



August 28, 2020

To Whom It May Concern,

Company Name: OUTSOURCING Inc.
Representative: Haruhiko Doi, Chairman and CEO
(Securities Code: 2427, First Section, Tokyo
Stock Exchange)
Contact: Kazuhiko Suzuki, Executive Vice President
Head of Business Management Division
Phone: +81-3-3286-4888 (main)

Company Name: Dexerials Corporation
Representative: Yoshihisa Shinya, Representative Director
and President
(Securities Code: 4980, First Section, Tokyo
Stock Exchange)
Contact: Naoyuki Sanada, Senior Executive Officer,
CFO, Corporate Planning & Control Division
Head
Phone: +81-3-5435-3941 (main)

Basic Agreement Regarding Establishment of a Joint Investment Company for Manufacturing of Micro Devices Products

OUTSOURCING Inc. (Chairman and CEO: Haruhiko Doi, hereinafter called “OUTSOURCING”) and Dexerials Corporation (Representative Director and President: Yoshihisa Shinya, hereinafter called “Dexerials”) hereby announces that they have reached a basic agreement to establish a joint investment company (the “Joint Venture”) whose primary objective is to manufacture Micro devices products at the Nakada Plant of Dexerials as described below.

1. Background and Purpose of Establishment of the Joint Venture

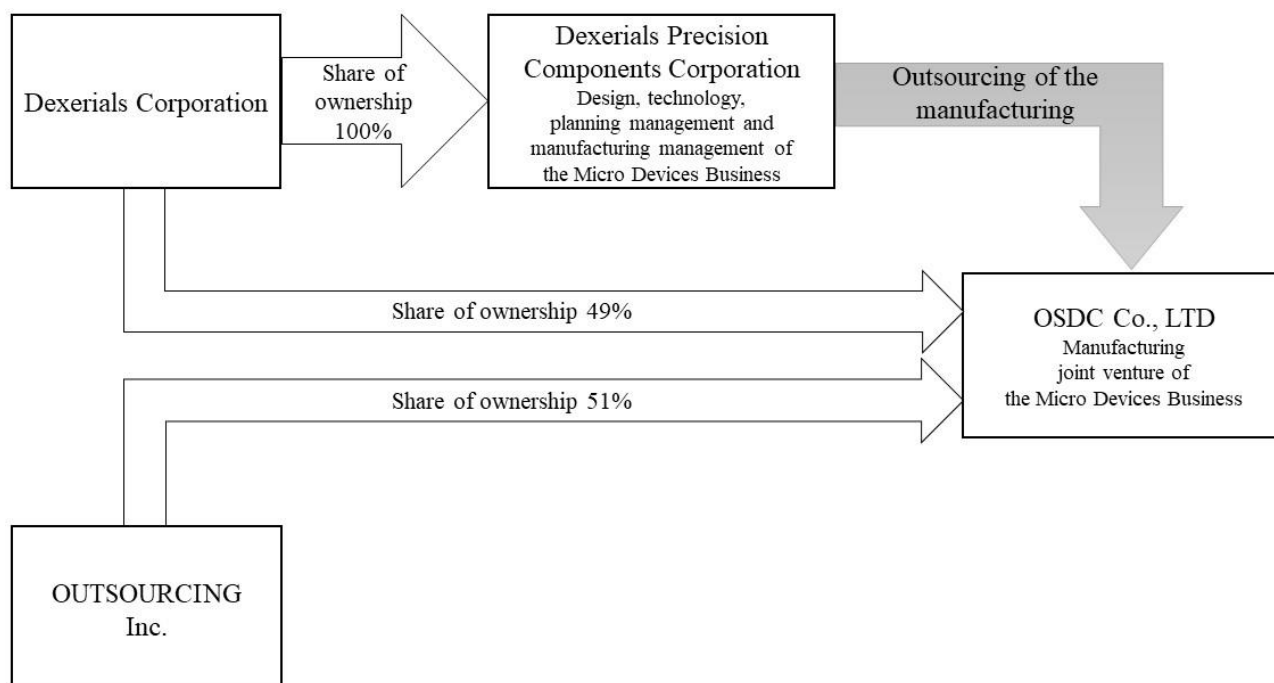
The OUTSOURCING Group, a global and comprehensive human resources service company, has an extensive track record in providing manufacturing outsourcing services and has in-depth knowledge of improving the efficiency of the mass production process of the manufacturing industry, including a leveling of performance and ensuring of efficient labor mobility that is not susceptible to the trends in any particular industry by allocating staff based on the ebb and flow in demand of multiple client-manufacturers across industries. In addition, the OUTSOURCING Group has a professional employer organization within the Group, which allows the OUTSOURCING Group to not only allocate staff flexibly to respond to fluctuations in production volume, but also to stably secure skilled and experienced workers.

Dexerials provides globally high value-added functional materials, including electronic components, bonding materials, and optics materials. Among these, in the Micro Devices Business, Dexerials manufactures products with highly competitive advantages and a large world market share at the Nakada Plant in Tome City, Miyagi Prefecture by utilizing its unique microfabrication technologies, such as inorganic polarizer, inorganic waveplate, and sputtering targets.

Meanwhile, to achieve sustainable growth of the Micro Devices Business, building a production system that is flexible to demand fluctuations has been a strategically important issue. Dexerials and OUTSOURCING reached a basic agreement to establish the Joint Venture to manufacture Micro devices products, targeting to start its operation on January 1, 2021. OUTSOURCING will own 51%, and Dexerials will own 49% of shares of the Joint Venture. OUTSOURCING and Dexerials will continue to negotiate to reach a final agreement at the end of October.

The Joint Venture will manufacture Micro devices products outsourced by the Dexerials Group, and the parent companies expect various synergies in this collaboration. OUTSOURCING has been expanding into multiple industries because of its extensive training systems and a large number of staff with production technology skills. This enables OUTSOURCING to provide efficiency improvement solutions optimized for each manufacturer. OUTSOURCING believes that Dexerials' unique and high technological capabilities backed by the high trust of the domestic and international markets will benefit the company in reinforcing its training programs and expanding the number of skilled workers while accumulating a track record as a partner of global manufacturers. In addition to the Joint Venture, Dexerials will establish a whollyowned subsidiary that will be in charge of design, technology, planning management, and manufacturing management functions of the Micro Devices Business. Dexerials will improve the earnings structure of the business itself and establish a production system that is resistant to demand fluctuations, aiming to operate the Micro Devices Business independently and enhance value of the business. Furthermore, through the establishment and operation of the Joint Venture, OUTSOURCING and Dexerials believe that it will be possible to secure enough skilled workers and protect workers at the same time even during demand fluctuations in Micro devices with the ability to control mobility supported by the customer base of the OUTSOURCING Group.

(Reference) Business structure after January 1, 2021



2. Outline of the Joint Venture

(1) Company name	OSDC Co., LTD
(2) Address	1-8-3 Marunouchi, Chiyoda-ku, Tokyo (planned)
(3) Composition of the directors	OUTSOURCING: 4, Dexerials: 3 (planned)
(4) Business overview	Manufacturing contractor of Micro devices products
(5) Capital stock	70 million yen
(6) Establishment	November 2020 (planned)
(7) Investment ratio	OUTSOURCING Inc.: 51% Dexerials Corporation: 49%
(8) Fiscal year-end	December 31

3. Overview of Investors

Company profile of OUTSOURCING

(1) Company name	OUTSOURCING Inc.
(2) Address	Marunouchi Trust Tower Main 19F, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo
(3) Title and name of representative	Haruhiko Doi, Chairman and CEO
(4) Business overview	Domestic engineering outsourcing business, domestic manufacturing outsourcing business, domestic service operations outsourcing business, overseas engineering outsourcing business, overseas manufacturing and service operations outsourcing business
(5) Capital stock	25.187 billion yen (as of December 31, 2019)
(6) Establishment	January 1997
(7) Total capital	65.040 billion yen (as of December 31, 2019)
(8) Total assets	239.907 billion yen (as of December 31, 2019)

Company profile of Dexerials

(1) Company name	Dexerials Corporation
(2) Address	Gate City Osaki, East Tower 8F, 1-11-2 Osaki, Shinagawa-ku, Tokyo
(3) Title and name of representative	Yoshihisa Shinya, Representative Director and President
(4) Business overview	Manufacturing and sales of electronic parts, adhesive materials, optical materials and other products
(5) Capital stock	16.021 billion yen (as of March 31, 2020)
(6) Establishment	June 2012
(7) Consolidated net assets	19.567 billion yen (as of March 31, 2020)
(8) Total consolidated assets	86.279 billion yen (as of March 31, 2020)

4. Effect on business results

OUTSOURCING expects the impact of the Joint Venture to be minimal on its consolidated financial results for the fiscal year ending December 31, 2020.

Dexerials has incorporated approximately 1.1 billion yen in expenses to strengthen the Micro Devices Business, including the Joint Venture in extraordinary losses for the forecast of consolidated financial results for the fiscal year ending March 31, 2021, announced on May 12, 2020.

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including earnings forecast contained in this document are based on information currently available to OUTSOURCING and Dexerials, and certain assumptions that both companies believe are reasonable. Accordingly, both companies can give no assurance that such statements will prove to be correct. Actual results may differ from the results anticipated in these forward-looking statements due to a variety of factors.

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