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February 14, 2019

To whom it may concern:

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Notification Regarding Results of the Internal Investigation Committee's Investigations into Inappropriate Accounting

As advised in our "Notification Concerning Inappropriate Accounting" on February 8, 2019, the Company established an internal investigation committee to investigate inappropriate accounting that had taken place in the BPO Business Division of the Service Solution Sector. However, as advised in "Current Status and Future Outlook of Inappropriate Accounting Matter" on February 12, 2019, after receiving the Committee's report of its findings, the Company reported those results to its Audit Firm, but was advised by the Audit Firm that the additional investigations into certain new matters that had been revealed in the course of the committee's investigation were not complete and that the results of those investigations should be reported. For this reason, there was a possibility that the investigation findings would be revised, and, being based on these results, the Audit Firm's conclusion regarding the need for additional investigation and auditing work on the inappropriate accounting matter was not known as of that date.

We hereby give notification that the internal investigation committee's results have been finalized and the Audit Firm's conclusion regarding the need for additional investigation and auditing work on the inappropriate accounting matter is now known. Details of those results and the Audit Firm's conclusion are provided below.

We extend our sincere apologies to our shareholders and all related parties for the significant inconvenience this matter has caused.

1. Results of Investigation by Internal Investigation Committee

   Please refer to the attached Report of Investigations (Summary) for the internal investigation committee's findings. Please be advised that slight adjustments have been made to this report, including the anonymization of names of individuals and companies, summarizing, etc., from the perspective of the protection of personal information and confidential information, with some exceptions.

Also, in the report received from the internal investigation committee, the findings of the main investigation (full discovery of inappropriate transfer of costs in the BPO Business Division of the Service Solution Sector and the investigation and discovery of inappropriate cost recording in other businesses in the same division) and those of the peripheral investigation (investigation and discovery of inappropriate cost recording in the BPO Business Division of the Service Solution Sector prior to the fiscal year ended March 2018 and the investigation and discovery of inappropriate cost recording in other divisions prior to the fiscal year ending March 2019) are combined together, making it difficult to ascertain the respective value of the impact on business performance for the two investigations. For this reason, the Company has provided a summary of the results.

2. Impact on the Company's consolidated financial statements and the submission of the Quarterly Securities Reports for the Nine Months Ended December 31, 2018.

   The Company has decided not to amend the financial results for previous fiscal years and for the first and second quarters of the fiscal year ending March 2019 for reason of this matter of inappropriate accounting, and instead to handle the matter all at once in the third quarter of the fiscal year ending March 2019. As a result, the impacts on the nine months ended December 31, 2018 are expected to be an increase of 83 million yen in net sales, and declines of 12 million yen in both gross profit and operating profit.

   The Quarterly Securities Reports for the Nine Months Ended December 31, 2018 is scheduled to be released on February 14, 2019. The Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 will also be released on the same day.

3. Future Response

   The Company is taking the events that have occurred and the results of the investigation seriously and, based on the measures to prevent a recurrence that have been suggested by the internal investigation committee, it will develop plans for such measures and put them into action.

   We again extend our sincere apologies to our shareholders, investors, and all related parties for the significant inconvenience this matter has caused.

(Attachment) Report of Investigations (Summary)

1. Background to establishment of committee

On December 18, 2018, the Company's Audit Firm, Deloitte Touche Tohmatsu LLC ("Tohmatsu") reported that there was a possibility that, among the projects under the jurisdiction of the BPO Business Division of the Service Solution Sector (the "BPO Business Division"), the costs of unprofitable projects, which were subject to the services rendered method, had been transferred to certain specific projects that were expected to turn a high profit and subject to the percentage-of-completion method[1] for the recording of net sales. Based on this report, the Internal Audit Division conducted an extraordinary internal audit of the BPO Business Division.

This internal audit confirmed that, for certain specific projects, large sums of worker salaries and temporary staff outsourcing expenses were being transferred. In response, the Internal Audit Division, Finance and Accounting Division, and Legal Division played a central role in conducting an investigation of the actual circumstances of the inappropriate cost recording in the BPO Business Division, as well as an additional investigation into whether or not there had been similar inappropriate cost recording in other divisions. On January 10, 2019, the CCO and the General Manager of the Internal Audit Division delivered a report on the results of these investigations to Tohmatsu and the Board of Auditors.

After a careful examination of this report, on January 18, 2019, Tohmatsu advised the Company of the need to conduct further investigations, with more detailed and extensive investigative methods, time period, and frame of reference. On January 19, with the approval of the President, the Company decided to immediately form an internal investigation committee ("the Committee"), chaired by the CCO, and to engage KPMG FAS Co., Ltd. ("KPMG"), who are experts in forensic investigations, to provide external support.

The investigations by the Committee resulted in the discovery of the following facts regarding the inappropriate transferral of costs in the Company.

2. Overview of Inappropriate Transfer of Costs

The following is an overview of the inappropriate transfer of costs that was uncovered by the investigations.

(1) Inappropriate transfer of costs in the BPO Business Division

The BPO Business Division had been transferring the wages of employees and temporary workers engaged in unprofitable and low-profit projects to the costs of high-profit projects.

[1] The Company employs the services-rendered method for recording of net sales as a general rule, but for operations with a contractual requirement for acceptance inspections, it employs the "inspection basis" method. Also, in light of changes to the Company's contract format, since the fiscal year ended March 2016, for projects with large fluctuations in actual personnel work load, despite the monthly remuneration for operations being fixed, it has adopted a third method for recording of net sales, which it calls the "percentage-of-completion method." This is similar to the percentage-of-completion method used in the construction industry, in which net sales is recorded for each month depending on the percentage of progress of the project.

Further, the temporary staff outsourcing costs of unprofitable and low-profit projects were paid and handled as the costs of high-profit projects.

This inappropriate accounting had been performed in multiple departments in the BPO Business Division, between multiple projects within a department with the consent of the corresponding general manager, who was in charge of those projects. It was also being performed across different departments upon consultation between the general managers of those departments.

(2) Background and causes of inappropriate transfer of costs in the BPO Business Division

a. The General Manager of the BPO Business Division (who was also the Managing Officer of the Service Solutions Sector) had given very strict instructions to ensure the Division achieved its budget. Under the Managing Officer's instructions, losses, gross profit of less than 10%, and failure to achieve budget were unacceptable.

b. In the back office business, many tenders for government and municipal offices were for fixed amounts, so when those projects became less profitable or generated a loss due to initially unforeseen cost increases, there was no room for negotiation with the customer. There was a desire, therefore, to keep up appearances and hide the facts from supervisors and internal management divisions.

c. While the general managers of the departments in the BPO Business Division knew that such transfers of costs were against the rules, they were under the mistaken impression that it would not be a major problem, because it would not affect the profit/loss situation of the BPO Business Division (even though, due to the costs being transferred between projects subject to the percentage-of-completion method and projects subject to the services-rendered method, it did affect profit/loss for the period).

d. They believed that, if a project made a loss or its profit was low, it would become difficult to obtain approval within the Company for ongoing projects or participation in new tender projects.

(3) Inappropriate transfers of costs in divisions other than the BPO Business Division

While inappropriate transfers of costs did exist in divisions other than the BPO Business Division, the frequency and value of such cases were insignificant.

(4) Impact amount of inappropriate transfers of costs (gross profit)

(unit: JPY)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Year ending Mar. 2019	+9 million	–191 million	–106 million	—	–288 million
Year ended Mar. 2018	+173 million	+60 million	–88 million	+23 million	+168 million
Year ended Mar. 2017	+46 million	+42 million	–58 million	+78 million	+108 million
Year ended Mar. 2016	–6 million	+6 million	+31 million	–8 million	+23 million
Year ended Mar. 2015	+6 million	–4 million	–31 million	+2 million	–27 million
Year ended Mar. 2014	+2 million	+18 million	+30 million	+26 million	+76 million
Year ended Mar. 2013	–33 million	+6 million	+38 million	–83 million	–72 million

3. Policies for Preventing Recurrence

(1) Raising awareness

a. Calls for thorough implementation of compliance

These recent events have highlighted the need for every individual executive and employee to improve their thinking and judgment capacity based on the Group Companies Code of Conduct. To this end, the top executives themselves will take the initiative in communicating messages that call for the thorough implementation of compliance including the appropriate accounting process.

b. Enhancement of compliance training

Compliance training on topics such as prevention of information leaks has been conducted in the past, but further training that goes beyond those topics to foster increased awareness of compliance will be conducted on a regular basis.

c. Raising awareness of financial accounting

There is a misconception that transferring costs within the same division will have no impact on financial accounting, and this is believed to be one factor behind the lack of awareness of compliance breaches. Efforts will be made to impress on all employees the importance of obtaining appropriate accounting knowledge and putting it into practice.

d. A corporate culture that encourages consultation and improvement of communication

In this case, the inappropriate accounting took place upon consultation among the general managers of the various departments in the BPO Business Division. It is believed that there was an atmosphere in the BPO Business Division that prevented those general managers from seeking advice from their Department and Managing Officer above them. Measures will be considered that will help to create a culture in which employees and supervisors are able to consult with each other and in which, in the event of a suspicious act, employees feel free to seek advice not only from their own supervisors, but also from other divisions, such as internal management divisions.

(2) Reinforcement of the accounting division’s checking function

The Finance and Accounting Division will step up their monitoring of businesses that are more susceptible to inappropriate transfers of costs.

(3) Reinforcement of auditing frameworks

Appropriate cost recording has always been subject to internal audit, but the regular audit, which is conducted by sampling, failed to detect the facts that are the subject of this investigation. Given this failure, more comprehensive theme-based auditing that focuses on inappropriate transfer of costs will be conducted on a regular basis.

(4) Reinforcement of systems for transfer of costs

a. System checks

   Given the fact that the inappropriate transfer of costs on this occasion took place in a way that could not be detected by the Finance and Accounting Division, to ensure the division will be able to conduct the monitoring mentioned in (2) above effectively, consideration will be given to the modification of the computer systems to include automatic warnings.

b. Approval authority (higher level, independent division, etc.)

   Approval authority regarding the burden of personnel costs for individual projects will be reviewed, and consideration will be given to expanding the range of approving officers.

(5) Raising awareness and encouraging use of whistleblowing scheme

The Company already has a whistleblowing scheme in place, but given that, in this case, nobody took advantage of the internal reporting desk and, as a result, the inappropriate actions were not discovered at an early stage, regular trainings and briefings about the whistleblowing scheme will be held to raise awareness about the mechanisms of the scheme and its importance for the management in emphasizing compliance, and use of the scheme will be encouraged.