

Insource Co., Ltd.

1Q FY23

Consolidated Financial Results

Friday, January 26, 2024



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1Q FY23 Consolidated Financial Results

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1Q FY23 Performance by Business

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1Q FY23 (Oct.- Dec. 2023) Results

- The results are as below,

Net Sales	2,870 million yen	(+11.0% YoY)
Gross profit	2,224 million yen	(+13.6% YoY)
Gross profit margin	77.5%	(+1.8pt YoY)
Operating profit	1,061 million yen	(+18.8% YoY)
Operating profit margin	37.0%	(+2.4pt YoY)

- For the half-year plan, there is a progress of 48.1% in net sales, 47.5% in gross profit, and 49.6% in operating profit. For the full-year plan, there is a progress of 22.9% in net sales, 22.7% in gross profit, and 23.1% in operating profit.

1Q FY23 (Oct.- Dec. 2023) Results by business

- On-Site Training: Net sales: 1,571 million yen, +12.4% YoY, progress: 25.3%

Gross profit margin increased due to an increase in the number of trainings conducted at private sector and highly profitable DX trainings.

- Open Seminar: Net sales: 696 million yen, +10.3% YoY, progress: 22.9%

Net sales increased due to an increase in face-to-face training. Profitability improved due to an increase in the number of attendees per training and trainings held in company-owned buildings. However, the total number of attendees increased only 9.9% YoY as the number of trainings conducted remained at the same level as the previous year.

- IT Services : Net sales: 286 million yen, +33.8% YoY, progress: 17.6%

Leaf's active users exceeded 3.06 million and annual recurring revenue (ARR) grew steadily.

- Other Businesses (Net Sales: 316 million yen, -8.0% YoY, progress: 19.2%)

Net sales and profits were as planned ,but sales for e-learning and video declined.

Chap. 01

1Q FY23 Consolidated Financial Results



Consolidated Profit & Loss Statement 1 - Overview



Unit: million yen

	1Q FY22 (Actual)	1Q FY23 (Actual)	Increase/Decrease YoY		1H FY23 (Forecast)	1H Progress	FY23 (Forecast)	Progress	Comments
			Change						
Net sales	2,586	2,870	+283	+11.0%	5,970	48.1%	12,530	22.9%	• Net sales Increased in On-Site Training, Open Seminar, IT Services.
Gross profit	1,957	2,224	+266	+13.6%	4,680	47.5%	9,800	22.7%	
Gross profit margin	75.7%	77.5%	-	+1.8pt	78.4%	-	78.2%	-	• Gross Profit Gross profit margin improved due to an increase in sales for private sector and cost improvement in the On-Site Training, Open Seminars, IT Services business.
SG&A expenses	1,064	1,163	+98	+9.3%	2,540	45.8%	5,210	22.3%	
SG&A ratio	41.1%	40.5%	-	▲0.6pt	42.5%	-	41.6%	-	• SG&A expenses Other expenses: Travel and transportation expenses increased due to an increase in face-to-face sales activities. Office and communication expenses increased due to an increase in digital marketing activities.
Total personnel expenses *1	869	929	+59	+6.9%	-	-	4,190	22.2%	
Office-related expenses*2	38	35	▲3	▲8.4%	-	-	175	20.3%	
Office & communication expenses	41	54	+12	+30.4%	-	-	210	25.7%	
Other expenses	114	144	+29	+25.9%	-	-	635	22.8%	
EBITDA	917	1,086	+169	+18.4%	-	-	4,716	23.0%	• Operating profit margin 2.4 pt increase due to lower SG&A ratio.
EBITDA margin	35.5%	37.9%	-	+2.4pt	-	-	37.6%	-	
Operating profit	893	1,061	+167	+18.8%	2,140	49.6%	4,590	23.1%	
Operating profit margin	34.5%	37.0%	-	+2.4pt	35.8%	-	36.6%	-	
Ordinary profit	891	1,061	+170	+19.2%	2,145	49.5%	4,585	23.2%	
Net profit	610	726	+116	+19.0%	1,455	49.9%	3,105	23.4%	

*1 "Personnel expenses", "wages, recruitment, training, and benefit expenses", "Outsourcing Expenses", and "Restricted Transfer of Shares (Restricted Stock)" are collectively referred to as "Total personnel expenses". RS for 1Q FY23 was 30 million (+2.7% YoY).

*2 "Office-related expenses" includes "rent expenses," "fixed assets tax on company buildings," "real estate acquisition tax," and "depreciation related to tangible fixed assets."

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Consolidated Profit & Loss Statement 2

- Net Sales and Gross Profit By Business



Unit: million yen

		1Q FY22 (Actual)	1Q FY23 (Actual)	Increase/Decrease YoY Change		FY23 (Forecast)	Progress	Comments
On-Site Training	Net sales	1,397	1,571	+173	+12.4%	6,210	25.3%	【Net sales】 • Net sales increased 12.4% YoY. DX related and trainings for mid-level employees increased.
	Gross Profit	1,103	1,262	+158	+14.3%	5,020	25.1%	
Composition ratio 54.8% (FY22: 48.9%)	Gross profit margin	79.0%	80.3%	-	+1.3pt	80.8%	-	【Gross profit】 • Gross profit increased 14.3% YoY, gross profit margin improved 1.3 pt. YoY. • The average unit price increased, reflecting a rise in the sales composition of private sector and profitable DX trainings.
	Number of trainings conducted Unit: times	5,103	5,567	+464	+9.1%	-	-	
	Of which, online ratio	35.1%	26.2%	-	▲8.9pt	-	-	
	Of which, DX-related training	326	432	+106	+32.5%	-	-	
	Average unit price Unit: Thousand yen	273.9	282.3	+8.3	+3.1%	-	-	
Open Seminars	Net sales	631	696	+64	+10.3%	3,040	22.9%	【Net sales】 • Net sales increased 10.3% YoY. The total number of attendees in trainings for managers increased.
	Gross profit	491	557	+65	+13.4%	2,400	23.2%	
Composition ratio 24.3% (FY22: 24.3%)	Gross profit margin	77.8%	80.0%	-	+2.2pt	78.9%	-	【Gross profit】 • Gross profit increased 13.4% YoY and gross profit margin improved 2.2pt YoY. • In addition to an increase in the number of attendees per training, the increase in the number of trainings held in company-owned buildings lowered the fixed cost ratio, resulting in improved profitability. • However, the total number of attendees increased only 9.9% YoY as the number of trainings conducted remained at the same level as the previous year.
	No. of attendees	29,954	32,907	+2,953	+9.9%	-	-	
	Of which, online ratio	81.5%	70.4%	-	▲11.1pt	-	-	
	Of which, DX training attendees	3,213	4,148	+935	+29.1%	-	-	
	No. of trainings conducted Unit: times	2,637	2,709	+72	+2.7%	-	-	
	No. of attendees	11.4	12.1	+0.8	+6.9%	-	-	
Average unit price per training Unit: Thousand yen	21.0	21.1	+0.0	+0.4%	-	-		

※ Gross profit by business has not been audited by Ernst & Young ShinNihon LLC.

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Consolidated Profit & Loss Statement 2

- Net Sales and Gross Profit By Business



Unit: million yen

		1Q FY22 (Actual)	1Q FY23 (Actual)	Increase/Decrease YoY		FY23 (Forecast)	Progress	Comments
					Change			
IT Services Composition ratio 10.0% (FY22: 12.1%)	Net sales	213	286	+72	+33.8%	1,630	17.6%	【Net Sales】 • Net sales increased 33.8% YoY, with the number of paid Leaf users at 662 organizations and the number of active users at 3.06 million, resulting in annual recurring revenue (ARR *1) of 878 million yen (+33.1% YoY). 【Gross Profit】 • Gross profit increased 40.3% YoY, and gross profit margin improved by 3.3pt YoY due to efficient server operation. *Leaf customization sales concentrate in 2Q (end-March) and 4Q (end-September) every year.
	Gross profit	147	207	+59	+40.3%	1,320	15.7%	
	Gross profit margin	69.2%	72.5%	-	+3.3pt	81.0%	-	
	Leaf recurring (Monthly revenue)	162	211	+49	+30.3%	-	-	
	Leaf customization sales	22	27	+5	+23.0%	-	-	
	Stress check	28	46	+17	+62.1%	-	-	
	Leaf paid subscribers (organization)	551	662	+111	+20.1%	-	-	
	Leaf active users (thou.)	2,438	3,060	+621	+25.5%	-	-	
Other Businesses Composition ratio 11.0% (FY22: 14.7%)	Net sales	343	316	▲27	▲8.0%	1,650	19.2%	【Net Sales】 • Net sales declined 8.0% YoY due to a decrease in e-Learning/video sales following the settlement of the COVID19. • On the other hand, needs for video productions increased. • Regional revitalization services of entrepreneurship experience programs for junior high and high school students increased. 【Gross Profit】 • Gross profit declined 7.9% YoY, and gross profit margin was about the same as the previous year.
	Gross profit	215	198	▲16	▲7.9%	1,030	19.2%	
	Gross profit margin	62.5%	62.6%	-	+0.1pt	62.4%	-	
	Video sales	119	96	▲23	▲19.3%	-	-	
	Rental	12	8	▲3	▲28.2%	-	-	
	Monthly Subscription (STUDIO)	39	39	+0	+1.1%	-	-	
	Video Production	4	19	+15	+384.2%	-	-	
	Consulting/ Assessment Service	23	35	+11	+49.6%	-	-	
	Online Seminar Support Service	45	51	+6	+13.4%	-	-	
	Regional Revitalization Service	2	13	+11	+487.5%	-	-	
Web Marketing	39	46	+6	+15.8%	-	-		

*1 Gross profit by business has not been audited by Ernst & Young ShinNihon LLC.

*2 ARR: Annual Recurring Revenue. Calculated by multiplying monthly ordinary revenues for each period end month by 12 times

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Consolidated Balance Sheets

Cash and deposits, current liabilities, and net assets decreased due to dividend, repurchase of treasury stock and income tax payments.

Unit: million yen

	End of FY22 (Actual)	End of 1Q FY23 (Actual)	Increase/Decrease YoY		Comments
			Change		
Current assets	5,135	3,842	▲1,293	▲25.2%	▪ Decrease in current assets due to decrease in cash and deposits.
Cash and deposits	3,515	2,299	▲1,215	▲34.6%	
Fixed assets	5,659	5,715	+55	+1.0%	
Total assets	10,795	9,557	▲1,237	▲11.5%	
Current liability	2,822	2,253	▲568	▲20.1%	▪ Decrease in current liabilities due to the decrease in income taxes payable.
Advances received*	850	793	▲56	▲6.7%	▪ Decrease in net assets was due to dividend payment and repurchase of treasury stock.
Fixed liability	43	40	▲2	▲5.7%	
Net assets	7,929	7,263	▲666	▲8.4%	
Liabilities and net assets	10,795	9,557	▲1,237	▲11.5%	

※ Advances received are the unused amount of HR smart packs that can be used for services such as Open Seminars and video/e-Learning.

Strengthened tie-ups with other companies in the digital skills field in the Open Seminar Business, resulting in a significant increase in the number of contents.

	1Q FY22 (Actual)	FY22 (Actual)	1Q FY23 (Actual)	FY23 (Cumulative) (Progress rate)	FY23 (Target)
No. of new contracts of WEBinsource (Cumulative no. of organizations)	608 (19,277)	2,975 (21,644)	620 (22,264)	620 (25.8%) (+2.0% YoY)	2,400 (24,044)
No. of new contents for On-Site Training (cumulative)	90 (3,884)	362 (4,156)	91 (4,247)	91 (25.3%)	360 (4,516)
No. of new contents for Open Seminars (cumulative)	61 (3,691)	307 (3,937)	267 (4,204)	267 (133.5%)	200 (4,137)
No. of new contents for e-Learning/videos (cumulative)	57 (601)	210 (754)	59 (813)	59 (23.6%)	250 (1,004)
No. of redesigns of the primary page※1	-	-	133	133 (2.7%)	5,000
No. of inquiries	1,499	6,823	1,862	1,862 (23.3%) (+24.2% YoY)	8,000
No. of trainers※2 Unit: People (Changes from the end of previous quarter)	309 (▲6)	377 (+62)	395 (+18)	395 (increase progress 45.0%)	417 (+40)
Of which, No. of DX trainers※2 Unit: People (Changes from the end of previous quarter)	63 (▲4)	84 (+17)	95 (+11)	95 (increase progress 44.0%)	107 (+17)

※1 Number of changes made to the display format of internal links in the main column to increase number of pages viewed per user.

※2 Number of trainers and DX trainers are as of the end of each quarter of the fiscal year.

Major News from October 2023 (As of January 26, 2024)

■ Started consulting, distribution alliances, reskilling, and strengthening the health and productivity management field.

2023-2024	The news	Business Fields
October	Insource Consulting Corporation (ICO) and Insource Creative Solutions Corporation (ICS) were established	Consulting/ Content development
	Established a new brand for individuals, INSOURCE RESKILLING - Full-scale launch of support for reskilling	Open Seminars/ DX
November	Signed a business alliance with Plus Alpha Consulting Co., Ltd. - Expansion of Open Seminars sales and ASP services	Open Seminars/ IT Services
	Two workshops and training programs developed to promote health and productivity management "Smoking prevention workshop" and "Health and productivity management training using nudge theory"	Health and Productivity Management
	Started offering "In-house procedures: time-saving series" video-based educational materials Video-based instructional materials on year-end adjustments and procedures at the time of hiring and discharging employees, etc., can be customized to fit the organization's needs.	Video/e-Learning
December	Number of active users of LMS "Leaf" exceeds 3 million.	IT Services
	"Leaf LGWAN Learning" for local governments launched -The only e-Learning system with unlimited video posting on LGWAN	IT Services/ Video/e-Learning
	Developed five "Consultant Training Series" trainings	Consulting/ Content development
	Business alliance with EUPHORIA Corporation to offer three programs related to health and productivity management and preventing industrial accidents.	Health and Productivity Management
	Selected as a provider of "AT Guiding English Training for Hokkaido Activity Guides"’s	Regional Revitalization
January	Converting electricity used at four company-owned buildings to renewable energy Estimated annual reduction of approximately 55% of CO2 (based on actual results for FY22)	Sustainability

Status of Sales Measures

■ Activities to increase the unit price per client

※Large Enterprise (LE): 1,000 or more employees, Medium Market Business (MM) :300-999 employees, SMB (Small Medium Business): Less than 299 employees

Strengthen proposals for next-generation leader development, training system construction, and “Leaf” and other services, mainly for LE and MM business.

■ Expansion of community-based sales offices

Opened Shinjuku Office in November 2023. New offices will be open in Tachikawa and Chiba in February 2024.

Strengthen door-to-door sales.

■ Reinforcement of digital marketing

Inquiries of 1Q FY23 increased 24.2% YoY due to the redesign of the primary pages and enhancement of direct marketing activities.

■ Expansion of agencies

Formed alliance with Plus Alpha Consulting Co., Ltd.in November 2023.

■ Sales target by client segment -progress toward end of Sep.

Unit: companies

1Q FY23		0.1 million yen-	1 million yen-	5 million yen-	10 million yen-	Progress of sales target per client segment *target	
Private sector	LE Large Enterprise businesses	Large corporations (5,000 employees or more)	649	272	22	7	10 million yen 7 out of 90 companies*
		Second-tier companies (1,000 to 4,999 employees)					
	MM Medium Market Business	Medium-sized companies (300 to 999 employees)	388	120	0	1	5 million yen 1 out of 70 companies*
		SMB (Small Medium Business)	Medium-sized companies (100 to 299 employees)	1,299	145	4	0
Small and growing companies (-99 employees)							
Total	All segments	2,336	537	26	8	Client Base (0.1 million yen) 2,907 out of 7,200 companies*	
Public Sector	All segments	1,032	106	6	2	0.1 million yen 1,146 out of 2,700 organization*	

■ Business alliance with Plus Alpha Consulting Co., Ltd (TSE Prime:4071)

Formed a business alliance with Plus Alpha Consulting Corporation, a provider of talent management system "Talent Palette" and marketing and sales support systems, which has more than 1,380* companies, mainly companies with more than 1,000 employees. Strengthening collaboration by expanding services to customers on both sides.

※As of end of September, 2023

■ Details of Business Alliance

1. Selling contents of Insource via the Talent Management System "Talent Palette"

Selling 3,800 types of Open Seminars, 800 types of videos/e-Learning, assessments, etc., mainly to clients using Talent Palette. Supporting human resource development of each organization by system integration to allow direct application from Talent Palette.



2. Sales of "Talent Palette" as an agency

Selling "Talent Palette," a talent management system, and other marketing and education solutions to clients using "Leaf," our LMS with over 3 million active users, and "WEBinsource," a training application system exclusively for members of approximately 20,000 organizations.

3. Joint promotions to enhance sales of both companies' content and systems

Strengthen joint seminars, customer proposals, product and service development, and reciprocal customer traffic to maximize sales of products and services.

Strengthening development of digital skills and health and productivity management content.

Rank	FY22	1Q FY23
1	Communication 40	Digital skills 24
2	Digital skills 32	Business skills 21
3	Business skills 32	Sales/Marketing 9
4	For managers 27	For new employees, young employees 8
5	Teaching subordinates 23	For managers 7
6	Sales, marketing 18	Health and productivity management 5

Significant expansion of digital skill areas

- Microsoft Office Training from the Ground Up
- Excel VBA Training (100 Series)
- PowerPoint Training - Slide Video Creation
- First Programming Experience Training
- Training for person with no programming experience -learn how to use Python in their work
- ChatGPT training to improve business efficiency
- Digitalization promotion training that does not require IT skills
- Programmatic thinking skills training for business improvement
- Introductory training in AI development for product development and sales monitoring

50 new courses added to the Japan Reskilling Consortium

-Expansion of career training courses for women and seniors, and courses to learn the latest DX skills

Additional career-related courses (examples)

Smart Work Training for Women - Contribute to the workplace in your own unique way

Masters (veteran generation) training - Developing the "art" of being a worker with curiosity

Additional DX skills-related courses (examples)

ChatGPT training on how to get started - Learn by touch and streamline tomorrow's work (half-day)

ChatGPT x Python Programming Training - Automation and Data Analysis (5 days)



*The "Japan Reskilling Consortium" is a new initiative in which the national government, local governments, and private companies are working together to "reskill" all people throughout Japan to update their skills, regardless of region, gender, or age. By expanding the circle of partnerships, including the provision of training programs by various companies, job placement assistance, a wide range of employment opportunities such as side jobs, freelance and part-time jobs, and employment opportunities by start-up companies for job applicants, the consortium creates opportunities for people throughout Japan to continue learning.

Health and productivity management services are a promising field -16,000 companies certified

- The number of companies that are working to improve the health of their employees is increasing, and the number of "2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program" has grown to 2,676 for large corporations and 14,012 for small- and medium-sized corporations*.
- We will approach to companies that are promoting health and productivity management and provide program solutions for each issue.
- The key issues for each company are (1) management of periodic health checkups and collection of employee health data, (2) improvement of the secondary health checkup uptake rate, (3) reduction of the smoking rate, (4) improvement of the exercise rate, and (5) improvement of productivity and prevention of industry accidents*.

*Based on the "Ministry of Economy, Trade and Industry, New Health and Medical Industry Council, 10th Health Investment Working Group Meeting, Secretariat's explanatory materials. https://www.meti.go.jp/shingikai/mono_info_service/kenko_iryō/kenko_toshi/pdf/010_02_00.pdf

*Surveyed 4,424 human capital information disclosures by 450 companies, including those in the JPX Nikkei Topics 400, as of January 2023

Providing solutions to the five issues of health and productivity management.

Major Issues	Insource's service
Management of periodic medical checkups, employee data collection, analysis of company issues	Health checkup result management system "Leafwellness"
Improvement of secondary health checkup uptake rate	
Reduction in smoking rate	Smoking Prevention Workshop
Increase in the percentage of people who are regular exercisers	Various workshops and training for developing healthy habits
Productivity improvement and prevention of industry accidents	Productivity improvement training, workers' accident prevention training

Number of certified corporations for excellent health and productivity management



Developing new content

- 2023.11 Developed workshops of health and productivity management promotion using nudge theory and to improve smoking rates.
- 2023.12 Begin offering a health promotion and workers' compensation prevention program by EUPHORIA Corporation, a company with expertise in sports science.

*Health Management" is a registered trademark of the NPO Kenko Keiei Kenkyukai.

Chap. 02

1Q FY23 Performance by Business



Consolidated Profit & Loss Statement - Overview

Unit: million yen

	1Q FY22 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	YoY	
Net sales	2,586	2,617	2,694	2,884	2,870	+283	+11.0%
(QoQ)	(+41)	(+30)	(+77)	(+189)	(▲14)		
Gross profit	1,957	2,026	2,021	2,236	2,224	+266	+13.6%
(QoQ)	(+7)	(+68)	(▲5)	(+215)	(▲11)		
(Gross profit margin)	(75.7%)	(77.4%)	(75.0%)	(77.5%)	(77.5%)	(+1.8pt)	
Operating profit	893	1,036	877	1,133	1,061	+167	+18.8%
(QoQ)	(▲36)	(+143)	(▲159)	(+255)	(▲72)		
(Operating profit margin)	(34.5%)	(39.6%)	(32.6%)	(39.3%)	(37.0%)	(+2.4pt)	
Ordinary profit	891	1,034	878	1,133	1,061	+170	+19.2%
(QoQ)	(▲40)	(+143)	(▲155)	(+254)	(▲71)		
Net Profit	610	707	584	772	726	+116	+19.0%
(QoQ)	(+30)	(+97)	(▲122)	(+188)	(▲46)		

Unit: million yen

	1Q FY22 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	YoY	
Net sales	1,397	1,008	1,461	1,406	1,571	+173	+12.4%
(QoQ)	(+135)	(▲389)	(+453)	(▲55)	(+165)		
Gross profit	1,103	808	1,142	1,093	1,262	+158	+14.3%
(QoQ)	(+108)	(▲294)	(+333)	(▲49)	(+168)		
(Gross profit margin)	(79.0%)	(80.2%)	(78.2%)	(77.7%)	(80.3%)	(+1.3pt)	
Number of trainings conducted	5,103	3,496	5,220	5,039	5,567	+464	+9.1%
(QoQ)	(+575)	(▲1,607)	(+1,724)	(▲181)	(+528)		
Of which, online training	1,791	1,173	921	1,313	1,456	▲335	▲18.7%
(Composition ratio)	(35.1%)	(33.6%)	(17.6%)	(26.1%)	(26.2%)	(▲8.9pt)	
Average unit price Unit: Thousand yen	273.9	288.5	280.1	279.2	282.3	+8.3	+3.1%
(QoQ)	(▲4.8)	(+14.5)	(▲8.4)	(▲0.9)	(+3.2)		

※ Gross profit by business has not been audited by Ernst & Young ShinNihon LLC

Unit: million yen

	1Q FY22 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	YoY	
Net sales	631	553	709	724	696	+64	+10.3%
(QoQ)	(+7)	(▲78)	(+156)	(+15)	(▲28)		
Gross profit	491	401	548	588	557	+65	+13.4%
(QoQ)	(+4)	(▲89)	(+147)	(+39)	(▲31)		
(Gross profit margin)	(77.8%)	(72.6%)	(77.4%)	(81.3%)	(80.0%)	(+2.2pt)	
Number of attendees Unit: people	29,954	25,818	31,008	33,550	32,907	+2,953	+9.9%
(QoQ)	(+1,241)	(▲4,136)	(+5,190)	(+2,542)	(▲643)		
Of which, online ratio	24,418	21,496	19,850	24,230	23,178	▲1,240	▲5.1%
(Composition ratio)	(81.5%)	(83.3%)	(64.0%)	(72.2%)	(70.4%)	(▲11.1pt)	
No. of training	2,637	2,707	2,644	2,530	2,709	+72	+2.7%
(QoQ)	(+172)	(+70)	(▲63)	(▲114)	(+179)		
No. of attendees per training	11.4	9.5	11.7	13.3	12.1	+0.8	+6.9%
(QoQ)	(▲0.2)	(▲1.9)	(+2.1)	(+1.6)	(▲1.1)		
Average unit price per training Unit: thousand yen	21.0	21.4	22.8	21.5	21.1	+0.0	+0.4%
(QoQ)	(▲0.6)	(+0.1)	(+1.4)	(▲1.3)	(▲0.4)		

※ Gross profit by business has not been audited by Ernst & Young ShinNihon LLC

Unit: million yen

	1Q FY22 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	YoY	
Net sales	213	522	240	327	286	+72	+33.8%
(QoQ)	(▲100)	(+308)	(▲282)	(+87)	(▲41)		
<Breakdown>							
Leaf recurring (Monthly revenue)	162	168	175	193	211	+49	+30.3%
(QoQ)	(+5)	(+5)	(+7)	(+17)	(+18)		
Sales per month ※1	55	56	59	67	73	+18	+33.1%
Average unit price /Organization (Unit: thou. yen)	99.6	98.1	97.1	102.8	107.7	+8.1	+8.2%
Leaf customization sales	22	194	61	106	27	+5	+23.0%
Stress check	28	160	2	27	46	+17	+62.1%
Gross profit ※2	147	428	187	266	207	+59	+40.3%
(QoQ)	(▲111)	(+280)	(▲240)	(+79)	(▲59)		
(Gross profit margin)	(69.2%)	(82.0%)	(78.1%)	(81.5%)	(72.5%)	(+3.3pt)	

※1 Monthly charges for the last month of each quarter are shown.

※2 Gross profit by business has not been audited by Ernst & Young ShinNihon LLC

IT Services KPI

	1Q FY22 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	YoY	
<Monthly Subscription Model> (Unit: organization)							
Leaf paid subscribers	551	588	612	638	662	+111	+20.1%
(QoQ)	(+29)	(+37)	(+24)	(+26)	(+24)		
Leaf Active Users (Unit: thousand people)	2,438	2,552	2,722	2,895	3,060	+621	+25.5%
(QoQ)	(+326)	(+113)	(+169)	(+173)	(+164)		
On-the-web appraisal form services	168	184	190	201	206	+38	+22.6%
(QoQ)	(+3)	(+16)	(+6)	(+11)	(+5)		
<Services based on Individual Contract>							
Leaf No. of Customization	11	54	19	38	15	+4	+36.4%
(QoQ)	(▲41)	(+43)	(▲35)	(+19)	(▲23)		
No. of Stress Check Support Service	91	326	13	65	90	▲1	▲1.1%
(QoQ) (Unit: Organization)	(+20)	(+235)	(▲313)	(+52)	(+25)		

Other Businesses (Rising Next)

Unit: million yen

	1Q FY22 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	YoY	
Net sales	343	533	283	426	316	▲27	▲8.0%
(QoQ)	(▲1)	(+189)	(▲249)	(+142)	(▲109)		
Gross profit ※	215	388	142	287	198	▲16	▲7.9%
(QoQ)	(+5)	(+172)	(▲245)	(+145)	(▲89)		
(Gross profit margin)	(62.5%)	(72.8%)	(50.1%)	(67.5%)	(62.6%)	(+0.1pt)	

<Breakdown>

Video sales (Outright Purchase)	Net sales	119	198	69	84	96	▲23	▲19.3%
	No. of Videos	538	887	327	345	447	▲91	▲16.9%
Rental	Net sales	12	10	6	9	8	▲3	▲28.2%
	No. of Viewers	4,028	3,493	3,066	3,542	3,910	▲118	▲2.9%
Monthly Subscription (STUDIO)	Net sales	39	35	41	37	39	+0	+1.1%
	No. of User IDs (Unit : thou. IDs)	73	79	82	85	86	+13	+18.2%
Video Production	Net sales	4	21	14	21	19	+15	+384.2%
	No. of Contents	18	23	15	23	40	+22	+122.2%
Consulting/ Assessment Service	Net sales	23	35	26	50	35	+11	+49.6%
	No. of Organizations	63	70	54	81	88	+25	+39.7%
Online Seminar Support Service	Net sales	45	54	45	58	51	+6	+13.4%
	No. of Organizations	94	86	34	68	75	▲19	▲20.2%
Regional Revitalization Service	Net sales	2	47	2	99	13	+11	+487.5%
	No. of Projects	3	12	6	15	10	+7	+133.3%
Web Marketing	Net sales	39	56	70	55	46	+6	+15.8%

※ Gross profit by business has not been audited by Ernst & Young ShinNihon LLC.

<Appendix 1> Company Profile & Insource's Advantages



Company Profile

Company name Insource Co., Ltd. (Code number: 6200)
Tokyo Headquarters Insource Dokanyama Bldg. 4-19-12 Nishi Nippori, Arakawa-ku, Tokyo
Capital 800,623 thousand yen
Foundation November 2002
Profile Takayuki Funahashi, Representative Director, President and CEO



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.

* As of the end of Dec., 2023

* Branches with Seminar Rooms

Affiliated Companies

Mitemo Co., Ltd

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

Rashiku Corporation

- Recruitment Support 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, Web page Creation, System Development

Insource Business Rep Corporation

- Support Service for Training Management

Insource Consulting Corporation (since October, 2023)

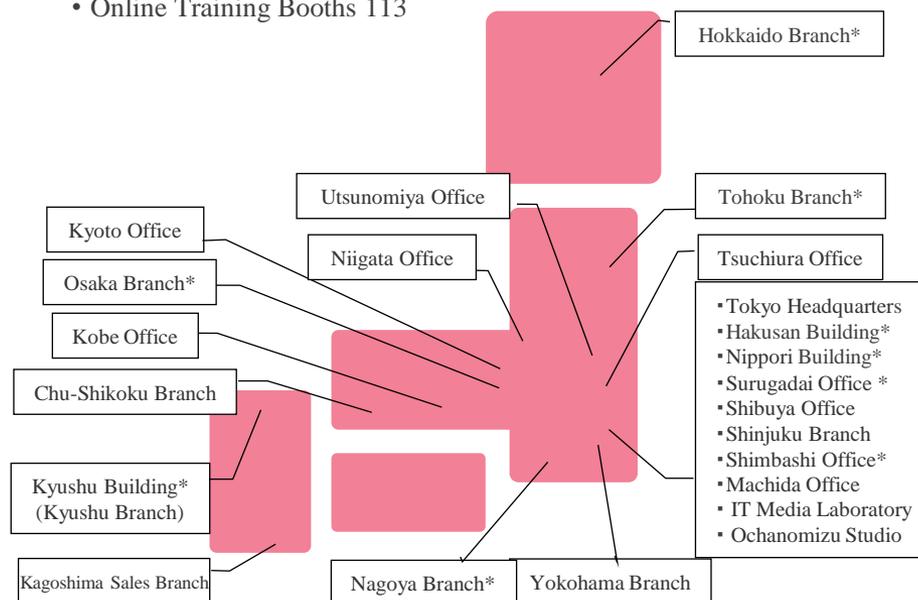
- HR strategy, Consulting, Professional development

Insource Creative Solutions Corporation (since October, 2023)

- Training content and video production, website production, consulting

Business Locations : 23

- Seminar Rooms 44 in 6 cities
- Online Training Booths 113



- High quality services both face-to-face and online training make it possible to practice what you learned the very next day
- Digitalization of the operation process for training management allows us to provide more training programs with better quality and high frequency.
- High level of client satisfaction with ... Contents **95.9 %** / Trainers **93.9%** * As of the end of Dec, 2023

On-Site Training

Sales ratio: 1Q FY23 54.8%
FY22 48.9%

- Offer On-Site Trainings tailored to organizations' needs

Separate and digitalize the roles of trainers and content-creators

*As of the end of Dec. 2023

Annual total no. of trainings conducted/attendees
19,322 times 622 thousand attendees
 Of which, no. of online trainings
4,863 times 216 thousand attendees

*Jan, 2023 – Dec.2023

Open Seminars

Sales ratio: 1Q FY23 24.3%
FY22 24.3%

- Offer Open Seminars starting from one person

Seminars are held online frequently and nationwide

- More than 4,200 types of courses, including those offered by business partners, are available
- New courses introduced timely
- Up to 50% discount with “HRD Smart Pack”(our unique point service)
- Used by many enterprises including startups and large companies nationwide

Annual total no. of trainings conducted attendees:
10,590 times 123 thousand attendees
 Of which, no of online trainings
6,269 times 88 thousand attendees

*Jan. 2023 – Dec. 2023

IT Services

Sales ratio: 1Q FY23 10.0%
FY22 12.1%

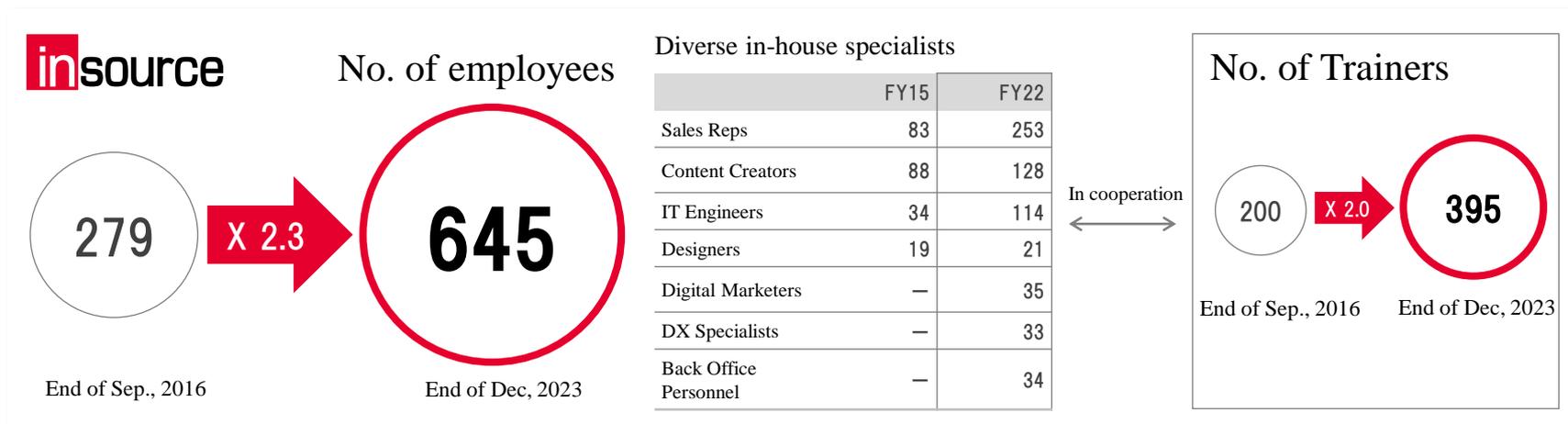
- Leaf (HR support system, LMS)
 No. of Leaf paid subscribers/ active users
662 organizations ▪ 306 million people
 *As of the end of Dec, 2023
- Stress Check Support Service
 Cumulative no. of organizations and examinees
 Over 2,000 organizations ,Over 2 million employees
 * As of the end of June, 2023

Other Businesses

Sales ratio 1Q FY23: 11.0%
FY22: 14.7%

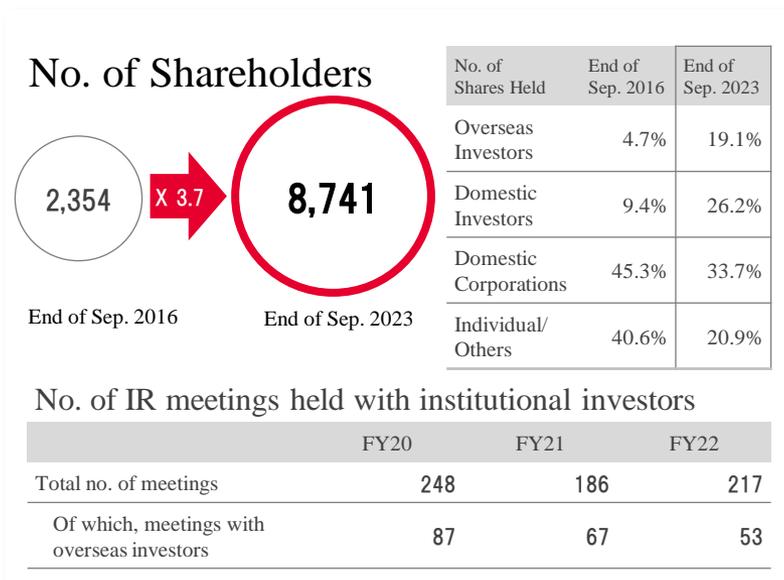
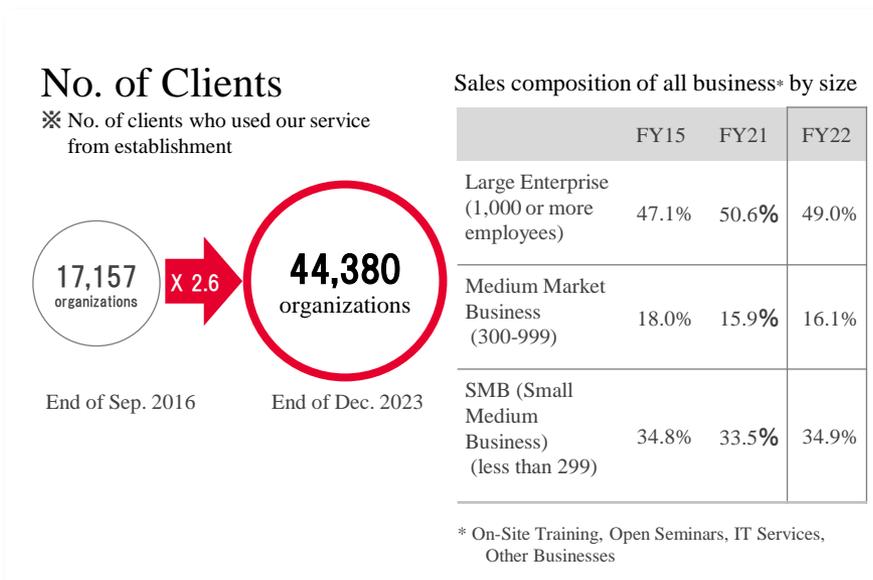
- e-Learning/Videos sales and production
- Consulting, Assessment Services
- Online Seminar Support Service
- Regional Revitalization Service
- Web Marketing Service
- Support Service for Training Management

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



↓ Products/Services

Funds ↑ ↓ Returns



Clients composition ratio by industry

The number of clients who used our services in the past year (Jan, 2023 to Dec. 2023)

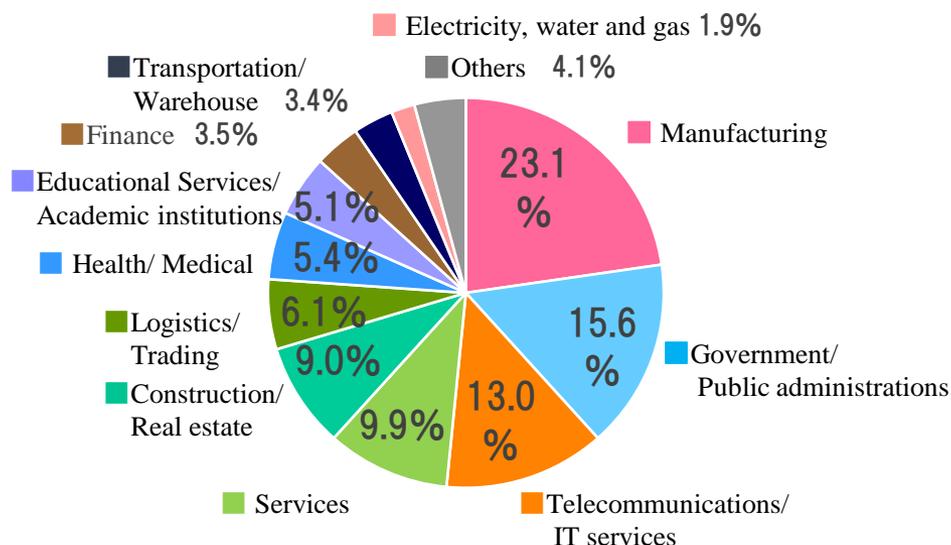
14,802 organizations

【Reference】

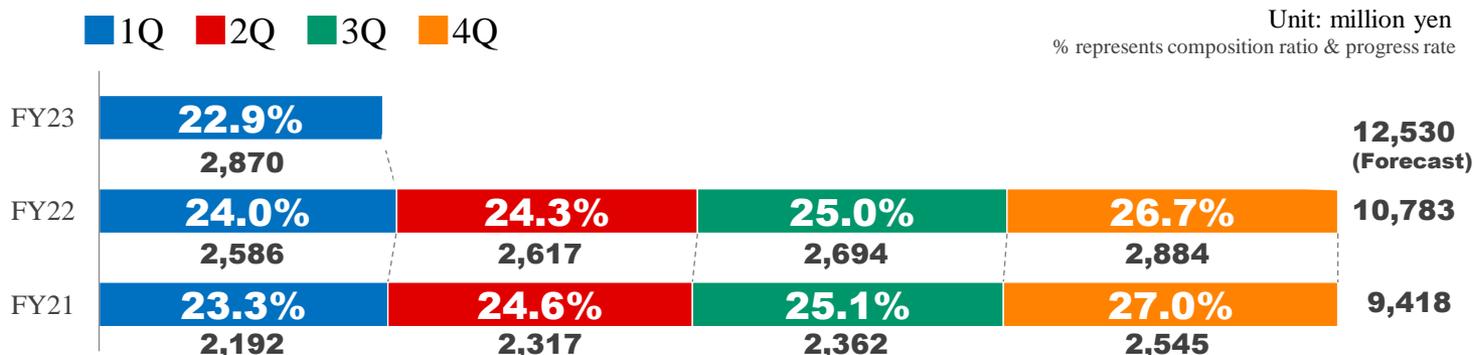
The number of clients who have used our services since our foundation

44,380 organizations

The number of clients who used our services in Jan-Dec.2023



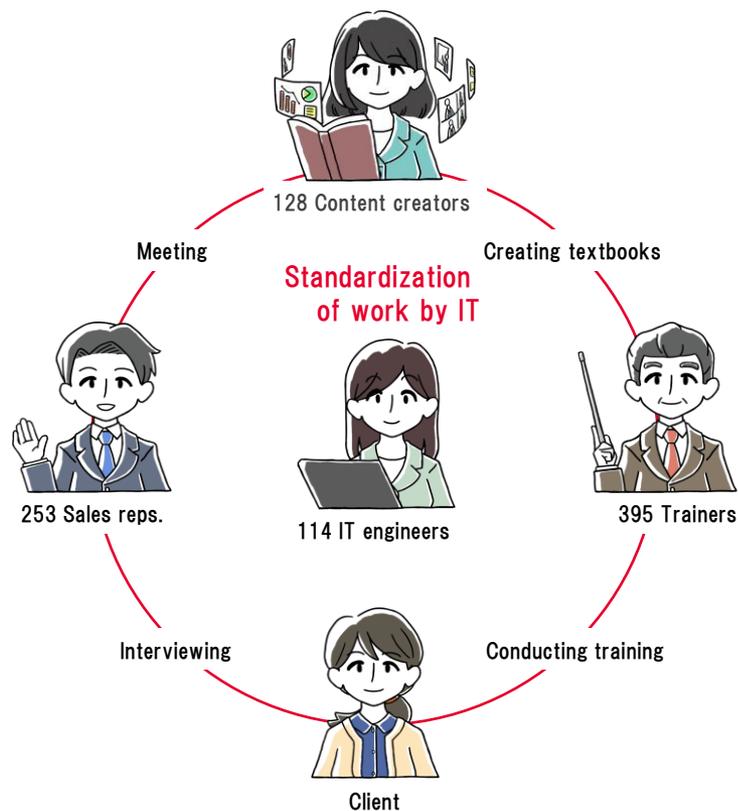
Sales composition ratio and progress rate by quarter



(1) High Ability to Develop Various Contents and Services

- Separate the roles by digitalization and realize in-house development of content (Training business)

Focusing on their respective roles has reduced costs and improved the quality of training.



*As of the end of Dec. 2023

- Quickly develop a great selection of training contents and web services

An in-house agile team of 128 content creators and 114 IT engineers develop various up-to-date contents in responsive to social changes and client needs.

■ No. of training classified by business types

On-Site trainings	Open Seminars	Videos /e-Learning
4,247	4,204	813

*As of the end of Dec. 2023

■ Classified by genre (examples)

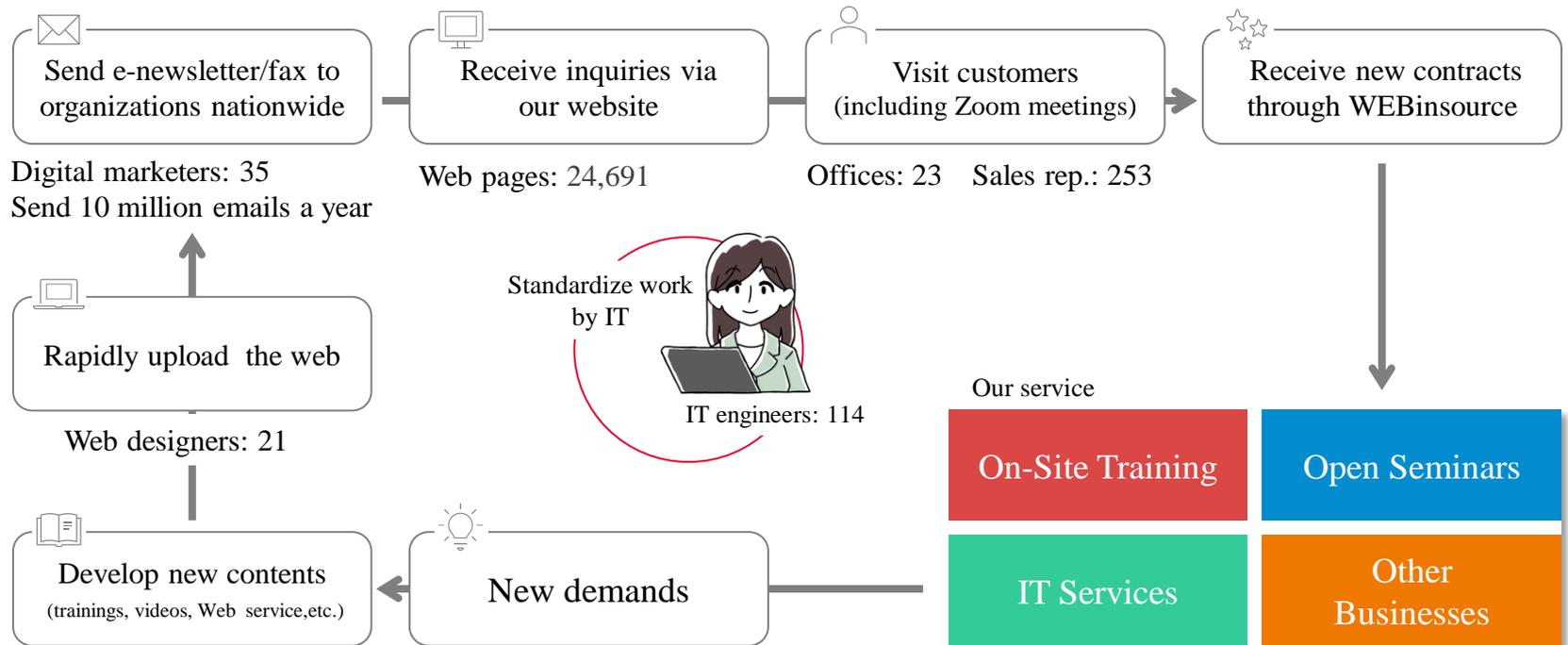
Theme	FY18		FY22		
	No.	Sales Composition ratio	No.	Sales Composition ratio	Sales growth ratio
For managers	1	21.7%	1	21.8%	+65%
Business skills	2	21.4%	2	18.7%	+44%
For new and younger employees	3	13.1%	3	13.3%	+66%
DX/OA/IT	6	6.4%	4	11.6%	+199%
Communication/ CS	4	12.0%	5	9.1%	+24%
Harassment prevention/ Compliance	5	7.5%	6	7.9%	+72%
For mid-career employees	7	4.6%	7	4.8%	+73%
Diversity	8	1.9%	8	1.7%	+44%
Others		11.5%		10.9%	+55%
Total		100.0%		100%	+64%

*As of the end of Sep. 2023

(2) Strong Sales Force to Expand Business through People and IT

Business Flow of Insource

- Expanding sales DX by using IT to utilize all data generated in the sales process since establishment.



*As of the end of Dec. 2023

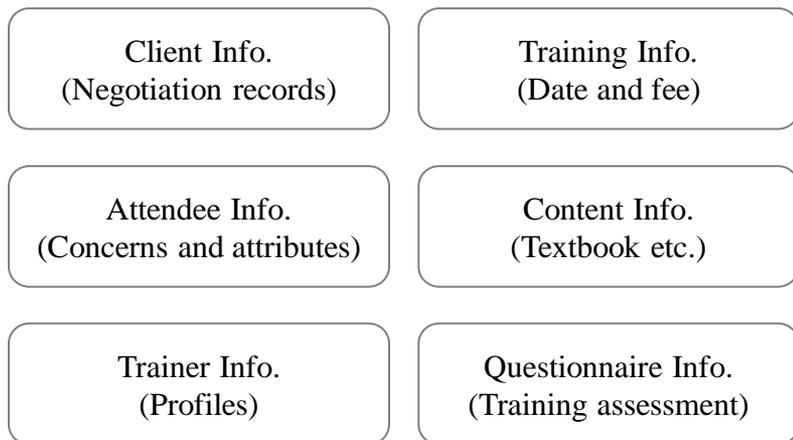
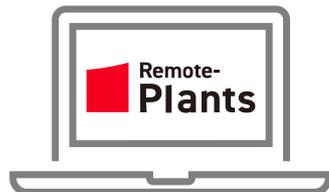
▶ 253 sales representatives and approximately 20,000 web pages created by 35 digital marketers are cooperated for efficient sales activities.

(3) IT Capability - Self-developed System

■ We have promoted systemization for work efficiency since foundation and some service is sold to other companies.

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

In-house system development - Create a database of all kinds of information to standardize operations



The system to manage client information, training operations, and contents etc. was developed.

WEBinsource (membership site) and EC sites “Video Department Store”



Leaf (HR support system)



<Lineups of Leaf Series>

Name	Target client
Leaf (education management/LMS)	LE
Leaf Lightning (specialized in e-Learning)	MM/SMB
Leaf inorder (distribution of video content)	MM/SMB
Leaf Eva (personnel evaluation)	MM/SMB
Leaf Human Capital Management	LE
Leaf Management (human resources information management)	MM/SMB
Leaf My STORY (activating internal communication)	MM/SMB
Leaf Corporate University	LE/MM
Leaf wellness	MM/SMB

※Large Enterprise: 1,000 or more employees, Medium Market Business :300-999 employees, SMB (Small Medium Business): Less than 299 employees

- Policy: Aim for ESG and sustainable performance improvement with ESG+P (Performance) management
- Evaluation: MSCI ESG rating is “AA” and our educational business and internal training are evaluated

Actions

- E Switched to renewable energy sources for electricity used in four company owned buildings
 - Estimated 55% reduction in annual CO2 emissions

Company’s buildings where renewable energy power is introduced

When to start using renewable electricity	Name of Company building (Location)	Locations-scale electricity consumption (Kwh)	Details on renewable electricity
Sep. 2023	Insource Kyushu Building (Fukuoka)	104,575	Non-FIT power stations, Non-FIT Non-Fossil Certificate (renewable)
Dec. 2023	Insource Dokanyama Building (Tokyo)	108,496	Non-FIT power stations, FIT power stations, FIT Non-Fossil Certificate
Dec. 2023	Insource Bunkyo Building (Tokyo)	101,789	
Dec. 2023	Insource Hakusan Building (Tokyo)	94,321	

Electricity consumption and CO2 emissions in the operations

	Unit	FY19 (Base year)	FY22 (Actual)	FY22 (Tentative*)	FY29 (Target)
Total electricity consumption	Mwh	635	754	754	—
Renewable energy consumption	Mwh	0	6	416	—
Ratio of renewable energy use	%	0	0.9	55.2	—
CO2 emissions	t-CO2	280	237	48	140

* Assuming switch to renewable energy in all company-owned buildings by the beginning of FY22.

- S Health Management Promotion - We plan to focus on improving our exercise and eating habits. Measures to support period poverty – 4 companies donated and provided sanitary products to 8 municipalities in 1Q FY23.
- G Results of the Board Effectiveness Evaluation for FY22- The issues from FY21 has been improved.

Issues of FY21	Improvement in FY22
Proactive involvement and supervision of CEOs and related parties in the development and operation of succession plans	<ul style="list-style-type: none"> • Matters relating to senior management personnel, such as succession planning, require the Board of Directors to consult with the Nomination and Compensation Committee, which deliberates and reports to the Board of Directors. The Committee consists of at least three directors selected by resolution of the Board of Directors, a majority of whom are independent external directors. The Chair of the Committee is selected by a member who is an independent external director.

Materiality and Long-term Indicators

Management philosophy: Create a society in which all people can enjoy working and feel fulfilled

	Materiality	Actions	KPI	FY21	FY22	FY29
Solving Social Issues through Business Activities	1.Increase productivity through career development education (Strengthening the organization)	Acquire knowledge and skills, solve problems, and improve productivity of organizations and individuals through trainings	Training business No. of annual attendees	640,000	720,000	2 million
	2.Acquisition of basic skills to play an active role in diverse environments (Strengthening individuals)	Leveraging IT and enhancing personal skills through the provision of DX training	OA/IT/DX training attendees (Open Seminars)	11,000	13,000	50,000
	3.Development of learning content tailored to each individual and organization	Development and accumulation of content in response to social issues and needs	Total no. of content	3,794	4,156	5,000
	4.Provision of educational infrastructure	Improve productivity and provide fair educational opportunities through the provision of IT	Cumulative video content Annual no.of Open Seminars conducted Leaf active users	544 8,000 2,112,000	754 10,000 2,895,000	1,500 15,000 7 million
ESG	[E] Responding to climate change	Carbon neutral emissions from business	Scope1+2 (t-CO2)	283	237	140
	[S] Excellent performances of diverse employees	Create a workplace where diverse human resources can thrive	Ratio of Female Executive Officer Female Manager Ratio	0% 37.8%	0% 37.4%	50% 50%
	[S] Community Relations	Solve community issues	No. of Regional Revitalization projects No. of public sector supporting period poverty	24 46	36 62	100 100
	[G] Strengthening governance	Ensuring diversity in management	Ratio of female in the Board of Directors	25%	25%	50%

*Targets for 2030 are subject to change as business conditions and management plans are revised or changed in the future.

*The percentage of female executive officers excludes companies where females serve concurrently as directors.

<Appendix 2> Increase of Human Capital Value

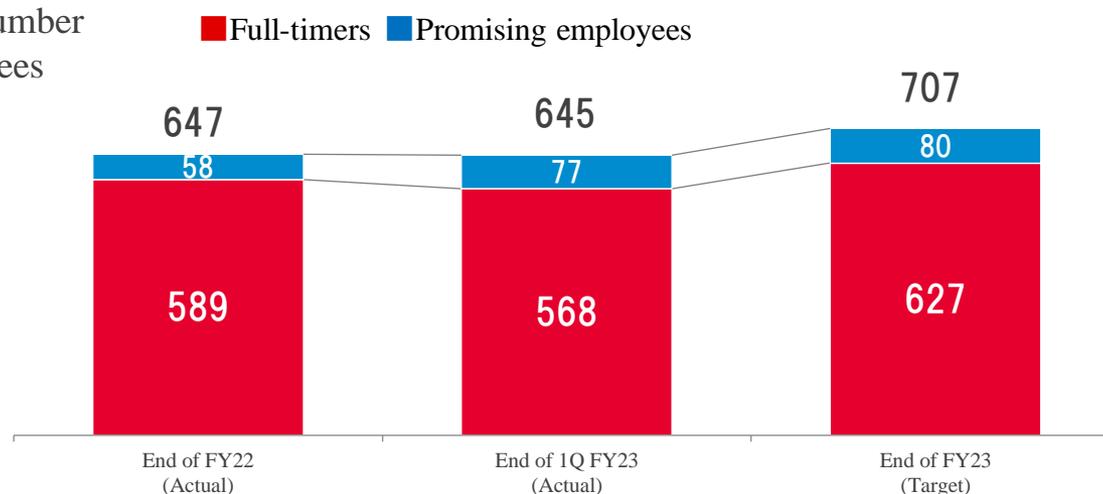


Human Capital - Number of Employees

- Net increase of 25 new employees in April, 2024 (FY23) is expected
- Promising employees (Seed investment in human capital) are personnel who have joined the company within one year after graduation or within six months after mid-career hiring. Particularly for new graduates, we are training them as new core human resources equipped with both DX and sales skills.

Consolidated number of employees	FY22 (Actual)	End of 1Q FY23 (Actual) (YoY)	Achievement rate (% of increase target)	End of Sep. FY23 (Target) (YoY)
<u>Total number of employees*</u>	647	645 (▲2)	-	707 (+60)
<u>Of which, promising employees*</u>	58	77	96.3%	80 (+22)

Change of number of employees



* Number of employees does not include directors, corporate auditors and executive officers.

* Promising employees (Seed investment in human capital) refers to personnel who have joined the company within one year after graduation or within six months after mid-career hiring

Diversity Disclosure

■ Female employees account for 56.6% of the entire employees and 37.1% of managerial positions. Many seniors are also active.

■ Acquired 2 stars in “Eruboshi”, and “Kurumin” certification*. Selected under the “2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program”.

*Eruboshi: A program under which the Minister of Health, Labor and Welfare certifies companies that have made excellent efforts to promote the advancement of women, based on the Law for the Promotion of Women's Activities.

Kurumin: A certification system for companies that meet certain criteria as a "company that supports child-rearing" based on the Law for Measures to Support the Development of the Next Generation.



	Total	Female employees (ratio)
No. of employees*2	645	365 56.6%
No. of managerial positions	213	79 37.1%

<Private Sectors>
Ratio of female employees in managerial positions:
12.9% *1
(Source: The Gender Equality Bureau of the Cabinet Office (2023))

Foreign nationals*4	4	Seniors (aged over 60)	50	LGBTs	5	People with disabilities	12 Disability employment rate: 3.18% ※3
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Private Sectors
 ▪ Legal employment rate: **2.30%**
 ▪ Actual employment rate: **2.25%**
 (Source: "2022 Disability Persons' Employment Status" released by the Ministry of Health, Labour and Welfare)

■ Workforce by job function (including those who are holding two or more posts concurrently) -Diverse specialists*5

Content Creators	128	Sales Representatives	253	IT Engineers	114	Back Office Personnel	34
Digital Marketers	35	DX Specialists	33	Designers	21	Service Operators	92

*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.

*5 Number of employees by job category is calculated by duplicating those who hold concurrent positions.

(As of the end of Dec, 2023, Consolidated)

■ Human capital disclosure items that Insource focuses on (example)

- Continue to place the highest priority on sales and operating profit per employee, which are directly linked to financial performance expansion, and continue to promote and improve them at the same time.
- Continue to promote the organization development where diverse human resources can work comfortably and promote D, E&I to secure a stable supply of excellent human resources.
- Increase the number of employee shareholders to foster a desire to improve company performance, increase engagement, and raise awareness of management participation.

Category	Items	FY20	FY21	FY22	Remarks
Performance	Sales per employee (thousand yen)*	22,193	24,181	25,225	Calculated based on the average number of employees (excluding temporary employees) during the period
Performance	Operating profit per employee (thousand yen)*	7,113	8,645	9,220	Calculated based on the average number of employees (excluding temporary employees) during the period
Performance	Average points of "Energy"	3.24	3.24	3.24	"Energy" is the ability to have a strong will and to see the value in continuing to work despite difficulties. Maximum 5 points. Calculated using our assessment test tool "giraffe"
Performance	Training hours per employee	15h44m	10h43m	22h30m	Total hours of training and e-Learning courses (excluding study sessions)
Performance	Total number of DX training attendees	201	681	248	Total number of participants in each fiscal year
Performance	Percentage of employees' experience with the company's services	100%	100%	100%	Calculated based on use of Leaf and attendance at Open Seminars and e-Learning
D, E&I	Number of management positions (Percentage of female employees)	156 (34.6%)	185 (37.8%)	211 (37.4%)	
D, E&I	Number of managerial appointments (Percentage of female employees)	43 (44.2%)	38 (52.6%)	29 (48.3%)	Number of non-managerial employees promoted to managerial positions during the fiscal year
D, E&I	Number and rate of employees taking maternity leave* Number and rate of employees taking paternity leave*	100% 46.2%	100% 92.3%	100% 86.0%	The percentage indicates the ratio calculated by the actual number of acquirers to those eligible for acquisition during the period.
Employee engagement	Percentage of employees who hold shares of Insource *	66.6%	69.6%	72.0%	Aggregate employee stock ownership plan participants and RS (restricted stock compensation) holders

■ Two challenges for companies concerning human capital management are “increasing the value of human capital” and “disclosing information on human capital.”

■ Major issues which Japanese companies are facing based on disclosure information: 5 themes and 7 items (based on Insource’s research)



	Company Implementation Matters	Problems anticipated in the implementation	Insource Services ※ Customized for unique items
STEP1	Set Indicators	<ul style="list-style-type: none"> ▪ Create unique indicators in line with management strategy → indicators that lead to increasing corporate value 	<p>Consulting service</p> <p>Check and analyze human capital linked to business performance, etc.</p>
STEP2	Collect and organize data	<ul style="list-style-type: none"> ▪ Easy to disclose information ▪ Consolidate data scattered across multiple systems 	<p>Leaf series</p> <p>Leaf Management/Leaf Human Capital Management/ Leaf Corporate University</p> <p><Example>Manage training attendance time data</p>
STEP3	Determine investment policy for human capital	<ul style="list-style-type: none"> ▪ Show the gap through As is-To be (current situation and desired state) ▪ Choose best talents to invest 	<p>Assessment/Leaf Corporate University</p> <p>▪ Develop and provide original assessments such as “giraffe”/tiered tests/engagement diagnostics, etc.</p>
STEP4	Implement education to achieve the goal	<ul style="list-style-type: none"> ▪ Develop and implement unique educational program ▪ Use e-Learning to increase the implementation rate of education. 	<p>Training (On-Site Training , Open Seminars, e-Learning, video)</p> <ul style="list-style-type: none"> ▪ Meet diverse training needs by various methods, period, budget, etc. ▪ Career education / DX training / Leader development / Diversity promotion <p>LMS “Leaf” /Leaf Corporate University</p>
STEP5	Evaluate educational effectiveness and incorporate into disclosure indicators	<ul style="list-style-type: none"> ▪ Need to evaluate the effectiveness of the unique education 	<p>Assessment/Leaf Corporate University</p> <p>Compare with the historical data with the above STEP2-3</p>

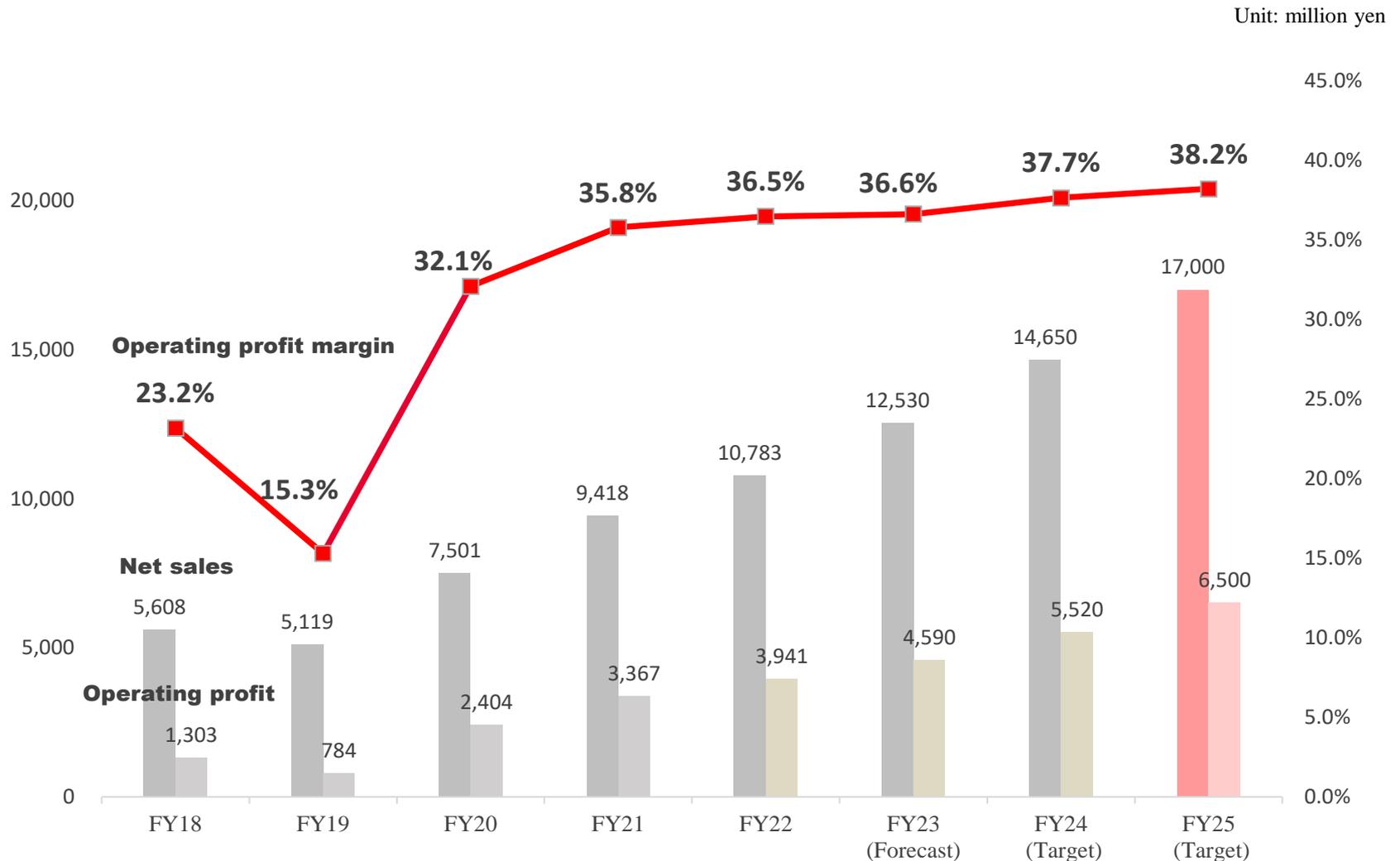
<Appendix 3>

FY23 Financial Consolidated Forecast

Three-year Business Plan "Road to Next 2026"



Targets net sales of 17 billion yen, operating profit of 6.5 billion yen, and operating profit margin of 38.2% in FY25.



Basic Policy

- Strengthen the content IP, which Insource has one of the largest training programs in Japan.
- Expand the target client base beyond HR education department
- Continue to achieve high-growth and operating profit margin of 33% or more. For FY25, target net sales of 17 billion yen, CAGR of 16.4%, operating profit of 6.5 billion.

Key measures

1. Expand sales per client by responding to a wide range of corporate management issues.
Strengthen contents IP and enhance sales activities beyond HR education departments such as human capital management, strengthening recruitment, promoting DX, strengthening sales, and strengthening management capabilities (support for listing).
2. Maximize the value of content IP by increasing the number of clients through improvement in multiple use and delivery.
 1. Accelerate securing partner channels in addition to independent sales channels to strengthen delivery to customers
 2. Overseas expansion through multi-use and multi-language support
3. Continue to develop and promote sales of “Rising Next”, a new focused business.
 1. Promote sales of existing services and develop new growth areas
 2. Full-scale provision of services for individuals, including responding to reskilling needs

Developing our Content IP and Growing our Business

Continue to develop more than 300 programs per year to meet the needs of the times

Fiscal year	FY19	FY20	FY21	FY22	FY23 onwards
Social situation	Spread of COVID-19	Restricted activities due to the COVID-19	Accelerating the Promotion of Human Capital Management through "Basic Policies 2022"	Emergence of the generating AI Full-scale launch of Regional Revitalization COVID-19 settlement	Further development of digital utilization Diversification of working styles and mobility of human resources Progress in health and productivity management
Themes for development	<ul style="list-style-type: none"> •Correspondence to telework •Crisis management 	<ul style="list-style-type: none"> •DX promotion •Expansion of video content 	<ul style="list-style-type: none"> •Development by corporate size •Career development by generation 	<ul style="list-style-type: none"> •Return to workplace •Reinforcing face-to-face sales 	<ul style="list-style-type: none"> •Respond to full-fledged demand for reskilling (especially DX) •Strengthening multilingual support
Total number of new contents	319	321	333	362	More than 360 programs per year
Example of program	<ul style="list-style-type: none"> • Instructional training for subordinates in telework •Online business negotiation training •Webinar for new graduates 	<ul style="list-style-type: none"> •Series for system engineers •Series - Learning from history and people's life •Office@ Series-Learning from Videos 	<ul style="list-style-type: none"> •Training for enterprises •Training for growth companies •Trainings to overcome difficulties (by generation) 	<ul style="list-style-type: none"> •ChatGPT utilization •Character Education series •New Managers Series •Series for a shy person 	<ul style="list-style-type: none"> •Expansion of DX programmes tailored to individual reskilling needs •Strengthen industry-and job-specific programs •Expansion of health and productivity management promotion programs •Strengthening multilingual response to regional power

Top 5 of contents genre in each fiscal year

Rank	FY19		FY20		FY21		FY22	
1	Telework COVID-19 measures	42	Digital skills	47	Business skills	43	Communication	40
2	For managers	33	For sales staff	44	Communication	38	Digital skills	32
3	Communication	31	For managers	32	Career/Motivation	36	Business skills	32
4	Digital skills	23	Subordinate guidance and OJT	22	For managers	32	For managers	27
5	For new graduates	23	Compliance	19	Digital skills	30	Subordinate guidance and OJT	23

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Future Business Expansion Plans

Expand client base and further enhance content IP

Develop content IP by broadening the range of target clients to include all corporate organizations, administrations, and individuals, extending the scope beyond HR education department.

Target	Corporate HR department				Corporate planning and sales planning departments			Government administration	Individual
Issues	Human resource development	Personnel/ evaluation	Labor/ Benefits	Employment	DX promotion	Sales force strengthening	Management capabilities strengthening	Regional revitalization	Reskilling
Services provided by Insource Group	1.Training/ e-learning/ Assessment <ul style="list-style-type: none"> •Tiered •Communication •Productivity improvement •Career 	1.Training/ e-learning/ Assessment <ul style="list-style-type: none"> •For assessors •MBO •Personal interviews 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Harassment •Health and productivity management •Labor management 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •For new graduates 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Excel, PPT •Python •DX •Project management 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Sales •Marketing •CS improvement 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Training for management •Promotion of female employees activities 	2.Regional Revitalization	3. Learning support/ Career support <ul style="list-style-type: none"> •OA skills •ChatGPT •Programming
	1.HR Tech <ul style="list-style-type: none"> •Leaf •Leaf corporate university •STUDIO 	1.HR Tech <ul style="list-style-type: none"> •Evaluation sheet to Web •Leaf Eva 	1.HR Tech <ul style="list-style-type: none"> •Stress check support •Leaf wellness 	2.Recruitment site Production	2. Consulting DX Promotion, Sales Strategy, Management Strategy (Mid-term Management Plan)				
	2. Consulting Comprehensive support for realizing human capital management (value enhancement and information disclosure)				2.Placement/ Recruiting		2.Web Marketing Support <ul style="list-style-type: none"> •EC website •Digital sales 	3. Listing support/ IR support	
	2.Consulting <ul style="list-style-type: none"> •Building education system 	2.Consulting <ul style="list-style-type: none"> •Building evaluation system 							

1. Current main business 2. “Rising Next” (Newly focused business)
3. Planned to be developed and offered in the future



Strengthen the management base

(Contents Development/Sales Force/System Development + Internal human capital)

FY23 Key Themes	1. Marketing <ul style="list-style-type: none"> ▪ Segmentation based on client characteristics in addition to company size and industry ▪ Diversify sales and promotional methods by segment ▪ Secure sales partners and strengthen cooperation 	2. Consulting Provide medium-to long-term and comprehensive support for management issues such as human capital management, reskilling, and the development of next-generation leaders along with clients.	3. Recruitment and education <ul style="list-style-type: none"> ▪ Educate employees thoroughly in four areas: marketing, consulting, project management, and digital utilization. ▪ Hire limited-area staff actively
Content development	<ul style="list-style-type: none"> ▪ Content development tailored to customer characteristics - Owners, traditional companies, and advanced companies etc. ▪ Service for individuals (Reskilling) 	<ul style="list-style-type: none"> ▪ Develop new services that comprehensively resolve corporate, administrative, and individual issues, not limited to human resource development 	<ul style="list-style-type: none"> ▪ Established ICS in Oct., 2023 to secure highly specialized human resources in Kyushu region. Securing new 2025 graduates as well as mid-career hires.
Sales	<ul style="list-style-type: none"> ▪ Sales activities and direct marketing tailored to customer characteristics ▪ Expand sales channels through alliances with other companies 	<ul style="list-style-type: none"> ▪ Established ICO in Oct., 2023 and launched a sales force specializing in consulting projects, mainly by Insource executive officers. ▪ Strengthen systematic and comprehensive proposal-based sales that do not end in a single year. 	<ul style="list-style-type: none"> ▪ Strengthen mid-career recruitment of consulting sales representative ▪ Hiring front-office sales representative in the Tokyo metropolitan area and Kansai region ▪ Hiring limited-area staff Responding to the Z-generation's local orientation
System development	<ul style="list-style-type: none"> ▪ CRM modification for sales rep. - Expansion of data maintenance functions and information volume ▪ Strengthen direct marketing functions ▪ API collaboration through alliances with other companies 	<ul style="list-style-type: none"> ▪ Consulting proposal automation tool - Started with a Open Seminars course selection system tailored to the training system of customers 	<ul style="list-style-type: none"> ▪ Hiring engineers in the Utsunomiya area where IMD is located Responding to the Z-generation's local orientation
Internal human capital	<ul style="list-style-type: none"> ▪ Knowledge education on customer characteristics ▪ Educate skill to create target list ▪ Increase inside sales personnel and educate skills 	<ul style="list-style-type: none"> ▪ Consulting Suggestion Skills Training - Enhancing consulting framework, and basic skills such as preparation of materials 	<ul style="list-style-type: none"> ▪ Select “Project management” and “digital utilization capabilities” for company-wide education ▪ Use Leaf Corporate University to strengthen weaknesses - Implementation of assessment by each division and take recommended Open Seminars

Three-year Business Plan “Road to Next 2026” - Targets by business

■ Sales Targets and Key Measures by Business Segment

Unit: million yen

Business	FY22 (Actual)	FY23 (Forecast)	FY24 (Target)	FY25 (Target)	Key Measures
Overall (YoY) CAGR: 16.4%	10,783 (+14.5%)	12,530 (+16.2%)	14,650 (+16.9%)	17,000 (+16.0%)	<ul style="list-style-type: none"> Expand sales per client by responding to a wide range of corporate management issues. Maximize the value of content IP by increasing the number of clients through improvement in multiple use and delivery. Continue to develop and promote sales of “Rising Next”, a new growing field
On-Site Training (YoY) CAGR: 17.2%	5,275 (+13.1%)	6,210 (+17.7%)	7,300 (+17.6%)	8,500 (+16.4%)	<ul style="list-style-type: none"> Strengthen consulting and improve sales per client Continue to expand sales force and strengthen education
Open Seminars (YoY) CAGR: 16.0%	2,617 (18.0%)	3,040 (+16.1%)	3,530 (+16.1%)	4,090 (+15.9%)	<ul style="list-style-type: none"> Strengthen sales to individuals to meet needs for reskilling Secure business partners to strengthen distributor sales
DX related (*1) (YoY) CAGR: 34.9%	920 (+34.5%)	1,380 (+49.9%)	1,800 (+30.0%)	2,320 (+30.0%)	<ul style="list-style-type: none"> Expand target client and strengthen content development Mid-sized and growing companies, individuals (reskilling), ChatGPT and Python utilization, etc.
IT Services (YoY) CAGR: 17.8%	1,304 (+8.9%)	1,630 (+25.0%)	1,870 (+14.7%)	2,130 (+13.9%)	<ul style="list-style-type: none"> Considering 11 Leaf series, promote to appropriate clients and strengthen acquisition of new projects. Add new features and pricing plan to the series launched in FY22 Increase LTV of existing users over 3.06 million (*2)
Other Businesses (YoY) CAGR: 12.8%	1,586 (+18.7%)	1,650 (+3.9%)	1,950 (+18.2%)	2,280 (+16.9%)	<ul style="list-style-type: none"> Regional Revitalization –Strengthen SMB support, develop tourism DX areas, etc. Online support: Acquire new private-sector projects and consulting to current customers Web Marketing –Expand business scope of website production/system Placement/Recruiting-Improve order rate and strengthen cycle of high compensation per case and secure limited job offers Consulting - Develop consulting and specialist training courses

*1 On-Site Training and Open Seminars related to DX. We have recalculated actual results and reestablished targets.

*2 As of the end of December, 2023

■ Career Training Market – Still great potential for growth

- The market size is 320 billion yen in 2023 and over 400 billion yen in 2026 *1. Of which, the DX training market is 35 billion yen in 2023 and 40 billion yen in 2026 *2.
- The market share of Insource is about 2%, and there is a lot of room for growth in the future.

■ HR digitalization market -Expansion is expected

- The market size is 240 billion yen in 2022 and expected to be 440 billion yen in 2027.*3
- The needs to increase the value of human capital and the administration of information disclosure is expected to increase significantly in the future.
- Net sales of “Leaf” for FY22 is 1.3 billion yen and there is a lot of room for growth.

■ National budget related to regional revitalization - The government promotes regional revitalization projects

- National budget is 1.7 trillion yen in 2023*4 and is expected to continue to grow.
- Specific support and human resource education will be required to create a sustainable and developmental economic cycle in the region in the future, such as management support for SMBs, support for tourism promotion, and promotion of entrepreneurship.

*1 Calculated based on the MHLW's Basic Survey on HR Development and MIC' Labor Force Survey.

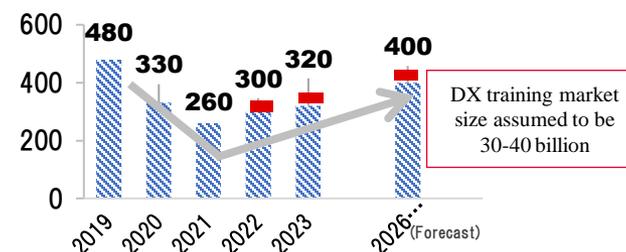
*2 Calculated based on Information-technology Promotion Agency, Japan (IPA), "Survey of Enterprises and IT Human Resources for Digital Transformation (DX) Promotion" report and Ministry of Internal Affairs and Communications, "Economic Census - Activity Survey." .

*3 Calculated based on the "Basic Survey of the Information and Communications Industry" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry

*4 Calculated based on the "Regional Development Budget" on the website of the Secretariat for Promotion of Regional Revitalization of Japan

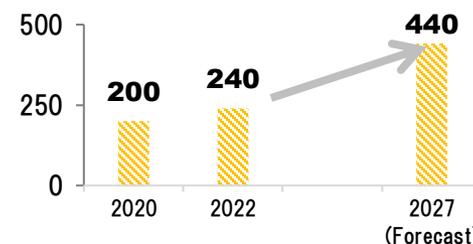
Training market size forecast

Unit (billion yen)



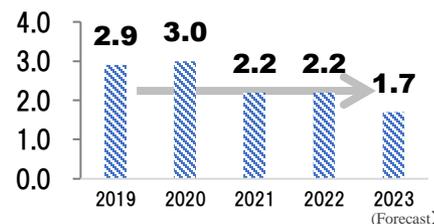
HR digitalization market forecast

Unit (billion yen)



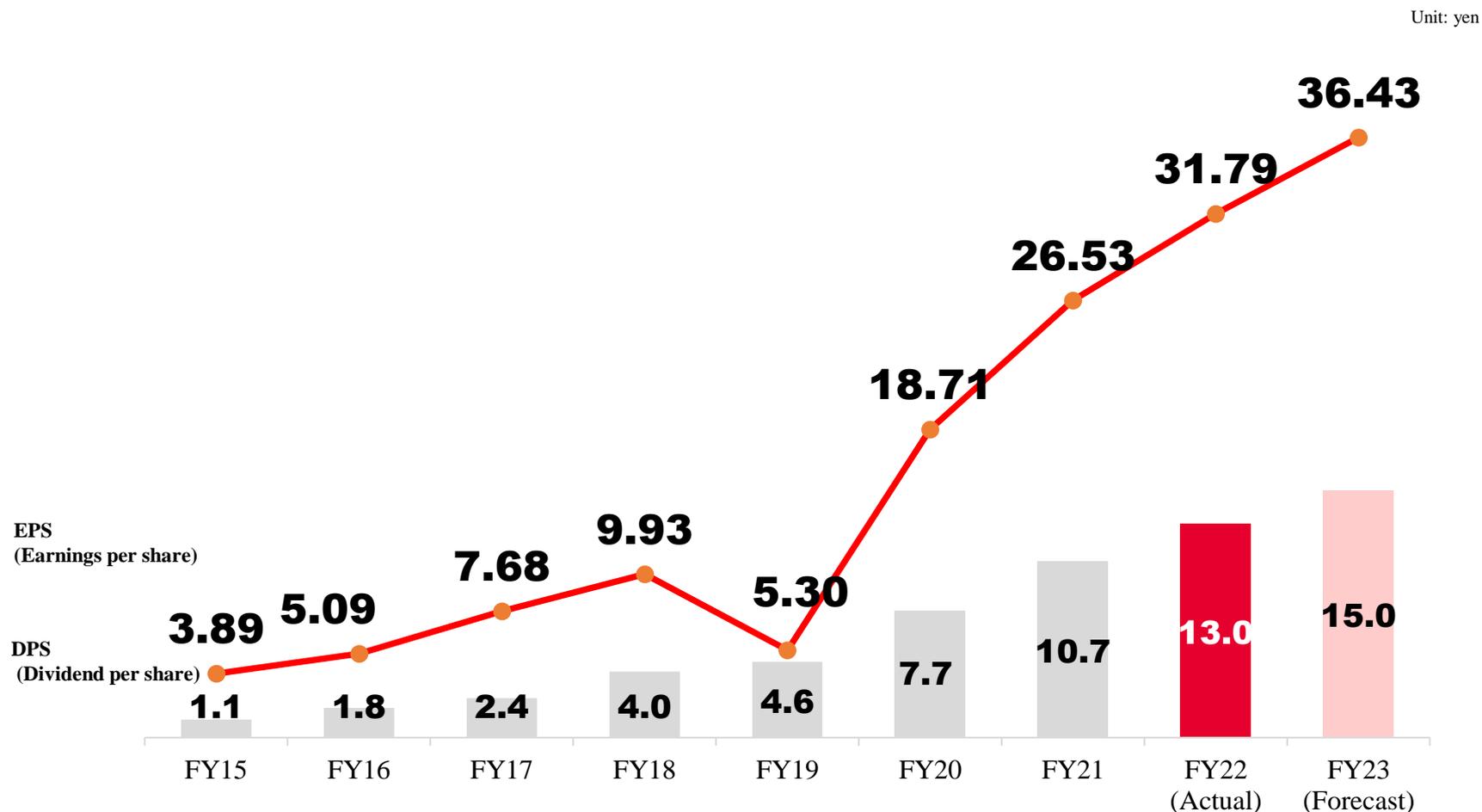
National budget related to regional revitalization

Unit (trillion yen)



Shareholder Return Policy

- DPR (dividend payout ratio) target of 40% according to business performance.
- Dividend per share for FY23 is 15.0 times* that of FY15 at the time of the IPO.



(*) We conducted stock splits on May 1, 2018, September 1, 2019, January 1, 2021 and January 1, 2023. The year-end dividend amount reflects this stock split.
EPS and DPS reflects this stock split.