[Translation]

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To Whom It May Concern

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Notice of Material Deficiencies That Should Be Disclosed For Internal Control Over Financial Reporting

As described in the following note, in the internal control report for FY2023 (hereinafter "current fiscal year"). we have stated the internal control over financial reporting was not effective due to material deficiencies that should be disclosed. The internal control report has been submitted today to the Kanto Local Finance Bureau based on article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act.

Note

1. Content of Material Deficiencies That Should Be Disclosed

In the fiscal year ended December 31, 2021, since it was found overstatement of assets, overstatement of revenues and understatement of expenses in the consolidated group including the Company, the Company evaluated internal controls over financial reporting at the timing of December 31, 2021 were not effective, material deficiencies that should be disclosed existed. As for this matter, under our new management structure which includes three newly appointed independent directors, the entire company had worked together to discuss the prevention of recurrence and to take improvement measures. We and our domestic subsidiaries have achieved certain results in reforming the corporate culture, in fostering employee awareness of compliance, and in improving accounting literacy.

In the fiscal year ended December 31 2022, in overseas subsidiaries, there occurred problems such as local managers of overseas subsidiaries executed related-party transactions that resulted in a conflict of interest and concealed the failure of developing software for its internal use, in addition, a defect in the public debt collection system caused errors in journal entries offsetting cash/cash equivalents and trade/other payables was found. As the result, we evaluated the internal controls over financial reporting of the fiscal year ended December 31, 2022 were not effective and material deficiencies that should be disclosed existed. Regarding these matters, we promptly took measures to prevent recurrence including replacement of local managers etc. and through measures such as the completion of regulations and rules for overseas subsidiaries, expanding monitoring function with a focus on accounting and finance, and introducing the global whistle blowing system, we strengthened governance on overseas subsidiaries and rectified above mentioned deficiencies.

However, in June 2023 our consolidated subsidiary Outsourcing Technology Inc.(herein after referred to as the “OST”) received a whistle blowing. We executed the initial investigation and found facts that procedures regarding application of payment for employment adjustment subsidies from the fiscal year ended December 31, 2020 were partially inappropriate, necessary contracts in approval process as for transactions with suppliers regarding recruitment fee from the fiscal year ended December 31, 2022 were not made etc.. Therefore we established the investigation committee by external experts (hereinafter referred to as the “external investigation committee”) and have proceeded to investigate.

We recognize that the fact of applications of employment adjustment subsidies which were highly possible fraudulent receipt which was dignified by the external investigation committee was due to the lack of compliance awareness, the absence of internal checks under pressure to secure profits and organization culture which induced these symptoms etc.. With respect to the suspicion of transactions with recruitment agencies etc., though ones which had no actual provision of service or overbilled were not found, it was found that disrespect for the board meeting and vulnerable administrative departments in the Company and OST, the involvement in business by former representative director of OST who had quitted and losing substance of approval procedures and business partner selection process of OST etc.. We recognize that the deficiencies of company-wide internal control in the fiscal year ended December 31, 2021 of the Company and OST still existed.

In addition, under the auditing process of impairment test mainly on overseas subsidiaries, the recorded amount of goodwill impairment loss of multiple assets group was corrected. This was because it took a lot of time in gathering up information to specify discrepancy factors with respect to the important assumption for estimated future cash flow and the actual etc.. As the results, the deficiencies of internal control over closing and financial reporting process such as insufficient understanding about the guideline of impairment the Company had formulated, and inappropriate allocation of human resources were identified. Since these deficiencies of internal control over closing and financial reporting process regarding good will impairment test had material impact on the financial reporting and we determined that those constitute the material deficiencies that should be disclosed.

These deficiencies that had occurred in the Company and our overseas subsidiaries had material impact on financial reporting. Therefore deficiencies regarding both the internal control over company-wide and the internal control over closing and financial reporting process were evaluated as material deficiencies that should be disclosed.

2. The Reasons for Not Being Able to Correct Until the End of the Current Fiscal Year

Following measures to prevent recurrence which were developed on January 14th 2022, we made a resolution of new measures to prevent recurrence described below at the board meeting held on November 14th, 2023, of which content is mainly rectifying the previous measures to prevent recurrence for further thorough implementation and have executed them. But along with the inability to secure a sufficient period for improvement by the last day of the current fiscal year, some of the facts mentioned above were identified after the last day of the current fiscal year. Thus, the material deficiencies that should be disclosed could not be corrected by the last day of the current fiscal year.

3. Corrective Policy for Material Deficiencies That Should Be Disclosed

We are fully aware of the importance of internal control over financial reporting. We took special notice of advice by the external investigation committee such as measures to prevent recurrence became a mere shell, sincere efforts, thorough understanding and penetration of measures to prevent recurrence, strengthened compliance awareness. As for new measures to prevent recurrence, we established the group governance committee under the leadership of an outside director to verify and implement these measures to prevent recurrence. We aim to fulfill corporate governance structure in order to ensure executing measures to prevent recurrence, to promote its effectiveness and to cultivate and penetrate corporate culture, which result in further thorough implementation of internal control.

Measures to Prevent Recurrence

1.Reform of the Corporate culture

(a.) Holding town hall meetings with the management at each location

(b.) Promotion of employee engagement project

(c.) Awareness reform in affiliated companies

(d.) Regular dissemination of management comments through the Group Newsletter "One Team"

(e.) Improvement of communication among employees

2. Further foster awareness of compliance and thoroughly implement measures to prevent recurrence

(a.) Thorough understanding and penetration of measures to prevent recurrence

(b.) Compliance promotion system, etc.

(c.) Compliance education

(d.) Identification of key compliance items and consideration of a management book

(e.) Implementation of monitoring by the finance department:

(f.) Utilization of compliance awareness surveys

3. Management System Enhancement

4. Restructuring of Corporate Governance and Organizational Systems
   (a.) Strengthening the supervisory function by the board of directors
   (b.) Effective check and balance strengthening in approval procedures
   (c.) Strengthening the audit function by the audit committee
   (d.) Conducting internal seminars for understanding the management structure
5. Strengthening the Internal-Control Division
   (a.) Expansion of human resources in the management department and securing high-quality talent
   (b.) Enhancement of global governance
   (c.) Reinforcement of internal audit system
6. Review of internal reporting system
7. Review of internal rules and accounting systems
8. Development of feasible business plans and budgets
9. Restriction of business partners

4. Impact on Non-consolidated Financial Statements and Consolidated Financial Statements

All necessary corrections for the items resulting from the above-mentioned material deficiencies that should be disclosed have been reflected in the non-consolidated financial statements and the consolidated financial statements.

5. Audit Opinion for Consolidated Financial Statements

Unqualified Opinion