became bad debt due to lost orders or could not make additional invoice claims were disguised and transferred to software under development for in-house use, and then recorded as intangible assets.
Avoiding impairment losses by replacing sales	Accounting slips were falsified for the sales of business locations, which are the grouping unit for impairment accounting, and offices with good performance were replaced with offices with poor performance. As a result, profit and loss of business locations was distorted in the accounting ledgers, and no signs of impairment that should have been identified were identified.

(2) Delayed sharing of the amounts affected from the Investigation Committee to the independent auditing firm

The original plan was for the Investigation Committee to submit an interim report to the independent auditing firm on December 15. However, as mentioned above, as a result of numerous suspicions of inappropriate accounting, certification work had to be carried out for each item, and the amount could not be finalized as of December 15. Therefore, it was carried out ahead of schedule with many cases still under investigation, only giving status reports for some of them on December 9 (motivation, identification of involved persons, and impropriety items related to inappropriate accounting). After that, although the provisional adjustment entries were firmed up on December 21, a tabulation error was discovered due to the large number of adjustment entries, and the figures are still fluid as of December 28.

(3) Additional consideration of similar cases in the audit

As mentioned above, new suspicions have been discovered, and the independent auditing firm can efficiently audit similar cases because it identifies transactions that have the same appearance as the impropriety case under investigation and takes an approach to implement audit procedures where it designs and implements procedures after understanding motives and methods. However, as mentioned above, since a large amount of inappropriate accounting was carried out within the Group, it takes time for the Investigation Committee to investigate this matter, and it is expected that man-hours for auditing similar matters will increase as the amount of information shared with the independent auditing firm increases. Specifically, the independent auditing firm receives a list of adjustment entries from the Investigation Committee and receives impropriety findings on an oral basis from time to time, and after grasping the overall picture of a case, and while it decides the audit policy for similar cases and performs the following audit procedures from time to time, as mentioned above, impropriety has occurred in many companies, so the independent auditing firm will require additional man-hours to re-evaluate (1) to (3), and to expand the audit procedure in (4) among the following procedures.

[Translation]

(Auditing similar cases)

- 1) Understanding the outline, motives, and methods of the discovered impropriety
- 2) Identification of the origin of the impropriety based on the above understanding
- 3) Design of audit procedures that can detect the origin of the impropriety
- 4) Implementation of audit procedures and evaluation of discovered items

(4) Report schedule of the Investigation Committee

The investigation of similar cases by the Investigation Committee has been completed, and the investigation report of the Investigation Committee is expected to be received on December 28, as originally scheduled.

All of our officers and employees have fully cooperated with the investigation, but considering that it takes a considerable number of man-hours (about 2 weeks) to audit similar cases for Group companies by the independent auditing firm, it will be difficult for the independent auditing firm to complete its quarterly review for the subject Quarterly Securities Report by the extension of the filing deadline to December 28 which was approved on November 15, resulting in the new application.

5. Future outlook

Provided the application for re-extension of the filing deadline is approved, we will promptly disclose it.

6. Impact on financial results

The impact of inappropriate accounting on consolidated financial results for fiscal year ended December 31, 2021 is expected to be in the range of several hundred million yen, as stated in the announcements on November 5 and 15.

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including earnings forecast contained in this document are based on information currently available to the Company, and certain assumptions that the Company believes are reasonable. Accordingly, the Company can give no assurance that such statements will prove to be correct. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors.

We sincerely apologize for the great concern and inconvenience caused to our shareholders, investors, and other stakeholders.