



August 4, 2016

To Whom It May Concern

Company Name: OUTSOURCING Inc.
Representative: Haruhiko Doi
Chairman and CEO
(First Section of TSE, Securities Code 2427)
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**Notice Regarding Signing of Memorandum of Understanding to
Acquire Shares of AMERICAN ENGINEERING CORPORATION (OKINAWA)**

OUTSOURCING Inc. (hereinafter the “Company”) hereby announces that the Board of Directors, at its meeting held on August 4, 2016, resolved to formally issue a Memorandum of Understanding to acquire 100% shares of AMERICAN ENGINEERING CORPORATION (OKINAWA) (hereinafter “AEC”), making it a subsidiary.

Particulars

1. Purpose of the Acquisition of Shares

The Company has engaged in and expanded its manufacturing-related outsourcing business with the aim of improving and enhancing the production efficiency of manufacturers. However, this business is susceptible to changes in the environment and is thus highly volatile.

In response to this business environment, until now the Company has avoided the risk of personnel expenses becoming fixed costs through large-scale recruiting and dispatching of fixed-term contract workers for times of production hikes, and large-scale employment cancellations of fixed-term contract workers for times of production cuts, in accordance with production fluctuation of manufacturers, however, under recent employment conditions, large-scale recruiting of fixed-term contract workers has become difficult, and the Company has shifted its strategy to achieving net increases in the number of personnel through its PEO scheme which converts dispatched workers from fixed-term employment to full-time employment.

As a result, the Company is proceeding to build a tenacious group structure which can secure overall group profits in surplus even while maintaining employment without adjustment when utilization rates drop due to a recession on the order of the collapse of Lehman Brothers-type event, by entry and expansion globally into new fields expected to grow going forward, with business cycles different from manufacturing and less susceptible to changes in the environment, with a view toward sharply increasing earnings of the overall group, and proceeding with a strategy to mitigate the risk of fixed

personnel expenses by lowering the composition ratio of Manufacturing Outsourcing Business in the overall group. By building this type of structure, for Manufacturing Outsourcing Business, employees that were maintained during the recession can be used immediately during the economic recovery, allowing earnings to recover and grow immediately.

In the previous fiscal year, as one business least susceptible to fluctuation of the economy, the Company entered outsourcing business for operations of welfare and recreational facilities within US military bases in Japan, developing the business from mainly at the Kadena Air Base in Okinawa Prefecture to include the US Marine Corps Air Station Iwakuni, promoting steady business expansion, and in addition to extending development to include all US military bases in Japan, the Company is strengthening business development into the Pacific Rim region, as well as targeting entry into the substantially larger market for outsourcing maintenance and repair work for military facilities within US military bases.

At the same time, for mainly US military bases in Japan, in addition to AC and electrical work services, AEC provides maintenance and repair work services for military facilities, and incidental to the aforementioned services provided at 5 bases in Okinawa, Tokyo, Misawa, Iwakuni and Sasebo, since AEC also provides post-construction maintenance services for project work that it handled itself, stable growth in post-construction maintenance services can be expected in accordance with actual projects handled going forward. Also, the company is advantageously positioned through its own procurement channels for products and parts for AC and electrical equipment used in projects for the US military, and further growth can be expected going forward.

By making AEC a subsidiary, the Company is accelerating business development within US military bases in Japan, business which is less susceptible to the impact of changes in the economy and environment, and by working together in cooperation with HR services for US military bases in which it is already involved, the Company will further strengthen its business platform, and accelerate business development into US military bases in the Pacific Rim by leveraging AEC's strength as a US corporation.

2. Outline of the Company that will become a Subsidiary of OUTSOURCING Inc.

(1) Company Name	AMERICAN ENGINEERING CORPORATION (OKINAWA)	
(2) Head Office	229 South State Street, Dover, Delaware, U.S.A.	
(3) Name and Title of Representative	Richard G. Boudreault, President	
(4) Major Businesses	Contract labor of installation of HVAC and other machinery, and electric construction Repair and sales of HVAC, other machinery and electric products	
(5) Capital Stock	USD200,000	
(6) Established	April 13, 1964	
(7) Major Shareholders, % owned	Robert M. Exsterstein Richard G. Boudreault	55.0% 45.0%

(8) Relationship between OUTSOURCING Inc. and AEC	Capital Relationship	None		
	Personnel Relationship	None		
	Business Relationship	None		
(9) Financial Results and Position for the Past Three Fiscal Years (Unit: Thousands of JPY)				
Fiscal Year	December 2013	December 2014	December 2015	
Net Assets	3,728,884	3,770,906	3,904,495	
Total Assets	9,027,233	8,788,580	8,733,778	
Net Assets Per Share (Unit: JPY)	186,444	188,545	195,225	
Net Sales	9,612,880	9,430,483	10,556,134	
Operating Income	66,782	(308,416)	172,735	
Ordinary Income	415,248	56,073	234,802	
Net Income	253,221	34,873	134,144	
Net Income Per Share (Unit: JPY)	126,661	1,744	6,707	
Dividends Per Share (Unit: JPY)	-	-	-	

3. Outline of the Parties from which Shares will be Acquired

(1) Name	Robert M. Exsterstein
(2) Address	Nakagami-gun, Okinawa
(3) Relationship between OUTSOURCING Inc. and Concerned Individual	There are no capital, personnel and business relationships between the Company, including its related individuals and affiliates, and the concerned individual.

(1) Name	Richard G. Boudreault
(2) Address	Nakagami-gun, Okinawa
(3) Relationship between OUTSOURCING Inc. and Concerned Individual	There are no capital, personnel and business relationships between the Company, including its related individuals and affiliates, and the concerned individual.

4. Number of Shares to be Acquired, Acquisition Price, and Ownership Before and After the Acquisition

(1) Number of Shares Owned Before Acquisition	Number of shares	0
	Number of voting rights	0
	Ratio of voting rights owned	0%
(2) Number of Shares to be Acquired	Number of shares	20,000
(3) Acquisition Price	Acquisition of AEC common shares and stake	JPY8,100 million
	Advisory fees (estimated amount)	JPY 42 million
	TOTAL (estimated amount)	JPY8,142 million

(4) Number of Shares Owned After Acquisition	Number of shares	20,000
	Number of voting rights	20,000
	Ratio of voting rights owned	100%

5. Schedule

(1) Date of Signing Memorandum of Understanding	August 4, 2016
(2) Date of Signing Share Transfer Agreement	October 28, 2016 (planned)
(3) Date of Shares Transfer	April 1, 2017 (planned)

6. Future Outlook

The impact of this matter on consolidated financial results for this fiscal year is negligible.