

Updated: 22, Feb. 2021

Insource Co., Ltd.

1Q FY20 Consolidated Financial Results

(Three months ended December 31, 2020)

Monday, January 25, 2021

- This report contains estimates and targets pertaining to the future plans and business results of the Insource Group (Insource Co., Ltd and our affiliated companies). Such statements are based on information available at the time of the report's production and based on potential risks and uncertainties. Actual results may differ materially from estimates and targets contained herein.
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Chap. 01 1Q FY20 Consolidated Results

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 - Mid-Term Management Plan, “Road to Next 2023”
-

Chap. 01 1Q FY20 Consolidated Results

Net sales:

Net sales increased by 11.7% YOY to 1,814 million yen (+189 million yen).

The breakdown consists of 1,066 million yen (+5.9%) for On-Site Training, 447 million yen (+6.6%) for Open Seminars, 150 million yen (+41.2%) for IT Services, and 150 million yen (+62.7%) for Other Businesses (e-Learning/Videos and Online seminars support service, etc.).

All our business sections saw increases in sales, and we achieved the highest quarterly sales on record.

Gross profit:

Gross profit increased by 19.7% YOY to 1,390 million yen (+228 million yen), gross profit margin improved to 76.6% (+5.2pt). Both gross profit and gross profit margin in all business sections improved.

Operating profit:

Operating profit increased by 56.1% YOY to 646 million yen (+232 million yen). Operating profit margin improved to 35.6% (+10.1pt), the highest quarterly operating profit on record.

* Figures above in parentheses indicate YOY figures.

Consolidated Profit & Loss Statement ① Overview

Updated:
22.Feb.2021

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Unit: million yen

	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20 (2/22 Revised 1H target)	FY20 (Target)
Net sales (YOY)	1,294 (+238)	1,625 (+330)	1,814 (+189)	+11.7%	Changed +230 3,530	Changed +560 7,300 (Progression rate: : 24.8%)
Gross profit (YOY)	895 (+165)	1,161 (+266)	1,390 (+228)	+19.7%	Changed +210 2,700	Changed +640 5,500 (Progression rate: : 25.3%)
(Gross profit margin)	(69.2%)	(71.5%)	(76.6%)	(+5.2pt)	(76.5%)	(75.3%)
Operating profit (YOY)	314 (+70)	414 (+99)	646 (+232)	+56.1%	Changed +210 1,150	Changed +650 2,100 (Progression rate: : 30.8%)
(Operating profit margin)	(24.3%)	(25.5%)	(35.6%)	(+10.1pt)	(32.6%)	(28.8%)
Ordinary profit (YOY)	314 (+69)	415 (+100)	659 (+244)	+58.9%	Changed +210 1,160	Changed +660 2,110 (Progression rate: : 31.2%)
Net profit (YOY)	207 (+41)	276 (+68)	452 (+176)	+63.7%	Changed +140 800	Changed +500 1,440 (Progression rate: : 31.4%)

On-Site Training

Net sales increased by 5.9% YOY to 1,066 million yen (+59 million yen), and the number of trainings conducted decreased slightly compared to that of previous year (▲224 times); thanks to the increase of online trainings with high unit price implemented in private companies, gross profit increased to 822 million yen (+79 million yen) and gross profit margin improved to 77.1% (+3.3pt).

Open Seminars

Net sales increased by 6.6% YOY to 447 million yen (+27 million yen), and the number of attendees rose slightly compared to that of previous year (+4.6%). The percentage of attendees in online training was 65.1%, significantly improving profitability per training (+3.8 attendees per training). Gross profit increased to 339 million yen (+55 million yen), and gross profit margin improved to 76.0% (+8.1pt) on par with On-Site Training.

IT Services (LMS, e-Learning viewing system etc.)

Net Sales increased by 41.2% YOY to 150 million yen (+43 million yen), and the number of paid subscribers of Leaf (LMS) rose by 50 organizations from the end of FY19, whose monthly fee (subscription) increased to 93 million yen (+35 million yen). As a result, its gross profit rose to 110 million yen (+38 million yen) and gross profit margin improved to 73.3% (+6.3pt).

Other Businesses (e-Learning/video production, Online seminar support service, Consulting, etc.)

Net sales increased by 62.7% YOY to 150 million yen (+58 million yen).

During the coronavirus crisis, sales of Online seminar support service, which started in March, 2020, and “Video Department Store”(website), which started in August the same year, have been steady. As a result, gross profit increased to 118 million yen (+55 million yen), and gross profit margin improved to 78.6% (+10.8pt).

* Figures above in parentheses indicate YOY figures.

Consolidated Profit & Loss Statement ②

(Net sales and gross profit
by business)

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Unit: million yen

		1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20 (Target)
Whole Business	Net sales (YOY)	1,294 (+238)	1,625 (+330)	1,814 (+189)	+11.7%	6,740 (Progression rate: 26.9%)
	Gross profit (Gross profit margin)	895 (69.2%)	1,161 (71.5%)	1,390 (76.6%)	+19.7% (+5.2pt)	4,860 (Progression rate: 28.6%) (72.1%)
On-Site Training	Net sales (YOY)	853 (+121)	1,006 (+152)	1,066 (+59)	+5.9%	3,620 (Progression rate: 29.5%)
	Gross profit (Gross profit margin)	609 (71.3%)	742 (73.8%)	822 (77.1%)	+10.7% (+3.3pt)	2,730 (Progression rate: 30.1%) (75.4%)
Open Seminars	Net sales (YOY)	313 (+61)	419 (+105)	447 (+27)	+6.6%	1,580 (Progression rate: 28.3%)
	Gross profit (Gross profit margin)	195 (62.4%)	284 (67.9%)	339 (76.0%)	+19.4% (+8.1pt)	1,020 (Progression rate: 33.3%) (64.6%)
IT Services	Net sales (YOY)	58 (+37)	106 (+47)	150 (+43)	+41.2%	910 (Progression rate: 16.5%)
	Gross profit (Gross profit margin)	43 (74.5%)	71 (67.0%)	110 (73.3%)	+54.4% (+6.3pt)	690 (Progression rate: 15.9%) (75.8%)
Other Businesses	Net sales (YOY)	68 (+18)	92 (+24)	150 (+58)	+62.7%	630 (Progression rate: 23.9%)
	Gross profit (Gross profit margin)	46 (68.9%)	62 (67.9%)	118 (78.6%)	+88.5% (+10.8pt)	420 (Progression rate: 28.2%) (66.7%)

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

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1Q FY20 Highlights Monthly Changes in Sales and Forecast

Unit: million yen

		October	November	December	1Q FY20 (Actual)	January *
Whole Business	Net sales	606	601	606	1,814	421
	(YOY: mil yen) (YOY: %)	(+85) (+16.5%)	(▲4) (▲0.8%)	(+108) (+21.7%)	(+189) (+11.7%)	(0) (0.0%)
On-Site Training	Net sales	345	382	338	1,066	206
	(YOY: mil yen) (YOY: %)	(+10) (+3.3%)	(▲21) (▲5.3%)	(+70) (+26.3%)	(+59) (+5.9%)	(▲27) (▲11.8%)
Open Seminars	Net sales	148	141	156	447	105
	(YOY: mil yen) (YOY: %)	(+15) (+11.3%)	(▲3) (▲2.1%)	(+15) (+11.1%)	(+27) (+6.6%)	(▲10) (▲8.2%)
IT Services	Net sales	37	33	74	150	55
	(YOY: mil yen) (YOY: %)	(+17) (+91.6%)	(+7) (+26.3%)	(+19) (+35.9%)	(+43) (+41.2%)	(+12) (+30.2%)
Other Businesses	Net sales	75	43	37	150	53
	(YOY: mil yen) (YOY: %)	(+40) (+120.1%)	(+11) (+36.1%)	(+2) (+6.9%)	(+58) (+62.7%)	(+25) (+88.4%)

*The numbers shown for January are the forecast figures as of January 22.

Status of Training Businesses - widespread

Online training has become

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- The number of On-Site Training conducted has exceeded that of previous year since December and online trainings have become more common mainly in private companies.
- The number of attendees for Open Seminars have exceeded that of previous year since October due to the increase of online trainings. In addition, the number of attendees per training continued to increase due to the shift to online trainings, resulting in a significant improvement in profitability.

	October	November	December	1Q FY20 (Actual)	YOY	January *
On-Site Training: Number of trainings conducted (times) (YOY)	1,506 (▲88)	1,528 (▲235)	1,213 (+99)	4,247 (▲224)	▲5.0%	756 (▲287)
Among above, number of online trainings (times) (composition ratio)	503 (33.4%)	598 (39.1%)	466 (38.4%)	1,567 (36.9%)	-	438 (57.9%)
On-Site Training: Gross profit (Gross profit margin)	263 (76.3%)	300 (78.6%)	258 (76.2%)	822 (77.1%)	+10.7% (+3.3pt)	151 (73.2%)
Open Seminars: Number of attendees (YOY)	7,207 (+523)	7,503 (+72)	7,401 (+384)	22,111 (+979)	+4.6%	5,322 (▲1,695)
Among above, number of attendees who took online (composition ratio)	4,446 (61.7%)	4,811 (64.1%)	5,143 (69.5%)	14,400 (65.1%)	-	4,447 (83.6%)
Open Seminars: Number of attendees per training (YOY)	11.9 (+3.4)	12.7 (+3.7)	13.0 (+4.3)	12.5 (+3.8)	+44.2%	12.8 (+5.3)

*The numbers shown for January are the forecast figures as of January 22.

Revision of Consolidated Financial Forecast for 1H FY20

Based on the business performance as of January 22 and the status of coronavirus infection, we have revised the financial forecast for 1H FY20 announced on November 5, 2020. There is no change to the full-year forecast currently.

Forecast for 1H FY20

Net sales: 3,300 million yen, +13.6% YOY (+160 million yen from the previous forecast)
Operating profit: 940 million yen, +50.5% YOY (+290 million yen from the previous forecast)
Ordinary profit: 950 million yen, +52.4% YOY (+300 million yen from the previous forecast)
Net profit: 660 million yen, +56.8% YOY (+230 million yen from the previous forecast)

	January	February	March	2Q	2Q Net Sales
YOY changes in sales (forecast)	100%	110%	140%	116%	1,486 mil. yen

Reason for revision ~Judging from the recent business performance and the status of coronavirus infection

1. The consolidated financial results for 1Q are strong.
2. Sales of Leaf's customization and Stress Check Support System's deliveries concentrate on March. In addition, e-Learning/videos' sales are also expected to be in the pipeline by the end of March.
3. As a result of the state of emergency declared on January 8, 2021, sales of training business are expected to decrease by approximately 20% due to the cancellation and postponement of face-to-face On-Site Training and cancellation of Open Seminars which are visitor type.

⇒For these reasons, we expect net sales, operating profit, ordinary profit, and net profit to all exceed our previously announced forecasts.

Positive Sides

Structural changes in career development education

Shift from face-to-face training to online and e-Learning/videos has accelerated

⇒ Insource has an advantage as we can offer various services

<Composition ratio of online trainings*> On-Site Training: 36.9% Open Seminars: 65.1%

Growth of IT Services and e-learning/Video production

IT Services and Other Businesses significantly grew in response to changes in the external environment. LMS “Leaf” and e-Learning/videos’ sales are strong

Full-scale entry to “Online seminar support” business

Started offering support service for managing any kind of seminar online

Quickly strengthened our growth areas

Took decisive and swift action to strengthen content development and concentrate human resources on growth areas (e.g. IT related trainings, e-Learning/videos) which would have taken time in normal times

Negative Sides

Lack of online training booths

55 booths to be added by the end of FY20

Decline in occupancy rate of seminar rooms for face-to-face trainings

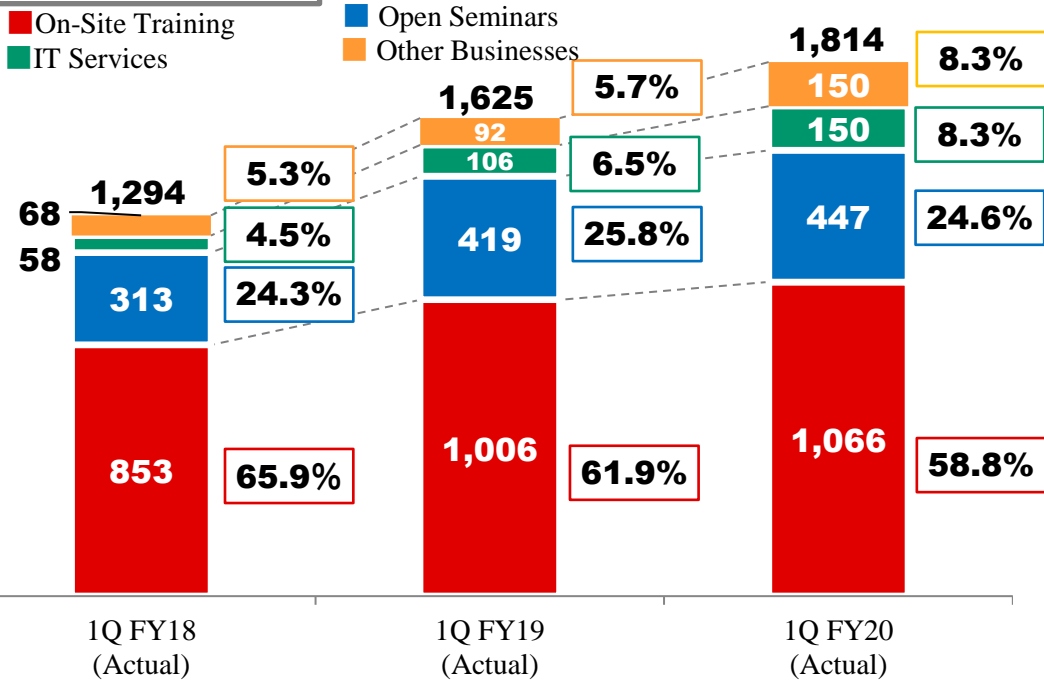
To be reduced sequentially

*Results for Oct. 2020 to Dec. 2020

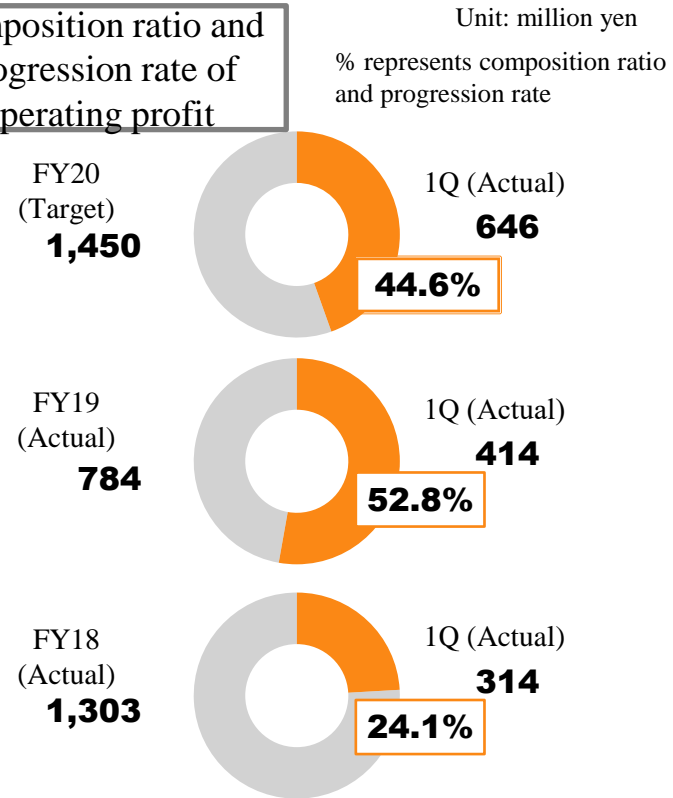
⇒ **We will take this change as an opportunity to accelerate our growth**

Composition Ratio and Progression Rate of Net Sales (by business/ by quarter) & Operating Profit

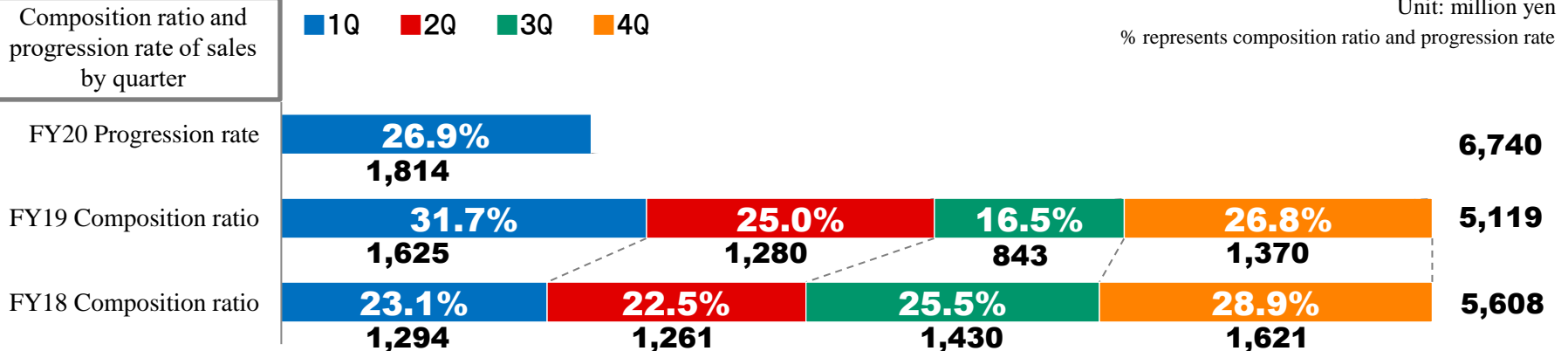
Sales composition ratio by business



Composition ratio and progression rate of operating profit



Composition ratio and progression rate of sales by quarter



Office & system expenses and Other expenses decreased in 1Q FY20 due to the temporal increase in 1Q FY19.

Unit: million yen

Breakdown of SG&A	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	FY19 vs. FY20		FY20 (Target) (YOY)
				Changes	YOY	
Personnel expenses	442	563	599	+35	+6.3%	2,730 (+470)
Rent expenses	31	32	33	+0	+2.3%	110 (▲20)
Office & system expenses	44	61	35	▲25	▲41.5%	200 (+22)
Other expenses	62	89	75	▲13	▲15.5%	370 (+80)
Total SG&A expenses	580	747	744	▲3	▲0.4%	3,410 (+551)
(SG&A expense ratio)	(44.9%)	(46.0%)	(41.0%)	(▲5.0pt)	-	(50.6%)

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

Consolidated Balance Sheet

■ Fixed assets increased due to acquisition of the company's building (600 million yen).

■ Current liabilities increased due to short-term loans (700 million yen) for securing working capital.

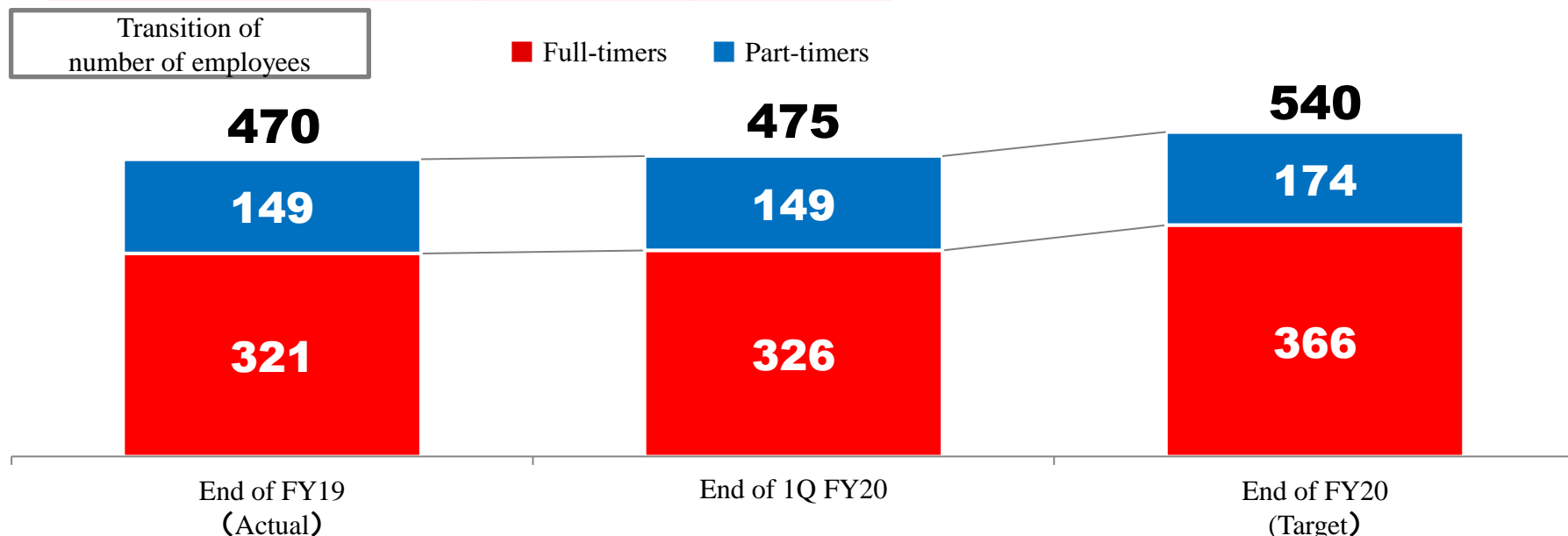
Unit: million yen

	FY18 (Actual)	FY19 (Actual)	1Q FY20 (Actual)	End of FY19 vs. 1Q FY20 Changes	Change rate
Current assets	4,150	3,025	3,201	+175	+5.8%
Fixed assets	806	1,319	1,938	+619	+46.9%
Total assets	4,957	4,344	5,139	+795	+18.3%
Current liabilities	1,787	1,379	2,108	+728	+52.8%
Fixed liabilities	86	81	81	0	0%
Net assets	3,082	2,883	2,949	+66	+2.3%
Total liabilities and net assets	4,957	4,344	5,139	+795	+18.3%

Consolidated Number of Employees

- Resumed strengthening recruitment of personnel and encouraging all employees to be competent in IT knowledge and skills to improve productivity.

	1Q FY19 (Actual)	End of FY19 (Actual)	1Q FY20(Actual) (End of FY19 vs. 1Q FY20)	1Q Progression rate against FY20 target	End of FY20 (Target) (End of FY19 vs. End of FY20)
<u>Total number of employees</u>	453	470	475 (+5)	7.1%	540 (+70)
<u>Number of full-time employees</u>	300	321	326 (+5)	11.1%	366 (+45)
<u>Number of part-time employees</u>	153	149	149 (+0)	0%	174 (+25)



■ Targeting a payout ratio of 40%, dividends are planned to be linked to business performance.

	FY18 (Actual)	FY19 (Actual)	FY20 (Forecast)
Dividend per share Before the stock split*	8 yen 00 sen (16 yen 00 sen)	9 yen 25 sen (18 yen 50 sen)	10 yen 00 sen (20 yen 00 sen)
Total dividends	336 million yen	387 million yen	—
Dividend payout ratio (consolidated)	40.3%	87.2%	—

* As of January 1, 2021, we conducted a 2-for-1 stock split of common stock.

Chap. 02 1Q FY20 Details by Business

Highlights

1. Training has shifted to online nationwide

In coronavirus crisis, the way of conducting training has rapidly shifted from face-to-face to online in the nation.

The percentage of online in On-Site Training and Open Seminars is 36.9% and 65.1%* respectively and the stability of the business has improved.

*Results for Oct. 2020 to Dec. 2020

2. Profitability has improved significantly

- On-Site Training: Unit price (+25 thousand yen, +11%) increased due to additional online support fees and reduction of trainers' transportation costs, which improved gross profit margin to 77.1% (+3.3pt).
- Open Seminars: Since we have introduced online, it has enabled us to attract attendees from all over the country and the number of attendees per training has increased by 3.8 (+44%). Gross profit margin improved to 76.0% (+8.1pt) and the profitability grew significantly.

Clients

1. Manufacturing, Telecommunications/IT services, Pharmaceutical, Finance/Banking industry: Net sales increased by more than 20% YOY.
2. Travel/Hotels, Service/Hospitality, Staffing industry: Net sales decreased by more than 20% YOY.
3. Some clients shifted to us from competitors which could not deal with online training promptly.

Services

1. Such training as online sales activities and teleworking, which were newly developed after the outbreak of coronavirus crisis, contributed to sales largely.
2. Trainings usually held either in spring or summer such as trainings for newly assigned managers, were postponed and conducted a few months later, resulting in 60% YOY increase.
3. Communication training such as CS, hospitality, telephone-call handling decreased by 40% YOY and training related to global matters decreased by half.

* Figures above in parentheses indicate YOY figures.

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

On-Site Training

- The number of training conducted decreased slightly from that of previous year, but thanks to the increased sales from private companies, net sales increased by 5.9% YOY.
- Thanks to the addition of online support fees, unit price increased (+25 thousand yen, +11% YOY) and with further reduction of trainers' transportation costs, gross profit margin improved to 77.1% (+3.3pt YOY).

Unit: million yen

	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20 (Target)
Net sales	853	1,006	1,066	+5.9%	3,620 (progression rate: 29.5%)
Gross profit*	609	742	822	+10.7%	2,730 (progression rate: 30.1%)
(Gross profit margin)	(71.3%)	(73.8%)	(77.1%)	(+3.3pt)	(75.4%)
Total number of trainings conducted (unit: times)	4,075	4,471	4,247	▲224	15,000 (progression rate: 28.3%)
Average unit price (unit: thou.yen)	209.5	225.1	250.8	+11.4% (+25.7 thou. yen)	241.3

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

■ Online Open Seminars enabled us to attract attendees from all over the country and the number of attendees per training increased. Gross profit margin improved to 76.0% (+8.1pt YOY) and the profitability grew significantly.

Unit: million yen

	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20 (Target)
Net sales	313	419	447	+6.6%	1,580 (Progression rate: 28.3%)
Gross profit*	195	284	339	+19.4%	1,020 (Progression rate: 33.3%)
(Gross profit margin)	(62.4%)	(67.9%)	(76.0%)	(+8.1pt)	(64.6%)
Total number of attendees (unit: attendees)	16,215	21,132	22,111	+979	72,000 (Progression rate: 30.7%)
Average unit price (unit: thou.yen)	19.3	19.8	20.2	+1.9% (+0.3 thou. yen)	21.9

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

- Monthly subscription increased by 60.9% (+35 million yen)YOY.
- Net sales increased by 41.2% YOY, and gross profit margin improved to 73.3% (+6.3pt) YOY, improving profitability. Note: Customization sales tend to concentrate in 2Q (end of March) and 4Q (end of September).

Unit: million yen

	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20 (Target)
Net Sales	58	106	150	+41.2%	910 (Progression rate: 16.5%)
<Breakdown>					
Leaf Monthly subscription	31	58	93	+60.9%	430
Average Unit Price (for December) unit: thou. yen	106.5	109.6	106.5	▲3.9% (▲3.1 thou. yen)	-
Leaf Customization	11	36	39	+6.6%	350
Stress Check Support Service	16	11	17	+51.7%	130
Gross Profit * (Gross profit margin)	43 (74.5%)	71 (67.0%)	110 (73.3%)	+54.4% (+6.3pt)	690 (Progression rate: 15.9%)

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

- Amid the coronavirus crisis, education using e-learning are spreading, and demands for LMS is increasing especially among large companies .
- Number of Leaf paid subscribers increased in major manufacturing, logistics/trading, and service/hospitality industries (+50 organizations from the end of FY19).
- As for customizations for Leaf, the number of repeat orders from existing customers increased.

Monthly subscription model	FY18 (Actual)	FY19 (Actual)	1Q FY20 (Actual)	1Q Progression rate against FY20 target	FY20 (Revised Target) (End of FY19 vs. End of FY20)
Total number of Leaf paid subscribers (unit: organizations) (*1) (YOY)	162	248	298 (+50)	+32.9%	Changed +40 400 (+152)
Total number of organizations using on-the-web appraisal form service (unit: organizations) (*1) (YOY)	50	93	98 (+5)	+29.4%	110 (+17)
Case-by-case basis model	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20(Target)
Total number of organizations which ordered customizations for Leaf (*2)	-	-	18	-	-
Total number of organizations implementing Stress Check Support Service	41	24	56	+133.3%	320 (Progression rate: 17.5%)

*1 Total number as of the end of the year * 2 The number of Stress Check Support implemented since 2Q FY18 is based on the number of orders delivered.

Other Businesses

- Net sales increased by 62.7% YOY to 150 million yen (+58 million yen YOY), as buyout and rental sales increased significantly by 13 times (+1194.5%) YOY in particular.
- Gross profit rose to 118 million yen (+56 million yen YOY) and gross profit margin improved to 78.6% (+10.8pt) YOY

	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	Unit: million yen FY20 (Target)
Net Sales	68	92	150	+62.7%	630 (Progression rate: 23.9%)
<Breakdown>					
e-Learning/ Video Production	44	49	98	+97.2%	450 (Progression rate: 21.7%)
Buying-out/ Rentals	-	3	41	+1194.5%	-
Monthly Subscription (STUDIO)	-	19	22	+12.1%	-
Video production Solutions	-	26	34	+29.5%	-
Consulting/Online seminar support service	14	19	38	+93.1%	120 (Progression rate: 32.1%)
Gross Profit *	46	62	118	+88.5%	420
(Gross profit margin)	(68.9%)	(67.9%)	(78.6%)	(+10.8pt)	(Progression rate: 28.2%)

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

Other Businesses KPIs

- Sales from Video department store (website), which were launched in August 2020, are performing well, and sales of buying-up of e-Learning/videos are expanding significantly. Sales for e-learning/video production solution on a case-by-case basis also performed well.
- Online seminar support business is strong.

	1Q FY18 (Actual)	1Q FY19 (Actual)	1Q FY20 (Actual)	YOY	FY20 (Target)
e-Learning/ Video Production Total number of video contents sold (Buying-Up)	—	12	276	+2200.0%	1,000 (Progression rate: 26.2%)
e-Learning/ Video Production Total number of rental viewers	—	—	1,092	—	5,000 (Progression rate: : 21.8%)
e-Learning/ Video Production STUDIO (e-Learning) (unit: IDs)	18,547 (end of FY18 40,548)	19,638 (end of FY19 66,662)	42,488 (+ 22,850 IDs)	+116.4%	95,000 (Progression rate: 44.7%)
e-Learning/ Video Production Total number of e-Learning/video production* (unit: orders)	28	19	47	+147.4%	150 (Progression rate: 31.3%)
Consulting Total number of consulting services	20	29	27	▲6.9%	130 (Progression rate: 20.8%)
Online seminar support service (unit: orders)	—	—	27	—	—

*The calculation method for the number of video and consulting services has been changed to the number of video services only from 3Q FY18.

Website for e-Learning/Videos “Video Department Store” from August, 2020 **in**source

Web site with 114* e-Learning/Videos



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*As of the end of December, 2020

Three types of sales methods are available

1. Buying-Up

Price: 198,000 yen per content ~

Method: Clients purchase the video content

2. Monthly Subscription Model (STUDIO)

Price: 1ID 350 yen / month ~

Method: Plans available for a minimum of 50 people for more than 6 months *

3. Rentals

Price: 1,870 yen per person ~

Method: Available to watch for 7 days and even one person can apply to watch *

* During the period, clients can use functions of Leaf as an LMS

When purchasing “Buying-Up” and “rentals” contents, clients can use our unique discount point “HRD Smart Pack” also used to purchase Open Seminars, which is convenient

Sales performance for 1Q FY20

Buying-Up	Monthly subscription model	Rentals
276 orders	42,488 IDs	1,092 viewers

■ Features of Online seminar support business

1. Online support with extensive know-how

Available to support for all types of online seminars, including trainings, sales promotion seminars, lectures, and debriefing sessions, based on our experience in conducting numerous online trainings.



■ Online Seminar Management Results

Attendees: 132,698 attendees Number of seminars conducted: 5,125 times

*Results of On-Site trainings and Open Seminars from April, 1, 2020 to December, 31, 2020

2. Service is available with any online tools

Compatible with a variety of tools including Zoom, Microsoft Teams, Webex, Google Meet, etc *.

3. Various services for conducting online seminars

Offer full support for online implementation, including trainings of in-house PC operators and rentals of equipment and venues

- Dispatching PC operators
- Full support of conducting in-house training online
- Venue rental service for online training
- Training management using “Leaf”
- PC equipment rentals
- (For online training speakers) Training for in-house instructors

*The name and logo of “Zoom” are trademarks or registered trademarks of Zoom Video Communications, Inc. in the United States and other countries, including Japan.

*The Microsoft Teams name and logo are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries including Japan.

*The Webex name and logo are registered trademarks or trademarks of Cisco Systems, Inc. and its affiliates in the United States and/or other countries including Japan.

*Google Meet is a web conferencing service from Google LLC

- Expanding online training booths significantly in response to changing training needs.
- Developing new e-learning contents actively as main products.

	FY19 (Actual)	1QFY20 (Actual)	1Q Progression rate against FY20(Revised target)	FY20 (Revised Target) (Changes)
Total number of online training booths	45	63	18 (Progression rate: 32.7%)	Changed +35 100 (+55)
Total number of new contracts for WEBinsource (organizations) (Cumulative contracts)	2,157 (13,492)	513 (14,005)	513 (Progression rate: 20.5%)	2,500 (15,992)
Number of new programs/content types for On-Site training (Total number)	319 (3,140)	80 (3,220)	80 (Progression rate: 25.0%)	320 (3,460)
Number of new programs/content types for Open Seminars (Total number)	270 (2,859)	45 (2,904)	45 (Progression rate: 15.0%)	300 (3,159)
Number of new e-learning/videos *1 (Total number)	88	26 (114)	26 (Progression rate: 17.3%)	Changed +50 150 (238)
Total number of Core solution plans *2	171	15 (186)	15 (Progression rate: 25.0%)	60 (231)
Number of websessions (Unit: thou. times)	1,835	456	456 (Progression rate: 21.4%)	2,135 (+300)

*1 The counting method has been changed from that of the monthly KPI Progress Report. We will use this counting method from now on..

*2 Core solution plan is a one-stop service that solves organizational challenges by providing a unique mix of multiple trainings and services tailored to clients' specific needs by subject, industry or job function (former name: package plan).

<Reference> Company Profile & Business Activities

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

Affiliated Companies

Mitemo Co., Ltd

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

Rashiku Corporation

- Recruitment support business
- Support Service for Career Change

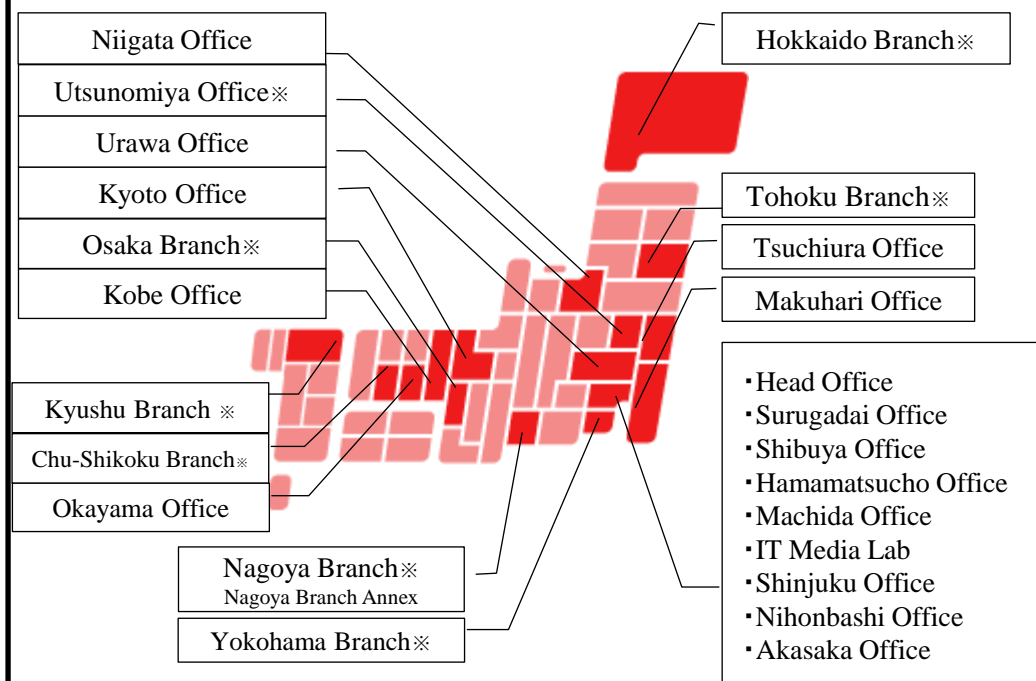
MIRAI SOUZOU & COMPANY, Inc.

- On-Site Training Business

Insource Digital Academy Cooperation

- Human Resource Development with Digital Skills
(AI/ Support for Machine Learning Applications, Support for Utilizing RPA, Improving OA/IT Skills and Business Skills)

Branch Offices & Business Sites: 24 Places Nationwide



Seminar Rooms: 44 Classrooms in 10 Cities

Online Training Booths: 63 Booths

※ Branches with Seminar Rooms

* As of the end of December, 2020

Business Activities ① Clients and Average Growth Rate by Business

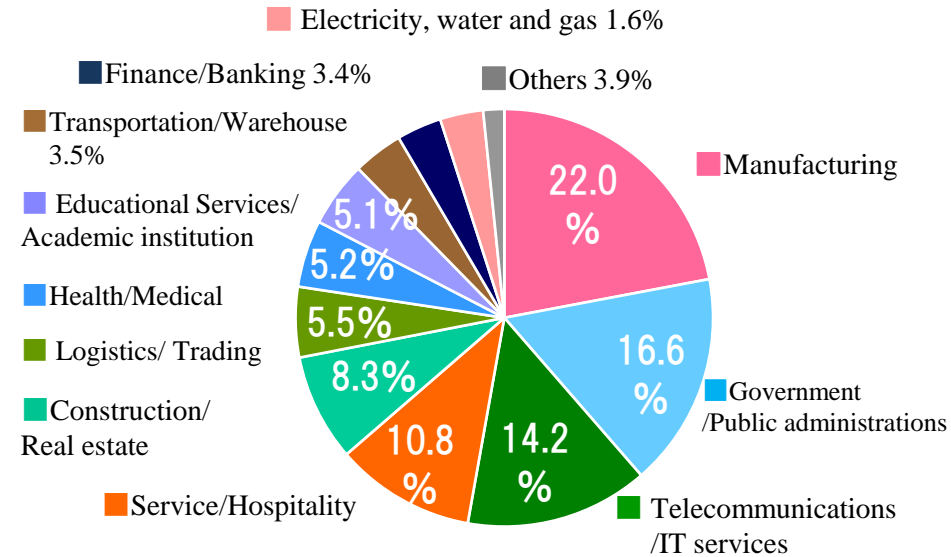
Composition ratio of clients by industry

The total number of clients who used our services from October, 2019 to September, 2020

10,786 organizations

The total number of clients who used our services from June, 2003 to September, 2020

32,938 organizations



Compound annual growth rate by business (Target)

	FY18 (Actual)	FY19 (Actual)	FY20 (2/22 Revised Forecast)	CAGR FY18-FY20
Whole Business	5,608	5,119	7,300	+17.2%
On-Site Training	3,279	2,724	3,790	+10.3%
Open Seminars	1,527	1,267	1,780	+15.1%
IT Services	431	655	1,000	+61.1%
Other Businesses	369	472	730	+34.1%

Business Activities ② Trainings

■ Developing more than 300 new training programs per year to meet the needs of the times, including a variety of new DX training programs

■ Positive feedback rates from training attendees

Positive feedback rate (trainings) **95.4%** Positive feedback rate (trainers) **94.0%**

■ By using IT technologies, we can provide trainings in high quality frequently and nationwide *As of the end of September 2020

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

On-Site Training

Offer On-Site Trainings tailored to organizations' needs

- Developed more than 3,200 textbooks in-house, customized to meet organizational issues
- 340 experienced trainers with practical experience
- Available for online training as well as face-to-face training(online training ratio:40%)

Annual total number of trainings conducted/attendees

11,166 times **393,815** attendees

*From January, 2020 to December, 2020

Out of the total number of trainings conducted:

Total number of online trainings conducted: **3,091** Total number of online attendees: **102,761**

* As of the end of December, 2020

Open Seminars

Offer Open Seminars that each person from various organizations can attend

- 10,207 seminars held annually both face-to-face(10 cities nationwide) and online (online training ratio:60%)
- More than 2,900 types of courses, including those offered by business partners, and new courses are introduced in a timely manner
- Up to 50% discount with “HRD Smart Pack”(our unique point service)
- Used by both startups and large companies nationwide

Annual total number of trainings conducted/attendees

10,207 times **59,311** attendees

*From January, 2020 to December, 2020

Out of the total number of trainings conducted:

Total number of online trainings conducted: **2,034** Total number of online attendees: **29,937**

* As of the end of December, 2020

Expanding non-face-to-face services to stabilize business performance

IT Services

Leaf (HR support system, LMS)

- A system for management of all HR operations, from e-learning viewing to training management and personnel evaluation
- Reasonable usage fees and various customizations
- Used by more than 1.4 million people, mainly from large companies

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

Total number of Leaf paid subscribers	298 organizations
The number of users	1.43 million IDs

*As of the end of December, 2020

Stress Check Support Service

- Implemented in many organizations, including central government and large companies
- Available on Local Government Wide Area Network (LGWAN)

Total number of organizations implementing Stress Check Support Service **314** organizations

*Results for Jan. 2020 to Dec. 2020

Other Businesses

e-Learning / Video production

- Various ways of offering (buying-out, monthly subscription, rentals)
- Sales on Video Department Store (EC site)

Total number of e-Learning contents **114** contents

*As of the end of December, 2020

Online seminar support service

- Online support with extensive know-how
- Service is available with any online tools
- Various services for conducting online seminars

Consulting

- Assessment services (Level-based Assessment, giraffe)

Recruitment Services

- Recruitment promotion and service

<Reference> Insource's Features

1. Our mission is to solve social issues

Insource's business objective is to contribute to solving problems of working people by providing a wide range of services that enable people to learn how to work in a practical manner and educational infrastructure using IT.

2. Changed the business model of training services and developing variety of contents

Establishing a business model with the division of labor and in-house production of content through IT has reduced costs and improved the quality of training. Based on this, 167 content creators quickly develop more than 300 new titles every year.

3. DX ~Thorough use of data and IT

Achieved significant productivity improvements by digitalizing our training management process since the beginning of our business. With a database of information from all activities, the data is used for sales and content development. Also, with 89 IT engineers, services such as self-developed ASP services (Leaf, etc.), online training, and video services can be offered.

4. Strong sales power

We have developed a sales force that utilizes people and IT. 24 business sites across the country, 149 sales representatives and more than 17,000 web pages which 24 digital marketers have created are interlinked for efficient inside sales.

5. Diverse workforce

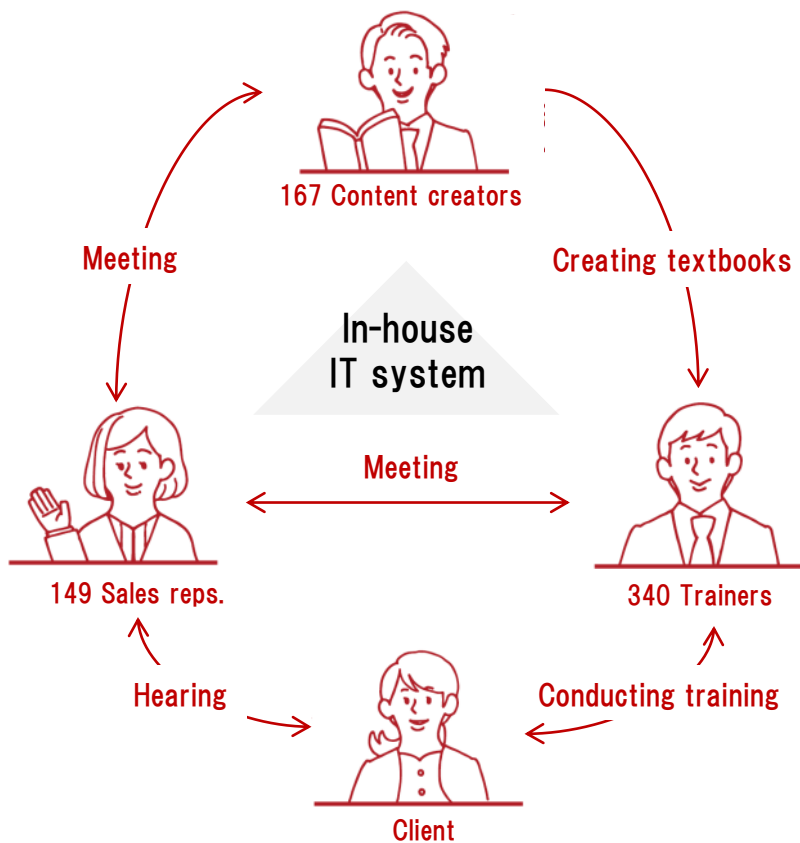
A variety of specialists, including 60% women (30% in management positions), foreign-born, seniors, LGBT, and people with disabilities, work. Diversity is maintained by hiring without regard to gender, age, education, or nationality. Diversity is the foundation of speedy and focused management.

Changed the Business Model of Training Services and Developing Variety of Contents

■ Use of IT to realize division of labor and in-house production of content

■ Image of division of labor and in-house production

By focusing on each role, we can reduce costs and improve the quality of training.



* As of the end of December, 2020

■ Developing the latest content and services in a customer-oriented manner

167 content creators develop contents to meet the needs of individual customers, the times, and social changes

■ Number of contents

On-Site training **3,220** programs Open Seminars **2,904** programs e-Learning/Videos **114** programs

* As of the end of December, 2020

■ Genres (partial)

For executives and managers 310 programs	For Students and Recruiters 63 programs
For mid-level employees 78 programs	DX, AI, RPA, and IT training 152 programs
For young employees 92 programs	Remote Handling Training 43 programs
For newcomers 166 programs	Training by theme, industry, and sector 1,844 programs

* As of the end of September, 2020

Developing more than 25 new contents every month with KPIs to constantly develop the latest trend in training

■ Promoting business by utilizing OODA Model

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

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

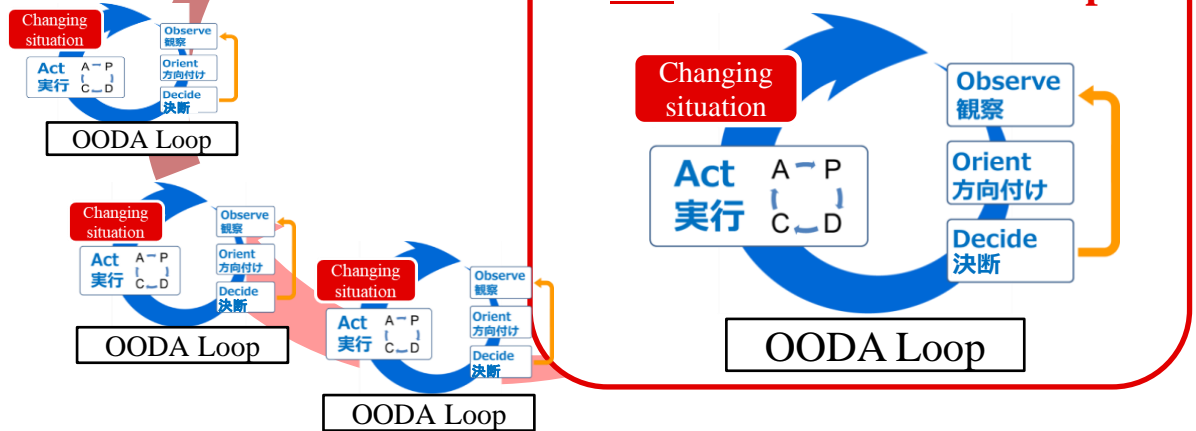
*What is OODA Loop?

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.

PLAN
: Mid-Term Management Plan, "Road to Next 2023"

■ Results of OODA Loop Practices in Coronavirus crisis

- Implementing online training and systematizing the cumbersome tasks associated with it
- New product development for "After Corona and With Corona"
- Expanding the scale of the business through large-scale personnel transfers to growth areas



By flexibly changing the strategy depending on situations with “speed and focus”, we will be able to grow in response to the external environment.

The source of Insource's competitive advantage is the "concentration of knowledge" and "thorough utilization" by individuals and the organization.

Our strength lies not only in our ability to develop IT technologies, but in our ability to "consolidate knowledge" on a company-wide basis by using IT .

1. Consolidate and utilize all data

- Collect and consolidate data generated in the training process throughout the entire company and thoroughly utilize it for web-based sales and content development
- ⇒ Develop contents that matches the times as fast as possible
- ⇒ Disclosure feedbacks from training attendees on the web site

2. Thoroughly convert business processes to IT

- IT-enabled training operation process to reduce costs and prevent mistakes
- Achieve an IT-based division of labor for each process and improve productivity that no other company can match
- Databases of information generated by each process and all training textbooks
- ⇒ Telecommuting can be carried out without the need for special handling
- ⇒ Thoroughly improve productivity with IT

3. Starting from making file names common

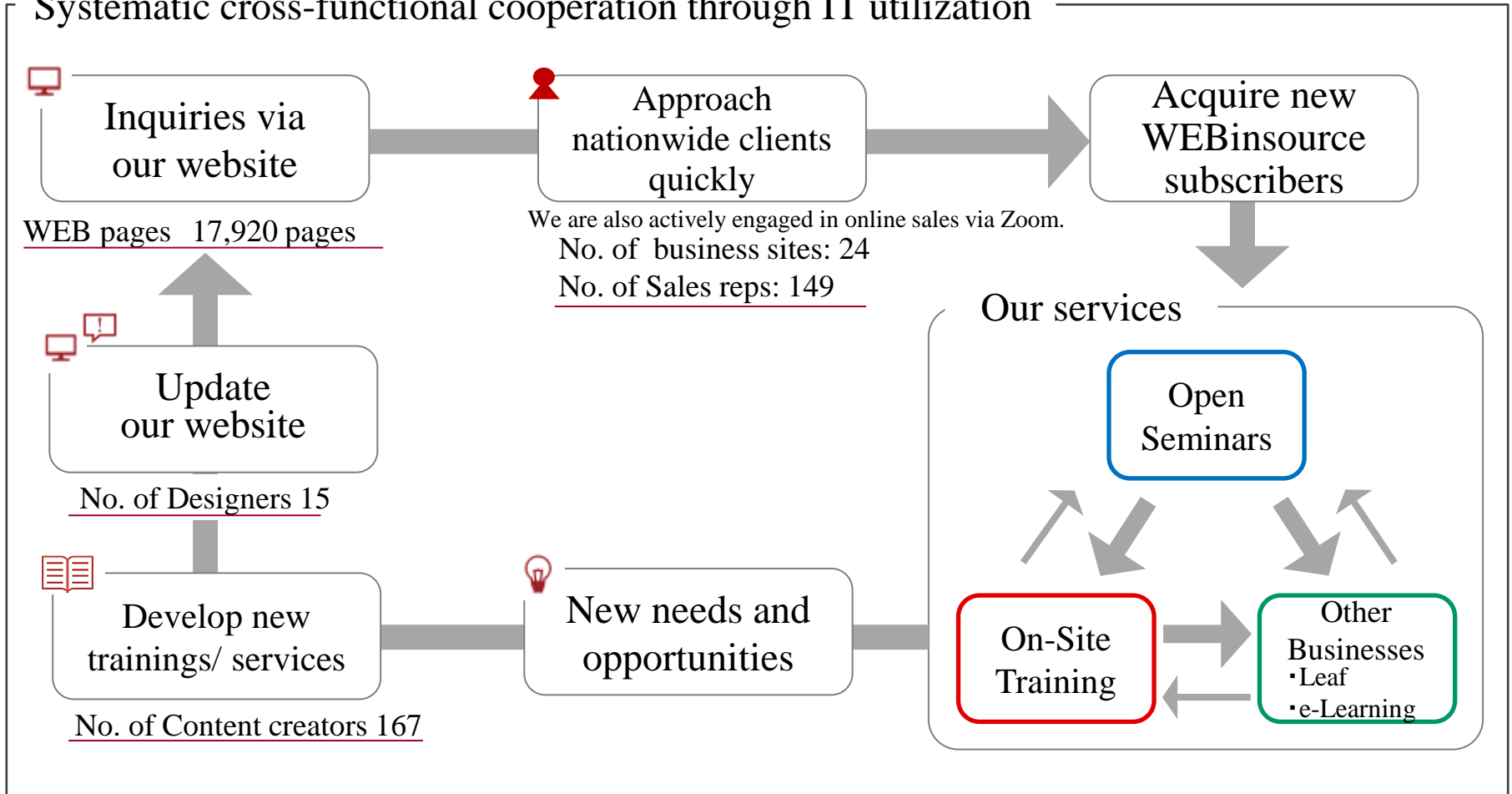
The first step in implementing DX is to systematically store the data generated in business processes

1. First, common file names. Ex: 201105【Textbook】Businesswritingtraining (Suzuki).pptx
2. Store information on a specified server and prohibit "personal possession".

⇒ Today, we offer a wide range of ASP services such as Plants and Leaf, and DX education.

⇒ Insource group's competitiveness is "Concentration and Utilization of knowledge" through the use of IT

Systematic cross-functional cooperation through IT utilization



* As of the end of December, 2020

⇒ 149 sales representatives and more than 17,000 web pages created by 24 digital marketers are interlinked for efficient inside sales.

Diverse Workforce - Diversity is a driving force for growth

Ratio of female employees in managerial positions: 28.1%

Employment rate of people with disabilities: 3.05%

	Total	Female employees
Total number of employees *2	475	277 (58.3%)
Total number of managerial positions	121	34 (28.1 %)

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

(As of the end of December, 2020 (consolidated))

Foreign nationals ※4	5	Seniors (aged over 60)	16	LGBTs	6	People with disabilities	9 Disability employment rate: 3.05% *3
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• Legal employment rate: **2.2%**
• Actual employment rate: **2.11%**
(Source: “2019 Disability Persons’ Employment Status” released by the Ministry of Health, Labour and Welfare)

Workforce by job function: Diverse specialists work at Insource.

Content Creators	167	Sales Representatives	149	IT Engineers	89
Digital Marketers	24	AI /RPA Engineers	11	Designers	15

*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.

■ We will continue to improve its performance while being conscious of ESG

Environment/Social



Environment: Company-wide power saving / LED installation

Social: Support for the Japan Blind Football Association as “Supply Service Partner” and “Partner for Sports Education”

Practicing diversity at work

The number of employees Female **277** Seniors **16**

※ As of the end of December, 2020

Governance



▪ Active disclosure of non-financial information on a monthly basis

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

▪ Disclose earnings forecasts frequently depending on the situation

We will disclose the situation as soon as it becomes apparent so that the right decision can be made for us in the ever-changing environment.

Performance

We contribute to society by solving social issues through trainings. In addition, we will continue to improve our performance by providing trainings at a low cost through our IT capabilities and systematization.

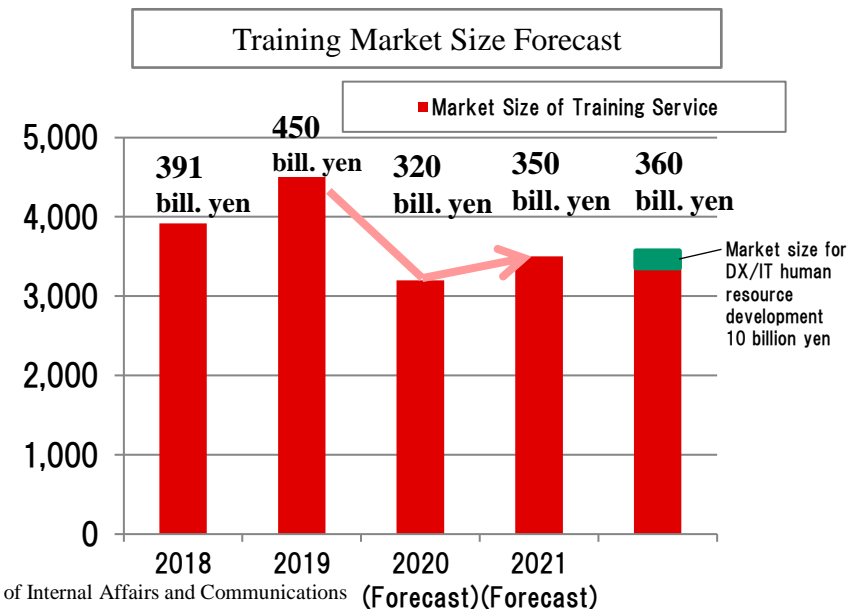
<Reference> Mid-Term Management Plan, “Road to Next 2023”

1. Market sizes for 2020 and 2021 is expected to be 320 and 350 billion yen respectively*1

- The market size of 2020, comparing that of 2019 which was 450 billion yen*1, is calculated on the assumption that the impact of the coronavirus crisis will continue for over ten-month from March to December (25% YOY between March and June, 75% between July and September, 90% between October and December)
- The 2021 market size is calculated on the assumption that it will decrease by 10% overall and training costs per person will decrease by 2 thousand yen

2. Market size for DX/IT human resource development is assumed to be 10 billion yen*2

- There is a chronic shortage of IT personnel and the trend is converting from recruitment to training
- With a shortage of 199,000 IT workers*3 in 2020, assuming that this shortage will be resolved in about 5 years, it is necessary to train about 40,000 IT personnel every year. Counting that the average cost of training is 450,000 yen per person*2, and 57% of companies outsource training to other companies*4, the annual DX/IT human resource development market will be worth approximately 10 billion yen



*1 This figure is calculated based on the surveys done by Ministry of Health, Labour and Welfare (2019) and Ministry of Internal Affairs and Communications
 *2 IT personnel training costs are calculated 450,000 yen per person. *3 The survey done by Ministry of Economy, Trade and Industry in 2019.
 *4 Calculated from the Ministry of Health, Labour and Welfare's "Human Resources Development Basic Survey (2009 - 2019)"; the percentage of companies outsourcing in 2019 was 57%.
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Mid-Term Management Plan “Road to Next 2023” - Numerical Targets by Business

- We set our targets of operating profit at over 2,030 million yen for FY21 and over 2,720 million yen for FY22 respectively
- Near-term goal of achieving 2 billion yen in operating income

	FY19 (Actual)	FY20 (2/22 Revised Forecast)	FY21 <Target>	FY22 <Target>	CAGR FY20-FY22
Net sales (YOY: mil yen)	5,119 (▲488)	7,300 (+2,181)	8,080 (+780)	10,000 (+1,920)	+25.0%
Gross profit (YOY: mil yen)	3,643 (▲315)	5,500 (+1,857)	5,900 (+400)	7,460 (+1,560)	+27.0%
Operating profit (YOY: mil yen) (Gross profit margin)	784 (▲519) (15.3%)	2,100 (+1,316) (28.8%)	2,030 (▲70) (25.1%)	2,720 (+690) (27.2%)	+51.4%
Net profit (YOY: mil yen)	445 (▲389)	1,440 (+995)	1,330 (▲110)	1,800 (+470)	+59.3%

*To be reviewed later

1. Strengthen the “Up-to-date knowledge” education – Reinforce DX trainings

- Encouraging employees with liberal arts backgrounds to be DX professionals with trainings at a reasonable price (Aiming for 1 billion-yen sales in two years)

Offer trainings for newcomers to learn Python

1. Reinforce sales promotion thoroughly such as training for newcomers (Learning Python in 12 days)
2. Send out our sales representatives for a short term to IDA* to obtain IT/DX knowledge and strengthen proposal skills

*IDA: Our group company “Insource Digital Academy Corporation”

2. Reinforce educational infrastructure services

- Enhance LMS “Leaf” to meet needs of improving educational productivity
- Expand BPO services (support service for implementing online training)

3. Diversify the ways educational services are delivered

- Diversify sales methods and offer at a reasonable cost so that clients can choose

