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To All Concerned Parties

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Report on Inappropriate Service Operations at Relia's Kagoshima Center

It was recently reported in the media that inappropriate telephone solicitation and falsification and fabrication of recordings had been taking place at the Company's Kagoshima Center. We extend our sincere apologies for the great concern this has caused.

The Company is taking these circumstances very seriously as extremely malicious actions, and deeply regrets that it was unable to prevent them from happening. It will engage earnestly in actions to ensure that such circumstances do not occur again and will do all in its power to regain lost trust as soon as possible.

The Company will extend its full cooperation toward the investigation into this incident being conducted by TEPCO Energy Partner, Inc.

The following is a brief summary of the sequence of events regarding this incident and the measures that the Company will take to ensure such an incident does not occur again.

Details

1. Summary of Incident

In January 2020, the investigation of a whistleblowing report confirmed that, in outbound call services that the Company's Kagoshima Center had been contracted at that time to perform by TEPCO Energy Partner, Inc. ("the Service in question"), at the direction of one on-site manager heading the booth responsible for the Service in question ("the On-site manager"), that the On-site manager and the staff members working under the On-site manager had engaged in telephone solicitations with inappropriate content and in the fraudulent editing of the audio recordings of those solicitation telephone calls.

2. Summary of investigation and findings

(1) Details of investigation into the Service in question

The investigation included checking and analysis of the audio recordings of 71 telephone calls submitted at the request of TEPCO Energy Partner, Inc., checking of the state of installation of audio editing software on the computers used in the Service in question, interviews of the parties involved, and the investigation of e-mails.

(2) Investigation findings

It was confirmed that, based on a script produced by the On-site manager and at the On-site manager's direction, the telephone operators and subordinates responsible for administrative operations engaged in telephone solicitations with inappropriate content and fraudulently edited audio recordings of 44 telephone calls. The breakdown of those 44 recordings is as follows:

- Deletion of certain parts of the recording: 33 recordings
- Production of completely new recording from scratch: 10 recordings
- Deletion of part of the recording and insertion of new recording in its place: 1 recording

There was no findings of involvement by the superiors of the On-site manager or the executives and employees at the head office of the Company.

(3) Investigation of similar services and investigation findings

In March 2020, the Audit Department selected at random 26 outbound call services similar to the Service in question related to TEPCO Energy Partner, Inc. and other electricity and gas companies and outbound call services with contract terms and conditions that included payment of commissions commensurate with the number of sales concluded and investigated those services. These investigations included checking the call recordings and the state of installation of audio editing software and interviews of the parties involved, but found no evidence of telephone solicitations with inappropriate content or fraudulent editing of audio recordings.

3. Background to and causes of inappropriate service operations

The Service in question was contracted in the form of payment of commission commensurate with the number of sales concluded. As such, the number of sales concluded are directly connected to the business results of the Service in question, and it is surmised that this was a contributing cause in the On-site manager being drawn to fraudulent activity. The Company also believes that the management problems in the Company below also made it easier for this fraud to occur.

(1) Problems with on-site management

The senior manager who should have managed and guided the On-site manager was kept busy with other services within the Kagoshima Center for which the senior manager was also responsible. As such, the person to whom the On-site manager effectively reported to and sought advice from about the services was employed at the head office, creating an environment in which it was difficult to monitor the services along the organizational management line.

(2) Problems with containment functions

Because the Service in question took place on a different floor from the other operations of the Kagoshima Center, it was out of sight of third parties. This environment meant that there was limited personal interaction with people engaged in other services.

(3) Problems with IT environment

PC terminals that could be connected to the internet were used in the Service in question, which the On-site manager used to download and install audio editing software. There was no framework or environment in place to prevent the downloading/installation of editing software and the editing of audio recordings.

4. Measures to prevent recurrence of similar incidents

(1) Recurrence prevention measures at the Kagoshima Center

At the Kagoshima Center, where this incident occurred, severe punishment has been implemented and the following recurrence prevention measures have been completed.

- Review of the chain of direction and command within the Kagoshima Center
- Reinforcement of functions for checking call quality
- Strict operation of call recording data management

(2) Company-wide recurrence prevention measures

Since before this incident occurred, the Company has been engaged in measures to reinforce compliance. These measures include holding compliance training sessions and workshops in which employees can discuss related issues with each other, reviewing in-house reporting rules to identify and deal with potential risks early, strengthening internal auditing frameworks, reviewing human resource assessment system, and rotating personnel. Further, in response to this incident, from the standpoint of preventing similar incidents, as well as reviewing these existing measures, the Company has pursued a range of measures to raise awareness among employees and to improve the quality of operational management.

We take very seriously the fact that, despite these measures, this incident has caused great concern and inconvenience to the customers who were subjected to the inappropriate solicitation, TEPCO Energy Partner, Inc., other companies that have contracted the Company to perform services on their behalf, shareholders, investors, market-related parties, and all other stakeholders. To ensure that such an incident never occurs again, the Company will soon establish a consultative body for recurrence prevention and improvement of compliance, centering on experts from outside the company, and engage in further recurrence prevention measures.

Specifically, the following measures will be undertaken immediately, and, in addition, the consultative body will consider and formulate further additional measures.

- Conduct regular messaging from top management and ongoing training to strengthen compliance awareness among executives and employees and implement compliance thoroughly
- Inspect the state of operation of all services that the Company has been contracted to perform and review the operational frameworks for services that have a high risk
- Reinforcement of frameworks for checking by quality control teams and Audit Department
- Employment of external experts to reinforce IT security

The consultative body will also deliberate whether the content and implementation of the various existing measures are appropriate. Decisions made by the consultative body and other details will be disclosed as appropriate going forward.