

Disclaimer: This document is a partial translation of the Japanese original and does not constitute any guarantee, and the Company will not compensate for any loss or damage resulting from actions taken based on this document. If there is any discrepancy between the Japanese original and this document, the Japanese original prevails.

Corporate Governance Report

Last Update: March 26, 2020

OUTSOURCING Inc.

Haruhiko Doi, Chairman and CEO

Contact: Kazuhiko Suzuki, Executive Vice President: +81-3-3286-4888

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 as an exemplar corporate citizen to contribute to society, the Company established the Corporate Principles. The Company thus recognizes that, in an effort to achieve growth and enhance corporate value over the medium to long term in a constantly changing business environment, management must assign the utmost priority to creating a fully autonomous, highly ethical corporate governance regime that is closely monitored and routinely reviewed. The Company also recognizes that such a regime 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 regime in its “Corporate Governance Guidelines,” and will continue to enhance and fortify this regime 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
----------------------------	----------------

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Haruhiko Doi	15,738,500	12.51
JAPAN TRUSTEE SERVICES BANK, LTD. (trust account)	13,044,700	10.37
THE MASTER TRUST BANK OF JAPAN, LTD. (trust account)	8,333,600	6.62
THE BANK OF NEW YORK MELLON 140051	6,170,800	4.91
JP MORGAN CHASE BANK 385632	4,586,304	3.65
BHH FOR MATTHEWS ASIA DIVIDEND FUND	3,754,700	2.98

STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	3,600,300	2.86
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS – SERG ACCT	2,458,840	1.95
JAPAN TRUSTEE SERVICES BANK, LTD. (trust account 5)	2,214,800	1.76
THE BANK OF NEW YORK 133652	2,053,400	1.63

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 21, 2018, it is stated that Rheos Capital Works, Inc. held 6,673,600 shares as of September 14, 2018. However, since the actual number of shares held as of December 31, 2019 could not be confirmed, the said company is not 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 August 19, 2019, it is stated that Matthews International Funds held 5,684,200 shares as of August 9, 2019. However, since the actual number of shares held as of December 31, 2019 could not be confirmed, the said company is not 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 September 4, 2019, it is stated that T. Rowe Price International Ltd held 6,384,300 shares as of August 30, 2019. However, since the actual number of shares held as of December 31, 2019 could not be confirmed, the said company is not 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 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, 2019 could not be confirmed, the said companies are not included in the “Status of Major Shareholders” shown above. The Company learned from the above-mentioned statement that there was a change in major shareholders and submitted an extraordinary report regarding the changes in major shareholders as of September 26, 2019.

In the statement of changes to the statement of large-volume holdings available for public inspection as of December 12, 2019, it is stated that Matthews International Capital Management LLC held 5,453,700 shares as of December 5, 2019. However, since the actual number of shares held as of December 31, 2019 could not be confirmed, the said company is not 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 9, 2020, it is stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder, Nikko Asset Management Co., Ltd. held 5,928,400 shares and 1,959,500 shares respectively as of December 31, 2019. However, since the actual numbers of shares held as of December 31, 2019 could not be confirmed, the said companies are not 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 10, 2020, it is stated that Mitsubishi UFJ Financial Group, Inc. held 8,501,300 shares as of December 30, 2019. However, since the actual number of shares held as of December 31, 2019 could not be confirmed, the said company is not 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

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

II. Business Management Organization 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
-------------------	---

[Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	15
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
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 of 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 of 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 of 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
--	---------------

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has not assigned any employee to assist the duties of the Audit and Supervisory Committee, but if the Committee requests for the placement of employees to assist 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 Auditors and Internal Audit Departments

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 auditors and working in close cooperation with them, 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 auditors 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
---	-------------

Committee's Name, Composition and Chairperson's Attributes

Committee's Name	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
All Committee Members	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 consisting of five members

(including three outside directors) with an outside director as its chairperson as of March 26, 2020. 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 brings the matter up to the Board of Directors.

[Independent Directors]

Number of Independent Directors	6
---------------------------------	---

Matters relating 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
----------------------------------	----------------------

Supplementary Explanation

Shares acquisition rights are granted free of charge to the Company's 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 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 introduced a restricted share-based remuneration 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
-----------------------------	---

Supplementary Explanation

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

[Director Remuneration]

Disclosure of Individual Director's Remuneration	No Individual Disclosure
--	--------------------------

Supplementary Explanation

The total amount of remuneration in each category (director, Audit and Supervisory Committee Member or outside director) is disclosed in the annual securities report and business reports. Remuneration paid in fiscal year 2019 are as follows:

1. Directors (excl. Audit and Supervisory Committee Members) (excl. outside directors)	¥274 million
2. Directors (Audit and Supervisory Committee Members) (excl. outside directors)	¥8 million
3. Outside directors	¥51 million

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company's policy is to decide on the remuneration of its directors based on the mission, achievements toward the mission and the balance with financial performance.

[Supporting System for Outside Directors]

The Business Management Division provides support to the outside directors. Specifically, for instance, the Division provides explanation on the matters to be discussed at the Board of Directors' meeting 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, 2020, the Company has ten 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 a regular meeting of Board of Directors 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 Board may also meet at any time it deems 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)

This 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 responsibility and preparing reports relevant to this task. The Committee also determines agendas regarding elections, dismissals and refusals of reappointment of accounting auditors 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 timely with the Internal Audit Office as well as the accounting auditors. The Committee works closely with the Business Management Division, which is in charge of the Groups' internal control, as well as with the General Affairs, Legal and General Accounting Departments, to improve the efficacy of the auditing process.

(Nomination and Remuneration Advisory Committee)

The Nomination and Remuneration Advisory Committee is a voluntary body consisting of five members (including three outside directors) with an outside director as its chairperson as of March 26, 2020. 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 brings the matter up to the Board of Directors.

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, having been 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 the 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	In the fiscal year ended December 2019, a company briefing for individual investors was held once. During a briefing, the Company aims to help investors more deeply understand the Company by explaining basic information on the Company such as its financial standing, business model and main services as well as the medium-term management plan.	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 2019, individual meetings were held with institutional investors and analysts in the UK, Switzerland, and the U.S.	YES
Posting of IR Materials on the Website	IR Materials are posted on the Investor Relations section of the Company’s website. https://www.outsourcing.co.jp/en/ir/	
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 CSR Basic 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 Corporate Code of 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 department independent of the business departments. The Office shall conduct continuous and specialized monitoring of business operations and report the results to the President and the Supervisory and Audit 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 Regulations." The Company has established a system where, upon request for inspection by the directors, Audit and Supervisory Committee Members, accounting auditors or other related persons, the head of each department shall play the center role in collecting and submitting the information.

3. Regulations 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 Department shall engage in risk management, operation and establishment of regulation in order to promote an effective risk management. The Legal Department 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 President of the Company 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 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) The 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, responsible persons and their responsibilities and the details of the execution procedure shall be determined in accordance with internal regulations such as organization regulations and regulations on the division of duties 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 Conference participated by full-time directors and managing executive officers shall be established and be held twice a month in principle and when 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 department 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 Conference and obtain approval.
- (d) The Company shall receive business status reports from each Group company at least once a month. In addition, the Group Management Conference 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 President 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 for 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 reporting 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 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 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 President 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 auditors by receiving explanation from them 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 department 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 antisocial forces and organizations that pose a threat to social order and security. In addition, the Company shall formulate the Anti-Social Forces Countermeasure Regulations 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 antisocial forces and organizations that pose a threat to social order and security. In addition, the Company has formulated the Anti-Social Forces Countermeasure Regulations 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 companywide action guidelines and responsibilities based on this manual.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

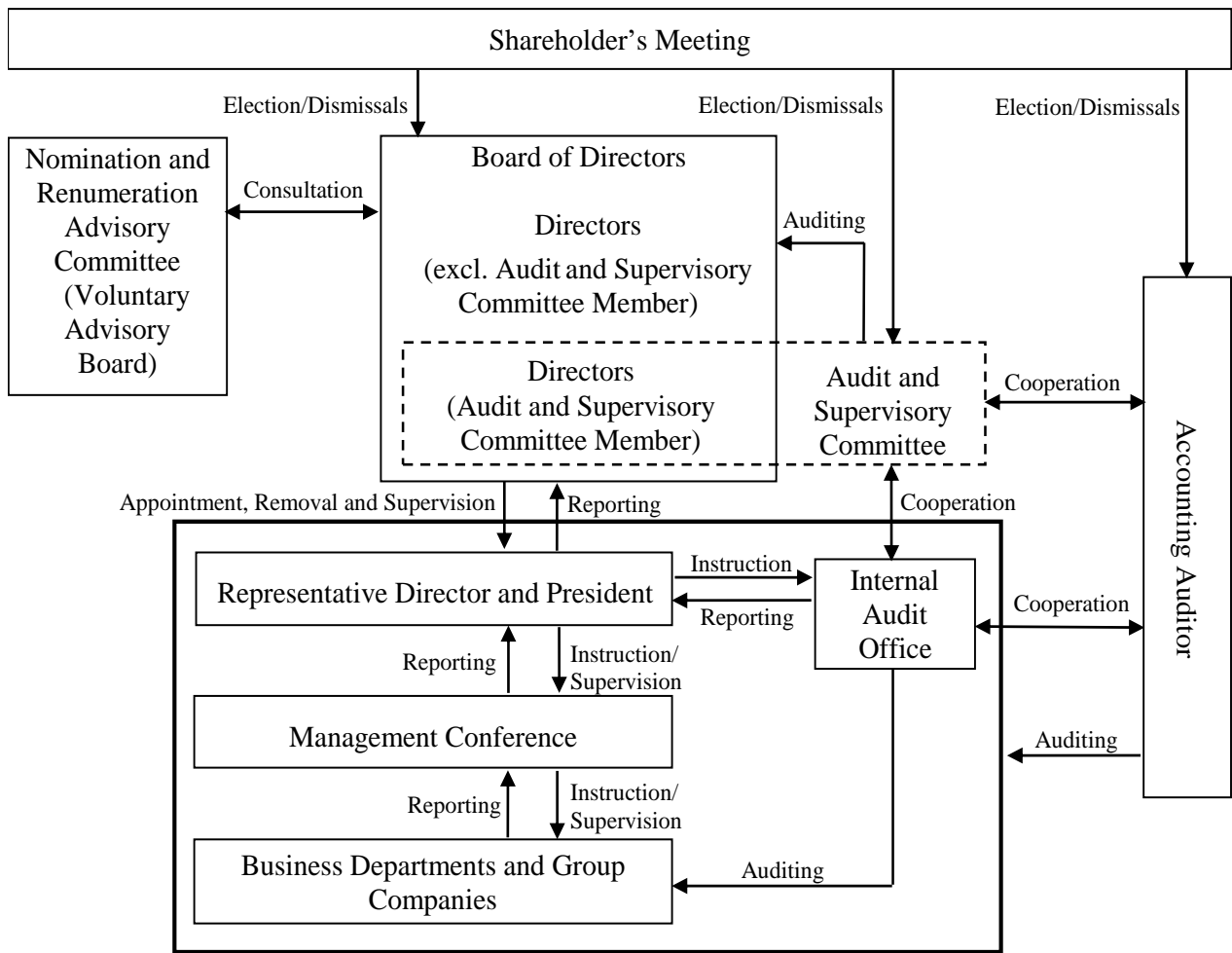
Supplementary Explanation

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

<p>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.</p> <p>2. Internal System for Timely Disclosure</p> <p>(a) Information on Decisions that Have Been Made Upon the occurrence of important matters, each department 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 upon resolution by the Board of Directors.</p> <p>(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.</p> <p>(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 bring the matter up at the Management Conference and meeting of the Company's Board of Directors 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 upon resolution by the Company's Board of Directors.</p> <p>3. In-house Education With regards to education concerning timely disclosure, the Company aims to thoroughly inform its officers and employees (including officers and employees of consolidated subsidiaries) of important matters subject to timely disclosure through important meetings, training sessions and other opportunities.</p>

Conceptual Diagram of the Corporate Governance System



Overview of Timely Disclosure System

