[Translation]

November 2, 2023

To Whom It May Concern

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Notice Regarding Public Disclosure of the Investigation Report by the External Investigation Committee

As OUTSOURCING Inc. (hereinafter, "the Company") announced in "Notice Regarding Receipt of the Investigation Report by the External Investigation Committee" on November 1, 2023, the Company hereby publicly discloses the investigation report, which partially took non-disclosure measures from the viewpoint of protecting confidential information and personal information.

Based on the results of the Company's initial investigation, etc., the Company's group has requested to voluntarily refund the employment adjustment subsidies to the relevant labor authorities, in accordance with the Ministry of Health, Labor and Welfare's voluntary declaration system, and is currently working on the matter. The required adjustment amount mentioned in "(1) Corrections to past fiscal year securities reports, etc. and summary of financial results, etc." under "2. Future Outlook" is calculated based on the total amount of employment adjustment subsidies received by the Company and its 5 group companies since February 2020. The final repayment amount, etc. will be determined through discussions with the relevant labor authorities, so there is a possibility that the actual impact amount may differ.

Note

1. Investigation Results
   Please refer to the attached "investigation report" for the results of the investigation by the external investigation committee. From the viewpoint of protecting confidential information and personal information, the Company has taken measures to partially non-disclose the report.

2. Future Outlook
   (1) Corrections to past fiscal year securities reports, etc. and summary of financial results, etc.
   The required adjustment amount based on the results of the investigation report, etc. is the sum for the Company and the 5 group companies as follows. Corrections to past fiscal year securities reports, etc. and summary of financial results, etc. will be made in conjunction with the submission of the quarterly securities report as described in "(2) Announcement of financial results for the second quarter of the fiscal year ending December 31, 2023."

Amount to be revised (Millions of yen, IFRS standard)

	FY12/20	FY12/2021	FY12/2022
Revenue	-	-	-
Operating profit	(3,061)	(2,509)	(320)
Profit before tax	(3,061)	(2,509)	(320)
Net income	(2,216)	(1,882)	(287)

* Because the audit procedures are not yet complete, the actual corrected amounts may differ.

   (2) Announcement of financial results for the second quarter of the fiscal year ending December 31, 2023
   As the Company announced in "Notice Regarding Approval of Extension (Re-Extension) of the Deadline for Filing the Quarterly Securities Report for the Second Quarter of the Fiscal Year Ending December 31, 2023" on October 13, 2023, it has received approval to submit the quarterly securities report by November 14, 2023. The Company schedules to receive the quarterly review report from the audit firm, will submit

the quarterly securities report and summary of financial results for the second quarter of the fiscal year ending December 31, 2023, by the submission deadline, and also plans to announce the financial results for the third quarter of the fiscal year ending December 31, 2023.

(3) Measures to prevent recurrence and disciplinary actions for those involved

The Company will take the results of this investigation report seriously and formulate and work on specific measures to prevent recurrence based on the recommendations of the external investigation committee. Measures to prevent recurrence and disciplinary actions for those involved will be announced once the details are finalized.

3. Impact on Business Performance

Regarding the impact on the business results for the fiscal year ending December 31, 2023, based on the results of the investigation report, etc., the Company has calculated a downward revision of 35 million yen in the operating profit for the cumulative period of the first quarter of the fiscal year as a penalty for the delayed return of employment adjustment subsidies. Furthermore, the Company anticipates a similar impact amount for the second quarter and beyond, resulting in a total downward annual impact of 140 million yen on the operating profit. While this is a projection, the Company expects a similar impact on the actual financial figures.

At this time, there are no changes to the consolidated business forecast for the fiscal year ending December 31, 2023, which was announced on February 14, 2023.

The Company sincerely apologizes for the inconvenience and concerns caused to its shareholders, investors, and other stakeholders.

Summary

Part 1: Facts Learned from the Investigation: Investigation Results Relating to Suspicions of Fraudulent Receipt of Employment Adjustment Subsidies by OST

1 Overview of the Employment Adjustment Subsidy System

The government subsidy for employment adjustment (employment adjustment subsidy), with the goal of stable employment, is a project under which businesses that are forced to reduce their business activities because of changes in the economy, changes in industrial structure, or other economic reason are given grants and subsidies; and subsidies are paid to business operators who make employment adjustment, either through furloughing, training, or seconding its workers.

In 2020, in the wake of the spread of COVID-19, certain special measures regarding the employment adjustment subsidy were put in place for a limited time, and the requirements for payment of the employment adjustment subsidy were relaxed (COVID-19 special measures).

Furloughs that are eligible for subsidies are cases where a worker has the will and ability to work, but is unable to work; cases where a worker is unable to work because of illness etc. and cases where a worker is on paid leave etc. do not qualify as furlough. Further, if a company carries out educational training, training fees are added to the subsidies (educational training supplement). The "educational training" that is eligible for the employment adjustment supplement is education, training, study etc. for the purpose of teaching or improving knowledge, skills, or technology relating to work, which is carried out during specified work hours during a specified workday.

The fraudulent receipt of employment adjustment subsidies refers to "**receiving, or attempting to receive, subsidies for which a company is not eligible, through fraud or other fraudulent conduct**"; in a case where there has been such fraudulent receipt of subsidies, the Prefectural Labour Director can (i) order that all or some of the received employment adjustment subsidies be returned and (ii) order the payment, as an additional charge, of an amount equivalent to no greater than 20% of the amount for which return was ordered.

2 Falsification of Training Reports etc.

From February 2020 until March 2022, OUTSOURCING TECHNOLOGY Inc. ("**OST**") made applications for employment adjustment subsidies for furloughing etc., receiving a total of 359,219,774 yen as employment adjustment subsidies[1].

[1] The amount of employment adjustment subsidies received may include the amount of immediate employment security subsidies received, which is for employees who are not covered by employment insurance.

In its initial employment adjustment subsidy applications, OST tried to apply for subsidies in August 2020 for furloughs etc. for the five months of February through June 2020[2]. At the extraordinary board of directors meeting held on July 30, 2020, prior to the applications, the statement of accounts for the first half of the year was approved with the cumulative profit and loss statement for the second quarter, covering January 1 to June 20, 2020, showing that “Subsidy revenue, 535,545,000 yen” was recorded.

In order to receive the educational training supplement, the subject training must be held and employees must participate in that, and then the participants must prepare their own training reports, but most of the training reports were not collected or put in order. For this reason, how the Corporate Management Division, which was responsible for employment adjustment subsidy application work, collected and completed the training reports that were not collected or put in order by the application deadline in August became a big problem.

Meanwhile, the subsidy revenue amount recorded in the statement of accounts approved on July 30, 2020, was understood by the Corporate Management Division to be the number that must be attained. Under such circumstances, in the Corporate Management Division, someone somehow began preparing false training reports for the training reports that were missing.

The results of the investigation show that at least the following methods were used to prepare the false training reports submitted at the time of application in August 2020.

(i) Either by writing by hand or by using Excel, another employee prepared the full report from scratch under the name of an employee who had undergone training

(ii) The report submitted by an employee who had undergone training was copied, and the copied report was used as the training report of a different employee by changing the date, name, employee number etc. (including cases where this sort of processing was done using PDF files).

As a result of the investigation of the Committee, it was confirmed that the total figures for training for which a falsified training report was submitted at the time of application in August 2020 was at least 4,798 man days[3]; however, as noted in (i) above, the methods of preparing false training reports included preparing false training reports from scratch, and other methods where subsequent detection of fabrication is difficult, and the above confirmed figures represent only a portion of the total number of false training reports.

Further, the investigation results showed that in at least two cases, as of the time of application in August 2020, employees who were actually working at a destination company and did not actually

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[2] However, it was only some places of business that in February 2020 had fulfilled the employment adjustment subsidy requirements and were eligible to make applications; most places of business moved forward with application preparations for the three months of April through June 2020.

[3] The figures used for training are “man days”, calculated as the total of “number of subject persons x number of subject days”.

undergo training were the subject of employment adjustment subsidy applications made under the false pretense that the employees had undergone training.

Since September 2020, there have been no large-scale falsifications of training reports as discussed above; however, for the training reports regarding training carried out from July 2020 until March 2022, there were a total of 147 reports where it was confirmed that except for name and employee number, the content of the reports, including personal observations, was completely the same[4]. Most of these were for persons belonging to the Solution Service Business Division (SS Business Division), and a person in charge at the SS Business Division has admitted that false training reports were prepared by the administrative section, which was responsible for employment adjustment subsidy application work within the division. The administrative section, wanting to receive as many subsidies as possible for the company, instructed employees to undergo training, and if they were unable to collect a training report, the administrative section prepared the false training reports for people who did not submit any report.

3 Awareness of Related Persons

Mr. E, who was in charge of the employment adjustment subsidies application within the Corporate Management Division, and all the persons working under him, were aware that false training reports were being prepared.

The OST president and representative director at the time ("**Mr. A**") and Mr. K, who worked as the Head of the Corporate Management Division have said that they were unaware that the false training reports were being prepared, and no materials etc. contradicting this have been confirmed.

4 Improprieties Concerning the Number of Furlough Days at OST

It has been confirmed that OST, around August 2020, concerning employment adjustment subsidies for furloughed employees, made applications so that days that were not eligible for an employment adjustment subsidy application were treated as furlough days.

5 OST Fraudulent Receipt of Subsidies at OST; Impacted Amount

The act of falsification of a large number of training reports as carried out by OST is highly likely to fall under the category of fraudulent receipt.

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4 The SS Business Division administration also prepared false reports from scratch, rather than reproducing the existing training reports without change, so the number of false training reports is not limited to 147.

However, because the order to return employment adjustment subsidies is issued at the discretion of the Prefectural Labour Director, the final recognition of fraudulent receipt and amount to be returned is something that is decided after discussions with the relevant Labour Bureaus.

6 Non-Case Investigation (whether OST Subsidiaries Engaged in Fraudulent Receipt)

(1) Kyodo Engineering

Similarly to OST, Kyodo Engineering Corporation ("**KD**") filed applications for employment adjustment subsidies for furloughing etc., for the period from April 2020 to October 2021, receiving a total of 72,501,048 yen as employment adjustment subsidies.

When KD decided to apply for employment adjustment subsidies in around July 2020, regarding the training reports necessary for the employment adjustment subsidy application, officials at KD's Management Division thought that, given the time constraints prior to the application deadline, if KD asked employees who had received training to prepare such reports, they would not be finished in time. Thus, without checking with such employees, prepared a document titled "Report of Training Curriculum") under the name of each person receiving training on the basis of the training attendance sheet. It should be noted that the Reports of Training Curriculum prepared by KD's Management Division did not satisfy the requirements for the employment adjustment subsidy documents because such reports did not include the participant's observance on receiving training, or for other reasons.

After the application for the July 2020 portion was filed in September 2020, KD was notified by certain Labour Bureaus that the Reports of Training Curriculum did not qualify as the necessary documents for receiving the educational training supplement. After the month for which the Labour Bureaus made the observations about training, KD started instructing its offices under the jurisdiction of these Labour Bureaus to prepare training reports where persons receiving training provided feedback on the training; but believing that a uniform request to prepare and submit training reports including personal feedback on the training would increase the burden on persons receiving training and on the administrative offices, KD continued to submit only Reports of Training Curriculum as the document required for receiving the Education and Training Supplement for its offices for which no Labour Bureau observations were made. Moreover, the persons in charge at the Management Division continued to prepare Reports of Training Curriculum all in bulk for the entire time from when the first applications for employment adjustment subsidies were filed until the last application was filed.

The act of the persons in charge at Management Division of forging Reports of Training Curriculum and then applying for employment adjustment subsidies by submitting the forged Reports of Training Curriculum is highly likely to fall under fraudulent receipt of employment adjustment subsidies.

(2) Mobile Communications

Similarly to OST, Mobile Communications Co., Ltd. ("**MC**") applied for employment adjustment subsidies for furloughing etc. for the period from May 2020 to October 2021, and received a total of 160,623,610 yen as employment adjustment subsidies.

It was found that in December 2020 Mr. E and Mr. I considered whether some sort of coordination could be made to satisfy the furloughing requirement for MC to enable MC to apply for employment adjustment subsidies. But MC did not file for employment adjustment subsidies in November and December 2020 and no fact of unlawful receipt was found.

Although many errors have been found in employment adjustment subsidy applications made on the basis of furloughing, it is believed that such errors were not the result of fraudulent applications for the purpose of applying more for employment adjustment subsidies, but were mistakes occurring in the administrative process.

(3) RPM

Similarly to OST, RPM Co., Ltd. ("**RPM**") applied for employment adjustment subsidies for furloughing etc. for the period from April 2020 to October 2021, and received a total of 84,957,374 yen as employment adjustment subsidies.

It was found that, in order to meet the furloughing volume requirement for December 2020, those in charge of employment adjustment subsidy application at RPM included some of the employees who were on paid vacation or who were present at work as those who were subject to employment adjustment subsidies furlough and filed the application. Subsequently, RPM was notified by the Tokyo Labour Bureau that those on furlough included employees who were taking paid vacation time, and corrected the number of days of furloughing. The Investigation found that, although RPM retracted its application that some employees were "on all-day furlough" and changed its application to state that they received "educational training", these employees in fact engaged in ordinary work in December 2020, and that RPM's application after the correction that they received training was also untrue.

The Investigation further found that the training that was eligible for RPM's employment adjustment subsidy application included self-directed remote learning and on-the-job training and other elements that did not meet the requirements for the educational training supplement.

With respect to the foregoing acts, at least for the application for December 2020, the act of maintaining the content of the application that claimed that employees who did not receive training as having received training, even after being warned by the Labour Bureau, is highly likely to fall under fraudulent employment adjustment subsidies receipt. Applications prior to that time also included

training that did not meet the employment adjustment subsidy application requirements.

(4) Other OST subsidiaries

With respect to other OST subsidiaries, digital forensic and other investigations looked at communication between OST and its subsidiaries and did not find any exchanges where OST officials or employees instructed subsidiaries to engage in employment adjustment subsidies fraud or permitted such fraud at the subsidiaries.

Therefore, the Committee decided not to include other OST subsidiaries in the scope of its investigation, and to rely on OS's and OST's own inspections.

Part 2: Facts Learned from the Investigation: Investigation Results Relating to Suspicions of Fraudulent Employment Adjustment Subsidy Receipt at OS

1 OS's employment adjustment subsidy application pertaining to furloughing of on-site employees

OUTSOURCING Inc. ("**OS**") Manufacturing & Service Business Division Manager ("**Mr. O**") instructed employees of the Division working in office to be furloughed for three days in May 2020 and four days in June and filed employment adjustment subsidy application in conjunction with such furloughing.

However, in the Investigation, some of the employees subject to furloughing stated that the situation in May 2020 was that the increase in COVID-19 cases did not reduce the workload but rather increased the workload, requiring them to respond to customer operation suspensions and the resulting need to handle procedures concerning furloughing employees who worked off site and it was far from a situation where they could be furloughed, and that still they were instructed to take leave for the sake of employment adjustment subsidy applications under the Manufacturing & Service Business Division policy and performed work to some degree, even though they were recorded in the attendance system as not working.

Section and department managers in the Manufacturing & Service Business Division naturally understood that the situation at the time was that employees who worked in the office could not afford to be furloughed. However, because the increase in COVID-19 cases had caused a decline in the utilization rate of some employees working in the office, Mr. O, who issued the instructions for furloughing, had thought that furloughing would be manageable through internal coordination if the furloughing was only about seven days over two months although it was a busy season, and gave the instructions for furloughing without ascertaining the actual work conditions of the Manufacturing &

Service Business Division employees working in the office.

The employment adjustment subsidy application at OS for the furloughing in May and June 2020 taken by employees working in the office was made without actual furloughing, and thus is highly likely to fall under employment adjustment subsidy fraud.

2 OS's employment adjustment subsidy application pertaining to furloughing of off-site employees

No fact of fraudulent receipt was found with respect to furloughing of off-site employees.

3 Non-case investigation (whether OS subsidiaries engaged in fraudulent receipt)

(1) PEO

The instructions for furloughing from OS Manufacturing & Service Business Division in section 1 above also applied to PEO Co., Ltd. ("**PEO**"), an OS subsidiary that worked with some of the departments of the Division in the same way as one of departments at OS. For this reason, just as with OS, it was confirmed that there were several days at PEO where employees engaged in work even though they were furloughed in the attendance system.

(2) Other OS subsidiaries

Other OS subsidiaries filed employment adjustment subsidy applications, but the majority of them were applications pertaining to furloughing of off-site employees. Off-site employees took furloughing because the companies to which they had been dispatched were not operating due to the increase in COVID-19 cases, and other circumstances at the dispatch destination companies. Given that as explained in Part 2 above, fraudulent receipt was not found with employment adjustment subsidy applications filed in conjunction with off-site employees of OS, which was in a similar situation, the Committee decided not to include other OS subsidiaries in the scope of investigation and to rely on OS's own inspections.

Part 3: Facts Learned from the Investigation: Recruiting Costs

1 Service providers that were paid recruiting costs covered by the Investigation

OST hires close to 5,000 employees a year, which is the total of new graduate hires and midcareer

hires, and entrusts part of such hiring-related work to service providers, recording related expenses as "recruiting costs."

The whistleblower's report that triggered the Investigation pointed out that there are suspicions that even after former OST President and CEO and Representative Director Mr. A resigned as OST president and representative director, non-transparent transactions were made about recruiting fees between OST and several service providers in which Mr. A substantially was involved (see sections 3 to 8 below).

2 Events leading to Mr. A's resignation as OST president and representative director and his subsequent relationship with OS and OST

In light of suspicions about inappropriate accounting practice at OS and OS group companies ("**OS Group**",) OS formed an external investigation committee and conducted an investigation in 2021 ("**Previous Investigation**"). The Previous Investigation found that Mr. A had been aware of some of the wrongful conduct but had given tacit approval and, as a cause of such inappropriate accounting practice at OST, indicated strong disapproval of the management style of Mr. A, who yields powerful influence over OST.

In light of the foregoing, Mr. A resigned as OST president and representative director on January 17, 2022. The same day, Mr. O, who led inappropriate accounting practice at OS, resigned as director.

However, even after Mr. A resigned as OST president and representative director, the relationship between Mr. A and OST continued. On February 1, 2022, OST executed a master service agreement (quasi-entrustment) and an individual service agreement with Mr. A. The contract period was from February 1, 2022 to February 28, 2022, with compensation set at ███ yen (excluding taxes). OS also executed similar agreements with Mr. O.

The execution of service agreements with Mr. A and Mr. O had been proposed by OS Chairman and CEO and Representative Director ("**Mr. B**"), who wanted Mr. A and Mr. O to continue to support OS Group.

Subsequently on March 1, 2022, OST executed a consulting agreement with Company L, where Mr. A serves as representative director. The contract was for a one-year period from March 1, 2022 to February 28, 2023, with compensation set at ███ yen (excluding taxes) a month. On March 1, 2022, OS also executed a consulting agreement with Company M, where Mr. O serves as representative director, under conditions similar to those with Mr. A.

As Mr. B wanted, Mr. A was involved in OST's operationally material decision-making processes and discussions even after resigning as OST president and representative director. However, the improvement report (which was checked by Mr. A, who advised on the content of the report) that OS submitted to the Tokyo Stock Exchange, Inc. ("**TSE**") on March 8, 2022 did not contain the facts that

OST had executed a consulting agreement with each of the companies where Mr. A or Mr. O served as representative director).

When a report was made at OS's Board of Directors meeting on April 15, 2022 about the execution of the consulting agreements with Company L and Company M, some outside directors expressed concern. In response, OS Business Management Division reported to the Listed Company Compliance Department of Japan Exchange Regulation on May 6, 2022 the fact that it had executed the consulting agreements and their descriptions. As a result, OS was asked by the Listed Company Compliance Department about these consulting agreements.

As OS considered its response to the questions, outside directors of OS sent a letter addressed to Mr. B and OS Senor Executive Director ("**Mr. C**"), and Directors Mr. I and Mr. U, expressing strong concerns and opposition to Mr. A and Mr. O continuing to yield influence over OS Group's management. Around the same time, the accounting auditor also asked questions about the agreements with Mr. A and Mr. O having the content and amounts exceeding the scope of transition of responsibilities.

With these responses, Mr. A and Mr. O approached OS or OST and offered to terminate the consulting agreements, and OS and OST accepted such offers, and the consulting agreements with the two companies were terminated as of the end of July 2023.

Even after the agreement termination in July 2023, Mr. B thought that Mr. A and Mr. O were essential personnel to OS Group's business operation and sought to have them involved in OS Group's business operation when the opportunity arose.

In April 2023, under Mr. B's instructions, preparations began for OS to execute advisory agreements with Company L and Company M, and on April 25, OS internal *ringi* procedures were completed[5], and OST internally explained to some of those in managerial positions that Mr. A would once again get involved in OST's operations. However, after the outside directors and the accounting auditor firmly opposed this plan, OS ended up giving up on executing advisory agreements with Company L and Company M.

Given such series of events, there was a widespread expectation among a considerably large number of OST officers and employees even after the termination of the consulting agreement that "sooner or later, Mr. A would come back to OST." Moreover, even after the termination of the consulting agreement, OST officers and employees reported about the state of OST's business operations to Mr. A and received advice.

After the consulting agreement was terminated between OST and Company L, Mr. A executed

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[5] OS is the party to the agreement, not OST. With respect to this point, OS carried out the procedures as directed by Mr. B and did not ascertain the background of the situation; but according to OST's Mr. C, it was thought that, as OST wishes to go public, it would be better if there was no agreement that was again executed with Mr. A, and he believes this is why OS became the party to the agreement.

advisory agreements with several transaction partners of OST through Company L or other channels.

Some of the persons of such transaction partners said the reason they executed an advisory agreement with Company L was that they hoped to have access to Mr. A's industry knowledge and network, while others said that, as Mr. A continued to yield influence over OST, one of the largest customers in the recruiting service industry, they thought that it would be helpful to continue transactions with OST.

For his part, after OST terminated the consulting agreement with Company L in July 2022, Mr. B heard from Mr. A during a talk with him that Company L had executed advisory agreements with OST's transaction partners, but did not question whether having such advisory agreements would have any impact on OST's transactions.

With respect to Mr. O, he was not involved in OS's operations after the consulting agreement between OS and Company M was terminated in July 2022, and he is engaged in efforts to launch a system development business for the human resources industry, and the Investigation did not find any evidence that suggests that Mr. O was involved in OS's operations after the termination of the foregoing consulting agreement.

3 Transactions with Company A

Since November 2022, under the leadership of Mr. V, who was the Head of the Human Resources Strategy Department (the current Employment Strategy Division; hereinafter, regardless of the timing, "**Employment Strategy Division**"), OST entrusted to Company A new graduate hiring services for the 2024 fiscal year that totaled approximately ███ yen (exclusive of taxes) in fees.

The circumstances that led to such entrustment were that around April 2022, Mr. V was asked by Company A to arrange a meeting with Mr. A, OST's former representative and a prominent person in the human resources field; Messrs. Mr. V and Mr. A then dined with Company A. During the meal, Mr. V was told that Company A was collaborating with Specified Non-Profit Organization "███", that it had a lot of information of students from schools with high test scores and was skilled, among other things, at promoting student entry through events.

Mr. V stated that around April 2022, OST commenced activities for recruiting 2024 graduates, but because of concerns that the number of graduates who would ultimately be hired through the usual activities would be lower than envisioned, around November 2022, it was decided to entrust recruiting services to Company A.

When Mr. V decided to entrust recruiting services to Company A, which had a relationship with Mr. A who had just resigned from OST, Mr. V did not make comparisons with, or consider whether there were, any service providers other than Company A that were skilled at recruiting students from schools with high test scores.

It is found that the persons in charge at OST and the persons in charge at Company A considered various measures for hiring 2024 graduates, and Company A provided various services for hiring such graduates.

However, in February 2022, after receiving the results of the Previous Investigation, OS had just taken strict disciplinary actions against involved persons in accordance with their responsibilities, and Mr. A had resigned as part of such process. The fact that despite the foregoing, Mr. V, who had the authority as the Head of the Employment Strategy Division to authorize transactions, lightly had OST commence transactions with Company A knowing that Company A had a relationship with Mr. A without considering the necessity of having Company A as the counterparty or the reasonableness of the transaction amount, can only be improper.

In the end, the recruiting support provided by Company A for 2024 graduates resulted in only ███ hires.

It should be noted that with respect to transactions with Company A, it has been found that there were significant differences between the content of the actual services and the descriptions in the quotation and in the *ringi* document.

4 Transactions with Company B

Company B is a business operator that provides paid job-placement services and other services, and has been operating a sideline and job-changing recruiting platform named "███" since 2019.

OST had been receiving job placement referrals from Company B, and Company B's Mr. Z was acquainted with Mr. A. Around July, 2022, because of Company B's poor financial position, Mr. Z asked Mr. A, who had resigned from OST, to arrange a meeting with members of OST's Business Planning Office (Mr. A attended such meeting) and asked that OST provide funding etc. to Company B. To help decide whether to provide such funding, OST decided to use the Company B-operated "███" to hire personnel.

The Business Planning Office referred the matter to Mr. V, the Head of the Employment Strategy Division, who entrusted the services to Company B for the sum of ███ yen (exclusive of taxes) on August 1, 2022.

It is found that Company B provided services to OST by such means as posting OST's company introduction page, as well as employment information as requested by OST on "███".

The entrustment of services to Company B was carried out so that OST could consider whether to make an investment in Company B, after a July 2022 meeting with Company B arranged by Mr. A (who had resigned from OST), where Company B requested the investment; thus, it can be found that

Mr. A was involved in the course of events that led to the entrustment of services to Company B. In addition, a company where Mr. A serves as a representative director executed an advisory agreement with Company B in August 2022.

Mr. V, although knowing that the capabilities of "■" had not been proven, did not make comparisons to consider the specific extent of the benefits that could be expected when compared to other companies in the same industry. It cannot be denied that Mr. A's presence was behind the fact that Company B was hired, notwithstanding this.

In February 2022, OS took strict disciplinary actions against those involved in accordance with their responsibilities and Mr. A's resigned; amid these circumstances, Mr. V, who had the authority as the Head of the Employment Strategy Division to authorize transactions, while knowing of the advisory agreement between Company B and Mr. A (Company L), lightly had OST commence transactions with Company B in order to consider investment, without giving sufficient consideration to why is was necessary to have Company B as the counterparty or the reasonableness of the transaction amount; this can only be called improper.

In the end, hiring through Company B resulted in ■ new employees in fiscal year 2022 and only ■ new employees in fiscal year 2023. It should be noted that OST did not make any investment in Company B.

5 Transactions with Company C

From around November 2022, OST entrusted services to revamp its mid-career recruiting web site to Company C for ■ yen (exclusive of taxes). Even though there has been no revamping of the mid-career recruiting web site thus far, half of the fees were prepaid on December 28, 2022.

Mr. V, thinking that revamping the mid-career recruiting web site was a way to help OST's mid-career recruiting performance, was introduced to Company C through an acquaintance of a subordinate. On August 30, 2022, Mr. V reported at an OST executive meeting that after comparing the advantages and disadvantages of an in-house (only within OST) revamping of the mid-career recruiting web site and outsourcing the same, he was leaning towards appointing Company C, which was very experienced in revamping hiring websites, and that the outsourcing fees were expected to be around ■ yen. In light of such report, on September 30, 2022, OST and Company C executed a master service agreement concerning branding, web site creation, and services ancillary to the same.

However, because of OST's reorganization and the busy schedule of its managers, the handling was delayed and services to revamp the mid-career recruiting web site did not progress, and Company C has not provided any deliverables thus far.

It should be noted that from mid to late June 2023, OST held discussions with Company C, confirmed that the delay in the provision of services to revamp the web site was due to OST's

circumstances, and then commenced new discussions and handling to revamp the web site, and such services are still entrusted to Company C as of this time.

Given that Company C has a certain amount of experience in revamping web sites, and that an evaluation was made as a result of OST comparing and considering other companies in the same industry, it can be found that such services are necessary in OST's operations. Further, given that service providers need to secure personnel necessary for the work, prepayment of half of the fees is not found to be unreasonable.

The revamping of the mid-career recruiting web site entrusted to Company C has yet to be completed, and it appears that Company C has not yet provided its services, but it can be found that the reason for this is delays on the part of OST.

It light of the foregoing, it cannot be found that the transaction between OS and Company C had no substance on the basis of the delay in the performance of the services, or that the amount of the fees was unreasonable.

6 Transactions with Company J

OST executed a master job placement service agreement dated January 12, 2022 with Company J, a business operator that provides paid job-placement services, and has been continuing to receive job placement services from Company J.

Such transactions are carried out in the form of a prepaid ticket method[6], whereby OST purchases ███ yen worth of tickets from Company J for job placement by Company J. Tickets purchased from Company J were all expended by around May 2023.

However, on July 28, 2023, to confirm the balance of the prepaid tickets, a manager of OST's accounting department found in the property information in the balance certificate file obtained from Company J for the end of June deadline, the name of an OST employee.

After discovering a number of deficiencies in materials that set forth the names, work start dates, placement fees and other information concerning employees who were placed by Company J, such employee became uneasy about Company J's system for managing prepaid tickets, and felt that it would be better if he created a chart of placement records to become a basis of the balance certificate, provided the chart to Company J, obtained Company J's confirmation, and submitted it to OST. For that reason, such employee sent to Company J's manager a placement records chart such employee prepared, and asked the manager to confirm the chart and, if there were no problems, to prepare a

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[6] Under a prepaid ticket method, tickets are purchased from the service provider (job placement company) in advance by a lump sum prepayment, and if there is any hiring though such service provider, tickets that correspond to the number of persons hired are expended.

balance certificate based on the chart, and submit the certificate to OST; Company J's manager then prepared in Company J's name a balance certificate with the same content as the chart, and submitted the certificate to OST.

Tickets were expended based on hiring that was made from jobs that were actually placed by Company J. The unit price of a ticket was approximately [redacted] yen per person, which was about the same amount as other ticket transactions, and thus no abnormalities were seen.

However, for the entrustor side to prepare the substantial content of a balance certificate that should be prepared by the service provider creates the likelihood Company B balance certificate that is factually incorrect, and such conduct can hardly be called proper.

It should be noted that the Investigation found that Company L, where Mr. A serves as a representative director, executed an advisory agreement with Company J in September 2022. However, the master job placement agreement between OST and Company J was executed in January 2022, when Mr. A, as OST's representative, commenced transactions with Company J, and such transactions continued even after Mr. A's resignation, and the nature of transactions with Company J did not change after Mr. A's resignation.

7 Transactions with Company K

OST entrusted Company K with support services for hiring students scheduled to graduate in 2022 and 2023.

In parallel with the above support services for hiring students scheduled in graduate in 2023, OST, in September 2022, in order to form a preliminary candidate group, entrusted Company K with services to post employment information for several OST subsidiaries on [redacted] web media for fees totaling approximately [redacted] yen.

Further, in the same way, in April 2023, in order to form a preliminary candidate group of students scheduled to graduate in 2024, OST entrusted Company K with services to post employment information for several OST subsidiaries on [redacted] web media for fees totaling [redacted] yen ("**Job Placement Services for 2024 Graduates**").

In June 2023, before the commencement of the Investigation, the new graduate hiring advertising page for the above subsidiaries on [redacted] web media stated "Currently, applications are no longer being accepted"; thus, a question arose as to whether job placement services for 2024 graduates were actually conducted.

The reason the above advertising page had such a display was that Mr. AI, who succeeded Mr. V after he resigned from OST in July 2023, thought that there was a danger that the Job Placement Services for 2024 Graduates had been carried out without the permission of the subsidiaries, and

instructed Company K to stop posting employment information for hiring of new graduates on web media (it is also found that for similar services for 2023, recruitment information was posted on web media).

However, it was found that before posting employment information for placing new graduates on web media, Company K had been obtaining prior confirmation from managers of OST or its subsidiaries on the drafts of employment information. Further, it was also found that Company K had referred for placement a number of students scheduled to graduate in 2023 and in 2024.

As set forth above, employment information regarding the Subsidiaries were posted on web media, and Company K provided its services. Moreover, its fees were not found to be significantly higher than the fees of other service providers.

However, it has been found that on September 1, 2022, immediately before OST entrusted Company K with the above services to post new employment information for students scheduled to graduate in 2023, Company L, where Mr. A serves as a representative director, executed an advisory agreement with Company J group companies including Company K, and that Mr. V was aware of such fact.

In the same way as in section 3 above, the fact that Mr. V, knowing of the relationship between Company K and Mr. A, entrusted services to Company K; and without sufficiently considering whether it was truly necessary to also post information on subsidiaries on web media, and even if such information were to be posted, or without sufficiently considering the necessity or reasonableness of making Company K to one to ask to do so, lightly commenced the transactions; this conduct can only be called improper. It should be noted that Mr. V felt that Mr. A having a relationship with Company K was also a positive factor.

In addition, separately from the above points, the Investigation found that Company K did not have a permit to engage in the business of providing paid job-placement services. The fact that Company K does not have a permit for paid job-placement services will not go so far as immediately resulting in the validity of the contract being denied under private law, but OST should have verified permits in advance, before commencing job placement transactions with Company K.

8 Transactions with Company I

As part of its recurrences prevention measures after receiving the results of the Previous Investigation, OS terminated all contracts with transaction counterparties that were involved in improper accounting practice. Company Z, a company that OST had transacted with, was one of the companies that was so designated, and as a result, OST could no longer continue transactions with said company around February 2022.

Around February 2022, when Mr. V informed Mr. AM, who was in charge of transactions with OST at Company Z, that OST could no longer continue transactions, Mr. AM proposed transferring to

Company I in order to continue transactions with OST. Mr. V, without consulting the Management Department, felt that if Mr. AM worked for Company I, transactions would be possible. At that time, Mr. AI, who was the Expert Hiring Department Manager in charge of mid-career recruiting in the Employment Strategy Division, and Mr. AH, who was Deputy Head of the Employment Strategy Division, knew that transactions with Company I were equivalent to transactions with Company Z, but understood that the problem of the earlier improper accounting practice was not spearheaded by Company Z, and that instead, Company Z became involved in the problem because of OST, and thought that continuing transactions with Company I would not be problematic.

Consequently, OST executed an advertising posting agreement with Company I on February 25, 2022[7].

Company I's Mr. AM made weekly reports to OST on the number of times recruiting advertisement sites on ███ and ███ for design development engineer jobs, IT jobs, and other jobs were viewed, and on entry records by new graduates, mid-career employees, and other candidates; thus, it has been found that Company I provided its services.

Moreover, Company I's FY2022 job placement results were ███ employees.

However, transactions with Company I were contrary to OST's purpose in formulating recurrence prevention measures for the improper accounting that had occurred earlier. That Messrs. Mr. V and Mr. AI contemplated continuing to receive services that were identical to the services provided by Company Z from Mr. AM, who was a core person in charge at Company Z, and commenced transactions with Company I to where Mr. AM transferred, constituted conduct equivalent to circumventing these recurrence prevention measures. As the reason for this, a number of related persons have stated that "Because Company Z did not directly spearhead the improper accounting, but instead, became involved in the matter because of OST (that is, OST caused trouble for Company Z), we did not think that engaging in transactions would lead to improper accounting"; therefore, it appears that the purpose of OST's recurrence prevention measures, in response to the results of the Previous Investigation, that decided to terminate all contracts with transaction counterparties that were involved with improper accounting was not adequately disseminated.

It should be noted that during the Investigation, it was confirmed that Mr. or Company L executed an advisory agreement with Company I around August 2022. However, given that the agreement between OST and Company I was executed in February 2022, before the execution of the advisory agreement, and that as discussed below, Company I was a replacement for Company Z, it cannot be found that the advisory agreement by Mr. A or Company L with Company I had any impact on the

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7 Subsequently, transactions with Company I were conducted not only by the Hiring Strategy Department, and services were being entrusted to Company I by several OST departments as of the reference date.

decision to commence transactions with Company I.

It should be noted that during the Investigation, it was learned that Mr. V not only continued transactions with Company Z, but also with Company U, with which transactions were discontinued in February 2022, by entrusting services to Company AA, which then subcontracted services to Company U. Although it has been confirmed that Company U actually performed services, and there is no fact indicating a suspicion of inflated transaction amounts, as with Company I, such transactions were contrary to the purpose of the recurrence prevention measures.

9 Other transactions

In addition to the transactions of sections 3 through 8 above, this Investigation analyzed the state of expenditure of OST's recruiting costs and outsourcing processing costs from February 2022, and whether there were any significant increases in transaction amounts or any transactions for which unit prices were much higher than for other companies. The analyses did not find any transactions where services were not provided or where the billed amounts were inflated.

10 Irregularities etc. in OST's internal procedures

With respect to any suspicion of misconduct relating to recruiting costs, we did not find any transactions where services were not provided or where the billed amounts were inflated. That said, we did find a number of transactions where the content of the services that were actually entrusted did not match the content of the *ringi* document, and transactions where the person in charge at OST did not fully understand the background of the transactions, and the *ringi* procedures have been hollowed out.

(1) OST's persons in charge

Many of the transactions were spearheaded by Mr. V, who had his subordinates prepare and submit the *ringi* proposals. The staff members who were in charge of preparing and submitting *ringi* proposals have stated that because the transactions were brought in by Mr. V, they prepared and submitted the *ringi* proposals as instructed by Mr. V, and that they did not examine the details.

Ordinarily, as Head of the Employment Strategy Division, Mr. V would examine the content of *ringi* proposals prepared and proposed by his subordinates, and there were times when he would instruct a subordinate to rewrite the *ringi* proposal, and then the subordinate in charge of preparing and submitting the *ringi* proposal would do so after studying the details of the transaction, but in the case of transactions brought in by Mr. V, if a *ringi* document was prepared as instructed by Mr. V, it would

be authorized as a matter of course.

(2) Mr. V

As the Head of the Employment Strategy Division, Mr. V was in a position to authorize the transactions discussed in sections 3 through 8 above, and spearheaded and commenced most of those transactions. Mr. V stated that he considered the necessity of each of the transactions before making a determination, but some of the transaction counterparties executed advisory agreements with companies where Mr. A served as a representative director, or otherwise had a deep relationship with Mr. A. Mr. V has stated that because these companies had executed advisory agreements or otherwise had a deep relationship with Mr. A, they would receive Mr. A's support, and could be expected to perform the services sought by OST properly; thus, it cannot be denied that the fact that such transaction counterparties had executed advisory agreements or otherwise had a deep relationship with Mr. A may have had an impact on the decision to hire them.

After receiving the results of the Previous Investigation. OS carried out strict disciplinary actions against those involved in accordance with their responsibilities, and Mr. A resigned in February 2022; under these circumstances, Mr. V, who had the authority as the Head of the Employment Strategy Division to authorize transactions, lightly had OST commence transactions with such companies, knowing of the deep relationships between such companies and Mr. A and without considering the necessity of having such companies as the counterparties or the reasonableness of the transaction amount. This conduct can only be called improper.

With respect to deficiencies such as the content of *ringi* documents not matching the details of services provided by service providers etc., Mr. V stated that not enough attention was paid to the content of *ringi* documents, and it can only be said that he also failed to fulfill his role as the authorize.

(3) Mr. C

As OST's President and CEO and Representative Director, Mr. C affixes seals of approval on *ringi* documents. The Investigation did not find that Mr. C was involved in the consideration or implementation of the transactions of sections 3 through 8 above, and did not find that Mr. C was aware that the descriptions of the *ringi* documents and the content of the services of the above transactions differed.

Mr. C stated that he authorized the transactions assuming that the relevant persons at the Employment Strategy Division had examined the details, and that he was not aware of the advisory agreements between the service providers and Mr. A, or of the course of events that led to the commencement of the transactions, and the Investigation did not find any evidence to the contrary.

However, the persons in charge at the Employment Strategy Division have stated that it was their understanding that not only in the cases discussed above, but also in other cases, if Mr. V, the Head of Division, authorized a transaction, it would not be rejected in the subsequent *ringi* procedures, and it appears that such persons in charge believed that Mr. C's authorization was "merely a formality."

Part 4: Facts Learned through the Investigation: Other

1 Entertainment expenses

As a result of the investigation of entertainment expenses after February 2022, no circumstances were found that would deny the existence of expenditures. However, rather than entertainment expenses of ███ yen or greater, which require the decision of the president, it was found that there were many cases where the expenditures were treated as welfare expenses, which can be expended up to ███ yen per person with the decision of the Head of Division. All large amount of entertainment expenses were expended as welfare expenses with the decision of the division manager, and thus, there was suspicions that with the manipulation of the expenditure items, the internal decision-making procedures were not functioning.

2 Business trip expenses the purpose of which was unclear

As explained in Part 3-2 above, in July 2022, all the consulting agreements between the companies for which Mr. A served as representative director and OST had expired, but the Investigation found the fact that subsequently, Mr. B, Mr. A and several others from the CEO Office of OS made business trips within Japan and abroad.

Mr. B explained that the purpose of such business trips was to be introduced to M&A candidates from Mr. A, but in reality, such trips did not result in any transactions. Rather, the other employees who joined the business trips stated that basically, no business was discussed, and the purpose of the trips was for pleasure purposes such as dining and sightseeing. If business trip expenses were used for such personal trips, the expenditure thereof can only be called improper.

Part 5: Cause Analysis

1 Case (i) (Suspicion of fraudulent receipt of the employment adjustment subsidy)

(1) Lack of compliance awareness

This Investigation found circumstances not only at OST but at multiple subsidiaries of OS and OST that are highly likely to fall under fraudulent receipt of the employment adjustment subsidies. No fact has been found of someone giving a uniform instruction to these companies to fraudulently receive the employment adjustment subsidies, and there were various manners in which these companies' problems of application for the employment adjustment subsidy took place.

It was found that the companies had the underlying idea that, "If the Labour Bureau makes an issue of it, it will be sufficient to correct the practice to that extent". This can only mean that the companies thought there was no problem as long as the practice did not become an issue (as long as it remained concealed), and the fact that the persons in charge of the employment adjustment subsidy application work at these companies had this thought in common can only lead to the conclusion that a lack of compliance awareness was not a problem among some employees, but an organizational problem shared among OS Group companies.

(2) No check function

In the case of the fabrication of training reports by OST, the Corporate Management Division, which in a corporate is expected to perform the check function, was engaged in the misconduct. It is important for corporations, while under constant pressure to achieve the target profit, to ensure appropriate business practices, and the OST Corporate Management Division, as a managerial department, should have exercised the check function when it is necessary from the viewpoint of compliance with law. However, in this case, not only did the Corporate Management Division not exercise the check function, it actually led the misconduct.

Several subsidiaries of OST also made inappropriate employment adjustment subsidy applications; in light of the fact that officials at the OST Corporate Management Division and other related persons gave consideration to whether it would be possible to manipulate the furlough volume requirements with respect to subsidiaries, too, from the perspective of management of subsidiaries, the Corporate Management Division took action contrary to its essential check function.

(3) Corporate culture leading to absence of check functions

Mr. E from the OST Corporate Management Division, who joined OST from another company in March 2020, stated in his interview with the Committee that at an Executive Committee Meeting held soon after he joined the company, he realized that OST was a top-down organization in which businesses were operated in accordance with Mr. A's intentions. He also stated that under pressure to achieve the employment adjustment subsidy amount recorded in the statement of accounts, he got involved in the fraudulent receipt.

It can hardly be called sound that at OST, which as OS's major subsidiary, was aiming to be a listed company, participants at the Executive Committee Meeting, where free and unbiased discussions should be taking place, were hesitant to express their own opinions.

The fact that Mr. E, the Head of the Corporate Management Division, felt that OST was an organization where business was executed in accordance with Mr. A's intentions clearly shows that OST and OS Group lacked the culture that a listing company should have, that is, a culture where the check function is respected and listened to.

(4) Pressure to earn profits

Fraudulent employment adjustment subsidy applications took place primarily from May through August 2020, and the "fixation on constant growth" pointed out in the results of the Previous Investigation report is also believed to have helped lead to the fraudulent receipt of the employment adjustment subsidy.

OS Group, whose primary business is the outsourcing business, was facing a serious problem. If the COVID-19 pandemic expanded, and dispatch destinations made a decision of furloughing, this would mean not only the loss of the opportunity to earn the current-term sales through the dispatch of temporary workers, but if in conjunction with this it was no longer able to maintain the employment of the temporary workers, there was the danger of losing the opportunity to earn the future sales when the dispatching business resumed after the end of the COVID-19 pandemic.

It was learned that under such circumstances, the officers and employees in charge of application for the employment adjustment subsidy more strongly felt pressure to secure profits from the subsidy and maintain the employment of temporary workers.

(5) Target without regard for the state of the job site

As explained in Part 2-1 above, in May and June 2020, without understanding the actual state of the workload for employees working in the office, Mr. O, the Head of the Manufacturing & Service

Business Division of OS, instructed the employees across the board to go on furlough, and did not give thought to the state of operations in the field prior to application for the employment adjustment subsidy.

2 Case (ii) (Suspicions relating to recruiting costs)

In the course of the investigation on recruiting costs, it was found that the recurrence prevention measures established by OS Group in response to the results of the Previous Investigation had been hollowed out.

(1) Mr. A's involvement in OST's business operation

As explained in Part 3-2 above, in response to the results of the Previous Investigation, Mr. A and Mr. O resigned on January 17, 2022, and OS made a public announcement that this was a "clarification of the responsibilities of related persons", but in reality, OS and OST had executed service agreements and consulting agreements with Mr. A, Mr. O, or two companies for which Mr. A or Mr. O served as representative director, and thus, even after Mr. A resigned as OST's representative director, Mr. A continued to have influence on OST's business operation. This should be said to have reduced the recurrence prevention measures to a mere shell. This can also be seen in the fact that even after the consulting agreement expired, Mr. V did not feel in the least bit uncomfortable about entrusting work to transaction partners who had deep relationships with Mr. A through advisory agreements etc.

Thus, the major reason that, even after Mr. A resigned as OST's representative director as part of the clarification of responsibilities, he continued to be involved in OST's business operation is nothing other than the fact that Mr. B wanted Mr. A to be involved in OST's business operations, often expressed such wish at meetings where OS directors and executive officers participated, and actually took measures to realize such involvement. It can only be concluded that Mr. B himself, as the leader of OS Group, hollowed out the recurrence prevention measures, and it must be said that he bears a heavy responsibility for this.

(2) Disregard for the board of directors

As explained in Part 3-2 above, after OS made a public announcement that Mr. A and Mr. O resigned as part of the "clarification of the responsibilities of related persons", OS executed service agreements and consulting agreements with Mr. A, Mr. O, or the two companies for which Mr. A or Mr. O, both of whom took responsibility by resigning, serve as representative director, but this fact was not indicated in the improvement report submitted to the TSE on March 8, 2022. At that point in time, the fact of execution of the agreements had been reported to the accounting auditor, but the contract

amounts or any other specific details were not explained, and the fact of execution of the agreements was not reported to the board of directors.

Regarding the execution of the advisory agreements between OS and Company L or Company M, which started in May 2023, at OS, because of the contract amount standards, these advisory agreements were considered not to be matters for a board of directors resolution, but to matters subject to *ringi* approval. Without advance consultation with its outside directors or the accounting auditor, OS preemptively undertook the internal *ringi* procedures. Only after the *ringi* procedures were completed did OS consult with the outside directors and accounting auditor, and, facing opposition from them, eventually gave up executing these agreements.

In response to the Previous Investigation, OS touted the enhanced supervisory function of the board of directors as part of its recurrence prevention measures, but under circumstances where the important matter of execution of agreements with Mr. A, Mr. O, or the two companies for which Mr. A or Mr. O serve as representative director was not reported to or discussed at the board of directors prior to their execution, it is not possible to enhance the supervisory function, and in view of the fact that such matter was not reported to or discussed at the board of directors, it can only be concluded that it remains questionable that Mr. B was serious about enhancing supervision by the board of directors.

(3) Weak management departments

Mr. B's strong intentions operated behind the execution of service agreements and consulting agreements with Mr. A, Mr. O, or the two companies for which Mr. A or Mr. O serve as representative director, and no evidence can be found of the OS Corporate Management Division, which was in charge of the matters for referral to the board of directors and submission of the improvement report to the TSE, suggesting to Mr. B that he first consult with the board of directors or the TSE.

If the Corporate Management Division, which is expected to perform the check function from the viewpoint of compliance with law and management framework for a listed company, does whatever Mr. B wants, then it is needless to say that it is not possible for the management framework touted under the recurrence prevention measures to be strengthened.

(4) The hollowing out of the *ringi* procedures

As explained in Part 3-10 above, in connection with the suspicion of recruitment expense-related misconduct, multiple transactions were found where there was no linkage between the descriptions in the *ringi* document and the actual contracted services are inconsistent. In those transactions, Mr. V's subordinate employees issued *ringi* documents as Mr. V instructed, and did not pay attention to consistency between the description in the *ringi* document and the actual transaction content, and the

only conclusion is that the *ringi* procedures were a mere shell.

Under the recurrence prevention measures reflecting the Previous Investigation, the accounting department is to confirm that *ringi* decisions are properly made and that prices are fair, but the accounting department merely confirmed whether the *ringi* decision-makers had given their confirmation, and did not have any means to check the appropriateness of the contract amounts.

(5) The hollowing out of the transaction counterparty review

As explained in Part 3-8 above, it was widely understood within the Employment Strategy Division of OST that the transaction with Company I and the transaction with Company Z were substantially the same, but no one even attempted to consult the Management Department etc. prior to the transaction with Company I. Rather, it was recognized that the Employment Strategy Division wished to continue doing business with Mr. AM, its contact at Company Z, who had a long-term business relationship with OST.

Given that previously there had been previous inappropriate accounting practice, regardless of who led the misconduct, OS should have attempted to prevent new cases of inappropriate accounting practice in accordance with the rule that "in principle, agreements with transaction counterparties who were the hotbeds of misconduct involved in this case are terminated", but given that the transaction with Company I was widely accepted at OST, it can only be concluded that the spirit of such principle had not sufficiently sunk in among OST's officers and employees.

(6) Impact on recruitment work of Mr. A's continued involvement in OST's business operations

As explained in Part 3 above, after the consulting agreement between OST and Company L was terminated in July 2022, from August through September 2022, Mr. A executed advisory agreements with multiple transaction counterparties of OST, many of which were subjects of the investigation relating to suspicions regarding recruiting costs. Additionally, like Company A, transaction counterparties having a certain relationship with Mr. A were also subjects of the investigation.

Investigation results did not confirm in regards to transactions with those transaction counterparties, that no services were actually provided or that invoice amounts were inflated.

Mr. V, the Employment Strategy Division Manager, stated in the interview with the Committee that he was aware that the companies for which Mr. A served as representative director executed advisory agreements or had other kind of deep relationship with those transaction counterparties, but he expected that because of such relationship, those transaction counterparties would properly execute the services required by OST with support from Mr. A. Thus, the possibility cannot be denied that

influence was applied on the decision to use those transaction counterparties[8].

It is not problematic that the companies for which Mr. A served as representative director executed advisory agreements and built business relationships with those transaction counterparties. The problem is that in response to the results of the Previous Investigation, Mr. V with OST, who had been requested to make a break with Mr. A, knew that the companies for which Mr. A served as representative director executed advisory agreements, or had other form of deep relationship, with those transaction counterparties, but even so, decided to do business with them. This indicates that Mr. A continued to have influence on OST's selection of transaction counterparties, and must be called an inappropriate decision.

Regarding two of these transaction counterparties, Company A and Company B, their final recruitment results were quite limited, and far below the expected results. The service entrusted to those transaction counterparties was not recruitment but recruitment support, and while it cannot be denied, regarding the recruitment results, that there were certain circumstances affecting this, such as recruiting trends among other companies (recently, it has been called a seller's market favorable to workers) and OST's own manpower issues relating to employment interviews, but at the same time, it cannot be denied that it is hard to say that Mr. V sufficiently considered whether the expected recruitment results could be achieved by hiring Company A and Company B.

It cannot be denied that behind the fact Mr. V selected those transaction counterparties without full consideration or preparation in a top-down manner, is the possibility of influence from the fact that Mr. A had deep relationships with those transaction counterparties.

Part 6: Recurrence Prevention Measures

1 Dedication to serious efforts for recurrence prevention measures

The Committee considers the recurrence prevention measures established by OS in response to the results of the Previous Investigation to be beneficial, and the execution of such measures will help prevent the recurrence of cases like Case (i) and Case (ii). In that regard, there is almost new nothing that the Committee can suggest. The problem is the fact that the recurrence prevention measures established by OST in response to the results of the Previous Investigation were not thoroughly implemented.

As became clear in the course of investigation on suspicions relating to recruiting costs, it cannot be denied that the speech and behavior of Mr. B as leader of OS Group caused the recurrence

[8] However, the transaction with Company J in Part 3-6 above is a transaction which began while Mr. A was with OST, and the transaction with Company I in Part 3-8 above is a transaction which began around February 2022, and thus there is no possibility that the fact that the company where Mr. A serves as representative director executed advisory agreements with Company I had an impact on the decision to hire those transaction counterparties.

prevention measures to hollow out. It is also true that the internal control system of OS Group was not functioning in an effective manner with respect to Mr. B's intentions.

Given the above, it should be said that the Mr. B and the rest of OS Group management should have understood the cause and background of the previous inappropriate accounting practice, and also chewed over and understood what they are required to do as members of management of a listed company.

2 Thorough understanding and penetration of recurrence prevention measures

As explained in Part 5-2(5) above, OS should have prevented new cases of inappropriate accounting practice in accordance with the rule that "in principle, agreements with transaction counterparties who were the hotbeds of misconduct involved in this case are terminated", but the spirit of such principle did not sufficiently permeate the OST culture.

It is important to establish new rules etc. as part of recurrence prevention measures, but it is necessary to provide opportunities to explain and teach why those rules were provided, and ensure that officers and employees understand the recurrence prevention measures from the standpoint of their purpose and necessity.

3 Effective check functions in *ringi* procedures etc.

As explained in Part 5-2(4) above, regarding Case (ii), in the *ringi* procedures, Mr. V, who had approval authority, substantially made all the transactions decisions himself, meaning that the *ringi* procedures had become hollowed out. An internal control system where one person with approval authority like Mr. V can determine whether to implement substantially all transactions can hardly be called appropriate, and if one person with approval authority pursues a transaction, another person needs to be able to judge the fairness of such transaction.

Regarding the confirmation of the *ringi* content by the accounting department, the role required to be played by the accounting department should be specified in view of what the accounting department can actually verify.

Such inadequacy of the check function may also apply, as explained in Part 5-2(3) above, to the Corporate Management Division of OS. It is important to confirm the role that is to be played by the Corporate Management Division.

4 Reemphasis on compliance awareness

As explained in Part 5-1(1) above, in Case (i),

a lack of compliance awareness is found to be a problem common to OS Group companies that became the subject of the Investigation. Additionally, it can only be concluded that in Case (ii), the lack of compliance awareness underlay the fact that the recurrence prevention measures become hollowed out.

Compliance cannot be achieved simply by establishing and pretending to comply with rules. It is important to make all officers and employees of OS Group truly understand what rules have been established for what purpose, and to make sure, once again, that the necessity to act in accordance with such purpose is fully understood and accepted among the officers and employees of OS Group.

END