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## 2Q FY2021 Consolidated Financial Results [JGAAP]

May 9, 2022

Company Name: Insource Co., Ltd. Stock Exchange Listing: Tokyo  
 Code number: 6200 URL: <https://www.insource.co.jp/index.html>  
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 Scheduled date to submit the Quarterly Securities Report: May 12, 2022  
 Scheduled date to commence dividend payments: —  
 Availability of supplementary briefing material on quarterly results: Yes  
 Scheduled date of Quarterly Results Briefing Session: Scheduled (Intended for analysts)

(Amounts are rounded down to the nearest million yen)

### 1. 2Q FY21 Consolidated Financial Results (October 1, 2021 – March 31, 2022)

(1) Consolidated Financial Results (cumulative) (% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	mil yen	%	mil yen	%	mil yen	%	mil yen	%
2Q FY21	4,510	22.8	1,674	33.2	1,658	30.2	1,136	38.0
2Q FY20	3,673	26.4	1,257	101.3	1,273	104.3	823	95.6

(Note) Comprehensive income: 2Q FY21 1,135 million yen (37.4%) 2Q FY20 825 million yen (98.0%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
2Q FY2021	26.99	26.98
2Q FY2020	19.67	19.65

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. In the above, "Earnings per share" and "Fully diluted earnings per share" are calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	mil yen	mil yen	%
2Q FY21	7,611	5,004	65.7
FY20 (Full-year)	6,766	4,500	66.5

(Reference) Shareholders' equity: 2Q FY21 5,004 million yen FY20 4,500 million yen

### 2. Dividends

	Annual cash dividends per share				
	End of Q1	End of 2Q	End of Q3	Year-end	Annual
	yen sen	yen sen	yen sen	yen sen	yen sen
FY20 Full-year	—	0.00	—	15.50	15.50
FY21 Full-year	—	0.00	—	—	—
FY21 (forecast)	—	—	—	17.00	17.00

(Note) Revisions of dividend forecast from recently announced figures: None

3. Consolidated Financial Forecast for FY21 (October 1, 2021 – September 30, 2022)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	mil yen	%	mil yen	%	mil yen	%	mil yen	%	yen sen
FY21 Full-year	8,900	18.6	2,600	8.1	2,600	7.6	1,770	12.7	41.53

(Note) Revisions of the forecast of financial results from recently announced figures: None

\* Notes

(1) Significant changes in subsidiaries during 2Q FY21

(changes in specific subsidiaries involving changes in the scope of consolidation): None

(2) Specific accounting methods for quarterly consolidated financial statements: Yes

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)" on page 8 of the attached materials.

(3) Changes in accounting policies, estimates, and restatements

- (i) Changes in accounting policies due to the revision of accounting standards : Yes
- (ii) Changes in accounting policies other than (3)-(i) : None
- (iii) Changes in accounting estimates : None
- (iv) Restatements : None

(4) Total number of issued shares (common stocks)

(i) Total number of issued shares at the end of the period (including treasury stocks)	2Q FY21	42,621,500 shares	FY20	42,621,500 shares
(ii) Total number of treasury stocks at the end of the period	2Q FY21	526,511 shares	FY20	529,534 shares
(iii) Average number of shares during the period	2Q FY21	42,091,545 shares	2Q FY20	41,864,030 shares

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares, and the above calculations are based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

\* These quarterly consolidated financial results are outside the scope of an audit by certified public accountants and audit corporations.

\* Explanation for the appropriate use of financial forecasts and other special notes:

(Cautionary note on forward-looking statement)

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast figures due to various factors. For details, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Consolidated Financial Forecasts" on page 3 of the attached materials.

(How to obtain supplementary explanatory materials for financial results)

Supplementary briefing material on quarterly results is disclosed via TDnet on the same day.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Description of Business Results

In the first half of the current fiscal year (October 1, 2021 to March 31, 2022), due to the impact of the sixth wave of the COVID-19 on the career training market, needs for face-to-face training declined again, while demands for non-face-to-face services increased such as online training and e-learning/videos.

In response to this situation, the Group strengthened the provision of non-face-to-face services and the development of new training contents and services., such as online training, “Leaf” (HR support system, LMS (\*1)), and e-learning/videos.

As for On-Site Training business, despite postponements and cancellations mainly by the public sector, online trainings and DX trainings to private sector, which have a high unit price, increased. Therefore, the total number of trainings conducted increased by 14.2% YoY. In addition, the online composition ratio was 60.3%.

For Open Seminars business, DX trainings, including a programming course “Python Academy”, and new various trainings via online performed well, and the total number of attendees increased by 20.4% YoY. In addition, the online composition ratio was 90.3%, maintaining a high level.

About IT Services, the number of paid organizations for “Leaf” increased to 470 (+137, + 41.1% YoY). Total users exceed 1.93 million as of the end of March 2022, and Leaf’s monthly subscription fees (MRR (\*2)) have increased steadily, with ARR (\*3) increasing 44.1% YoY to 572 million yen. The number of customizations increased 50.0% YoY due to an increase in the introduction of optional functions and an increase in requests for individual customization from large enterprises.

In Other Businesses, highly profitable e-learning/videos’ sales increased by 102.1% YoY due to the fiscal-year-end demands of clients and demands for the latest contents in response to legal revisions in April.

In addition to the increase in net sales, improvement in gross profit margin and curbed labor costs, as the number of consolidated employees was lower than planned, increased operating profit.

As a result of the above, for the first half of the fiscal year, net sales are 4,510,021 thousand yen (+ 22.8% YoY), operating profit is 1,674,849 thousand yen (+ 33.2% YoY), ordinary profit is 1,658,782 thousand yen (+ 30.2% YoY), and profit attributable to owners of parent is 1,136,219 thousand yen (+ 38.0% YoY).

\*1:LMS (Learning Management System): A system necessary for implementing e-learning.

\*2:MRR: Monthly Recurring Revenue

\*3:ARR: Annual Recurring Revenue. Calculated by multiplying the MRR of the last month of each term by 12.

#### ■ Net sales by business for the first half of FY21 (Unit: thousand yen)

Business	2Q FY21 (Oct. 1, 2021 - Mar. 31, 2022)	YoY (%)	2Q FY20 (Oct. 1, 2020 -Mar. 31, 2021)
On-Site Training	2,123,224	115.5	1,838,831
Open Seminars	984,236	115.8	850,095
IT Service	687,083	125.1	549,311
Other Businesses	715,476	164.2	435,678
Total	4,510,021	122.8	3,673,917

(Note)1. Since our Group has a single business segment, which is the education service business, the information herein is presented by business category instead of the segment.

### (2) Overview of Financial Position

#### (Assets)

Total assets at the end of the second quarter of the current fiscal year increased by 844,881 thousand yen compared to the end of the previous fiscal year to 7,611,586 thousand yen, mainly due to an increase of 419,940 thousand yen in cash and deposits.

#### (Liabilities)

Total liabilities at the end of the second quarter of the current fiscal year increased by 341,044 thousand yen compared to the end of the previous fiscal year to 2,607,324 thousand yen, mainly due to an increase of 500,000 thousand yen in short-term borrowing.

#### (Net Assets)

Net assets at the end of the second quarter of the current fiscal year increased by 503,837 thousand yen compared to the end of the previous fiscal year to 5,004,261 thousand yen. This was mainly due to an increase of 483,794 thousand yen in retained earnings.

(3) Consolidated Financial Forecasts

There is no change to the full-year consolidated financial forecast for FY21 announced on January 24, 2022. The forecasts are based on information available at the time of preparation and actual results may differ from these forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	FY20 (As of Sep. 30, 2021)	2Q FY21 (As of Mar. 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	2,624,111	3,044,051
Accounts receivable - trade	882,846	1,075,467
Inventories	51,283	20,990
Other	203,441	203,742
Allowance for doubtful accounts	(1,994)	(1,560)
Total current assets	3,759,687	4,342,691
Non-current assets		
Property, plant and equipment		
Land	1,179,658	1,179,658
Other, net	700,019	1,050,614
Total property, plant and equipment	1,879,678	2,230,273
Intangible assets		
Leasehold interests in land	305,984	305,984
Goodwill	53,120	44,619
Software	92,624	102,478
Other	951	152
Total intangible assets	452,680	453,235
Investments and other assets	674,658	585,386
Total non-current assets	3,007,017	3,268,894
Total assets	6,766,705	7,611,586
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	114,029	95,208
Short-term borrowings	2,340	502,340
Accounts payable - other	399,621	556,767
Income taxes payable	758,874	571,376
Advances received	599,026	598,319
Provision for bonuses	—	6,000
Other	328,417	225,299
Total current liabilities	2,202,311	2,555,310
Non-current liabilities		
Asset retirement obligations	59,504	48,719
Other	4,465	3,295
Total non-current liabilities	63,969	52,014
Total liabilities	2,266,280	2,607,324
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	854,983	862,213
Retained earnings	3,313,927	3,797,722
Treasury shares	(472,612)	(458,734)
Total shareholders' equity	4,496,921	5,001,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,503	2,437
Total accumulated other comprehensive income	3,503	2,437
Total net assets	4,500,424	5,004,261
Total liabilities and net assets	6,766,705	7,611,586

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(For the six months ended March 31, 2022)

(Unit: thousand yen)

	2Q FY20 (Oct. 1, 2020- Mar. 31, 2021)	2Q FY21 (Oct. 1, 2021- Mar. 31, 2022)
Net sales	3,673,917	4,510,021
Cost of sales	847,996	1,012,065
Gross profit	2,825,920	3,497,956
Selling, general and administrative expenses	1,568,792	1,823,107
Operating profit	1,257,128	1,674,849
Non-operating income		
Interest income	255	17
Dividend income	71	78
Foreign exchange gains	213	455
Subsidies for employment adjustment	12,600	—
Subsidy income	3,216	—
Income from sales of goods	—	1,444
Other	768	1,679
Total non-operating income	17,125	3,675
Non-operating expenses		
Interest expenses	437	349
Loss on extinguishment of stock-based compensation expenses	—	19,393
Total non-operating expenses	437	19,742
Ordinary profit	1,273,816	1,658,782
Extraordinary losses		
Loss on valuation of investment securities	50,859	—
Impairment losses	12,199	—
Total extraordinary losses	63,059	—
Profit before income taxes	1,210,757	1,658,782
Income taxes	387,458	522,562
Profit	823,299	1,136,219
Profit attributable to owners of parent	823,299	1,136,219

(Quarterly Consolidated Statements of Comprehensive Income)

(For the three months ended March 31, 2022)

(Unit: thousand yen)

	2Q FY20 (Oct. 1,2020- Mar. 31, 2021)	2Q FY21 (Oct. 1,2021- Mar. 31, 2022)
Profit	823,299	1,136,219
Other comprehensive income		
Valuation difference on available-for-sale securities	2,619	(1,065)
Total other comprehensive income	2,619	(1,065)
Comprehensive income	825,919	1,135,154
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	825,919	1,135,154
Comprehensive income attributable to non-controlling interests	—	—



## (3) Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	2Q FY20 (Oct. 1, 2020- Mar. 31, 2021)	2Q FY21 (Oct. 1, 2021- Mar. 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,210,757	1,658,782
Depreciation	46,763	66,772
Amortization of goodwill	4,606	8,500
Share-based payment expenses	—	68,918
Impairment losses	12,199	—
Loss (gain) on valuation of investment securities	50,859	—
Increase (decrease) in allowance for doubtful accounts	1,058	(433)
Interest and dividend income	(326)	(95)
Foreign exchange losses (gains)	(213)	(455)
Decrease (increase) in trade receivables	(148,287)	(192,621)
Decrease (increase) in inventories	1,825	30,293
Increase (decrease) in trade payables	(10,009)	(18,821)
Other, net	(75,181)	(10,087)
<b>Subtotal</b>	<b>1,094,052</b>	<b>1,610,751</b>
Interest and dividends received	326	95
Interest paid	(437)	(349)
Income taxes paid	(20,188)	(717,967)
<b>Net cash provided by (used in) operating activities</b>	<b>1,073,752</b>	<b>892,530</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(30,056)	(4,553)
Purchase of property, plant and equipment	(438,598)	(320,290)
Purchase of intangible assets	(302,906)	—
Proceeds from sale of shares of subsidiaries and associates	22,768	—
Payments of leasehold and guarantee deposits	(21,789)	(8,407)
Proceeds from refund of leasehold and guarantee deposits	3,165	35,341
Other, net	7,308	(21,318)
<b>Net cash provided by (used in) investing activities</b>	<b>(760,109)</b>	<b>(319,228)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	700,000	500,000
Repayments of long-term borrowings	—	(1,170)
Purchase of treasury shares	(702)	(694)
Proceeds from disposal of treasury shares	937	472
Dividends paid	(387,152)	(652,425)
<b>Net cash provided by (used in) financing activities</b>	<b>313,081</b>	<b>(153,817)</b>
Effect of exchange rate change on cash and cash equivalents	213	455
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>626,937</b>	<b>419,940</b>
Cash and cash equivalents at beginning of period	2,219,868	2,624,111
<b>Cash and cash equivalents at end of period</b>	<b>2,846,806</b>	<b>3,044,051</b>

(4) Notes to Quarterly Consolidated Financial Statements

(Notes related to the Going Concern Assumption)

Not applicable

(Notes to Significant Change in the Amount of Shareholders' Equity)

Not applicable

(Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statement)

(Calculating Tax Expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year, including the first quarter under review, and multiplying quarterly income before income taxes by the effective tax rate.

(Changes in Accounting Principles)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) (hereinafter referred to as "Revenue Recognition Accounting Standards"), etc. from the beginning of the first quarter of FY21 and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. This has no impact on the quarterly consolidated financial statements.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) (hereinafter, "Fair Value Measurement Accounting Standards"), etc. from the beginning of the first quarter of FY21. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. at a future date. This has no impact on the quarterly consolidated financial statements.

(Additional Information)

In assessing the possibility of impairment of non-current assets and the recoverability of deferred tax assets, the Company has assumed that the impact of the COVID-19 pandemic in the Group's training business will continue for a certain period in FY21, but that demand will recover in the second half of FY21. However, results based on actual results in the future may differ from these estimates and assumptions.

(Segment Information)

This information is omitted because the Group operates in a single segment of the education service business.

(Significant subsequent events)

None