

Consolidated Cumulative Financial Results for the 3Q of FY ending September 30, 2022

Monday, July 25, 2022

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(TSE: 6200)

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Chap. 01 3Q FY21 Cumulative Consolidated Financial Results

Chap. 02 3Q FY21 Details by Business

<Reference 1> Company Profile & Insource's Advantages

<Reference 2> ESG Strategies and Topics

■ Net sales

Sales increased by 24.0% YoY to 6,872 million yen (+1,328 million yen YoY).

On-Site Training business increased by 19.1% to 3,403 million yen.

Open Seminars business increased by 17.0% to 1,594 million yen.

IT Services business increased by 22.4% to 883 million yen.

Other Businesses increased by 64.4% to 991 million yen.

The sales of all businesses field increased, achieving the highest 3Q (cumulative) sales in the company's history.

■ Gross profit

Gross profit increased by 24.1% to 5,263 million yen (+ 1,023 million yen YoY), and gross profit margin improved by 0.1pt YoY to 76.6%, achieving record-high gross profit for 3Q (cumulative).

■ Operating profit

Operating profit increased by 40.7% to 2,437million yen (+705 million yen YoY), and operating profit margin improved by 4.2pt to 35.5% YoY, achieving the highest 3Q (cumulative) operating profit.

■ Consolidated FY21(full-year) financial forecasts

Net sales increased by 24.0% YoY to 9,300 million yen (+400 million yen, +4.5% from previous forecast)

Operating profit rose by 33.9% YoY to 3,220 million yen (+620 million yen, +23.8% from previous forecast)

Operating profit margin improved 2.6pt YoY to 34.6% (5.4pt up from previous forecast)

DPR (dividend payout ratio) target of about 40% according to business performance is unchanged.

Chap. 01 3Q FY21 Cumulative Consolidated Financial Results

Consolidated Profit & Loss Statement ① Overview

Unit: million yen

	1-3Q FY19 (Actual)	1-3Q FY20 (Actual)	1-3Q FY21 (Actual)	YoY	FY21 (Forecast)	Progress rate
Net sales (YoY)	3,749 (▲237)	5,544 (+1,794)	6,872 (+1,328)	+24.0%	Updated +400 9,300 (+1,798)	73.9%
Gross profit (YoY) (Gross profit margin)	2,617 (▲175) (69.8%)	4,240 (+1,622) (76.5%)	5,263 (+1,023) (76.6%)	+24.1% (+0.1pt)	Updated +380 7,160 (+1,438) (77.0%)	73.5%
Operating profit (YoY) (Operating profit margin)	434 (▲510) (11.6%)	1,731 (+1,297) (31.2%)	2,437 (+705) (35.5%)	+40.7% (+4.2pt)	Updated +620 3,220 (+815) (34.6%)	75.7%
Ordinary profit (YoY) (Ordinary profit margin)	431 (▲508) (11.5%)	1,751 (+1,319) (31.6%)	2,414 (+663) (35.1%)	+37.9% (+3.5pt)	Updated +590 3,190 (+773) (34.3%)	75.7%
Net Profit (YoY) (Net profit margin)	261 (▲359) (7.0%)	1,149 (+887) (20.7%)	1,653 (+504) (24.1%)	+43.9% (+3.3pt)	Updated +430 2,200 (+628) (23.7%)	75.2%

Consolidated Profit & Loss Statement ② By Business

Unit: million yen

		1-3Q FY20 (Actual)	1-3Q FY21 (Actual)	YoY	FY21 (Target)	Progress rate
On-Site Training	Net Sales (YoY)	2,857 (+875)	3,403 (+546)	+19.1%	Updated +150 4,550 (+752)	74.8%
	Composition ratio 3Q FY21: 49.5% (3Q FY20: 51.5%)	Gross profit (Gross profit margin)	2,228 (78.0%)	2,695 (79.2%)	+21.0% (+1.2pt)	Updated +180 3,590 (+626) (78.9%)
Open Seminars	Net Sales (YoY)	1,362 (+397)	1,594 (+232)	+17.0%	Updated +10 2,140 (+312)	74.5%
	Composition ratio 3Q FY21: 23.2% (3Q FY20: 24.6%)	Gross Profit (Gross profit margin)	1,027 (75.4%)	1,222 (76.6%)	+19.0% (+1.2pt)	Updated +60 1,640 (+267) (76.6%)
IT Services	Net Sales (YoY)	721 (+288)	883 (+161)	+22.4%	Updated ▲20 1,260 (+237)	70.1%
	Composition ratio 3Q FY21: 12.9% (3Q FY20: 13.0%)	Gross Profit (Gross profit margin)	543 (75.3%)	689 (78.0%)	+26.9% (+2.7pt)	Updated ▲10 1,010 (80.2%)
Other Businesses	Net Sales (YoY)	602 (+233)	991 (+388)	+64.4%	Updated +260 1,350 (+496)	73.4%
	Composition ratio 3Q FY21: 14.4% (3Q FY20: 10.9%)	Gross Profit (Gross profit margin)	440 (73.0%)	656 (66.2%)	+49.0% (▲6.8pt)	Updated +150 920 (68.1%)

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

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

■ Personnel expenses increased by 278 million yen (+14.0% YoY) due to the personnel increase and the RS implementation.

■ Office-related expenses decreased by 37 million yen (-23.3% YoY) due to the lower ground rent after purchasing the company's own building.

■ Other expenses increased by 83 million yen (+35.6% YoY) due to the increase in business tax.

Unit: million yen

Breakdown of SG&A	1-3Q FY19	1-3Q FY20	1-3Q FY21	YoY		FY21
	(Actual)	(Actual)	(Actual)			(Forecast)
Personnel expenses※1	1,703	1,991	2,269	+278	+14.0%	3,129 (+514)
Of which, RS※2	0	31	90	+59	+194.1%	122 (+62)
Office-related expenses ※3	127	159	122	▲37	▲23.3%	162 (▲35)
Office & communication expenses	122	121	114	▲6	▲5.3%	179 (+31)
Others	230	235	318	+83	+35.6%	470 (+115)
Total SG&A	2,183	2,508	2,826	+318	+12.7%	3,940 (+623)
(SG&A ratio)	(58.2%)	(45.2%)	(41.1%)	(▲4.1pt)	-	(42.1%)

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

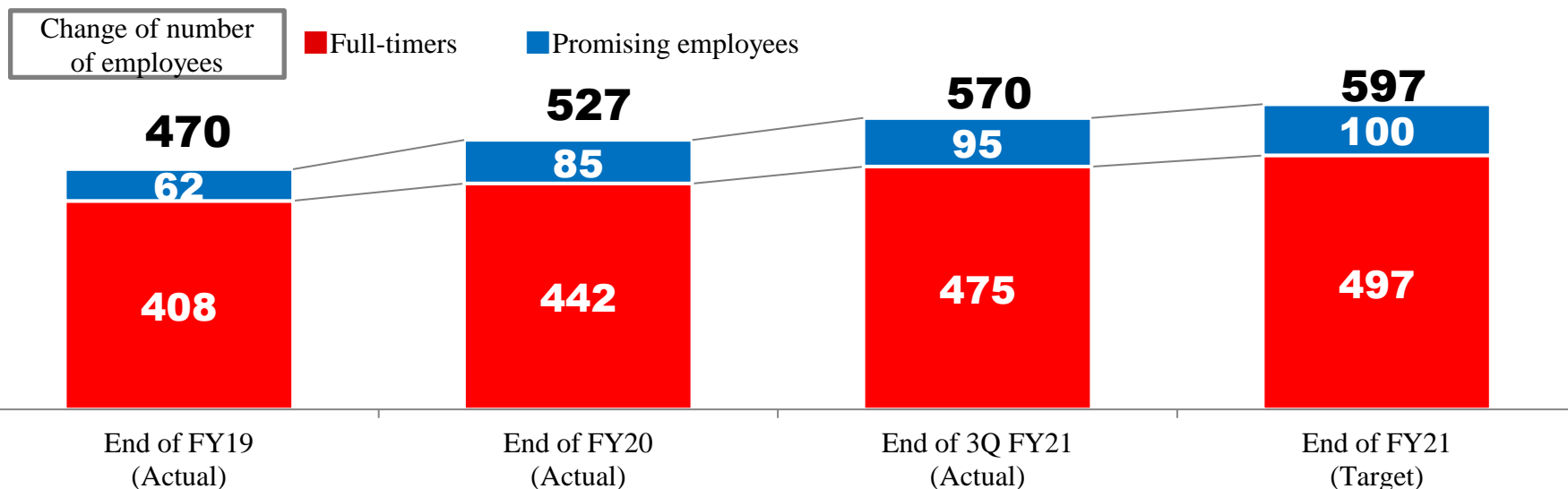
※2 Restricted stock.

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

Number of Employees


- As of the end of 3Q FY21, 43 new employees joined the company from the end of FY20. We are actively recruiting to increase the number of new employees by 70 for the end of FY21.
- BAS Corporation became a wholly owned subsidiary on June 1, 2022, and 18 employees joined the group newly.

	FY19 (Actual)	FY20 (Actual)	End of 3Q FY21 (Actual) (vs end of FY20)	End of FY21 (Target) (YoY)	Remaining no. of people against FY21 target
<u>Total number of employees</u>	470	527	570 (+43)	597 (+70)	27
<u>Promising employees</u> ※	62	85	95	100 (+15)	5



※Promising employees refers to personnel who have joined the company within one year after graduation and within six months after mid-career hiring. In particular, those new graduates are being trained as new core personnel skilled in both DX and sales activities.

■ Company Information

Name : BAS Corporation 

Business sites : Chuo-ku, Tokyo , Osaka-shi

Business Description : Call center service, setup service, IT support service

Number of employees : 18

■ Acquire talented employees and add value to Insource Group

- BAS Corporation has accumulated deep knowledge and extensive experience in technical support, including system operation management, help desk operations, and hardware system support business.
- Insource is facing the shortage of personnel due to the expansion of business, especially online seminars supporting and help desk technicians for “Leaf” (LMS/ HR support system) are needed.
- We will increase our personnel by making BAS Corporation a wholly owned subsidiary and expand our business performance through business expansion and quality improvement.

Consolidated Balance Sheets

- Current assets increased due to an increase in cash and deposits. Fixed assets increased due to the acquisition of the company-owned building.
- Decrease in current liabilities was due to decrease in income taxes payable despite increase in advances received.
- Net assets increased due to profit recognition.

Unit: million yen

	End of FY19 (Actual)	End of FY20 (Actual)	FY21 as of June 30 (Actual)	End of 3Q FY21 vs end of FY20	
Current assets	3,025	3,759	4,277	+518	+13.8%
Of which, cash and deposits	2,219	2,624	3,086	+461	+17.6%
Fixed assets	1,319	3,007	3,262	+255	+8.5%
Total assets	4,344	6,766	7,540	+773	+11.4%
Current liabilities	1,379	2,202	1,952	▲249	▲11.3%
Out of which, Advances received ※	595	599	769	+170	+28.5%
Fixed liabilities	81	63	44	▲19	▲31.2%
Net assets	2,883	4,500	5,543	+1,043	+23.2%
Total liabilities And net assets	4,344	6,766	7,540	+773	+11.4%

※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 WEBinsource new clients and new contents has made good growth.
- The number of web-session has decreased due to the changes in the way Google shows the data.
- In addition, the number of inquiries for business negotiation requests was +13% YoY in 3Q and +4% YoY in 3Q (cumulative).

	FY20 (Actual)	1H FY21 (Actual)	3Q FY21 (Actual)	3Q FY21 (Progress rate)	FY21 (Target)
No. of new contracts of WEBinsource (organizations) (Cumulative no.)	2,306 (15,798)	1,423 (17,221)	750 (17,971)	2,173 (progress rate:90.5%)	2,400 (18,198)
No. of new contents for On-Site Training (Cumulative no.)	321 (3,461)	162 (3,623)	96 (3,719)	258 (progress rate:86.0%)	300 (3,761)
No. of new contents for Open Seminars (Cumulative no.)	437 (3,296)	199 (3,495)	62 (3,557)	261 (progress rate:87.0%)	300 (3,596)
No. of new contents for e-Learning/ video ※1 (Cumulative no.)	248 (334)	114 (448)	48 (496)	162 (progress rate:77.1%)	210 (544)
No. of core solution plans ※2 (Cumulative no.)	60 (231)	19 (250)	8 (258)	27 (progress rate:77.1%)	35 (266)
No. of web-sessions (Unit: thou. times)	2,010	865	462	1,327 (progress rate:61.7%)	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 the various issues (issues by type, by industry, by job title, etc.) of each organization at the same time. (known as a package plan, formerly)

New Services

Open Seminars

3-Hour Webinar Series “ENERGY SESSION”

Target: Enterprises

Price: from ¥21,300 (tax included)

Features: 3-hour online-only webinar for busy people who want to deepen their learning.

Themes: How to create PowerPoint documents, Marketing, Behavioral Economics, Nudge Theory, etc.



E-Learning/Video production

Video contents for the 2022 legal revision

Target: All client segments

Price: Outright purchase from 198,000 yen (Tax included)

Rental from 1,870 yen (Tax included)

Themes: The Act on Promotion of Women’s Participation and Advancement in the Workplace,

The Personal Information Protection Law, Act for Eliminating Discrimination against Persons with Disabilities,

Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers



Web marketing business

Website production service “Recruitment Accelerator”

Target: Medium and SMB Businesses

Price: Web production 220,000 yen (including tax) + 9,800 yen (including tax) per month for maintenance and revision

Features: Achieve more job applicants at a lower price by utilizing high-quality Web sites and Indeed ads, etc.



Chap. 02 3Q FY21 Details by Business

3Q FY21 Consolidated Financial Results (Apr.-Jun., 2022)

- Net sales was 2,362 million yen (YoY: +26.3%, QoQ: +2%), with quarterly sales reaching a record high. On-Site Training and Open Seminars have been strong due to growing needs for DX training as well as recovery of face-to-face training.
- Operating profit was 762 million yen (+60.6% YoY, -15.2% QoQ), operating profit margin was 32.3% (+6.9 pt YoY, -6.5 pt QoQ), both increased in terms of YoY. On the other hand, in terms of QoQ, both decreased due to seasonality in the highly profitable IT Services business and sales of e-Learning/videos on outright purchase, as well as an increase in personnel expenses as a result of an increased number of employees.
- Sales by client segment were as follows: Large Enterprise (+18.2% YoY, -11.9% QoQ), Medium Business (+41.7% YoY, +14.3% QoQ), and SMB (Small Medium Business) (+31.0% YoY, +17.6% QoQ). Sales in the Medium and SMB Businesses expanded significantly because of the slowdown in the COVID-19 infection.

3Q FY21 Details by business (Apr.-Jun., 2022)

- **On-Site Training business** (Sales: 1,280 mil. yen, +261 mil. yen (+14.0%) YoY, +405 mil. yen QoQ)
Face-to-face training has recovered in both the private and public sectors, with a particularly large increase in highly profitable DX training. As a result, both sales and gross profit has expanded in terms of both YoY and QoQ.
- **Open Seminars business** (Sales: 610 mil. yen, +98 mil. yen (+19.1%), +133 mil. yen QoQ)
Total number of attendees has increased as a result of recovery in face-to-face training and strong performance in DX-related training. Therefore, both sales and gross profit has grown in terms of both YoY and QoQ.
- **IT Services business** (Sales: 196 mil. yen, +24 mil. yen (+14.0%) YoY, -287 mil. yen QoQ)
The number of Leaf users has reached 2.04 mil. people, and 3Q Leaf monthly subscription fees has increased 24 mil. yen (+31.8%) YoY. Also, annual recurring revenue (ARR) has increased by 28.0% YoY to 596 mil. yen. On the other hand, sales declined significantly in terms of QoQ due to seasonal factors, with Leaf customization sales concentrated in 2Q and 4Q, and sales of stress check support service concentrated in 2Q.
- **Other Businesses** (Sales: 275 mil. yen, +108 mil. yen (+64.8%) YoY, -206 mil. yen QoQ)
The grouping of Insource Marketing Design Corporation (Web marketing business) in July, 2021, and BAS Corporation (Other Businesses) in June, 2022 has resulted in YoY increases in net sales and gross profit, but there was a decline of 17.6 point YoY in gross profit margin due to different business structures. In addition, sales of highly profitable e-Learning/videos are usually concentrated in 2Q and 4Q due to seasonal factors, having resulted in lower sales and gross profit margin in terms of QoQ.

Consolidated Profit & Loss Statement Overview

Unit: million yen

	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY	
Net Sales (QoQ)	1,870 (+10)	1,956 (+86)	2,192 (+235)	2,317 (+124)	2,362 (+45)	+492	+26.3%
Gross Profit (QoQ)	1,414 (▲21)	1,481 (+67)	1,678 (+197)	1,819 (+140)	1,765 (▲53)	+351	+24.9%
(Gross profit margin)	(75.6%)	(75.7%)	(76.6%)	(78.5%)	(74.7%)	(▲0.9pt)	
Operating profit (QoQ)	474 (▲135)	672 (+197)	775 (+103)	899 (+123)	762 (▲136)	+287	+60.6%
(Operating profit margin)	(25.4%)	(34.4%)	(35.4%)	(38.8%)	(32.3%)	(+6.9pt)	
Ordinary profit (QoQ)	477 (▲136)	665 (+187)	765 (+100)	893 (+127)	755 (▲137)	+278	+58.3%
Net profit (QoQ)	325 (▲44)	422 (+96)	522 (+100)	613 (+90)	517 (▲95)	+191	+58.9%

On-Site Training Business

- Quarterly sales reached a record high due to an increase in face-to-face training sessions for both private and public sectors.
- Despite a decrease in online training fees caused by a decline in the online ratio, gross profit margin was maintained due to an increase in high-unit-price trainings for private sectors and DX trainings as well as curbs on content creation costs. Gross profit for the quarter reached a record high.

Unit: million yen

	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY	
Net Sales (QoQ)	1,018 (+245)	940 (▲77)	1,248 (+308)	874 (▲374)	1,280 (+405)	+261	+25.7%
Gross profit (QoQ) (Gross profit margin)	798 (+190) (78.4%)	734 (▲63) (78.1%)	990 (+255) (79.3%)	698 (▲291) (79.9%)	1,006 (+307) (78.6%)	+207 (+0.2pt)	+26.0%
No. of trainings conducted (times) (QoQ)	3,811 (+1,198)	3,525 (▲286)	4,807 (+1,282)	2,984 (▲1,823)	4,617 (+1,633)	+806	+21.1%
Among above, no. of online training (composition ratio)	1,757 (46.1%)	2,036 (57.8%)	2,321 (48.3%)	1,798 (60.3%)	1,390 (30.1%)	▲367	▲20.9%
Average unit price (unit:thou.yen) (QoQ)	267.1 (▲28.4)	266.8 (▲0.3)	259.8 (▲7.1)	293.1 (+33.3)	277.2 (▲15.8)	+10.0	+3.8%

Open Seminars Business

Total number of attendees increased due to an increase in the number of attendees for face-to-face training and strong performance of DX training such as Python Academy.

Gross profit margin increased 1.5pt YoY due to an increase in total number of attendees and a reduction in the number of seminar rooms. Quarterly sales and gross profit has reached record highs.

Unit: million yen

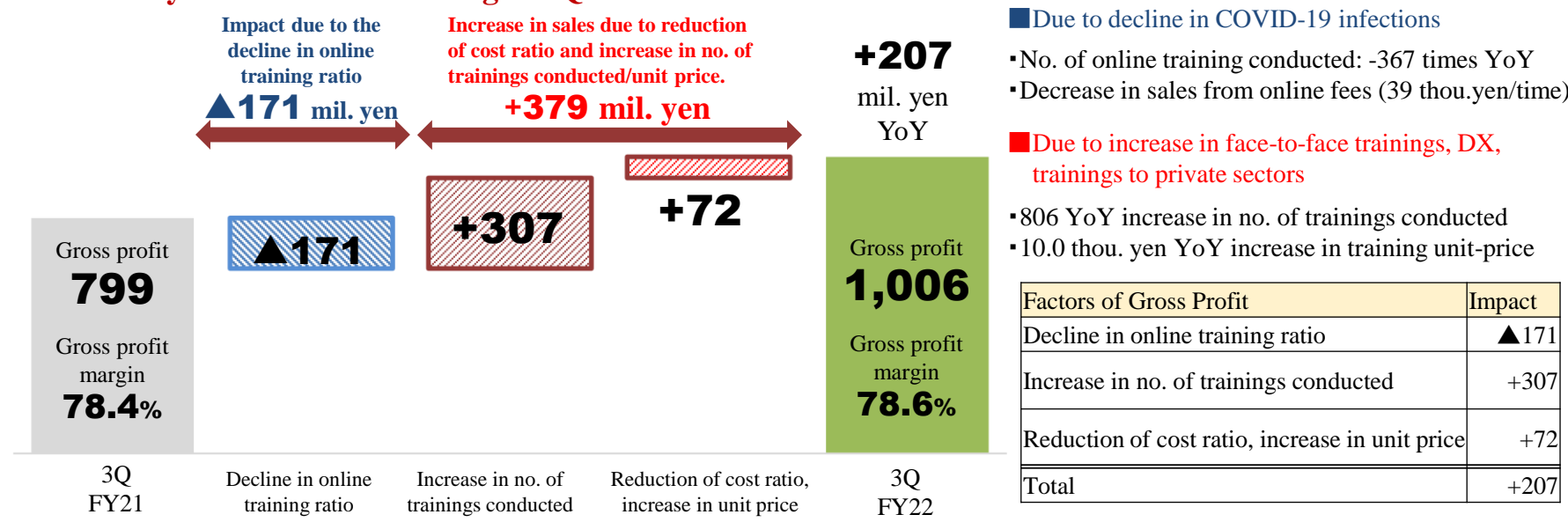
	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY	
Net Sales (QoQ)	512 (+109)	464 (▲48)	507 (+42)	476 (▲30)	610 (+133)	+98	+19.1%
Gross profit (QoQ) (Gross profit margin)	385 (+83) (75.2%)	345 (▲40) (74.3%)	391 (+46) (77.3%)	362 (▲29) (76.0%)	468 (+105) (76.7%)	+82 (+1.5pt)	+21.4%
No. of attendees (QoQ)	22,041 (+3,591)	21,846 (▲195)	24,440 (+2,594)	22,205 (▲2,235)	26,568 (+4,363)	+4,527	+20.5%
Among above, no. of online training (composition ratio)	16,798 (76.2%)	18,870 (86.4%)	21,121 (86.4%)	20,047 (90.3%)	20,006 (75.3%)	+3,208	+19.1%
No. of attendees per seminar (QoQ)	13.4 (▲0.7)	12.2 (▲1.1)	12.8 (+0.5)	12.5 (▲0.2)	12.6 (+0.1)	▲0.8	▲5.9%
Average unit price per seminar (unit: thou.yen) (QoQ)	23.2 (+1.4)	21.2 (▲1.9)	20.7 (▲0.5)	21.4 (+0.7)	22.9 (+1.5)	▲0.2	▲1.2%

On-Site Training

Increased number of trainings conducted and higher unit price for training exceeded the impact of the lower ratio of online training.

Unit: million yen

Sales Analysis of On-Site Training in 3Q



Open Seminars

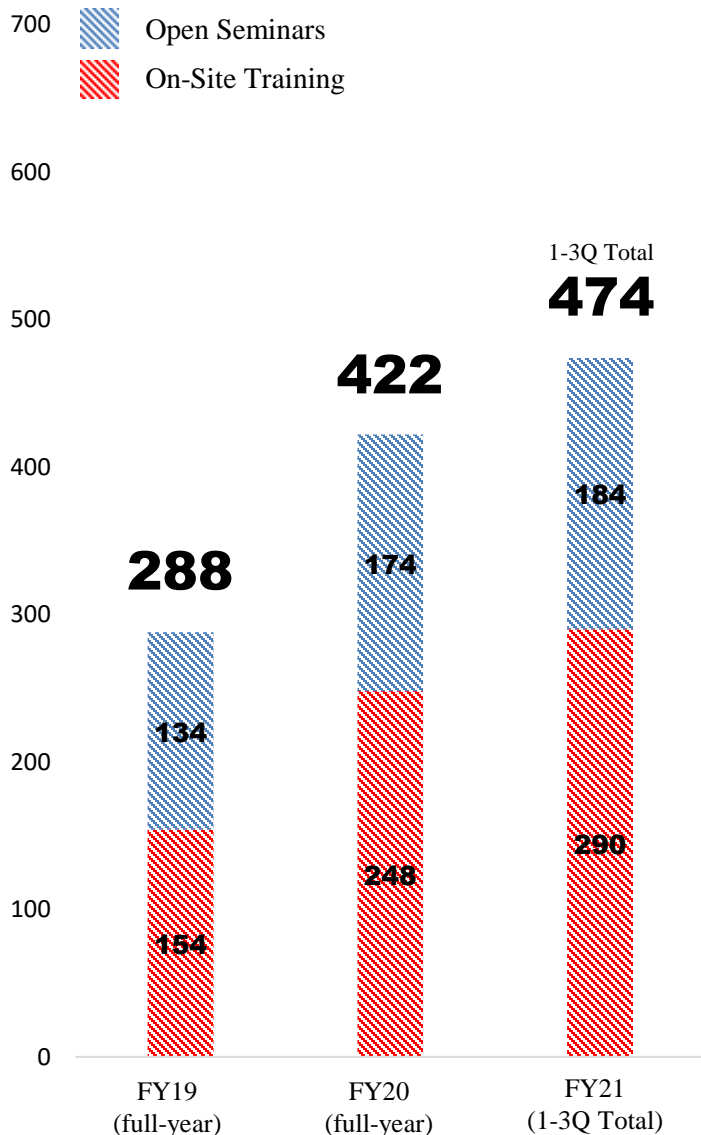
Decrease in COVID-19 infection did not reduce the online training ratio, and the number of attendees increased. All sales, profit margin and profit amount increased.

Open Seminars	FY20 (full-year)	FY21 1Q	FY21 2Q	FY21 3Q
No. of attendees (people)	84,448	24,440	22,205	26,568
YoY	+26,116	+2,329	+3,755	+4,527
Of which, those took online training (people)	65,010	21,121	20,047	20,006
YoY	+49,473	+6,721	+5,096	+3,208
Online ratio	77.0%	86.4%	90.3%	75.3%
Average unit price (thou. yen)	21.6	20.7	21.4	22.9

Changes in DX Training

DX-related Sales

Unit: million yen



DX related sales were +62.1% YoY in total for 3Q FY21

- On-Site Training: Increase in large-scale projects, mainly in the private sector
- Open Seminars: No. of attendees increased, mainly those who took Python Academy
- In 4Q FY21, large projects are being implemented full-scale

Changes in DX-related training

	FY19 Full-year	FY20 Full-year	FY21 1-3Q Total
Net Sales (mil. yen)	288	422	474
	YoY ▲7.0%	+46.5%	+62.1%
On-Site Training	154	248	290
	YoY +4.7%	+61.2%	+62.8%
Open Seminars	134	174	184
	YoY ▲17.5%	+29.9%	+61.0%
No. of On-Site Training conducted (times)*	411	621	674
No. of attendees in Open Seminars (people)	5,033	7,443	8,394

New contents developed during 3Q

- June New content for Python Academy was developed, its “course map (series)” was expanded - both the experienced and inexperienced in programming can attend
- May New training for Microsoft 365[®] was developed - Introduction training in order to realize DX
- April “Data Analysis and Policy Making Training” for public sectors and local governments - Started based on the needs of government officials

*The number of On-Site Training conducted differs from the figures announced in the "KPI (performance indicator) Progress" disclosed on the first business day of each month due to a change in the counting method. The next disclosure for July (scheduled for August 1, 2022) will be based on the new method of calculation. The figures for Open Seminars will remain unchanged.

*Microsoft365 is a trademark or registered trademark of Microsoft Corporation in the United States and other countries.

■ With 498 paid organizations and 2.04 million users utilizing Leaf, monthly recurring revenue (MRR*1) increased to 49 million yen and annual recurring revenue (ARR*2) increased to 596 million yen (+28.0% YoY). Gross profit margin improved by 10.9pt YoY due to more efficient server operations.

Unit: million yen

	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY	
Net Sales (QoQ) <Breakdown>	172 (▲226)	301 (+128)	203 (▲97)	483 (+280)	196 (▲287)	+24	+14.0%
Leaf Monthly Subscription (QoQ)	111 (+8)	128 (+17)	137 (+9)	141 (+3)	145 (+3)	+34	+30.7%
Sales per month*3	38	43	46	47	49	+10	+28.0%
Average unit price /Organization (unit: thou. yen)	102.0	104.6	107.9	104.0	98.8	▲3.2	▲3.2%
Leaf Customization	59	153	34	235	48	▲11	▲19.4%
Stress check	1	18	31	106	3	+1	+92.3%
Gross Profit *4 (QoQ) (Gross profit margin)	106 (▲220) (61.8%)	246 (+140) (81.9%)	147 (▲99) (72.3%)	399 (+251) (82.6%)	142 (▲256) (72.7%)	+36 (+10.9pt)	+34.1%

※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.

※5 Recalculated and changed the breakdown of Leaf 's sales per month and customization sales for 1Q FY21

Monthly Subscription Model (Unit: organization)	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY
Leaf paid subscribers	375	412	432	470	498	+123 +32.8%
(QoQ)	(+42)	(+37)	(+20)	(+38)	(+28)	
Leaf Users (Unit: thou. people)	1,614	1,756	1,848	1,932	2,040	+425 +26.4%
(QoQ)	(+115)	(+141)	(+92)	(+84)	(+107)	
On-the-web appraisal form services	116	128	134	151	155	+39 +33.6%
(QoQ)	(+8)	(+12)	(+6)	(+17)	(+4)	
Services based on Individual Contract	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY
Leaf No. of Customization (QoQ)	19	58	17	75	18	▲1 ▲5.3%
	(▲31)	(+39)	(▲41)	(+58)	(▲57)	
No. of Stress Check Support Service (QoQ)	13	43	102	277	18	+5 +38.5%
	(▲218)	(+31)	(+59)	(+176)	(▲259)	

■ "Leaf" (HR Support System) evolves to meet the demands of the times

- Leaf has grown significantly as an LMS that meets the needs of video education under the COVID-19 pandemic. No. of users exceeded 2 million.

■ Next step of Leaf - Help clients strengthen human capital disclosures

- It is necessary to disclose human investment to sustainably increase corporate value.
- However, human capital disclosure requires a great deal of effort to collect, organize, and manage dispersed data. Examples of disclosure items: training participation rate, training hours, employee engagement, recruitment costs, etc.



▶ Launch of "Leaf Human Capital Management" for HR, management and IR departments – Scheduled for fall 2022

Solve Issues of Human Capital Disclosure

1. Integrate various information
2. Easily calculate training hours
3. Visualize information in one list
4. Set up original human capital management items
5. Customize to meet any need

■ Leaf Human Capital Management - Sales expected to increase by 500 mil. yen in 3 years

Propose "Leaf Human Capital Management" to 300 large companies using Leaf, aiming 100 companies in 3 years.
- Forecasts 100 mil. yen in annual usage fees (1 million yen/company) and 400 mil. yen in annual customized sales (10 mil. yen/company) after 3 years.

■ Tools to support human investment, disclosures and improve HR operations are scheduled to be released from fall 2022

▶ **"Leaf MY STORY"** -Revitalize Internal Communication
- Scheduled for winter 2022

- A communication tool for employees or HR departments to enhance human investment and disclosure
- Registration of employee's basic information including qualification, career history, etc.
- Assistance in career development, communication with supervisors

▶ **"Leaf Management"** -Information Sharing for HR Dept.
- Scheduled for winter 2022

- An improvement tool to standardize HR department operations through information sharing

Development Plans for the Leaf Series - Full Support for HR Operations



	Leaf LMS/HR Support System	NEW Leaf MY STORY	NEW Leaf Management	NEW Leaf Human Capital Management
	<p>Leaf LMS/HR Support System</p> <p>LMS with unlimited video streaming and training management system</p>	<p>A tool to revitalize communication</p>	<p>A tool for improvement of HR operation</p>	<p>A tool for human capital management</p>
Current situation	498 organizations and 2.04 million people are utilizing Leaf	Scheduled for winter 2022	Scheduled for winter 2022	Scheduled for autumn 2022
Target clients	For large enterprises	For all organizations	For all organizations	For 3800 listed companies
Features	<ul style="list-style-type: none"> • e-Learning • Training management • HR evaluation • Assignments, questionnaire • Employees management • Stress check <p>Optional functions: more than 30 choices</p> <ul style="list-style-type: none"> • Multi-languages • Link with other company's system 	<ul style="list-style-type: none"> • Basic information • Reminder, notice • Public profile • Employees data search • Notification • Daily Report • Bookmarks • To-Do task (reminder) • Preparation of interview • Reporting to HR 	<ul style="list-style-type: none"> • Employees management • Record of Interactions • Tasks with due dates • To-Do task • Notification • Announcements • Personnel affairs (attendance, payroll, insurance, etc.) • Leaf Information Linkage 	<ul style="list-style-type: none"> • Human capital data management • Data input, output, processing • Linkage with Leaf's training information (number of trainees, hours, etc.) • Support for disclosure of non-financial information
	<p>Leaf Lightning</p> <p>All-in-one LMS Ready to use</p> <p>For Medium/Small-Medium Businesses</p> <ul style="list-style-type: none"> • e-Learning • Training management 	<p>Leaf Eva</p> <p>Make HR evaluation much easier</p> <p>For Medium/Small-Medium Businesses</p> <ul style="list-style-type: none"> • HR evaluation 		



Other Businesses

- Web marketing business contributed to sales, and net sales increased by 64.8% YoY.
- Highly profitable e-Learning/video sales decreased significantly from 2Q due to a huge demand drop, a seasonality, although sales increased by 25.9% YoY .

Unit: million yen

	3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	YoY	
Net Sales (QoQ)	167 (▲117)	250 (+83)	233 (▲17)	482 (+249)	275 (▲206)	+108	+64.8%
<Breakdown>							
e-Learning/ Video Production (QoQ)	109 (▲85)	115 (+6)	108 (▲6)	311 (+203)	138 (▲173)	+28	+25.9%
Consulting/Online seminar support service/ Assessment service (QoQ)	46 (▲30)	79 (+33)	57 (▲21)	74 (+16)	57 (▲16)	+11	+25.7%
Web marketing (QoQ)	- -	40 (+40)	54 (+13)	49 (▲4)	49 (▲2)	-	-
Gross Profit※ (QoQ)	123 (▲74)	154 (+31)	149 (▲5)	358 (+209)	148 (▲210)	+24	+20.0%
(Gross profit margin)	(73.9%)	(61.9%)	(64.0%)	(74.3%)	(53.8%)	(▲20.1pt)	

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

※ Since the announcement of the full-year financial results for FY20, due to the reclassification of segments, a portion of sales has been transferred from e-Learning and Video production to consulting, seminar support service, assessment services. Changes were made to the past data retroactively.

Other Businesses KPIs

Unit of Net Sales : million yen		3Q FY20 (Actual)	4Q (Actual)	1Q FY21 (Actual)	2Q (Actual)	3Q FY21 (Actual)	YoY	
<e-Learning/Videos>								
Outright Purchase	Net Sales	49	58	53	176	89	+40	+82.4%
	No. of Videos	419	288	271	869	385	▲34	▲8.1%
Rental	Net Sales	2	3	6	10	4	+2	+134.9%
	No. of Viewers	1,735	1,507	4,138	3,763	3,584	+1,849	+106.6%
Monthly Subscription (STUDIO)	Net Sales	48	40	43	29	45	▲2	▲6.0%
	No. of User IDs (Unit : thou. IDs)	51	54	58	61	66	+15	+30.6%
Video Production Solution	Net Sales	10	12	5	18	11	+1	+19.8%
	No. of Contents	35	23	36	66	21	▲14	▲40.0%
Consulting/ Assessment Service	Net Sales	21	34	31	37	20	▲1	▲5.0%
	No. of Organizations	55	71	76	71	54	▲1	▲1.8%
Online Seminar Support Service	Net Sales	24	45	26	36	37	+12	+53.0%
	No. of Organizations	36	48	68	68	45	+9	+25.0%

■ Highlights of the report

- It describes the company's strengths on building its business model, the expansion of sales, and cost reduction
- In-house designers explain each part by illustration and Q&A in an easy-to-understand manner



1. Jap. Released in May, 2022

<https://www.insource.co.jp/resource/pdf/ir/integratedreport2021.pdf>

2. Eng. Released in July, 2022

https://www.insource.co.jp/resource/pdf/ir/integratedreport2021_eng.pdf

■ Main Contents

1. Message from CEO -To All Stakeholders

- The company's growth and strengths ▪ Performances, medium and long terms goals

2. Insource Value Creation -How Have We Grown?

- The company's history and value creation process
- The current business structure and service features

3. Toward Sustainable Growth -How to Keep the Growth

- The management policy, three-year business plan, and sales strategy for sustainable growth
- The management bases ▪ ESG initiatives

4. Current Business Activities

- KPI information ▪ Current issues and recent topics

Business Model that Supports Our Value Creation



<Reference 1> Company Profile & Insource's Advantages

Company Profile

- Company name Insource Co., Ltd. (Code number: 6200)
- Tokyo Headquarters Insource Dokanyama Bldg. 4-19-12 Nishi Nippori, Arakawa-ku, Tokyo
- Capital 800,623 thousand yen
- Foundation Nov. 2002
- Representative Director Representative Director, President and CEO Takayuki Funahashi
Joined Sanwa Bank (now Mitsubishi UFJ Bank) in 1988. Had been in charge of the systems development department (management accounting, sales, marketing) and the personal finance department (new product development). After working in a distribution industry, established Insource Co., Ltd. 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

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

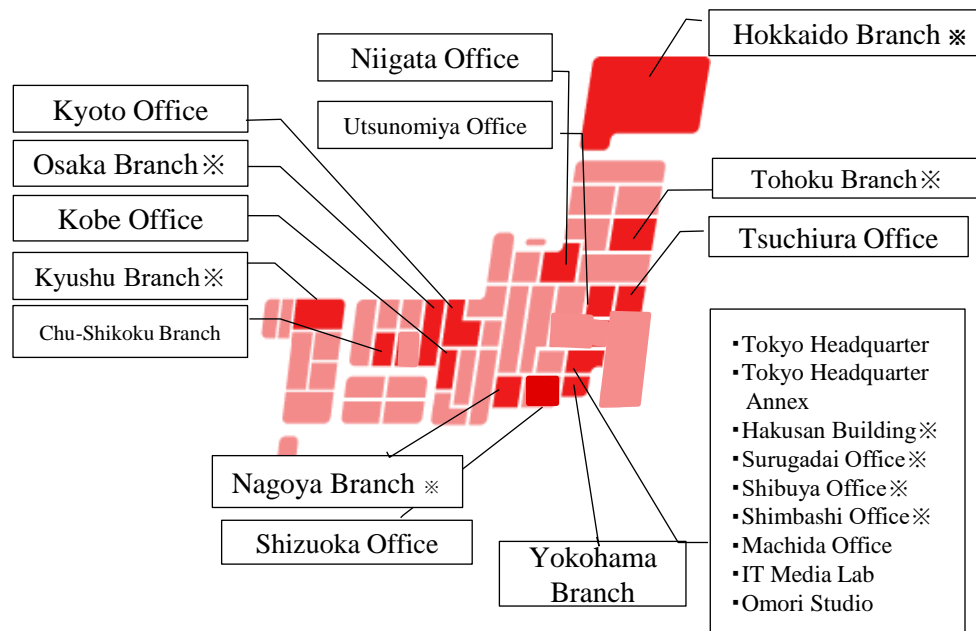
BAS Corporation

- Call center service, setup service, IT support service

Business Locations: 22

※ As of the end of June, 2022

※ Branches with Seminar Rooms.



Seminar Rooms: 34 Classrooms in 7 Cities

Online Training Booths: 107 Booths

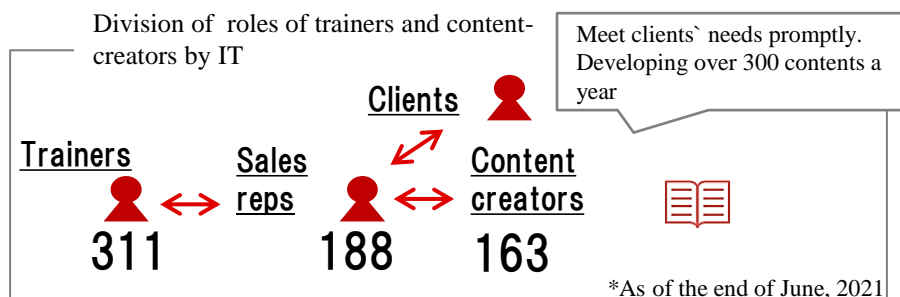
- High quality trainings make it possible to practice what you learned the next day.
- Digitalization of the training management allows us to provide more trainings with better contents.
- High level of customer satisfaction with:

Contents	95.6%	/	Trainers	93.6%
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*As of the end of June, 2022

On-Site Training (3Q Sales ratio: 49.5%, FY20: 50.6%)

Offer On-Site Trainings tailored to organizations' needs



Annual total number of trainings conducted/attendees

15,933 times **456** thou. attendees

Out of the total number of trainings conducted online:

7,545 times **213** thou. attendees

*Jul, 2021-June, 2022



Open Seminars (3Q Sales ratio: 23.2%, FY20: 24.4%)

Offer Open Seminars that from one person can attend

- Seminars are held online frequently and nationwide
- Held both onsite (in 7 cities) and online
- 95,059 attendees annually (No. of online attendees in 3Q: 75.3%)
- More than 3,000 types of courses, including those offered by business partners, have been provided and new courses will be introduced timely
- 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

7,574 times **95** thou. people

Among them, the total number of trainings conducted online:

4,835 times **80** thou. people

*Jul, 2021-June, 2022



IT Services (3Q Sales ratio: 12.9%, 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 (3Q Sales ratio: 14.1%, FY20: 9.2%)

- e-Learning/Video sales and production
- Supporting web promotion
- Consulting, Assessment Services



Stakeholders of Insource

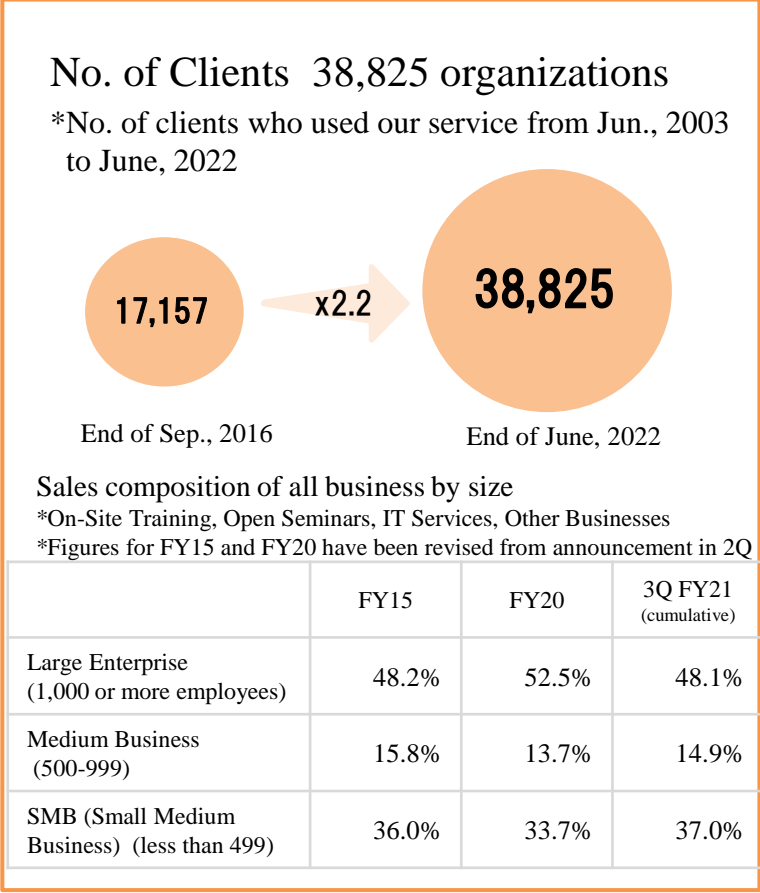
Numerical comparison between 2016 (listed on TSE Mothers) and today



In cooperation



Products/
Services



	End of Sep. 2016	End of June, 2022
Sales Representatives	83	188
Content Creators	88	163
IT Engineers	34	115
Designers	19	21
Digital Marketers	—	30
AI/RPA Engineers	—	23

Funds Returns



No. of Shares Held	End of Sep., 2016	End of Mar., 2022
Overseas Investors	4.7%	23.9%
Domestic Investors	9.4%	23.2%
Domestic Corporations	45.3%	33.9%
Individual/Others	40.6%	19.0%

Clients and Quarterly Sales Composition Ratio

Clients composition ratio by industry

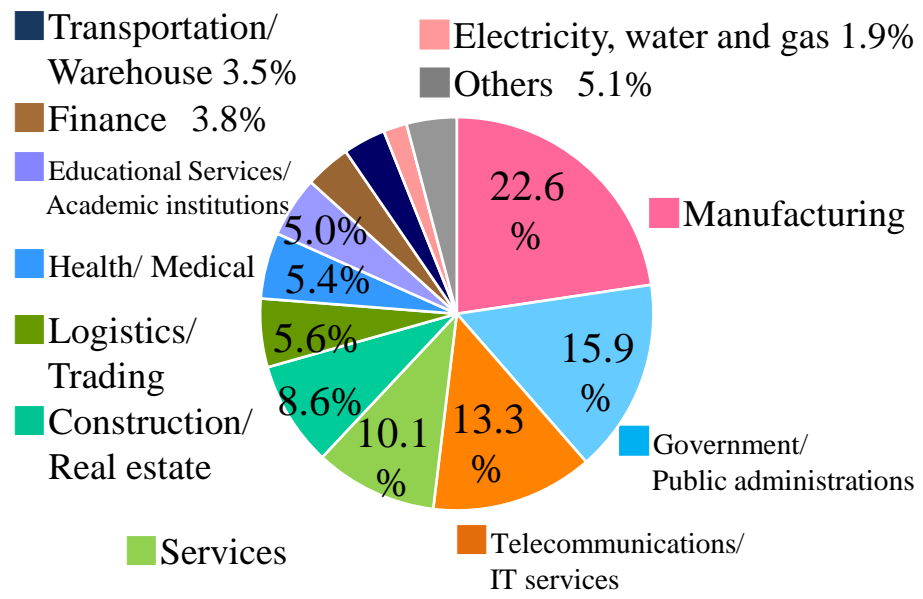
The total number of clients who used our services in the past year (July, 2021 to June, 2022)

12,242 organizations

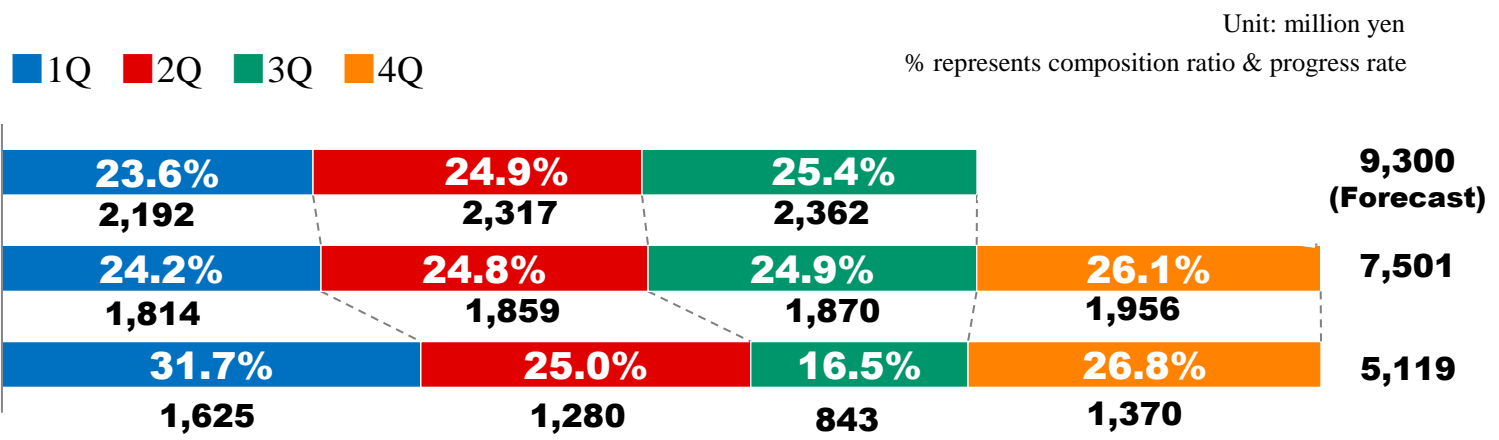
Reference
The total number of clients who have used our services since our foundation

38,825 organizations

The total number of clients who used our services in the past year

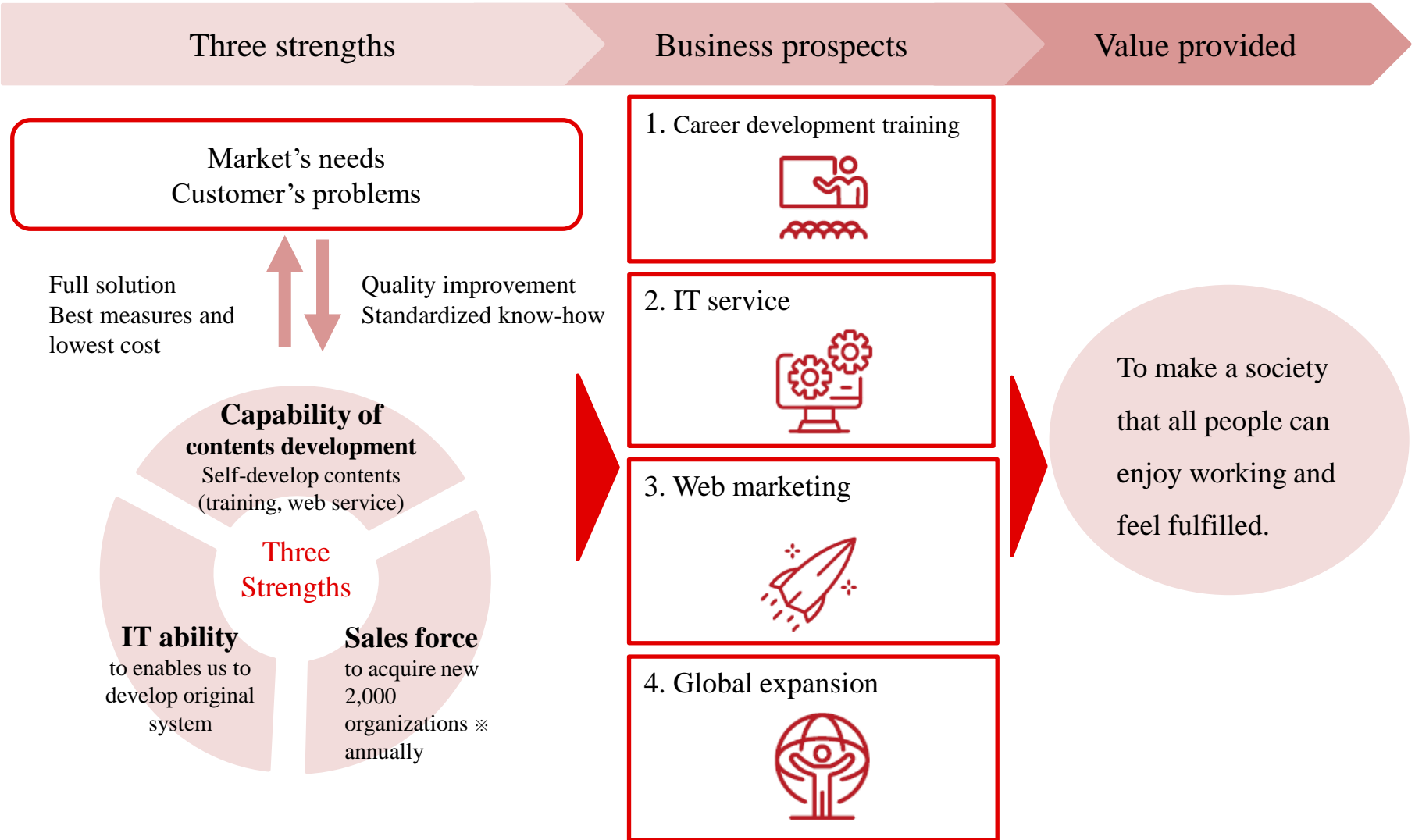


Sales composition ratio and progress rate by quarter



Advantages of Insource

Insource always keep evolving based on three strengths.



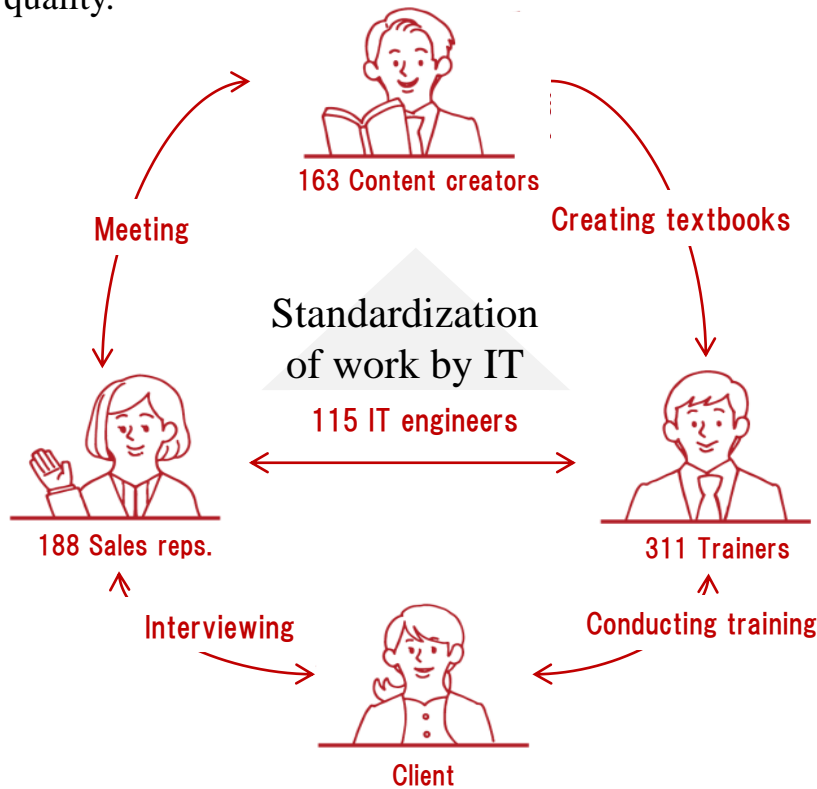
※ No. of new contracts of WEBinsource

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 June., 2022

■ A great selection of training contents

An in-house agile team of 163 creators and 115 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
3,719	3,557	496

*As of the end of June, 2022

■ 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	COVID-19 era ,remote working training
99	48
For new employees	Trainings by theme, industry or sector
177	2,572

As of the end of Sep., 2021

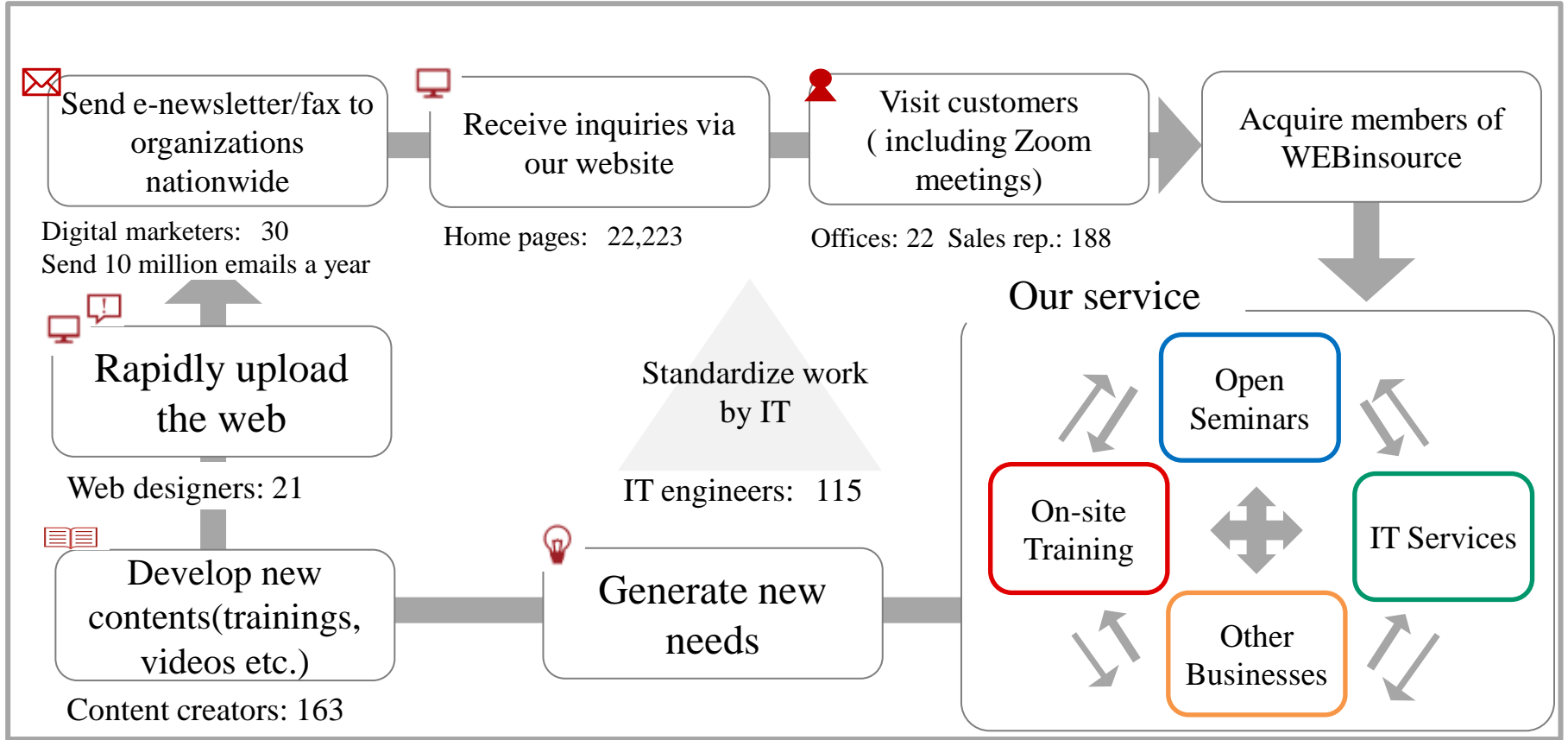
■ Example of web service

- 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



*As of the end of June, 2022

⇒ 188 sales reps. and approximately 20,000 web pages created by 30 digital marketers are cooperated for efficient sales activities.

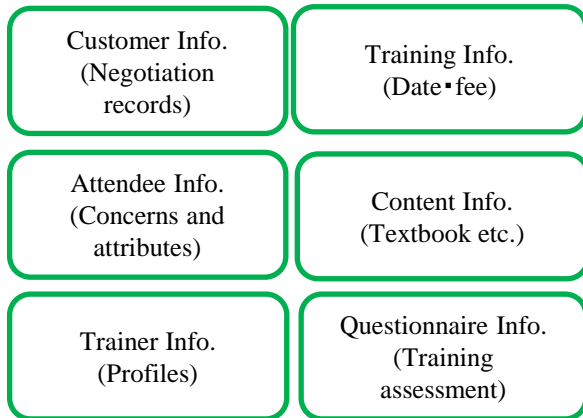
③ IT Capability -Self-developed System

■ 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
- Multilingual subtitles for videos
- Video contents Unlimited streaming
- Leaf English **NEW**
- Personnel evaluation Stress check
- Communication board function



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

Workforce Diversity -Encourage the growth

- Ratio of female employees in managerial positions: 37.8% Employment rate of people with disabilities: 2.81%
- Acquired 2 stars in “Eruboshi” certification (Certification of Women’s Empowerment).

Selected under the “2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program”.

	Total	Female employees
No. of employees *2	570	317 55.6%
No. of managerial positions	185	70 37.8%



<Private Sectors>
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)	29	LGBTs	3	People with disabilities	10 Disability employment rate: 2.81% *3
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<Private Sectors>
• 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	163	Sales Representatives	188	IT Engineers	115
Digital Marketers	30	AI /RPA Engineers	23	Designers	21

(As of the end of June, 2022, 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.

In-House HR Development Policy – Multi-skilled Resilient to Change

- Build a structure that allows employees to maximize their own abilities through the thorough combination of system and people
- Develop multi-skilled personnel that can adapt to changes through flexible organizational changes and transfers.
- Develop new products and services and improve efficiency from different perspectives based on various experiences

Educational Policy -strengthen IT skills and cost consciousness

- Conduct IT training for all employees, including new employees. *Conducted between FY19 and FY20
- Implement education about "cost consciousness" and "productivity improvement" as common themes of trainings for different position.

	Company Basic Education	Position-based Training	IT HR Development Training	Career Development	Practical Skills Education	Each employee	FY18	FY19	FY20
Officer	E-learning education					Sales(thou. yen) ※1	20,320	16,410	21,371
Manager						Sales Profit ※1 (thou. yen)	4,723	2,514	6,850
Deputy Manager	-Harassment -Prevention -Information					Training cost(yen)※2•3	17,498	17,196	40,563
Senior Chief	Security -Insider Trading Prevention	Management in the Post-Corona Era	Fundamental training for all employees based on the IT HR development system + Level-specific(I-IV) training based on their assigned tasks	Career Design (20s-50s) + Second Career	On-the-job training + Attend Open Seminars	Training time(hour)※4•5	16.5	18	16
New manager	-Copyright Law -Asset Building	Basic Management							
Leader	Shareholding Plan -RS for Employees -Company Defined Contribution Pension Plan	Team Management							
Chief of Staff		Business skills (technical/ conceptual/human)							
New Employee	Common skills training for different position -Cost consciousness -Time management	Business Literacy							
Staff		Understanding the Company Communication			Work skills PC IT Skills				

※1 Calculated based on the average number of employees during the period
 ※2 Employees can attend our Open Seminars for free. The total cost of training includes price of the On-site training when conducted with an external trainer , and Open Seminar’s price.
 ※3 Employees took fewer open seminars and more internal trainings due to Covid-19 pandemic, which resulted in more training time but lower training cost in FY19.
 ※4 Total hours of training and e-learning courses (excluded workshops)
 ※5 Employees took more DX related training of open seminars, which resulted in higher training cost but less training time in FY20.

<Reference 2> 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

Make everyone feel meaningful and fulfilled at work.



Received the second highest rating of AA in MSCI Rating

- As of March, 2022, we have 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.



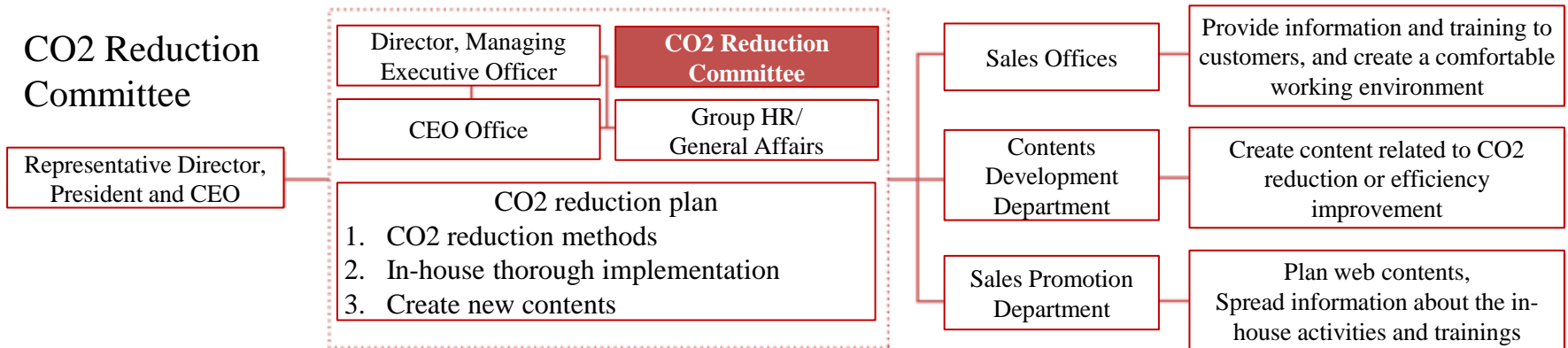
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Environment

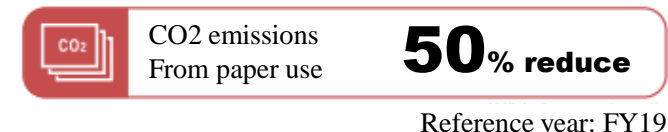
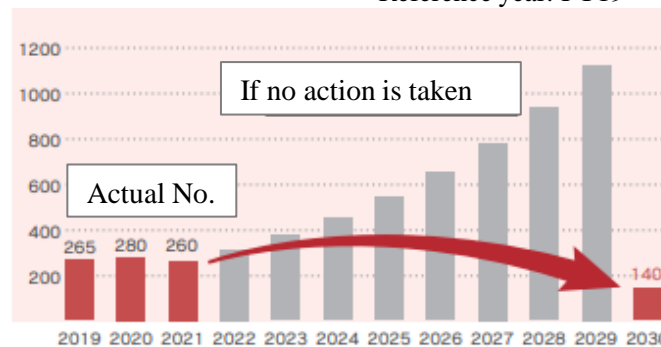
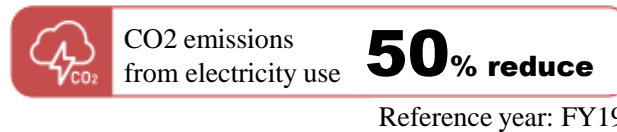


- Endorsed by TCFD in February, 2021.
- Established CO2 Reduction Committee, set targets and take effective measures (electricity saving, paper reduction).

CO2 Reduction Committee



Long-term Target



- Launched "e-Textbook Service" for trainings in April, 2022.
~Target to reduce CO2 emissions by up to 5 tons per year

* Abbreviation for The Task Force on Climate-related Financial Disclosures, established in 2015 by the Financial Stability Board (FSB) at the request of the G20. It assesses the financial impact of risks and opportunities from climate change on management and recommends disclosure of "Governance," "Strategy," "Risk Management," and "Indicators and Targets."

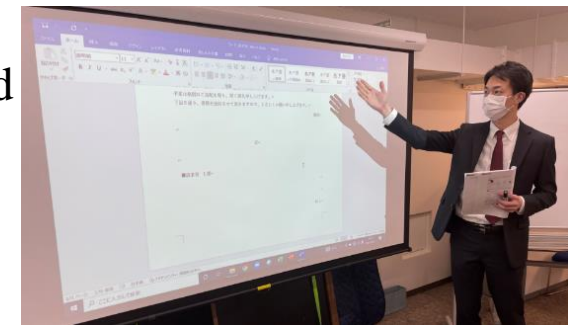
Social



- 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

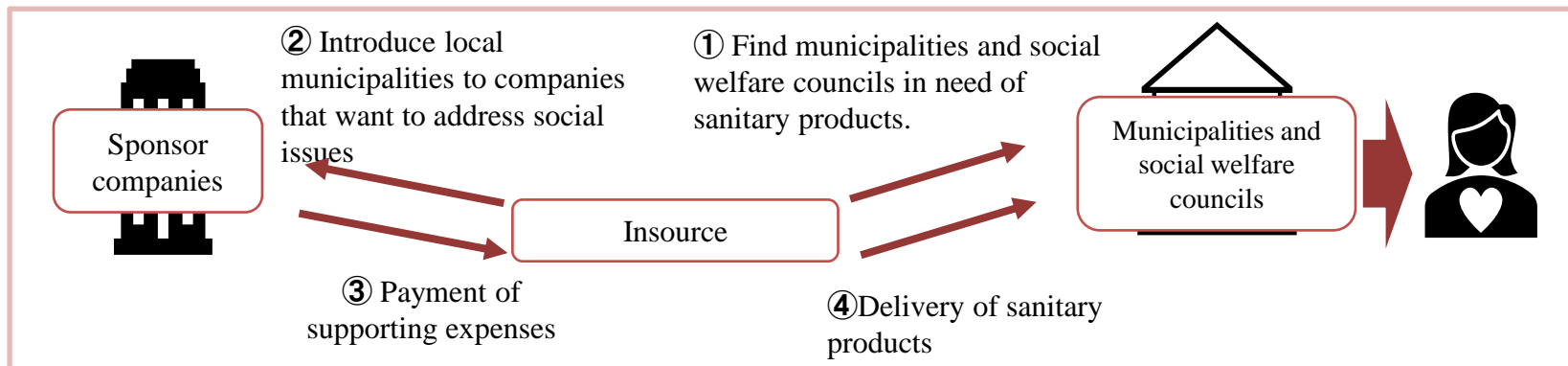


- Concluded an agreement with Arakawa Ward (Nov., 2021)
 - Support for single-parent families to become self-reliant and for women to advance in society



- Employment support for single-parent families
For people who are considering a career change to clerical work.
Content: PC skills, business etiquette, etc.
Date: Held 5 times from Dec., 2021, and to be held occasionally.

- Start of a project to address period poverty (from February, 2022)
- Period Poverty
 - Inability to purchase sanitary products due to economic reasons and lack of social understanding
 - Lifetime costs are approximately ¥500,000 to ¥800,000 per person (Our estimation)
- Project Summary
 - Consolidate the power of companies to provide sustainable support
 - Solicit for donation of sanitary products from 30,000 business partners
 - Provide sanitary products to more than 1,000 municipalities and social welfare councils
 - Goal: Provide donations to 50 regions in total in the first year (2022)
 - Donation amount: ¥300,000 per unit (A year's sanitary products for 200 people)



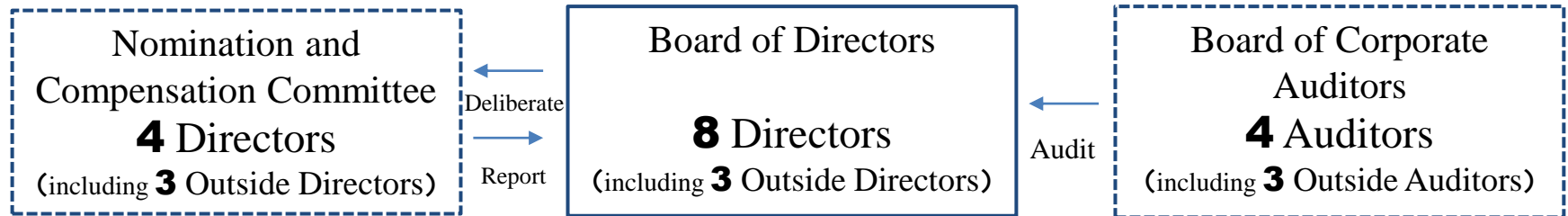
Governance



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)



- Adopted a restricted stock compensation plan for officers etc.
- April, 2022 Moved to the Prime Market
All principles of the Corporate Governance Code have been implemented at a higher level
- July, 2022 Established the Sustainability Committee