



November 14, 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 Formulation of Measures to Prevent Recurrence

As OUTSOURCING Inc. (hereinafter, “the Company”) announced in the “Notice Regarding Receipt of the Investigation Report by the External Investigation Committee” on November 1, 2023, the Company took seriously the analysis of the causes written in the report, recommendations for measures to prevent recurrence (“Measures”) and examined the necessity of verifying and correcting the details of the Measures formulated in January last year.

The Company hereby informs that at the board of directors meeting held today, it has made a resolution on new Measures, as described below. This case reflects a lack of compliance awareness among certain members of the Company's management and some levels of the managerial staff. The Company deeply regrets this situation and is committed to enhancing the internal control environment to prevent corporate misconduct. The Company is promptly implementing Measures and is dedicated to restoring trust from all stakeholders. In the future, the Company will promptly implement Measures and work to restore the trust of its stakeholders.

#### Note

#### I. Outline of the Measures to Prevent Recurrence

As the Company announced in “Announcement of Measures to Prevent Recurrence” on January 14, 2022, the Company is revising the main content concerning how to thoroughly implement Measures, while adhering to the Measures previously outlined. In response to recommendations from the external investigation committee, the primary focus of the modification lies in how to rigorously enforce the Measures.

According to the investigation report, it stated, “The Measures formulated in response to the previous investigation results are beneficial in themselves, and executing these Measures formulated after the previous investigation report were not thoroughly implemented.” Over the past two years, the Company has not identified any compliance-related misconduct similar to the issues pointed out previously. However, regarding recruitment expenses, it has been noted that there are challenges in the processes through which the Company and its group established and executed transaction relationships. The Company acknowledges that this suggests that its efforts in this area are still not comprehensive enough. On the other hand, the Measures themselves have been positively evaluated. Recognizing the importance of making the previous Measures function effectively, the Company considers it crucial to build a corporate culture that thoroughly understands the background of the lack of thoroughness and can address it, fostering a culture of learning from past lessons, identifying current challenges, pursuing criteria for decision-making to avoid errors, self-improvement for decision-making, and cultivating and securing talents for the high value-added business and the development of next-generation leaders to respond to changes in the social environment. The Company is committed to cultivating and permeating a new corporate culture. Therefore, to execute Measures effectively, the Company has decided to establish a Governance Committee with external directors as the leaders, including external experts and internal talents. The Governance Committee will discuss the control environment and periodically add and implement Measures as needed. The Company is continuing its efforts to consolidate specific measures for enhancing and improving the effectiveness of the corporate governance structure as part of its management reform.

Furthermore, the Company is continuing efforts to consolidate specific measures for enhancing and making effective its corporate governance structure.

##### 1. Reform of the Corporate Culture

The Company takes this incident very seriously, which occurred across multiple companies within the Group, and deeply regret the fact that there was a problem in the corporate culture. In order to establish standards of conduct for new reforms and advance the flow of reforms, the Company will grasp the current

state of its corporate culture, visualize organizational problems, and accelerate action guidelines and action plans. Furthermore, the Company's executive leadership will personally reaffirm the emphasis on compliance and diligently communicate this declaration throughout the organization in various contexts.

Considering the above, in addition to fostering an open and communicative organizational culture, the Company will place emphasis on creating an atmosphere that encourages open communication. Furthermore, it recognizes the importance of advancing the culture previously established by rigorously promoting knowledge enhancement related to legal compliance. The Company believes that by working towards a culture that values knowledge of legal compliance and creating an environment where issues can be detected early and instances of misconduct can be addressed promptly, it will be better equipped to nip potential problems in the bud. Specifically, it will continue to implement the following initiatives.

- a. Holding town hall meetings with the management at each location  
The Company regularly holds town hall meetings with the management at each location to instill the prioritization of compliance. Additionally, the Company provides a platform for dialogue between the management and employees, increasing opportunities to listen to the voices of those who work on-site (employee feedback) and gather input for improvement.
  - b. Promotion of employee engagement project  
The Company's executive leadership conducts monthly visits to multiple branch locations, engaging in open discussions with all employees to foster a culture of open communication.
  - c. Awareness reform in affiliated companies  
In domestic affiliated companies, the CEO of the Company declared their Measures from June 2022. Progress reports are presented at monthly board of directors meetings for each company, and activities led by those who work on-site are also promoted.
  - d. Regular dissemination of management comments through the Group Newsletter "One Team"  
Quarterly, management messages are regularly communicated through the Group Newsletter "One Team," providing all employees with insights into the Company's management policies, awareness of the business environment, and intentions regarding relationships with customers and society. Starting from April 2022, compliance knowledge improvement articles, including specific violation cases, have been published in each issue of the internal newsletter "Ratoon." The Company aims to raise awareness through enlightenment. Moving forward, the Company plans to conduct surveys to measure penetration and guide its next activities.
  - e. Improvement of communication among employees  
To enhance communication among employees (cross-departmental experiences), the Company implements initiatives such as job exchanges between departments. Through interaction with other departments, employees broaden their perspectives, aim for career advancement within their current departments, and discover careers that suit them. Various opportunities for new job experiences and talent exchange are actively promoted across the Company.
2. Further foster awareness of compliance and thoroughly implement measures to prevent recurrence  
Taking into consideration the above, the Company has conducted compliance training for internal and affiliated company personnel to foster compliance awareness. Moving forward, to ensure thorough implementation across all employees, the Company will focus on enhancing internal regulations, information management, and reducing corporate risks through internal compliance training. Efforts will be directed towards further strengthening the overall structure.
    - a. Thorough understanding and penetration of measures to prevent recurrence  
Taking the recommendations from the external investigation committee seriously, the Company will progress towards the next stage of deploying and communicating Measures. To make the Measures as clear as possible, the establishment of a new project team is under consideration. Leaders will directly explain the essence, necessity, understanding, establishment, and penetration of Measures to employees, exploring additional Measures in the process.
    - b. Compliance promotion system, etc.  
Led by the Management Control Division, the Company will not only educate the importance of compliance through compliance training but will also analyze compliance risks specific to each business division. This includes concrete measures, including the consideration of criteria for determining emergencies.

- c. Compliance education  
Continuing compliance training for officers and management, the Company aims for further improvement in awareness and knowledge. By revisiting the basic concepts of compliance, participants learn about concepts related to compliance such as CSR (Corporate Social Responsibility), corporate governance, internal control, risk management, and acquire the necessary skills. This will be expanded to include all employees.
  - d. Identification of key compliance items and consideration of a management book  
Plans will be developed to identify key compliance items and set monitoring items to manage them effectively.
  - e. Implementation of monitoring by the finance department:  
The Finance Department conducts monitoring to improve compliance awareness in practical work. Domestic affiliated companies have already undergone inspections, and from November 2023, inspections will commence for overseas affiliated companies.
  - f. Utilization of compliance awareness surveys  
Through these activities, compliance awareness surveys indicate an improvement in employees' awareness of compliance compared to the previous year. Ongoing efforts aim to achieve further improvement.
3. Management System Enhancement  
To strengthen the management structure, the Company is enhancing its efforts in formulating management strategies, budgets, and action plans. Additionally, it is focusing on human resources, conducting employee training at different levels, and providing support for the development of HR systems. The Company is committed to improvement with a multifaceted perspective to ensure the company's sustainability and growth. Specifically, plans have been developed for recruitment, including the hiring of capable managers and highly skilled professionals. Efforts are also directed towards enriching employee education, including training at various hierarchical levels and the construction of personnel systems. Moving forward, the Company will proceed with activities such as evaluating the effectiveness of recruitment plans and measures to prevent employee turnover.
  4. Restructuring of Corporate Governance and Organizational Systems  
In response to the occurrence of this incident, the Company will reassess the authority of the sales department and subsidiary groups, aiming to achieve a redefined authority distribution that allows for effective checks and balances within the administrative department. Additionally, through the integrated operation of the administrative and business departments, the Company will reconstruct and strengthen internal controls to enhance the quality of management.
    - a. Strengthening the supervisory function by the board of directors
      - Revision of the Corporate Governance Report and Corporate Governance Guidelines will be conducted by the Company.
      - To enhance corporate governance and expedite management, the Company has delegated some authority of the board of directors to the management meeting. Furthermore, transitions such as the establishment of nomination committees in transitioned companies have been underway. External directors monitor whether resolutions are made in accordance with the authorization regulations and monitor the thorough implementation of Measures and the improvement of management quality.
      - The Company has revised the criteria for selecting directors and executive officers based on suitability, capability, and qualifications. Going forward, the Company will rigorously apply these criteria to appoint appropriate officers.
    - b. Effective check and balance strengthening in approval procedures  
By clarifying the authority and responsibility to comprehensively confirm the appropriateness of substantial transactions in the confirmation of approval content, the Company will tighten approval procedures, facilitate smooth information sharing, and enhance mutual supervision.
    - c. Strengthening the audit function by the audit committee  
The Company will continue the audit structure that includes the internal audit department's attendance or participation in internal audits and collaboration with external auditors and the internal audit department.
    - d. Conducting internal seminars for understanding the management structure  
The Company will continue efforts to build the framework of the group management structure,

strengthen coordination through regular meetings of the Group Management Department Liaison Committee, and promote ongoing initiatives such as internal regulations basic online seminars and e-learning delivery based on fundamentals.

5. Strengthening the Internal-Control Division

b. Expansion of human resources in the management department and securing high-quality talent

The Company is strengthening Group governance, enhancing the functions and personnel of the entire management department, not just the accounting department, and conducting education, including compliance, to improve quality. The Company is also planning to hire managerial and highly specialized talents and collaborate with expert professionals, while assessing the effectiveness of outplacement utilization. The Company is advancing personnel development aligned with the training plan and implementing compliance education plans for accounting department employees.

c. Enhancement of global governance

The Company will promote activities to prevent management misconduct through the revised Management Control Review (MCR), the Company's group's internal control scheme, which underwent changes in management items and evaluation schemes.

d. Reinforcement of internal audit system

The Company is working on strengthening the compliance awareness and financial/accounting knowledge of the internal audit department. Efforts are being made to secure such talents and enhance the internal audit system. Specific measures include:

- Reviewing the risk approach to formulate audit plans focusing on accounting and finance areas.
- Providing compliance, financial, and accounting training for the internal audit department
- Hiring personnel for both the Company and OUTSOURCING TECHNOLOGY Inc. (OST).

6. Review of internal reporting system

The Company has revised its internal reporting system domestically, introducing external routes through lawyers and the audit committee. By allowing reporters to choose based on the nature of the content, the Company aims to encourage employees to report even minor irregularities, establishing a system where employees can report without hesitation. Posters promoting system utilization have been displayed not only at the headquarters but also at all branches for employee awareness. Additionally, to enhance the prevention or early detection of illegal acts within the company, the Company is preparing to establish a new contact point for legal inquiries. Overseas, a common mechanism is being introduced, with reported content shared with both the relevant company's contact point and the headquarters legal department.

7. Review of internal rules and accounting systems

The Company is revising rules as needed for the operation of the OST core system and analytical tools, striving for systemization that minimizes arbitrary interventions by individuals. Already at the headquarters, cash settlement processing has been abolished, and a preventive measure against fraud through systemization has been introduced. The Company plans to expand this approach to domestic affiliated companies.

8. Development of feasible business plans and budgets

The Company is establishing business plan guidelines and aims to create effective business plans and well-budgeted forecasts while complying with relevant laws. It is working on constructing a new organizational structure to respond to unexpected events during budget formulation. Moving forward, the Company will scrutinize departmental and branch contents more thoroughly during budget formulation, striving for the creation of feasible budgets.

9. Restriction of business partners

The Company will generally terminate contracts with business partners that could be breeding grounds for fraud, including transactions through other subsidiaries. Moreover, it will not engage in any future transactions with companies involving individuals who resigned due to their involvement in the previous inappropriate accounting case.

[Translation]

## II. Disciplinary Action against the Persons Involved

### 1. Disciplinary action against OUTSOURCING Inc.'s executive officers

Representative Executive Officer, Chairman and CEO: 60% reduction in basic remuneration  
(for three months)

Executive Vice President: 20% reduction in basic remuneration (for three months)

Senior Managing Executive Officer: demoted to Executive Officer and 40% reduction in basic  
remuneration (for three months)

(Removed from [Domestic Engineering Outsourcing Business and other business (excluding special  
subsidiary company)]as of November 30, 2023, and appointed as oversee special missions with CEO as of  
December 1, 2023.)

(The current Executive Vice President will oversee the [Domestic Engineering Outsourcing Business and  
other business (excluding special subsidiary company)])

Executive Officer: 10% reduction in basic remuneration (for three months)

### 2. Disciplinary action against the directors of OUTSOURCING TECHNOLOGY Inc., a subsidiary of the company

President and Representative Director: Resignation (November 30, 2023)

Director and Head of Management Division: Resignation

### 3. The above disciplinary action will become effective as of November 14, 2023. However, the President and Representative Director of OUTSOURCING TECHNOLOGY Inc. will resign on November 30, 2023 to allow for the appointment of a successor as the President and Representative Director, and a new structure will take effect on December 1, 2023.

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