

Consolidated Cumulative Financial Results for the 2Q of FY ending September 30, 2022

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Insource Co., Ltd.

(TSE:6200)



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<Reference1> Company Profile & Insource’s Advantages

<Reference2> ESG Strategies and Topics

<Reference3> Three-year Business Plan “Road to Next 2024”

1H FY21 Highlights

Net sales

Sales increased by 22.8% YoY to 4,510 million yen (+836 million yen YoY).

On-Site training business increased by 15.5% to 2,123 million yen.

Open Seminars business increased by 15.8% to 984 million yen.

IT services business increased by 25.1% to 687 million yen.

Other businesses increased by 64.2% to 715 million yen.

The sales of all businesses field increased, achieving the highest half-year sales in the company's history.

Gross profit

Gross profit increased by 23.8% to 3,497 million yen (+ 672 million yen YoY), and gross profit margin improved by 0.6pt YoY to 77.6%, achieving a record-high half-year gross profit.

Operating profit

Operating profit increased by 33.2% to 1,674 million yen (+417 million yen YoY), and operating profit margin improved by 2.9pt to 37.1% YoY, achieving the highest half-year operating profit.

Consolidated FY21(full-year) financial forecasts

Since there are warnings of a rebound in the spread of COVID-19, and the impact on each business, both positive and negative, cannot be determined at this time, the consolidated financial forecast for FY21(full-year) remain unchanged from that announced on January 24, 2022. The figures will be announced if updated.

Chap. 01 1H FY21 Consolidated Financial Results

Consolidated Profit & Loss Statement ① Overview

Unit: million yen

	1H FY19 (Actual)	1H FY20 (Actual)	1H FY21 (Actual)	YoY	FY21 (Forecast)	Progress rate
Net sales (YoY)	2,905 (+349)	3,673 (+768)	4,510 (+836)	+22.8%	8,900 (+1,398)	50.7%
Gross profit (YoY) (Gross profit margin)	2,073 (+292) (71.4%)	2,825 (+752) (76.9%)	3,497 (+672) (77.6%)	+23.8% (+0.6pt)	6,780 (+1,058) (76.2%)	51.6%
Operating profit (YoY) (Operating profit margin)	624 (+56) (21.5%)	1,257 (+632) (34.2%)	1,674 (+417) (37.1%)	+33.2% (+2.9pt)	2,600 (+195) (29.2%)	64.4%
Ordinary profit (YoY) (Ordinary profit margin)	623 (+57) (21.5%)	1,273 (+650) (34.7%)	1,658 (+384) (36.8%)	+30.2% (+2.1pt)	2,600 (+183) (29.2%)	63.8%
Net Profit (YoY) (Net profit margin)	420 (+48) (14.5%)	823 (+402) (22.4%)	1,136 (+312) (25.2%)	+38.0% (+2.8pt)	1,770 (+198) (19.9%)	64.2%

※ The consolidated financial forecasts for FY21(full-year) remain unchanged from the figures announced on January 24, 2022. The figures will be announced if updated.

Consolidated Profit & Loss Statement ② By Business

Unit: million yen

		1H FY20 (Actual)	1H FY21 (Actual)	YoY	FY21 (Target)	Progress rate
On-Site Training	Net Sales (YoY)	1,838 (+250)	2,123 (+284)	+15.5%	4,400 (+602)	48.3%
	Composition ratio 1H FY21: 47.1% (1H FY20: 50.1%)	Gross profit (Gross profit margin)	1,430 (77.8%)	1,689 (79.6%)	+18.1% (+1.8pt)	3,410 (+446) (77.5%)
Open Seminars	Net Sales (YoY)	850 (+141)	984 (+134)	+15.8%	2,130 (+302)	46.2%
	Composition ratio 1H FY21: 21.8% (1H FY20: 23.1%)	Gross Profit (Gross profit margin)	642 (75.5%)	754 (76.6%)	+17.5% (+1.1pt)	1,580 (+207) (74.2%)
IT Services	Net Sales (YoY)	549 (+210)	687 (+137)	+25.1%	1,280 (+257)	53.7%
	Composition ratio 1H FY21: 15.2% (1H FY20: 15.0%)	Gross Profit (Gross profit margin)	436 (79.5%)	546 (79.5%)	+25.1% (+0pt)	1,020 (79.7%)
Other Businesses	Net Sales (YoY)	435 (+165)	715 (+279)	+64.2%	1,090 (+236)	65.6%
	Composition ratio 1H FY21: 15.9% (1H FY20: 11.9%)	Gross Profit (Gross profit margin)	316 (72.7%)	507 (71.0%)	+60.3% (▲1.7pt)	770 (70.6%)

※ Our gross profits by business were not audited by Ernst & Young ShinNihon LLC.

Consolidated Profit & Loss Statement ③ Breakdown of SG&A expenses

■ Personnel expenses increased by 218 million yen (+17.6% YoY) due to the personnel increase and the RS implementation.

■ Office-related expenses decreased by 6 million yen (-7.3% YoY) due to the lower ground rent after purchasing the company's own building.

■ Other expenses increased by 46 million yen (+29.8% YoY) due to the increase in business tax.

Unit: million yen

Breakdown of SG&A	1H FY19	1HFY20	1H FY21	YoY		FY21
	(Actual)	(Actual)	(Actual)			(Forecast)
Personnel expenses※1	1,100	1,241	1,460	+218	+17.6%	3,330 (+715)
Of which, RS※2	0	0	59	+59	-	120 (+60)
Office-related expenses ※3	98	88	81	▲6	▲7.3%	150 (▲47)
Office & communication expenses	81	81	76	▲4	▲5.3%	210 (+62)
Others	169	157	204	+46	+29.8%	490 (+135)
Total SG&A	1,449	1,568	1,823	+254	+16.2%	4,180 (+863)
(SG&A ratio)	(49.9%)	(42.7%)	(40.4%)	(▲2.3pt)	-	(47.0%)

※1 Personnel expenses include wages, recruitment, training, benefit expenses, and outsourcing expenses.

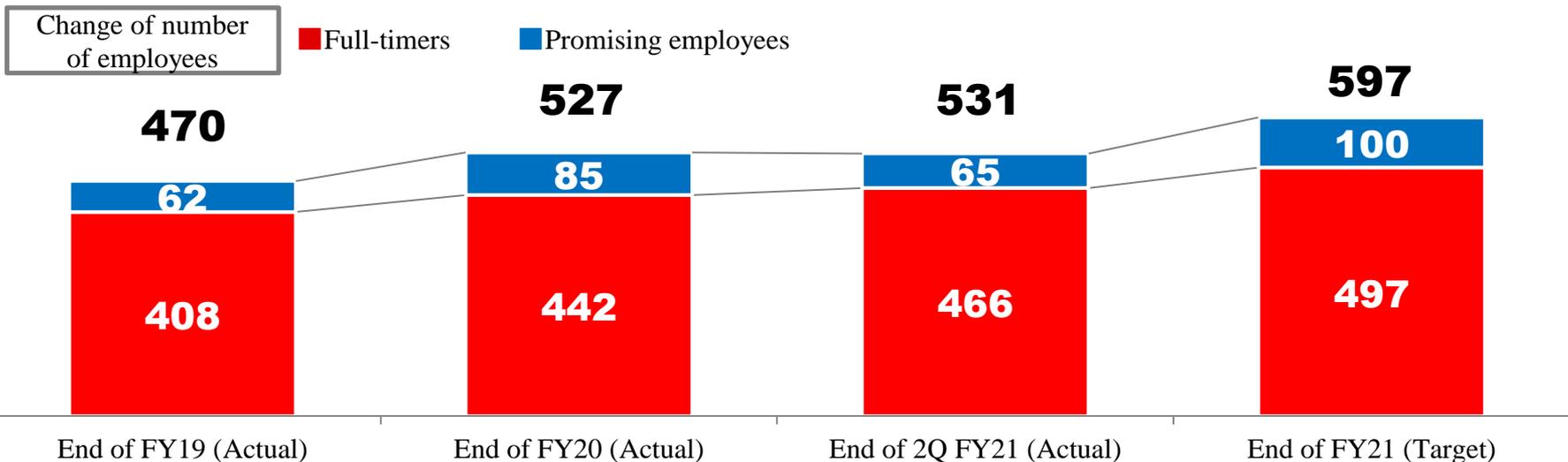
※2 Restricted stock.

※3 Office-related expenses include land rent, fixed asset tax of the company's buildings, real estate acquisition tax, and depreciation of property, plant and equipment.

Number of Employees

- A total of 34 new employees (22 new graduates and 12 mid-career employees) joined the company in this April. We are actively recruiting to increase the number of employees by 70 for FY21.
- For the investment to the next generation, we are focusing to improve the skills of the promising employees who joined the company for less than one year after graduation and those who joined mid-way for less than six months. In particular, the new graduates have been trained as the new core personnel with both DX and sales' skills.

	FY19 (Actual)	FY20 (Actual)	End of 2Q FY21 (Actual) (vs end of FY20)	Remaining no. of people against FY21 target	End of FY21 (Target) (YoY)
<u>Total number of employees</u>	470	527	531 (+4)	66	597 (+70)
<u>Promising employees</u> ※	62	85	65	-	100 (+15)



※Promising employees refers to personnel who have joined the company within one year after graduation and within six months after mid-career hiring.

Consolidated Balance Sheets

- Current assets increased due to an increase in cash and deposits. Fixed assets increased due to the acquisition of the company-owned building.
- Current liabilities increased due to an increase in short-term borrowings.
- Net assets increased due to profit despite dividend payment.

Unit: million yen

	End of FY19 (Actual)	End of FY20 (Actual)	End of 1H FY21 (Actual)	HoH	
Current assets	3,025	3,759	4,342	+583	+15.5%
Of which, cash and deposits	2,219	2,624	3,044	+419	+16.0%
Fixed assets	1,319	3,007	3,268	+261	+8.7%
Total assets	4,344	6,766	7,611	+844	+12.5%
Current liabilities	1,379	2,202	2,555	+352	+16.0%
Out of which, Advances received ※	595	599	598	▲0	▲0.1%
Fixed liabilities	81	63	52	▲11	▲18.7%
Net assets	2,883	4,500	5,004	+503	+11.2%
Total liabilities And net assets	4,344	6,766	7,611	+844	+12.5%

※Advances received are the unused amount of the “HRD Smart Pack”(our unique point service) that can be used for services such as Open Seminars and e-Learning/Videos

Consolidated Cash Flow

- Cash from operating activities decreased due to increases in business taxes paid, despite an increase in profits.
- Cash from investing activities decreased due to a decrease in purchase of intangible fixed assets.
- Cash from financing activities decreased due to an increase in dividends paid and a decrease in short-term borrowings.
- Depreciation expenses increased due to acquisition of company-owned building.

Unit: million yen

	1H FY20 (Actual)	1H FY21 (Actual)	HoH
Cash flow from operating activities (A)	1,073	892	▲181
Cash flow from investing activities (B)	▲760	▲319	+440
Free Cash Flow (A+B)	313	573	+259
Cash flow from financing activities	313	▲153	▲466
Depreciation expense	46	66	+20
Amortization of goodwill	4	8	+3

■ The number of WEBinsource new clients and new contents has made good growth.

	FY20 (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	1H FY21 cumulative total	FY21 (Target)
No. of new contracts of WEBinsource (organizations) (Cumulative no.)	2,306 (15,798)	673 (16,471)	750 (1,7221)	1,423 (progress rate: 59.3%)	2,400 (18,198)
No. of new contents for On-Site training (Cumulative no.)	321 (3,461)	81 (3,542)	81 (3,623)	162 (progress rate: 54.0%)	300 (3,761)
No. of new contents for Open Seminar (Cumulative no.)	437 (3,296)	116 (3,412)	83 (3,495)	199 (progress rate: 66.3%)	300 (3,596)
No. of new contents for e-Learning/ video ※1 (Cumulative no.)	248 (334)	48 (382)	66 (448)	114 (progress rate: 54.3%)	210 (544)
No. of core solution plans※2 (Cumulative no.)	60 (231)	8 (239)	11 (250)	19 (progress rate: 54.3%)	35 (266)
No. of web-sessions (Unit: thou. times)	2,010	447	418	865 (progress rate: 40.2%)	2,150

※1 The number of new contents for e-learning and video are those developed by the Company only (excluding partners).

※2 Core solution plan: A packaged plan that combines multiple services to solve the various issues (issues by type, by industry, by job title, etc.) of each organization at the same time. (known as a package plan, formerly)

Chap. 02 2Q FY21 Details by Business

2Q FY21 Consolidated Financial Results (Jan.-Mar., 2022)

- Sales increased in all businesses, with quarterly sales, gross profit, and operating profit reaching record highs. Sales of high unit-price DX training and high-profit e-learning and video sales increased significantly.
- Net sales were 2,317 million yen (+24.6% YoY). Gross profit was 1,819 million yen (+26.7% YoY). Gross profit margin was 78.5% (+1.3pt YoY). Operating profit was 899 million yen (+47.3% YoY). Operating profit margin was 38.8% (+6.0pt YoY).

2Q FY21 Details by business (Jan.-Mar., 2022)

- On-Site Training business (Sales: 874 million yen, +13.2% YoY, progress rate: 48.3%)
High unit-price online training and DX training have increased in both the private and public sectors.
- Open Seminars Business (Sales: 476 million yen, +18.3% YoY, progress rate: 46.2%)
DX training such as “Python Academy” and other various new training performed well, and the total number of attendees increased significantly.
- IT Services Business (Sales: 483 million yen, +21.1% YoY, progress rate: 53.7%)
Annual recurring revenue (ARR) increased 44.1% YoY to 572 million yen with 1.93 million Leaf users. Sales of customization services also grew due to the introduction of on-the-web appraisal form service and paid optional functions.
- Other Businesses (Sales: 482 million yen, +69.4% YoY, progress rate: 65.6%)
High-profit e-learning/video sales were strong in both the private and the public sectors due to fiscal-year-end demand and contents updated for legal revisions in this April.

Consolidated Profit & Loss Statement Overview

Unit: million yen

	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY	
Net Sales (QoQ)	1,859 (+45)	1,870 (+10)	1,956 (+86)	2,192 (+235)	2,317 (+124)	+457	+24.6%
Gross Profit (QoQ)	1,435 (+44)	1,414 (▲21)	1,481 (+67)	1,678 (+197)	1,819 (+140)	+383	+26.7%
(Gross profit margin)	(77.2%)	(75.6%)	(75.7%)	(76.6%)	(78.5%)	(+1.3pt)	
Operating profit (QoQ)	610 (▲35)	474 (▲135)	672 (+197)	775 (+103)	899 (+123)	+288	+47.3%
(Operating profit margin)	(32.8%)	(25.4%)	(34.4%)	(35.4%)	(38.8%)	(+6.0pt)	
Ordinary profit (QoQ)	614 (▲45)	477 (▲136)	665 (+187)	765 (+100)	893 (+127)	+278	+45.4%
Net profit (QoQ)	370 (▲81)	325 (▲44)	422 (+96)	522 (+100)	613 (+90)	+242	+65.5%

On-Site Training Business

■ Gross profit margin increased by 1.2pt YoY because high unit-price online training and DX training have increased in both the private and public sectors performed well.

■ Based on sales by customer segment, Large Enterprise (companies with 1,000 or more employees) increased.

Unit: million yen

	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY	
Net Sales (QoQ)	772 (▲293)	1,018 (+245)	940 (▲77)	1,248 (+308)	874 (▲374)	+102	+13.2%
Gross profit (QoQ) (Gross profit margin)	608 (▲213) (78.7%)	798 (+190) (78.4%)	734 (▲63) (78.1%)	990 (+255) (79.3%)	698 (▲291) (79.9%)	+90 (+1.2pt)	+14.9%
No. of trainings conducted(times) (QoQ)	2,613 (▲1,662)	3,811 (+1,198)	3,525 (▲286)	4,807 (+1,282)	2,984 (▲1,823)	+371	+14.2%
Among above, no. of online training (composition ratio)	1,590 (60.8%)	1,757 (46.1%)	2,036 (57.8%)	2,321 (48.3%)	1,798 (60.3%)	+208	+13.1%
Average unit price (unit:thou.yen) (QoQ)	295.6 (+46.4)	267.1 (▲28.4)	266.8 (▲0.3)	259.8 (▲7.1)	293.1 (+33.3)	▲2.5	▲0.9%

※ Sales activities tailored to characteristics of each customer segment have been promoted from FY21, (see Three-year business plan “Road to Next 2024” p45)

Open Seminars Business

- DX training such as “Python Academy” and other various new training performed well, and the total number of attendees increased significantly. The composition ratio of online training increased to 90.3%, maintaining a high level.
- Gross profit margin increased 1.1pt YoY due to the decrease of office-related expenses by reducing the number of seminar rooms.
- Based on sales by customer segment, Medium Business (companies with 500 to 999 employees) increased significantly.

Unit: million yen

	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY	
Net Sales (QoQ)	403 (▲43)	512 (+109)	464 (▲48)	507 (+42)	476 (▲30)	+73	+18.3%
Gross profit (QoQ) (Gross profit margin)	302 (▲37) (75.0%)	385 (+83) (75.2%)	345 (▲40) (74.3%)	391 (+46) (77.3%)	362 (▲29) (76.0%)	+60 (+1.1pt)	+19.9%
No. of attendees (QoQ)	18,450 (▲3,661)	22,041 (+3,591)	21,846 (▲195)	24,440 (+2,594)	22,205 (▲2,235)	+3,755	+20.4%
Among above, no. of online training (composition ratio)	14,951 (81.0%)	16,798 (76.2%)	18,870 (86.4%)	21,121 (86.4%)	20,047 (90.3%)	+5,096	+34.1%
No. of attendees per seminar (QoQ)	14.0 (+0.7)	13.4 (▲0.7)	12.2 (▲1.1)	12.8 (+0.5)	12.5 (▲0.2)	▲1.5	▲11.0%
Average unit price per seminar(unit: thou.yen) (QoQ)	21.8 (+1.6)	23.2 (+1.4)	21.2 (▲1.9)	20.7 (▲0.5)	21.4 (+0.7)	▲0.3	▲1.6%

※ Sales activities tailored to characteristics of each customer segment have been promoted from FY21, (see Three-year business plan “Road to Next 2024”p45)

- The number of paid organizations and users of Leaf grew to 470 organizations and 1.93 million users respectively, with monthly usage (MRR*1) of 47 million yen and annual recurring revenue (ARR*2) of 572 million yen (+44.1% YoY).
- Leaf Customization sales increased by 21.8% YoY due to an increase in the introduction of on-the-web appraisal form service and optional functions such as single sign-on.

Unit: million yen

	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY	
Net Sales (QoQ)	399 (+249)	172 (▲226)	301 (+128)	203 (▲97)	483 (+280)	+84	+21.1%
<Breakdown> Leaf Monthly Subscription (QoQ)	102 (+9)	111 (+8)	128 (+17)	137 (+9)	141 (+3)	+38	+37.8%
Sales per month*3	34	38	43	46	47	+14	+44.1%
Average unit price /Organization (unit: thou. yen)	104.7	102.0	104.6	107.9	104.0	▲0.7	▲0.7%
Leaf Customization	193	59	153	34	235	+42	+21.8%
Stress Check Support Service	102	1	18	31	106	+3	+3.2%
Gross Profit *4 (QoQ) (Gross profit margin)	326 (+216) (81.9%)	106 (▲220) (61.8%)	246 (+140) (81.9%)	147 (▲99) (72.3%)	399 (+251) (82.6%)	+72 (+0.7pt)	+22.2%

※1 MRR: Monthly Recurring Revenue ※2 ARR: Annual Recurring Revenue. Calculated by multiplying the MRR of the last month of each term by 12.

※3 Monthly usage fees (Recurring Revenue) for the last month of each quarter. ※4 Our gross profit margins by business were not audited by Ernst & Young ShinNihon LLC.

※5 Recalculated and changed the breakdown of Leaf's sales per month and customization sales for 1Q FY21.

Monthly subscription Model (Unit: organization)	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY
Leaf paid subscribers (QoQ)	333 (+35)	375 (+42)	412 (+37)	432 (+20)	470 (+38)	+137 +41.1%
Leaf Users (Unit: thou. people) (QoQ)	1,498 (+67)	1,614 (+115)	1,756 (+141)	1,848 (+92)	1,932 (+84)	+434 +29.0%
On-the-web appraisal form services (QoQ)	108 (+10)	116 (+8)	128 (+12)	134 (+6)	151 (+17)	+43 +39.8%
Services based on individual contract	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY
Leaf No. of Customization (QoQ)	50 (+32)	19 (▲31)	58 (+39)	17 (▲41)	75 (+58)	+25 +50.0%
No. of Stress Check Support Service (QoQ)	231 (+175)	13 (▲218)	43 (+31)	102 (+59)	277 (+176)	+46 +19.9%

Other Businesses

High-profit e-learning/video sales were strong in both the private and the public sectors due to fiscal-year-end demand and contents updated for legal revisions in this April.

Unit: million yen

	2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY	
Net Sales (QoQ)	284 (+133)	167 (▲117)	250 (+83)	233 (▲17)	482 (+249)	+198	+69.4%
<Breakdown>							
E-learning/ Video Production (QoQ)	194 (+96)	109 (▲85)	115 (+6)	108 (▲6)	311 (+203)	+117	+60.3%
Consulting/Online seminar support service/ Assessment service (QoQ)	76 (+38)	46 (▲30)	79 (+33)	57 (▲21)	74 (+16)	▲2	▲3.0%
Web marketing (QoQ)	- -	- -	40 (+40)	54 (+13)	49 (▲4)	-	-
Gross Profit※ (QoQ)	198 (+79)	123 (▲74)	154 (+31)	149 (▲5)	358 (+209)	+160	+81.0%
(Gross profit margin)	(69.5%)	(73.9%)	(61.9%)	(64.0%)	(74.3%)	(+4.7pt)	

※ Our gross profit margins by business were not audited by Ernst & Young ShinNihon LLC.

※ We have revised the operating segments, and some sales are transferred from e-learning and video production to consulting, seminar support services and assessment services, etc. The related figures have been restated on the table above.

Other Businesses KPIs

Unit of Net Sales : million yen		2Q FY20 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q FY21 (Actual)	YoY	
<e-Learning/Videos>								
Outright purchase	Net Sales	60	49	58	53	176	+116	+193.6%
	No. of Videos	430	419	288	271	869	+439	+102.1%
Rental	Net Sales	2	2	3	6	10	+8	+432.0%
	No. of Viewers	1,878	1,735	1,507	4,138	3,763	+1,885	+100.4%
Monthly Subscription (STUDIO)	Net Sales	38	48	40	43	29	▲8	+22.1%
	No. of User IDs (Unit : thou. IDs)	44	51	54	58	61	+16	+37.3%
Video Production Solution	Net Sales	77	10	12	5	18	▲58	▲76.6%
	No. of Contents	37	35	23	36	66	+29	+78.4%
Consulting/ Assessment service	Net Sales	38	21	34	31	37	▲1	▲1.8%
	No. of Organizations	83	55	71	76	71	▲12	▲14.5%
Online seminar support service	Net Sales	38	24	45	26	36	▲1	▲4.3%
	No. of Organization	67	36	48	68	68	+1	+1.5%

Changes in sales by customer segment and new services①

Changes in sales by customer segment (All businesses)

Unit: million yen

	2Q FY20 (Actual)	2Q FY21 (Actual)	YoY	
E Large Enterprise (1,000 or more employees)	975	1,172	+197	+20.2%
M Medium Business (500-999)	230	309	+78	+33.9%
G SMB (Small Medium Business) (less than 499)	618	796	+178	+28.8%

On-Site Training

- E** Large-scale projects for high-unit DX training increased, especially in the private sector.

Certified as the partner of Sapporo Holdings' "DX Human Resource Development for All Employees (78-day training) in Mar.,2022.



- E** Training courses have been developed continuously based on the latest trends and customer needs.

"SDGs", "CX", "Diversity and inclusion", "Envision the company's future", "Turnover prevention", etc.



Open Seminars

- E** Expansion of DX training, especially the "Python Academy", a programming training service.

- M** Launched the "Energy Session" series for quick learning

- M** Launched the "Value Pack", which enables introduction of Open Seminars at 48,000 yen/month or more.



New services②

IT Services

- E** Large Enterprise
- M** Medium Business
- G** SMB (Small Medium Business)

- E** **M** ▪ Started new features of Leaf "One Time Password" function and "Communication Board" function.

- M** **G** ▪ Launched "Leaf in order", an unlimited streaming service of more than 300 latest e-learning courses.
- Launched "Leaf EVA," a personnel evaluation system that enables the introduction of evaluation system without any burden.
- Strengthened the sales power of Leaf Lightning, which was launched in 2021.



Other Businesses

- M** **G** ▪ Expanded the range of videos that correspond to legal revisions (e.g., Revision of Child Care and Family Care Leave Law, Power Harassment Prevention Law)

- E** **M** ▪ Launched engagement diagnostic service.

- M** **G** ▪ Started "Recruitment Accelerator", the recruiting website production service.
 - Low-cost packaged service compatible with major job search engines
- Started the new and the override contract campaign for web advertising agency business in April, 2022.
 - Value-added campaigns to improve web traffic and conversion rates



<Reference> Company Profile & Insource's Advantages

Company Profile

- Company name Insource Co., Ltd.
- Capital 800,623 thousand yen
- Tokyo Headquarters Insource Dokanyama Bldg. 4-19-12 Nishi Nippori, Arakawa-ku, Tokyo
- Company Development Nov. 2002 Founded
 Jul. 2016 Listed on TSE Mothers
 Jul. 2017 Listed on TSE First Section
 Apr. 2022 Moved to Prime Market
- Representative Director Representative Director, President and CEO Takayuki Funahashi
 Joined Sanwa Bank (now Mitsubishi UFJ Bank) in 1988. Had been in charge of the systems development department (management accounting, sales, marketing) and the personal finance department (new product development). After working in a distribution industry, established Insource Co., Ltd. and became its representative director.

Affiliated Companies

Mitemo Co., Ltd

- e-Learning, Platform business
- Production of Training Materials
- Workshops/ Consulting
- Regional Revitalization Business

Rashiku Corporation

- Recruitment Support Business

MIRAI SOUZOU & COMPANY, Inc.

- On-Site Training Business

Insource Digital Academy Corporation

- Training Business of HR with Digital Skills
 (AI/ Support for Machine Learning Applications, Support for Utilizing RPA, Improving OA/IT Skills and Business Skills)

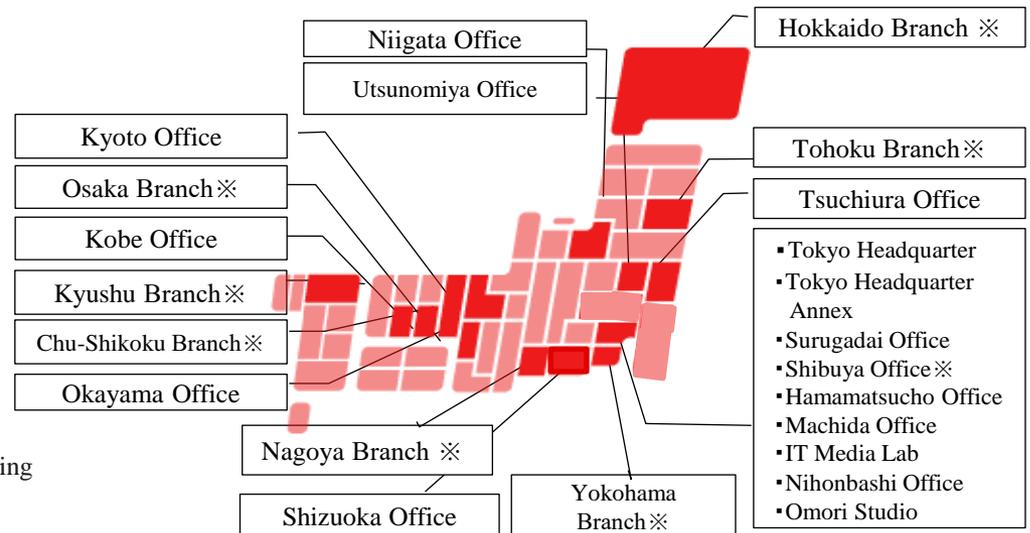
Insource Marketing Design Corporation

- Website Promotion, Homepage Creation, System Development

Business Locations: 24

※ As of the end of Mar., 2022

※ Branches with Seminar Rooms.



- Tokyo Headquarter
- Tokyo Headquarter Annex
- Surugadai Office
- Shibuya Office ※
- Hamamatsucho Office
- Machida Office
- IT Media Lab
- Nihonbashi Office
- Omori Studio

Seminar Rooms: 38 Classrooms in 7 Cities
 Online Training Booths: 112 Booths

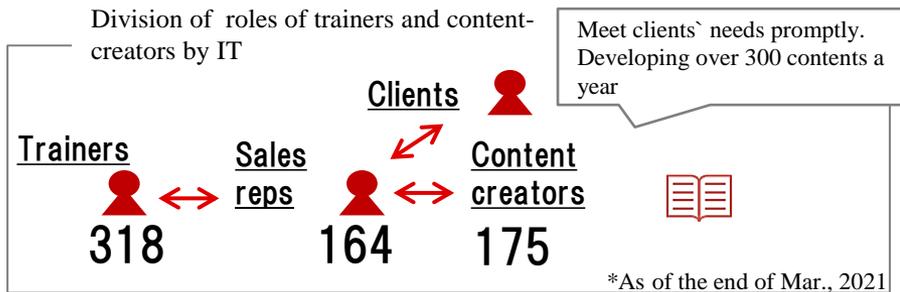
- High quality trainings make it possible to practice what you learned the next day.
- Digitalization of the training management allows us to provide more trainings with better contents.
- High level of customer satisfaction with:

Contents	95.8%	/	Trainers	93.9%
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*As of the end of Mar. 2022

On-Site Training (1H Sales ratio: 47.1% ,FY20: 50.6%)

Offer On-Site Trainings tailored to organizations' needs



Annual total number of trainings conducted/attendees

15,127 times **484** thou. attendees

Out of the total number of trainings conducted online:

7,912 times **243** thou. attendees

*Apr, 2021-Mar., 2022



Open Seminars (1H Sales ratio: 21.8%,FY20: 24.4%)

Offer Open Seminars that from one person can attend

- Seminars are held online frequently and nationwide
 - Held both onsite (in 8 cities) and online
 - 86,777 attendees annually (No. of online attendees in 2Q: 90.2%)
 - More than 3,000 types of courses, including those offered by business partners, have been provided and new courses will be introduced timely
 - Up to 50% discount with "HRD Smart Pack"(our unique point service)
 - Used by both startups and large companies nationwide

Annual total number of trainings conducted/ No. of attendees

6,987 times **90** thou. people

Among them, the total number of trainings conducted online:

4,901 times **76** thou. people

*Apr, 2021-Mar., 2022



IT Services (1H Sales ratio: 15.2%,FY20 13.6%)

- Leaf (HR support system, LMS)
- Stress Check Support Service

※LMS(Learning Management System): The system required for managing e-Learning



Other Businesses (1H Sales ratio: 15.9%,FY20: 9.2%)

- e-Learning/Video production
- Supporting web promotion
- Consulting, Assessment Services

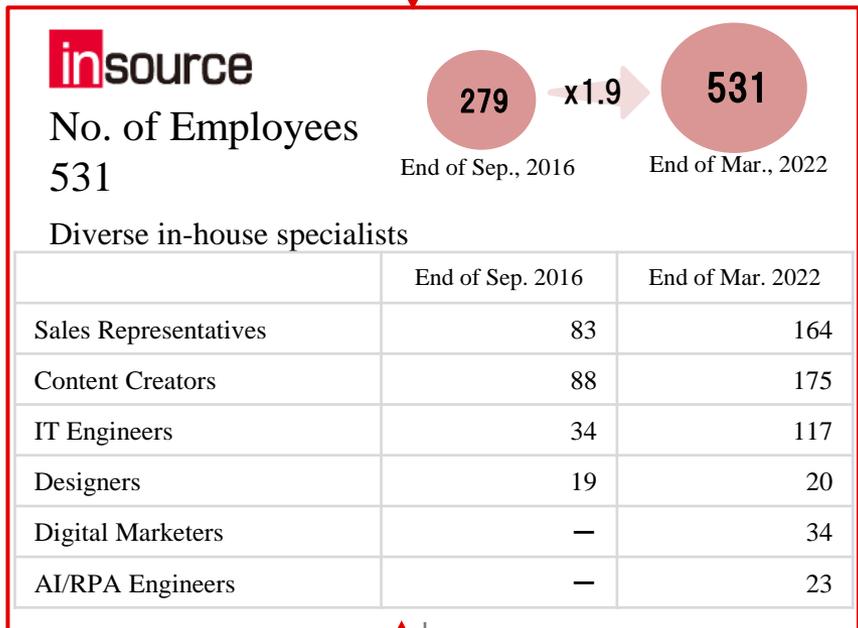


Stakeholders of Insource

Numerical comparison between 2016(listed on TSE Mothers) and today



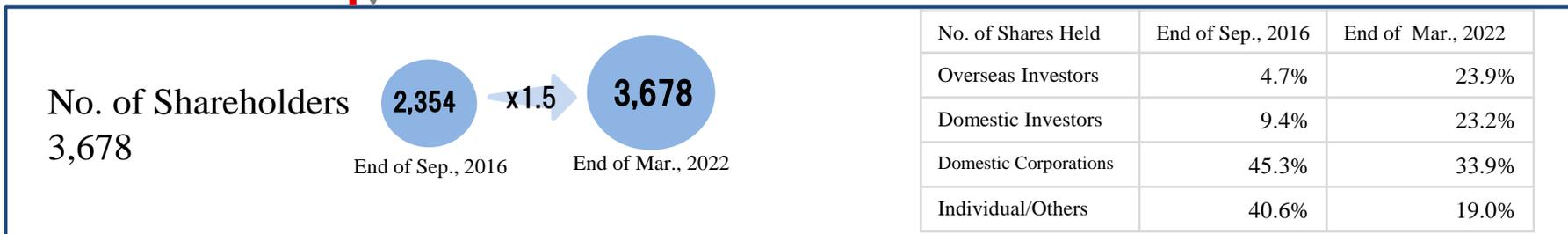
In cooperation



Products/
Services



Funds Returns



Composition ratio

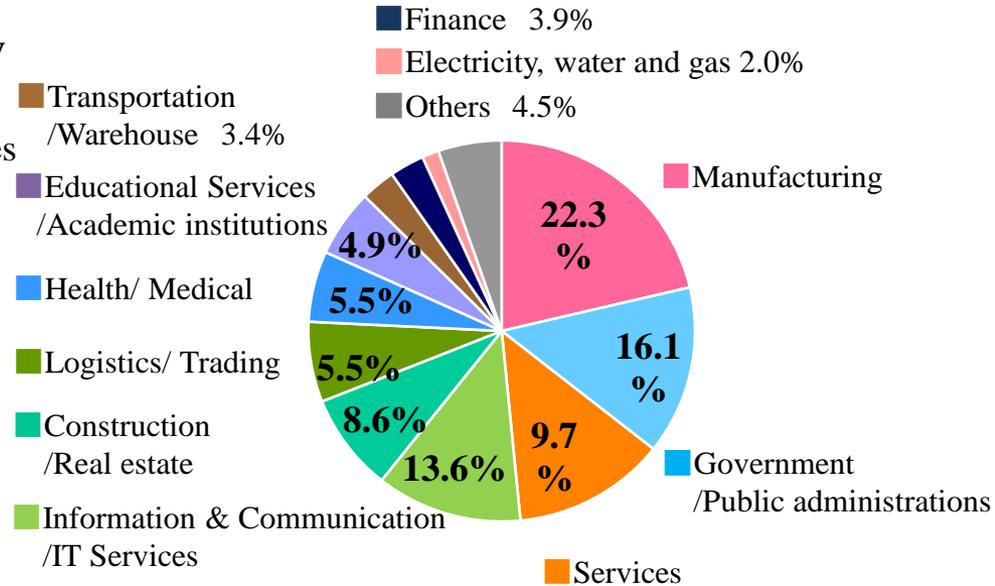
Customers composition ratio by industry

The total number of customers who used our services from Apr., 2021 to Mar., 2022

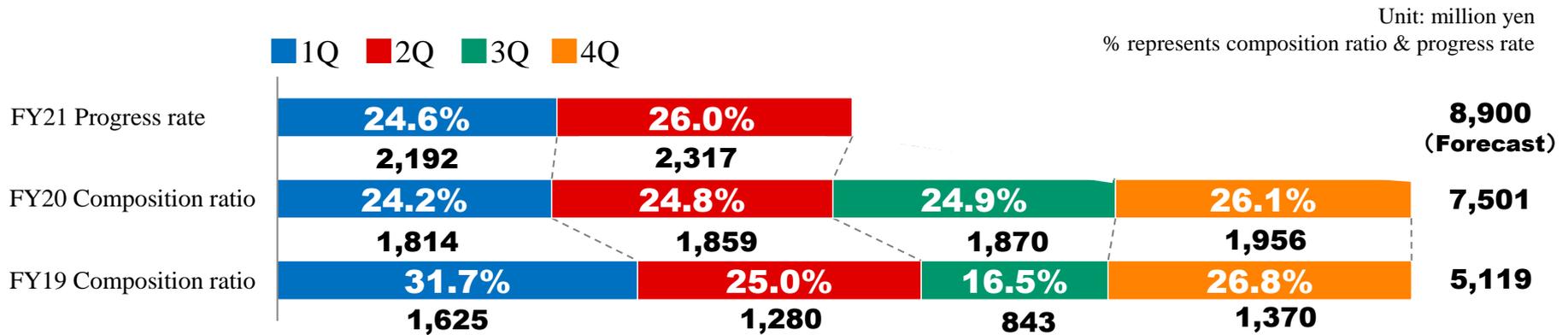
13,110 organizations

The total number of customers who used our services from Jun., 2003 to Mar., 2022

37,968 organizations

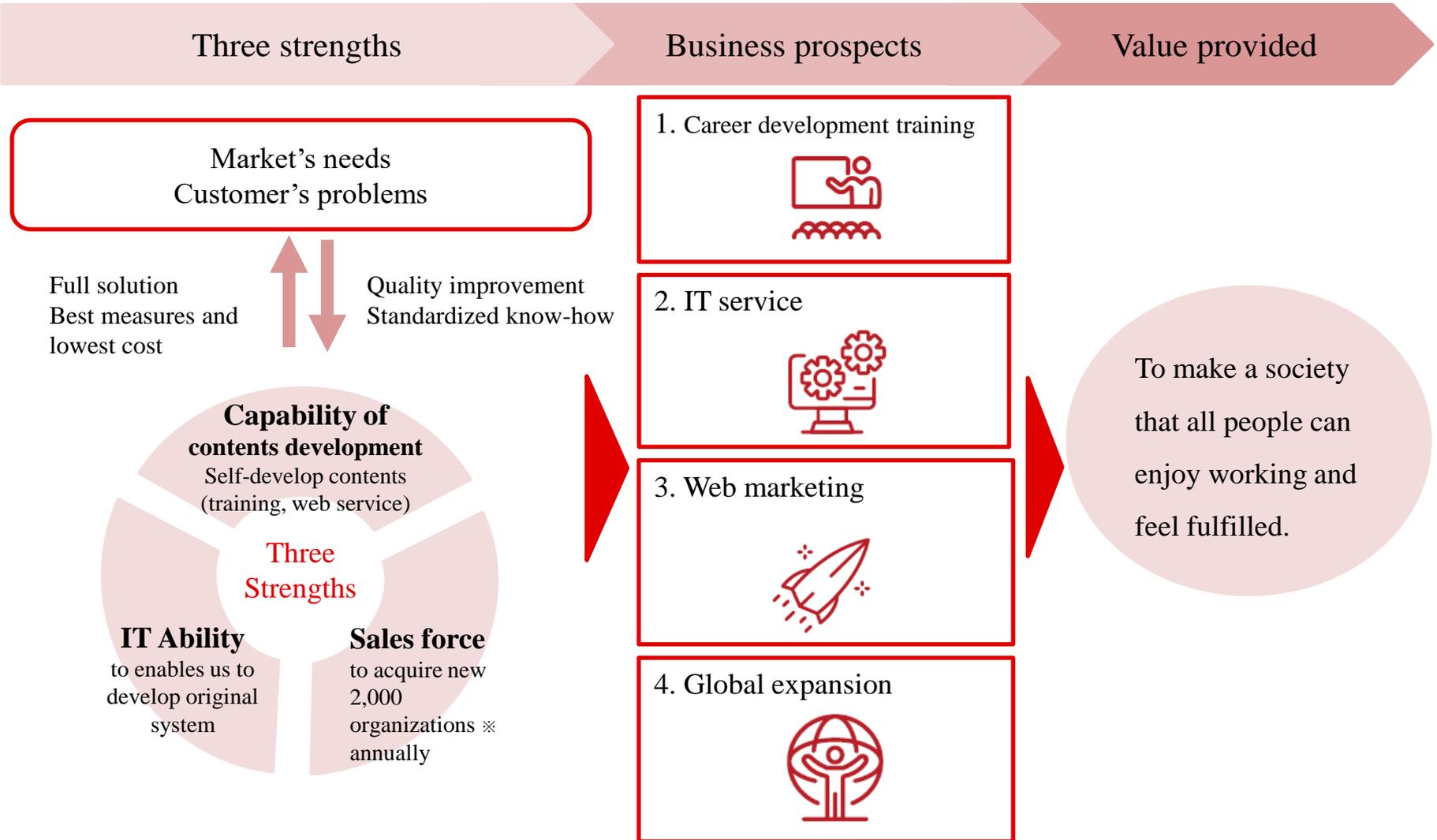


Sales composition ratio by quarter



Advantages of Insource

Insource always keep evolving based on three strengths.



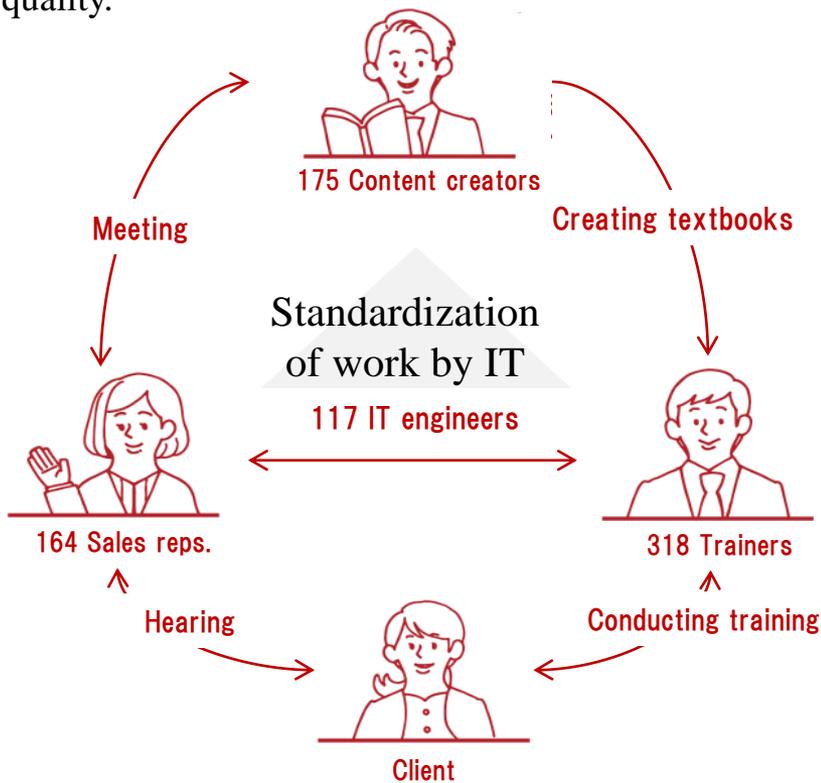
※ No. of new contracts of WEBinsource

① High Ability to develop various contents

■ Division of work by IT application

■ Division of work in training business

-Makes it possible to reduce cost and improve quality.



End of Mar., 2022

■ A great selection of training contents

An in-house agile team of 175 creators and 117 IT engineers develop various up-to-date contents in responsive to social changes and needs.

■ No. of training classified by business types

On-Site trainings	Open Seminars	Videos / e-Learning
3,623	3,495	448
End of Mar., 2022		

■ Classified by genre

For managers	For students and prospective employees
318	72
For medium employees	DX・AI・RPA・IT training
81	173
For young employees	New normal remote working training
99	48
For new employees	Trainings by theme, industry or sector
177	2,572

End of Sep., 2021

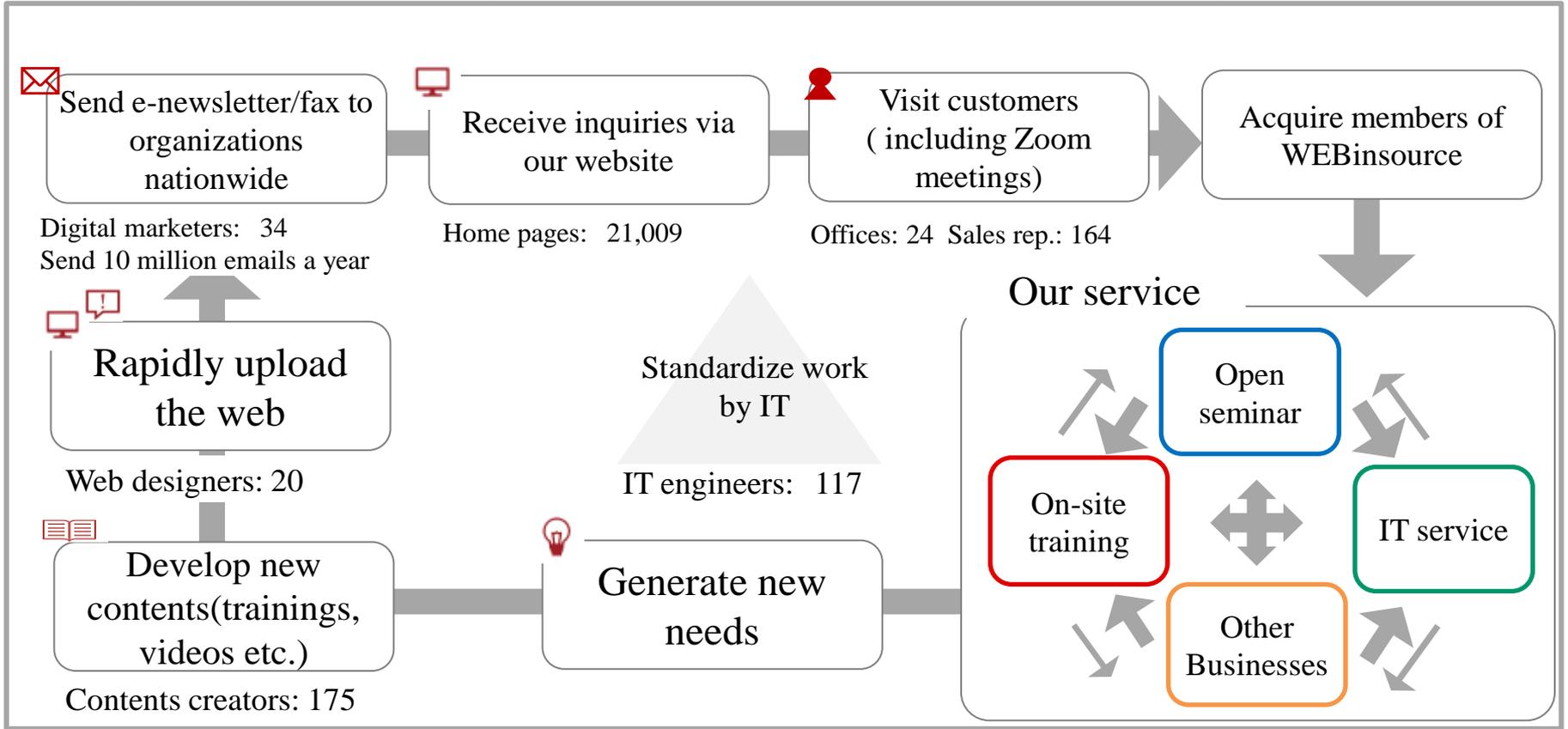
■ Example of web service

- HR evaluation sheet (from excel format to online)
- Assessment service (On-line assessment test)
- Web promotion, homepage creating

② Strong sales force to expand business

Business flow of Insource

-Expanding sales by using IT to utilize all data generated in the sales process



End of Mar., 2022

⇒ Approximately 20,000 web pages created by 164 sales reps. and 34 digital marketers are cooperated for efficient sales activities.

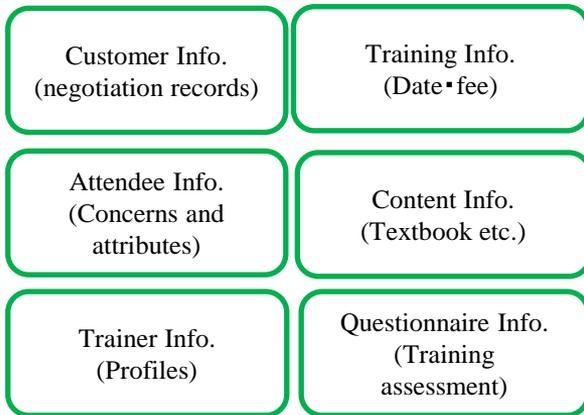
③ IT Capability -Self-developed System

■ We have developed our system of efficient work since foundation and some service is sold to other companies.

■ We sell our services on EC sites.
System/Web service is also available.

■ In-house system development

Create a database of all kinds of information to standardize operations.



The system to manage customer info., training operations, and contents etc. was developed

■ Sold via EC sites including WEBinsource (membership site) and Video department



■ Leaf , HR supporting system
-New version, new feature



Employee training management and personnel evaluation

Multilingual subtitles for videos

Video contents Unlimited streaming

Leaf English

Personnel evaluation Stress check

NEW
Communication board function



Leaf Lighting for Small and Medium Enterprises
 •Ideal for first-time users of organization.
 •Can be installed in as little as 3 days.

Workforce Diversity -Encourage the growth

- Ratio of female employees in managerial positions: 36.0% Employment rate of people with disabilities: 2.96%
- Acquired 2 stars in “Eruboshi” certification (Certification of Women’s Empowerment).

Selected under the “2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program”.

	Total	Female employees
No. of employees *2	531	299 56.3%
No. of managerial positions	158	57 36.0%



Ratio of female employees in managerial positions:
13.3% *1
(Source: The Gender Equality Bureau of the Cabinet Office (2021))

Foreign nationals ※4	3	Seniors (aged over 60)	25	LGBTs	4	People with disabilities	10 Disability employment rate: 2.96% *3
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• Legal employment rate: **2.3%**
• Actual employment rate: **2.20%**
(Source: “2021 Disability Persons’ Employment Status” released by the Ministry of Health, Labour and Welfare)

Workforce by job function: Diverse specialists work at Insource

Content Creators	175	Sales Representatives	164	IT Engineers	117
Digital Marketers	34	AI /RPA Engineers	23	Designers	20

(As of the end of Mar, 2022)

*1 Administrative and managerial workers include board members, managers or above, administrative civil servants.

*2 Directors, auditors and corporate officers are excluded. *3 Non-consolidated (Insource only)

*4 “Foreign nationals” refers to employees with foreign nationalities. This includes foreign nationals who have acquired Japanese citizenship.

In-House HR Development Policy – Multi-skilled Resilient to Change

- Build a structure that allows employees to maximize their own abilities through the thorough combination of system and people
- Develop multi-skilled personnel that can adapt to changes through flexible organizational changes and transfers.
- Develop new products and services and improve efficiency from different perspectives based on various experiences

Educational Policy -strengthen IT skills and cost consciousness

- Conduct IT training for all employees, including new employees.
- Implement education about "cost consciousness" and "productivity improvement" as common themes of trainings for different position.

	Company Basic Education	Position-based Training	IT HR Development Training	Career Development	Practical Skills Education	Each employee	FY18	FY19	FY20
Officer	E-learning education					Sales(thou. yen) ※1	20,320	16,410	21,371
Manager						Sales Profit ※1 (thou. yen)	4,723	2,514	6,850
Deputy Manager	-Harassment -Prevention -Information					Training cost(yen)※2•3	17,498	17,196	40,563
Senior Chief	Security -Insider Trading Prevention	Management in the Post-Corona Era	Fundamental training for all employees based on the IT HR development system + Level-specific(I-IV) training based on their assigned tasks	Career Design (20s-50s) + Second Career	On-the-job training + Attend Open Seminars	Training time(hour)※4•5	16.5	18	16
New manager	-Copyright Law -Asset Building	Basic Management							
Leader	Shareholding Plan -RS for Employees -Company Defined Contribution Pension Plan	Team Management							
Chief of Staff		Business skills (technical/ conceptual/human)							
New Employee	Common skills training for different position -Cost consciousness -Time management	Business Literacy							
Staff		Understanding the Company Communication			Work skills PC IT Skills				

※1 Calculated based on the average number of employees during the period

※2 Employees can attend our Open Seminars for free. The total cost of training includes price of the On-site training when conducted with an external trainer, and Open Seminar's price.

※3 Employees took fewer open seminars and more internal trainings due to Covid-19 pandemic, which resulted in more training time but lower training cost in FY19.

※4 Total hours of training and e-learning courses (excluded workshops)

※5 Employees took more DX related training of open seminars, which resulted in higher training cost but less training time in FY20.

<Reference2> ESG Strategies and Topics

Our mission is to help working people solve social issues.

Insource’s Group policy

-We will continue to improve its performance (P) while being conscious of ESG

Make everyone feel meaningful and fulfilled at work.



E	<ul style="list-style-type: none"> Reduce environmental impact
S	<ul style="list-style-type: none"> Provide training and resources for a diverse workforce (affordable and high quality) Improve the environment and build a sustainable structure for diverse people to be more active Boost human capital
G	<ul style="list-style-type: none"> Provide training to build a revitalized society Establish healthy and transparent corporate governance



Received the second highest rating of AA in MSCI Rating

- As of June, 2021 (the time Insource received), only 14 Japanese companies have received the highest AAA of MSCI ESG Ratings, and Insource has received the second highest rating of AA.
- The recognition represents that our training business, strong security measures and internal education to improve productivity were especially highly evaluated.



MSCI ESG RATINGS

CCC | B | BB | BBB | A | **AA** | AAA

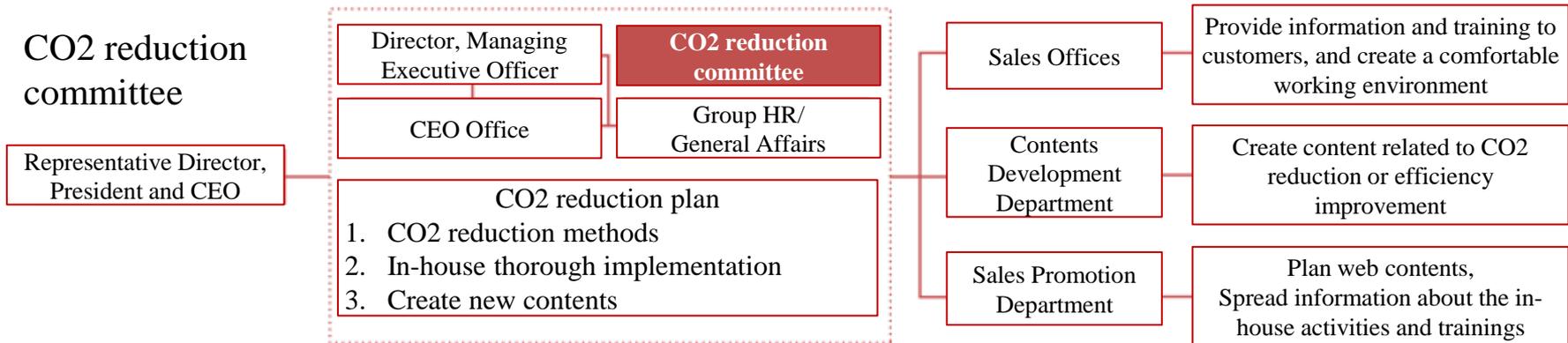
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Environment

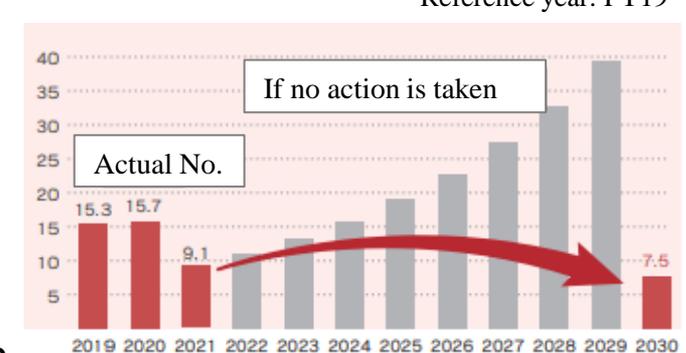
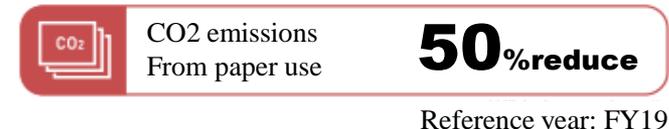
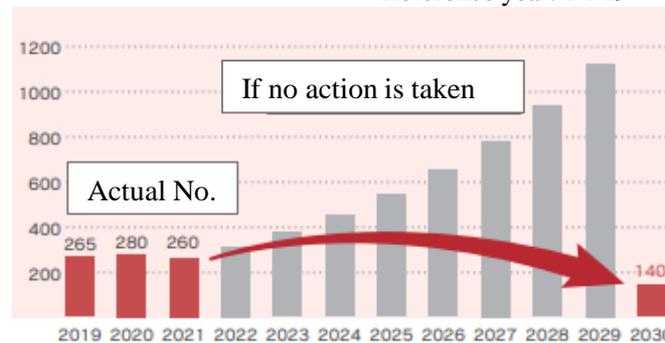
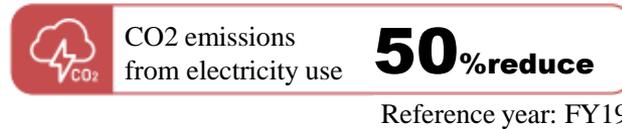


- Endorsed by TCFD in February, 2021.
- Established CO2 reduction committee, set targets and take effective measures (electricity saving, paper reduction).

CO2 reduction committee

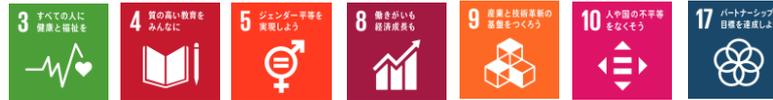


Long-term Target



- Launched "e-Textbook Service" for trainings in April 2022.
~Target to reduce CO2 emissions by up to 5 tons per year

Social



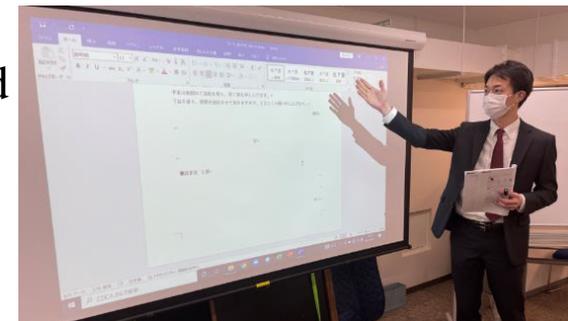
Opened a new site, "mon champ", to sell products from welfare organizations (October, 2021)

- Supporting the employment of people with disabilities through our web sales capabilities



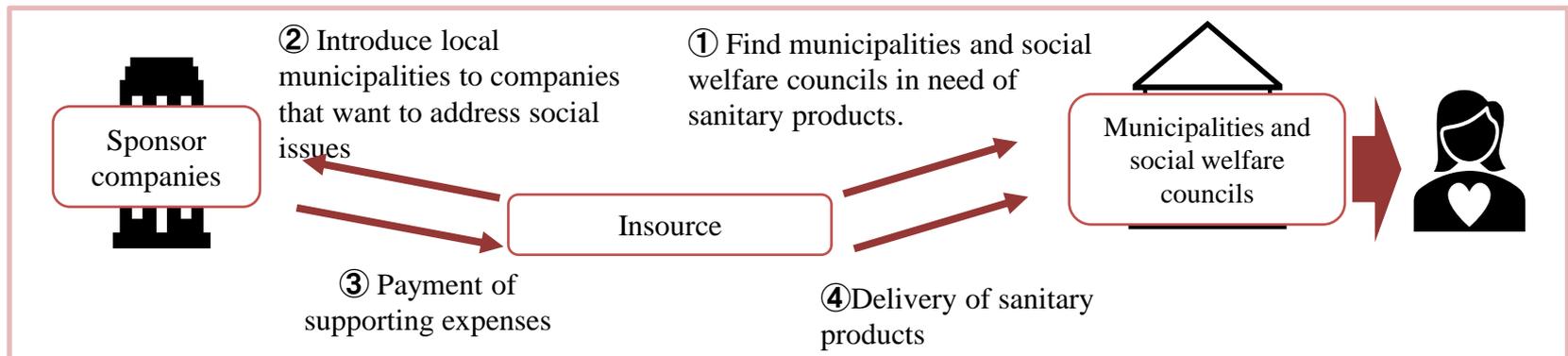
Concluded an agreement with Arakawa Ward (Nov., 2021)
~Support for single-parent families to become self-reliant and for women to advance in society

- Employment support for single-parent families
For people who are considering a career change to clerical work.
Content: PC skills, business etiquette, etc.
Date: Held 4 times from Dec. 2021, and to be held occasionally.



ESG ~Support for period poverty

- Start of a project to address period poverty (from February 2022)
- Period poverty
 - Inability to purchase sanitary products due to economic reasons and lack of social understanding
 - Lifetime costs are approximately ¥500,000 to ¥800,000 per person (Our estimation)
- Project Summary
 - Consolidate the power of companies to provide sustainable support.
 - Solicit for donation of sanitary products from 30,000 business partners
 - Provide sanitary products to more than 1,000 municipalities and social welfare councils
 - Goal: Provide donations to 50 regions in total in the first year (2022)
 - Donation amount: 300,000 yen per unit (1 year's sanitary products for 200 people)



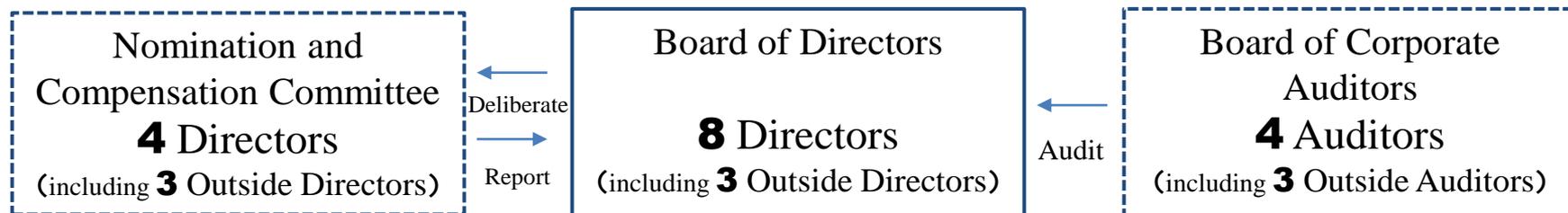
Governance



■ Actively disclose non-financial information on a monthly basis

- Newly developed training programs
- No. of Open Seminars attendees
- No. of Leaf monthly paying subscribers (organizations)
- No. of On-Site training conducted
- No. of WEBinsource subscribers
- No. of organizations implementing Stress Check Support Service

■ Increased one outside director and one outside corporate auditor, with the approval at the general meeting of shareholders
Established voluntary Nomination and Compensation Committee (December 17, 2021)



■ Adopted a restricted stock compensation plan for officers etc.

■ April, 2022 Moved to the Prime Market
All principles of the Corporate Governance Code have been implemented at a higher level

<Reference3> Three-year Business Plan “Road to Next 2024”

Consolidated Financial Targets

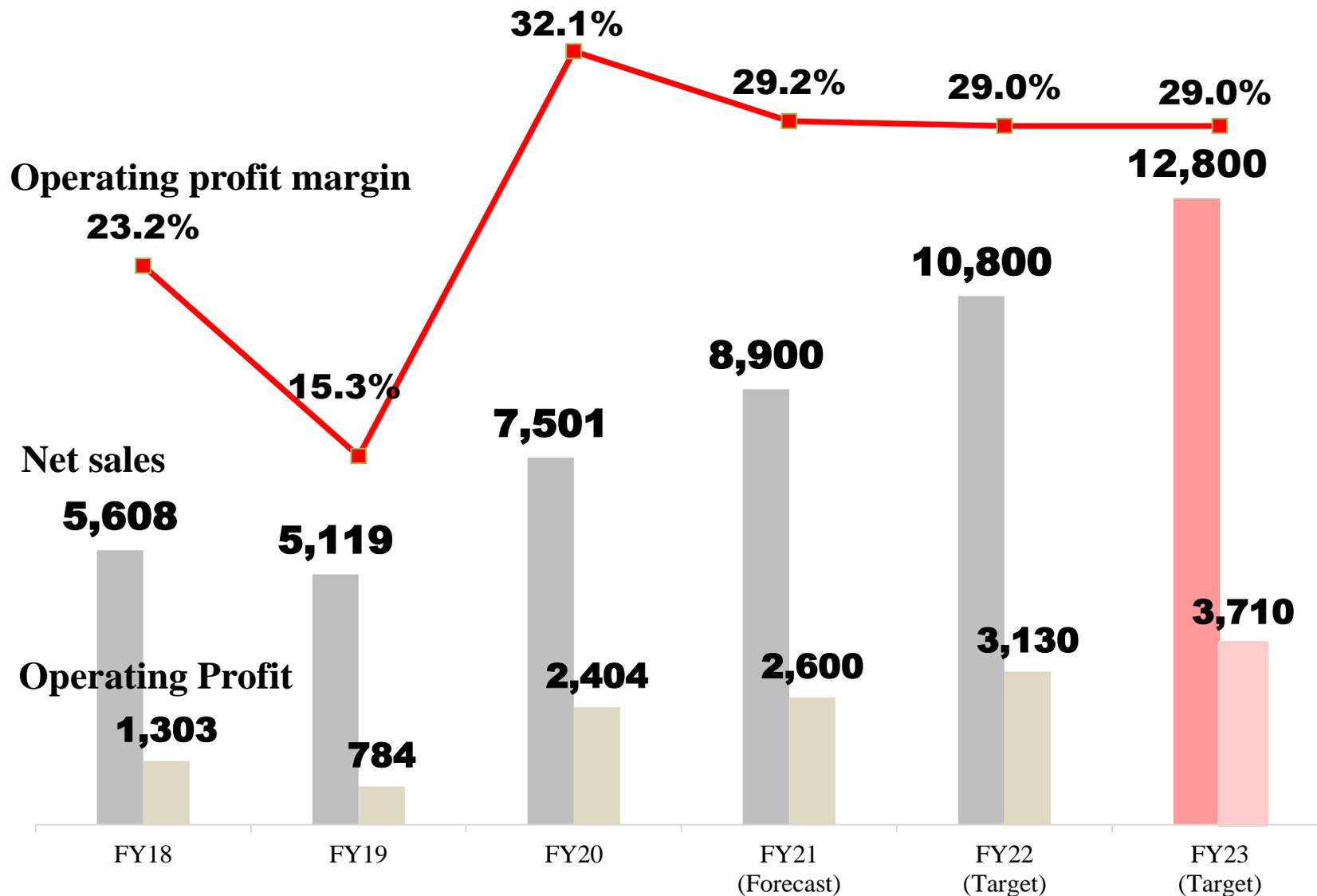
Unit: million yen

	FY21 (Forecast)	FY22 (Target)	FY23 (Target)	CAGR
Net sales	8,900	10,800	12,800	+19.5%
Operating profit	2,600	3,130	3,710	+15.6%
Ordinary profit	2,600	3,130	3,710	+15.6%
Net profit	1,770	2,140	2,530	+17.2%

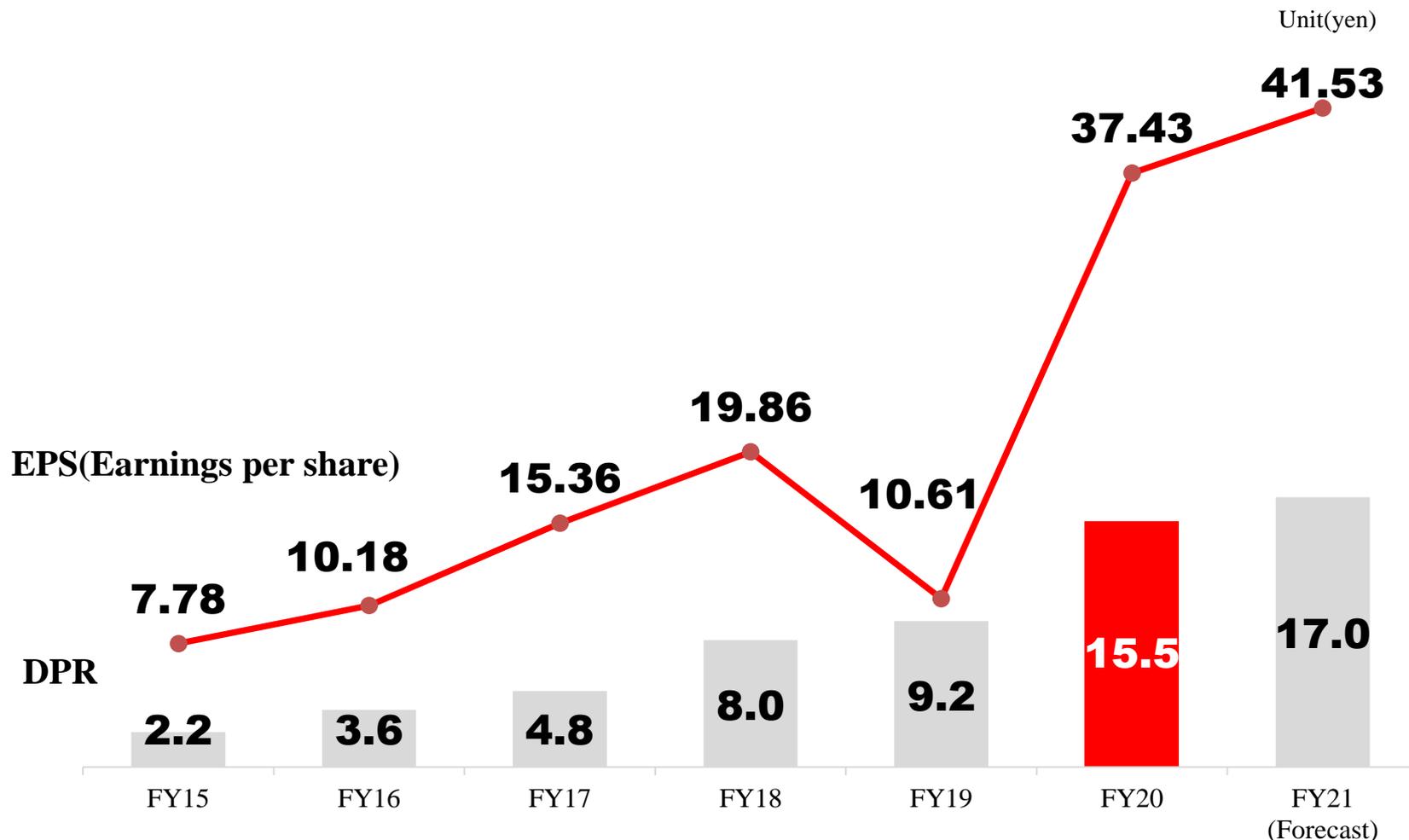
How to achieve targets

1. Our share of the career training market is about 2% now.
We will expand our market share by increasing our sales force and continuously developing new attractive training contents.
2. We will divide our customers into three segments (Large enterprise, Mid, and SMB) and build a sales structure that specializes in each customer segment. In addition, we will provide education services and IT services optimized for each segment to increase sales per customer and increase customers at the same time.
3. The need for digitalization of HR routine work and web marketing is expected to continuously grow. We will develop services focused on customer convenience and expand non-educational services.

Unit(million yen)



- DPR(dividend payout ratio) target of about 40% according to business performance.
- Dividend for FY21 is expected to be 7.7 times that of FY15 first listed.



(Note) The Company conducted stock splits on May 1, 2018, September 1, 2019, and January 1, 2021. The amount of the fiscal year-end dividend reflected stock split.

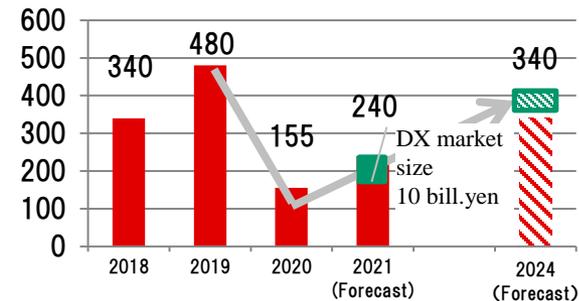
Three-year Business Plan “Road to Next 2024” –Market size

■ Career training market –Still great potential for growth

- Market size is 240 billion yen in 2021 and 340 billion yen in 2024※1,2,3
- The market share of Insource is about 2%, and there is a lot of room for growth in the future.

※1 Calculated based on the MHLW's Basic Survey on HR Development (2020) and MIC' Labor Force Survey.
 ※2 Calculated based on the MHLW's Basic Survey on HR Development(2009-2020), and the ratio of outsourcing companies in 2020 was 49.7%.
 ※3 Re-calculated from the MIC' Labor Force Survey based on employers with 30 or more employees, resulting in changes to the market size from 2020 to 2024.

Unit(billion yen)
Training market size forecast

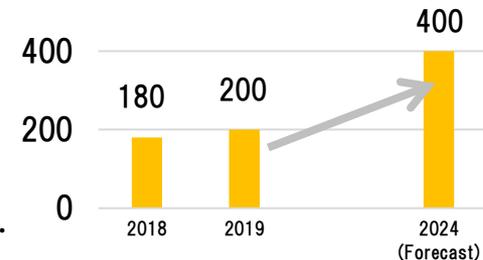


■ HR digitalization market -Expansion is expected

- Market size is 200 billion yen in 2019 and 400 billion yen in 2024. ※4
- Leaf's net sales for FY20 is 1 billion yen and there is a lot of room for growth.
- HR digitalization is less advanced compared to accounting fields. It is expected that there will be growing demand for the improvement of work efficiency from mid-sized and small companies.

※4 Calculated based on METI's [2020 Basic Survey on Information and Communication Industry], May 28, 2021.

HR digitalization market forecast

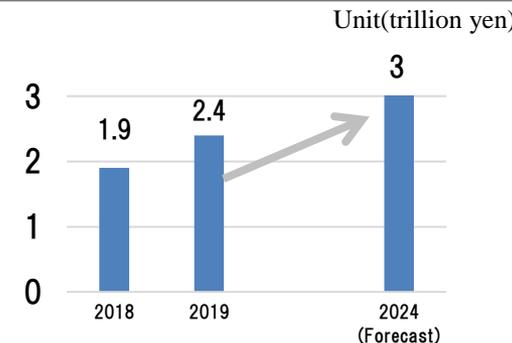


■ Web marketing market -Potential for new entrants

- Market size is 2.4 trillion yen in 2019※5 and is to expand to 3 trillion yen in 2024
- It is expected that there will be increasing needs for website or web marketing especially for mid-sized and small companies.
- We will enter the market with our know-how based on the successful experience of web-marketing in our businesses.

※5 Calculated based on METI's [2020 Basic Survey on Information and Communication Industry], May 28, 2021.

Unit(trillion yen)
Web marketing market forecast



Provide best service for different customer with optimal sales approach

Customer Segmentation		Sales destination	Sales strategy	Training	IT service	Other business
Large Enterprise 52.6% ※	Large (5,000 or more people)	HR Dept. + Other Dept.	Expand overall Sales including but not limited to HR Dept.	-New trainings (DX, SDGs etc.) -Support for solving departmental issues -Compliance training	Leaf (Multi-function, customization)	Support for video training
	Second-tier large (1,000-4,999 people)					
Mid-Business 13.6% ※	Medium (500-999 people)	Manager/ Staff of HR Dept	Expand each sales volume by strengthening proposals.	-Comprehensive solution for company -Support for evaluation system	Leaf Lightning (LMS functional specialization) On-line evaluation sheet (Optional)	Support for marketing, recruitment, DX etc.
SMB (Small Medium Business) 33.7% ※	Second-tier medium (100-499 people)	CEO/ Management team	Expand sales by not only training service but also business solution.	-Solution for business issues, management, communication, compliance training	Leaf Management (HR routine work of SMBs)	Support for marketing, recruitment, DX etc.
	Small (-99 people)					

※Sales composition ratio for FY20

Sales strategy

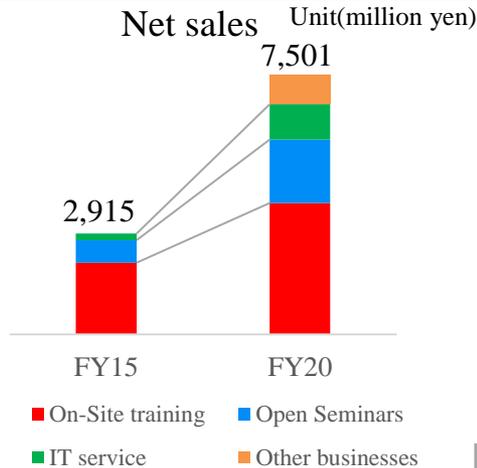
- Build up professional sales team specialized for each customer segment and promote sales activities tailored to each segment’s characteristics.
- Increase each sales volume by strengthening proposals to meet demands of each customer segment.

Service development strategy

- Strengthen services tailored to each customer segment to meet diversified training needs.
- Provide large or second-tier large companies with solutions for departmental issues in addition to DX,SDGs training.
- Promote sales to CEO/ management teams of SMBs to lessen the burden of routine HR work and solve managerial issues.

Enter Web marketing market -Solving customers' problems by utilizing our own knowledge

We have grown through our education business



Our strengths

1. Web marketing skills
-Have our own know-how
2. Strong sales system
-Have realized sustainable growth through people and IT
3. Strong customer base
-Have relationships with 37,000 organizations

Entering Web marketing market -Growing fields compatible with customers' needs

Web marketing business

- ✓ We own know-how on web marketing.
- ✓ Market is growing.
- ✓ Price of service is stable.

Proactive investment

Securing employees

Service development

M&A

Other Businesses

IT Service

Training business
▪ On-Site training
▪ Open Seminars

Expanding continuously

Needs of customer (Especially small/medium sized companies)

i Performance/Sales Improvement
ii Turnover prevention/Recruitment

Our next business



iii HR work reduction/
efficiency improvement

Expanding with Leaf

iv Solving issues of organizations
by training

Our main business

Expanding Web marketing business

■ Total support for building a company-wide sales system, mainly using Web
 We will provide our know-how, as we have grown by 20% per year using web marketing, and help our customers expand their business performance by providing organizational reform and building a sales system.

■ Service - Web Marketing PDCA Support

■ Sales training and consulting – Building company-wide sales system

▪ Sales training

The key to success in web marketing is to build a company-wide sales system that includes people other than sales representatives and we will provide sales education to people such as inside-sales.

▪ Consulting services

Support for reform of company-wide sales organizational structure, sales meetings, daily management, etc.

■ Providing sales ASP (Remote Plants) - Automating sales activities

▪ Automating Sales activities

Offer Remote Plants which can automate e-mail, fax, and direct mail to customers in addition to managing customer activities such as phone calls and visits.

▪ Database Reconstruction

The key to Web marketing is the maintenance of a customer database. We will support for integrate scattered customer data.

■ Web Improvement Support

- Sales Optimization + SEO + Internet Advertising

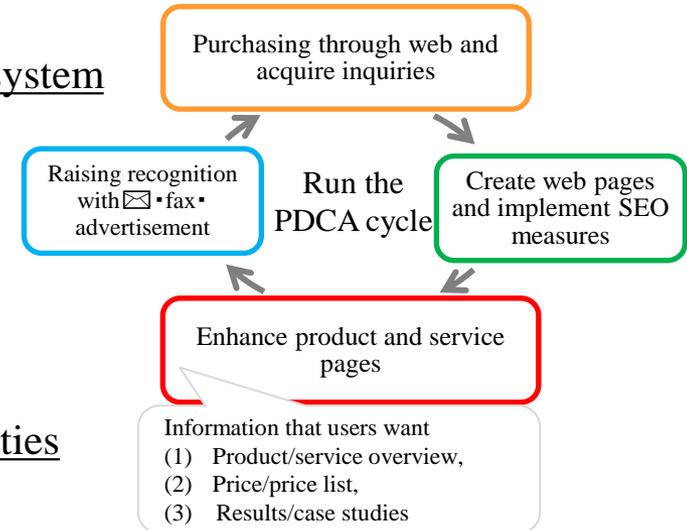
▪ Web Improvement

Support for improving the web from a company brochure to a web optimized for sales.

▪ Support for attracting customers through the web (SEO/Internet advertising)

Support for attracting customers by implementing low-cost SEO and optimal online advertising.

■ Web Marketing PDCA cycle



■ Sales automation system (follow-up and purchase model)

