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## Corporate Governance Report

Last Update: March 26, 2021

**OUTSOURCING Inc.**

Haruhiko Doi, Chairman and CEO

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Securities Code: 2427

<https://www.outsourcing.co.jp/en/>

The corporate governance of OUTSOURCING Inc. (“the Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

Fully embracing its responsibility to contribute to society as an exemplar corporate citizen, the Company established the “Corporate Principles.” The Company recognizes that, in making efforts to achieve growth and enhance corporate value over the medium to long term in a constantly changing business environment, its management must assign the utmost priority to creating a fully autonomous, highly ethical corporate governance system that is closely monitored and routinely reviewed. The Company also recognizes that such a system will prove invaluable in the ongoing building of trust and confidence with all its stakeholders, including shareholders, clients, local communities and employees.

Towards this end, the Company has disclosed the frameworks of its corporate governance system in its “Corporate Governance Guidelines,” and will continue to enhance and fortify this system through various initiatives going forward.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code that was revised in June 2018.

### [Disclosure Based on the Principles of the Corporate Governance Code]

Please refer to the “Corporate Governance Guidelines” disclosed on the Company’s website (<https://www.outsourcing.co.jp/en/company/csr/guideline/>) for information on the status of the Company’s compliance with each principle of the Corporate Governance Code.

## 2. Capital Structure

Foreign Shareholding Ratio	30% or greater
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Haruhiko Doi	15,761,400	12.52
THE MASTER TRUST BANK OF JAPAN, LTD. (trust account)	8,348,300	6.63
JP MORGAN CHASE BANK 385632	8,245,354	6.55
Custody Bank of Japan, Ltd. (trust account)	7,862,700	6.24
THE BANK OF NEW YORK MELLON 140051	5,931,000	4.71
JP MORGAN CHASE BANK 380072	3,323,700	2.64
SMBC Nikko Securities Inc.	2,929,200	2.33

THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	2,600,000	2.06
Custody Bank of Japan, Ltd. (trust account 9)	2,380,600	1.89
THE BANK OF NEW YORK 133652	2,119,700	1.68

Controlling Shareholder (except for Parent Company)	———
Parent Company	None

#### Supplementary Explanation

In the statement of changes to the statement of large-volume holdings available for public inspection as of September 19, 2019, it is stated that Baillie Gifford & Co and its joint holder Baillie Gifford Overseas Ltd. held 9,653,800 shares and 2,917,000 shares, respectively, as of September 12, 2019. However, since the actual numbers of shares held as of December 31, 2020, could not be confirmed, the said companies have not been included in the “Status of Major Shareholders” shown above.

In the statement of large-volume holdings available for public inspection as of September 23, 2020, it is stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder Nikko Asset Management Co., Ltd. held 5,731,000 shares and 1,626,100 shares, respectively, as of September 15, 2020. However, since the actual numbers of shares held as of December 31, 2020, could not be confirmed, the said companies have not been included in the “Status of Major Shareholders” shown above.

In the statement of changes to the statement of large-volume holdings available for public inspection as of October 19, 2020, it is stated that T. Rowe Price Associates, Inc. held 9,913,800 shares as of February 28, 2020. However, since the actual number of shares held as of December 31, 2020, could not be confirmed, the said company has not been included in the “Status of Major Shareholders” shown above.

In the statement of large-volume holdings available for public inspection as of October 22, 2020, it is stated that Asset Management One Co., Ltd. and its joint holder Asset Management One International Ltd. held 6,199,400 shares and 156,300 shares, respectively, as of October 15, 2020. However, since the actual number of shares held as of December 31, 2020, could not be confirmed, the said companies have not been included in the “Status of Major Shareholders” shown above.

In the statement of changes to the statement of large-volume holdings available for public inspection as of November 16, 2020, it is stated that Mitsubishi UFJ Financial Group, Inc. held 4,933,000 shares as of November 9, 2020. However, since the actual number of shares held as of December 31, 2020, could not be confirmed, the said company has not been included in the “Status of Major Shareholders” shown above.

In the statement of changes to the statement of large-volume holdings available for public inspection as of December 4, 2020, it is stated that Nomura International PLC and its joint holder Nomura Asset Management Co., Ltd. held 1,370,400 shares and 4,742,200 shares, respectively, as of November 30, 2020. However, since the actual number of shares held as of December 31, 2020, could not be confirmed, the said companies have not been included in the “Status of Major Shareholders” shown above.

In the statement of changes to the statement of large-volume holdings available for public inspection as of January 8, 2021, it is stated that SMBC Nikko Securities Inc. and its joint holder Sumitomo Mitsui DS Asset Management Co., Ltd. held 277,900 shares and 4,842,100 shares, respectively, as of December 31, 2020. However, since the actual number of shares held as of December 31, 2020, could not be confirmed, the said companies have not been included in the “Status of Major Shareholders” shown above.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December

Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or greater
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances That May Have Material Impact on Corporate Governance**

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## II. Organizational System for Business Management and Other Corporate Governance Systems Regarding Decision-making, Execution of Business and Oversight in Management

### 1. Structure and Management of Organization

Organization Form	Company with an audit and supervisory committee
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	20
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	CEO
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	7
Number of Independent Directors	6

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masashi Fukushima	From another company											
Hideyo Nakano	From another company				○							
Atsuko Sakiyama	From another company											
Ichiro Otani	From another company											
Hiroshi Otaka	From another company											
Hideo Shiwa	From another company											
Masaru Namatame	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership in Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masashi Fukushima		YES	----	<p>Masashi Fukushima, who held the positions of senior executive director and representative director at a company he previously served, has professional insight into corporate management. He was appointed outside director in expectation that he will provide advice and act as a check based on this deep insight.</p> <p>Moreover, since he does not conflict with any of the independence standards for an independent director stipulated by the Tokyo Stock Exchange and has no special interest in the Company, the Company has confirmed that his independence is substantially ensured with regards to avoiding any conflicts of interest with general shareholders, and therefore appointed him as independent director.</p>
Hideyo Nakano			----	<p>Hideyo Nakano, who was involved in operations closely related to financial markets and capital markets at a company she previously served, has an abundance of experience and a broad range of insight as a corporate manager. She was appointed outside director in expectation that she will contribute to the supervision of business execution of the Company.</p>
Atsuko Sakiyama		YES	----	<p>Atsuko Sakiyama, who held the positions of executive vice president and representative director at a company she previously served, has a wealth of broad expertise in corporate management, organizational operations, finance, and human resource development. She was appointed outside director in expectation that she will contribute to the supervision of business execution of the Company.</p> <p>Moreover, since she does not conflict with any of the independence standards for an independent director stipulated by the Tokyo Stock Exchange and has</p>

				no special interest in the Company, the Company has confirmed that her independence is substantially ensured with regards to avoiding any conflicts of interest with general shareholders, and therefore appointed her as independent director.
Ichiro Otani	YES	YES	----	<p>Ichiro Otani was involved in decisions on material business matters at a company he previously served and is certified as both an internal auditor and a certified public auditor. As such, he has an abundance of knowledge and experience related to internal control and auditing operations. He was appointed outside director in expectation that he will contribute to the management, audits, etc., of the Company.</p> <p>Moreover, since he does not conflict with any of the independence standards for an independent director stipulated by the Tokyo Stock Exchange and has no special interest in the Company, the Company has confirmed that his independence is substantially ensured with regards to avoiding any conflicts of interest with general shareholders, and therefore appointed him as independent director.</p>
Hiroshi Otaka	YES	YES	----	<p>Hiroshi Otaka, who worked as director in charge of accounting and auditor at a company he previously served, has an abundance of knowledge and experience related to corporate financial analysis and business management in general. He was appointed outside director in expectation that he will contribute to the management, audits, etc., of the Company.</p> <p>Moreover, since he does not conflict with any of the independence standards for an independent director stipulated by the Tokyo Stock Exchange and has no special interest in the Company, the Company has confirmed that his independence is substantially ensured with regards to avoiding any conflicts of interest with general shareholders, and therefore appointed him as independent director.</p>

Hideo Shiwa	YES	YES	----	<p>Hideo Shiwa has many years of experience in working in the accounting department at a company he previously served, has broad knowledge and experience in IT systems, IR, legal affairs and audit operations, and has abundant management experiences at domestic and overseas business operating companies. He was appointed outside director in expectation that he will contribute to the management, audits, etc., of the Company.</p> <p>Moreover, since he does not conflict with any of the independence standards for an independent director stipulated by the Tokyo Stock Exchange and has no special interest in the Company, the Company has confirmed that his independence is substantially ensured with regards to avoiding any conflicts of interest with general shareholders, and therefore appointed him as independent director.</p>
Masaru Namatame	YES	YES	----	<p>Masaru Namatame has many years of experience in working in the position responsible for accounting and finance in domestic and overseas businesses at the companies he served and has a wealth of knowledge and experience in internal control, auditing and overall business management.</p> <p>Moreover, since he does not conflict with any of the independence standards for an independent director stipulated by the Tokyo Stock Exchange and has no special interest in the Company, the Company has confirmed that his independence is substantially ensured with regards to avoiding any conflicts of interest with general shareholders, and therefore appointed him as independent director.</p>

## [Audit and Supervisory Committee]

### The Committee's Composition and Attributes of Its Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	0	4	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Not Appointed
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### Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has not assigned any employee to assist with the duties of the Audit and Supervisory Committee, but if the Committee requests the placement of employees to assist with its duties in response to future circumstances, employees shall be assigned after discussion with the Board of Directors.

### Cooperation among the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Division

The Company stipulates that Audit and Supervisory Committee members shall ensure the effectiveness of audits conducted by the Audit and Supervisory Committee by receiving explanations on the content of accounting audits from the accounting auditor and working in close cooperation with the accounting auditor, for instance, by exchanging information. The Audit and Supervisory Committee and the Internal Audit Office shall cooperate in the audits by discussing and exchanging opinions as appropriate on matters related to internal audits such as the results, suggestions and recommendations.

Under this policy, the Audit and Supervisory Committee, the Internal Audit Office and the accounting auditor regularly hold information-sharing meetings and exchange audit information to cooperate in conducting an efficient audit.

## [Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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### Committee's Name, Composition and Chairperson's Attributes

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
All Committee Members	5	5
Full-time Members	3	3
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

### Supplementary Explanation

The Nomination and Remuneration Advisory Committee is a voluntary body. As of March 26, 2021, it consists of five members (including three outside directors) and its chairperson is an outside director.



The Nomination and Remuneration Advisory Committee deliberates on matters such as education and training pertaining to the Chief Executive Officer (CEO) succession planning, remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and appointment or dismissal of directors (excluding Audit and Supervisory Committee members), and submits the matters to the agendas of Board of Directors Meetings.

Also, the Sustainability Committee was established on March 25, 2021. As of March 26, 2021, the Committee consists of 6 members (of which 2 are outside directors) and its chairperson is the Representative Director. The purpose of the Sustainability Committee is to promote management with an awareness of sustainability across all companies in the Group, including initiatives to achieve SDGs and a more sophisticated ESG approach in management. The Committee's duties include deliberation of the Group's sustainability policies/strategies, priority issues and other medium/long-term themes and directions, as well as the monitoring of the progress of KPIs, and it submits relevant matters to the agendas of Board of Directors Meetings.

### [Independent Directors]

Number of Independent Directors	6
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#### Matters Related to Independent Directors

The Company has designated all outside directors who meet the standards for an independent director as independent directors.

### [Incentives]

Incentive Policies for Directors	Stock Options, Other
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#### Supplementary Explanation

Shares acquisition rights are granted free of charge to the Company and its subsidiaries' directors and employees in order to raise their motivation and morale toward improving financial performance as well as promoting their long-term contribution.

In order to provide an incentive for the directors of the Company (excluding outside directors and directors who are Audit and Supervisory Committee members) to sustainably increase the Company's corporate value and to further promote shared value with shareholders, the Company adopted a restricted stock compensation plan after the plan was approved at the 23rd Ordinary General Meeting of Shareholders held on March 25, 2020.

Recipients of Stock Options	Inside Directors / Outside Directors / Employees / Subsidiaries' Directors / Subsidiaries' <i>Kansayaku</i> / Subsidiaries' Employees
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#### Supplementary Explanation

In order to augment not only the motivation and morale toward improving financial performance but also the awareness of participating in management and a group-wide sense of unity, the Company has expanded the recipients.

### [Director Remuneration]

Disclosure of Individual Director's Remuneration	Partial individual disclosure
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#### Supplementary Explanation

Total amount of remuneration by category (director, Audit and Supervisory Committee member or outside director) is disclosed in the annual securities report and business reports. Additionally, information on directors whose total remuneration is ¥100 million or greater is individually disclosed in the securities report.

Total amount of remuneration paid in the fiscal year 2020 for each director category is as follows (unit: million yen).

Director Category	Total Amount of Remuneration	Total Amount by Type of Remuneration	
		Basic Remuneration	Restricted Stock Compensation
1. Directors (excl. Audit and Supervisory Committee members) (excl. outside directors)	300	270	30
2. Directors (Audit and Supervisory Committee members) (excl. outside directors)	2	2	-
3. Outside directors	73	73	-

(Note) Since the restricted stock compensation was granted during this fiscal year, it represents an amount which must be recorded as expenses for this fiscal year, but also represents ¥8 million in expenses to be recorded in the following fiscal year.

Total amount of remuneration paid to directors who receive remuneration of greater than ¥100 million in total is described below (unit: million yen).

Name	Total Amount of Remuneration	Director Category	Company Category	Amount by Type of Remuneration	
				Basic Remuneration	Restricted Stock Compensation
Haruhiko Doi	100	Chairman and CEO	Company submitting the securities report	90	10
Kazuhiko Suzuki	120	Executive Vice President	Company submitting the securities report	108	12

(Note) Since the restricted stock compensation was granted during this fiscal year, it represents an amount which must be recorded as expenses for this fiscal year, but also represents an amount in expense (¥3 million per Haruhiko Doi, Chairman and CEO and ¥3 million per Kazuhiko Suzuki, Executive Vice President) to be recorded in the following fiscal year.

Policy for Determining Remuneration Amounts and Calculation Methods	Yes
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#### Disclosure of Policy for Determining Remuneration Amounts and Calculation Methods

Matters related to the policy for determining the amount of directors' remuneration or its methods of calculation are described below.

##### 1. Policy for determining the remuneration of directors (excluding Audit and Supervisory Committee members)

###### (a) Authority to decide the policy for determining the amount of remuneration

Regarding remuneration of the Company's directors (excluding Audit and Supervisory Committee members), the authority to decide the policy for determining the amount and calculation method of remuneration lies with the Board of Directors. However, in deciding the policy, the Board of Directors will ask for advice from the voluntary Nomination and Remuneration Advisory Committee (hereinafter, "the Advisory Committee"), which consists of five members with an outside director / full-time Audit and Supervisory Committee Member as its chairperson, and take the advice into consideration in making a resolution.

###### (b) Details of the policy for determining the amount of remuneration

The Company has not adopted a performance-based remuneration system for the remuneration of its directors (excluding Audit and Supervisory Committee members). However, in the 23rd Ordinary General Meeting of Shareholders convened on March 25, 2020, a restricted stock compensation plan was adopted for its directors (excluding Audit and Supervisory Committee members and outside directors) as an incentive for raising corporate value over the medium/long-term and for sharing value with shareholders. Also, starting in the fiscal year 2021, phantom stocks are to be granted as an alternative remuneration to directors who live outside of Japan and who cannot feasibly receive restricted stock compensation. In sum, remuneration of directors (excluding Audit and Supervisory Committee members and outside directors) consists of two types: basic remuneration (monetary fixed remuneration) and restricted stock compensation (for directors living outside of Japan, basic remuneration and phantom stock are the two types).

Regarding basic remuneration, a fixed amount is to be provided each month. For restricted stock compensation and phantom stock, they are to be granted at a certain period of each year.

Of the directors (excluding Audit and Supervisory Committee members), outside directors are not targets of restricted stock compensation due to the independent nature of their duties. They are only eligible for basic remuneration (monetary fixed remuneration), which is provided at a fixed amount every month.

(c) Decision-making process for the amount of remuneration

Regarding the decision on the specific amount of remuneration, the Advisory Committee first decides on the appropriate total amount based on financial performance, taking into consideration the Company's financial results, economic value added produced through business activities defined by the Corporate Governance Guidelines and other factors. Then, reflecting each director's position, specific duties, interview results and other matters, the Advisory Committee creates a draft policy for the distribution of remuneration to each director. The proposed policy is deliberated by the Audit and Supervisory Committee, and the final decision is made by a resolution of the Board of Directors. However, regarding outside directors, due to the independent nature of their duties, certain factors such as the Company's financial results are not taken into account.

The ratio of basic remuneration to restricted stock or phantom stock is generally within the range of 9-to-1 to 7-to-3. Each director's position and specific duties are taken into consideration in deciding the ratio.

(d) Resolutions of shareholder meetings

Regarding the amount of remuneration of directors (excluding Audit and Supervisory Committee members), a resolution at the 24th Ordinary General Meeting of Shareholders convened on March 25, 2021, set the ceiling for the annual remuneration of directors (excluding Audit and Supervisory Committee members) at ¥1,500 million. As of the date of the submission of this Report, the Company has seven directors (excluding Audit and Supervisory Committee members) (the maximum number of such directors as stipulated in the Articles of Incorporation is 15).

Apart from this ceiling on remuneration, a resolution at the 23rd Ordinary General Meeting of Shareholders convened on March 25, 2020, also set a ceiling of ¥120 million for remuneration pertaining to monetary remuneration claims provided for the allotment of restricted stock, and a ceiling of 100,000 shares for the number of ordinary shares of the Company that can be issued or disposed per year in exchange for monetary remuneration. As of the date of the submission of this Report, the Company has three directors (excluding Audit and Supervisory Committee members and outside directors) who are targets of the types of remuneration that fall under the restrictions of these ceilings.

2. Policy for determining the remuneration of directors who are Audit and Supervisory Committee members

Remuneration of directors who are Audit and Supervisory Committee members also only consists of basic remuneration (monetary fixed remuneration) which is paid at a fixed amount every month. However, the remuneration of each individual director who is an Audit and Supervisory Committee member is decided through deliberation among the directors who are Audit and Supervisory Committee members.

A resolution at the 19th Ordinary General Meeting of Shareholders convened on March 25, 2016, set the ceiling for the annual remuneration of directors who are Audit and Supervisory Committee members at ¥100 million. As of the date of the submission of this Report, the Company has four directors who are Audit and Supervisory Committee members (the maximum number of such directors as stipulated in the Articles of Incorporation is five).

3. Activities by the Advisory Committee and the Board of Directors during this fiscal year

Activities by the Advisory Committee and the Board of Directors concerning the nomination and remuneration of directors (excluding Audit and Supervisory Committee members) and other related matters during the fiscal year 2020 are described below.

(a) Activities by the Advisory Committee

During this fiscal year, the Advisory Committee Meeting was held seven times for deliberation on nomination and remuneration. Main activities during the meetings were as follows: consideration and deliberation pertaining to the appointment and dismissal of directors, setting goals for directors and confirming their progress, consideration of matters pertaining to the remuneration system, consideration and deliberation concerning the remuneration of each individual director, consideration of adopting phantom stock as an alternative to restricted stock and consideration and deliberation concerning the total amount of remuneration.

(b) Activities by the Board of Directors

During the Board of Directors Meetings held on January 30, 2020, February 28, 2020, and March 25, 2020, deliberation and decision was made for each individual director's remuneration for this fiscal year in terms of basic remuneration (monetary fixed remuneration). In the Board of Directors Meeting convened on April 15, 2020, deliberation and decision was made for each individual director's remuneration for the fiscal year in terms of restricted stock compensation.

**[Supporting System for Outside Directors]**

The Business Management Division provides support to the outside directors. Specifically, for instance, the Division provides explanation for the agenda items of the Board of Directors Meetings before each meeting is held.

**2. Matters on Functions such as Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

(Board of Directors)

As of March 26, 2021, the Company has 11 directors, including seven outside directors. The directors deliberate and decide on matters stipulated under the laws and regulations such as the Companies Act as well as important management issues, and convene the Ordinary Board of Directors Meeting once a month to deliberate on policies, plans and status of the policies and plans being executed with regards to management and corporate operations. The Extraordinary Board of Directors Meeting is also held when deemed to be necessary.

Regarding corporate governance, neutral and objective oversight of management from an independent standpoint is also an important function. The Company believes that the six independent outside directors enable the effective functioning of this management oversight.

(Audit and Supervisory Committee)

The Committee consists of four directors, including four outside directors, who, as members of the Audit and Supervisory Committee, determine the Committee's audit policies, annual audit schedule and other related matters in addition to monitoring the status of the directors' execution of duties and preparing reports relevant to this task. The Committee also determines agendas regarding elections, dismissals and refusals of reappointment of accounting auditor that are proposed to the General Meeting of Shareholders, and complies with the laws and regulations of Japan, the Articles of Incorporation and the Audit and Supervisory Committee Rules. By convening Audit and Supervisory Committee Meetings both routinely and as necessary, the Committee shares information among its members and confirms the progress of its audit plans by examining important issues to be discussed, reporting audit contents, exchanging opinions and so forth.

In an effort to enhance overall coordination, the Audit and Supervisory Committee exchanges information in a timely manner with the Internal Audit Office as well as the accounting auditor. The Committee works closely with the Business Management Division, which is in charge of internal control, as well as with the General Affairs, Legal and General Accounting Divisions, to improve the efficacy of the auditing process.

(Nomination and Remuneration Advisory Committee)

The Nomination and Remuneration Advisory Committee is a voluntary body. As of March 26, 2021, it consists of five members (including three outside directors) and its chairperson is an outside director. The Nomination and Remuneration Advisory Committee deliberates on matters such as education and training pertaining to the Chief Executive Officer (CEO) succession planning, remuneration of directors (excluding directors who are Audit and Supervisory Committee members) and appointment or dismissal of directors (excluding Audit and Supervisory Committee members), and submits the matters to the agendas of the Board of Directors Meetings.

(Sustainability Committee)

The Sustainability Committee was established on March 25, 2021. As of March 26, 2021, the Committee consists of 6 members (of which 2 are outside directors) and its chairperson is the Representative Director. The purpose of the Sustainability Committee is to promote management with an awareness of sustainability across all companies in the Group, including initiatives to achieve SDGs and a more sophisticated ESG approach in management. The Committee's duties include deliberation of the Group's sustainability policies/strategies, priority issues and other medium/long-term themes and directions, as well as the monitoring of the progress of KPIs, and it submits relevant matters to the agendas of Board of Directors Meetings.

### **3. Reasons for Adoption of the Current Corporate Governance System**

In order to further enhance the auditing and oversight functions of the Board of Directors and directors, after being granted approval at the Ordinary General Meeting of Shareholders held on March 25, 2016, the Company made a transition from being a company with a board of company auditors to a company with an audit and supervisory committee.

With this transition to a company with an audit and supervisory committee, the Company aims to further strengthen the supervisory function of the Board of Directors, secure impartiality and transparency of management and raise overall efficiency.

### III. Implementation of Measures Concerning Shareholders and Other Stakeholders

#### 1. Measures for Vitalization of General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	The Company has been avoiding days on which the general shareholder meetings of other companies are expected to be intensively held and scheduling its meetings on days that many shareholders can attend.
Allowing Electronic Exercise of Voting Rights	The Company has enabled the exercise of voting rights via the Internet so that shareholders can exercise their voting rights as much as possible.
Participation in Electronic Voting Platform and Other Efforts to Improve Exercise of Voting Rights by Institutional Investors	In order to improve the convenience of institutional shareholders, the Company participates in the electronic voting platform for institutional investors provided by ICJ, Inc.
Providing Convocation Notice in English	English translation of the “Reference Documents for the General Meeting of Shareholders” in the convocation notice is prepared.
Other	Convocation notice of the General Meeting of Shareholders is posted on the Company’s website.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	Although a briefing session for individual investors has generally been held each year, the briefing session for the fiscal year ended December 2020 was cancelled due to the COVID-19 outbreak.	YES
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings for institutional investors are held after the disclosure of the interim and full-year financial results.  In addition, individual meetings with institutional investors and analysts are held after each disclosure of quarterly financial results.	YES
Regular Investor Briefings for Overseas Investors	In the fiscal year ended December 2020, briefing sessions were held with institutional investors and analysts in the U.K., the U.S., Hong Kong, Singapore, Switzerland, China and Korea using video conferences.	YES
Posting of IR Materials on the Website	<a href="https://www.outsourcing.co.jp/en/ir/">https://www.outsourcing.co.jp/en/ir/</a> Summary of Financial Results Materials for Timely Disclosure Other than the Summary of Financial Results Securities Report and Quarterly Report Shareholder Meeting’s Notice of Convocation and Notice of Resolutions Adopted Q2 and Full-year Report Q2 and Full-year FACTBOOK FACTSHEET Financial Results Materials for Institutional Investors Medium-term Management Plan Integrated Report	
Establishment of Department in Charge of IR	Department in charge of IR: CEO Office	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Establishment of Internal Rules for Respecting the Position of Stakeholders	“OUTSOURCING Group Code of Corporate Ethics and Conduct” established
Engagement in Environmental Conservation Activities, CSR Activities, etc.	“OUTSOURCING Group Basic CSR Policy” established

## IV. Matters Related to the Internal Control System

### 1. Basic Views on the Internal Control System and Progress with Its Development

The Company has established the following basic policies on the internal control system to ensure the appropriateness of operation.

1. System for ensuring that the Company and its group companies' directors including directors who are members of the Audit and Supervisory Committee (hereinafter collectively referred to as "directors") and employees execute their duties in accordance with the laws and regulations and the Articles of Incorporation (a) The "OUTSOURCING Group Code of Corporate Ethics and Conduct" shall be established as the basic code of conduct concerning compliance with the laws and regulations and the Articles of Incorporation. The Company and its group companies shall thoroughly inform their directors and employees of the Code.

(b) In the event that a director discovers a conduct by another director that is in violation of the laws and regulations or the Articles of Incorporation, he or she shall immediately report to the Audit and Supervisory Committee and the Board of Directors and take other action in reinforcement of the corporate governance system in order to take preventive measures against the said conduct.

(c) The Company shall establish the "Internal Reporting System," entrusted to a fair third-party organization, for the purpose of early detection and correction of violations of the laws and regulations, social standards, etc., and aim for its effective operation.

(d) The Internal Audit Office shall be established as an internal audit division independent of the business divisions. The Office shall conduct continuous and specialized monitoring of business operations and report the results to the CEO and the Audit and Supervisory Committee members.

2. System for the storage and management of information pertaining to the execution of operation by directors

Information related to the execution of operation by directors shall be recorded in documents or electronic media (hereinafter referred to as "documents, etc.") and stored in accordance with the "Document Management Rules." The Company has established a system in which, upon request for inspection by the directors, Audit and Supervisory Committee members, accounting auditor or other related persons, the head of each division shall play the center role in collecting and submitting the information.

3. Rules and other systems concerning the management of the risk of loss by the Company and its group companies

(a) The Business Management Division shall be designated as the division responsible for the overall risk management of the Company and its group companies. The General Affairs Division shall engage in risk management, operation and establishment of rules in order to promote an effective risk management. The Legal Division shall make the legal responses and communicate the latest laws and regulations to company members. This system shall promote risk management that is integrated with internal control.

(b) When unforeseen events occur in the Company or its group companies, the "Emergency Task Force" headed by the Company's CEO shall be set up and an external advisory team including the special communications team and the Company's legal counsel shall be organized. The aim of this system is to make a rapid response as well as preventing the spread of losses or damage and keeping them to a minimum.

(c) In order to maintain the business of the Company and its group companies in operation in the event of unforeseen circumstances or crisis, the Business Continuity Plan (BCP) shall be formulated and informed to directors, officers and employees of the Company and its group companies.

4. System for ensuring efficient execution of operation by directors of the Company and its group companies

(a) A board of directors meeting shall be held once a month by the Company and each of its group companies, in principle, and shall also be convened as necessary in order to make decisions on important matters as well as overseeing the execution of operation by the directors of the said company and its subsidiaries.

(b) With respect to the execution of operation based on a resolution of the Board of Directors, details on responsible persons, their responsibilities and the execution procedures shall be defined in internal rules such as Organization Rules and Division of Duty Rules in order to ensure a system whereby operations are executed appropriately and efficiently.

(c) As a body to deliberate on important matters concerning management of the Company, the Management Meeting participated by full-time directors and managing executive officers shall be established and be held twice a month in principle and whenever necessary for the purpose of improving the efficiency of operation execution and speeding up decision-making.

5. System to ensure the appropriateness of operation at the Company and its group companies



- (a) Based on the “Management Rules for Subsidiaries and Affiliates,” the Company shall clarify the roles of the division responsible for overseeing the group companies and shall monitor and oversee business execution by the directors and employees of the group companies.
- (b) The Company shall establish organization-related standards for the Group including chain of command, authorities and decision-making, and shall instruct the establishment of a system that complies with these standards.
- (c) Important decision-making matters concerning the management activities of the group companies shall be reported at the Company's Board of Directors Meeting and Management Meeting and obtain approval.
- (d) The Company shall receive business status reports from each group company at least once a month. In addition, a Group Management Meeting participated by full-time directors, managing executive officers and each group company's representative director shall be convened as necessary to share information, communicate and merge management policies within the Group.
- (e) The Company's Internal Audit Office regularly conducts audits of operation and accounting audits of the Group companies, and reports the results to the CEO and the Audit and Supervisory Committee members.
6. Matters concerning staff to support the duties of the Audit and Supervisory Committee of the Company, matters concerning the independence of the said staff from the directors of the Company (excluding directors who are Audit and Supervisory Committee members) and matters concerning the securing of the effectiveness of instructions toward the said staff
- (a) The Company has not placed any employee to assist the duties of the Audit and Supervisory Committee. However, if the Audit and Supervisory Committee requests the placement of employees to assist its duties in response to future circumstances, employees shall be placed after discussion at the Board of Directors Meeting.
- (b) In the event that an employee becomes placed to support the duties of the Audit and Supervisory Committee, the said employee shall not be under any directions or orders by the directors or other employees, and personnel transfers, evaluations and disciplinary measures concerning the said employee shall be carried out while taking into account the opinions of the Audit and Supervisory Committee.
7. System for directors and employees of the Company and its group companies to report to the Company's Audit and Supervisory Committee and other systems related to reports made to the Audit and Supervisory Committee
- (a) In order to fully understand the decision-making process and the operation execution status, the Audit and Supervisory Committee members shall attend important meetings in addition to the Board of Directors Meeting, inspect approval documents and other important documents concerning the execution of operation and seek explanations from directors and employees as necessary.
- (b) When directors and employees discover important facts that affect business operations or financial performance, they must report to the Audit and Supervisory Committee without delay.
8. System for ensuring that persons who reported to the Audit and Supervisory Committee of the Company do not receive disadvantageous treatment for the reason of reporting
- The Company prohibits disadvantageous treatment from being given to directors, officers and employees of the Company and its group companies who reported to the Audit and Supervisory Committee for the reason of reporting, and shall ensure that all directors, officers and employees of the Company and its group companies are fully aware of this policy.
9. Other system for ensuring that audits by the Audit and Supervisory Committee are effectively conducted
- (a) The Audit and Supervisory Committee, the CEO and other directors shall hold exchange-of-opinion meetings as necessary in order to communicate with each other.
- (b) The Audit and Supervisory Committee shall closely coordinate with the accounting auditor by receiving explanation from the accounting auditor on the contents of the accounting audits, exchanging information, etc., to ensure the effectiveness of audits by the Audit and Supervisory Committee.
- (c) The Audit and Supervisory Committee and the Internal Audit Office shall cooperate in conducting audits by holding discussions and exchanging opinions as appropriate on matters concerning the internal audit such as the results, points of suggestion and recommendations.
- (d) When an Audit and Supervisory Committee member requests the Company for an advance payment or reimbursement of expenses, etc., unless the expenses or liabilities pertaining to the said request are proven to be unnecessary to the execution of duties by the said Audit and Supervisory Committee Member, the said expenses or liabilities shall be promptly processed after examination by the division in charge.

(e) A certain amount of budget shall be secured every year to pay for the expenses, etc., that arise from the execution of duties by the Audit and Supervisory Committee members.

10. System to ensure the reliability of financial reporting

In order to ensure the reliability of financial reporting, the Company and its group companies shall establish an internal control system for the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Act, and continually make evaluation on the proper functioning of the system and make necessary corrections.

11. Basic views on and establishment of a system for eliminating anti-social forces

The Company and its group companies' basic policy, set out in the "OUTSOURCING Group Code of Corporate Ethics and Conduct," is to take decisive action against and block any relationships with anti-social forces and organizations that pose a threat to social order and security. In addition, the Company shall formulate the Anti-Social Forces Countermeasure Rules and conduct thorough management under the supervision of the Business Management Division and in accordance with the Anti-Social Forces Response Manual, as well as acting in a prompt and organized fashion in coordination with external specialized organizations such as the police and the legal counsel as appropriate.

## 2. Basic Views on Eliminating Anti-Social Forces

The Company's basic policy, set out in the "OUTSOURCING Group Code of Corporate Ethics and Conduct," is to take decisive action against and block any relationships with anti-social forces and organizations that pose a threat to social order and security. In addition, the Company has formulated the Anti-Social Forces Countermeasure Rules and will act in a prompt and organized fashion under the supervision of the Business Management Division and in coordination with external specialized organizations such as the police and the legal counsel as appropriate.

As for the in-house system and specific efforts to eliminate anti-social forces, the Company has established the "Anti-Social Forces Response Manual" and has clarified company-wide action guidelines and responsibilities based on this manual.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

Although the Company has not adopted anti-takeover measures, the Company's policy is to consider anti-takeover measures including preventive measures as necessary to protect corporate value.

### 2. Other Matters Concerning the Corporate Governance System

#### 1. Basic Policy on Timely Disclosure

Under the basic policy to conduct timely and appropriate disclosure of company information necessary for the investors to accurately judge the value of investing in the Company, the Company has established a system whereby information may be quickly disclosed.

#### 2. Internal System for Timely Disclosure

##### (a) Information on Decisions that Have Been Made

Upon the occurrence of important matters, each division shall report to the Business Management Division. In the Business Management Division, the Head of Business Management Division who is responsible for information handling shall determine whether disclosure is necessary. If the Head of Business Management Division judges that disclosure is necessary, he or she shall report to the Representative Director and, after discussion, the matter shall be immediately disclosed following a resolution of the Board of Directors.

##### (b) Information on the Occurrence of Material Facts

Upon the occurrence of a material fact, it shall be reported to the Business Management Division. The Company has created a system which enables the Business Management Division to acquire and examine documents and other information pertinent to the fact, immediately create disclosure materials and promptly make a disclosure.

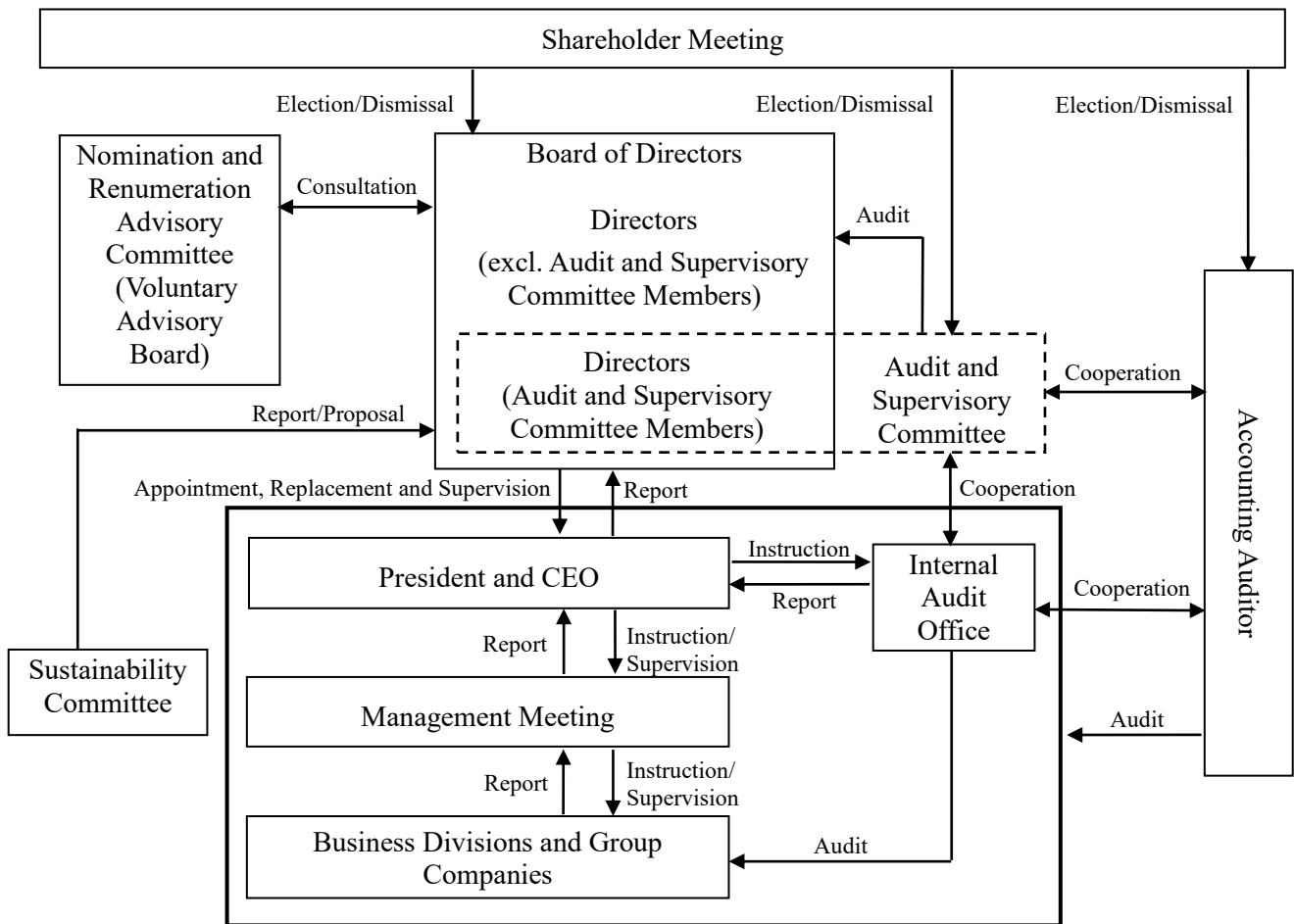
##### (c) Timely Disclosure Procedure for the Corporate Group

All of the Company's subsidiaries are unlisted subsidiaries. Subsidiaries shall report important matters to the Business Management Division of the Company and submit the matter to the agenda of the Management Meeting and the Company's Board of Directors Meeting as necessary in accordance with the Management Rules for Subsidiaries and Affiliates. When it is determined that disclosure is necessary, the Head of the Business Management Division shall report to the Representative Director and, after discussion, the matter shall be immediately disclosed following a resolution of the Company's Board of Directors.

#### 3. In-house Education

With regards to education concerning timely disclosure, the Company aims to thoroughly inform its directors, officers and employees (including directors, officers and employees of consolidated subsidiaries) of important matters subject to timely disclosure through important meetings, training sessions and other opportunities.

### Conceptual Diagram of the Corporate Governance System



Members of each Organization (◎ Chairperson)

Position	Name	Board of Directors Meeting	Audit and Supervisory Committee	Nomination and Remuneration Advisory Committee	Sustainability Committee
Chairman and CEO	Haruhiko Doi	◎		○	◎
Executive Vice President	Kazuhiko Suzuki	○		○	○
Senior Executive Director	Atsushi Nakamoto	○			○
Director	Anne Heraty	○			○
Director (External Director)	Masashi Fukushima	○		○	
Director (External Director)	Hideyo Nakano	○			○
Director (External Director)	Atsuko Sakiyama	○			○
Director (External Director) Full-time Audit and Supervisory Committee Member	Ichiro Otani	○	◎	◎	
Director (External Director) Audit and Supervisory Committee Member	Hiroshi Otaka	○	○	○	
Director (External Director) Audit and Supervisory Committee Member	Hideo Shiwa	○	○		
Director (External Director) Audit and Supervisory Committee Member	Masaru Namatame	○	○		

## Overview of Timely Disclosure System

