



January 14, 2022

To whom it May Concern

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Notice Regarding Submission of “Amendment Report of the Internal Control Report”

OUTSOURCING Inc. (hereinafter the “Company”) submitted amended reports for applicable years Annual/Quarterly Securities Reports, and also amended applicable years Summary of Financial Statements as stated in the press release dated January 14, 2022 “Notice Regarding Amendment of Annual Securities Reports and Financial Results for Past Fiscal Years”.

In accordance with this, based on Article 24-4-5, Paragraph 1 of the Financial Instruments and the Exchange Act, the Company today announces that it submitted an “Amendment Report of the Internal Controls Report” to the Kanto Local Finance Bureau, as follows

Particulars

1. Internal Controls Report subject to amendment
The 23rd Internal Control Report for FY2019
The 24th Internal Control Report for FY2020

2. Amendment Details

Within the aforementioned Internal Controls Report, 3 [Assessment Result] is amended as follows. Note that places amended are shown as underlined.

3. [Assessment Result]

(Before the Amendments)

As a result of the evaluation of the above, it was determined that internal controls related to financial reporting for the OUTSOURCING Group as of the end of the fiscal year under review are effective.

(After the Amendments)

[Translation]

The deficiencies in internal controls over financial reporting described below could lead to a material impact on financial reporting, and thus it has been identified as material deficiencies. Therefore, as of the end of the current fiscal year, the internal control over financial reporting was not effective.

Note

In the process of preparing for the listing of our consolidated subsidiary, OUTSOURCING TECHNOLOGY Inc., we became aware of suspicions of inappropriate accounting practices at its subsidiary, enable Inc. Therefore, on September 29, 2021, the Company has set up an outside investigation committee, including external lawyers and certified public accountants, and has proceeded with the investigation.

As a result of receiving the investigation report from the Investigation Committee on December 28, 2021, it was found that, in addition to the omission of impairment losses on fixed assets and the overstatement of work-in-process at enable Inc., it has turned out overstatement of revenues and understatement of expenses at the Company and its consolidated subsidiaries in the Domestic Engineering Outsourcing Business, Domestic Manufacturing Outsourcing Business, Domestic Service Outsourcing Business, and Overseas Manufacturing and Service Operation Outsourcing Businesses.

Thus, the Company has decided to amend its financial results for the past fiscal years and submit the amendment report for the annual securities reports for the fiscal years ending December 31, 2019 and 2020 and the quarterly reports for the first quarter of the fiscal year ending December 31, 2020 through the second quarter of the fiscal year ending December 31, 2021.

The inappropriate accounting practices identified by the outside investigation committee was the result of the concentration of authority on a few executives and employees, dysfunctional supervision and auditing by the Board of Directors and the Audit Committee, dysfunctional internal control by the Internal Audit Office, and unclear and inappropriate operation of internal rules related to accounting practices, which became the norm due to the background of excessive awareness of growth in the entire Group. The Company recognizes those have caused the neglect of the establishment of a control environment to realize reliable financial reporting, and the inadequacy of company-wide internal controls.

Such deficiencies in internal control over financial reporting have a material impact on financial reporting, and we have determined that deficiencies in the company-level internal controls and financial controls for the reporting process and process-level controls fall under the category of material deficiencies that should be disclosed.

Since the above facts were not identified until after the end of the current fiscal year, the Company was unable to make amendments by the end of the current fiscal year.

The necessary amendments resulting from the above have been properly made.

We fully recognize the importance of internal controls for financial reporting. For rectifying the

[Translation]

existing material deficiency, we will implement the following preventive measures in accordance with the recommendations of the investigation report and maintain and operate our internal control systems.

1. Top-led reform of the corporate culture
2. Reform compliance awareness and thorough implementation of measures to prevent recurrence
3. Clarify the responsibilities of those involved and strengthen the management system
4. Restructuring corporate governance system and organizational structure
 - (1) Realizing appropriate allocation of authorities by strengthening the management system
 - (2) Strengthen the oversight function of the Board of Directors
 - (3) Expand the number of personnel in the accounting department and secure highly qualified human resources
5. Strengthening internal control divisions
 - (1) Expand human resources in management department and secure highly qualified human resources
 - (2) Strengthen the internal audit system
 - (3) Strengthening the audit function by the Audit Committee
6. Review of the whistleblowing system
7. Reviewing internal rules and accounting systems
8. Formulation of feasible business plans and budgets