



October 8, 2020

To Whom It May Concern

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

Notice Regarding Acquisition of Shares of 2 EcoCity Group Companies

OUTSOURCING Inc. (hereinafter “the Company”) hereby announces that it has acquired all of the issued shares of the 2 companies which make up the EcoCity Group (hereinafter “the 2 target companies”) on October 8, 2020, which include EcoCityGroup Corporation and its wholly-owned subsidiary EcoCityService Corporation (hereinafter “ECS”), making them subsidiaries as per the details below.

1. Purpose of the acquisition of shares

For some time, OUTSOURCING Group (hereinafter “the Group”) has been working to smooth out earnings performance by expanding business into fields that have different business cycles from highly volatile Manufacturing Outsourcing Business and fields that are less susceptible to impact from economic fluctuation including public works outsourcing business.

In overseas markets, particularly in developed countries, the privatization of various public works of central and local governments has become quite active, and its market size is estimated to have reached several trillion yen. For the Group, specifically in U.K. market, as a result of proactive M&A, group companies are now engaged in public works outsourcing business from upstream to downstream, including debt collection for central and local governments, consulting (advisory services for central and local governments to outsource or sell operations to private sectors), BPO (business process outsourcing) and BPS (business process services: services for streamlining business process).

At the same time, the privatization of public works in Japan is progressing from the dawning stage to the growth stage. For local governments which are experiencing a decline in the number of civil servants while administrative needs of residents are becoming diversified, the privatization of public works is steadily expanding.

ECS is engaged in BPO consignment work for local governments and public enterprises including water and sewerage meter reading, fee collection clerical work, and operation of call centers for tax payment notifications. ECS has stable revenues based mainly on multi-year contracts and has achieved 17 consecutive years of revenue growth since its foundation in 2003.

Through this transaction, the Group can expect synergistic effects that will contribute to the expansion of Public Works Outsourcing Business, which is positioned as a priority measure of growth strategy in the Medium-Term Management Plan. The Group is already engaged in Outsourcing Business for U.S. Military Facilities, which is less susceptible to impact from economic fluctuation, and this transaction expands the scope

[Translation]

of the Group's domestic public works-related business. Not only that, in the future, we are planning to conduct a feasibility study on the possibility of digital transformation of public debt collection work in Japan by using proprietary in-house-developed AI technology which streamlines public debt collection at our U.K. group companies. Going forward, we will continue to accelerate our efforts to balance business stabilization and business expansion for the Group.

2. Outline of the acquired subsidiary

(1)	Company name	EcoCityGroup Corporation
(2)	Head office	7-13 Chigasaki Chuo, Tsuzuki-ku, Yokohama City, Kanagawa Prefecture
(3)	Name and title of representative	Kenji Sugimoto, CEO
(4)	Major businesses	Management consulting business; acquisition, holding, management, administration and trading of securities
(5)	Capital stock	JPY 100 million
(6)	Established	March 2016

3. Outline of the transferred sub-subsidiary

(1)	Company name	EcoCityService Corporation
(2)	Head office	8-33 Chigasaki Chuo, Tsuzuki-ku, Yokohama City, Kanagawa Prefecture
(3)	Name and title of representative	Kenji Sugimoto, CEO
(4)	Major businesses	BPO from local governments • water and sewerage meter reading • water and sewerage fee collection clerical work • various reception and counter window work • operation of call centers for tax payment notifications, etc.
(5)	Capital stock	JPY 20 million
(6)	Established	October 2003

4. Outline of the counterparty to the share acquisition

(1)	Company name	AZ-Star I Investment Limited Partnership
(2)	Head office	2-7 Gobancho, Chiyoda-ku, Tokyo
(3)	Established	April 2, 2015
(4)	Operation	AZ-Star Co., Ltd.
(5)	Limited liability partners	Domestic qualified institutional investors and business firms, etc.

5. Future outlook

Through this acquisition of shares, the 2 target companies become consolidated subsidiaries from 4Q FY12/20. The impact of this matter on consolidated financial results for FY12/20 is negligible.

(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 the Company, and certain assumptions that the Company believes are reasonable. Accordingly, the Company 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.

[Translation]

(Reference) Consolidated financial forecasts for FY12/20 (announced on May 14, 2020) and consolidated financial results for FY12/19

(Unit: millions of JPY)

	Revenue	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the company
FY12/20 forecasts	365,000	10,000	6,800	3,600	3,000
FY12/19 results	361,249	15,342	13,319	8,975	8,227

(Note) As the provisional accounting related to business combination was finalized, the consolidated financial statements for FY12/19 have been retroactively adjusted.