

Insource Co., Ltd.

1Q FY21 Consolidated Financial Results

(October 1, 2021 to December 31, 2021)

Monday, January 24, 2022



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Chap. 01 1Q FY21 Consolidated Financial Results

Chap. 02 1Q FY21 Details by Business

<Reference1> Company Profile & Insource’s Advantages

<Reference2> ESG Strategies and Topics

<Reference3> Three-year Business Plan “Road to Next 2024”

1Q FY21 (Oct.2021-Dec.2021) Financial results overview

- Sales increased in all businesses, with quarterly sales and operating profit reaching record highs. On-Site trainings, mainly online for major private companies, increased.
- Net sales was 2,192 million yen (+20.8% YoY), operating profit was 755 million yen (+20.0 YoY), and operating profit margin was 35.4% (FY21 target ratio +6.2pt, -0.2pt YoY).

1Q FY21 (Oct.2021-Dec.2021) Description by Business

- On-Site Training (Net sales:1,248 million yen, +17.1 YoY, progression rate 28.4%)
Online training for private companies increased.
- Open Seminars (Net sales: 507 million yen, +13.5 YoY, progression rate 23.8%)
The impact of COVID-19 pandemic remained at the beginning of the period, but number of attendees recovered from November.
- IT Services (Net sales: 203 million yen, +35.6 YoY, progression rate 15.9%)
Annual recurring revenue (ARR) increased by 53.9% YoY to 586 million yen.
Sales of customization is carried over to next quarter.
- Other Businesses (Net sales: 233 million yen, +54.5 YoY, progression rate 21.4%)
Web marketing business that was launched in the previous fiscal year, contributed to sales.
Increased sales of high-unit-price new e-learning based on outright purchase, contributed to profits.

Chap. 01 1Q FY21 Consolidated Financial Results

Consolidated Profit & Loss Statement ① Overview

Unit: million yen

	1QFY19 (Actual)	1QFY20 (Actual)	1QFY21 (Actual)	YoY	FY21 (Forecast)	Progression rate
Net sales (YoY)	1,625 (+330)	1,814 (+189)	2,192 (+378)	+20.8%	8,900 (+1,398)	24.6%
Gross profit (YoY) (Gross profit margin)	1,161 (+266) (71.5%)	1,390 (+228) (76.6%)	1,678 (+288) (76.6%)	+20.7%	6,780 (+1,058) (76.2%)	24.8%
Operating profit (YoY) (Operating profit margin)	414 (+99) (25.5%)	646 (+232) (35.6%)	775 (+128) (35.4%)	+20.0%	2,600 (+195) (29.2%)	29.8%
Ordinary profit (YoY) (Ordinary profit margin)	415 (+100) (25.5%)	659 (+244) (36.4%)	765 (+106) (34.9%)	+16.1%	2,600 (+183) (29.2%)	29.5%
Net Profit (YoY) (Net profit margin)	276 (+68) (17.0%)	452 (+176) (24.9%)	522 (+70) (23.8%)	+15.5%	1,770 (+198) (19.9%)	29.5%

Consolidated Profit & Loss Statement ② By Business

Unit: million yen

		1QFY20 (Actual)	1QFY21 (Actual)	YoY	FY21 (Target)	Progression rate
On-Site Training	Net Sales (YoY)	1,066 (+59)	1,248 (+182)	+17.1%	4,400 (+602)	28.4%
	Composition ratio 1Q FY21: 57.0% (FY20: 50.6%)	Gross profit (Gross profit margin)	822 (77.1%)	990 (79.3%)	+20.5%	3,410 (+446) (77.5%)
Open Seminars	Net Sales (YoY)	447 (+27)	507 (+60)	+13.5%	2,130 (+302)	23.8%
	Composition ratio 1Q FY21: 23.1% (FY20: 24.4%)	Gross Profit (Gross profit margin)	339 (76.1%)	391 (77.3%)	+15.3%	1,580 (+207) (74.2%)
IT Services	Net Sales (YoY)	150 (+43)	203 (+53)	+35.6%	1,280 (+257)	15.9%
	Composition ratio 1Q FY21: 9.3% (FY20: 13.6%)	Gross Profit (Gross profit margin)	110 (73.3%)	147 (72.3%)	+33.8%	1,020 (79.7%)
Other Businesses	Net Sales (YoY)	150 (+58)	233 (+82)	+54.5%	1,090 (+236)	21.4%
	Composition ratio 1Q FY21: 10.6% (FY20: 11.4%)	Gross Profit (Gross profit margin)	118 (78.6%)	149 (64.0%)	+25.8%	770 (70.6%)

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

Consolidated Profit & Loss Statement ③ Breakdown of SG&A expenses

Personal expenses increased by 133 million yen (+22.2% YoY) due to enhancing recruitment from FY20 and RS implementation.

Office-related expenses temporarily increased by 2million yen (+5.5% YOY) as depreciation increased by 5 million yen because of the accelerated depreciation associated with the consolidation of offices, although the land rent decreased due to the acquisition of the company-owned building.

Unit: million yen

Breakdown of SG&A	1Q FY19 (Actual)	1QFY20 (Actual)	1Q FY21 (Actual)	Change YoY		FY21 (Forecast)
Personal expenses※1	563	599	732	+133	+22.2%	3,330 (+715)
Of which, RS※2	0	0	29	+29	-	120 (+60)
Office-related expenses ※3	44	42	44	+2	+5.5%	150 (▲47)
Office & communication expenses	49	26	30	+3	+14.7%	210 (+62)
Others	89	75	95	+19	+26.2%	490 (+135)
Total SG&A	747	744	903	+159	+21.4%	4,180 (+863)
(SG&A ratio)	(46.0%)	(41.0%)	(41.2%)	(+0.2pt)	-	(47.0%)

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

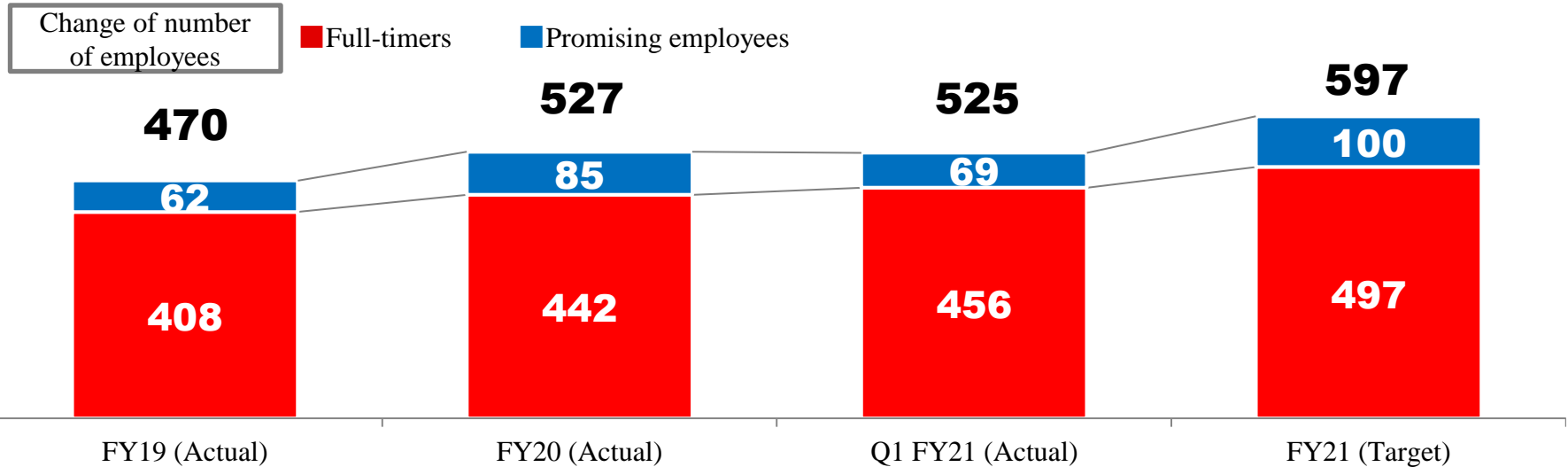
※2 Restricted stock.

※3 Office-related expenses include land rent, fixed asset tax of the company's buildings (Dokanyama and Bunkyo), real estate acquisition tax, and depreciation of property, plant and equipment.

Number of Employees

- A total of 8 mid-career employees are to join during 2Q and 23 employees (22 new graduates and 1 mid-career employee) in April. We are actively recruiting to increase the number of employees by 70 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)	1Q FY21 (Actual) (vs end of FY20)	Progression rate against FY21 target	End of FY21 (Target) (YoY)
<u>Total number of employees</u>	470	527	525 (-2)	0%	597 (+70)
<u>Promising employees</u> ※	62	85	69	69.0%	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.
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Consolidated Balance Sheets

■ Decrease in cash and deposits, current liabilities, and net assets due to payment of dividends and corporate taxes.

Unit: million yen

	End of FY19 (Actual)	End of FY20 (Actual)	End of 1Q FY21 (Actual)	End of FY20 vs.1Q FY21 Change	Change rate
Current assets	3,025	3,759	3,483	▲276	▲7.4%
Of which, cash and deposits	2,219	2,624	2,308	▲315	▲12.0%
Fixed assets	1,319	3,007	2,977	▲29	▲1.0%
Total assets	4,344	6,766	6,460	▲305	▲4.5%
Current liabilities	1,379	2,202	2,034	▲168	▲7.6%
Out of which, Advances received ※	595	599	569	▲29	▲4.9%
Fixed liabilities	81	63	57	▲6	▲9.5%
Net assets	2,883	4,500	4,368	▲131	▲2.9%
Total liabilities And net assets	4,344	6,766	6,460	▲305	▲4.5%

※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

- The number of online booths is excluded from the KPIs for FY21, as the target was achieved in FY20.
- Due to strong sales of new e-learning and video content, the KPI target for the current fiscal year has been revised to 210 new contents (+110 than the initial target).

	FY19 (Actual)	FY20 (Actual)	1Q FY21 (Actual)	FY21 cumulative total (Progression rate)	FY21 (Target)
No. of new contracts of WEBinsource (organizations) (Cumulative no.)	2,157 (13,492)	2,306 (15,798)	673 (16,471)	673 (Progression rate: 28.0%)	2,400 (18,198)
No. of new contents for On-Site training (Cumulative no.)	319 (3,140)	321 (3,461)	81 (3,542)	81 (Progression rate: 27.0%)	300 (3,761)
No. of new contents for Open Seminar (Cumulative no.)	270 (2,859)	437 (3,296)	116 (3,412)	116 (Progression rate: 38.7%)	300 (3,596)
No. of new contents for e-Learning/ video ※1 (Cumulative no.)	86 (86)	248 (334)	48 (382)	48 (Progression rate: 22.9%)	Revised +110 210 (544)
No. of core solution plans※2 (Cumulative no.)	171	60 (231)	8 (239)	8 (Progression rate: 22.9%)	35 (266)
No. of web-sessions (Unit: thou. times)	1,835	2,010	447	447 (Progression rate: 20.7%)	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 1Q FY21 Details by Business

Consolidated Profit & Loss Statement Overview

Net sales increased in all businesses, with quarterly sales and operating profit hitting record highs.

Net sales was 2,192 million yen (+20.8% YoY), operating profit was 755 million yen (+20.0% YoY), and operating profit margin was 35.4% (FY21 target ratio +6.2pt, -0.2pt YoY).

Unit: million yen

	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	Change(YoY)	
Net Sales (QoQ)	1,814 (+443)	1,859 (+45)	1,870 (+10)	1,956 (+86)	2,192 (+235)	+378	+20.8%
Gross Profit (QoQ)	1,390 (+364)	1,435 (+44)	1,414 (▲21)	1,481 (+67)	1,678 (+197)	+288	+20.7%
(Gross profit margin)	(76.6%)	(77.2%)	(75.6%)	(75.7%)	(76.6%)		
Operating profit (QoQ)	646 (+296)	610 (▲35)	474 (▲135)	672 (+197)	775 (+103)	+128	+20.0%
(Operating profit margin)	(35.6%)	(32.8%)	(25.4%)	(34.4%)	(35.4%)		
Ordinary profit (QoQ)	659 (+295)	614 (▲45)	477 (▲136)	665 (+187)	765 (+100)	+106	+16.1%
Net profit (QoQ)	452 (+268)	370 (▲81)	325 (▲44)	422 (+96)	522 (+100)	+70	+15.5%

On-Site Training Business

■ The number of trainings conducted and online trainings reached a record high.

Sales by client segment ※ : Large Enterprise+15.7% YoY (companies with 1,000 or more employees),

Mid-Business +37.6% (companies with 500-999 employees), SMB +20.1% (companies with 499 or fewer employees).

Unit: million yen

	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	Change	YoY
Net Sales (QoQ)	1,066 (+323)	772 (▲293)	1,018 (+245)	940 (▲77)	1,248 (+308)	+182	+17.1%
Gross profit (QoQ) (Gross profit margin)	822 (+253) (77.1%)	608 (▲213) (78.7%)	798 (+190) (78.4%)	734 (▲63) (78.1%)	990 (+255) (79.3%)	+168 (+2.2pt)	+20.5%
Number of trainings conducted(times) (QoQ)	4,275 (+1,348)	2,613 (▲1,662)	3,811 (+1,198)	3,525 (▲286)	4,807 (+1,282)	+532	+12.4%
Among above, number of online training (composition ratio)	1,605 (37.5%)	1,590 (60.8%)	1,757 (46.1%)	2,036 (57.8%)	2,321 (48.3%)	+716	+44.6%
Average unit price (unit:thou.yen) (QoQ)	249.2 (▲4.6)	295.6 (+46.4)	267.1 (▲28.4)	266.8 (▲0.3)	259.8 (▲7.1)	+10.5	+4.2%

※ Sales activities tailored to characteristics of each customer segment have been promoted from FY21, (see Three-year business plan “Road to Next 2024”p43)

Open Seminars Business

While the COVID-19 impact remained in October, the number of attendees began to recover from November as the number of new infections decreased.

Sales by client segment※: Large Enterprise - 2.6% YoY, Mid-Business +16.6% YoY, SMB +19.6% YoY

Unit: million yen

	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	Change	YoY
Net Sales (QoQ)	447 (+145)	403 (▲43)	512 (+109)	464 (▲48)	507 (+42)	+60	+13.5%
Gross profit (QoQ) (Gross profit margin)	339 (+140) (76.1%)	302 (▲37) (75.0%)	385 (+83) (75.2%)	345 (▲40) (74.3%)	391 (+46) (77.3%)	+51	+15.3%
Number of attendees (QoQ)	22,111 (+8,914)	18,450 (▲3,661)	22,041 (+3,591)	21,846 (▲195)	24,440 (+2,594)	+2,329	+10.5%
Among above, number of online training (composition ratio)	14,400 (65.1%)	14,951 (81.0%)	16,798 (76.2%)	18,870 (86.4%)	21,121 (86.4%)	+6,721	+46.7%
Number of attendees per seminar (QoQ)	13.3 (+4.0)	14.0 (+0.7)	13.4 (▲0.7)	12.2 (▲1.1)	12.8 (+0.5)	▲0.5	▲4.8%
Average unit price per seminar(unit:thou.yen) (QoQ)	20.2 (▲2.6)	21.8 (+1.6)	23.2 (+1.4)	21.2 (▲1.9)	20.7 (▲0.5)	+0.5	+2.6%

※ Sales activities tailored to characteristics of each customer segment have been promoted from FY21, (see Three-year business plan “Road to Next 2024”p43)

■ The number of paid organizations increased to 432 and the number of users to 1.84 million, and Leaf monthly subscription fees (MRR*1) was 48million yen (+5million yen compared to the end of FY20) as of December,2021. Annual recurring revenue (ARR*2) increased to 586 million yen(+53.9 YoY) and sales of Leaf customization are expected to be concentrated in 2Q due to a delay in the timing.

Unit: million yen

	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	Change YoY
Net Sales (QoQ)	150 (▲72)	399 (+249)	172 (▲226)	301 (+128)	203 (▲97)	+53 +35.6%
<Breakdown>						
Leaf Monthly Subscription (QoQ)	93 (+18)	102 (+9)	111 (+8)	128 (+17)	140 (+12)	+46 +50.2%
Sales per month*3	31	34	38	43	48	+17 +53.9%
Average unit price /Organization (unit: thou. yen)	111.3	104.7	102.0	104.6	113.1	+1.8 +1.6%
Leaf Customization	39	193	59	153	31	▲7 ▲19.0%
Stress Check Support Service	17	102	1	18	31	+13 +78.7%
Gross Profit *4 (QoQ) (Gross profit margin)	110 (▲73) (73.3%)	326 (+216) (81.9%)	106 (▲220) (61.8%)	246 (+140) (81.9%)	147 (▲99) (72.3%)	+37 +33.8% (▲0.9pt)

※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.

Monthly subscription model	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	YoY
Total number of Leaf* paid subscribers (unit: organizations)	298	333	375	412	432	+134 +45.0%
(QoQ)	(+50)	(+35)	(+42)	(+37)	(+20)	
(Cumulative no. of each FY)	(50)	(85)	(127)	(164)	(20)	
Total number of organizations using on-the-web appraisal form service (unit: organizations)	98	108	116	128	134	+36 +36.7%
(QoQ)	(+5)	(+10)	(+8)	(+12)	(+6)	
(Cumulative no. of each FY)	(5)	(15)	(23)	(35)	(6)	
Case-by-case basis model	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	YoY
Total number of organizations which ordered customizations for Leaf (QoQ)	18	50	19	58	17	▲1 ▲5.6%
(Cumulative no. of each FY)	(▲25)	(+32)	(▲31)	(+39)	(▲41)	
	(18)	(68)	(87)	(145)	(17)	
Total number of organizations implementing Stress Check Support Service	56	231	13	43	101	+45 +80.4%
(QoQ)	(+15)	(+175)	(▲218)	(+31)	(+58)	
(Cumulative no. of each FY)	(56)	(287)	(300)	(343)	(101)	

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

IT Services' new product "Leaf Lightning"

"Leaf Lightning"

Comparison Item		Leaf Lightning	Leaf
Target		Small-Medium size business	Large Enterprise
Concept		Ready-to-use all-in-one LMS	HR support system and LMS with more than 30 options that can be added
First year cost of implementation	300 employees	Yearly amount: 1,188,000 yen (330 yen/month, person)	Yearly amount: 2,410,000 yen (670yen/month, person) ※ With multi-device support (optional) installed
	1,000 employees	Yearly amount: 3,960,000 yen (330 yen/month, person)	Yearly amount: 2,980,000 yen (248yen/month, person) ※ With multi-device support (optional) installed
Basic Function		<ul style="list-style-type: none"> ▪ E-learning streaming and management functions +multi-device support (smartphone compatibility) +combining contents、order setting function +viewing approval function +test creation function +multi-language support 	<ul style="list-style-type: none"> ▪ E-learning streaming and management functions ▪ evaluation function ▪ stress check +flexible customization ※ More than 30 additional options
Features		<ul style="list-style-type: none"> ▪ Can be installed in as quickly as 3 days ▪ Pricing that is easy to implement for growing and mid-sized companies ▪ Released in October, 2021 	<ul style="list-style-type: none"> ▪ Additional functions can be added to meet all the needs of large companies. ▪ Pricing that is easy to implement for large companies ▪ No. of paid subscribers: 432 organizations, mainly large companies as of December, 2021.

Initially equipped with high performance functions for thorough e-learning education!

Web marketing business that was launched in the previous fiscal year, contributed to sales.
Increased sales of high-unit-price new e-learning based on outright purchase, contributed to profits.

Unit: million yen

	1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	YoY	
Net Sales (QoQ)	150 (+47)	284 (+133)	167 (▲117)	250 (+83)	233 (▲17)	+82	+54.5%
<Breakdown>							
e-Learning/ Video Production (QoQ)	98 (+17)	194 (+96)	109 (▲85)	115 (+6)	108 (▲6)	+10	+10.6%
Consulting/Online seminar support service/Assessment service (QoQ)	38 (+17)	76 (+38)	46 (▲30)	79 (+33)	57 (▲21)	+36	+174.5%
Web marketing (QoQ)	- -	- -	- -	40 (+40)	54 (+13)	- +54	- -
Gross Profit※1 (QoQ) (Gross profit margin)	118 (+43) (78.6%)	198 (+79) (69.5%)	123 (▲74) (73.9%)	154 (+31) (61.9%)	149 (▲5) (64.0%)	+30	+25.8% (▲14.6pt)

※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 FY19.

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Other Businesses KPIs

■ Sales of the latest contents such as SDGs and DX were strong. In particular, the service that can be used easily by one person has been highly evaluated and the number of rental users has expanded significantly.

Sales unit: million yen		1Q FY20 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY21 (Actual)	YoY	
<e-learning/Videos>								
Outright purchase	Net Sales	40	60	49	58	53	+13	+33.5%
	No. of videos	285	430	419	288	271	▲14	▲4.9%
Rental	Net Sales	1	2	2	3	6	+5	+444.5%
	No. of viewers	1,090	1,878	1,735	1,507	4,138	+3,048	+279.6%
Monthly Subscription (STUDIO)	Net Sales	22	38	48	40	43	+21	+95.2%
	IDs	42	44	51	54	58	+34	+36.7%
Video Production Solution	Net Sales	34	77	10	12	5	▲29	▲85.0%
	Contents	41	37	35	23	36	▲5	▲12.2%
Consulting/ Assessment service	Net Sales	36	38	21	34	31	▲5	▲13.7%
	No. organizations	27	83	55	71	76	+49	+181.5%
Online seminar support service	Net Sales	2	38	24	45	26	+24	+1222%
	No. of organization	27	67	36	48	68	+41	+151.9%

New contents and services

■ Trainings -Developed to meet the needs of each segment

For Large Enterprise

▪DX promotion and business improvement: **9** contents developed
Data Scientist Course for SEs Launched

▪Woman’s activities promotion, Career design, diversity :
6 contents developed

Continuing popularity as companies promote ESG and diversify work styles

For Small, Growing Companies

Turnover prevention and support solutions Released Jan. 4, 2022
Developed a training plan for each level based on issues related to employee turnover and retention.

■E-learning/videos -Developed based on the latest trends

▪Introduction of SDGs, psychological safety, "ikubos", business and human rights, basic understanding of DX, etc.

■New Service

▪“Value Pack” (Open Seminars) Released Jan. 5, 2022

Developed a plan that allows growing and medium-sized companies to introduce a variety of services at low prices, mainly Open Seminars, from 48,000 yen per month.

DX推進研修
デジタルトランスフォーメーション
データとIT技術を活用して破壊的イノベーションを実現する

1. 経営戦略上、DX活用を具体的に明示する
2. まちは研修期からスタートする
3. DX推進のための体制を整備する

13,276名

キャリアデザイン研修

年間受講者数 11,215名

内容理解 93.6%
講師評価 93.5%

離職防止研修
—リテンション—

職場と新人・中途採用者
双方の意識変革で離職は減らせる

講師登録 00:22:35

SDGs導入研修～社会課題の解決と企業活動を結ぶ（冊子教材・テスト付き）

買い切り レンタル

講師登録 00:31:35

心理的安全性講座～1人ひとりが自然体でいられる環境を作る4つのポイント

買い切り レンタル

公開講座、動画教材、アセスメント等、多様な使い方ができるお得で新しい料金プラン

1研修約30%OFF
48,000円から始める人材育成

中小企業の方限定！お得な割引サービス

バリューパック
VALUE PACK!

<Reference1> 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

MIRAISOUZOU & 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)

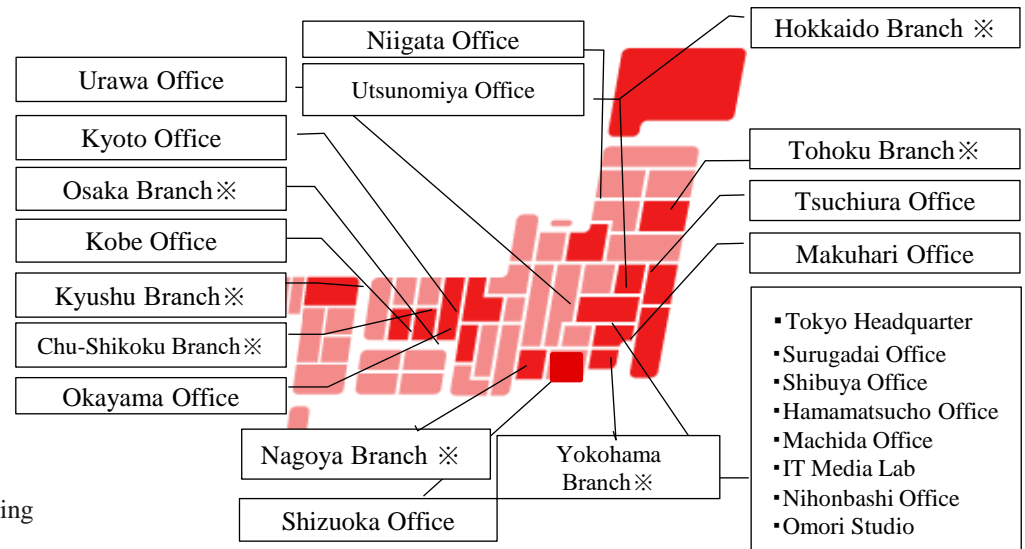
Insource Marketing Design Corporation

- Website Promotion, Homepage Creation, System Development

Business Locations: 24

※ As of the end of Dec., 2021

※ Branches with Seminar Rooms.



Seminar Rooms: 29 Classrooms in 8 Cities

Online Training Booths: 98 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 **95.8%** / Trainers **93.4%**

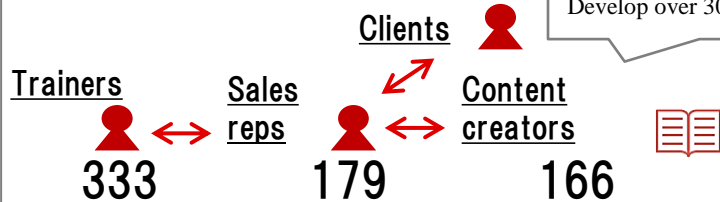
*As of the end of December, 2021

On-Site Training (1Q Sales ratio: 57.0%, FY20: 50.6%)

Offer On-Site Trainings tailored to organizations' needs

Division of work of trainers and content-creators by IT

Meet clients' needs promptly.
Develop over 300 contents a year



*As of the end of Dec., 2021

Annual total number of trainings conducted/attendees

14,756 times **505** thou. attendees

Out of the total number of trainings conducted online:

7,704 times **236** thou. attendees

*Jan, 2021-Dec., 2021



Open Seminars (1Q Sales ratio: 23.1%, FY20: 24.4%)

Offer Open Seminars that from one person can attend

- Seminars are held online frequently and nationwide
- Held both at venues (in 8 cities in the country) and online
- 86,777 attendees annually year (No. of online attendees in 1Q: 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

6,650 times **86** thou. people

Of which, the total number of trainings conducted online:

4,392 times **71** thou. people

*Jan., 2021 – Dec., 2021



IT Services (1Q Sales ratio: 9.3%, FY20: 13.6%)

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

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



Other Businesses (1Q Sales ratio: 10.6%, FY20: 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

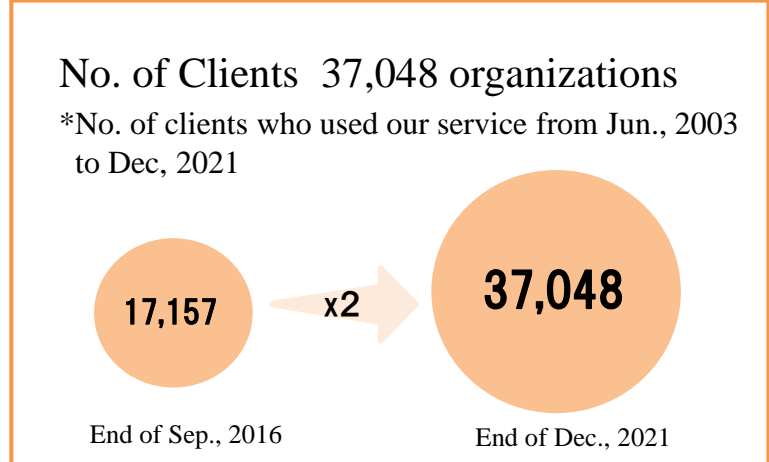


↕ In cooperation



	End of Sep. 2016	End of Dec. 2021
Sales Representatives	83	179
Content Creators	88	166
IT Engineers	34	114
Designers	19	20
Digital Marketers	—	30
AI/RPA Engineers	—	18

Products/
Services →



Sales composition of all business by size
* On-Site Training, Open Seminars, IT Services, Other Businesses

	FY15	FY20	1Q FY21
Large Enterprise (1,000 or more employees)	23.5%	23.0%	30.7%
Medium Business (300-999)	14.0%	13.6%	14.8%
SMB (Small Medium Business) (less than 300)	62.5%	63.4%	54.6%

Funds ↑ Returns ↓



No. of Shares Held	End of Sep., 2016	End of Sep., 2021
Overseas Investors	4.7%	22.6%
Domestic Investors	9.4%	22.6%
Domestic Corporations	43.0%	35.5%
Individual/Others	42.9%	19.3%

Composition ratio

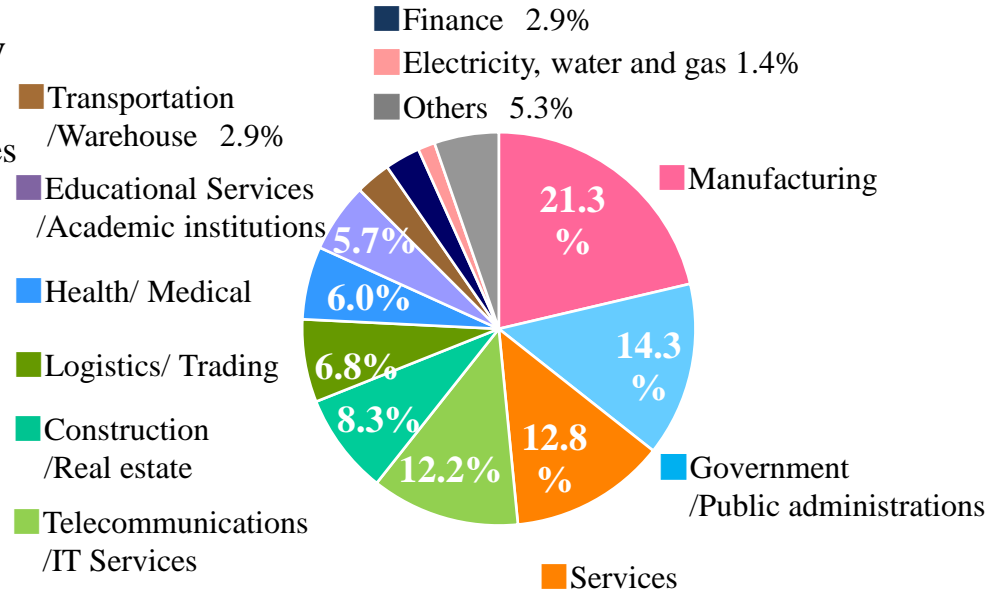
Customers composition ratio by industry

The total number of customers who used our services from Jan., 2021 to Dec., 2021

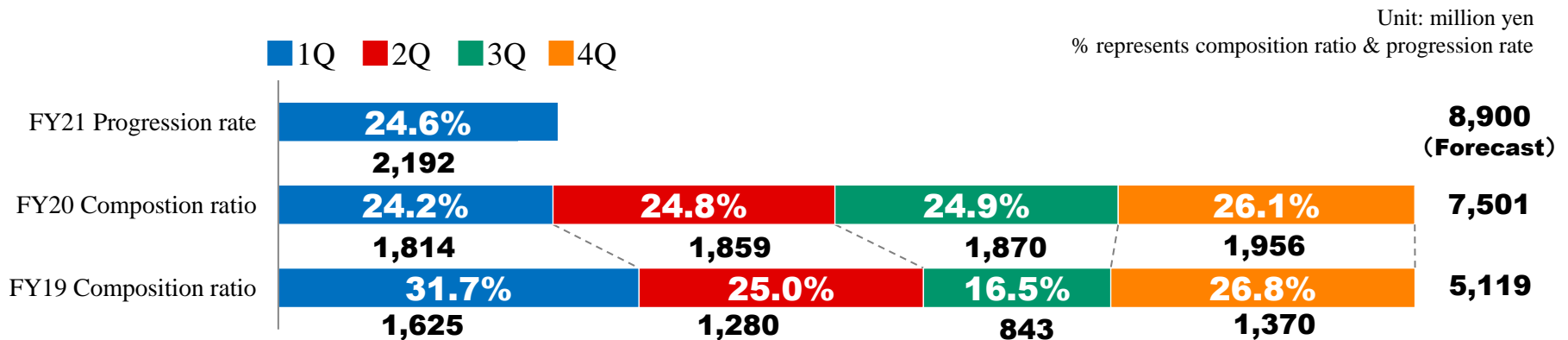
11,420 organizations

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

37,048 organizations

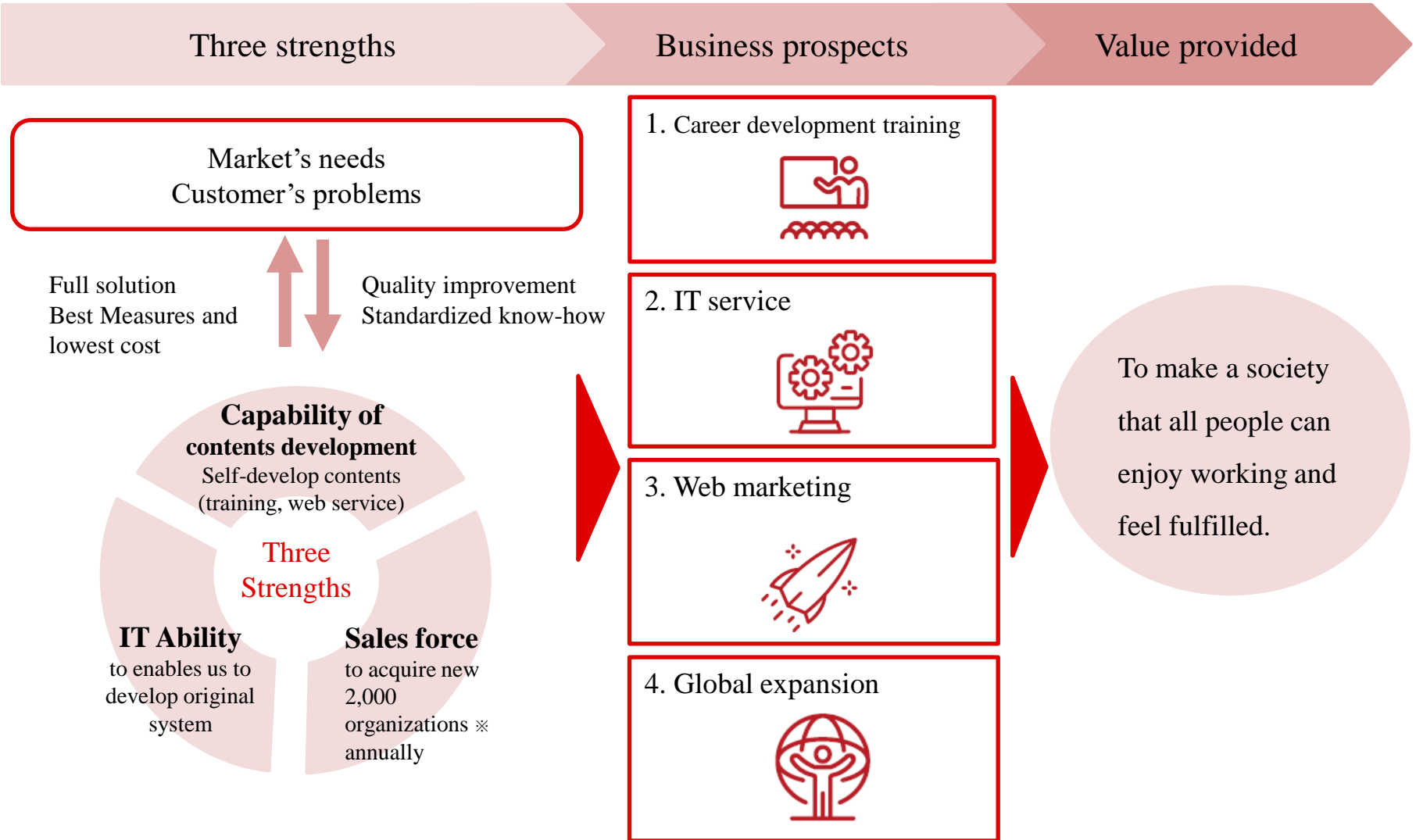


Sales composition ratio by quarter



Advantages of Insource

Insource always keep evolving based on three strengths.



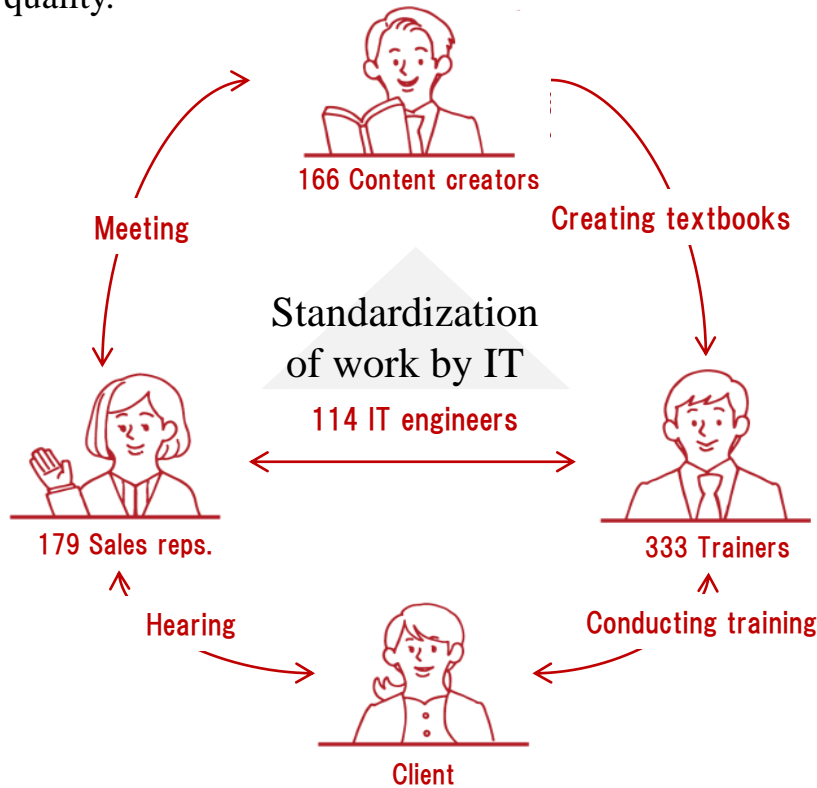
※ No. of new contracts of WEBinsource

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 Dec, 2021

■ A great selection of training contents

An in-house agile team of 166 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
3,842	3,412	382
End of Dec, 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

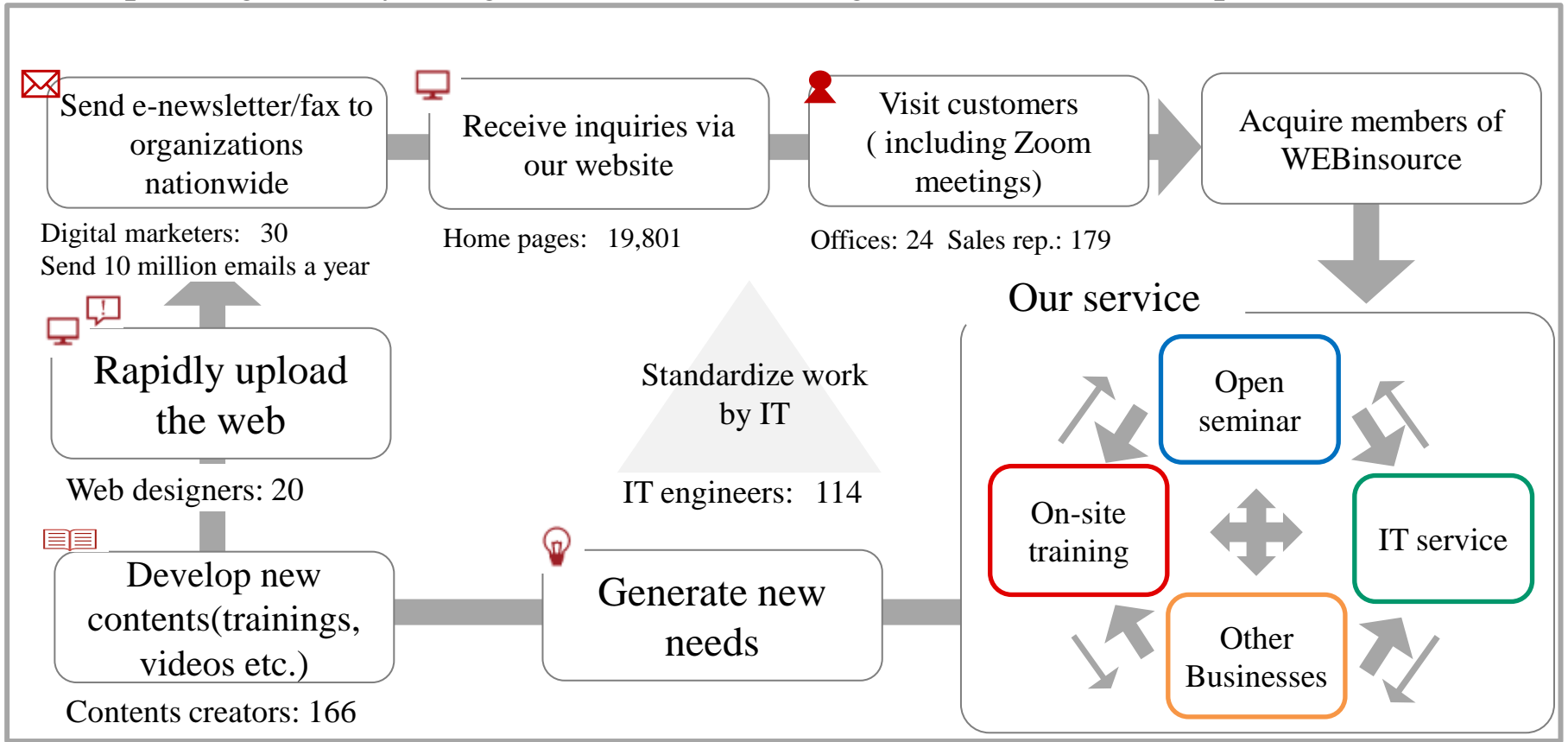
■ Example of web service

- 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 Dec, 2021

⇒ Approximately 20,000 web pages created by 179 sales reps. and 30 digital marketers are cooperated for efficient sales activities.

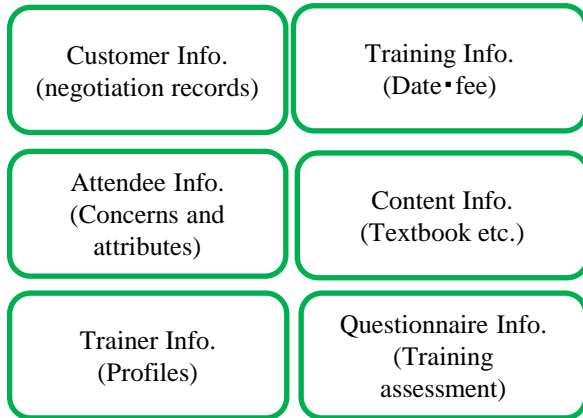
③ IT Capability -Self-developed System

■ 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: 35.2%

Employment rate of people with disabilities: 3.32%

	Total	Female employees
No. of employees *2	525	300 57.1%
No. of managerial positions	159	56 35.2%

Ratio of female employees in managerial positions:
13.3% *1
(Source: The Gender Equality Bureau of the Cabinet Office (2021))

Foreign nationals ※4	3	Seniors (aged over 60)	22	LGBTs	6	People with disabilities	11 Disability employment rate: 3.32% *3
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• Legal employment rate: **2.3%**
• Actual employment rate: **2.20%**
(Source: “2021 Disability Persons' Employment Status” released by the Ministry of Health, Labour and Welfare)

Workforce by job function: Diverse specialists work at Insource

Content Creators	166	Sales Representatives	179	IT Engineers	114
Digital Marketers	30	AI/RPA Engineers	18	Designers	20

(As of the end of Dec, 2021)

*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.

<Reference2> ESG Strategies and Topics

Our mission is to help working people solve social issues.

Insource’s Group policy

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

Our Business

New Activities

Environment		Internal activities Establishment of CO2 Reduction Committee
Social	Provide training and infrastructure for diverse people to be active (low cost, high quality)	External activities Sales promotion support for products of welfare organizations Support for Arakawa ward
Governance	Providing trainings to create a fair society	Internal activities Increased number of outside directors and corporate auditors Established voluntary Nomination and Compensation Committee



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.

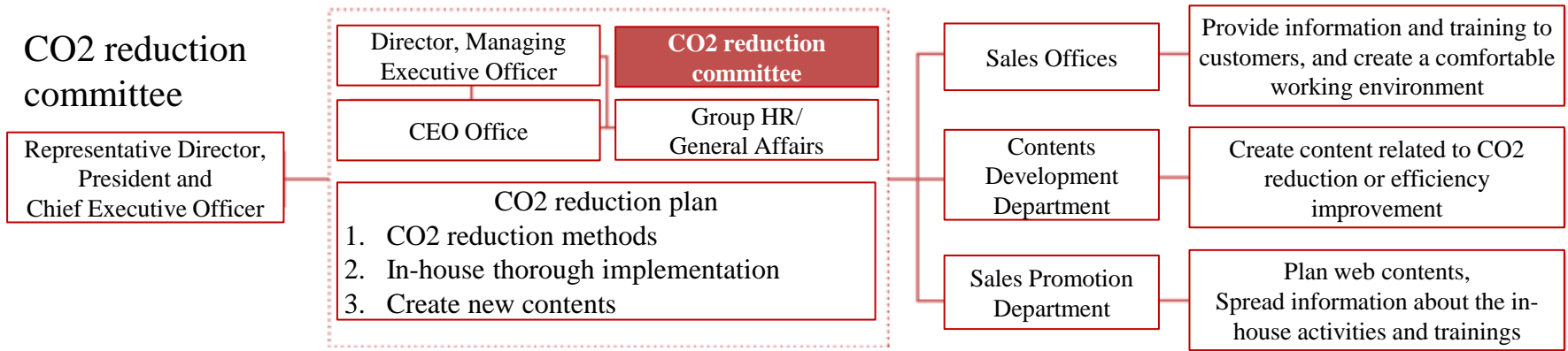


*THE USE BY INSOURCE CO., LTD. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES (“MSCI”) DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF INSOURCE BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY 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.

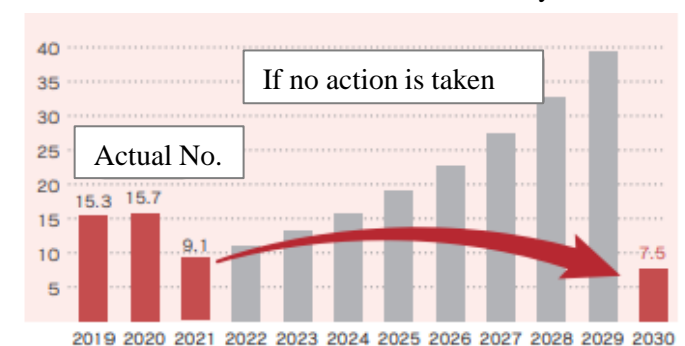
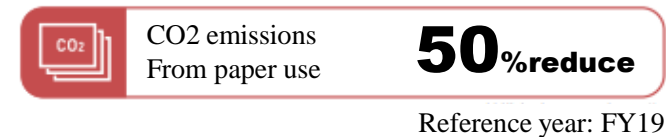
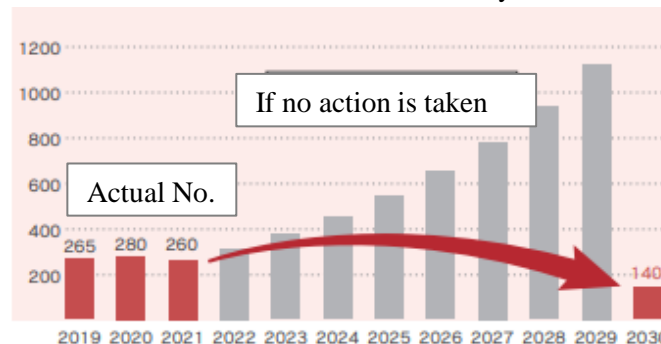
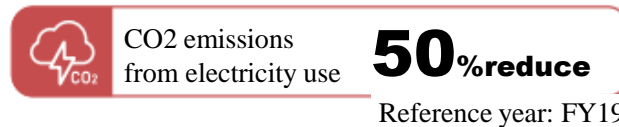
Environment



Established CO2 reduction committee, set targets and take effective measures (electricity saving, paper reduction)



Long-term Target



Planning to digitalize some training textbooks to realize paperless

Social



Opened a new site, "mon champ", to sell products from welfare organizations (October,2021)

- Supporting the employment of people with disabilities through our web sales capabilities



Started selling products of two new organizations and accepting credit card payments(December,2021)



Concluded a comprehensive agreement with Arakawa ward to support the independence of single-parent families and the social advancement of women.

Cooperation matters

- (1) Support the employment for single-parent families
- (2) Support the livelihood of single-parent families
- (3) Support women's advancement in society

Future Activities

- (1) Support for self-reliance of single-parent families through our training business
- (2) Support through donations, provision of food, etc.
- (3) Support for women in poverty through provision of goods and sustainable solutions.



Photo caption (left to right): Takayuki Funabashi, President and Representative Director, Insource Co., Ltd., Yoshiaki Kitagawa, Deputy Mayor of Arakawa Ward

Activities as of January, 2022

- 1. Employment support for single-parent families
 - Providing of our educational services

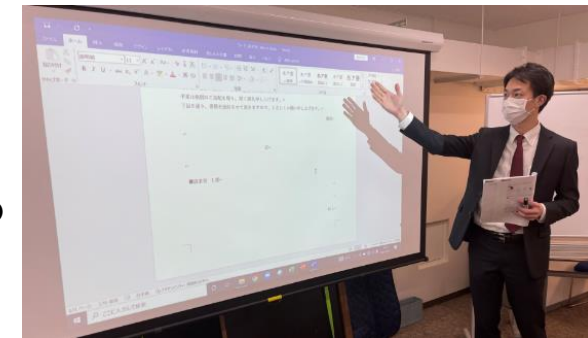
Target: People who are considering changing their career to an office job

Themes: How to use a PC, business manners, etc.

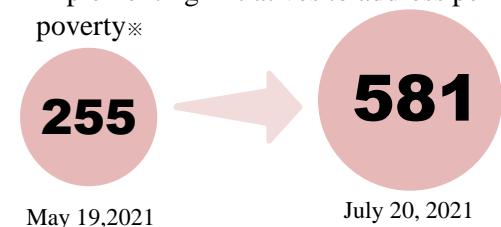
Period: Held from December, 2021

- 2. Support for Period poverty

We offer sanitary products for those who cannot use them due to economic circumstances or lack of social understanding of period



No. of local governmental organizations implementing initiatives to address period poverty*



From "Overview of Efforts by Local Governments to Address Menstrual Poverty (2nd Survey, as of July 20, 2021)," Cabinet Office, Gender Equality, August 3, 2021.

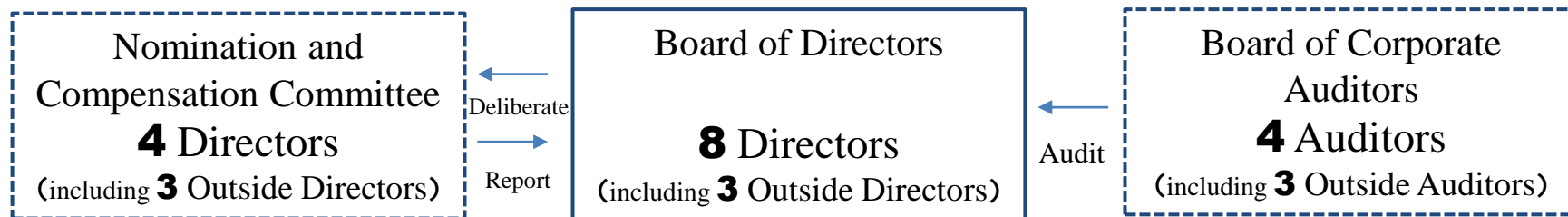
Governance



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

- Increased one outside director and one outside corporate auditor, with the approval at the general meeting of shareholders
Established voluntary Nomination and Compensation Committee (December 17, 2021)



- Transit to the new market segment, the Prime Market (April 4,2022)

<Reference3> Three-year Business Plan “Road to Next 2024”

Consolidated Financial Targets

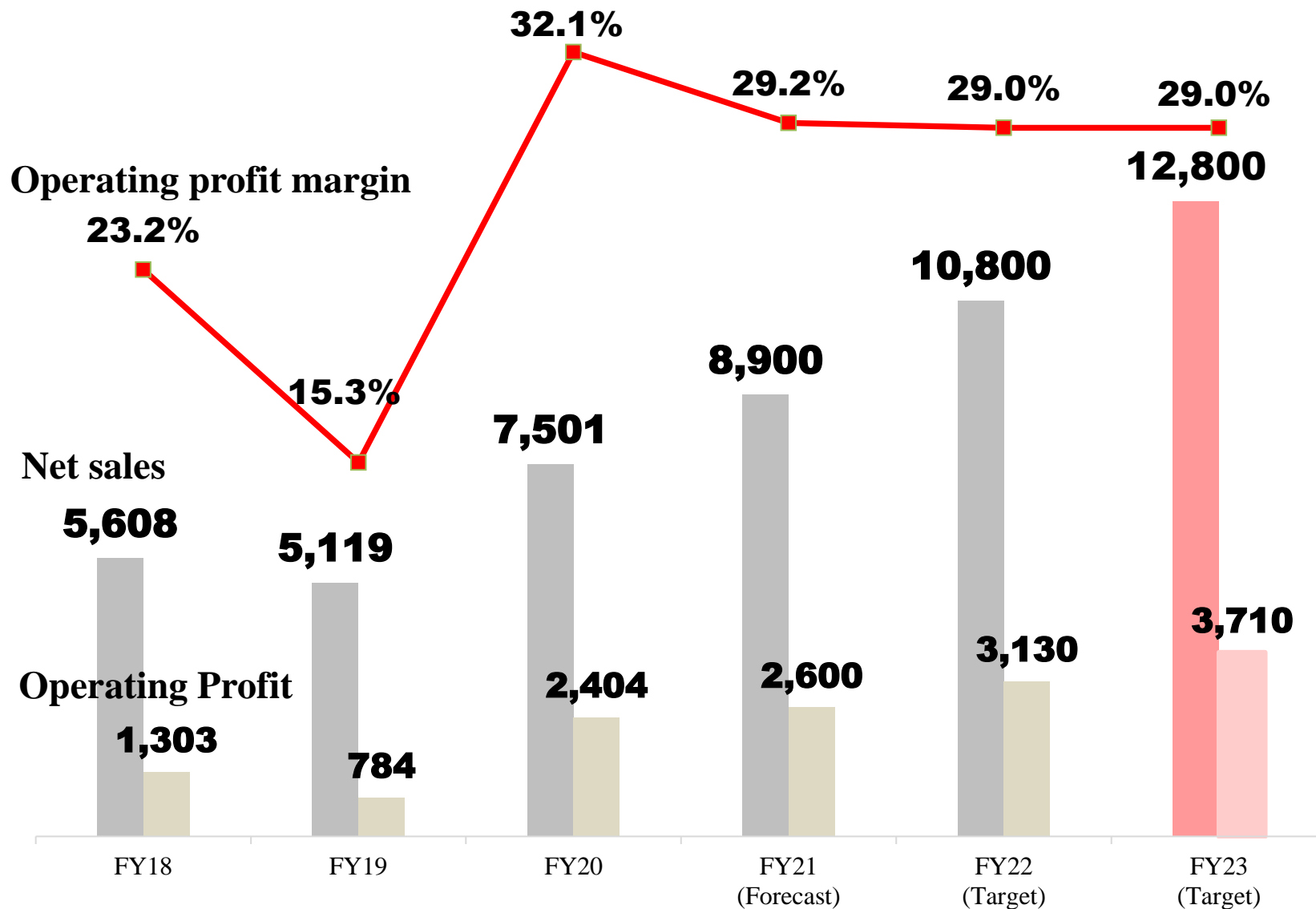
Unit: million yen

	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%

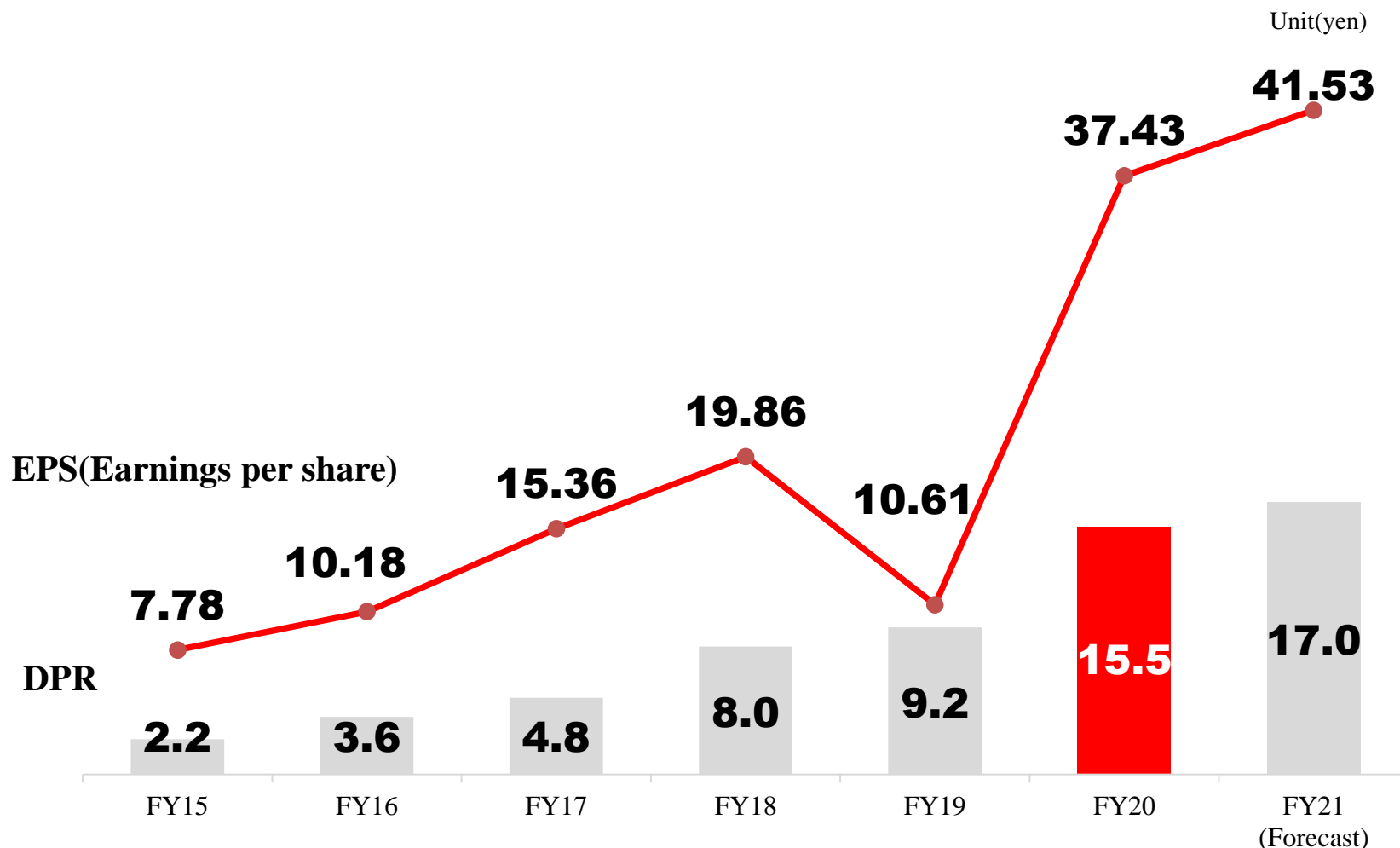
How to achieve targets

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 will divide our customers into three segments (Large enterprise, Mid, and SMB) and build a sales structure that specializes in each customer segment. In addition, we will provide education services and IT services optimized for each segment to increase sales per customer and increase customers at the same time.
3. The need for digitalization of HR routine work and web marketing is expected to continuously grow. We will develop services focused on customer convenience and expand non-educational services.

Unit(million yen)



- 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.



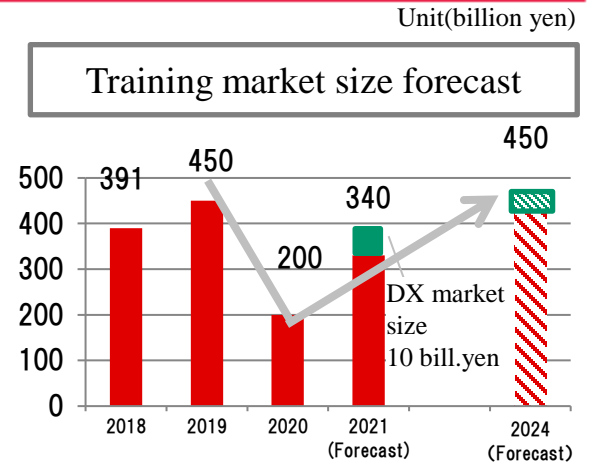
(Note) The Company conducted stock splits on May 1, 2018, September 1, 2019, and January 1, 2021. The amount of the fiscal year-end dividend reflected stock split.

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.

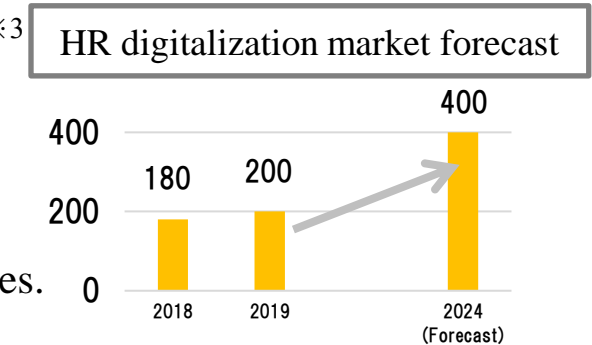
※1 Calculated based on the MHLW's Basic Survey on HR Development (2020) and MIC' Labor Force Survey.
 ※2 Calculated based on the MHLW's Basic Survey on HR Development(2009-2020), and the ratio of outsourcing companies in 2020 was 49.7%.



■ 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.

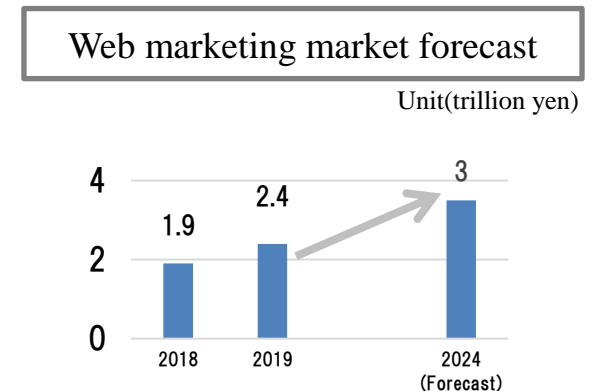
※3 Calculated based on METI's [2020 Basic Survey on Information and Communication Industry], May 28, 2021.



■ Web marketing market -Potential for new entrants

- Market size is 2.4 trillion yen in 2019※4 and is to expand to 3 trillion yen in 2024
- It is expected that there will be increasing needs for website or web marketing especially for mid-sized and small companies.
- We will enter the market with our know-how based on the successful experience of web-marketing in our businesses.

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



Provide best service for different customer with optimal sales approach

Customer Segmentation		Sales destination	Sales strategy	Training	IT service	Other business
Large Enterprise 52.6% ※	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)	Support for video training
	Second-tier large (1,000-4,999 people)					
Mid-Business 13.6% ※	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 marketing, recruitment, DX etc.
SMB (Small Medium Business) 33.7% ※	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 composition ratio for FY20

Sales strategy

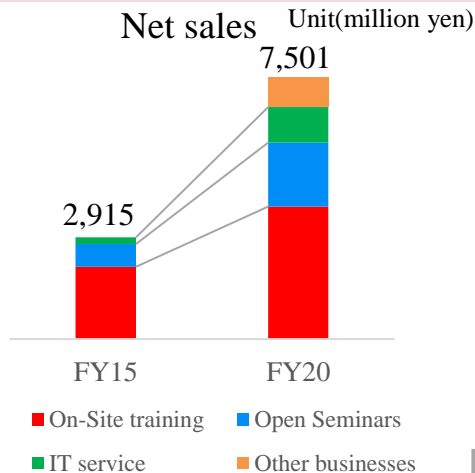
- Build up professional sales team specialized for each customer segment and promote sales activities tailored to each segment’s characteristics.
- Increase each sales volume by strengthening proposals to meet demands of each customer segment.

Service development strategy

- Strengthen services tailored to each customer segment to meet diversified training needs.
- Provide 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 relationships with 37,000 organizations

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 Turnover prevention/Recruitment

Our next business



- iii HR work reduction/efficiency improvement

Expanding with Leaf

- iv Solving issues of organizations by training

Our main business

Expanding Web marketing business

■ Total support for building a company-wide sales system, mainly using Web
 We will provide our know-how, as we have grown by 20% per year using web marketing, and help our customers expand their business performance by providing organizational reform and building a sales system.

■ Service - Web Marketing PDCA Support

■ Sales training and consulting – Building company-wide sales system

▪ Sales training

The key to success in web marketing is to build a company-wide sales system that includes people other than sales representatives and we will provide sales education to people such as inside-sales.

▪ Consulting services

Support for reform of company-wide sales organizational structure, sales meetings, daily management, etc.

■ Providing sales ASP (Remote Plants) - Automating sales activities

▪ Automating Sales activities

Offer Remote Plants which can automate e-mail, fax, and direct mail to customers in addition to managing customer activities such as phone calls and visits

▪ Database Reconstruction

The key to Web marketing is the maintenance of a customer database. We will support for integrate scattered customer data

■ Web Improvement Support

- Sales Optimization + SEO + Internet Advertising

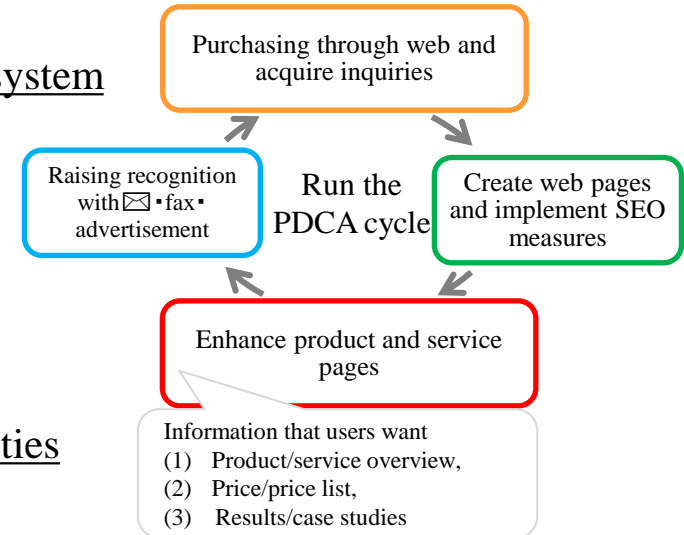
▪ Web Improvement

Support for improving the web from a company brochure to a web optimized for sales.

▪ Support for attracting customers through the web (SEO/Internet advertising)

Support for attracting customers by implementing low-cost SEO and optimal online advertising.

■ Web Marketing PDCA cycle



■ Sales automation system (follow-up and purchase model)

