

March 12, 2021

To our shareholders:

Haruhiko Doi
Chairman and CEO
OUTSOURCING Inc.
1-8-3 Marunouchi, Chiyoda-ku, Tokyo
(First Section of TSE, Securities Code 2427)

Supplementary Information Regarding Proposal 2
of the 24th Ordinary General Meeting of Shareholders

The Company has obtained information to the effect that the proxy advisory company Institutional Shareholder Services Inc. (“ISS”) has issued a recommendation to reject “Proposal 2: Partial Amendments to the Articles of Incorporation” to be proposed at the 24th Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2021 (the “Ordinary General Meeting of Shareholders”).

In response, the Company hereby provides the following supplementary explanation.

ISS states as the reason for the recommendation to reject the proposal concerns that the proposal may not be in shareholders’ interest because this change to the business purposes of the Articles of Incorporation gives the Board of Directors carte blanche to engage in any lawful business activities, which would divert management’s time and resources away from the core business.

To date, the Company has been working on expanding the scale of its business through a strategy of conducting mergers and acquisitions (“M&A”) in the HR service business, the Company’s core business, targeting companies in Japan and overseas offering a high potential for synergy. With the Company’s expansion of its global business development, the business domain in which subsidiaries are conducting their HR service business is diversifying, and looking forward, it is possible that those domains will further expand. Taking this into account, the Company is requesting approval for “Proposal 2: Partial Amendments to the Articles of Incorporation” for the purpose of having the agility to respond and seize business opportunities without missing out. Accordingly, the Company deems the reason stated for the recommendation to reject a proposal to make partial amendments to the articles of incorporation for expansion of business activities based on the ISS Guidelines (in the event where a company seeks business expansion into a risky enterprise unrelated to its core business) does not apply.

[Translation]

Also, as part of “Proposal 2: Partial Amendments to the Articles of Incorporation,” the Company is requesting shareholders to approve a revision to Article 19 (Number of Directors) of the current Articles of Incorporation to change the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) from “not more than ten (10)” to “not more than fifteen (15).” The Company wishes to make this change to accompany the expansion of the OUTSOURCING group in order to promote future business expansion on a global scale, further strengthen corporate governance, and to prepare for enhancement and strengthening of the management foundation, as well as to promote diversity in the Board of Directors and strengthen the function of management oversight.

Furthermore, in “Proposal 3: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” the Company has newly nominated Ms. Anne Heraty as a candidate for Director. Ms. Heraty is serving as CEO of CPL RESOURCES PUBLIC LIMITED COMPANY (scheduled to change the trade name to CPL RESOURCES LIMITED in late March 2021), which joined the OUTSOURCING group through M&A, and she is expected to greatly contribute to promoting diversity in the group and strengthening governance under a global structure.

If the proposals are approved as originally proposed at the Ordinary General Meeting of Shareholders, the Company will have seven (7) External Directors (of which, six (6) will be reported to the Tokyo Stock Exchange as Independent Officers) out of eleven (11) Directors, and the Company will continue to have a system under which discussion at a highly independent Board of Directors will be possible.

As explained above, the proposals that the Company is putting forward at the Ordinary General Meeting of Shareholders are all essential for the Company’s global business development based on M&A strategy, and the Company believes that there are no concerns of loss in the Company’s corporate value.

We sincerely request shareholders to understand the Company’s view expressed above.