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To Whom It May Concern

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Notice on the Background and Progress of the Investigation by the External Investigation Committee

OUTSOURCING Inc. (hereinafter, “the Company”) announced in the “Notice of Establishment of an External Investigation Committee” announced on August 1, 2023, that at OUTSOURCING TECHNOLOGY Inc. (hereinafter, “OST”), a consolidated subsidiary of the Company, it has been confirmed that part of the application procedure for payment of employment adjustment subsidies had not been properly carried out, and part of the transaction process with recruitment media companies, etc. was found questionable. Accordingly, in order to conduct a transparent investigation, the Company has established an external investigation committee composed of independent outside experts and is currently investigating the facts, etc. The background and progress of the investigation up to date are as follows.

Note

1. Background and Progress of the Investigation up to Date

As a result of the internal report, it has been confirmed that, at OST, part of the application procedure for payment of employment adjustment subsidies had not been properly carried out (hereinafter, “Incident #1”) and that part of the transaction process with recruitment media companies, etc. was found questionable (hereinafter, “Incident #2”). There were some other points mentioned in the reports, but no particular doubt has arisen at this time (hereinafter, collectively referred to as “the Incident”).

Regarding Incident #1, in the Company’s initial investigation, after interviewing the people in charge of the employment adjustment subsidies regarding the application procedures and how the documents were stored, the Company confirmed a copy of the application documents retained in writing. The handwriting of the training reports, etc., that must be submitted when conducting educational training, such as learning at home, was very similar. Several unnatural training reports, etc., such as duplicated template training reports, etc. with corrected name and date columns were found. According to the interviews with the people in charge, it was confirmed that some of the people in charge of the applications were preparing some of the documents on behalf of the participants for the period from February to June 2020, because the collection of the required documents was unsuccessful. Specifically, as of July 20, 2023, it has been confirmed that the applications for 421 participants for the period from February to June 2020 had been prepared on behalf of the participants.

Regarding Incident #2, in the initial survey conducted by OST, they picked up business partners with suspicious transaction processes, checked the outline of the transactions, and the background of the transactions. In addition, they verified whether the outsourced work actually exists, and whether there were any problems with the transactions by checking the purchase order, contract, and other forms of documents concerning the transactions, as well as hearings from the people in charge. As a result, the scope of services provided by three suppliers was unclear due to the fact that no contract, which is required for OST’s internal approval process, had been prepared, and the validity of the transaction amount could not be verified.

In this way, although the initial investigation by the Company and OST revealed some facts about this incident, in order to clarify the actual situation, the Company decided that a more specialized and transparent in-depth investigation by outside experts is required, hence it was decided that an external investigation committee would be established.

[Translation]

The Company has requested for the external investigation committee to conduct an investigation as soon as possible. The external investigation committee respects the Company's request to the fullest extent possible, and is making efforts to conduct the investigation. In addition, the Company's directors, officers, and employees will cooperate fully with the investigation, and will appoint a necessary and sufficient investigative response person for the investigation. If the investigation does not proceed as planned, for example, the scope of the investigation by the external investigation committee expands, the number of assistants of the external investigation committee and those responding to the investigation on the Company's side will be increased, and the Company will do its best to respond with the highest priority. In order to clarify this case, the external investigation committee is expected to conduct interviews with related parties, analyses of data and materials, digital forensics, surveys, work to determine the amount of impact on financial statements, and prepare an investigation report. Therefore, at this point, the Company has been told that the investigation report is expected to be submitted around the end of September 2023.

2. Future Outlook

As a result of the above, the investigation report by the external investigation committee is expected to be received around the end of September 2023. For the second quarter report of the 27th fiscal period (ending December 31, 2023), the Company will not be able to complete the quarterly review procedures by the accounting auditor by the statutory filing deadline of August 14, 2023, hence will not be able to submit it. In addition, the date of the financial results announcement is expected to be postponed as well.

As for the future, the Company has a policy to respond in coordination with the relevant authorities, including the application for an extension of the deadline for the submission of such quarterly report, and will provide information as soon as the details are confirmed. The Company will also continue to cooperate fully with the investigation by the external investigation committee and will disclose the results of the investigation as soon as the report is received.

The Company sincerely regrets the great inconvenience and concerns it has caused to its shareholders, investors, and other stakeholders.