

Insource Co., Ltd.

# 2Q FY2018 Consolidated Financial Results

(Three months ended March 31, 2019)



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## Chap. 01 2Q FY2018 Consolidated Results

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## Chap. 02 FY2018 Progress Report

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## <Appendix> About Insource

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# Chap. 01 2Q FY2018 Consolidated Results

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## ■ Net sales:

Increased by 23.2% (+481 million yen) YOY to 2,555 million yen.

The breakdown consists of 1,482 million yen (+16.2%) for On-Site Training, 627 million yen (+26.3 %) for Open Seminars and 445 million yen (+48.2%) for Other Businesses.

## ■ Gross profit:

Increased by 25.1% (+357 million yen) YOY to 1,781 million yen.

Gross profit margin increased by 1.1 points YOY to 69.7 %.

## ■ Operating profit:

Increased by 32.9% (+140 million yen) YOY to 567 million yen.

Operating profit margin increased by 1.6 points YOY to 22.2 %.

## ■ Point:

Other businesses, such as IT service, e-learning courses and video production projects were highly demanded.

## 2 Consolidated Profit Loss Statement ① (Overview)

■ Net sales increased by 23.2% to 2,555 million yen.

Unit: million yen

■ Gross profit margin increased by 1.1 points YOY to 69.7%.

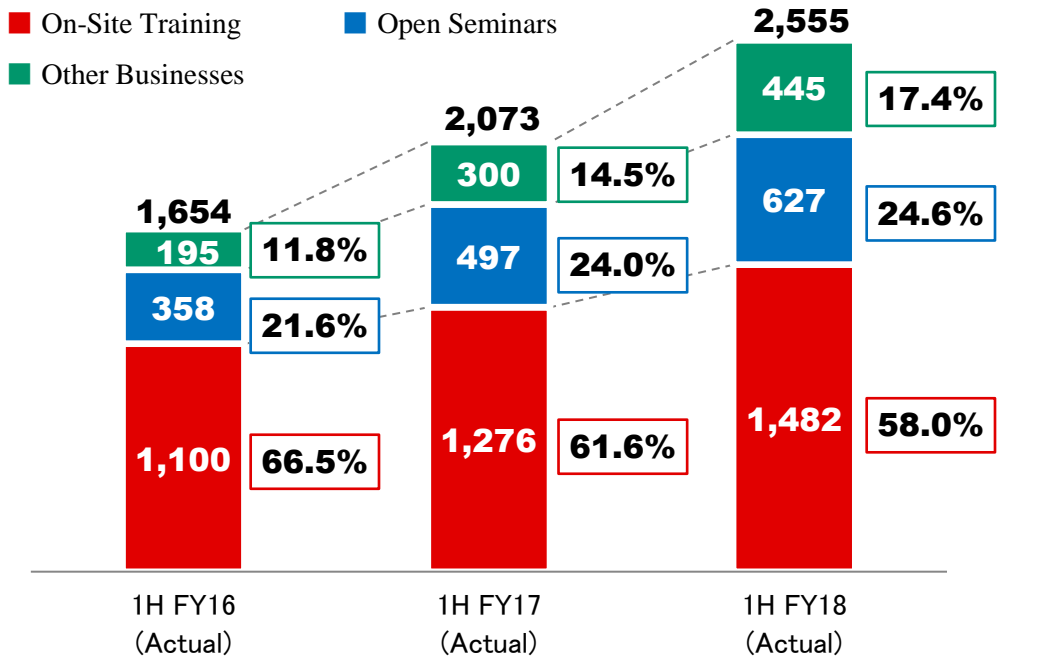
	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Net sales (YOY)	<b>1,654</b> (+357)	<b>2,073</b> (+419)	<b>2,555</b> (+481)	<b>+23.2%</b>	<b>5,600</b> (Progression rate: <b>45.6%</b> )
Gross profit (YOY) (Gross profit margin)	<b>1,085</b> (+215) (65.6%)	<b>1,423</b> (+337) (68.6%)	<b>1,781</b> (+357) (69.7%)	<b>+25.1%</b>  (+1.1p)	<b>3,900</b> (Progression rate: <b>45.7%</b> )  (69.6%)
Operating profit (YOY) (Operating profit margin)	<b>234</b> (+30) (14.2%)	<b>427</b> (+192) (20.6%)	<b>567</b> (+140) (22.2%)	<b>+32.9%</b>  (+1.6p)	<b>1,160</b> (Progression rate: <b>48.9%</b> )  (20.7%)
Ordinary profit (YOY)	<b>250</b> (+48)	<b>419</b> (+168)	<b>565</b> (+146)	<b>+34.9%</b>	<b>1,150</b> (Progression rate: <b>49.2%</b> )
Net profit (YOY)	<b>164</b> (+35)	<b>283</b> (+118)	<b>372</b> (+89)	<b>+31.7%</b>	<b>750</b> (Progression rate: <b>49.7%</b> )

Unit: million yen

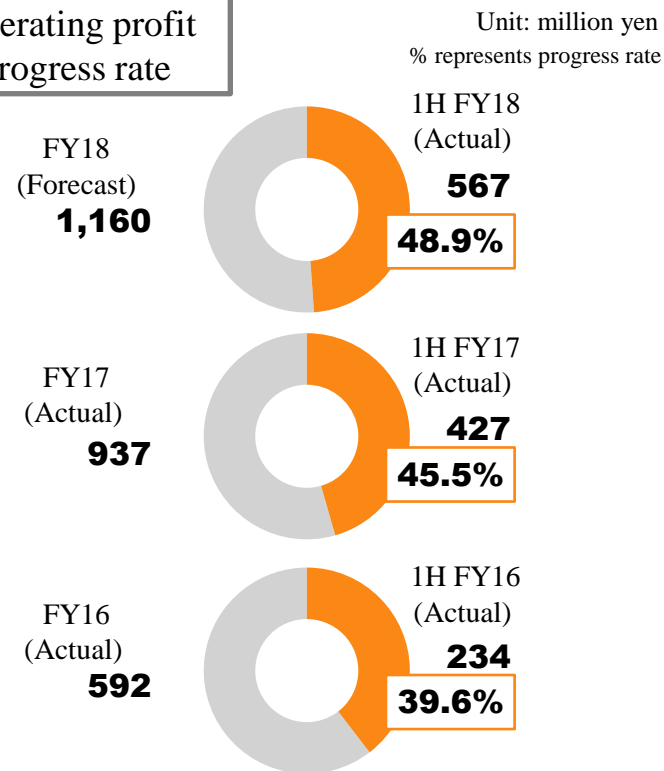
		1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Whole Business	Net sales (YOY)	<b>1,654</b> (+357)	<b>2,073</b> (+419)	<b>2,555</b> (+481)	<b>+23.2%</b>	<b>5,600</b> (Progression rate: <b>45.6%</b> )
	Gross profit (Gross profit margin)	<b>1,085</b> <b>(65.6%)</b>	<b>1,423</b> <b>(68.6%)</b>	<b>1,781</b> <b>(69.7%)</b>	<b>+25.1%</b> <b>(+1.1p)</b>	<b>3,900</b> <b>(69.6%)</b> (Progression rate: <b>45.7%</b> )
On-Site Training	Net sales (YOY)	<b>1,100</b> (+158)	<b>1,276</b> (+175)	<b>1,482</b> (+206)	<b>+16.2%</b>	<b>3,300</b> (Progression rate: <b>44.9%</b> )
	Gross profit (Gross profit margin)	<b>794</b> <b>(72.1%)</b>	<b>933</b> <b>(73.1%)</b>	<b>1,062</b> <b>(71.7%)</b>	<b>+13.9%</b> <b>(▲1.4p)</b>	<b>2,340</b> <b>(70.9%)</b> (Progression rate: <b>45.4%</b> )
Open Seminars	Net sales (YOY)	<b>358</b> (+106)	<b>497</b> (+139)	<b>627</b> (+130)	<b>+26.3%</b>	<b>1,460</b> (Progression rate: <b>43.0%</b> )
	Gross profit (Gross profit margin)	<b>202</b> <b>(56.5%)</b>	<b>319</b> <b>(64.1%)</b>	<b>388</b> <b>(61.8%)</b>	<b>+21.7%</b> <b>(▲2.3p)</b>	<b>990</b> <b>(67.8%)</b> (Progression rate: <b>39.2%</b> )
Other Businesses	Net sales (YOY)	<b>195</b> (+91)	<b>300</b> (+105)	<b>445</b> (+144)	<b>+48.2%</b>	<b>840</b> (Progression rate: <b>53.0%</b> )
	Gross profit (Gross profit margin)	<b>89</b> <b>(45.6%)</b>	<b>171</b> <b>(57.0%)</b>	<b>329</b> <b>(74.1%)</b>	<b>+92.7%</b> <b>(+17.1p)</b>	<b>570</b> <b>(67.9%)</b> (Progression rate: <b>57.9%</b> )

\* Our gross profit margins by business were not audited by Ernst &amp; Young ShinNihon LLC.

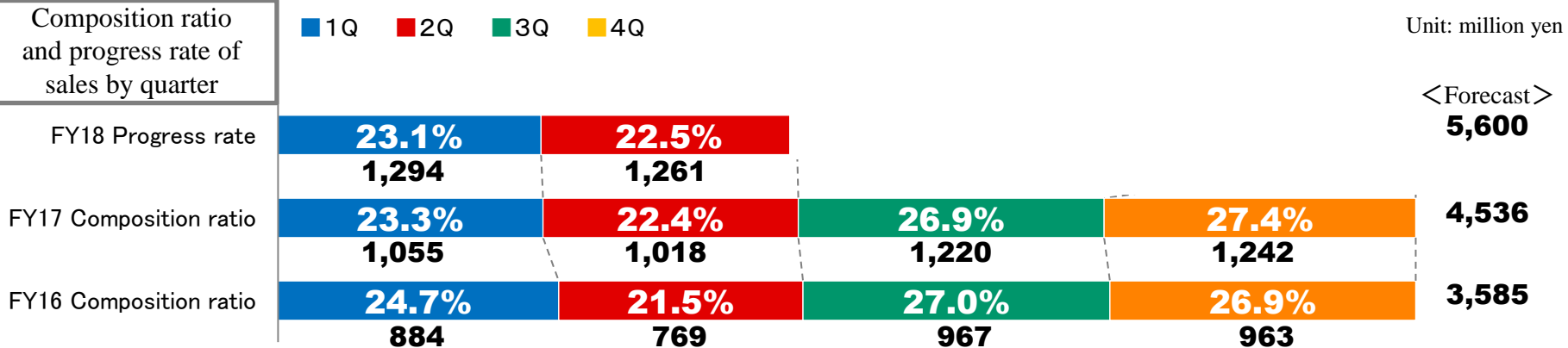
Sales composition ratio by business



Operating profit progress rate



Composition ratio and progress rate of sales by quarter





## 5

## Consolidated Profit and Loss Statement ②

• Transition of Gross Profit  
• Breakdown of SG&A expenses

insource

Unit: million yen

Transition of  
gross profit

	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY		FY18 (Forecast)
Net sales	<b>1,654</b>	<b>2,073</b>	<b>2,555</b>	+481	+23.2%	<b>5,600</b>
Gross profit	<b>1,085</b>	<b>1,423</b>	<b>1,781</b>	+357	+25.1%	<b>3,900</b>
Gross profit margin	<b>65.6%</b>	<b>68.6%</b>	<b>69.7%</b>	+1.1p	-	<b>69.6%</b>

Breakdown of  
SG&A

	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY		FY18 (Forecast)
Total personnel expenses	<b>659</b>	<b>768</b>	<b>926</b>	+157	+20.5%	<b>2,100</b>
(Total personnel expenses rate)	<b>(77.5%)</b>	<b>(77.1%)</b>	<b>(76.3%)</b>	-	-	-
Rent expenses	<b>52</b>	<b>57</b>	<b>62</b>	+4	+8.5%	—
Office & system expenses	<b>46</b>	<b>55</b>	<b>80</b>	+25	+45.7%	—
Other expenses	<b>91</b>	<b>114</b>	<b>143</b>	+29	+25.6%	—
Total SG&A expenses	<b>851</b>	<b>996</b>	<b>1,213</b>	+217	+21.8%	<b>2,740</b>
(SG&A expense ratio)	<b>(51.5%)</b>	<b>(48.0%)</b>	<b>(47.5%)</b>	-	-	<b>(48.9%)</b>

\* Total personnel expenses include wages, recruitment, training, and benefit expenses.

## 6 Consolidated Balance Sheet

- Current assets: Cash and deposits decreased primarily due to the acquisition of treasury stock and the further investment in our affiliates.
- Net assets: Decreased due to the acquisition of treasury stock, which was negatively recorded as net assets.

Unit: million yen

	FY16 (Actual)	FY17 (Actual)	1H FY18 (Actual)	FY17 vs. 1H FY18 YOY	
Current assets	<b>1,941</b>	<b>3,434</b>	<b>3,194</b>	<b>▲240</b>	<b>▲7.0%</b>
Fixed assets	<b>402</b>	<b>524</b>	<b>691</b>	<b>+167</b>	<b>+32.0%</b>
Total assets	<b>2,343</b>	<b>3,959</b>	<b>3,886</b>	<b>▲72</b>	<b>▲1.8%</b>
Current liabilities	<b>808</b>	<b>979</b>	<b>1,177</b>	<b>+197</b>	<b>+20.1%</b>
Fixed liabilities	<b>98</b>	<b>89</b>	<b>89</b>	<b>±0</b>	<b>▲0.5%</b>
Net assets	<b>1,436</b>	<b>2,889</b>	<b>2,620</b>	<b>▲269</b>	<b>▲9.3%</b>
Total liabilities and net assets	<b>2,343</b>	<b>3,959</b>	<b>3,886</b>	<b>▲72</b>	<b>▲1.8%</b>

## 7 On-Site Training

■ IT and AI/RPA workshops for productivity improvement are highly demanded.

■ The average unit price per training rose due to increased orders from private companies in Tokyo area.

Unit: million yen

	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Net sales	<b>1,100</b>	<b>1,276</b>	<b>1,482</b>	<b>+16.2%</b>	<b>3,300</b> (Progression rate: <b>44.9%</b> )
Gross profit*	<b>794</b>	<b>933</b>	<b>1,062</b>	<b>+13.9%</b>	<b>2,340</b> (Progression rate: <b>45.4%</b> )
(Gross profit margin)	<b>(72.1%)</b>	<b>(73.1%)</b>	<b>(71.7%)</b>	<b>(▲1.4p)</b>	<b>(70.9%)</b>
Total number of trainings conducted (times)	<b>5,287</b>	<b>6,083</b>	<b>6,853</b>	<b>+770</b>	<b>16,100</b> (Progression rate: <b>42.6%</b> )
	FY16 (Actual)	FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Average unit price (Thousand yen)	<b>204.1</b>	<b>210.0</b>	<b>216.4</b>	<b>+6.4</b>	<b>205.0</b>
Total number of contents by category (types)	<b>2,333</b>	<b>2,582</b>	<b>2,701</b>	<b>+119</b>	<b>2,800</b> (Progression rate: <b>27.5%</b> )

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

- 27.5% more participants attended Open Seminars in Tokyo than the previous year thanks to the increased number of classrooms.
- Gross profit margin dropped mainly because:
  - 1) We reallocated more personnel for expanding the number of classrooms nationwide,
  - 2) The increased number of clients signing up for HRD SmartPack (our unique package deal available at highly discounted rates) lowered the average unit price.

	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY	Unit: million yen FY18 (Forecast)
Net sales	<b>358</b>	<b>497</b>	<b>627</b>	<b>+26.3%</b>	<b>1,460</b> (Progression rate: <b>43.0%</b> )
Gross profit*	<b>202</b>	<b>319</b>	<b>388</b>	<b>+21.7%</b>	<b>990</b> (Progression rate: <b>39.2%</b> )
(Gross profit margin)	<b>(56.5%)</b>	<b>(64.1%)</b>	<b>(61.8%)</b>	<b>(▲2.3p)</b>	<b>(67.8%)</b>
Total number of attendees (attendees)	<b>17,692</b>	<b>24,550</b>	<b>31,302</b>	<b>+27.5%</b>	<b>71,200</b> (Progression rate: <b>44.0%</b> )
	FY16 (Actual)	FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Average unit price (Thousand yen)	<b>20.9</b>	<b>20.8</b>	<b>20.1</b>	<b>▲0.7</b>	<b>20.5</b>
Total number of organizations subscribing to WEBinsource (organizations)	<b>5,804</b>	<b>8,564</b>	<b>9,942</b>	<b>+1,378</b>	<b>11,000</b> (Progression rate: <b>56.6%</b> )

## Key Factors of Sales Growth in Our Training Business

### Services

- IT and AI/RPA workshops for productivity improvement are highly demanded.  
IT workshops (+84.8% YOY) account for 12.0% of 1H FY2018 sales growth.
- Logical thinking trainings by job function from young employees to junior managers are highly demanded.  
Logical thinking trainings (+40.6% YOY) account for 10.0% of 1H FY2018 sales growth.
- Trainings for managerial positions (business improvement/risk management/compliance/harassment prevention) are highly demanded.  
Problem-solving/business improvement trainings (+40.3% YOY) account for 9.1% of 1H FY2018 sales growth.

### Clients

- Demands from the following industries are growing:
  - Telecom/IT service industries (+42.6% YOY)
  - Pharmaceutical industry (+57.1% YOY)
  - Trading firms (+48.4% YOY)
- Demand from the retail/service/hospitality (B-to-C) industries decreased (-5.8% YOY).

### Areas

- On-Site Training: Demands are steadily growing throughout the country, especially in Kanto area increased by 11.0% YOY, In Kansai/Chu-Shikoku areas are contributed to sales growth, which account for 26.0% of 1H FY2018.
- Open Seminars: Demands are steadily growing in Tokyo area (+25.1% YOY). In addition, demands are significantly growing in other areas (+about 30.0% each).

\* From October 2018 to March 2019 \* The figures above show preliminary figures on our On-Site Training and Open Seminars.

\* Figures above in parentheses indicate changes from the same period of the previous fiscal year.

# 10 Other Businesses ① Net Sales & Gross Profit

- Mitemo's e-Learning courses and video production projects are highly demanded.
- Gross profit margin significantly increased by 74.1% YOY to 329 mainly because:
  - 1) Sales of Leaf (highly profitable in-house platform) increased,
  - 2) We put more emphasis on profitability than sales volume in Stress Check Support Service.

Unit: million yen

	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Net sales	<b>195</b>	<b>300</b>	<b>445</b>	<b>+48.2%</b>	<b>840</b> (Progression rate: <b>53.0%</b> )
<Breakdown>					
IT service	<b>53</b>	<b>142</b>	<b>250</b>	<b>+76.4%</b>	<b>400</b>
e-Learning / Video production	<b>70</b>	<b>85</b>	<b>126</b>	<b>+49.3%</b>	<b>290</b>
Consulting	<b>71</b>	<b>72</b>	<b>36</b>	<b>▲49.2%</b>	<b>150</b>
Gross profit*	<b>89</b>	<b>171</b>	<b>329</b>	<b>+92.7%</b>	<b>570</b>
(Gross profit margin)	<b>(45.8%)</b>	<b>(57.0%)</b>	<b>(74.1%)</b>	<b>(+17.1p)</b>	<b>(67.9%)</b> (Progression rate: <b>57.9%</b> )

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

# 11 Other Businesses ② \_\_\_KPIs

■ The number of Leaf subscribers (organizations) significantly increased by 40 YOY to 172.

■ The number of video production and consulting projects increased by 36 YOY to 115.

Cumulative number at the end of 1H	1H FY16 (Actual)	1H FY17 (Actual)	1H FY18 (Actual)	YOY	FY18 (Forecast)
Total number of organizations implementing Stress Check Support Service (organizations)	<b>58</b>	<b>148</b>	<b>172</b>	<b>+24</b>	<b>200</b> (Progression rate: <b>86.0%</b> )
Total number of video production and consulting services(projects)	<b>63</b>	<b>79</b>	<b>115</b>	<b>+36</b>	—
Total numbers of e-learning (STUDIO & STUDIO Powered by Leaf) subscription IDs per year (IDs)	—	<b>21,059</b>	<b>23,346</b>	<b>+2,287</b>	—

Cumulative number at the end of 1H	FY16 (Actual)	FY17 (Actual)	End of 1H FY18 (Actual)	YOY	FY18 (Forecast)
Total number of organizations subscribing to “Leaf” (organizations)	<b>51</b>	<b>92</b>	<b>132</b>	<b>+40</b>	<b>140</b> (Progression rate: <b>83.3%</b> )
Total number of organizations using on-the-web appraisal form service (organizations)	—	<b>26</b>	<b>37</b>	<b>+11</b>	—

\*1 The number of Stress Check Support implemented in 1H FY2018 is based on the number of orders delivered.

\*2 The annual total number of e-learning subscription IDs was based on the active subscription IDs from FY2018 on.

## ■ Key Factors of Sales Growth in Our Other Businesses

### IT Services

- The total number of Leaf subscribers (organizations) in acquired 1H FY2018 reached 40 while the total number of clients acquired in FY2017 was 49.
- In Stress Check Support Service, we acquired more orders from private companies. (As of March 31, we already delivered 172 orders (+24.6% (+24 orders) YOY).)

### e-Learning /Video production

- The number of video production/consulting projects significantly increased by 36 YOY. (The total number of video production/consulting projects in 1H FY2018 reached 115 while the total number of those in 1H 2017 was 24.)
- The total number of active contract IDs considerably increased by 2,287.

### Consulting service & Others

#### ▪ Expansion of Assessment Service Skill Survey

Skill Survey for young/mid-level employees has been fully launched since June 2018.

Skill Survey for junior/senior managers has been fully launched since October 2018.

- Establish effective training systems by measuring individual skills.

Total no. of Respondents: **7,799**  
(**197** organizations)

#### ▪ RPA Utilization Support

RPA implementation/utilization workshops for productivity improvement are highly demanded.

Total no. of AI/RPA-related services implemented: **2,220**  
(**415** organizations)

\*As of March 31, 2019



## Chap. 02 FY2018 Progress Report

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# 1 FY2018: More sustainable growth is expected

- Insource has about 1.4 percent market share in the training industry (a growing market).

\*1 Our net sales: FY2018 consolidated net sales (forecast)

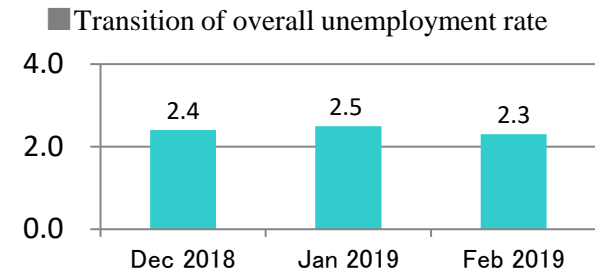
\*2 This figure is calculated based on Basic Survey of Human Resources Development issued in 2018 and Labor Force Survey issued in 2018 by Ministry of Health, Labour and Welfare.

■ Market share  
 Total yearly expenses organizations outsourced training programs (Off-JT programs):  
 About **391.9 billion yen** \*2

Our expected net sales of FY2018\*1  
**5.6 billion yen**  
**(1.4%)**

- Overall unemployment rate in February 2019 was 2.3 percent. Labor shortage in Japan has reached a new level of severity.

- ▶ More and more companies are striving to raise productivity by utilizing training programs and e-learning courseware.



\*Source: "Labor Force Survey" by Statistics Bureau, Ministry of Internal Affairs and Communications

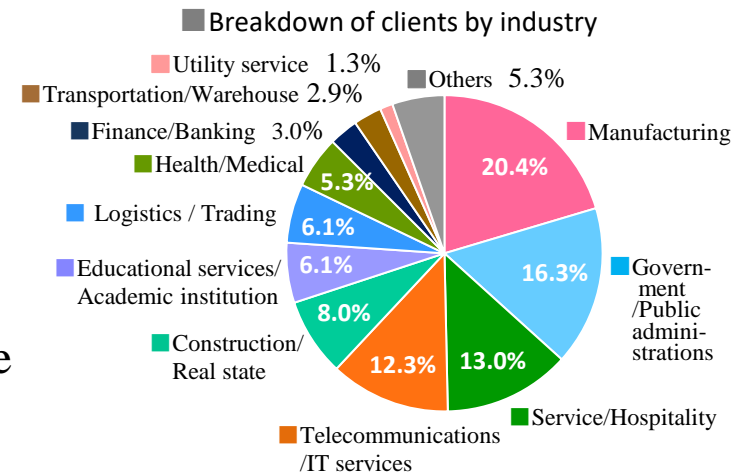
- Insource has over 27,000 clients and over 9,900 WEBinsource subscribers.

- ▶ We do not only offer training programs, but also provide optional products and various services. In addition, Insource has engaged in staffing agency/service business.

\*Breakdown of clients by industry who used our services from June 2003 to March 2019

- Broad and Diverse Range of Clients.

- ▶ Insource will offer more services to organizations that are unaffected by economic downturn, such as local governments, hospitals, and schools.



## 2 Mid-Term Management Plan\_\_\_Numerical Targets

- Insource will aim at a CAGR of 20% between FY2018 and FY2020.
- In FY2020, Insource will aim at an increase of net sales to 8,750 million yen and operating profit to 1,750 million yen.

Unit: million yen

	FY17 (Actual)	FY18 (Forecast)	FY19 <Target>	FY20 <Target>	CAGR FY18 - FY20
Net sales (YOY)	<b>4,536</b> (+951)	<b>5,600</b> (+1,064)	<b>7,070</b> (+1,470)	<b>8,750</b> (+1,680)	<b>+24.5%</b>
Gross profit (YOY)	<b>3,096</b> (+693)	<b>3,900</b> (+804)	<b>4,950</b> (+1,050)	<b>6,150</b> (+1,200)	<b>+25.7%</b>
Operating profit (YOY)	<b>937</b> (+345)	<b>1,160</b> (+223)	<b>1,410</b> (+250)	<b>1,750</b> (+340)	<b>+23.1%</b>
(Gross profit margin)	<b>(20.7%)</b>	<b>(20.7%)</b>	<b>(19.9%)</b>	<b>(20.0%)</b>	
Net profit (YOY)	<b>635</b> (+223)	<b>750</b> (+115)	<b>945</b> (+195)	<b>1,180</b> (+235)	<b>+22.9%</b>

■ We will continue to gain more market share for steady and sustainable growth.

### Strategy ① Appeal to more clients

5 classrooms were added to Tokyo Seminar Room (December 2018)

3 classrooms will be added to Kawasaki Seminar Room (April 2019)

- Yokohama Branch was merged with Shinagawa Office to open Kawasaki Seminar Room (March 2019)

WEBinsource subscribers increased 9,942 (organizations) (March 2019)

### Strategy ② Expanding content lineup

Tailor-made trainings (launched in February 2019)

- Our consultants collect and analyze cases of clients' past successes and failures.
- By incorporating the analyses into our training curriculum, we will help clients learn how to win success in business.

Sales Skill Assessment Service (launched in March 2019)

- Sales Skill Assessment classifies qualifications and abilities required for "sales power" into 8 categories (24 items) by process.
- Appropriately measure strengths and challenges of each salesperson.

### Strategy ③ Strengthening change management

By putting the essence of OODA Loop\* into practice, Insource will take new approaches while flexibly adapting to today's ever changing and challenging business environment ahead of the competition. \*For details on OODA Loop, see page 34

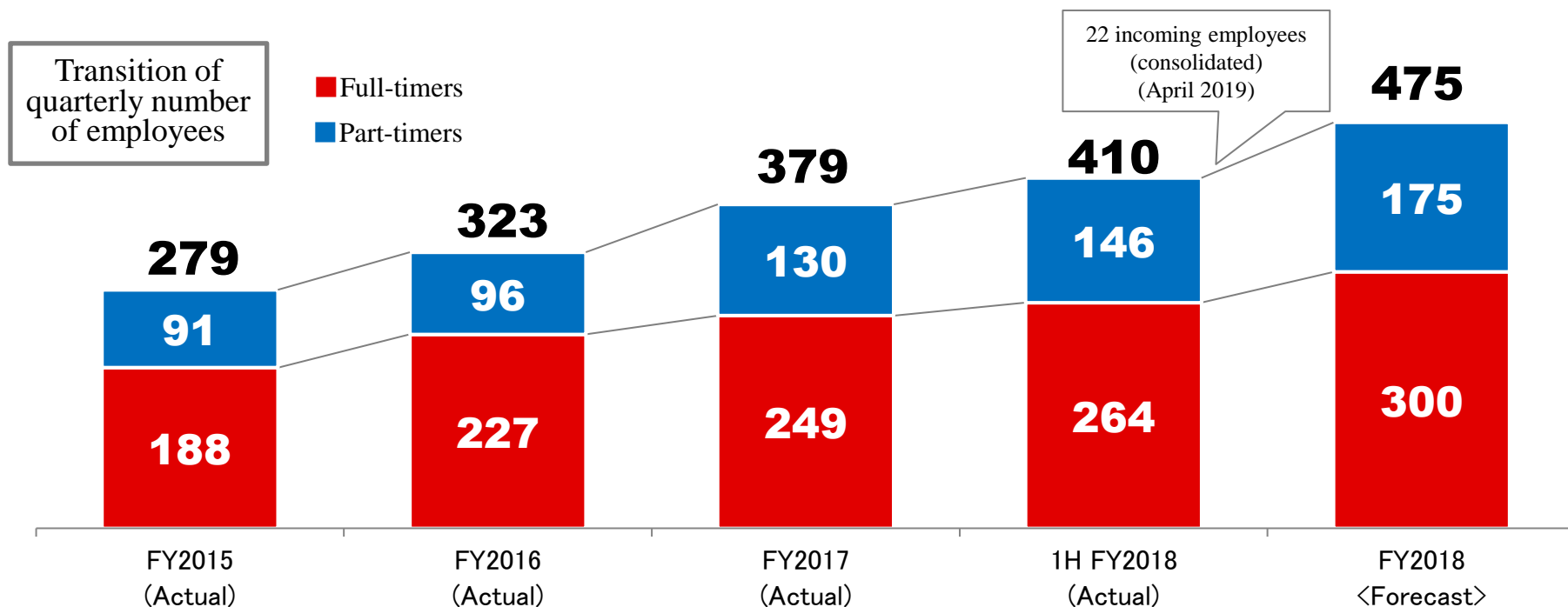
## 4 FY2018 Topics: KPIs

	FY17 (Actual)	End of 1H FY18 (Actual)	Progression rate of 1H FY18 to FY18(Forecast)	End of FY18 (Forecast)
<u>Total number of business sites</u>	<b>20</b>	<b>19</b> (-1)	0%	<b>22</b> (+2)
<u>Total number of organizations subscribing to WEBinsource</u>	<b>8,564</b>	<b>9,942</b> (+1,378)	56.6%	<b>11,000</b> (+2,436)
<u>Total number of content types for on-site training programs</u>	<b>2,582</b>	<b>2,701</b> (+119)	54.6%	<b>2,800</b> (+218)
<u>Total number of content types for open seminars</u>	<b>2,292</b>	<b>2,504</b> (+212)	—	—
<u>Total number of permanent classrooms</u>	<b>32</b>	<b>37</b> Expected to increase by 3 in April (Kawasaki) (+5)	83.3%	<b>38</b> (+6)
<u>Total number of webpages</u>	<b>11,341</b>	<b>13,351</b> (+2,010)	81.7%	<b>13,800</b> (+2,459)
<u>Total number of webpages ranked No.1 in Google search</u>	<b>270</b>	<b>207</b> (-63)	—	—

KPI's point	
Business sites	We needed to reallocate personnel for expanding the number of classrooms nationwide.
WEBinsource	We are acquiring over 200 new subscribers (organizations) on a monthly basis.
Contents	Content development is up and running. We are developing over 20 in-house contents on a monthly basis.
Webpages ranked No. 1 on Google Search	The number of page views decreased due to the change of Google's algorithm. To increase the number, we will keep on posting content-rich articles.

# 5 KPI's point and Number of employees by FY

	FY17 (Actual)	End of 1H FY18 (Actual)	Progression rate of 1H FY18 to FY18(Forecast)	End of FY18 (Forecast)
<u>Total number of employees</u>	<b>379</b>	<b>410</b> (+31)	32.3%	<b>475</b> (+96)
<u>Total number of Full-time employees</u>	<b>249</b>	<b>264</b> (+15)	29.4%	<b>300</b> (+51)
<u>Total number of Part-time employees</u>	<b>130</b>	<b>146</b> (+16)	35.6%	<b>175</b> (+45)



※ As of the end of March 2019 (Consolidated)

# <Appendix> About Insource

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## 2 Business Activities

\* Figures in parentheses indicate percentage of FY2018 sales.

### On-Site Training (58.0%)

Offer on-site trainings tailored to organizations' needs

■ Annual total number of trainings conducted:

**14,231**  
(YOY: +1,815)

■ Annual total number of attendees:

**453,091**  
(YOY: +56,767)

\*From April 2018 to March 2019



### Open Seminars (24.6%)

Offer open seminars that each person from various organizations can attend

■ Annual total number of trainings conducted:

**8,158**  
(YOY: +1,581)

■ Annual total number of attendees in FY2017:

**62,700**  
(YOY: +13,014)

\*The numbers above include trainings and attendees via our online classroom system, "Enkaku Real"

\*From April 2018 to March 2019



### Other Businesses (17.4%)

#### ■ IT Services

- IT adoption in human resource and general administration departments
- Stress check support service
- AI/RPA utilization support  
Insource Digital Academy Cooperation (April 2019)
- Security service



Powered by LEAF



#### ■ e-Learning / Video production



#### ■ Consulting



- Establishment (operation) of personnel appraisal
- Assessment
- CS (customer satisfaction) surveys,



#### ■ Staffing & Recruitment Services

- Recruitment promotion
- Staffing services for (potential) returners, short-time workers with regular employment.



Insource has established Double Work Management Co., Ltd., (jointly owned company with Mediaflag Co., Ltd.) in November 2018.

### 3 Benefits of Insource's Services

- Mainly through trainings, we are offering various services for every worker to find fulfillment in their careers. In addition, we will aim to offer one-stop services essential for personnel and administration management.

#### Training Business (On-Site Training & Open Seminars)

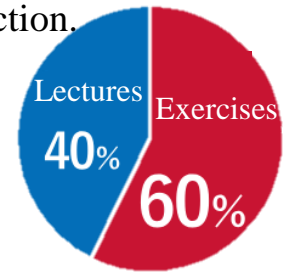


- Hands-on approach: Attendees can make the most use of what they have learned immediately and change their behaviors in a favorable way.

We can offer clients the best suitable trainings tailored to each industry, business and job function.

- ▶ Insource is actively offering informative and practical training programs that meet clients' needs, challenges and business objectives.

- Insource's training programs consist of exercises (60%) coupled with lectures (40%).



#### Other Businesses (IT Services, Assessment, e-Learning, etc.)



We can offer a wide range of training-related services with knowledge about human resource development.

**IT Services** Integrates every service line on our in-house platform, 'Leaf', including training scheduling, stress checking and personnel appraisal.

**Assessment** Visualize worker's performance which can apply to human resource strategies, including (but not limited to) training, recruitment, assignment, promotion.

**e-Learning** Offers edutainment contents created by education professionals

# 4 Insource's 4 Pillars to achieve high profitability

## ■ "Strong client base" + "Mixed approach"

<p>1 A wide range of industries <b>Strong client base</b></p>	<p>Insource has a broad range of clients, including private sectors across various industries, public sectors, hospitals, welfare services and universities.</p>
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Mixed approach to keep high profitability by sharing information cross-functionally.

<p>2 Robust in-house developed <b>Contents</b></p>	<p>With our specialized division of content creations, Insource can offer a wide range of training programs while maintaining and improving training quality.</p>
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<p>3 Linkage of sales force and digital marketing <b>Strong sales power</b></p>	<ul style="list-style-type: none"><li>▪ Streamlining sales activities through web marketing and in-house CRM (customer relationship management) platform.</li><li>▪ Opening more offices across the country to offer the best suitable options tailored to each client's needs.</li></ul>
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<p>4 In-house IT systems and AI-driven tools <b>Information Technologies</b></p>	<p>Insource has abundant IT/AI engineers who can develop various services and improve business processes which allows flexible decisions at high speed.</p>
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# 1 4 Major Pillars to achieve our goals and visions

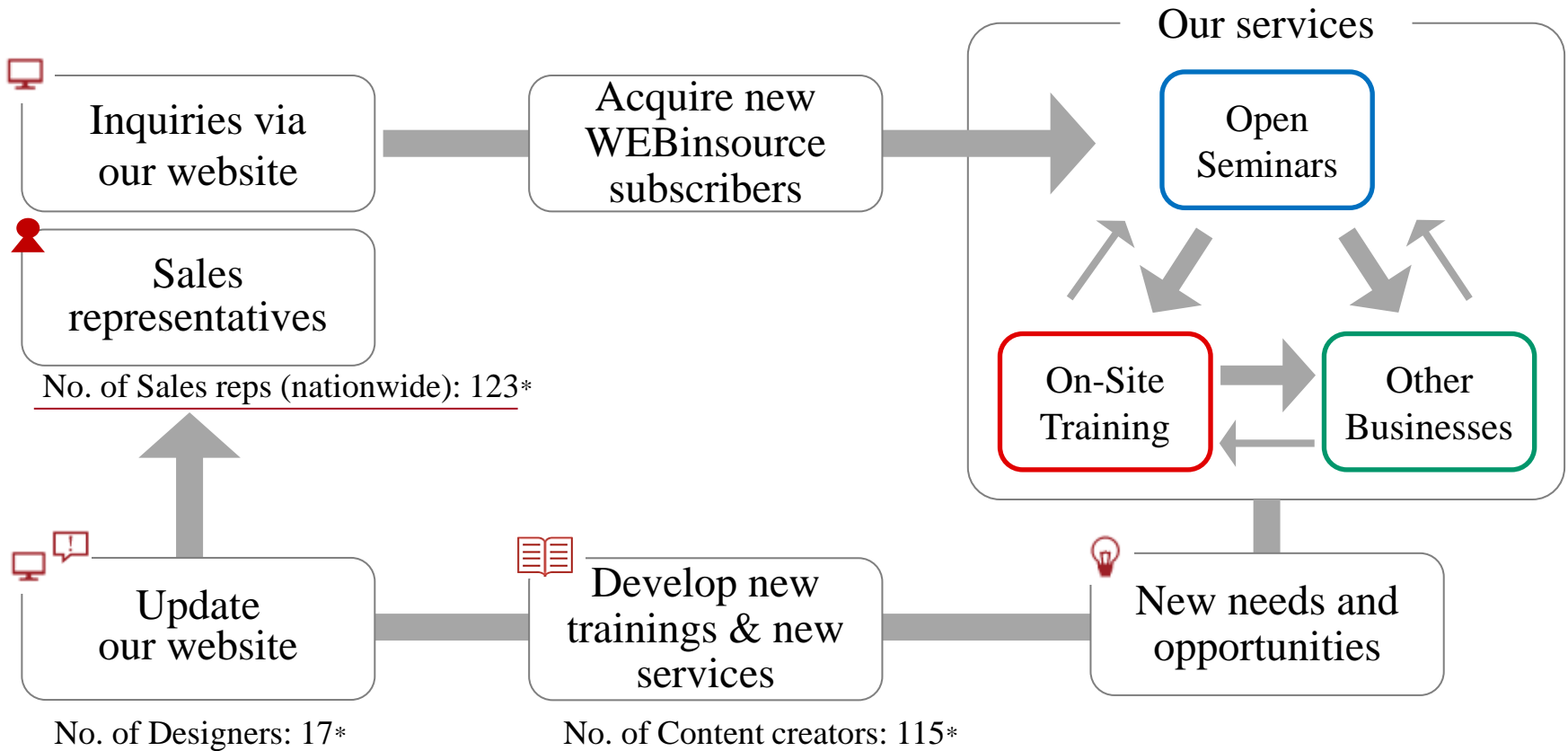
1 A wide range of industries  
**Strong client base**

2 Robust in-house developed  
**Contents**

3 Linkage of sales force and digital marketing  
**Strong sales power**

4 In-house IT systems and AI-driven tools  
**Information Technologies**

## Systematic cross-functional cooperation through IT utilization



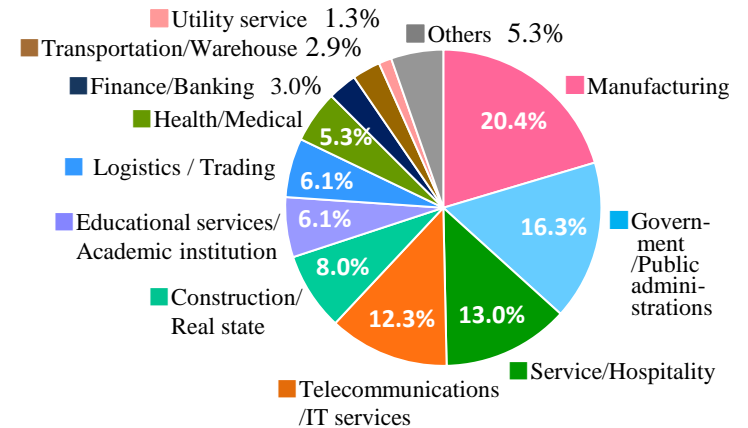
\*As of March 31, 2019

# 5 Strong Client Base

A wide range of industries  
**Strong client base**

Insource has a broad range of clients, including private sectors across various industries, public sectors, hospitals, welfare services and universities.

Breakdown of clients by industry



Number of clients:

**27,097** organizations

\*Total number of clients who used our services from June 2003 to March 2019.

(YOY: +**3,965** organizations)

Annual total number of attendees:

**515,791**

\*From April 2018 to March 2019

\*On-site trainings plus open seminars

(YOY: +**69,781**)

Annual total number of trainings conducted:

**22,389**

\*From October 2017 to September 2018

\*On-site trainings plus open seminars

(YOY: +**3,396**)

Total number of WEBinsource subscribers

**9,942** organizations

\*As of March 31, 2019

(YOY: +**1,378**)

## WEBinsource

► With WEBinsource, clients can sign up online for Open Seminars at discounted prices. Clients can also apply online for our affiliated companies' training programs, books, etc. More and more clients are implementing WEBinsource as an employee training infrastructure. This is leading to increase in the number of Open Seminar attendees.

Robust in-house developed  
**Contents**

With our specialized division of content creations, Insource can offer a wide range of training programs while maintaining and improving training quality

■ Positive feedback rates from training attendees

■ Positive feedback rate (trainings): **95.5%**    ■ Positive feedback rate (trainers): **94.2%**

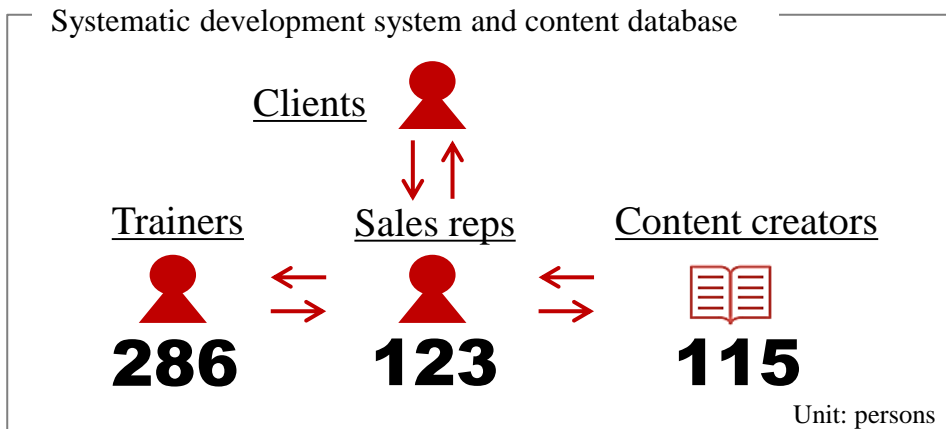
\* From April 2018 to March 2019

\* The rates above are calculated based on our questionnaire results.

■ In-house content creation

Our specialized division develops and creates training contents so that Insource trainers can focus on providing high quality trainings with attendees.

By separating content creation from other tasks and creating content database, Insource is achieving high profits while maintaining and improving training quality.



<Number of training types>

■ On-Site Training **2,701**  
(+119 YOY)

■ Open Seminars **2,504**  
(+212 YOY)

\*As of March 31, 2019

- Insource developed more than 200 new contents in FY2017. We will also develop over 200 new contents in FY2018.
- Insource can achieve smooth cross-functional collaborations internally and externally by saving developed contents on the internal database.

## 7 Approach ② Strong Sales Power

Linkage of sales force and digital marketing

Strong sales power

- Opening more offices nationwide to offer the best suitable options tailored to each client's needs.
- Streamlining sales activities through web marketing and in-house CRM (customer relationship management) platform.

■ Total number of Digital marketers: **15**

■ Webpages: **13,351** pages

■ Webpages ranked No. 1 on Google search: **207** pages

■ Total number of Sales representatives: **123**

■ Business sites: **19**

■ Open Seminar classrooms: **7** locations **37** classrooms

\*As of March 31, 2019

### ■ In-house developed CRM system, "Plants 12" manage clients' information and transaction logs.

- Streamline sales activities by making the most use of relationships with clients and transaction logs.

### ■ Combining various approaches to effectively reach wider clients

- Sales calls by sales representatives
- Outbound activities:  
Sending e-mail newsletters on a regular basis
- Inbound activities:  
Enriching the quality and quantity of web contents

By combining various approaches, clients can imagine Insource right away when in their needs.

# 8 Approach ③ In-House Development of IT/AI Platforms

In-house IT systems and AI-driven tools  
Information Technologies

Insource has abundant IT/AI engineers who can develop various services and improve business processes which allows flexible decisions at high speed.

■ Total number of IT engineers: **51**

■ Total number of AI engineers: **5**

■ Total number of network security professionals: **2**

\*As of March 31, 2019

■ Our in-house SEs developed an online human resource support system, “Leaf”.

▪ “Leaf” improves not only Insource but also client’s productivity

■ In line with social trends, Insource is actively developing a broad range of IT-related services, including AI and RPA (robotic process automation).





■ Insource’s diverse workforce creates various services.

	Total	Female employees
Total number of employees <small>*2</small>	<b>410</b>	<b>235</b> <b>(57.3%)</b>
Total number of managerial positions	<b>101</b>	<b>20</b> <b>(19.8%)</b>

Ratio of female employees in managerial positions:  
**13.2% \*1**  
(2017; Source: The Gender Equality Bureau of the Cabinet Office)

\*As of March 31, 2019 (consolidated)

Foreign nationals (including naturalized citizens)	<b>3</b>	Seniors (aged over 60)	<b>14</b>	LGBTs	<b>3</b>	Handicapped	<b>10</b> Handicapped employment rate: <b>3.2% *3</b>
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Now actively recruiting more seniors

• Legal employment rate: **2.2%**  
• Actual employment rate: **2.05%**  
(Source: Ministry of Health, Labour and Welfare “2018 Handicapped Persons' Employment Status”)

Workforce by job function: Insource consists of highly qualified, diverse specialists.

Content Creators	<b>115</b>	Sales Representatives	<b>123</b>	IT Engineers	<b>51</b>	Designers	<b>17</b>
Digital marketers	<b>15</b>	AI/RPA Engineers	<b>5</b>	network security professionals	<b>2</b>		

\*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)

## Respect for diversity

Insource Group consists of people with different characteristics and backgrounds. By sharing the common vision with the diverse workforce and fully exercising their abilities, we are offering new business/service lines in a timely manner.

## Combination of speed and concentration creates great achievement

Speed and concentration empower us to create great achievement. Our diverse members reciprocally support each other as partners in a flexible and timely manner.

## Forge ahead with perseverance and patience

We believe that we can reach breakthrough as long as we never give up and keep moving forward. By achieving our small goals one by one with patience and consistency, we can accumulate positive results.

## Ensure that everyone shares useful information companywide

Information is an inexhaustible source of ideas. The more information is used, the more its value increases and its benefits are realized. The fresher information is, the higher its value. We share information useful to us immediately on a companywide basis.

## Support people who take on challenges with passion

You have to have tremendous courage to take on new challenges, but challenges make you grow. Keeping away from challenges is unfavorable for us. Failure should not be blamed, but be analyzed carefully to understand what went wrong and how we can use it to grow us.

We are steadily achieving our goals by flexibly changing the strategy depending on situations and implementing “P+OODA Loop” at high speed.

## ■ Practicing OODA Loop

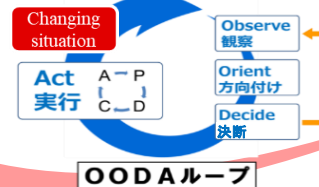
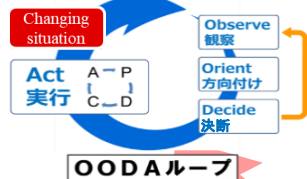
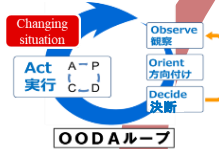
Under a definite management policy, experienced leaders will act at high speed:

①Observe ⇒ ②Orient ⇒ ③Decide ⇒ ④Act

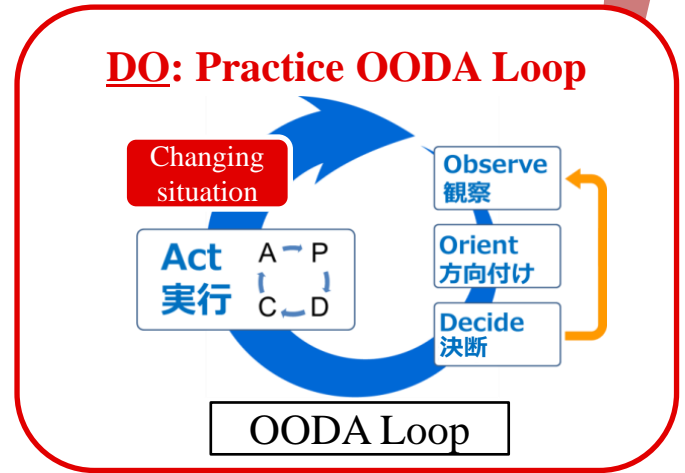
\*What is OODA Loop?

Insource is incorporating the essence of OODA Loop into its training programs.

OODA Loop is a simple practical framework inspired by US Marine Corps’ decision-making process. By practicing OODA Loop, you can deal flexibly with changing situations at high speed.



**PLAN**  
: Mid-Term Management Plan, “Road to Next 2021”



Our business goals are to provide solutions to social issues with everyone engaged in work.

**Social**

Implementing career development education

Annual total number of trainings conducted: **22,389** times

\*As of March 31, 2019

Developing recurrent education contents

Total number of training contents: **3** types

\*As of March 31, 2019

Sponsoring Japan Blind Football Association

Cooperate with World Grand Prix March, 2019

**Governance**

Active sales promotion of trainings related to compliance and e-learning courseware:

Total number of training contents **22** types

\*As of March 31, 2019

Compliance, private information protection act, labor management, subcontracting act, copyright act, introduction to information security, risk management, etc.

e-Learning **15** subjects ( **20** contents)

\*As of March 31, 2019

Active disclosure of non-financial information on a monthly basis

- Newly developed training programs
  No. of Open Seminar attendees
  No. of Leaf monthly paying subscribers (organizations)
- No. of on-site trainings conducted
  No. of WEBinsource subscribers

**Environment**

Company-wide power saving / LED installation