[Translation]

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To Whom It May Concern

Company Name:	OUTSOURCING Inc.
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(First Section of TSE:	Securities Code 2427)
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Notice Regarding Material Deficiencies That Should Be Disclosed for Internal Control Over Financial Reporting

As described in the following note, in the internal control report for FY2021 (hereinafter "current fiscal year"). we have stated the internal control over financial reporting was not effective due to material deficiencies that should be disclosed. The internal control report has been submitted today to the Kanto Local Finance Bureau based on article 24-4-4, paragraph 1 of the Financial Instruments and the Exchange Act.

Particulars

1. Content of Material Deficiencies That Should Be Disclosed

In the process of preparing for the listing of our consolidated subsidiary, OUTSOURCING TECHNOLOGY Inc., we became aware of suspicions of fraudulent financial reporting 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 avoidance 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 fraudulent financial reporting 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.

2. The Reasons for Not Being Able to Disclose Until the End of Current Fiscal Year

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.

3. Corrective Policy for Material Deficiencies That Should Be Disclosed

We fully recognize the importance of internal controls for financial reporting. For rectifying the 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. Reform of the corporate culture led by the CEO
2. Raising compliance awareness and thorough implementation of measures to prevent recurrence
3. Clarifying the responsibilities of the persons involved and strengthening our management system
4. Restructuring the corporate governance system and organizational structure
   (1) Appropriate allocation of authorities through a strengthened management system
   (2) Strengthening the supervisory function of the Board of Directors
   (3) Increasing staff and securing highly qualified personnel in the accounting department
5. Strengthening the internal control division
   (1) Increasing staff and securing highly qualified personnel in the management division
   (2) Enhancing the internal audit system
   (3) Strengthening the auditing function of the Audit and Supervisory Committee
6. Revising the internal reporting system
7. Revising the internal accounting rules and the accounting system
8. Establishing feasible business plans and budget

4. Impact on Consolidated Financial Statements and Other Statements

We have properly made corrections for items causing the material deficiencies that should be disclosed. The correction has already been reflected in the consolidated financial statement and other statements.

5. Audit Opinion for Consolidated Financial Statements

Unqualified Opinion