



October 13, 2023

To Whom It May Concern

Company Name: OUTSOURCING Inc.
Representative: Haruhiko Doi
Representative Executive
Officer, Chairman and CEO
(Prime Market of TSE, Securities Code 2427)
Contact: Masashi Umehara
Executive Officer in
charge of Corporate
Management Division
Phone: +81-3-3286-4888(Main)

Notice Regarding Submission of Application for Approval to Extend (Re-Extend) the Deadline for Filing the Quarterly Securities Report for the Second Quarter of the Fiscal Year Ending December 31, 2023

As OUTSOURCING Inc. (hereinafter, “the Company”) announced in “Notice Regarding Approval of Extension of the Deadline for Filing the Quarterly Securities Report for the 2Q of Fiscal Year Ending December 2023” on August 14, 2023, it received approval to extend the deadline for filing the quarterly securities report, with October 13, 2023 as the deadline. However, the Company hereby announces today that it has decided to submit an application for approval to extend (re-extend) the deadline for filing the quarterly securities report to the Kanto Local Finance Bureau in accordance with the provisions of Article 17-15-2, Paragraph 1 of the Cabinet Office Order on Disclosure of Corporate Affairs as described below.

Note

1. Relevant Quarterly Securities Report

Quarterly securities report for the second quarter of the fiscal year ending December 31, 2023 (April 1, 2023, to June 30, 2023)

2. Original Deadline Before Extension (Re-Extension)

October 13, 2023 (Friday)

* The original statutory filing deadline is August 14, 2023, but the Kanto Local Finance Bureau has given approval to extend the filing deadline to the date above.

3. Deadline if Extension (Re-Extension) is Approved

November 14, 2023 (Tuesday)

4. Reason for the Need to Extend (Re-Extend) the Filing Deadline

(1) Background of the Investigation up to Date

As the Company announced in the “Notice of Establishment of an External Investigation Committee” on August 1, 2023, as a result of an internal report and subsequent internal investigation, at OUTSOURCING TECHNOLOGY Inc. (hereinafter, “OST”), a consolidated subsidiary of the Company, it was confirmed that part of the application procedure for payment of employment adjustment subsidies (hereinafter, “Subsidies”) was not properly carried out (hereinafter, “Case #1”) and that contracts necessary for the approval process for transactions with business partners regarding recruitment fees were not made (hereinafter, “Case #2”). Accordingly, in order to conduct a transparent investigation, the Company established an external investigation committee composed of independent outside experts and is currently investigating the facts, etc.

Subsequently, regarding Case #2, whether or not there were inappropriate transactions with companies related to a former OST director who resigned due to involvement in inappropriate accounting, as announced in “Notice Regarding Receipt of the Investigation Report from the Investigation Commission” on December 28, 2021, became the subject of the investigation (hereinafter, “Case #3”). In addition, following an internal report after the establishment of the external investigation committee, it has been discovered that regarding part of the application procedure for payment of Subsidies at the Company and one of its subsidiaries, there was a discrepancy between the content of the application and actual status of leave (hereinafter, “Case #4”), and therefore this also became the subject of the investigation.

(2) Progress of the Investigation and the Need for an Additional Investigation

a. Regarding the Employment Adjustment Subsidies

Regarding Case #1, interviews with related parties and forensic surveys revealed that OST fairly calculated the estimated amount of payment of Subsidies from the end of July to August 2020 and reflected it in the account settlement. However, because there were concerns that there would be applications missing due to failure to collect applications, training reports were prepared without the consent of the participants. The number of days for such training is at least approximately 4,700 days, and in August 2020, almost all of the business locations of OST submitted such training reports as a document required for application for Subsidies. In addition, regarding the applications for August 2020, although it was only for a few cases, it was confirmed that OST applied for Subsidies for education and training, but the participants did not actually take the training course. Furthermore, regarding the applications for September 2020 and onwards (training reports for training conducted from July 2020 to March 2021), about 150 identical training reports, excluding the names and employee numbers, with identical comments on impressions on the training were confirmed, hence are considered to be training reports created without the consent of the applicants. The interviews and forensic surveys described above revealed that applications for Subsidies for 3 of OST's subsidiaries may not have been made appropriately. The details of what occurred are under investigation, however, there is a possibility of inappropriate receipt of Subsidies through methods not initially considered in the initial investigation. Such methods include formally conducting personnel changes and adjusting the number of employees between workplaces in order to meet the scale of suspension requirements (determined for each business location) necessary for applying for the Subsidies, by adjusting the number of days of suspension. Therefore, it has been decided that additional investigation is required. Furthermore, based on the suspicions at the 3 subsidiaries mentioned above and the current investigation results of Case #4, the Company cannot deny that there is a possibility that similar inappropriate acts were being carried out at its other domestic group companies (18 companies). However, priority is set based on the amount of Subsidies application.

Regarding Case #4, after conducting a survey on all of the domestic employees (currently employed) of the Company and 1 of the Company's subsidiaries who was eligible for Subsidies in May and June 2020, as well as forensic surveys on the Company's domestic employees (management positions) and interviews with a portion of the questionnaire respondents, it was discovered that the Company and one of its subsidiaries had applied for Subsidies for domestic employees in May and June 2020 for days when there was no actual suspension of work. However, the Company also employs a large number of "dispatched employees," in addition to domestic employees. These dispatched employees are also eligible for Subsidies in cases of suspension of work at their assigned companies. Therefore, the Company is continuing the investigation to ensure the proper procedures for them, even though the mechanism of their application differs from that of domestic employees. These dispatched employees are stationed at all of the Company's locations, and their number exceeds 10,000, making the verification process time-consuming. Furthermore, regarding the investigation of the aforementioned subsidiary, due to significant changes in organization and personnel after the absorption merger by the Company, confirming the details with personnel from that time has been time-intensive, and extracting relevant documents has also taken longer than expected. Investigations into dispatched employees, similar to those of the Company, are ongoing as well.

b. Regarding the Recruitment Fees

Regarding Case #2 and #3, an investigation was conducted into the specific details, transaction history, and the nature of the transactions, as well as the specific details of the performance of the outsourced work for the transactions that were either flagged through internal reports or identified as having unclear aspects in the initial investigation process. As a result, no inappropriate transactions such as a lack of actual execution were discovered. However, in light of facts revealed during the investigation, such as the possibility of certain influence exerted by a former OST director, it was decided that verification is necessary not only for the flagged business partners mentioned in the internal reports, but also for all business partners related to OST recruitment fees (over 300 companies), to verify the existence of transactions and the presence and extent of involvement of a former OST director. In the future, investigations are planned to be conducted as needed, taking into account differences with similar transactions, verifying documents related to transactions, and conducting interviews with individuals involved in the transactions.

c. Regarding Governance

While conducting an investigation on suspected inappropriate transactions related to recruitment fees, it has come to light that OST had entered into consulting contracts, etc., with a former OST director who had resigned due to their involvement in the previous inappropriate accounting incident, and that there were governance issues, such as the lack of proper restraint within both the Company and OST, during the conclusion of these contracts. In order to correct this internal control environment, the Company plans to analyze the cause and consider measures to prevent recurrence.

[Translation]

(3) Schedule of Receipt and Future Course of Investigation Report Considering Additional Investigation

The external investigation committee that the Company established is committed to conducting investigations with the utmost respect for the Company's request to conduct investigations as soon as possible. At this time, the scope of the initial investigations has been generally completed. However, as mentioned above, in light of the facts and doubts discovered through the investigations to date, there is a need for additional investigation.

In addition, the Company has been informed by its accounting auditor that additional investigation by the external investigation committee is required to form an audit opinion. If the external investigation committee is to conduct such additional investigation, it is expected that the investigation report will be received on October 31, 2023, in consideration of the time required for such additional investigation. As a result, it has been determined that it is difficult to submit the quarterly securities report for the 2Q of fiscal year ending December 2023, because the quarterly review report cannot be received from audit firm by the submission deadline for which the extension was approved. Therefore, the Company has decided to submit an application for approval for extension (re-extension) of the deadline.

5. Future Outlook

If the application to extend the filing deadline is approved, the Company will promptly disclose the information.

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