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## 3Q FY2021 Consolidated Financial Results [JGAAP]

July 25, 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: August 12, 2022

Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on quarterly results: Yes

Scheduled date of Quarterly Results Briefing Session: Not scheduled

(Amounts are rounded down to the nearest million yen)

### 1. 3Q FY21 Consolidated Financial Results (October 1, 2021 – June 30, 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	%
3Q FY21	6,872	24.0	2,437	40.7	2,414	37.9	1,653	43.9
3Q FY20	5,544	47.9	1,731	298.8	1,751	305.4	1,149	339.6

(Note) Comprehensive income: 3Q FY21 1,653 million yen (43.6%) 3Q FY20 1,151 million yen (347.2%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
3Q FY21	39.29	39.28
3Q FY20	27.40	27.38

(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	%
3Q FY21	7,540	5,543	73.5
FY20 (Full-year)	6,766	4,500	66.5

(Reference) Shareholders' equity: 3Q FY21 5,543 million yen FY20 4,500 million yen

### 2. Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	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	9,300	24.0	3,220	33.9	3,190	32.0	2,200	40.0	52.26

(Note) Revisions of the forecast of financial results from recently announced figures: Yes

\* Notes

(1) Significant changes in subsidiaries during 3Q 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 (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)" on page 7 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)	3Q FY21	42,621,500 shares	FY20	42,621,500 shares
(ii) Total number of treasury stocks at the end of the period	3Q FY21	523,345 shares	FY20	529,534 shares
(iii) Average number of shares during the period	3Q FY21	42,094,877 shares	3Q FY20	41,941,339 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.

## Table of Contents

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Overview of Business Results.....	2
(2) Overview of Financial Position.....	2
(3) Consolidated Financial Forecasts.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	5
Quarterly Consolidated Statements of Income	
Consolidated Period of 3Q.....	5
Quarterly Consolidated Statements of Comprehensive Income	
Consolidated Period of 3Q.....	6
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes related to the Going Concern Assumption).....	7
(Notes to Significant Changes in the Amount of Shareholders' Equity).....	7
(Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statement)	7
(Changes in Accounting Principles).....	7
(Additional Information) .....	7
(Segment Information) .....	7
(Significant Subsequent Events) .....	7

## 1. Qualitative Information on Quarterly Financial Results

### (1) Description of Business Results

Since many companies are making efforts to improve the productivity and re-skilling of their workforce, as well as the growing interest in human capital management which leads to upgrading the medium-and long-term corporate value, there is a solid need in the career training market. Although the market shrank temporarily due to the COVID-19 pandemic, the career training market has been recovering during the third cumulative period (October 1, 2021 to June 30, 2022) because of the spread of online training, as well as an increase in face-to-face training in the On-Site Training business following the decline in the number of infected people since April.

In response to this situation, we are not only strengthening non-face-to-face services such as online training, "Leaf" (LMS, HR support system (\*1)), e-Learning and videos, but also strengthening sales of face-to-face training and new training development.

The status of each business segment during the third quarter is as follows.

About On-Site Training business, face-to-face trainings increased for both private and public sectors, and DX trainings increased mainly for private sectors. As a result, the number of training conducted increased 21.1% YoY. Online training accounted for 30.1% of the total.

Regarding Open Seminars business, the total number of attendees increased 20.5% YoY due to the strong performance of DX trainings such as "Python Academy" and an increase in face-to-face trainings. The percentage of online training remained high at 75.3%.

About IT Services, the number of paid organizations of "Leaf" increased to 498 (+123, +32.8% YoY). The number of users exceeded 2.04 million as of June 30, 2022, and Leaf monthly subscription fees (MRR\*2) increased steadily, resulting in annual recurring revenue (ARR\*3) of 596 million yen (+ 28.0% YoY).

In Other Businesses, the Web marketing business contributed to sales and e-Learning/video contents related to DX and IT sold very well.

In addition to the overall increase in sales, operating profits increased as a result of the curbing of personnel expenses due to the lower number of consolidated employees than planned.

As a result of the above, for the consolidated cumulative third quarter of the current fiscal year, net sales are 6,872,875 thousand yen (+24% YoY), operating profit is 2,437,687 thousand yen (+40.7% YoY), ordinary profit is 2,414,428 thousand yen (+37.9% YoY), and profit attributable to owners of parent is 1,653,885 thousand yen (+43.9% 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 third quarter of FY21			(Unit: thousand yen)
Business	3Q FY21 (Oct. 1, 2021 - Jun. 30, 2022)	YoY (%)	3Q FY20 (Oct. 1, 2020 - June. 30, 2021)
On-Site Training	3,403,261	119.1	2,857,018
Open Seminars	1,594,854	117.0	1,362,641
IT Services	883,471	122.4	721,623
Other Businesses	991,287	164.4	602,999
Total	6,872,875	124.0	5,544,283

(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 third quarter of the current fiscal year increased by 773,798 thousand yen compared to the end of the previous fiscal year to 7,540,504 thousand yen, mainly due to an increase of 461,889 thousand yen in cash and deposits.

#### (Liabilities)

Total liabilities at the end of the third quarter of the current fiscal year increased by 269,482 thousand yen compared to the end of the previous fiscal year to 1,996,798 thousand yen, mainly due to a decrease of 361,801 thousand yen in accrued income tax.

Net assets at the end of the third quarter of the current fiscal year increased by 1,043,280 thousand yen compared to the end of the previous fiscal year to 5,543,705 thousand yen. This was mainly due to an increase of 1,001,460 thousand yen in retained earnings.

(3) Consolidated Financial Forecasts

The Company has revised upward its full-year consolidated business forecasts for FY21 in terms of sales and profit, which were previously announced. Details are as described in the "Notice: Revision of Consolidated Financial Forecasts for Full FY21" released today. The forecasts are based on currently available information, and actual results may differ from the 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)	3Q FY21 (As of June 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	2,624,111	3,086,001
Accounts receivable - trade	882,846	912,237
Inventories	51,283	27,212
Other	203,441	253,570
Allowance for doubtful accounts	(1,994)	(1,089)
Total current assets	3,759,687	4,277,932
Non-current assets		
Property, plant and equipment		
Land	1,179,658	1,179,658
Other, net	700,019	1,031,415
Total property, plant and equipment	1,879,678	2,211,074
Intangible assets		
Goodwill	53,120	40,369
Software	92,624	106,316
Leasehold interests in land	305,984	305,984
Other	951	346
Total intangible assets	452,680	453,016
Investments and other assets	674,658	598,480
Total non-current assets	3,007,017	3,262,571
Total assets	6,766,705	7,540,504
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	114,029	152,086
Short-term borrowings	2,340	2,340
Accounts payable - other	399,621	202,643
Income taxes payable	758,874	397,073
Advances received	599,026	769,631
Provision for bonuses for directors (and other officers)	—	18,702
Provision for bonuses	—	163,140
Other	328,417	247,168
Total current liabilities	2,202,311	1,952,786
Non-current liabilities		
Asset retirement obligations	59,504	41,302
Other	4,465	2,710
Total non-current liabilities	63,969	44,012
Total liabilities	2,266,280	1,996,798
<b>Net assets</b>		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	854,983	874,645
Retained earnings	3,313,927	4,315,388
Treasury shares	(472,612)	(449,751)
Total shareholders' equity	4,496,921	5,540,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,503	2,800
Total accumulated other comprehensive income	3,503	2,800
Total net assets	4,500,424	5,543,705
Total liabilities and net assets	6,766,705	7,540,504

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(For third quarter consolidated period ended June 30, 2022)

(Unit: thousand yen)

	3Q FY20 (Oct. 1,2020- Jun.30, 2021)	3Q FY21 (Oct. 1,2021- Jun. 30, 2022)
Net sales	5,544,283	6,872,875
Cost of sales	1,304,256	1,609,137
Gross profit	4,240,026	5,263,737
Selling, general and administrative expenses	2,508,038	2,826,049
Operating profit	1,731,988	2,437,687
Non-operating income		
Interest income	260	21
Dividend income	272	321
Foreign exchange gains	211	1,088
Subsidies for employment adjustment	12,600	240
Subsidy income	3,216	—
Income of sales of goods	—	1,444
Income from base station installation	1,105	1,557
Other	2,262	677
Total non-operating income	19,928	5,350
Non-operating expenses		
Interest expenses	631	504
Loss on extinguishment of stock-based compensation expenses	—	28,104
Total non-operating expenses	631	28,609
Ordinary profit	1,751,285	2,414,428
Extraordinary losses		
Loss on valuation of investment securities	50,859	—
Loss on retirement of non-current assets	383	—
Impairment losses	12,199	—
Total extraordinary losses	63,442	—
Profit before income taxes	1,687,843	2,414,428
Income taxes	538,723	760,543
Profit	1,149,120	1,653,885
Profit attributable to owners of parent	1,149,120	1,653,885

(Quarterly Consolidated Statements of Comprehensive Income)  
 (For third quarter consolidated period ended June 30, 2022)

(Unit: thousand yen)

	3Q FY20 (Oct. 1, 2020- Jun. 30, 2021)	3Q FY21 (Oct. 1, 2021- Jun. 30, 2022)
Profit	1,149,120	1,653,885
Other comprehensive income		
Valuation difference on available-for-sale securities	2,443	(702)
Total other comprehensive income	2,443	(702)
Comprehensive income	1,151,564	1,653,183
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,151,564	1,653,183
Comprehensive income attributable to non-controlling interests	—	—



(3) 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 third 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, although it is recovering. 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