

**FAQ  
Regarding Suspicions of Inappropriate  
Accounting and Postponement of  
Announcement of Financial Results for the  
Third Quarter of the Fiscal Year Ending  
December 2021**

November 15, 2021

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

# FAQ

No.	Questions	Responses
1	What specifically is the overstatement of work in process at the beginning of the inappropriate accounting?	enable Inc. is a consolidated subsidiary belonging to the Domestic Engineering Outsourcing Business and conducts engine bench testing and component prototyping for transportation equipment. The overstatement of work in process is that when a part prototype is recorded as revenue, the costs to correspond to the revenue should be transferred from work in process to cost, a portion of which remained in process without being expensed.
2	What is the investigation committee? Who belongs to it?	In order to ensure objectivity and fairness while ensuring expertise, we have invited outside lawyers and certified public accountants who have no interest in us to serve as investigative committee members. The investigation committee consists of two attorneys and one accountant commissioned by our Audit and Supervisory Committee member.
3	What is the relationship between OUTSOURCING TECHNOLOGY, Inc. and enable Inc.?	enable Inc. is one of the subsidiaries of OUTSOURCING TECHNOLOGY, Inc. which is our wholly-owned subsidiary, and an indirectly owned subsidiary from our perspective.
4	Was this inappropriate accounting conducted by each individual employee or the companies?	This is currently under investigation including the background and details. As soon as the investigation results become available, we will make an announcement as necessary.
5	What kind of company is OUTSOURCING TECHNOLOGY, Inc.? What is the business scale?	OUTSOURCING TECHNOLOGY, Inc. is a core group company in the Domestic Engineering Outsourcing Business. This is mainly dispatching and contracting of engineers. In FY12/20, sales was ¥72.9 billion, ordinary income was ¥6.8 billion, and net income was ¥4.5 billion (JGAAP).
6	What kind of company is enable Inc.? What is the business scale?	enable Inc. is responsible for outsourcing the R&D field related to automobiles. In addition to commissioned engine testing, they also develop vehicle modifications and prototype vehicles, manufacture prototypes and jigs, develop test equipment, procure overseas information and parts, and provide professional staffing services. In FY12/20, sales was 3.6 billion and operation profit was 0.2 billion (JGAAP).

\*This document was prepared for the purpose of assisting in understanding the content of the "Notice Regarding Suspicions of Inappropriate Accounting at Our Consolidated Subsidiaries and Postponement of Announcement of Financial Results for the Third Quarter of the Fiscal Year Ending December 2021" announced on November 5, 2021, and the "Notice Regarding Submission of Application for Approval to Extend the Deadline for Filing the Quarterly Securities Report for the Three Months Ended September 30, 2021 " announced on November 15, 2021. Please refer to the press release for details.

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7	Why was inappropriate accounting conducted?	The details are currently under investigation. We should be able to explain regarding the cause after the final investigation results are available.
8	Does the inappropriate accounting mean there was a window dressing settlement?	This is currently under investigation including the background and details. As soon as the investigation results become available, we will make an announcement as necessary.
9	When will the financial results be announced?	We plan to submit the Quarterly Securities Report for the three months ended September 30, 2021 and to announce the financial results for third quarter of the fiscal year ending December 2021 by December 28, 2021, which is the deadline after the extension of the period for submission.
10	When will you find out about the impacted amounts on the financial results? How much do you expect will be the impact on the financial results? Is there a possibility of this impact spreading in the future?	While it will be revealed in the final investigation results, we are assuming an impact of several hundred million yen on the financial results, as described in the press releases. If any event occurs in the future that requires disclosure, we will make an announcement. The impact is the amount estimated by the Company at the time of preparation of the materials. Depending on the results of the investigation, the impacted amount of the inappropriate accounting on our consolidated financial results for the current fiscal year could potentially be larger.
11	Why will the investigation take until December 28? What kind of investigation are you conducting? Why can't you just extend to 30 days?	During the investigation, we are also conducting an investigation of the past year(s) concerning the above-mentioned overstatement, together with suspicions found including the overstatement of work in process and understatement of expenses at other subsidiaries of Domestic Engineering Outsourcing Business. The Investigation Committee expands the scope of investigations to the Company with depth and continues them at this point. Therefore, we have decided to file an application for approval for the extension of the due date for submission since it is difficult to submit Quarterly Securities Report by the deadline stipulated by law.

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12	What kind of situation is the current business condition?	The overview of the human resources services industry is showing signs of recovery due to expansion of the COVID-19 vaccination. On the other hand, we are affected by the temporary suspension of production due to the shortage of semiconductors on a global scale, including the automobile industry.
13	Is there any impact on the medium-term management plan?	At this time, the Company has determined that the impact of this matter on the medium-term management plan will be limited. We will continue to make ceaseless efforts to achieve the goals of the Medium-Term Management Plan.
14	What is the impact on earnings due to the withdrawal of the application for the public listing of OUTSOURCING TECHNOLOGY, Inc.?	If there is an impact on our business performance, we will make an announcement.
15	Are there financing effects on the postponement of the listing of a subsidiary? Do you plan to engage in equity financing?	With regards to the impact on the Company's finances, the Company anticipated a certain amount of funds to be raised through the listing of a subsidiary. Therefore, although it will be necessary to review the funding plan in the future, the Company does not believe that there is a risk of covenant violations. Accordingly, we currently do not intend to engage in equity financing. We will continue to comprehensively consider capital policies.
16	Does the postponement of the listing of a subsidiary postpone have an effect on M&A strategies?	We will not cancel our M&A strategy, but we will make changes to our financial plans in response to this, while considering the impact on our finances.
17	What are your thoughts on future group governance initiatives?	In addition to preventive measures, we will work on group governance more than before to become a company in which investors can invest with peace of mind. Audit items are set for each company based on the Global Governance Policy. We will strengthen this audit. Regarding specific systems, we will consider future countermeasures at the stage when all investigations are complete.

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## Handling of this material

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This material contains forward-looking statements such as earnings estimates and plans made by the Company, which are based upon the best available information as of the date of the presentation of this material. Therefore, the actual results may differ from the plan and the estimate values due to various factors in the future.

Note that the contents of this material are relevant as of the date of this document (or a date specified separately therein) and are subject to change without advance notice.

The amount of the inappropriate accounting is the amount we anticipated at the time of preparation of the materials, and due to the results of the investigation, the impacted amount of the inappropriate accounting on our consolidated financial results for the current fiscal year could potentially be larger.

### **Contact Us**

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