



March 29, 2018

To Whom It May Concern

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**Notice Regarding Submission of “Amendment Report of the Internal Controls Report”**

OUTSOURCING Inc. (hereinafter the “Company”) submitted amended reports for previous fiscal year Annual/Quarterly Securities Reports, and also amended previous fiscal year Summary of Financial Statements as stated in the press release dated February 14, 2018 “Notice Regarding Amendment of Previously Reported Annual/Quarterly Securities Reports and Summary of Financial Statements”.

In accordance with this, based on Article 24-4-5, Paragraph 1 of the Financial Instruments and the Exchange Act, the Company today announces that it submitted an “Amendment Report of the Internal Controls Report” to the Kanto Local Finance Bureau, as follows.

1. Internal Controls Report subject to amendment

Internal Controls Report for the 20<sup>th</sup> Period (January 1, 2016 through December 31, 2016)

2. Amendment details

Within the aforementioned Internal Controls Report, 3 [Matters related to evaluation results] is amended as follows. Note that places amended are shown as underlined.

3. [Matters related to evaluation results]

(before amendment)

As a result of the evaluation of the above, it was determined that internal controls related to financial reporting for the OUTSOURCING Group as of the end of the fiscal year under review are effective.

(after amendment)

Inadequacy of internal controls related to financial reporting as described below resulted in material impact on financial reports, and was determined to fall under a material deficiency in required disclosures. Therefore, it was determined that as of the end of the fiscal year under review, internal controls related to financial reporting for the OUTSOURCING Group were not effective.

## Particulars

In addition to amending previous fiscal year accounts settlement, the Company submitted amended reports for the Annual Securities Report for the fiscal year ended December 31, 2016, and for Quarterly Securities Reports for 1<sup>st</sup> Quarter through 3<sup>rd</sup> Quarter of the fiscal year ended December 31, 2017.

The reason for having to amend accounting treatment in previous fiscal years was due to being informed by the auditor that a certain accounting treatment for M&A in the course of preparing the Company's consolidated financial statements for the fiscal year under review was not in compliance with International Financial Reporting Standards (IFRS), and pursuant to the application of International Accounting Standard IAS 32, Paragraph 23, consolidated financial statements from fiscal year ended December 31, 2016 onward were amended to reflect booking the financial liability stemming from written put options for the portion of non-controlling interest, and subtracting the equivalent amount from equity.

This case was due to insufficient knowledge of International Financial Reporting Standards regarding atypical pro forma items arising in connection with acquisitions, and inadequate review and monitoring system for the relevant pro forma items, resulting in a deficiency of internal controls related to the accounts settlement and financial reporting process, which has a material impact on financial reports, and was determined to fall under a material deficiency in required disclosures.

Regarding the above deficiency in required disclosure of internal controls related to financial reporting, since the items for amendment were only discovered after the end of the fiscal year under review, they could not be corrected by the end of the fiscal year under review. The necessary items for amendment due to material deficiency in required disclosures above were identified through re-examination of atypical pro forma items arising in connection with acquisitions, and are now reflected in all consolidated financial statements.

The Company is keenly aware of the importance of internal controls related to financial reporting, and the Company plans to promote systematic implementation of the firmwide initiative on global governance, as well as taking the following improvement measures to prevent recurrence.

- Acquiring specialized knowledge about International Financial Reporting Standards through in-house and external training, and strengthening the hiring of expert staff who are well-versed in accounting.
- Strengthening the checking function of material points at issue through review of the consolidated accounts settlement and financial reporting process.
- Raising the level of accuracy of accounts settlement processing work overall through review of the accounting manual, accounting-related rules and the accounts settlement package.