

Insource Co., Ltd.

FY18 Consolidated Financial Results

(Fiscal year ended September 30, 2019)

&

Mid-Term Management Plan,

“Road to Next 2022”

Friday, November 8, 2019



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Chap. 01 FY18 Consolidated Financial Results & FY19 Forecasts

1Q-4Q(18.10-19.9)

■ Net Sales:

Increased by 23.6% (+1,071 million yen) YOY to 5,608 million yen.

The breakdown consists of 3,279 million yen (+16.0%) for On-Site Training, 1,527 million yen (+30.9%) for Open Seminars and 801 million yen (+47.9%) for Other Businesses.

■ Gross profit:

Increased by 27.9% (+862 million yen) YOY to 3,959 million yen.

Gross profit margin increased by 2.3 points YOY to 70.6% thanks to profitability improvement of Other Businesses.

■ Operating profit:

Increased by 39.0% (+365 million yen) YOY to 1,303 million yen.

SG&A ratio decreased thanks to company-wide productivity improvement activities and system implementation. Operating profit margin increased by 2.5 points YOY to 23.2%.

4Q(19.7-19.9)

■ Net sales increased by 30.5% (379 million yen) YOY to 1,621 million yen.

Gross profit margin also increased across our businesses by 4.9 points YOY to 71.9%.

Moreover, Operating profit margin increased by 2.7 points YOY to 22.1%.

2 Consolidated Profit & Loss Statement ① (Overview)

- Net sales increased by 23.6% to 5,608 million yen, which achieved the original consolidated forecasts for the full year (announced on November 9, 2018. 5,600 million yen).
- Operating profit margin increased by 2.5 points YOY to 23.2%.

	FY16 (Actual)	FY17 (Actual)	FY18 (Actual)	YOY	FY19 (Forecast)
Net sales (YOY: mil yen)	3,585 (+669)	4,536 (+951)	5,608 (+1,071)	+23.6%	6,800 (+1,191)
Gross profit (YOY: mil yen) (Gross profit margin)	2,403 (+461) (67.0%)	3,096 (+693) (68.3%)	3,959 (+862) (70.6%)	+27.9% (+2.3p)	4,800 (+840) (70.6%)
Operating profit (YOY: mil yen) (Operating profit margin)	592 (+131) (16.5%)	937 (+345) (20.7%)	1,303 (+365) (23.2%)	+39.0% (+2.5p)	1,520 (+216) (22.4%)
Ordinary profit (YOY: mil yen)	608 (+155)	933 (+325)	1,298 (+364)	+39.0%	1,515 (+216)
Net profit (YOY: mil yen)	412 (+114)	635 (+222)	835 (+200)	+31.5%	1,000 (+164)

Unit: million yen

		FY16 (Actual)	FY17 (Actual)	FY18 (Actual)	YOY	FY19 (Forecast)
Whole Business	Net sales (YOY: mil yen)	3,585 (+669)	4,536 (+951)	5,608 (+1,071)	+23.6%	6,800 (+1,191)
	Gross profit (Gross profit margin)	2,403 (67.0%)	3,096 (68.3%)	3,959 (70.6%)	+27.9% (+2.3p)	4,800 (70.6%)
On-Site Training	Net sales (YOY: mil yen)	2,372 (+302)	2,827 (+455)	3,279 (+451)	+16.0%	3,720 (+440)
	Gross profit (Gross profit margin)	1,700 (71.7%)	2,013 (71.2%)	2,341 (71.4%)	+16.3% (+0.2p)	2,670 (71.8%)
Open Seminars	Net sales (YOY: mil yen)	897 (+246)	1,166 (+269)	1,527 (+360)	+30.9%	1,950 (+422)
	Gross profit (Gross profit margin)	554 (61.8%)	773 (66.3%)	1,011 (66.2%)	+30.8% (▲0.1p)	1,280 (65.6%)
Other Businesses	Net sales (YOY: mil yen)	315 (+120)	541 (+226)	801 (+259)	+47.9%	1,130 (+328)
	Gross profit (Gross profit margin)	148 (47.0%)	309 (57.1%)	605 (75.5%)	+95.5% (+18.4p)	850 (75.2%)

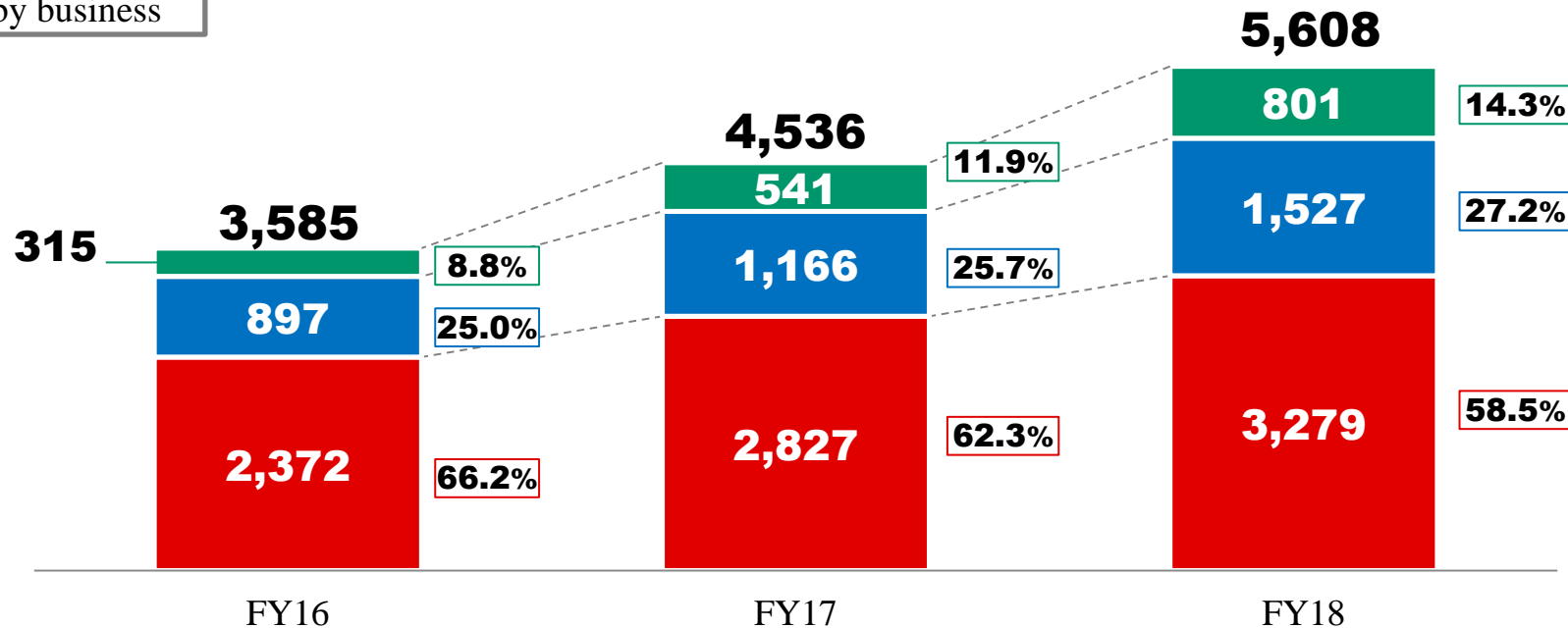
* Our gross profits by business were not audited by Ernst & Young ShinNihon LLC.

4 Sales Composition Ratio by Business

Sales composition ratio by business

■ On-Site Training ■ Open Seminars ■ Other Businesses

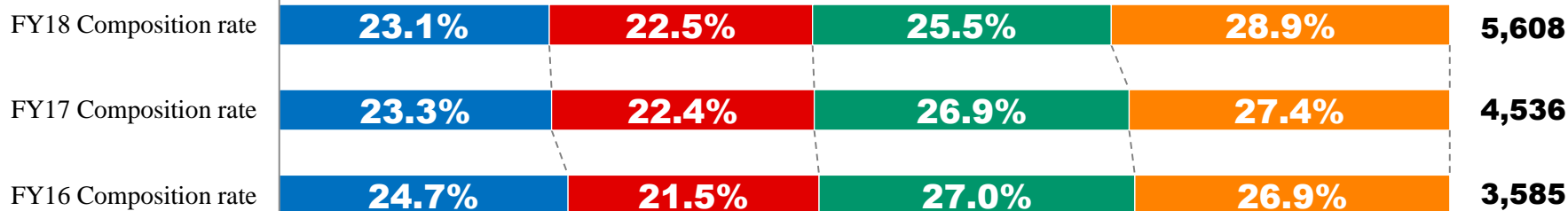
Unit: million yen
% represents composition ratio



Composition ratio of sales by quarter

■ 1Q ■ 2Q ■ 3Q ■ 4Q

Unit: million yen
% represents composition ratio

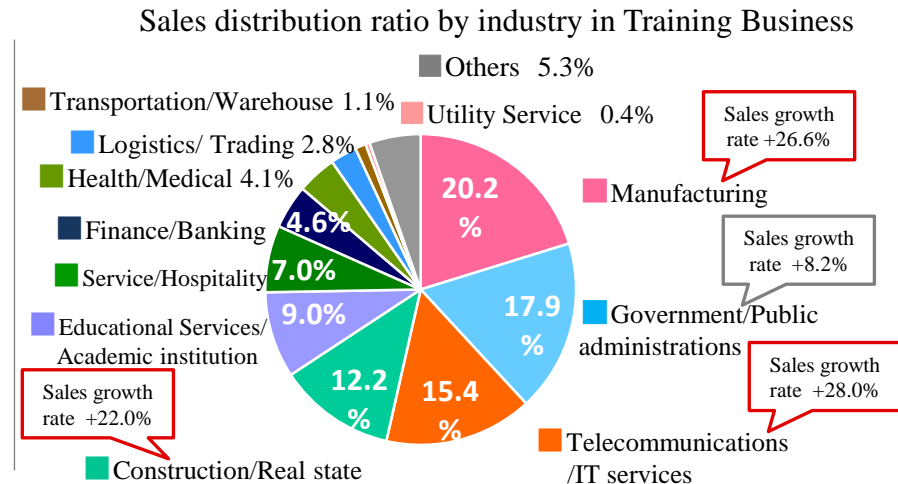


Highlights

- Net Sales for On-Site Training increased by 16.0% due to increased number of business sites and personnel. Net sales for Open Seminars increased by 30.9% due to expansion of the classrooms during 1Q-2Q.

Clients

- Sales growth rate for 3 sectors of private industries which occupy top Net sales (Manufacturing, Telecommunications/ IT services, Construction/Real state) increased by more than 20% respectively.
- Full-year Net sales of Government/Public administrations, which occupies 17.9%, continue to grow.



Services

- Trainings for new employees (+19.1%) and OJT trainings (+23.8%) are highly demanded.
- Trainings for risk management/compliance/harassment prevention (+38.1%) and IT workshops (+58.1%) increased significantly.

Area

- Sales in Kanto area significantly increased thanks to opening new business sites such as Makuhari, Urawa (opened in September 2018), Tsuchiura (opened in May 2019), Akasaka (opened in July 2019).

* The figures above show preliminary figures on our On-Site Training and Open Seminars.

* Figures above in parentheses indicate changes from the previous fiscal year.

Highlights

- Sales of Other Businesses increased by 47.9% YOY. Gross profit increased largely by 95.5% YOY.
- More and more organizations are subscribing to monthly-payment services (subscription model), such as “Leaf” and “STUDIO”.

IT Services

- “Leaf” earns revenue from monthly subscription fees (subscription model) and customization fees (direct-selling model) and both increased.
- The number of “Leaf” subscribers (organizations) substantially increased by 70 YOY to 162 (subscription model).

e-Learning/ Video production

- e-Learning and video production services are offered by Mitemo CO., Ltd., our group company. Their sales consist of monthly-payment (subscription model) and direct-selling model, and both models saw the sales increase.
- The number of active subscription IDs for cloud-based e-Learning system “STUDIO” (monthly-payment (subscription model)) increased to 5,982 YOY.

Consulting service

- Sales decreased because we are currently shifting to more profitable assessment services, while reducing unprofitable services such as support service for establishing personnel appraisal.

7 Consolidated Profit & Loss Statement②

- Transition of gross profit
- Breakdown of SG&A expenses

Unit: million yen

Transition of gross profit

	FY16	FY17	FY18	FY17 vs. FY18		FY19
	(Actual)	(Actual)	(Actual)	Changes	YOY	(Forecast)
Net sales	3,585	4,536	5,608	+1,071	+23.6%	6,800
Gross profit	2,403	3,096	3,959	+862	+27.9%	4,800
Gross profit margin	67.0%	68.3%	70.6%	+2.3p	-	70.6%

Breakdown of SG&A

While wages and recruiting costs increased in FY18, SG&A expense ratio improved thanks to productivity improvement brought by business efficiency. In FY19, it is estimated to rise by 0.8 points YOY due to increased personal expenses.

	FY16	FY17	FY18	FY17 vs. FY18		FY19
	(Actual)	(Actual)	(Actual)	Changes	YOY	(Forecast)
Personal expenses	1,385	1,662	2,047	+384	+23.2%	2,500
(Total personnel expenses rate)	(+38.6%)	(+36.6%)	(+36.5%)			(+36.8%)
Rent expenses	107	120	126	+5	+4.8%	130
Office & system expenses	102	130	180	+49	+38.1%	220
Other expenses	215	245	301	+56	+23.0%	430
Total SG&A expenses	1,811	2,158	2,655	+496	+23.0%	3,280
(SG&A expense ratio)	(50.5%)	(47.6%)	(47.4%)	-	-	(48.2%)

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

8 Consolidated Balance Sheet

- There were upsurge in cash after having recorded profit, despite of investments in securities, dividend distribution and acquisition of treasury share.
- Fixed assets increased due to investments in securities and increased deferred tax asset.
- Current liabilities increased due to increased arrearage as well as income taxes payable.

Unit: million yen

	FY16 (Actual)	FY17 (Actual)	FY18 (Actual)	FY17 vs. FY18 Changes	YOY
Current assets	1,941	3,420	4,150	+730	+21.4%
Fixed assets	402	539	806	+267	+49.5%
Total assets	2,343	3,959	4,957	+997	+25.2%
Current liabilities	808	979	1,787	+807	+82.5%
Fixed liabilities	98	89	86	▲2	▲3.1%
Net assets	1,436	2,889	3,082	+192	+6.7%
Total liabilities and net assets	2,343	3,959	4,957	+997	+25.2%

9 Consolidated Cash Flow

■ Cash flow from operating activities increased after having recorded profit.

Unit: million yen

Cash flow from financing activities decreased due to dividend distributions and acquisition of treasury share.

	FY16 (Actual)	FY17 (Actual)	FY18 (Actual)	YOY
Cash flow from operating activities	578	751	1,345	+593
Cash flow from investing activities	▲8	▲147	▲236	▲88
Cash flow from financing activities	▲314	804	▲642	▲1,447
Translation differences on cash and cash equivalents	1	0	▲0	±0
Changes in cash and cash equivalents	257	1,409	466	▲943
Cash and cash equivalents at beginning of period	1,159	1,416	2,825	—
Cash and cash equivalents at end of period	1,416	2,825	3,292	—

	End of FY 17 (Actual)	End of FY18 (Actual) (End of FY17 vs. end of FY18)	End of FY19 (Target) (End of FY18 vs. end of FY19)
<u>Total number of business sites</u>	20	22 (+2)	25 (+3)
<u>Total number of organizations subscribing to WEBinsource</u>	8,564	11,335 (+2,771)	13,750 (+2,415)
<u>Total number of content types for On-site training programs</u>	2,582	2,821 (+239)	3,140 (+319)
<u>Total number of content types for Open seminars</u>	2,292	2,589 (+297)	2,890 (+301)
<u>Total number of permanent classrooms</u>	32	41 (+9)	48 (+7)
<u>Total number of webpages</u>	11,341	14,171 (+2,830)	17,180 (+3,009)
<u>The number of Web Sessions</u> (unit: thousand times)	—	1,712	2,062 (+350)

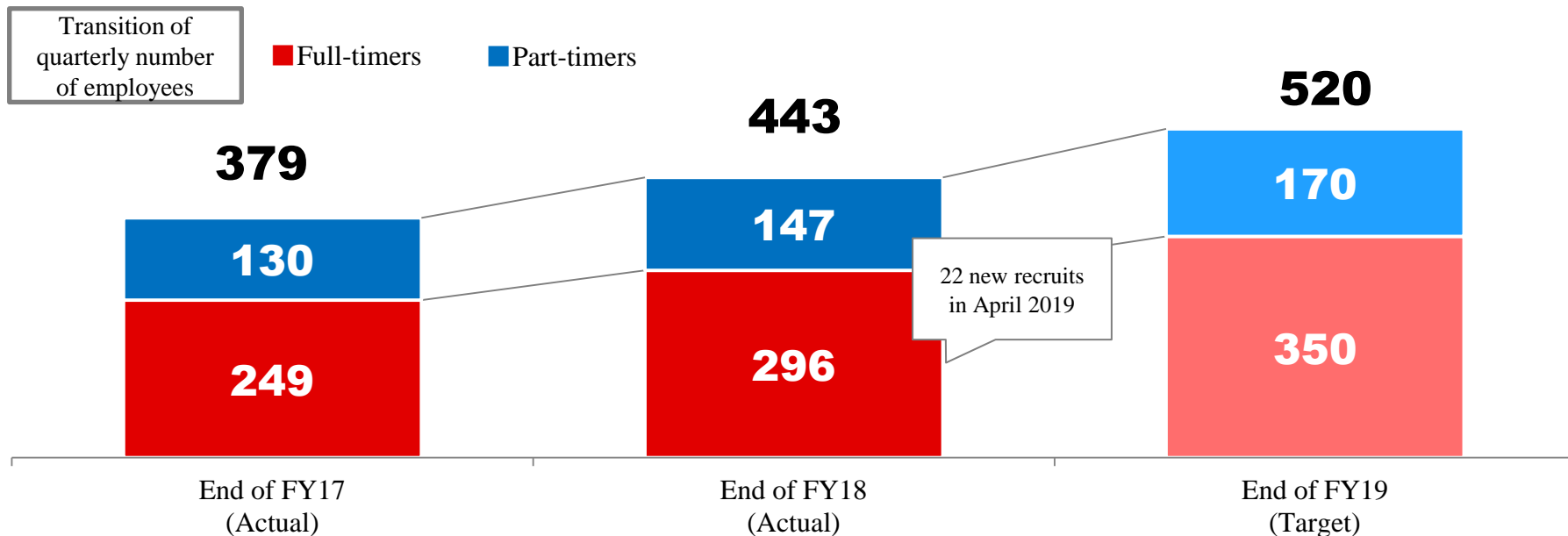
KPI's Point

Business Sites	We achieved our goal to have 22 business sites by opening new offices in Okayama and Akasaka in July, 2019.
WEBinsource	The number changed steadily and we met our FY18 target to reach “11,000 organizations”.
Contents	Serialized contents have been developed to aim for step-ups.
Web Sessions	Because there is no correlation between the number of webpages ranked No.1 on Google Search and sales figures, we set new KPI that shows the number of visits to our webpages.

11 FY18__The Number of Employees

■ We continue to enhance the recruitment of personnel. Additionally, we are encouraging all employees to be competent in IT knowledge and skills in order to improve productivity.

	End of FY 17 (Actual)	End of FY 18 (Actual) <small>(End of FY17 vs. end of FY18)</small>	End of FY19 (Target) <small>(End of FY18 vs. End of FY19)</small>
<u>Total number of employees</u>	379	443 (+64)	520 (+77)
<u>Number of full-time employees</u>	249	296 (+47)	350 (+54)
<u>Number of part-time employees</u>	130	147 (+17)	170 (+23)



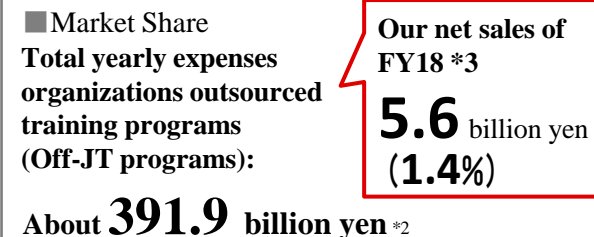
Chap. 02 Mid-Term Management Plan, “Road to Next 2022”

1. Needs for career development education continue, and the market is also expected to grow

- ▶ The unemployment rate is 2.4% ^{*1} in FY18 (October 2018 to September 2019), and many companies are trying to solve organizational problems through educational trainings as measures to labor shortages
 - ex. Time management, IT skills (train employees to utilize AI/RPA)
- ▶ Needs to solve new social problems through educational trainings have increased
 - ex. Compliance, harassment prevention, enhancing diversity, recurrent education

2. Training industry market is huge, seen from our market share

- ▶ It is estimated that we have about 1.4% market share in the training industry, which is relatively low.



3. Some elements that may influence the FY19 performance

- ▶ There are some elements that may influence our job performance, such as a possibility of economic downturn and holding the Tokyo 2020 Olympic and Paralympic Games.

- To deal with the market growth, we continue developing contents
- To increase our market share, we will expand business sites and Seminar classrooms
- Despite uncertain elements that may affect our job performance temporarily, we will continue increasing manpower and system investment.

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

*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

*3 Our net sales: FY18 consolidated net sales (Actual)

Issues

1. Increase both the number of clients and unit price

It is necessary to realize the followings simultaneously.

- To increase the number of corporate clients
- To boost unit price per organization and per attendee

2. Accelerate growth cycle

In order to achieve our Mid-Term Management Plan, it is urgent to have sustainable growth in training businesses and expand the other businesses.

Actions

1. Enhance client base and strengthen more “set” plans (combined services)

- (1) Keep increasing the number of WEBinsource subscribers.
- (2) Continue developing training contents.
- (3) Strengthen “set” sales in various services.
- (4) Offer suggestions tailored to every single attendee.

2. Enhance further investment and organizational structures

- (1) Invest in new businesses such as staffing and recruitment services.
- (2) Increase investment in promising IT services such as Leaf.
- (3) Establish the organizational structures which can deal with changes caused by external economic environments speedily and maintain its structures.

Issues

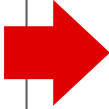
3. Enhance recruitment

We are facing labor shortages in all job functions which are essential for growth, especially severe understaffing of sales personnel and system engineers (SE).

4. Enhance opening business sites

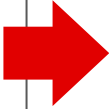
We are considering opening more business sites, but we lack of potential area managers and sales representatives .

Actions



3. Promote diverse recruitment and have employees learn IT skills

- (1) Enhance mid-career recruiting
 - make use of staffing services offered by our group company “Rashiku Corporation” and recruit employees with passion.
- (2) Have employees adopt IT skills and technologies
 - encourage to change job functions from others to SEs by in-house education.
 - make it compulsory to take IT education to improve productivity
- (3) Enhance recruits of “Area Sales Representatives”* and seniors
 - recruit skilled employees who have time constraint such as parenting. By limiting their job function and where they work, they will become a substantial part of workforce.



4. Strengthen personnel selection and our support towards business sites

- (1) Promote motivated younger employees to be area managers
- (2) Utilize “Area Sales Representatives” and strengthen marketing activities
- (3) Strengthen system to support business sites by Head Office

*Usually they are part-timers whose jobs are limited by job functions and where they work.

1. Developing with Speed and Concentration

- ▶ As for current businesses, we aim for steady growth by promoting sales increase and business improvement in parallel.
- ▶ We boost new businesses development with “speed and concentration”* by adopting OODA model.

2. Diverse Workforce

– Diversity accelerates business expansion and new business development

- ▶ Employees with various characteristics achieve high-quality results by working together.
- ▶ Additionally, using AI/IT technologies will lead to increasing business efficiency. We will develop contents and expand business by maintaining and enlarging diverse workforce in the organization.

3. Continuing ESG Management

- ▶ We contribute to society by expanding business and sales since our business itself is deeply related to solving social problems.
- ▶ We disclose non-financial information actively and ensure highly transparent management.

* We reallocate our resources in the organization speedily and concentrate staff on divisions which contribute to sales and growth.
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5 Speed and Concentration – Adopting OODA Model

■ Promoting business by utilizing OODA Model

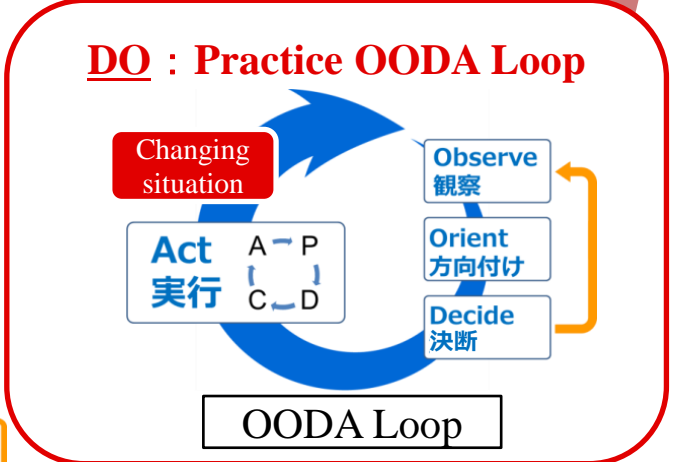
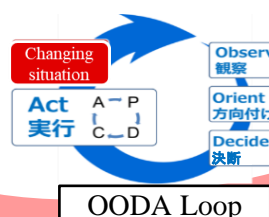
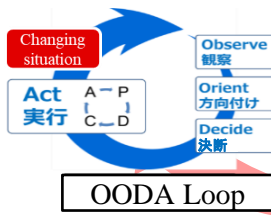
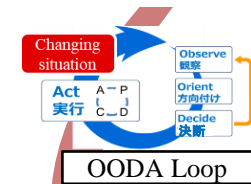
- ① Share the information company-wide with IT system
- ② All employees break down performance targets into action levels and set KPIs
- ③ Brush up their own weekly action plans
- ④ Various employees in each section promote business projects for sales

PLAN
: Mid-Term
Management Plan,
“Road to Next 2022”

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

*What is OODA Loop?

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.



By flexibly changing the strategy depending on situations with “speed and concentration”, we securely achieve our business goals.

6 Diverse Workforce

- Ratio of female employees in managerial positions: 26.3%
- Employment rate of the handicapped: 3.0%

	Total	Female employees
Total number of employees *2	443	245 (55.3%)
Total number of managerial positions	114	30 (26.3%)

Ratio of female employees in managerial positions:
14.9% *1
(2019; Source: The Gender Equality Bureau of the Cabinet Office)

(as of the end of September 2019 (consolidated))

Foreign nationals ※4	3	Seniors (aged over 60)	14	LGBTs	4	Handicapped	10 Handicapped employment rate: 3.0% *3
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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	118	Sales Representatives	140	IT Engineers	62	Designers	15
Digital marketers	21	AI/RPA Engineers	11	Network security professionals	1		

*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 naturalized Japanese.

7 Strengthening change management

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

SUSTAINABLE DEVELOPMENT GOALS



Social

- Implementing career development education
- Developing recurrent education contents
- Sponsoring Japan Blind Football Association
- Enhancing diversities
(Female employees/ seniors (aged over 60))

Annual total number of trainings conducted:

23,988 types

* October 2018 – September 2019

Total number of training contents

3 types

* As of the end of September 2019

co-sponsor World Grand Prix/ participation as volunteers
* September 2019

The number of employees Female **245** Seniors **14**

*As of the end of September 2019



Governance

- Active sales promotion of trainings related to compliance and e-learning courseware
Compliance, private information protection act, labor management, subcontracting act, copyright act, introduction to information security, risk management, etc.
- Active disclosure of non-financial information on a monthly basis

Total number of training contents

54 types

* As of the end of September 2019

e-Learning

17 subjects **21** contents

* As of the end of September 2019

- Newly developed training programs
- No. of Open Seminar attendees
- No. of Leaf monthly paying subscribers (organizations)
- No. of on-site trainings conducted
- No. of WEInsource subscribers
- No. of organizations implementing Stress Check Support Service



Environment

- Company-wide power saving / LED installation

- Insource will aim at a CAGR of 20% between FY19 and FY21.
- In FY21, Insource will aim at an increase of sales to 10,000 million yen and operating profit to 2,210 million yen.

	FY18 (Actual)	FY19 (Forecast)	FY20 <Target>	FY21 <Target>	CAGR FY19-FY21
Net sales (YOY: mil yen)	5,608 (+1,072)	6,800 (+1,191)	8,300 (+1,500)	10,000 (+1,700)	+21.3%
Gross profit (YOY: mil yen)	3,959 (+862)	4,800 (+840)	5,870 (+1,070)	7,230 (+1,360)	+22.2%
Operating profit (YOY: mil yen)	1,303 (+365)	1,520 (+216)	1,840 (+320)	2,210 (+370)	+19.3%
(Gross profit margin)	(23.2%)	(22.4%)	(22.2%)	(22.1%)	
Net profit (YOY: mil yen)	835 (+200)	1,000 (+164)	1,230 (+230)	1,470 (+240)	+20.7%

9 Implementing management policy ① - Enhancing client base **in**source

Opening more business sites and Open-Seminars classrooms nationwide and enhance approaching clients.

▶ Aim to open business site in each area with the population of 3 million.

	FY18	FY19 Open more business sites and classrooms	FY20 Enhance approaching clients	FY21 Enhance client base
Total number of business sites	22 (Actual)	25 (Target)	28 (Target)	31 (Target)
Total number of classrooms	41 (Actual)	48 (Target)	55 (Target)	62 (Target)
Total number of sales representatives	140 (Actual)	155 (Target)	185 (Target)	215 (Target)
Total number of employees	443 (Actual)	520 (Target)	610 (Target)	700 (Target)
The number of WEBinsource Subscribers (organizations)	11,335 (Actual)	13,750 (Target)	16,150 (Target)	18,550 (Target)

10 Implementing management policy ② - Expand content lineup **in**source

Continue developing new contents and promote serializing and training programs “set” plans.

	FY18	FY19	FY20	FY21
		Serialize popular programs	Expand sales of comprehensive human resource development programs	Enhance both new and existing contents
Expand training content lineup	Sales promotion of IT training package	Expand training/workshop lineup (by serializing training programs)	Upgrade comprehensive human resource development programs (such as combining assessment and training)	
Number of Open-Seminars contents	2,589 (Actual)	2,890 (Target)	3,190 (Target)	3,490 (Target)
Enhance Leaf Services	Reduce more personnel task by introducing RPA	Improve data efficiency		
Expand e-Learning Contents	307 (Actual)	380 (Target)	470 (Target)	570 (Target)

Chap. 03 Capital Policy & Shareholder Returns

1. Cash and deposit that Insource possess

- ▶ Utilize mainly as growth capital for new businesses.
 - We plan to utilize it as necessary investment funds over the medium-to-long term.

2. Fund Raising

- ▶ When fund raising is required due to major system investments or M&A, we will carry out the most suited financial strategy based on capital costs.

3. Dividends

- ▶ Dividend payout ratio is targeted at around 40%, and we make sure that our shareholders support us for many years to come.

2 Shareholder Return Policy

We will continue to achieve stable performance-linked payout ratio of 40 percent to make sure that our shareholders support us for many years to come.

	FY17 (Actual)	FY18 (Estimate)	FY19 (Forecast)
Dividend per share (after stock split)	12 yen 00 sen (9 yen 60 sen)	16 yen 00 sen	18 yen 50 sen
Total dividends	201 million yen	336 million yen	—
Dividend payout ratio	31.2%	40.3%	39.4%

*As of September 1, 2019, we conducted the stock split by ratio of 1.25 per our common domestic share.

<Reference ①> 4Q FY18 (19.7-19.9) Details by Business

Unit: million yen

		FY17 (Actual)	FY18 (Actual)				YOY	Full Year	FY19 Forecast
			1Q	2Q	3Q	4Q			
Whole Business	Net Sales (YOY)	4,536	1,294 (+238)	1,261 (+243)	1,430 (+210)	1,621 (+379)	+30.5%	5,608 (+1,071)	6,800 (+1,191)
	Gross profit	3,096	895	885	1,012	1,165	+40.0%	3,959	4,800
	(Gross profit margin)	(68.3%)	(69.2%)	(70.2%)	(70.8%)	(71.9%)		(70.6%)	(70.6%)
On-Site Training	Net Sales (YOY)	2,827	853 (+121)	628 (+84)	862 (+104)	933 (+141)	+17.8%	3,279 (+451)	3,720 (+440)
	Gross profit	2,013	609	453	620	658	+21.9%	2,341	2,670
	(Gross profit margin)	(71.2%)	(71.3%)	(72.2%)	(71.9%)	(70.5%)		(71.4%)	(71.8%)
Open Seminars	Net Sales (YOY)	1,166	313 (+61)	313 (+69)	444 (+100)	455 (+129)	+39.9%	1,527 (+360)	1,950 (+422)
	Gross profit	773	195	192	302	320	+44.5%	1,011	1,280
	(Gross profit margin)	(66.3%)	(62.4%)	(61.3%)	(68.2%)	(70.5%)		(66.2%)	(65.6%)

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

2 On-Site Training KPI 4Q(19.7-19.9)

■ Average unit prices for private companies and public offices increased, so did the overall average unit price by 11,100 yen to 229,200 yen

	FY 17 (Actual)	FY18 (Actual)				YOY	Full-year	FY19 Target
		1Q	2Q	3Q	4Q			
Total number of trainings conducted (times) (YOY)	13,461 (+1,841)	4,075 (+529)	2,778 (+241)	3,946 (+202)	4,074 (+440)	+17.8%	14,873 (+1,412)	16,000 (+1,127)
Average Unite Price (Thousand yen) (YOY)	210.0 —	209.6 (+3.0)	226.3 (+11.9)	218.7 (+16.1)	229.2 (+11.1)	+4.8%	220.5 (+10.5)	232.5 (+12.0)

	FY 17 (Actual)	FY18 (Actual)				FY17 vs. end of 4Q FY18	Full-year	FY19 Target
		End of 1Q	End of 2Q	End of 3Q	End of 4Q			
Total number of contents by category (types) (FY17 vs. end of each Q in FY18)	2,582 —	2,642 (+60)	2,701 (+119)	2,762 (+180)	2,821 (+239)	+9.3%	— —	3,140 (+319)

3 Open Seminars KPI 4Q (19.7-19.9)

Thanks to increased number of Seminar classrooms during 1Q-2Q, the number of attendees rose by 39.9% to 21,772. FY 18 (Actual)

	FY 17 (Actual)	FY 18 (Actual)					Full Year	FY19 Target
		1Q	2Q	3Q	4Q	YOY		
Total number of attendees (attendees) (YOY)	55,948	16,215	15,087	19,033	21,772	+39.9%	72,107	92,000
	—	(+3,623)	(+3,129)	(+4,019)	(+5,388)		(+16,159)	(+19,893)
Average unit price (Thousand yen) (YOY)	20.8	19.4	20.8	23.3	20.9	+5.3%	21.1	20.7
	—	(▲0.7)	(+0.3)	(+0.4)	(+1.0)		(+0.3)	(▲0.4)

	FY 17 (Actual)	FY 18 (Actual)					Full Year	FY19 Target
		End of 1Q	End of 2Q	End of 3Q	End of 4Q	FY17 vs. end of 4Q FY18		
Total number of organizations subscribing to WEBinsource (organizations) (FY17 vs. end of each Q in FY18)	8,564	9,265	9,942	10,625	11,335	+32.4%	—	13,750
	—	(+701)	(+1,378)	(+2,061)	(+2,771)		—	(+2,415)

4 Other Businesses__Net Sales & Gross Profit 4Q(19.7-19.9)

■ Thanks to a large order for “Leaf”, net sales for IT services increased by 167.6% to 119 million yen

Unit: million yen

	FY 17 (Actual)	FY18 (Actual)					YOY	Full Year	FY19 Forecast
		1Q	2Q	3Q	4Q				
Net Sales	542	126 (+55)	318 (+89)	123 (+6)	232 (+108)	+87.8%	801	1,130 (+328)	
<Breakdown>									
IT Services	239	58	191	61	119	+167.6%	431	560	
E-Learning/ Video Production	152	44	82	38	52	+30.6%	218	450	
Consulting (*2)	—	14	21	18	30	—	85	90	
Gross profit*1	309	90	239	88	186	+166.4%	605	850	
(Gross profit margin) *1	(57.0%)	(71.5%)	(75.1%)	(71.7%)	(80.2%)	(+23.6p)	(75.5%)	(75.2%)	

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

*2 Net sales of Consulting in FY18 is not calculated.

Monthly-subscription model	FY17 (Actual)	FY18 (Actual)					YOY	Full Year	FY19 Target
		1Q	2Q	3Q	4Q				
Total number of Leaf paid subscribers (organizations) (*1, 2)	92	106	132	145	162	+70	—	341	
Total number of organizations using on-the-web appraisal form service (*1)	26	31	37	40	50	+24	—	93	
Total numbers of e-learning (STUDIO & STUDIO Powered by Leaf) subscription IDs per year	17.10-18.9 34,566	18.10-18.12 18,547	19.1-19.3 20,523	19.4-19.6 21,874	19.7-19.9 19,718	—	18.10-19.9 40,548 (YOY: +5,982)	19.10-20.9 45,000	
Direct-selling model	FY17 (Actual)	FY18 (Actual)					YOY	Full Year	FY19 Target
		1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)				
Total number of organizations implementing Stress Check Support Service (*3)	157	37	135	12	32	+23	216	333	
Total number of video production solutions (*4)	86	28	41	18	87	+65	174	360	
Total number of consulting services	66	20	26	24	39	+19	109	90	

*1 Total number as of the end of the year *2 The annual total number of e-learning subscription IDs has been calculated based on the active subscription IDs from FY18 on.

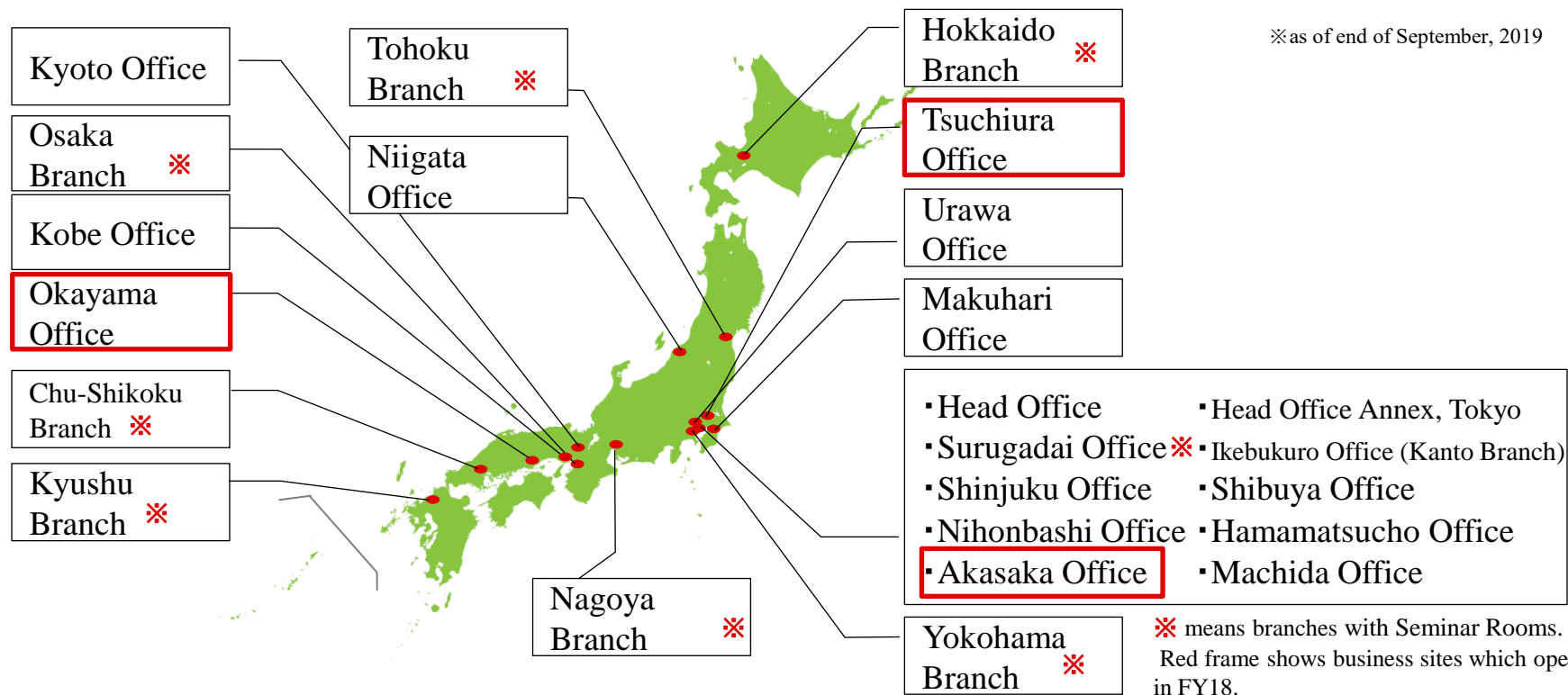
*3 The number of Stress Check Support implemented since 2Q FY18 is based on the number of orders delivered.

*4 The number of video production and consulting services is based on video production only from 3Q FY18.

<Reference②> Company Profile & Business Activities

1 Company Profile

• Company name	Insource Co., Ltd.	• Representative director and president	Takayuki Funahashi
• Date of foundation	November, 2002	• Capital	800,623 thousand yen
• Headquarters	Kandabashi Park Bldg. 5F 1-19-1 Kanda Nishiki-cho, Chiyoda-ku. Tokyo		
• Affiliated companies	Mitemo Co., Ltd, Rashiku Corporation, MIRAI SOUZOU & COMPANY, Inc., Insource Digital Academy Cooperation, Double Work Management Co., Ltd		
• Branch Offices & Business Sites	24 places nationwide	• Seminar Rooms	41 Classrooms in 8 Cities

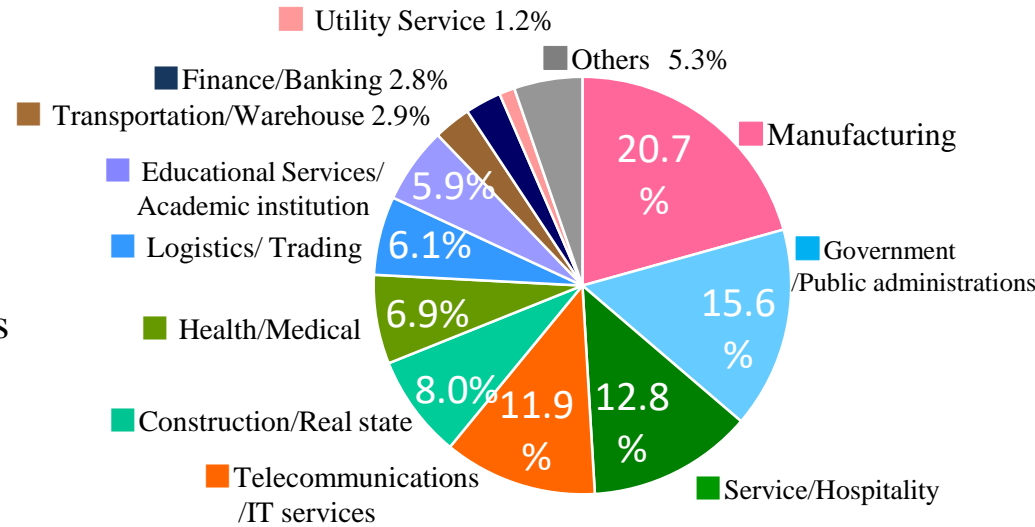


2 Business Activities ① Clients and Average growth rate by business

Composition ratio of clients by industry

The total number of clients who used our services from June 2003 to September 2019

29,402 organizations



Average growth rate by business over the 3 years

	FY16 (Actual)	FY17 (Actual)	FY18 (Actual)	CAGR FY16-FY18
Whole Business	3,585	4,536	5,608	+24.4%
On-Site Training	2,372	2,827	3,279	+16.6%
Open Seminars	897	1,166	1,527	+32.9%
Other Businesses	315	542	801	+60.3%

3 Business Activities ② Trainings

■ Hands-on approach: Attendees can make the most use of what they have learned immediately. Programs mainly consist of exercises (60%).

■ Positive feedback rates from training attendees. **Positive feedback rate (trainings) 95.5%** / **Positive feedback rate (trainers) 94.2%**

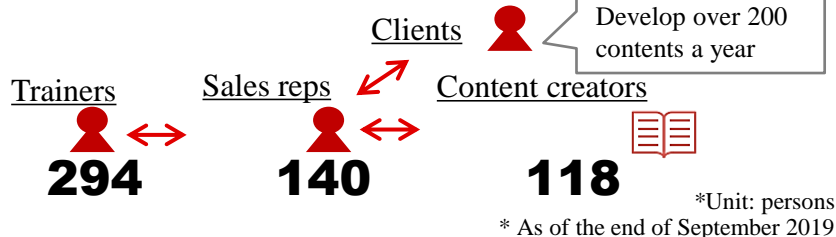
■ By using IT technologies, we can provide high quality trainings frequently and nationwide.

On-Site Training (58.5%)

Offer on-site trainings tailored to organizations' needs

- Separate trainers from content development and utilize IT technologies
- Specialized divisions create contents in-house and trainers concentrate on giving trainings
- Utilizing IT technologies and systematic development system enables us to offer uniform services nationwide

Meet our client's needs promptly
Develop over 200 contents a year



Annual total number of trainings conducted **14,873** times

Number of training types **2,861** types

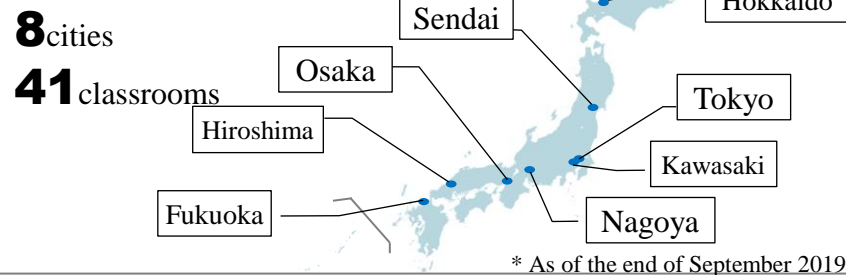


*from October 2018 to September 2019

Open Seminar (27.2%)

Offer open seminars that each person from various organizations can attend

- Hold seminars quite frequently nationwide
- Seminars can be attended at a reasonable fee and anywhere in the country
- Demands for our unique package deal "HRD SmartPack" are high mainly by large companies.



Annual total number of attendees **72,107**

Number of training types **2,589** types



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

*from October 2018 to September 2019

■ We are expanding content lineup since we aim to offer services essential for HR departments.

Other Businesses (Leaf (HR support system), e-Learning, Consulting, Staffing & Recruitment Services) (14.3%)

■ IT Services

- Leaf (HR support system)

Integrates every service line on our in-house platform, ‘Leaf’, including training scheduling, stress checking and personnel appraisal.

Leaf earns revenue from monthly subscription fees (subscription model) and customization fees*2.

Demands for LMS by large companies*3 and use of on-the-web appraisal form service by mid-sized companies increased

Total number of Leaf paid subscribers **162** organizations

Total number of organizations implementing Stress Check Support Service **216** organizations

Total number of organizations using on-the-web appraisal form service **50** organizations



- e-Learning / Video production (Mitemo Co., Ltd)

- STUDIO (Cloud-based e-Learning system) *4
- Video Production

Earning revenue from monthly subscription fees (subscription model) and direct-selling model

Total number of e-learning subscription IDs per year **40,548** IDs

Total number of e-Learning contents **90** subjects **307** contents



■ Consulting

- Establishing personnel appraisal service
- Assessment services



■ Staffing & Recruitment Services

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



*1 Figures in parentheses indicate percentage of FY18 sales ratio. *2 Direct-selling model *3 LMS (Learning Management System) is a system used to deliver e-learning courses, track progress, and manage educational records. *4 STUDIO is powered by Leaf partly.

5 4 Major Pillars to Achieve Our Goals and Visions

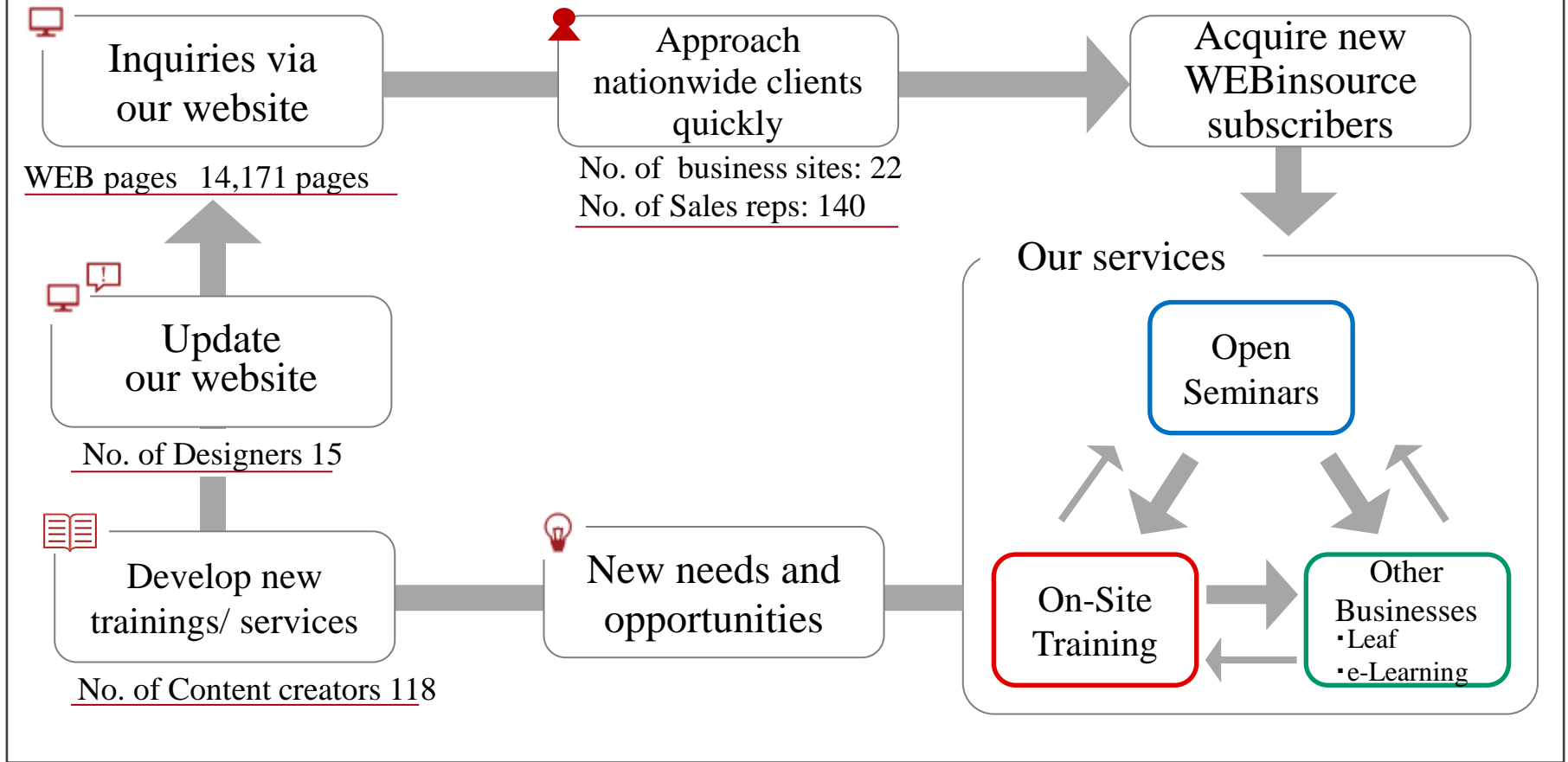
1 A wide range of industries
Strong client base

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 the end of September 2019

6 Insource's 4 Pillars to Achieve High Profitability

■ “Strong client base” + “Mixed approach”

1

A wide range of industries
Strong client base

The Number of Clients: 29,402 Organizations *1
The Total Number of WEBinsource Subscribers: 11,335 Organizations

*1 Total number of clients who used our services from June 2003 to September 2019.



Mixed approach to keep high profitability by sharing information cross-functionally.

2

Robust in-house developed
Contents

- Separate content creations from trainers.
- 118 Content Creators produce more than 200 new titles a year.

3

Linkage of sales force and
digital marketing
Strong sales power

- Provide the best suitable options with 22 business site nationwide and 140 Sales Representatives.
- 21 Digital Marketers will offer proposals effectively by emails and WEB system.

4

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

- Insource has 62 IT engineers, 11 AI/RPA engineers who can develop various services and improve business processes which allows flexible decisions at high speed.

* as of the end of September 2019