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## 3Q FY22 Consolidated Financial Results [JGAAP]

July 24, 2023

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 14, 2023  
 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 FY22 Consolidated Financial Results (October 1, 2022 – June 30, 2023)

(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 FY22	7,899	14.9	2,807	15.2	2,804	16.1	1,903	15.1
3Q FY21	6,872	24.0	2,437	40.7	2,414	37.9	1,653	43.9

(Note) Comprehensive income: 3Q FY22 1,910 million yen (15.6%) 3Q FY21 1,653 million yen (43.6%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
3Q FY22	22.60	22.60
3Q FY21	19.64	19.63

(Note) The Company conducted a stock split on January 1, 2023, 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 FY22	9,241	7,156	77.4
FY21 (Full-year)	8,729	6,125	70.2

(Reference) Shareholders' equity: 3Q FY22 7,156 million yen FY21 6,125 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
FY21 Full-year	—	0.00	—	21.50	21.50
FY22 Full-year	—	0.00	—		
FY22 (forecast)				12.50	12.50

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

The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares, but the amount of the year-end dividend for FY21 is the actual amount of the dividend.

3. Consolidated Financial Forecast for FY22 (October 1, 2022 – September 30, 2023)

(% 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
FY22 Full-year	10,750	14.1	3,850	14.3	3,845	14.9	2,600	16.4	30.88

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

The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. In the above, "Earnings per share" is calculated on the assumption that the said stock split was conducted at the beginning of the current consolidated fiscal year.

\* Note

(1) Significant changes in subsidiaries during 3Q FY22

(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 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)

3Q FY22	85,243,000 shares	FY21	85,243,000 shares
3Q FY22	1,051,689 shares	FY21	1,048,690 shares
3Q FY22	84,192,164 shares	3Q FY21	84,189,754 shares

(ii) Total number of treasury stocks at the end of the period

(iii) Average number of shares during the period

(Note) The Company conducted a stock split on January 1, 2023, 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 available to the Company, as well as certain assumptions 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

The needs of career training market are steady because of growing concerns for improving labor productivity and reskilling efforts, as well as for human capital management that leads to higher corporate value. The career training market in the third quarter (cumulative) of the fiscal year (October 1, 2022 to June 30, 2023) has been recovering from the COVID-19 pandemic, thanks to an increase in face-to-face training.

In response to this situation, the Group strengthened the development and promotion of trainings and services focused on DX areas and moral/ethical standards, human capital management support tools based on “Leaf” (HR Support System/LMS) (\*1), assessment services, and correspondence education, to resolve each organization’s issues in promoting human capital management.

Regarding On-Site Training business, the total number of trainings conducted increased by 11.4% YoY, as the need from private sector grew.

In Open Seminars business, the total number of attendees increased by 18.5% YoY due to an increase in the number of training for new employees and new trainings. The number of attendees per training has been recovering from the previous fiscal year, as we have improved our operating methods, such as schedule setting and deciding whether to hold seminars.

About IT Services, the number of paid subscribers of “Leaf” increased to 612 (+114, +22.9% YoY) and total users exceed 2.72 million as of the end of June, 2023. Leaf’s monthly subscription fees (MRR \*2) increased steadily, and ARR (\*3) grew 19.5% YoY to 713 million yen. Customization sales decreased 23.6% YoY due to a decrease in new projects.

About Other Businesses, although demand for highly profitable e-Learning/videos sales which began last April for the revision of laws and regulations slowed down, Insource Business Rep Corporation, which joined in June 2022, contributed to sales. Also, sales for Web marketing business performed well, resulting in an increase in sales from the previous fiscal year.

In addition, operating profit increased due to a decline in SG&A expenses ratio compared to the previous fiscal year.

As a result of the above, consolidated financial results for the third quarter (cumulative) are as follows; net sales were 7,899,069 thousand yen (+14.9% YoY), operating profit was 2,807,821 thousand yen (+15.2% YoY), ordinary profit was 2,804,018 thousand yen (+16.1% YoY), profit attributable to owners of parent was 1,903,454 thousand yen (+15.1% 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 (cumulative) of FY22 (Unit: thousand yen)

Business	3Q FY22 (Oct. 1, 2022 - Jun. 30, 2023)	YoY (%)	3Q FY21 (Oct. 1, 2021 - Jun. 30, 2022)
On-Site Training	3,868,407	113.7	3,403,261
Open Seminars	1,893,390	118.7	1,594,854
IT Service	976,670	110.5	883,471
Other Businesses	1,160,600	117.1	991,287
Total	7,899,069	114.9	6,872,875

(2) Overview of Financial Position

(Assets)

Total assets at the end of the third quarter of the current fiscal year increased by 511,803 thousand yen compared to the end of the previous fiscal year to 9,241,593 thousand yen. This was mainly due to an increase of 554,534 thousand yen in land.

(Liabilities)

Total liabilities decreased by 519,331 thousand yen compared to the end of the previous fiscal year to 2,085,021 thousand yen. This was mainly due to a 435,631 thousand yen decrease in income taxes payable.

(Net Assets)

Net assets increased by 1,031,135 thousand yen compared to the end of the previous fiscal year to 7,156,572 thousand yen. This was mainly due to an increase of 998,365 thousand yen in retained earnings.

(3) Consolidated Financial Forecasts

For the full-year consolidated business forecasts for FY22, the Company has revised downward for its net sales, while revising upward for profits, which were previously announced. Details are as described in the "Notice: Revision of Consolidated Financial Forecasts for Full FY22" 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)

	FY21 (As of Sep. 30, 2022)	3Q FY22 (As of Jun. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	3,827,499	2,584,072
Notes receivable - trade	678	—
Accounts receivable - trade	1,188,038	1,063,781
Inventories	38,127	44,495
Other	207,727	227,155
Allowance for doubtful accounts	(1,256)	(1,234)
<b>Total current assets</b>	<b>5,260,816</b>	<b>3,918,270</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	1,161,503	1,644,760
Land	1,179,658	1,734,192
Other, net	85,849	35,546
<b>Total property, plant and equipment</b>	<b>2,427,011</b>	<b>3,414,500</b>
Intangible assets		
Leasehold interests in land	305,984	769,778
Goodwill	36,118	23,367
Software	104,207	143,269
Other	346	346
<b>Total intangible assets</b>	<b>446,657</b>	<b>936,762</b>
Investments and other assets	595,304	972,060
<b>Total non-current assets</b>	<b>3,468,974</b>	<b>5,323,323</b>
<b>Total assets</b>	<b>8,729,790</b>	<b>9,241,593</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	161,232	184,761
Short-term borrowings	2,340	—
Accounts payable - other	578,232	160,200
Income taxes payable	791,269	355,637
Advances received	730,681	883,723
Provision for bonuses	—	216,119
Provision for bonuses for directors (and other officers)	—	11,832
Other	295,650	228,874
<b>Total current liabilities</b>	<b>2,559,407</b>	<b>2,041,149</b>
Non-current liabilities		
Asset retirement obligations	42,820	43,872
Other	2,125	—
<b>Total non-current liabilities</b>	<b>44,945</b>	<b>43,872</b>
<b>Total liabilities</b>	<b>2,604,353</b>	<b>2,085,021</b>

(Unit: thousand yen)

	FY21 (As of Sep. 30, 2022)	3Q FY22 (As of Jun. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	874,680	893,072
Retained earnings	4,895,118	5,893,484
Treasury shares	(449,751)	(442,399)
Total shareholders' equity	6,120,670	7,144,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,767	11,792
Total accumulated other comprehensive income	4,767	11,792
Total net assets	6,125,437	7,156,572
Total liabilities and net assets	8,729,790	9,241,593

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(For the nine months ended June 30, 2023)

(Unit: thousand yen)

	3Q FY21 (Oct. 1,2021- Jun. 30, 2022)	3Q FY22 (Oct. 1,2022- Jun. 30, 2023)
Net sales	6,872,875	7,899,069
Cost of sales	1,609,137	1,893,335
Gross profit	5,263,737	6,005,733
Selling, general and administrative expenses	2,826,049	3,197,912
Operating profit	2,437,687	2,807,821
Non-operating income		
Interest income	21	20
Dividend income	321	504
Foreign exchange gains	1,088	14
Subsidies for employment adjustment	240	2,167
Income from sales of goods	1,444	—
Income from base station installation	1,557	1,557
Other	677	733
Total non-operating income	5,350	4,997
Non-operating expenses		
Interest expenses	504	469
Loss on extinguishment of stock-based compensation expenses	28,104	8,330
Total non-operating expenses	28,609	8,800
Ordinary profit	2,414,428	2,804,018
Extraordinary losses		
Loss on valuation of investment securities	—	20,005
Total extraordinary losses	—	20,005
Profit before income taxes	2,414,428	2,784,012
Income taxes	760,543	880,557
Profit	1,653,885	1,903,454
Profit attributable to owners of parent	1,653,885	1,903,454



(Quarterly Consolidated Statements of Comprehensive Income)

(For the nine months ended June 30, 2023)

(Unit: thousand yen)

	3Q FY21 (Oct. 1,2021- Jun. 30, 2022)	3Q FY22 (Oct. 1,2022-Jun. 30, 2023)
Profit	1,653,885	1,903,454
Other comprehensive income		
Valuation difference on available-for-sale securities	(702)	7,025
Total other comprehensive income	(702)	7,025
Comprehensive income	1,653,183	1,910,480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,653,183	1,910,480
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 (cumulative) under review, and multiplying quarterly income before income taxes by the effective tax rate.

(Change in Accounting Policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No.31, June 17, 2021, hereinafter referred to as the "Guidance for the Standard for Fair Value Measurement") since the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional measures specified in Paragraph 27-2 of the Guidance for the Standard for Fair Value Measurement, the Company has decided to apply the new accounting policy stipulated by the Guidance on the Standard for Fair Value Measurement prospectively. There is no impact of these changes on the Company's consolidated quarterly financial statements.

(Additional Information)

In assessing and evaluating the recoverability of fixed assets and deferred tax assets, the Company have made accounting estimates based on the assumption that the needs for the Group's training business will expand in FY22, despite of uncertain COVID situation. It is possible that 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)

Not applicable