

TSE Urgent Notice



Dec. 20, 2023
Listing Department
Tokyo Stock Exchange, Inc.

Public Announcement Measure and Request for Improvement Status Report

TSE has taken the Public Announcement Measure as follows and requested an Improvement Status Report.

* This decision is based on the results of the examination by Japan Exchange Regulation.

1. Company Name OUTSOURCING Inc.
(Code: 2427, Market Segment: Prime Market)
2. Date of Public Announcement Measure Dec. 20, 2023(Wed.)

Reason (Related Clause) Due to disclosed information containing false statements in violation of the listing rules, and public announcement being deemed necessary (Securities Listing Regulations, Rule 508, Paragraph 1, Item (1))
3. Improvement Status Report Submission Deadline Jan. 15, 2024 (Mon.)

Reason (Related Clause) TSE deems it necessary to request the Company to submit an Improvement Status Report with regard to the status of implementation and operation of the improvement measures. (Securities Listing Regulations, Rule 505, Paragraph 2)
4. Details of Reason OUTSOURCING Inc. (the "Company") disclosed an investigation report of an external investigation committee concerning questions mainly about the application procedures for employment adjustment subsidies at the Company and several of its consolidated subsidiaries on Nov. 2, 2023 and disclosed corrections to its past earnings disclosures on Nov. 14, 2023.

These disclosures revealed that the Company and these consolidated subsidiaries improperly applied for employment adjustment subsidies by, among other things, forging documents related to attendance records of education and training courses required for the application for the subsidy payments (hereinafter referred to as the "inappropriate acts").As a result, it was found, for example, that the Company made disclosures that are deemed false in violation of the listing rules in its earnings disclosures for the period from the fiscal year ended Dec. 2020 through to the fiscal

year ended Dec. 2022 and falsely stated negative net income and net income attributable to owners of the parent company as positive for the fiscal year ended Dec. 2020 and the fiscal year ended Dec. 2021.

The following deficiencies were acknowledged to be largely behind the disclosures:

- Under a management policy that strongly demanded growth, its system to prevent inappropriate acts for achieving budget targets was inadequate.
- The entire Company group lacked awareness of compliance, as instanced by such facts as that multiple companies in the group made inappropriate applications for employment adjustment subsidies at the same time.

As shown above, through these inappropriate acts, disclosure was conducted that is deemed false in violation of the listing rules, and TSE deems that this fact requires public announcement. Thus, it has decided to implement a Public Announcement Measure.

In addition, with regard to the disclosure made by the Company about corrections to its past earnings disclosures on Jan. 14, 2022 (the "previous corrections"), the Company submitted to TSE an Improvement Report on Mar. 8, 2022 and an Improvement Status Report on Sep. 22, 2022. The inappropriate acts occurred in the same period of time when the inappropriate accounting processing that caused the previous corrections was conducted, and the inappropriate acts and the inappropriate accounting processing that caused the previous corrections are considered to have occurred in the same context. Therefore, deeming that the Company needs to explain the status of implementation and operation of the improvement measures, TSE has decided to require the Company to submit an Improvement Status Report by Jan. 15, 2024 .

* After submission of the Improvement Status Report, etc. by the Company, they will be made available on the JPX website and through the TDnet database service.

Improvement Report, etc. that are currently available for public inspection can be found on the following page of the JPX website (<https://www.jpx.co.jp/listing/measures/improvement-reports/index.html>) (available only in Japanese).

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