

Insource Co., Ltd.
FY20 Consolidated Financial Results
(October 1, 2020 to September 30, 2021)
& Three-year business plan
“Road to Next 2024”

Thursday, November 4, 2021



Copyright © Insource Co., Ltd. All rights reserved. 「insource」
「Leaf」「WEBinsource」are registered trademarks of Insource Inc.

- 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.
- Unless otherwise noted, financial statements contained herein are presented in accordance with generally accepted accounting principles in Japan.
- The Group assumes no obligation to update or revise any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect new information, changes in our expectations or the occurrence of anticipated or unanticipated events or circumstances.
- Information in this report regarding companies other than the Group is quoted from public and other sources. We do not guarantee the accuracy of this information.
- This report does not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities (herein referred to as “solicitation activities”) and neither this report nor anything contained herein shall form the basis for any contract or commitment whatsoever.

Chap. 01 FY20 Consolidated Financial Results
& FY21 Forecast

Chap. 02 Three-year Business Plan “Road to Next 2024”

<Reference1> 4Q FY20(Jul.- Sep. 2021) Financial Results

<Reference2> Company Profile & Insource’s Advantages

FY20 (Oct.2020-Sep.2021)

- Net sales was 7,501 million yen, operating profit was 2,404 million yen, and operating profit margin was 32.1%.
- Amidst the COVID-19 pandemic, all business performed well and achieved record sales and profits.

4Q FY20 (Jul.-Sep.2021)

- Net sales was 1,956 million yen, operating profit was 672 million yen, and operating profit margin was 34.4%.
- Operating profit was secured because SG&A expenses were controlled despite the slow down of sales growth due to the increase of postponement and cancellation of trainings affected by the 5th wave of COVID-19.

FY21 Forecast (Oct.2021-Sep.2022) & Three-year Business Plan “Road to Next 2024”

- FY21 forecast: Net sales is 8,900 million yen, operating profit is 2,600 million yen, and operating profit margin is 29.2% based on the assumption of continuing growth in the training business and IT services business.
- In the three-year business plan, the highest priority is placed on securing sales growth and operating profit.
FY23 target: Net sales is 12,800 million yen, operating profit is 3,710 million yen, and operating profit margin is 29.0%.

Chap. 01 FY20 Consolidated Financial Results & FY21 Forecast

Consolidated Profit & Loss Statement ① Overview

Unit: million yen

	FY18 (Actual)	FY19 (Actual)	FY20 (Actual)	YoY	FY21 (Forecast)	YoY
Net sales (YoY)	5,608 (+1,071)	5,119 (▲488)	7,501 (+2,381)	+46.5%	8,900 (+1,398)	+18.6%
Gross profit (YoY) (Gross profit margin)	3,959 (+862) (70.6%)	3,643 (▲315) (71.2%)	5,721 (+2,077) (76.3%)	+57.0%	6,780 (+1,057) (76.2%)	+18.5%
Operating profit (YoY) (Operating profit margin)	1,303 (+365) (23.2%)	784 (▲519) (15.3%)	2,404 (+1,619) (32.1%)	+206.5%	2,600 (+195) (29.2%)	+8.1%
Ordinary profit (YoY) (Ordinary profit margin)	1,298 (+364) (23.2%)	795 (▲502) (15.5%)	2,416 (+1,621) (32.2%)	+203.8%	2,600 (+184) (29.2%)	+7.6%
Net Profit (YoY) (Net profit margin)	835 (+200) (14.9%)	445 (▲389) (8.7%)	1,571 (+1,125) (20.9%)	+252.7%	1,770 (+199) (19.9%)	+12.6%

Consolidated Profit & Loss Statement ② By Business

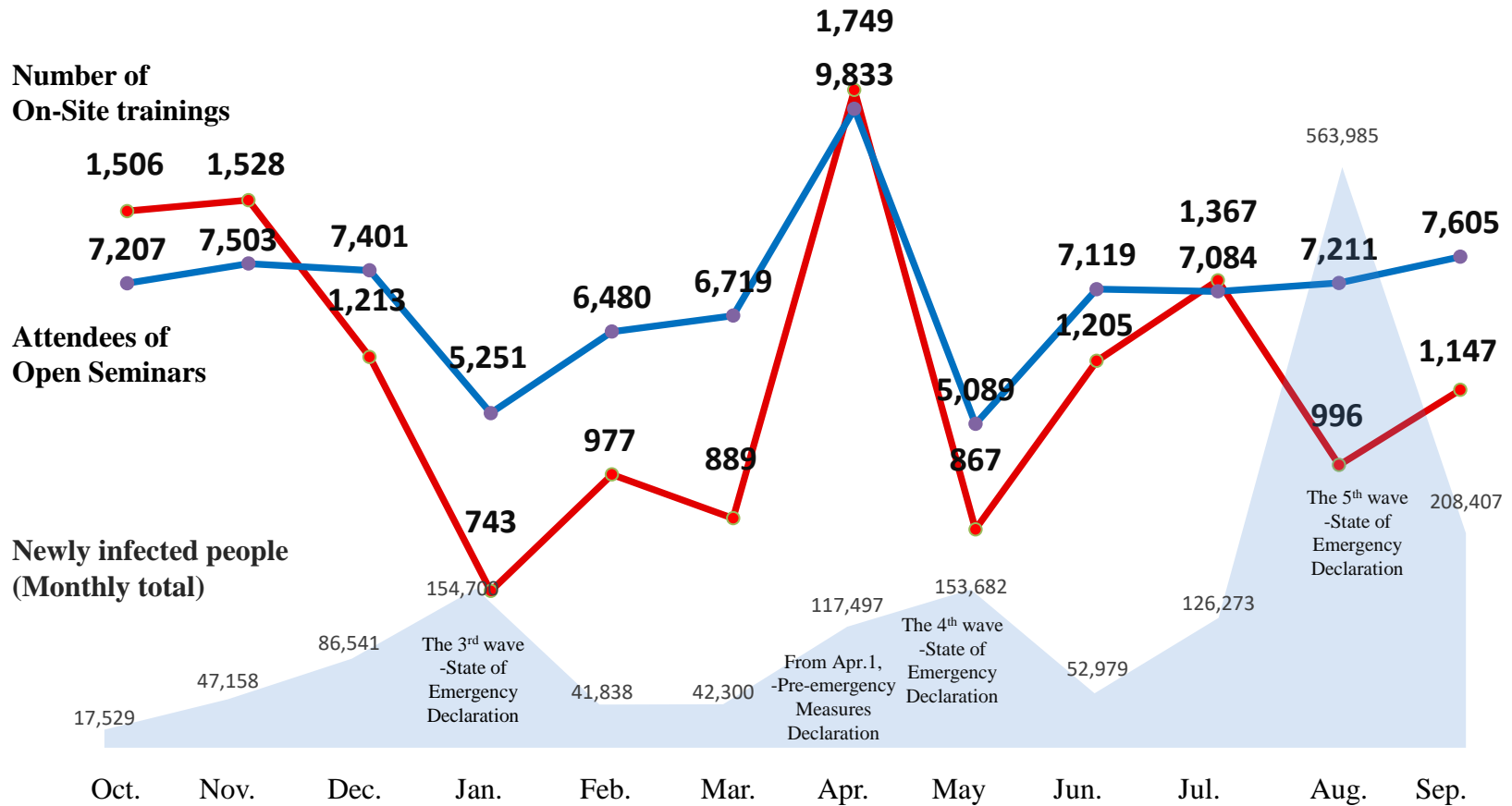
Unit: million yen

		FY19 (Actual)	FY20 (Actual)	YoY	FY21 (Forecast)	YoY
On-Site Training	Net Sales (YoY)	2,724 (▲555)	3,797 (+1,073)	+39.4%	4,400 (+602)	+15.9%
	Composition ratio FY20: 50.6% (FY19: 53.2%)					
	Gross profit (Gross profit margin)	2,045 (75.1%)	2,963 (78.0%)	+44.9%	3,410 (77.5%)	+15.1%
Open Seminars	Net Sales (YoY)	1,267 (▲260)	1,827 (+559)	+44.2%	2,130 (+303)	+16.6%
	Composition ratio FY20: 24.4% (FY19: 24.8%)					
	Gross Profit (Gross profit margin)	785 (62.0%)	1,372 (75.1%)	+74.7%	1,580 (74.2%)	+15.1%
IT Services	Net Sales (YoY)	655 (+224)	1,022 (+367)	+56.0%	1,280 (+257)	+25.2%
	Composition ratio FY20: 13.6% (FY19: 12.8%)					
	Gross Profit (Gross profit margin)	478 (73.0%)	789 (77.2%)	+65.0%	1,020 (79.7%)	+29.0%
Other Businesses	Net Sales (YoY)	472 (+102)	853 (+381)	+80.7%	1,090 (+236)	+27.7%
	Composition ratio FY20: 11.4% (FY19: 9.2%)					
	Gross Profit (Gross profit margin)	333 (70.6%)	595 (69.7%)	+78.4%	770 (70.6%)	+29.4%

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

- Postponement and cancellation of face-to-face trainings increased each time the infection spread. The online ratio in FY20 was 49.1% for On-Site Training and 77.0% for Open Seminars.

Impact of COVID-19 in FY20 (On-Site Training and Open Seminars)



Consolidated Profit & Loss Statement③ Breakdown of SG&A expenses

■ SG&A ratio declined to 44.2% in FY20 due to higher sales and control of personal expenses.

■ SG&A ratio will rise to 47.0% in FY 21 due to increase in personnel expenses.

Land rent is to decrease from FY20 due to the acquisition of company-owned building.

Unit: million yen

Breakdown of SG&A	FY18	FY19	FY20	YoY		FY21
	(Actual)	(Actual)	(Actual)			(Forecast)
Personal expenses※1	2,047	2,260	2,615	+355	+15.7%	3,330 (+715)
Of which, RS※2	0	0	60	-	-	120
Land-rent ※3	126	133	129	▲4	▲3.0%	80 (▲49)
Office & system expenses	180	178	216	+38	+21.3%	280 (+64)
Others	301	287	355	+68	+23.6%	490 (+135)
Total SG&A	2,655	2,859	3,317	+457	+16.0%	4,180 (+863)
(SG&A ratio)	(47.4%)	(55.9%)	(44.2%)	(▲11.6pt)	-	(47.0%)

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

※2 Restricted stock.

※3 Transfer of fixed asset tax, real estate acquisition tax, and depreciation of the company's buildings (Dokanyama and Bunkyo) to "Rent expense"

Number of Employees

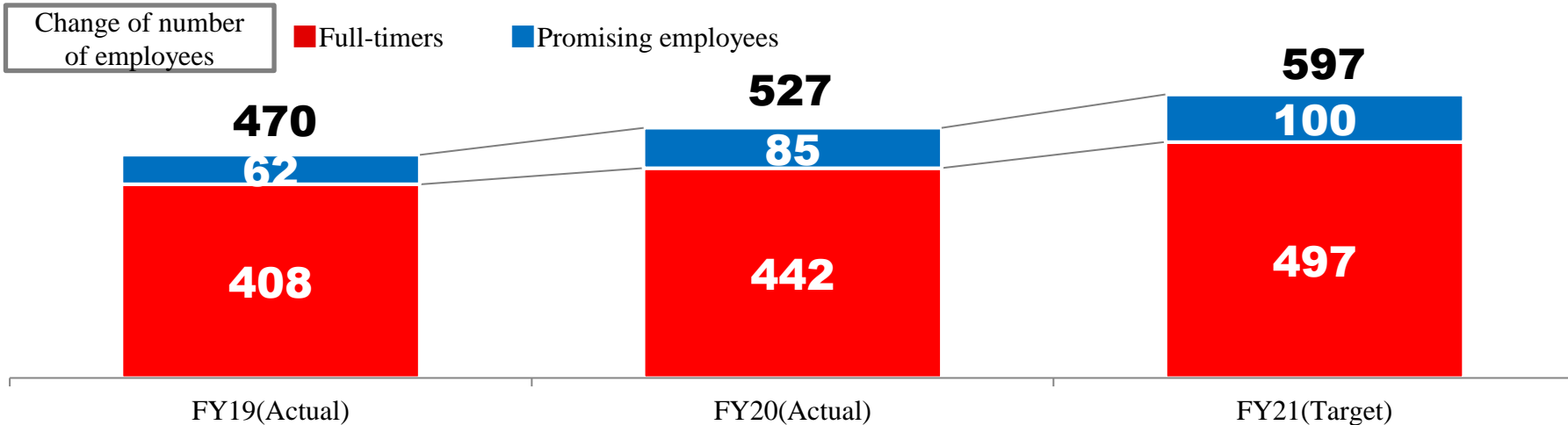
■ Increased 57 employees in FY20.

Increase of 70 employees (32 new graduates and 38 mid-career employees) planned for FY21.

■ We seed investment in promising employees who have been with the company for less than one year after graduation and those who have been with the company for less than six months.

In particular, new graduates are being trained as new core personnel with both DX and sales skills.

	FY19(Actual)	FY20 (Actual) (YoY)	Progression rate against FY20 target	FY20 (Target) (YoY)	End of FY21 (Target) (YoY)
<u>Total number of employees</u>	470	527 (+57)	81.4%	540 (+70)	597 (+70)
<u>Promising employees※</u>	62	85 (+23)	59.0%	101 (+39)	100 (+15)



※ Promising employees(Seed investment in human capital) refers to personnel who have joined the company within one year after graduation and within six months after mid-career hiring.
Copyright © Insource Co., Ltd. All rights reserved. Insource | Leaf | WE | Insource | are registered trademarks of Insource Inc.

Consolidated Balance Sheets

In order to reduce SG&A expenses, we acquired company-owned building in the Arakawa and Bunkyo areas in Tokyo and relocated our head office. As a result, fixed assets increased by 1,704 million yen.

	FY18 (Actual)	FY19 (Actual)	FY20 (Actual)	Increase/ decrease	Unit: million yen YoY
Current assets	4,150	3,025	3,759	+734	+24.3%
Of which, cash and deposits	3,292	2,219	2,624	+404	+18.2%
Fixed assets	806	1,319	3,007	+1,687	+127.9%
Total assets	4,957	4,344	6,766	+2,422	+55.8%
Current liabilities	1,787	1,379	2,202	+822	+59.6%
Out of which, Advances received ※	510	595	599	+3	+0.5%
Fixed liabilities	86	81	63	▲17	▲21.5%
Net assets	3,082	2,883	4,500	+1,617	+56.1%
Total liabilities And net assets	4,957	4,344	6,766	+2,422	+55.8%

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

Consolidated Cash Flows

- C/F from operating activities: an increase of cash inflow as operating profit almost tripled.
- C/F from investing activities: an increase of cash outflow due to the acquisition of company-owned building.
- C/F from financing activities: a decrease of cash outflow due to the reaction to the acquisition of treasury stock in FY19.

	FY19(Actual)	FY20(Actual)	Increase/ decrease	Unit: million yen
C/F from operating activities	191	2,356	+2,165	
C/F from investing activities	▲624	▲1,544	▲920	
Free C/F	▲433	812	+1,245	
C/F from financing activities	▲639	▲408	+231	
Depreciation	100	124	+24	
Goodwill	9	11	+2	

■ Developed 334 new contents for e-Learning/videos.

	FY19 (Actual)	FY20 1-3Q(Actual)	FY20 4Q(Actual)	FY20 (Actual)	FY20 (Target)	FY21 (Target)
No. of new online training booth (Cumulative no.)	45 (45)	67 (112)	0 (112)	67 (Achievement rate: 112.0%)	55 (100)	—
No. of new contracts of WEBinsource(organizations) (Cumulative no.)	2,157 (13,492)	1,695 (15,187)	611 (15,798)	2,306 (Achievement rate: 92.2%)	2,500 (15,992)	2,400 (18,198)
No. of new contents for On-Site training (Cumulative no.)	319 (3,140)	251 (3,391)	70 (3,461)	321 (Achievement rate: 100.3%)	320 (3,460)	300 (3,761)
No. of new contents for Open Seminar (Cumulative no.)	270 (2,859)	225 (3,114)	182 (3,296)	407 (Achievement rate: 135.7%)	300 (3,159)	300 (3,561)
No. of new contents for e-Learning/ video ※1 (Cumulative no.)	86 (86)	189 (275)	59 (334)	248 (Achievement rate: 124.0%)	200 (286)	100 (434)
No. of core solution plans ※2 (Cumulative no.)	171	37 (208)	23 (231)	60 (Achievement rate: 100.0%)	60 (231)	35 (266)
No. of web-sessions (Unit: thou. times)	1,835	1,545	465	2,010 (Achievement rate: 94.1%)	2,135	2,150

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

※2 Core solution plan: A packaged plan that combines multiple services to solve various issues of each organization (formerly known as a package plan)

Chap. 02 Three-year Business Plan “Road to Next 2024”

■ CAGR for net sales and operating profit are 18.3% and 36.9% respectively.

Unit: million yen

	FY18 (Actual)	FY19 (Actual)	FY20 (Actual)	CAGR* (FY18-FY20)
Net sales	5,608	5,119	7,501	+18.3%
Gross profit	3,959	3,643	5,721	+22.7%
Operating profit	1,303	784	2,404	+36.9%
Ordinary profit	1,298	795	2,416	+37.3%
Net profit	835	445	1,588	+35.7%

*CAGR: compound annual growth rate

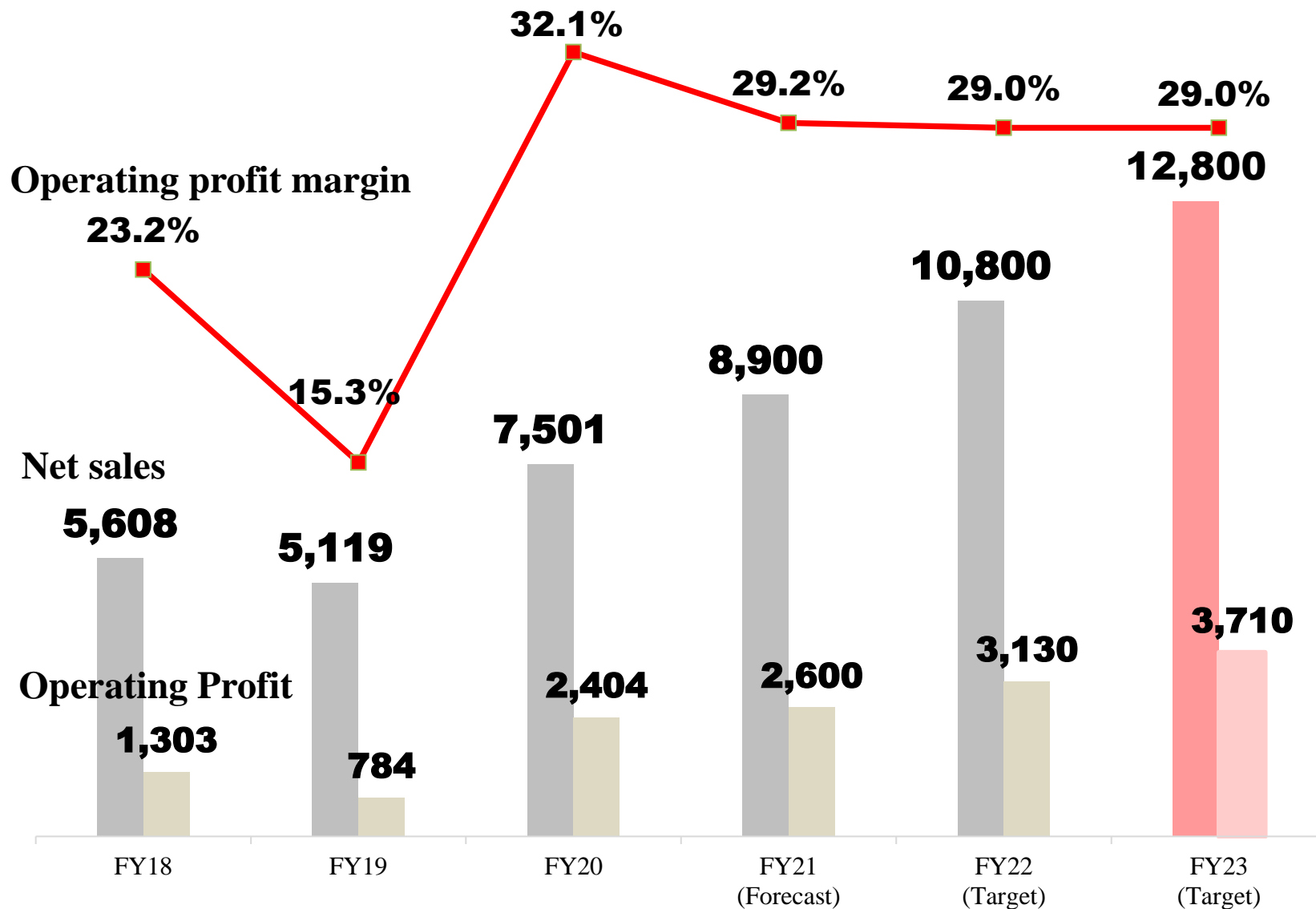
Consolidated Financial Targets

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

How to achieve targets

1. Our share of the career training market is about 2% now.
We will expand our market share by increasing our sales force and continuously developing new attractive training contents.
2. We aim to increase both the number of customers and sales per customer by developing training service and web service, by building up professional sales team specialized for each customer segment.
3. The need for digitalization of HR routine work and web marketing is expected to continuously grow.
We will develop more competitive services that help our customers (more than 30,000 organizations) improve work efficiency and expand their business.

Unit(million yen)

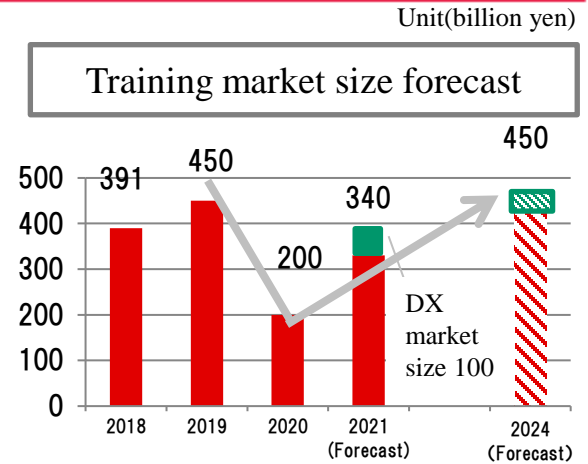


Three-year Business Plan “Road to Next 2024” –Market size

■ Career training Market –Still great potential for growth

- Market size is 340 billion yen in 2021 and 450 billion yen in 2024※1,2
- The market share of Insource is about 2%, and there is a lot of room for growth in the future.

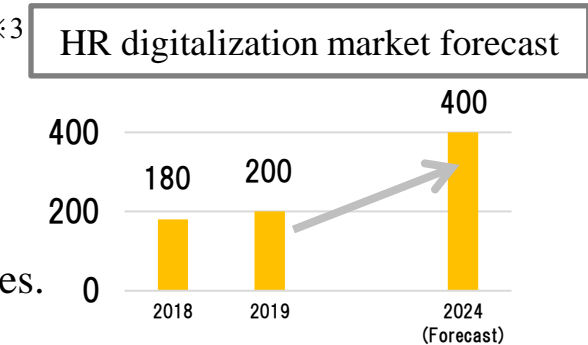
※1 Calculated based on the MHLW's Basic Survey on HR Development (2020) and MIC' Labor Force Survey.
 ※2 Calculated based on the MHLW's Basic Survey on HR Development(2009-2020), and the ratio of outsourcing companies in 2020 was 49.7%.



■ HR digitalization market -Expansion is expected

- Market size is 200 billion yen in 2019 and 400 billion yen in 2024. ※3
- Leaf's net sales for FY20 is 1 billion yen and there is a lot of room for growth.
- HR digitalization is less advanced compared to accounting fields. It is expected that there will be growing demand for the improvement of work efficiency from mid-sized and small companies.

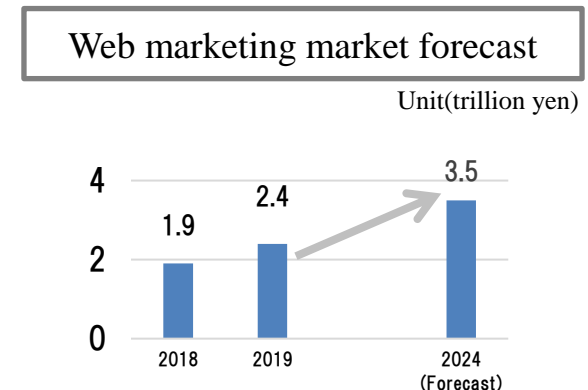
※3 Calculated based on METI's [2020 Basic Survey on Information and Communication Industry], May 28, 2021.



■ Web marketing market -Potential for new entrants

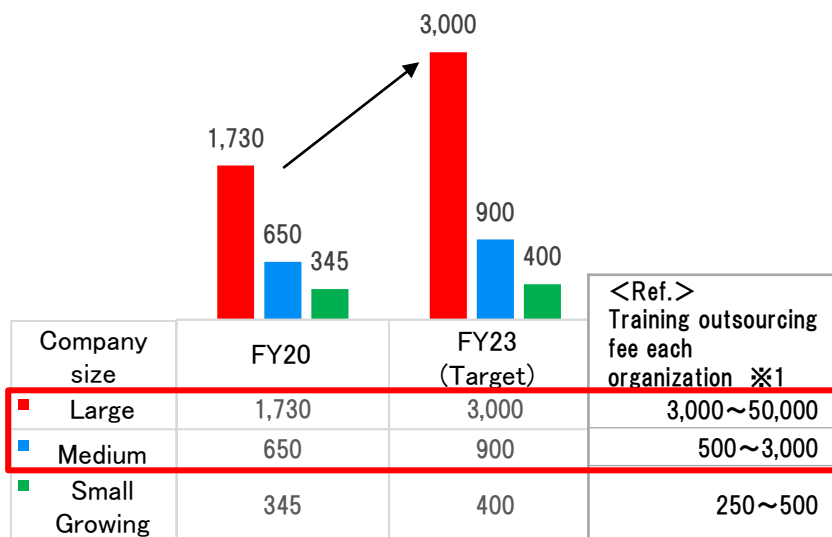
- Market size is 2.4 trillion yen in 2019※4
- We will enter the market with our know-how based on the successful experience of web-marketing in our businesses.
- It is expected that there will be increasing needs for website or web marketing especially for mid-sized and small companies.

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



■ We will aim to increase the number of customers and increase sales per customer at the same time.

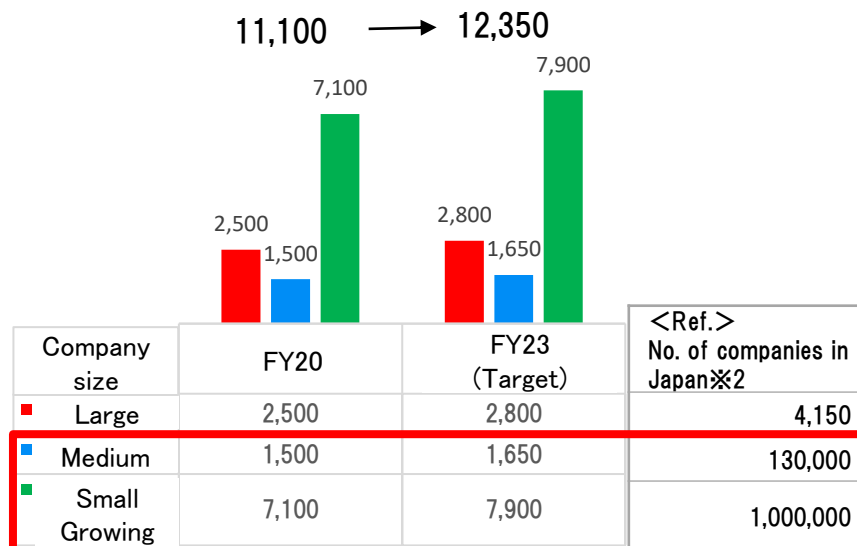
● Sales per customer (unit: thousand yen)



● Our aim

- Increase sales per customer, focusing on large, semi-large companies and medium-sized companies.
- For large companies, aim to expand by about 1.7 times.

● Annual no. of customers (unit: organization)



● Our aim

- Significantly increase the number of medium-sized companies and below.
- Increase the number of customers by approximately 1,200 over the next 3 years.

Enhance sales force

Develop new contents/services

Increase Employees

※1 Calculated based on the Economic Census (2014) and MHLW's Basic Survey on HR Development (2009-2020).
(Education budget per employee x Number of employees x Ratio of outsourcing companies)

※2 Calculated based on Economic Census (July 2012)

Provide best service for different customer with optimal sales approach

Customer Segmentation		Sales destination	Sales strategy	Training	IT service	Other business	
Large Enterprise	Large (5,000 or more people)	HR Dept. + Other Dept.	Expand overall Sales including but not limited to HR Dept.	-New trainings (DX, SDGs etc.) -Support for solving departmental issues -Compliance training	Leaf (Multi-function, customization)		
	Second-tier large (1,000-4,999 people)						
Mid-Business	Medium (500-999 people)	Manager/ Staff of HR Dept	Expand each sales volume by strengthening proposals.	-Comprehensive solution for company -Support for evaluation system	Leaf Lightning (LMS functional specialization)	On-line evaluation sheet (Optional)	Support for video training
SMB (Small Medium Business)	Second-tier medium (100-499 people)	CEO/ Management team	Expand sales by not only training service but also business solution.	-Solution for business issues, management, communication, compliance training	Leaf Management (HR routine work of SMBs)		Support for marketing, recruitment, DX etc.
	Small (50-99 people)						

Sales strategy

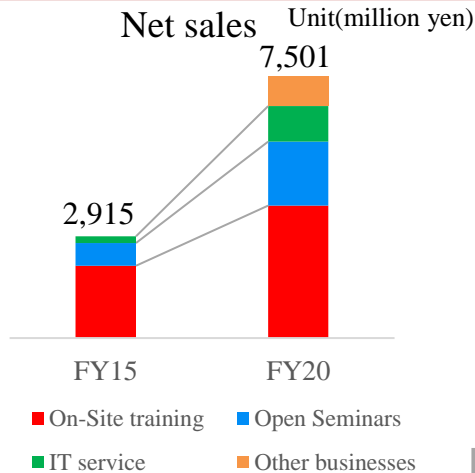
- Build up professional sales team specialized for each customer segment and promote sales activities tailored to each segment’s characteristics.
- Increase each sales volume by strengthening proposals to meet demands of each customer segment.

Service development strategy

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

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

We have grown through our education business



Our strengths

1. Web marketing skills
-Have our own know-how
2. Strong sales system
-Have realized sustainable growth through people and IT
3. Strong customer base
-Have customer relationships with 36,000 companies

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

Web marketing business

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

Proactive investment

Securing employees

Service development

M&A

Other Businesses

IT Service

Training business
▪ On-Site training
▪ Open Seminars

Expanding continuously

Needs of customer (Especially small/medium sized companies)

- i Performance/Sales Improvement
- ii Enhancement of recruitment

Our next business

- iii HR work reduction/efficiency improvement

Expanding with Leaf

- iv Solving issues of organizations by training

Our main business

Three-year Business Plan “Road to Next 2024” -Target by business segment

Unit: million yen

		FY20 (Actual)	FY21 (Forecast)	FY22 <Target>	FY23 <Target>
Overall	Net Sales (YoY)	7,501 (+2,381)	8,900 (+1,398)	10,800 (+1,900)	12,800 (+2,000)
	Gross profit (Gross profit margin)	5,721 (76.3%)	6,780 (76.2%)	8,130 (75.3%)	9,610 (75.1%)
On-Site Training	Net Sales (YoY)	3,797 (+1,073)	4,400 (+602)	5,090 (+690)	5,700 (+610)
	Gross profit (Gross profit margin)	2,963 (78.0%)	3,410 (77.5%)	3,930 (77.2%)	4,400 (77.2%)
Open Seminars	Net Sales (YoY)	1,827 (+559)	2,130 (+303)	2,550 (+420)	2,980 (+430)
	Gross profit (Gross profit margin)	1,372 (75.1%)	1,580 (74.2%)	1,860 (72.9%)	2,170 (72.8%)
IT Services	Net Sales (YoY)	1,022 (+367)	1,280 (+257)	1,670 (+390)	2,140 (+470)
	Gross profit (Gross profit margin)	789 (77.2%)	1,020 (79.7%)	1,330 (79.6%)	1,720 (80.4%)
Other Businesses	Net Sales (YoY)	853 (+381)	1,090 (+238)	1,490 (+400)	1,980 (+490)
	Gross profit (Gross profit margin)	595 (69.7%)	770 (70.6%)	1,010 (67.8%)	1,320 (66.7%)

※ Gross profit by business segment has not been audited by EY ShinNihon LLC.

■ **On-Site Training/Open Seminars (Training business)** -FY21 Net sales Target: 6.5 bill. yen

All Customers

Provide best service for all customers with optimal sales methods

Large Enterprise

Launch latest trainings -DX、SDGs▪ESG etc.

Mid-sized, SMB

Provide trainings of comprehensive solution
–skill enhancement/career development etc.

■ **Leaf (IT Service business)** -FY21 Net sales Target: 1.2 bill. yen

Large Enterprise

Enhance Leaf function to provide more high value-added options

Mid-sized, SMB

Expand the sales of Leaf Lightning/Leaf Management specialized for HR/training routine management.

■ **Web Marketing (Other businesses)** -FY21 Net sales Target: 0.2 bill. yen

SMB

Offer packaged service including building websites/ web marketing.
(e.g.: management of customer database, ICT marketing service、homepage-making)

Challenges

1. Develop services reflecting market needs

Contents, budget, methods of training should meet demands of each customer segment.

2. Enforce sales

The number of customers should be increased and the sales volume per customer should be improved.

3. Secure HR

It's urgent to cultivate multi-skilled HR with sales, service development, IT abilities to prevent understaffed problem.

4. Face insufficient resources for diversified business development

It is necessary to develop diversified services to meet customer needs, especially in IT and marketing fields.

Measures

1-2.

Enhance close cooperation of service development and sales

- (1) Special team for each customer segment
-Assign sales and content creators.
- (2) Staff reshuffle and in-house studying group
-Cultivate multi-skilled staff with sales, content-creating, and IT technologies.
- (3) DX Training
-Cultivate more 100 programming personnel over the next three years.
- (4) Enhance in-house sales teamwork.

3. Strengthen diversified HR recruitment and training

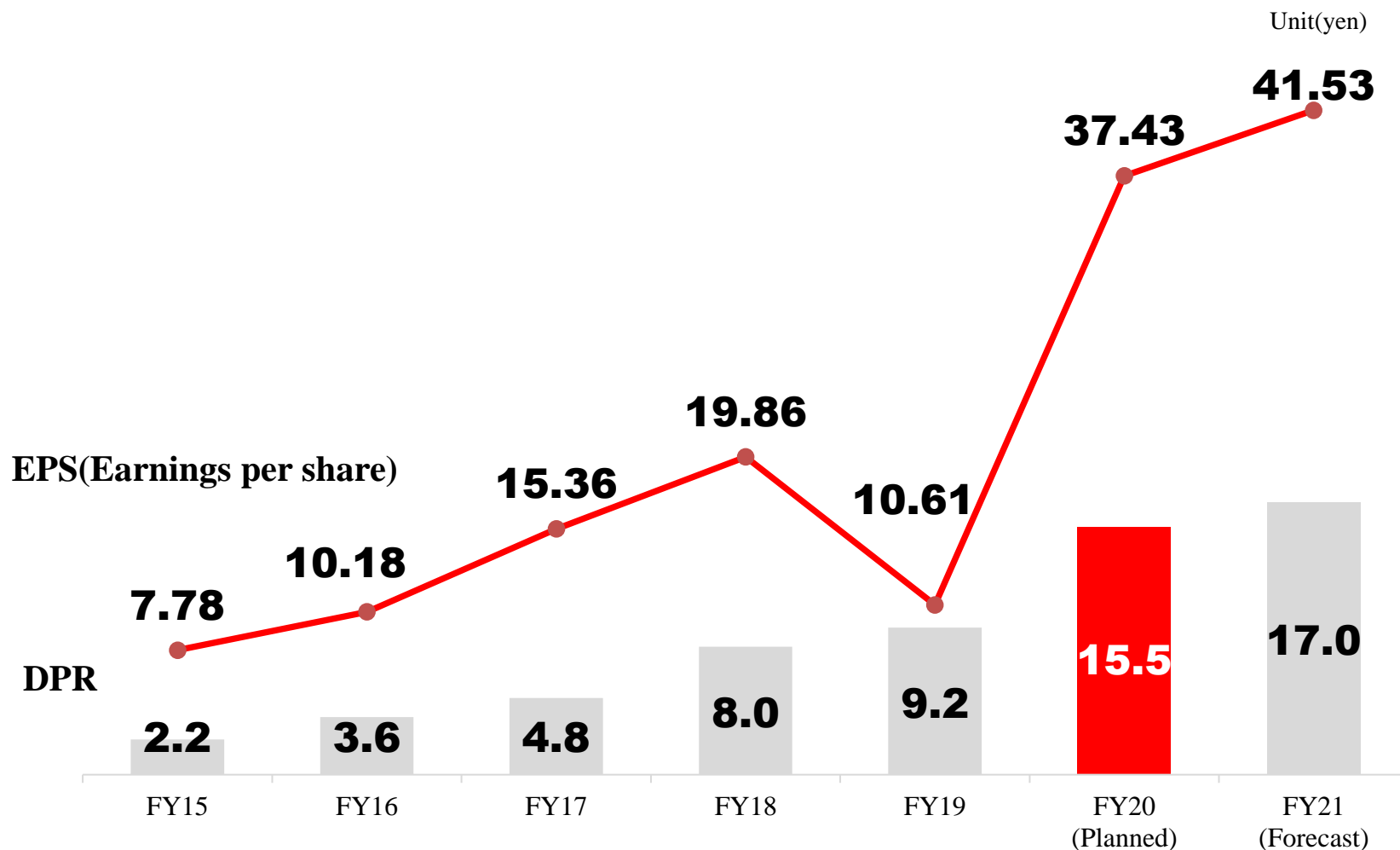
- (1) Recruit more new graduates.
- (2) Encourage staff to become multi-skilled with IT capabilities by in-house training.

4. Further investment and reinforce organization structure

- (1) Expand investment in strong businesses and new services.
- (2) Build up a resilient structure to quickly respond to external change.
- (3) Give positive consideration to M&A.

Shareholder Return Policy

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



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

<Reference1> 4Q FY20(Jul.- Sep. 2021) Financial Results

4Q Consolidated Profit & Loss Statement Overview (YoY)

- Net sales in 4Q FY20 increased to 1,956 million yen (+42.8 YoY) as On-Site training for private companies, Open Seminars and IT Services performed well.
- Operating profit margin increased by 34.4% due to control of SG&A expenses, especially personnel expenses.

	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY	Unit: million yen
Net Sales (QoQ)	1,370 (+526)	1,814 (+443)	1,859 (+45)	1,870 (+10)	1,956 (+86)	+586	+42.8%
Gross Profit (QoQ)	1,026 (+481)	1,390 (+364)	1,435 (+44)	1,414 (▲21)	1,481 (+67)	+455	+44.4%
(Gross profit margin)	(74.9%)	(76.6%)	(77.2%)	(75.6%)	(75.7%)		
Operating profit (QoQ)	350 (+540)	646 (+296)	610 (▲35)	474 (▲135)	672 (+197)	+322	+92.0%
(Operating profit margin)	(25.5%)	(35.6%)	(32.8%)	(25.4%)	(34.4%)		
Ordinary profit (QoQ)	363 (+555)	659 (+295)	614 (▲45)	477 (▲136)	665 (+187)	+301	+83.0%
Net profit (QoQ)	184 (+343)	452 (+268)	370 (▲81)	325 (▲44)	422 (+96)	+238	+129.3%

4Q On-Site Training Business (YoY)

- Due to the 5th wave of COVID-19, a state of emergency or pre-emergency measures were declared in total of 27 areas in Japan. Growth of sales slowed down and the number of trainings conducted decreased as face-to-face trainings were postponed or cancelled in 4Q FY20.

Unit: million yen

	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY	
Net Sales (QoQ)	742 (+349)	1,066 (+323)	772 (▲293)	1,018 (+245)	940 (▲77)	+197	+26.6%
Gross profit (QoQ) (Gross profit margin)	568 (+273) (76.5%)	822 (+253) (77.1%)	608 (▲213) (78.7%)	798 (+190) (78.4%)	734 (▲63) (78.1%)	+166 (+1.6pt)	+29.3%
Number of trainings conducted(times) (QoQ)	2,927 (+1,415)	4,275 (+1,348)	2,613 (▲1,662)	3,811 (+1,198)	3,525 (▲286)	+598	+20.4%
Among above, number of online training (composition ratio)	1,010 (34.5%)	1,605 (37.5%)	1,590 (60.8%)	1,757 (46.1%)	2,036 (57.8%)	+1,026	+101.6%
Average unit price (unit:thou.yen) (QoQ)	253.8 (▲6.1)	249.2 (▲4.6)	295.6 (+46.4)	267.1 (▲28.4)	266.8 (▲0.3)	+13.0	+5.1%

4Q Open Seminars Business (YoY)

■ Due to the impact of the 5th wave of COVID-19, the online composition ratio reached a record high of 86.4%, the number of attendees increased by 65.5%, and net sales increased by 53.9% in 4Q FY20 comparing with the previous year when the impact of COVID-19 was seen.

Unit: million yen

	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY	
Net Sales (QoQ)	301 (+44)	447 (+145)	403 (▲43)	512 (+109)	464 (▲48)	+162	+53.9%
Gross profit (QoQ) (Gross profit margin)	199 (+71) (66.1%)	339 (+140) (76.1%)	302 (▲37) (75.0%)	385 (+83) (75.2%)	345 (▲40) (74.3%)	+145	+72.9%
Number of attendees (QoQ)	13,197 (+2,911)	22,111 (+8,914)	18,450 (▲3,661)	22,041 (+3,591)	21,846 (▲195)	+8,649	+65.5%
Among above, number of online training (composition ratio)	6,916 (52.4%)	14,400 (65.1%)	14,951 (81.0%)	16,798 (76.2%)	18,870 (86.4%)	+11,954	+172.8%
Number of attendees per seminar (QoQ)	9.2 (▲0.7)	13.3 (+4.0)	14.0 (+0.7)	13.4 (▲0.7)	12.2 (▲1.1)	+3.0	+32.5%
Average unit price per seminar(unit:thou.yen) (QoQ)	22.8 (▲2.1)	20.2 (▲2.6)	21.8 (+1.6)	23.2 (+1.4)	21.2 (▲1.9)	▲1.6	▲7.0%

4Q IT Services (YoY)

■ The number of paid subscribing organizations increased to 412 and the number of users to 1.75 million, and Leaf monthly usage fees (MRR*1) increased steadily. Annual recurring revenue (ARR*2) grew 65.4% YoY to 516 million yen in 4Q FY20.

Unit: million yen

	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY	
Net Sales (QoQ)	222 (+127)	150 (▲72)	399 (+249)	172 (▲226)	301 (+128)	+78	+35.4%
<Breakdown>							
Leaf Monthly Subscription (QoQ)	75 (+0)	93 (+18)	102 (+9)	111 (+8)	128 (+17)	+53	+70.7%
Sales per month*3	26	31	34	38	43	+17	+65.4%
Average unit price /Organization (unit: thou. yen)	105.7	111.3	104.7	102.0	104.6	▲1.1	▲1.04%
Leaf Customization	128	39	193	59	153	+25	+19.5%
Stress Check Support Service	18	17	102	1	18	±0	±0%
Gross Profit *4 (QoQ)	183 (+122)	110 (▲73)	326 (+216)	106 (▲220)	246 (+140)	+63	+34.6%
(Gross profit margin)	(82.3%)	(73.3%)	(81.9%)	(61.8%)	(81.9%)	(▲0.4pt)	

※1 MRR: Monthly Recurring Revenue

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

※3 Monthly usage fees (Recurring Revenue) for the last month of each quarter.

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

4Q IT Services KPIs (YoY)

Monthly subscription model	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY
Total number of Leaf* paid subscribers (unit: organizations)	248	298	333	375	412	+164 +66.1%
(QoQ)	(+24)	(+50)	(+35)	(+42)	(+37)	
(Cumulative no. each FY)	(86)	(50)	(85)	(127)	(164)	
Total number of organizations using on-the-web appraisal form service (unit: organizations)	93	98	108	116	128	+35 +37.6%
(QoQ)	(+16)	(+5)	(+10)	(+8)	(+12)	
(Cumulative no. each FY)	(43)	(5)	(15)	(23)	(35)	
Case-by-case basis model	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY
Total number of organizations which ordered customizations for Leaf (QoQ)	43	18	50	19	58	+15 +34.8%
(Cumulative no. each FY)	(58)	(18)	(68)	(87)	(145)	
Total number of organizations implementing Stress Check Support Service	41	56	231	13	43	+2 +4.9%
(QoQ)	(+25)	(+15)	(+175)	(▲218)	(+31)	
(Cumulative no. each FY)	(282)	(56)	(287)	(300)	(343)	

*Leaf: LMS(Learning Management System), a system required for e-learning activities.

4Q Other Businesses (YoY)

- Consulting business grew in 4Q FY20 due to strong performance of assessment services.
- As a result of the acquisition of Insource Marketing Design Inc. (formerly Marineroad Inc.) sales of marketing support field were recorded.

Unit: million yen

	4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY	
Net Sales (QoQ)	103 (+4)	150 (+47)	284 (+133)	167 (▲117)	250 (+83)	+147	+142.7%
<Breakdown>							
e-Learning/ Video Production (QoQ)	80 (+7)	98 (+17)	194 (+96)	109 (▲85)	115 (+6)	+34	+43.1%
Consulting/Online seminar support service/Assessment service (QoQ)	21 (+3)	38 (+17)	76 (+38)	46 (▲30)	79 (+33)	+58	+275.6%
Web marketing (QoQ)	- -	- -	- -	- -	40 (+40)	- (+40)	- -
Gross Profit※1 (QoQ) (Gross profit margin)	75 (+14) (72.8%)	118 (+43) (78.6%)	198 (+79) (69.5%)	123 (▲74) (73.9%)	154 (+31) (61.9%)	+79 (▲11.0pt)	+106.2%

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

※2 The calculation method for sales of e-learning, video production, consulting, and seminar supporting business has been changed from the 4Q FY20.

4Q Other Businesses KPIs (YoY)

Following the launch of the e-learning and video e-commerce site "Video Department Store" in August 2020, sales of outright purchase of videos have grown significantly.

Sales unit: million yen		4Q FY19 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q FY20 (Actual)	YoY	
<e-learning/Videos>								
Outright purchase	Net Sales	11	40	60	49	58	+47	+427.2%
	No. of videos	45	285	430	419	288	+243	+540.0%
Rental	Net Sales	-	1	2	2	3	+3	-
	No. of viewers	-	1,090	1,878	1,735	1,507	+1,507	-
Monthly Subscription (STUDIO)	Net Sales	34	22	38	48	40	+6	+17.6%
	IDs	19,651	42,488	44,514	51,047	54,674	+35K	+178.2%
Video Production Solution	Net Sales	23	34	77	10	12	▲11	▲47.8%
	Contents	40	41	37	35	23	▲17	▲42.5%
Consulting/ Assessment service	Net Sales	21	36	38	21	34	+13	+61.9%
	No. organizations	19	27	83	55	71	+52	+273.7%
Online seminar support service	Net Sales	-	2	38	24	45	-	-
	No. of organization	-	27	67	36	48	+45	-

<Reference2> Company Profile & Insource's Advantages

Company Profile

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

Affiliated Companies

Mitemo Co., Ltd

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

Rashiku Corporation

- Recruitment Support Business
- Support Service for Career Change

MIRAI SOUZOU & COMPANY, Inc.

- On-Site Training Business

Insource Digital Academy Corporation

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

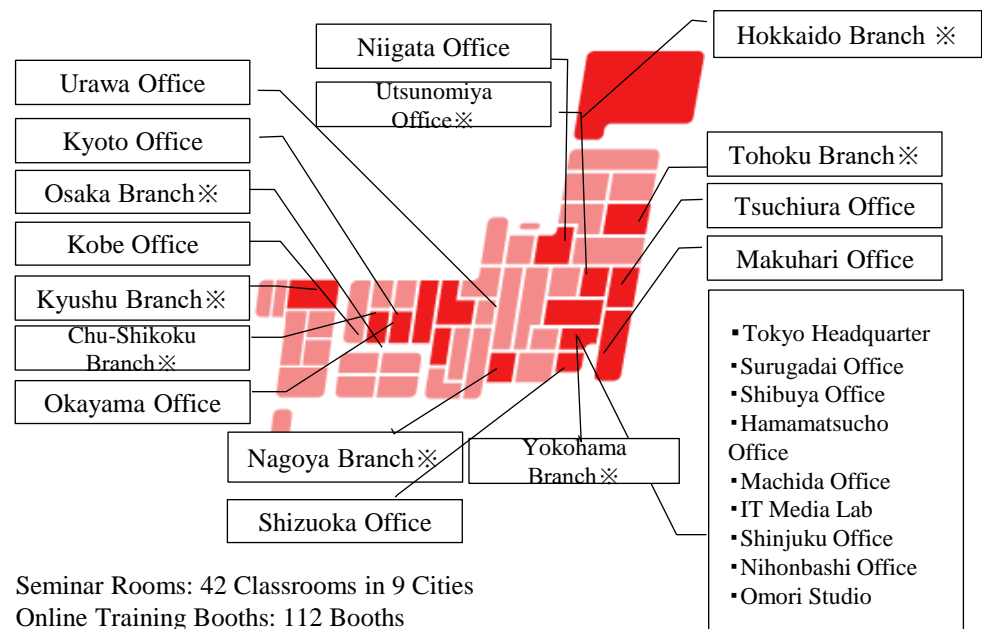
Insource Marketing Design Corporation

- Website Promotion, Homepage Creation, System Development

Business Locations: 24

※ As of the end of Sep., 2021

※ Branches with Seminar Rooms.



Seminar Rooms: 42 Classrooms in 9 Cities
 Online Training Booths: 112 Booths

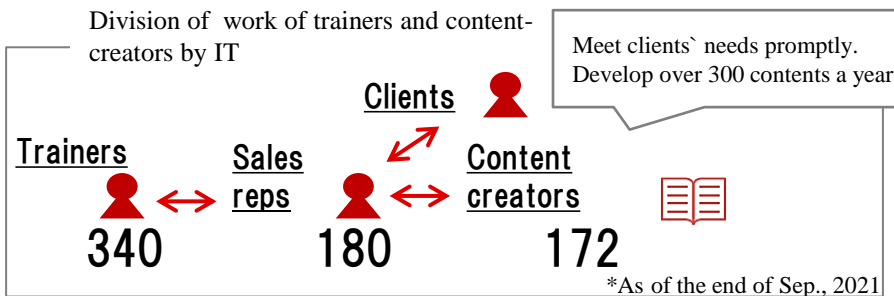
- High quality trainings make it possible to practice what you learned the next day.
- Digitalization of the training management allows us to provide more trainings with better contents.
- High level of customer satisfaction with:

Contents	94.5%	／	Trainers	93.6%
----------	--------------	---	----------	--------------

*As of the end of September, 2021

On-Site Training (Sales ratio: 50.6%)

Offer On-Site Trainings tailored to organizations' needs



Annual total number of trainings conducted/attendees

14,224times **452** thou. attendees

Out of the total number of trainings conducted online:

6,988times **207** thou. attendees

*July, 2020-Sep., 2021



Open Seminars (Sales ratio: 24.4%)

Offer Open Seminars that from one person can attend

- Seminars are held online frequently and nationwide
- Held both at venues (in 9 cities in the country) and online
- 84,488 attendees annually year (No. of online attendees in 4Q: 86%)
- More than 3,000 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/ No. of attendees

6,278times **84** thou. people

Of which, the total number of trainings conducted online:

4,260times **65** thou. people

*Jul., 2020 – Sep., 2021



IT Services (Sales ratio: 13.6%)

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

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



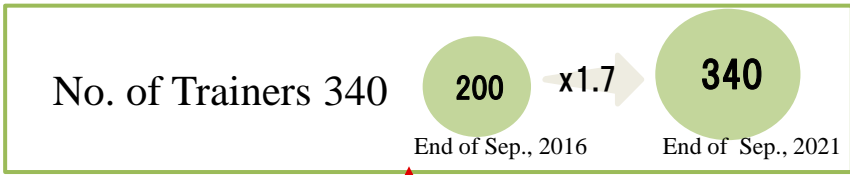
Other Businesses (Sales ratio: 11.4%)

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

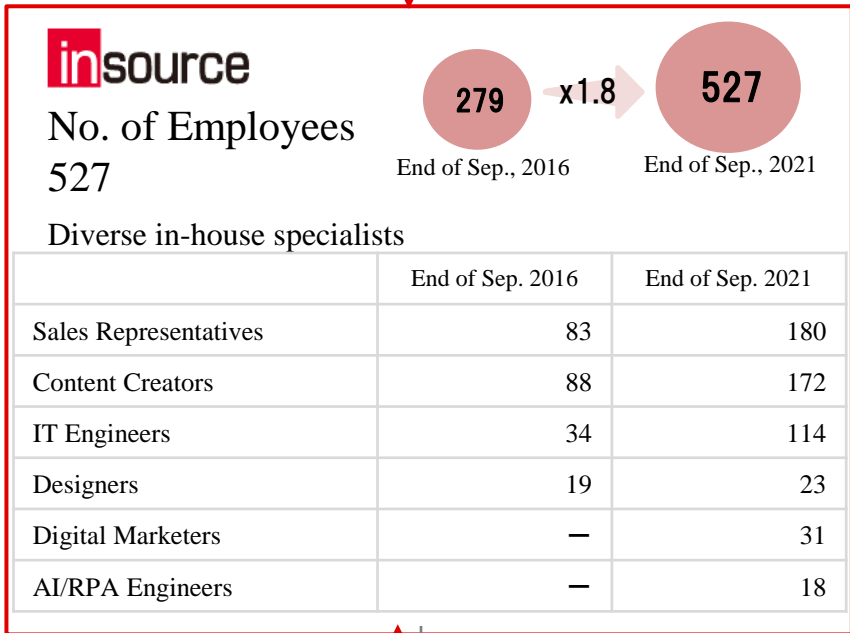


Stakeholders of Insource

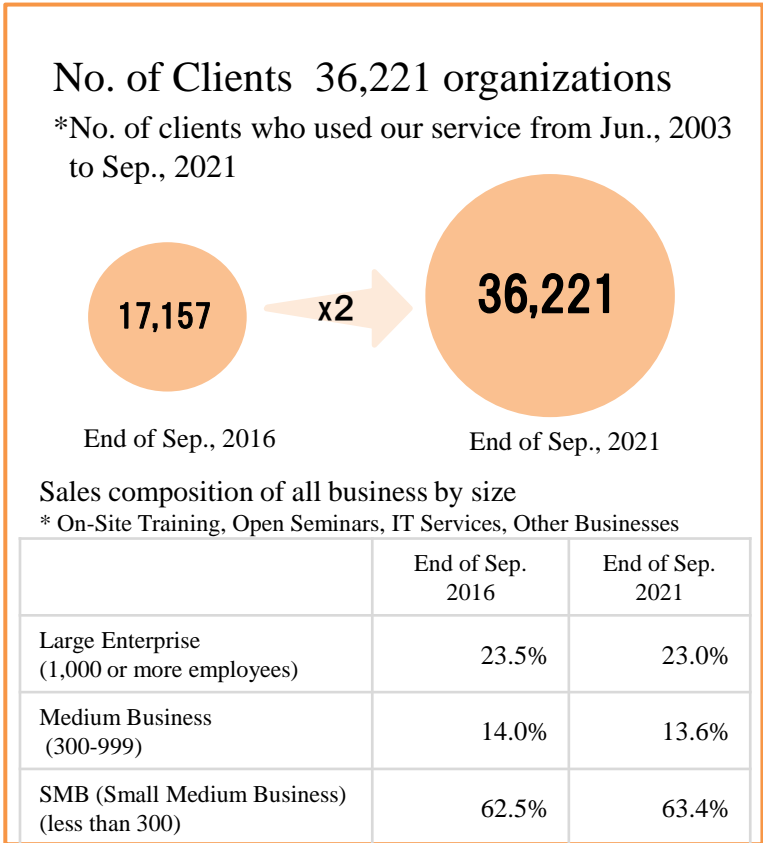
■ Comparison between when listed on Mothers market (2016) and today



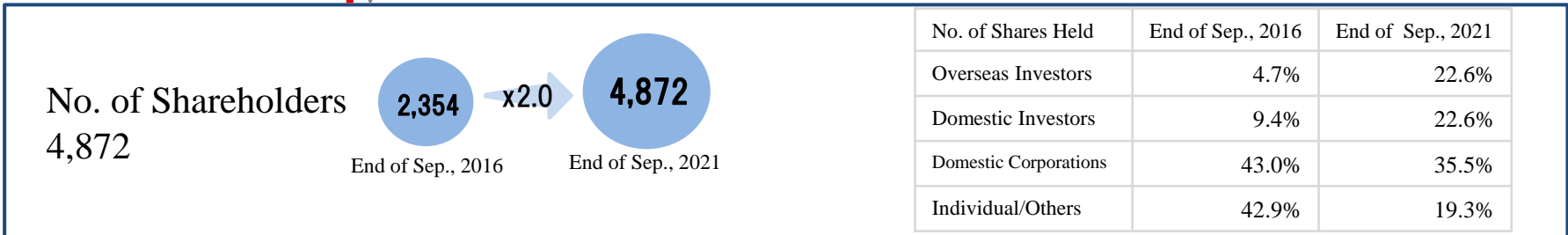
↕ In cooperation



Products/
Service →



Funds ↑ Returns ↓



Composition ratio

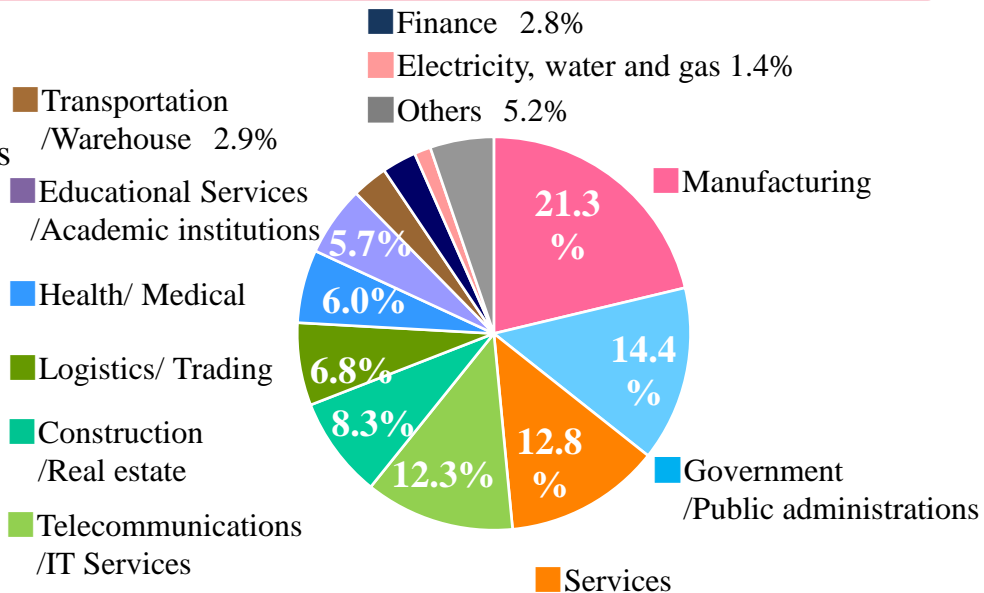
Customers composition ratio by industry

The total number of customers who used our services from Oct., 2020 to Sep., 2021

11,108 organizations

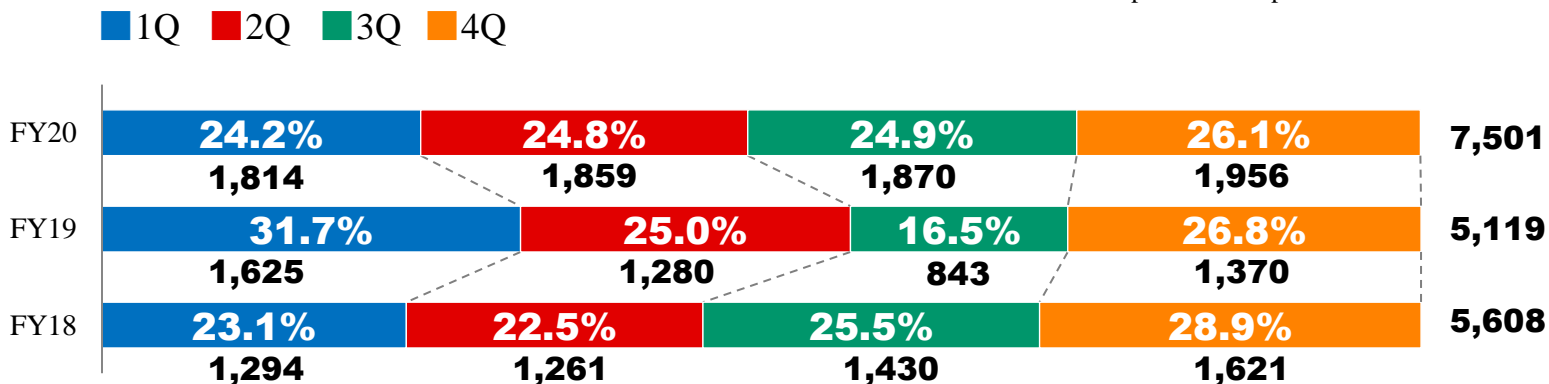
The total number of customers who used our services from Jun., 2003 to Sep., 2021

36,221 organizations



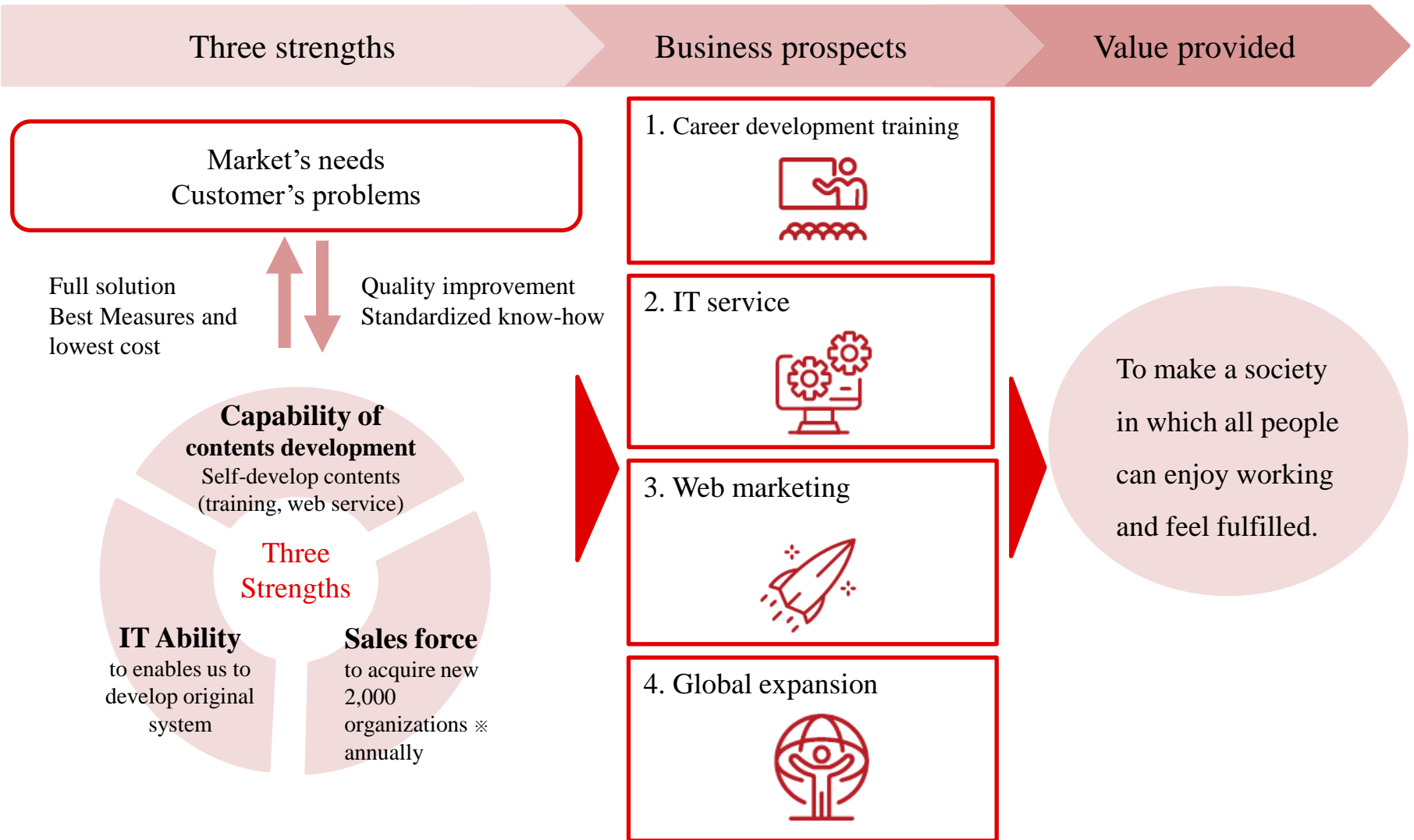
Sales composition ratio by quarter

Unit: million yen
% represents composition ratio



Advantages of Insource

Insource always keep evolving based on three strengths.



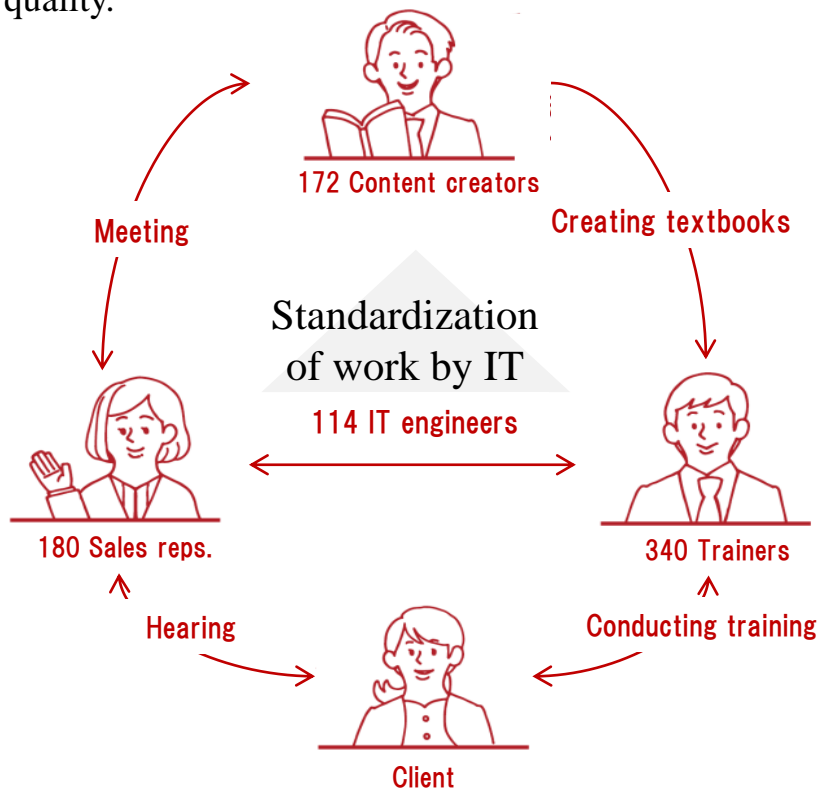
※ No. of new contracts of WEBinsource

① High Ability to develop various contents

■ Division of work by IT application

■ Division of work in training business

-Makes it possible to reduce cost and improve quality.



End of Sep, 2021

■ A great selection of training contents

An in-house agile team of 172 creators and 114 IT engineers develop various up-to-date contents in responsive to social changes and needs.

■ No. of training classified by business types

On-Site trainings	Open Seminars	Videos / e-Learning
3,461	3,296	248
End of Sep, 2021		

■ Classified by genre

For managers	For students and prospective employees
318	72
For medium employees	DX・AI・RPA・IT training
81	173
For young employees	New normal remote working training
99	48
For new employees	Trainings by theme, industry or sector
177	2,572
End of Sep, 2021	

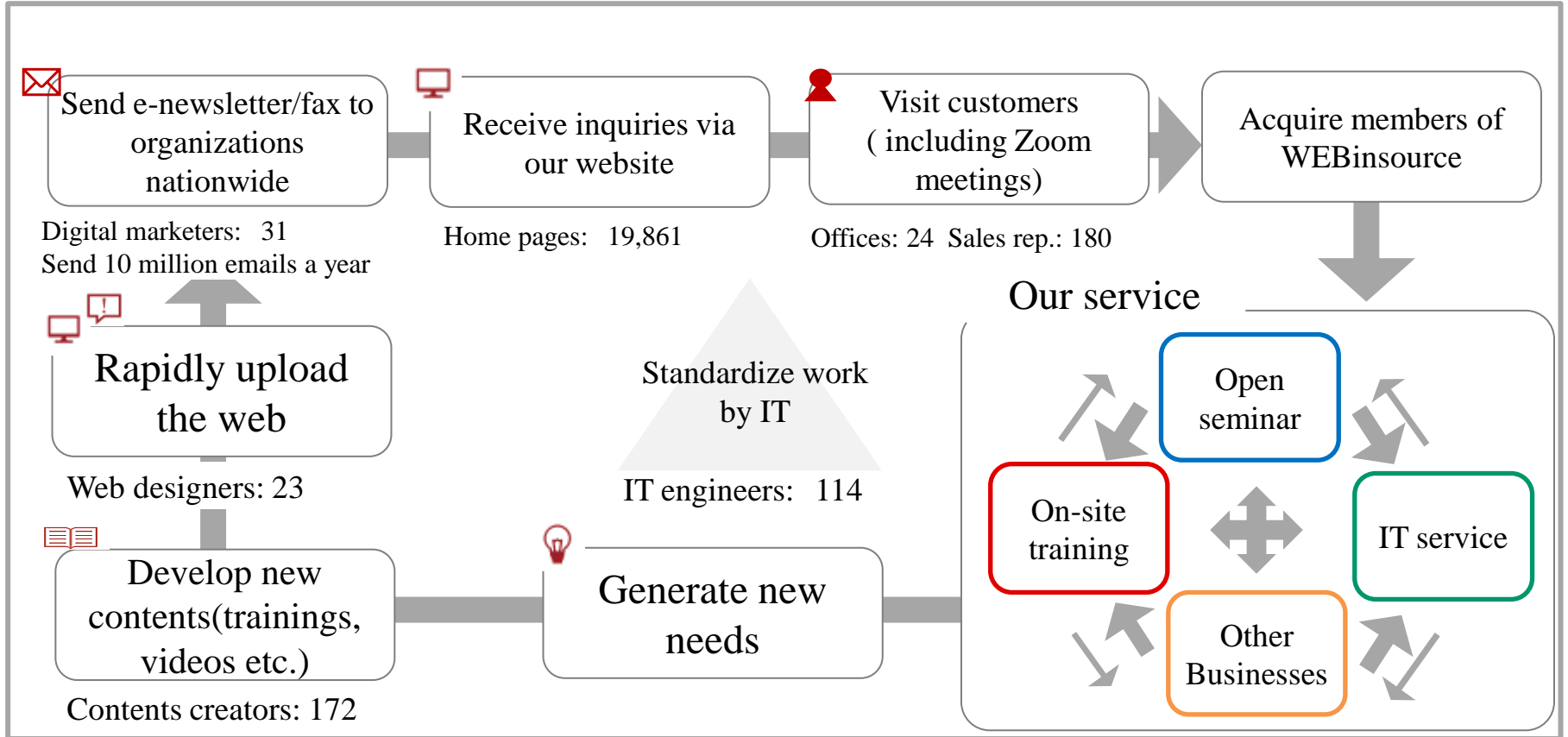
■ Example of web service

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

② Strong sales force to expand business

Business flow of Insource

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



End of Sep, 2021

⇒ Approximately 20,000 web pages created by 180 sales rep. and 31 digital marketers are cooperated for efficient sales activities.

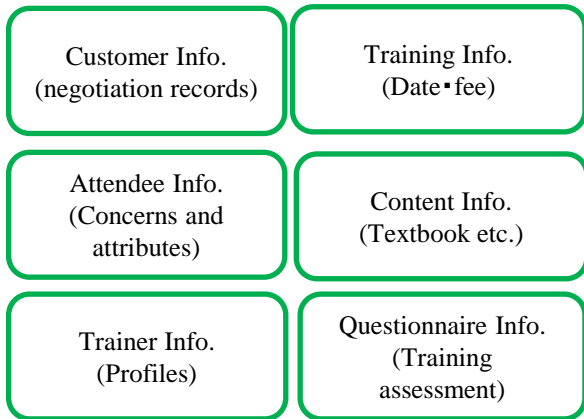
③ IT Capability -Self-developed System

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

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

■ In-house system development

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



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

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



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



Employee training management and personnel evaluation
Video contents
Unlimited streaming
Personnel evaluation
Stress check

NEW !
Multilingual subtitles for videos

NEW !
Leaf English



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

③ IT Ability ~Develop IT Human Resources

Implemented IT HR development project for all employees from FY18.

-Develop in-house digital HR according to job position, department, and work content.

Level		Objects	No. of employees/total
Common Level 0	Understand the meaning and content of DX, and be able to think about IT and data utilization.	All employees (selected ones)	203
Level 0-2	Able to digitalize their own work (at least improve efficiency)	Managerial position/leaders of all departments	94
Level 1	Digitalize their own department work (define system requirements and create prototypes (screen transition diagrams and forms))	Contents creators/ Digital marketers/ Designers	69
Level 2	Able to develop simple system of their own department referred to the database	New employees joined in 2021 Employees of Insource Digital Academy Corporation	47
Level 3	Develop various system or upgrade system as a IT talent	Employees of system-related departments	114

New graduates joined in FY20 received 2 weeks of training in Python, selected employees are for 1 month.

-Voluntarily developed a system and improved work efficiency.

<New graduates' achievements>

- Conducted DX study sessions for senior employees
- Automated sales list -Developed a program to collect information from websites
- Automated proposal -Developed a program to create proposals

Workforce Diversity -Encourage the growth

■ Ratio of female employees in managerial positions: 34.6%

Employment rate of people with disabilities: 2.83%

	Total	Female employees
No. of employees *2	527	292 55.4%
No. of managerial positions	156	54 34.6%

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

Foreign nationals ※4	3	Seniors (aged over 60)	21	LGBTs	6	People with disabilities	9 Disability employment rate: 2.83% *3
-------------------------	---	---------------------------	----	-------	---	--------------------------	---

• 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	172	Sales Representatives	180	IT Engineers	114
Digital Marketers	31	AI/RPA Engineers	18	Designers	23

(As of the end of September, 2021 (consolidated))

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

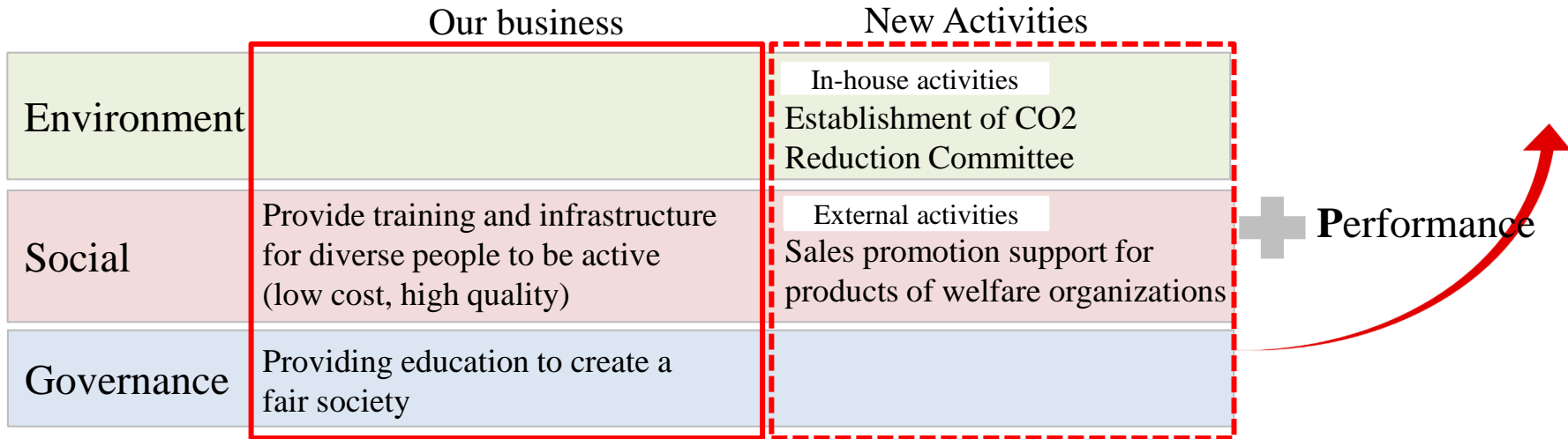
*2 Directors, auditors and corporate officers are excluded. *3 Non-consolidated (Insource only)

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

■ Our mission is to help working people solve social issues.

■ Insource’s Group mission

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



■ Received the second highest rating of AA in MSCI Rating

▪ As of June, 2021, only 14 Japanese companies have received the highest AAA of MSCI ESG Ratings, and Insource has received the second highest rating of AA.

▪ The recognition represents that our training business, strong security measures and internal education to improve productivity were especially highly evaluated.



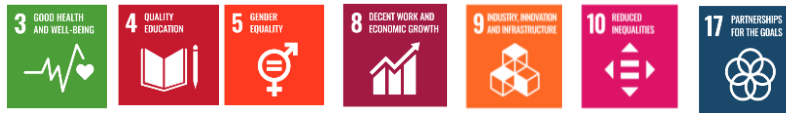
*THE USE BY INSOURCE CO., LTD. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES (“MSCI”) DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF INSOURCE BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED ‘AS-IS’ AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

Environment



- Set up a CO2 reduction committee to set targets and implement thorough measures (power saving, paper reduction, eco-friendly power generation).

Social



- Established new brand "mon champ" for specialty Online store
 - Featuring High Quality Products from Welfare Organizations
 - Supporting the employment of people with disabilities through our web sales capabilities
 - More products from various organizations will be added in the future.



Governance



- Actively disclose non-financial information on a monthly basis

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