

**Indispensable Points in the disclosure
“Notice Regarding the Formulation of
Measures to Prevent Recurrence and
Related Matters” filed on January 14 2022**

January 2022

OUTSOURCING Inc.
Securities Code: 2427/TSE 1st Section

Indispensable Points in the disclosure regarding the prevention measures

We sincerely apologize to our shareholders, investors, business partners, and all other stakeholders for the great concerns and inconvenience that this inappropriate accounting incident has caused.

We have received an investigation report on the incident of inappropriate accounting regarding 17 companies of our Group (hereinafter, the “Incident”). We have taken seriously the causes of the Incident pointed out by the investigation report and the suggested measures for preventing the recurrence of such incident and have been working on the formulation of the specific measures to prevent its recurrence. At the board of directors’ meeting held on January 14, we approved the measures to prevent its recurrence and related matters.

We take this Incident with utmost seriousness and execute measures to prevent its recurrence as soon as possible aiming to restore the trust from our stakeholders.

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Chairman and CEO Doi will explain key issues that we would like to emphasize regarding the "Notice Regarding the Formulation of Measures to Prevent Recurrence and Related Matters," a timely disclosure on January 14, 2022.

1. Revising the internal reporting system

It astonished me when I learnt that a whistle-blower reported the Incident to our auditing firm, but not to our own internal reporting system.

In our current internal reporting system, with consideration of being unbiased, any report should be addressed to an external specialist and subsequently they are followed up by our legal department. The quantity of reports was several dozen annually, and they were mostly related to sexual or power harassment in the workplaces. It was discovered that our employees were unaware that inappropriate accounting practices like the Incident could also be reported under the system. In addition, the investigation report pointed out that some employees are concerned that they might be treated disadvantageously and are reluctant to use the internal reporting system. Even though we have set an external and independent specialist as whistle blower's contact point, it seems many employees felt hesitate to use the system since they have no idea on how their report would be handled in the company.

We will review and re-build our internal reporting system so that anyone, who noticed any problem related to compliance and governance in all division of our business including the group finance department, can report a problem without any hesitation. In the event of any internal reporting, whistle blower will be able to choose whom they will report to between external lawyer, audit committee, auditing firm, and occupational health physicians. To function the internal reporting system, we will stipulate handling rules of internal reporting so that we can take appropriate measures. In addition, we will display an information of a destination of the report at easy to access places such as a notice board and disclose the way such report will be handled and how whistle blower will be protected with the system.

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2. Reform of the corporate culture led by top management

We are truly aware of the significance of the fact that the incident occurred within multiple group companies. We feel full of remorse for the problem in our corporate culture. As a top management, I will lead and take full responsibility not only to implement each measure stipulated in the "Notice Regarding the Formulation of Measures to Prevent Recurrence and Related Matters," but also to change our corporate culture for the better.

3. Raising compliance awareness and thorough implementation of measures to prevent recurrence

We admit that lack of awareness of the importance of compliance and disregarding the importance of accounting rules among our management, senior executives and employees, caused the Incident. As a top management, I will take full responsibility to re-introduce an internal coaching and guidance on compliance so that every person in the group will be mindful of the importance of compliance.

Furthermore, I will regularly have internal communication regarding the compliance with our employees and related parties so that everyone in our group would be aware that compliance is our highest priority. As a company, we will create the awareness and improve our management system, placing the highest priority on preventing such an incident from occurring again.

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4. Regarding business plans and numerical targets

The investigation report pointed out, "the cause of the Incident was the existence of demanding numerical targets set under the management policy which urged continuous growth," and we are taking this comment attentively.

We believe it is vital for us to do our business full heartedly and, with this thought, we can succeed in growth of our business as well as personal development of our employees. We are sure such aspiration is essence not only for a business but also other act in our life. Setting quantitative target, it is our practice to set it based on wholehearted business plan and, importantly, we predominantly value the degree of effort people made but not an achievement of numerical target alone.

In past years, the group have accomplished beyond what we have committed, and I regard the target numbers for whole group was not set in an insensible manner.

Nevertheless, while whole group have been achieving its quantitative targets, a part of group companies or divisions did not achieve what they projected. We would review and establish the way to carefully manage these businesses so that no excessive pressure will induce any misconduct.

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Summary of amendments

The affected amount of these amendments on consolidated financial results for past fiscal years are as follows.

(Unit: Millions of yen, J-GAAP)

	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21	Total
	Accumulated	Accumulated	Accumulated	Accumulated	Accumulated	Accumulated	
Net sales	(167)	(209)	70	(291)	(465)	111	(951)
Cost of sales	22	(224)	312	(11)	(77)	(95)	(72)
Gross profit	(189)	15	(242)	(279)	(389)	205	(879)
SG&A expenses	54	(138)	169	(15)	(496)	(176)	(602)
Operating profit	(243)	153	(410)	(265)	107	381	(277)
Non-operating profit	-	-	-	-	-	9	9
Non-operating expenses	-	(0)	0	170	895	-	1,065
Profit before income taxes	(243)	153	(410)	(435)	(787)	390	(1,334)

- * The cumulative impact of inappropriate accounting recognized before the fiscal year ended December 2018 are reflected collectively in the fiscal year ended December 31, 2019.
- * There is an additional 260-million-yen impact on profit before income taxes for the fiscal year ended December 2015.
- * Since the above amounts are based on J-GAAP (excluding the part that has adopted IFRS) , the amounts differ from the consolidated financial results of the Company which adopts the IFRS accounting.
- * Figures less than one million yen are rounded