

Insource Co., Ltd.

Q3 FY20 Consolidated Financial Results

(October 1, 2020 to June 30, 2021)

Monday, July 26, 2021



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Chap. 01 Q3 FY20 Cumulative Consolidated Financial Results

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- Company Profile & Business Activities
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-

Chap. 01 Q3 FY20 Cumulative Consolidated Financial Results

■ Net sales:

Net sales increased by 47.9% (+1,794 million yen) YoY to 5,544 million yen.

The breakdown consists of 2,857 million yen (+44.2% YoY) for On-Site Training, 1,362 million yen (+41.1% YoY) for Open Seminars, 721 million yen (+66.6% YoY) for IT Services, and 602 million yen (+63.4% YoY) for Other Businesses such as e-Learning/Videos. Sales increased in all businesses and achieved record-high sales for the third quarter (cumulative). (An increase of 1,557 million yen compared to the previous two years without the impact of the Coronavirus crisis).

■ Gross profit:

Gross profit increased by 62.0% (+1,622 million yen) YoY to 4,240 million yen, gross profit margin improved to 76.5% (+6.7pt YoY).

(An increase of 1,446 million yen from the previous two years without the impact of the Coronavirus crisis).

■ Operating profit:

Operating profit increased by 298.8% (+1,297 million yen) YoY to 1,731 million yen.

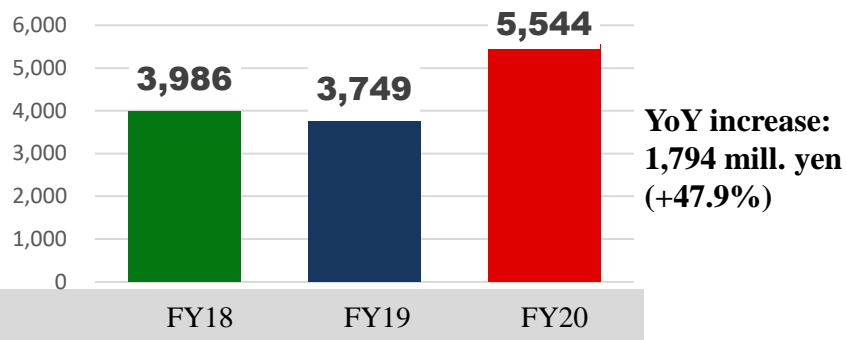
Operating profit margin improved to 31.2% (+19.7pt YoY).

(An increase of 787 million yen from the previous two years without the impact of the Coronavirus crisis).

Q3 FY20 Highlights - Overview (Comparison of past three years)

Net Sales (Q1-3)

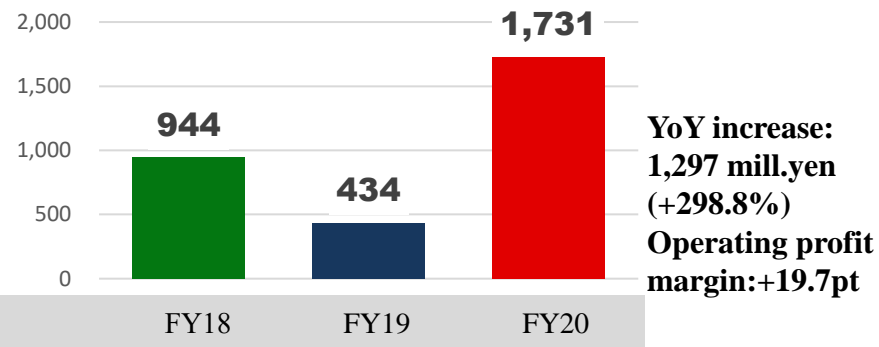
Unit: million yen



	FY18	FY19	FY20
YoY	+692	▲237	+1,794
YoY(%)	+21.0%	▲6.0%	+47.9%

Operating profit & Operating profit margin(Q1-3)

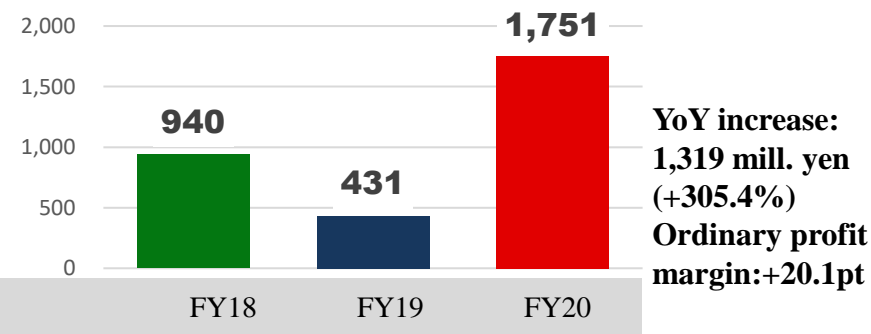
Unit: million yen



	FY18	FY19	FY20
YoY	+247	▲510	+1,297
Operating profit margin	23.7%	11.6%	31.2%

Ordinary profit & Ordinary profit margin (Q1-3)

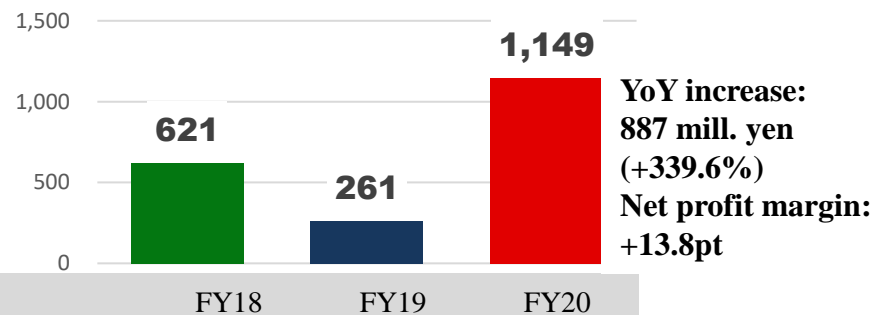
Unit: million yen



	FY18	FY19	FY20
YoY	+250	▲508	+1,319
Ordinary profit margin	23.6%	11.5%	31.6%

Net profit & Net profit margin (Q1-3)

(Unit: million yen)



	FY18	FY19	FY20
YoY	+156	▲359	+887
Net profit margin	15.6%	7.0%	20.7%

Consolidated Profit & Loss Statement ① Overview

Net sales: 5,544 million yen (+1,794 million yen YoY)

Operating profit: 1,731 million yen (+1,297 million yen YoY)

Progression rate against target: 72.0% for net sales and 72.2% for operating profit

Unit: million yen

	Q1-3 FY18 (Actual)	Q1-3 FY19 (Actual)	Q1-3 FY20 (Actual)	YoY	FY18 Full-year (Actual)	FY19 Full-year (Actual)	FY20 Full-year (Target)
Net sales (YoY)	3,986 (+692)	3,749 (▲237)	5,544 (+1,794)	+47.9%	5,608 (+1,071)	5,119 (▲488)	7,700 (Progression rate:72.0%)
Gross profit (YoY)	2,793 (+529)	2,617 (▲175)	4,240 (+1,622)	+62.0%	3,959 (+862)	3,643 (▲315)	5,900 (Progression rate:71.9%)
(Gross profit margin)	(70.1%)	(69.8%)	(76.5%)	(+6.7pt)	(70.6%)	(71.2%)	(76.6%)
Operating profit (YoY)	944 (+247)	434 (▲510)	1,731 (+1,297)	+298.8%	1,303 (+365)	784 (▲519)	2,400 (Progression rate:72.2%)
(Operating profit margin)	(23.7%)	(11.6%)	(31.2%)	(+19.7pt)	(23.2%)	(15.3%)	(31.2%)
Ordinary profit (YoY)	940 (+250)	431 (▲508)	1,751 (+1,319)	+305.4%	1,298 (+364)	795 (▲502)	2,410 (Progression rate:72.7%)
Net profit (YoY)	621 (+156)	261 (▲359)	1,149 (+887)	+339.6%	835 (+200)	445 (▲389)	1,600 (Progression rate:71.8%)

Consolidated Profit & Loss Statement ② By Business

Net sales and gross profit in all businesses increased from the previous year, and profitability improved.

Unit: million yen

	Q1-3 FY18 (Actual)	Q1-3 FY19 (Actual)	Q1-3 FY20 (Actual)	YoY	FY18 Full-year (Actual)	FY19 Full-year (Actual)	FY20 Full-year (Target)	
Whole Business	Net Sales	3,986	3,749	5,544	+47.9%	5,608	5,119	7,700 (Progression rate:72.0%)
	(YoY)	(+692)	(▲237)	(+1,794)		(+1,071)	(▲488)	
	Gross profit	2,793	2,617	4,240	+62.0%	3,959	3,643	5,900 (Progression rate:71.9%)
	(YoY)	(+529)	(▲175)	(+1,622)		(+862)	(▲315)	
	(Gross profit margin)	(70.1%)	(69.8%)	(76.5%)	(+6.7pt)	(70.6%)	(71.2%)	(76.6%)
On-Site Training	Net sales	2,345	1,981	2,857	+44.2%	3,297	2,724	3,900 (Progression rate:73.3%)
	(YoY)	(+310)	(▲364)	(+875)		(+451)	(▲555)	
	Gross profit	1,683	1,477	2,228	+50.8%	2,341	2,045	3,050 (Progression rate:73.1%)
	(YoY)	(+210)	(▲206)	(+751)		(+328)	(▲296)	
	(Gross profit margin)	(71.8%)	(74.6%)	(78.0%)	(+3.4pt)	(71.4%)	(75.1%)	(78.2%)
Open Seminars	Net Sales	1,072	965	1,362	+41.1%	1,527	1,267	1,870 (Progression rate:72.9%)
	(YoY)	(+230)	(▲106)	(+397)		(+360)	(▲260)	
	Gross profit	691	586	1,027	+75.4%	1,011	785	1,400 (Progression rate:73.4%)
	(YoY)	(+140)	(▲105)	(+441)		(+238)	(▲226)	
	(Gross profit margin)	(64.5%)	(60.7%)	(75.4%)	(+14.7pt)	(66.2%)	(62.0%)	(74.9%)
IT Services	Net Sales	311	433	721	+66.6%	431	655	1,050 (Progression rate:68.7%)
	(YoY)	(+117)	(+121)	(+288)		(+192)	(+224)	
	Gross profit	231	295	543	+83.8%	327	478	835 (Progression rate:65.1%)
	(YoY)	(-)	(+63)	(+247)		(-)	(+150)	
	(Gross profit margin)	(74.4%)	(68.2%)	(75.3%)	(+7.1pt)	(76.0%)	(73.0%)	(79.5%)
Other Businesses	Net sales	257	369	602	+63.4%	369	472	880 (Progression rate:68.5%)
	(YoY)	(▲19)	(+111)	(+233)		(+67)	(+102)	
	Gross profit	186	258	440	+70.3%	277	333	615 (Progression rate:71.6%)
	(YoY)	(-)	(+71)	(+181)		(-)	(+56)	
	(Gross profit margin)	(72.6%)	(70.0%)	(73.0%)	(+3.0pt)	(75.0%)	(70.6%)	(69.9%)

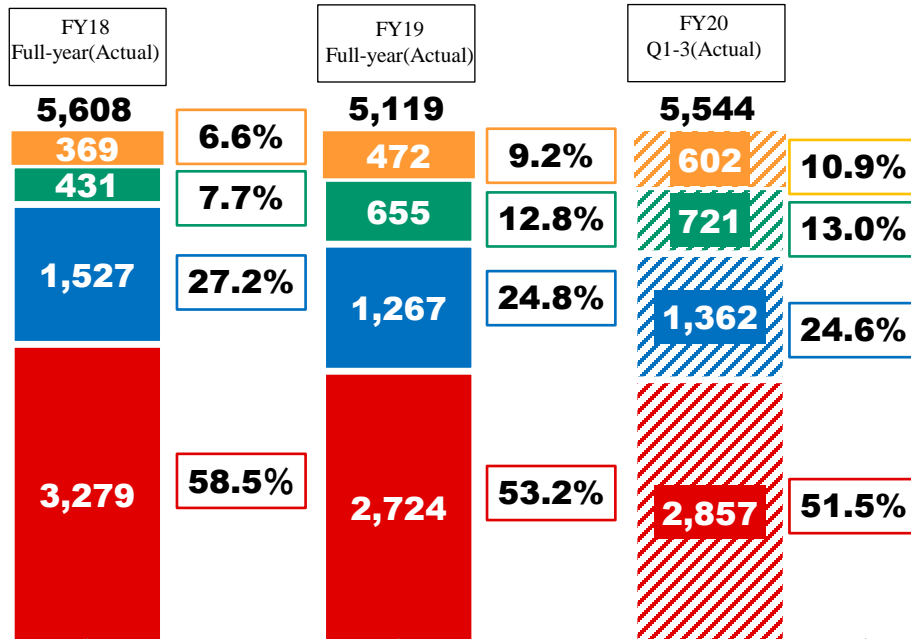
* Our gross profits by business were not audited by Ernst & Young ShinNihon LLC.

Composition Ratio and Progression Rate of Net Sales (by business/ by quarter) & Operating Profit

Sales composition ratio by business

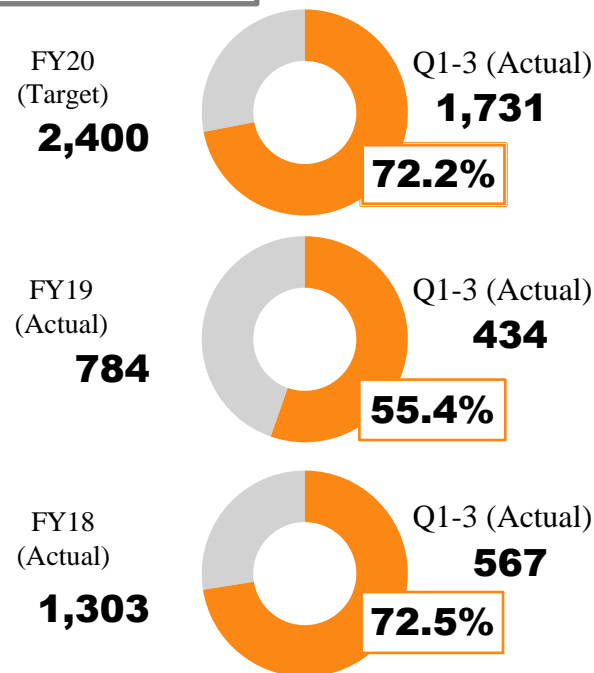
Unit: million yen
% represents composition ratio

■ On-Site Training ■ Open Seminars ■ IT Services ■ Other Businesses



Composition ratio and progression rate of operating profit

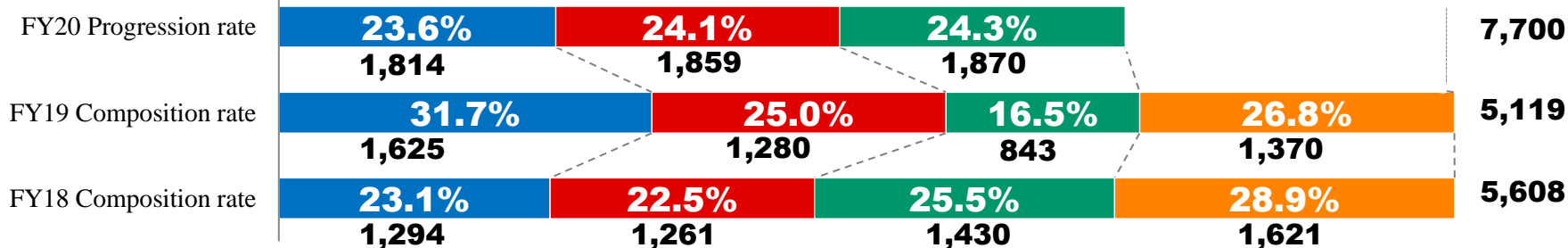
Unit: million yen
% represents composition ratio and progression rate



Composition ratio and progression rate of sales by quarter

■ Q1 ■ Q2 ■ Q3 ■ Q4

Unit: million yen
% represents composition ratio and progression rate



We strengthened our services with “Speed and Focus” to address the Coronavirus crisis.

April: Record number of trainings conducted (include trainings for new employees).

- On-Site Training: 1,749 times conducted , Open Seminars: 9,833 attendees
- The total number of users of Leaf (HR Support System & LMS) surpassed 1.5 million.
- Awarded a bid to conduct specialized training for ICT professionals (basic) for Tokyo Metropolitan Government employees to further promote DX education.

May: Training conducted mainly online.

- Due to the declaration of the state of emergency, the ratio of online increased to 56.6% for On-Site Training and to 84.2% for Open Seminars.
- New trainings including "Introduction to the SDGs-Linking Corporate Activities with Solutions to Social Issues" (1 day) “Learn how to stand the customers’ position from Zenjiro Yasuda: Becoming a Trusted Leader and Company” (0.5 day)

June: Quickly responded to social issues.

- Due to the extension of the declaration of a state of emergency, the ratio of online for On-Site Training and Open Seminars remained high.
- Provided urgent support service of the Coronavirus vaccination operations through Leaf (HR Support System & LMS) before the workplace vaccination program started.
- New trainings including “Psychological Safety Training - Learning how to increase psychological safety through business games” (0.5 day) and “Communication using behavioral economics” (0.5 day).

July: Strengthening in providing new services.

- Enhanced development and delivery of web services by making Marineroad Inc. a new subsidiary.
- Launched the “Python Academy” to provide DX education that can be more used in the business field.
- Rated AA (2nd highest) at MSCI ESG Rating

- As of June, 2021 only 14 Japanese companies have received the highest AAA of MSCI ESG Ratings, and Insource has received the second highest rating of AA.



- The recognition represents that our education business, strong security measures and internal education to improve productivity were especially highly evaluated.
- We will continue our efforts on ESG activities and support other companies to promote ESG through career development education.

The MSCI ESG Rating is a seven-point evaluation system ranging from the highest rank of AAA to the lowest rank of CCC, based on an analysis of the environmental, social and governance initiatives and risk management capabilities of more than 8,500 companies worldwide.

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- Online training is becoming more common nationwide.
- The Coronavirus crisis has changed from face-to-face training to three options: face-to-face training, online training, and e-Learning/videos.
- As the Coronavirus crisis continues, online training is the most popular and face-to-face training is on the recovering track, while e-Learning/videos are a slowdown in growth.

Growth of online training

Online training has become common outside Tokyo in FY20

Q3-4 FY19 Online training status at Coronavirus crisis

	Times Of On-Site training conducted	Ratio of online	Attendees of Open Seminars	Ratio of online
Tokyo	765	48.9%	9,866	71.0%
Outside Tokyo	796	27.7%	5,671	59.1%

Q1-3 FY20 Online training status

	Times Of On-Site training conducted	Ratio of online	Attendees of Open Seminars	Ratio of online
Tokyo	2,151	55.6%	31,094	77.0%
Outside Tokyo	2,769	40.7%	22,664	76.0%

Diversification of training means

Q1-3 FY18	Sales (million yen)	Composition ratio	Q1-3 FY20	Sales (million yen)	Ratio of online	Training cost per person Amount paid by clients*1
Face-to-face	3,417	95.4%	Face-to-face	1,661	35.7%	30,000 yen or more (including transportation and accommodation)
			Online	2,558	55.0%	20,000 yen or more (without transportation and accommodation)
e-Learning	165	4.6%	e-Learning	432	9.3%	200 yen or more*2

Assumption after the Coronavirus crisis

- It is assumed that about 40% of On-Site Training and about 60% of Open Seminars will continue to be held online after the Coronavirus crisis.
- It is assumed that the composition ratio of e-Learning/videos will increase considering cost.

*1 The cost per person is calculated based on our model plan. Online training is less expensive than face-to-face training due to reduced transportation and accommodation costs.

*2 Assumes more than 1,000 people use each video.

■ SG&A ratio declined to 45.2% (-13.0pt YoY) due to higher sales.

■ Personnel expenses increased by 288 million yen due to enhanced recruitment of new graduates and mid-career workers.

Unit: million yen

Breakdown of SG&A	Q1-3 FY18 (Actual)	Q1-3 FY19 (Actual)	Q1-3 FY20 (Actual)	YoY		FY20(Target) (End of FY19 vs Q3 FY20)
Personnel expenses *1	1,432	1,703	1,991	+288	+16.9%	2,810 (+549)
Of which, RS *2	0	0	31	+31	-	-
Rent expenses*3	93	101	111	+10	+10.3%	125 (▲5)
Office & system expenses	117	147	169	+21	+14.4%	225 (+46)
Other expenses	204	230	235	+4	+1.9%	340 (+49)
Total SG&A expenses	1,849	2,183	2,508	+324	+14.9%	3,500 (+640)
(SG&A expense ratio)	(46.4%)	(58.2%)	(45.2%)	(▲13.0pt)	-	(45.5%)

*1 Total personnel expenses include wages, recruitment, training, and benefit expenses, outsourcing expenses.

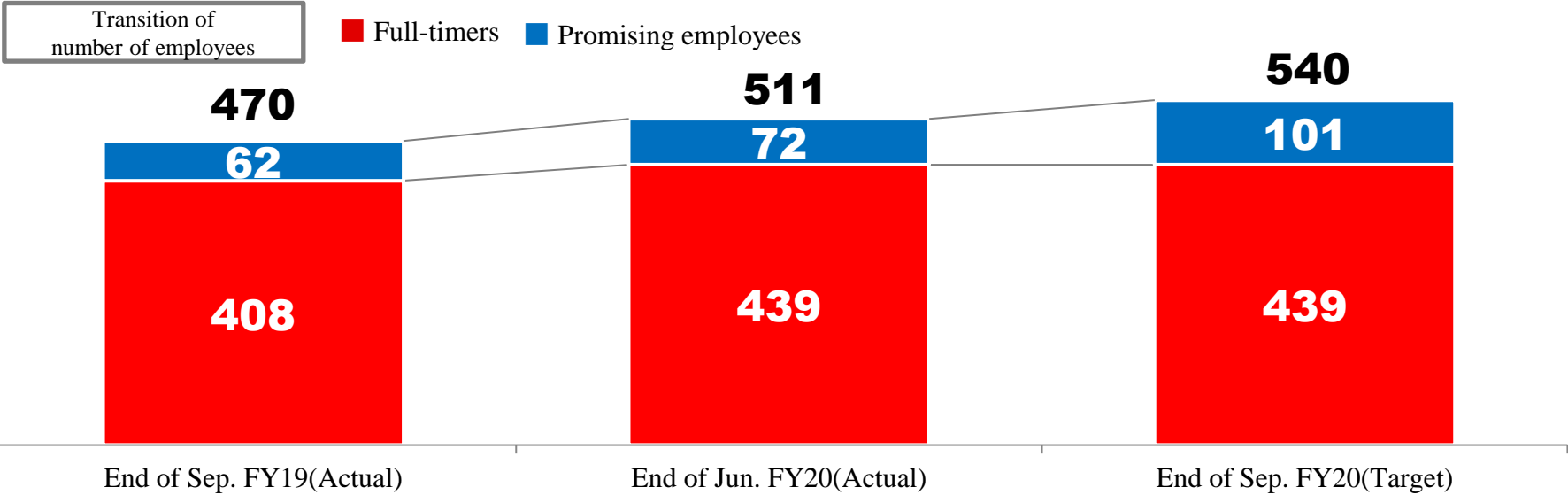
*2 Restricted shares.

*3 Transfer of fixed asset tax, real estate acquisition tax, and depreciation of the company's buildings (Dokanyama and Bunkyo) to "Rent expense"

Consolidated Number of Employees

- Increase the number of employees by about 70 in the second half of FY20, including 30 new graduates and 14 mid-career employees joining in April.
- We define promising employees who have been with the company for less than one year after graduation and those who have been with the company for less than six months as “Seed investment in human capital*”. In particular, new graduates are being trained as new core personnel with both DX and sales skills.

	End of FY19 (Actual)	Q3 FY20(Actual) (End of FY19 vs Q3 FY20)	Q3 Progression rate against FY20 target	End of FY20(Target) (End of FY19 vs End of FY20)
<u>Total number of employees</u>	470	511 (+41)	58.6%	540 (+70)
Promising employees (Seed investment in human capital)	62	72 (+10)	27.8%	101 (+39)



*Promising employees(Seed investment in human capital) refers to personnel who have joined the company within one year after graduation and within six months after mid-career hiring.

Python education for new/young employees solving DX personnel shortage

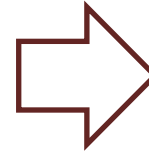
Amazing results even for new employees – Better performance after 2 weeks of Python training

As part of the new employee training program, we provided 2 weeks of Python training for 63 people in 9 organizations this fiscal year. After the training, they took the lead in improving the DX operations in their companies and developed a highly successful system on their own initiative.

Example of development by a new employee - "Automating the creation of sales lists"

The work that used to be done by searching the sales system, posting, manually creating lists, and organizing them, is now done automatically with Python.

⇒ **Reduced about 36 work hours per month for the entire company**



Solving the shortage of DX personnel

Accelerate DX of the organization by educating young people with a high level of understanding of DX.

⇒ **More DX training for more new employees**

Establishment of "Python Academy" as a permanent educational institution (July, 2021)

DX skills can be mastered and applied in the field from scratch after the receipt of 70 hours of training.

<Details of the program>

1. Python Basics - Learning the basics of programming
2. Automated Excel operations - Automating routine tasks using Excel
3. Automating the collection of information from the Web – Obtaining information from the Web
4. Final goal - Create a practical program that can be used in a business environment



Consolidated Balance Sheet

- Fixed assets increased due to acquisition of the company's building (600 million yen, March 2021).
- Increase in sales deposits due to increased sales of “HRD Smart Pack(our unique point service)” (+4.2% from the end of FY19).

Unit: million yen

	End of FY18 (Actual)	End of FY19 (Actual)	FY20 On June 30 (Actual)	End of FY19 vs. Q3 FY20	
Current assets	4,150	3,025	3,644	+619	+20.5%
Out of which, cash and deposits	3,292	2,219	2,797	+577	+26.0%
Fixed assets	806	1,319	2,199	+880	+66.7%
Total assets	4,957	4,344	5,844	+1,499	+34.5%
Current liabilities	1,787	1,379	1,709	+330	+23.9%
Out of which, sales deposits*	510	595	620	+24	+4.2%
Fixed liabilities	86	81	57	▲23	▲28.9%
Net assets	3,082	2,883	4,076	+1,193	+41.4%
Total liabilities and net assets	4,957	4,344	5,844	+1,499	+34.5%

*Sales deposits 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.

- Targeting a payout ratio of 40%, dividends are planned to be linked to business performance.
- In accordance with the above policy, dividends will be paid out based on the results for the FY20.

	FY18 (Actual)	FY19 (Actual)	FY20 (Target)
Dividend per share Before the stock split*	8 yen 00 sen (16 yen 00 sen)	9 yen 25 sen (18 yen 50 sen)	10 yen 00 sen (20 yen 00 sen)
Total dividends	336 million yen	387 million yen	—
Dividend payout ratio (consolidated)	40.3%	87.2%	—

* As of January 1, 2021, we conducted a 2-for-1 stock split of common stock.

Chap. 02 Q3 FY20 Details by Business

Q3 FY20 Highlights – Overall (QoQ)

■ Net Sales:

Net sales increased by 0.6% (+10 million yen) QoQ, 121.7% (+1,026 million yen) YoY to 1,870 million yen.

■ Gross profit:

Gross profit decreased by 1.5% (-21 million yen) QoQ to 1,414 million yen, and gross profit margin was 75.6% (-1.6pt QoQ) because the demand for face-to-face training for new employees remained strong, which led to the drop of the online ratio.

Gross profit increased by 159.8% (+869 million yen) YoY.

■ Operating profit:

Operating profit decreased by 22.2% (-135 million yen) QoQ to 474 million yen and the operating profit margin dropped by 7.5pt QoQ to 25.4%, due to decrease in gross profit and increase in personnel expenses.

Operating profit increased by 665 million yen YoY.

■ Results by Business:

- Net sales in the training business are favorable due to seasonal factors (sales tend to be higher in Q1 and Q3).
On-Site Training increased by 31.8% (+245 million yen) QoQ, 159.1% (+625 million yen) YoY to 1,018 million yen.
Open Seminars increased by 27.2% (+109 million yen) QoQ, 99.4% (+255 million yen) YoY to 512 million yen.
- Net sales in IT Services decreased by 56.8% (-226 million yen) QoQ to 172 million yen, due to the decrease in customized sales, a result of seasonal factors (sales tend to be higher in Q2 and Q4).
The sales increased by 82.4% (+77 million yen) YoY.
- Net sales in Other Businesses decreased by 41.3% (-117 million yen) QoQ to 167 million yen, due to a slowdown in the growth of e-Learning/videos, which are affected by seasonal factors and loss of momentum from the coronavirus crisis. The sales increased by 68.7% (+68 million yen) YoY.

Consolidated Profit & Loss Statement ① Overview (QoQ)

■ Gross profit margin decreased by 1.6pt QoQ as online ratio dropped due to increase in face-to-face training for new employees.

■ Operating profit margin decreased by 7.5pt QoQ due to increase in SG&A expenses, mainly labor costs.

Unit: million yen

	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	YoY	
Net Sales (QoQ)	843 (▲436)	1,370 (+526)	1,814 (+443)	1,859 (+45)	1,870 (+10)	+1,026	+121.7%
Gross profit (QoQ)	544 (▲367)	1,026 (+481)	1,390 (+364)	1,435 (+44)	1,414 (▲21)	+869	+159.8%
(Gross profit margin)	(64.5%)	(74.9%)	(76.6%)	(77.2%)	(75.6%)	(+11.1pt)	
Operating profit (QoQ)	▲190 (▲400)	350 (+540)	646 (+296)	610 (▲35)	474 (▲135)	+665	-
(Operating profit margin)	(▲22.6%)	(25.5%)	(35.6%)	(32.8%)	(25.4%)	(+47.9pt)	
Ordinary profit (QoQ)	▲191 (▲399)	363 (+555)	659 (+295)	614 (▲45)	477 (▲136)	+668	-
Net profit (QoQ)	▲159 (▲304)	184 (+343)	452 (+268)	370 (▲81)	325 (▲44)	+485	-

Consolidated Profit & Loss Statement ② By Business (QoQ)

■ Compared to the previous quarter, both sales and profit in On-Site Training and Open Seminars increased due to seasonal factors. Unit: million yen

		Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	YoY	
Whole Business	Net sales (QoQ)	843 (▲436)	1,370 (+526)	1,814 (+443)	1,859 (+45)	1,870 (+10)	+1,026	+121.7%
	Gross profit (QoQ)	544 (▲367)	1,026 (+481)	1,390 (+364)	1,435 (+44)	1,414 (▲21)	+869	+159.8%
	(Gross profit margin)	(64.5%)	(74.9%)	(76.6%)	(77.2%)	(75.6%)	(+11.1pt)	
On-Site Training	Net sales (QoQ)	392 (▲188)	742 (+349)	1,066 (+323)	772 (▲293)	1,018 (+245)	+625	+159.1%
	Gross profit (QoQ)	294 (▲145)	568 (+273)	822 (+253)	608 (▲213)	798 (+190)	+503	+170.9%
	(Gross profit margin)	(75.0%)	(76.5%)	(77.1%)	(78.7%)	(78.4%)	(+3.4pt)	
Open Seminars	Net sales (QoQ)	257 (▲32)	301 (+44)	447 (+145)	403 (▲43)	512 (+109)	+255	+99.4%
	Gross profit (QoQ)	128 (▲44)	199 (+71)	339 (+140)	302 (▲37)	385 (+83)	+256	+199.7%
	(Gross profit margin)	(50.0%)	(66.1%)	(76.1%)	(75.0%)	(75.2%)	(+25.2pt)	
IT Services	Net sales (QoQ)	94 (▲244)	222 (+127)	150 (▲72)	399 (+249)	172 (▲226)	+77	+82.4%
	Gross profit (QoQ)	60 (▲174)	183 (+122)	110 (▲73)	326 (+216)	106 (▲220)	+46	+76.4%
	(Gross profit margin)	(63.9%)	(82.3%)	(73.3%)	(81.9%)	(61.8%)	(▲2.1pt)	
Other Businesses	Net Sales (QoQ)	99 (▲170)	103 (+4)	150 (+47)	284 (+133)	167 (▲117)	+68	+68.7%
	Gross profit (QoQ)	60 (▲137)	75 (+14)	118 (+43)	198 (+79)	123 (▲74)	+63	+104.2%
	(Gross profit margin)	(61.1%)	(72.8%)	(78.6%)	(69.5%)	(73.9%)	(+12.8pt)	

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

Status of Training Businesses ① (QoQ)

■ The need for face-to-face training persisted in trainings for new employees, and the online ratio decreased (to 46.0% of total).

■ Due to more attendees visited the classrooms of Open Seminars, the number of attendees per seminar decreased (-0.7 people QoQ).

	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	YoY	
On-Site Training: Number of trainings conducted (times) (QoQ)	1,512 (▲968)	2,927 (+1,415)	4,247 (+1,320)	2,609 (▲1,638)	3,821 (+1,212)	+2,309	+152.7%
Among above, number of online trainings (times) (composition ratio)	551 (36.4%)	1,010 (34.5%)	1,567 (36.9%)	1,589 (60.9%)	1,764 (46.2%)	+1,213	+220.1%
On-Site Training Average unit price per training unit:thou.yen (QoQ)	259.9 (+25.3)	253.8 (▲6.1)	250.8 (▲3.0)	296.0 (+45.2)	266.4 (▲29.6)	+6.5	+2.5%
Open Seminars: Number of attendees (QoQ)	10,286 (▲3,431)	13,197 (+2,911)	22,111 (+8,914)	18,450 (▲3,661)	22,041 (+3,591)	+11,755	+114.3%
Among above, number of attendees who took online (composition ratio)	8,621 (83.8%)	6,916 (52.4%)	14,400 (65.1%)	14,951 (81.0%)	16,798 (76.2%)	+8,177	+94.8%
Open Seminars: Number of attendees per seminar (QoQ)	9.9 (+2.7)	9.2 (▲0.7)	13.3 (+4.0)	14.0 (+0.7)	13.4 (▲0.7)	+3.4	+34.3%

※ There was an error in the calculation method, and the figures are different from those in the previous announcement.

Overall/ Clients

- Net sales of On-Site Training increased by 245 million yen (+31.8%) QoQ, 625 million yen (+159.1%) YoY to 1,018 million yen.
Net sales of Open Seminars increased by 109 million yen (+27.2%) QoQ, 255 million yen (+99.4%) YoY to 512 million yen.
- Training shifts to online
During most of the third quarter (April 25-June 20, 57 days out of 91 days), a third state of emergency was declared. The ratio of online sales of training business decreased QoQ, but On-Site Training and Open Seminars remained high at 53.9% and 65.2%, respectively. The composition of training methods was 35.7% face-to-face, 55.0% online, and 9.3% e-Learning.
- Trainings conducted in the information and telecommunications industry, IT services industry, and manufacturing industry were in good shape.
- Sales to large companies expanded
The ratio of sales of companies with 1,000 or more employees to total sales increased by 3.0 pt. from the previous year, while sales of companies with 300 or fewer employees decreased by 2.2 pt.

Sales composition ratio by size (Training only)

Reference: Average unit price per clients FY20(Q1-3)

	FY19 (Full-year)	FY20 (Q1-3)	YoY	Training only	All business(total)
Large (1,000 or more employees)	39.2%	42.2%	+3.0pt	844 thou. yen	1,136 thou. yen
Mid-size (300-999)	25.3%	24.4%	▲0.9pt	481 thou. yen	516 thou.yen
Small (less than 300)	35.5%	33.3%	▲2.2pt	297 thou.yen	310 thou.yen

High Point

- Increased by 216 million yen YoY due to the record number of new employee trainings.
- In addition to business etiquette trainings, DX training for new employees increased, skill-specific trainings (especially OA and IT training) increased by 84 million yen YoY.

IT Services (QoQ)

	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	YoY	
Net Sales (QoQ)	94 (▲244)	222 (+127)	150 (▲72)	399 (+249)	172 (▲226)	+77	+82.4%
<Breakdown>							
Leaf Monthly Subscription (QoQ)	74 (+15)	75 (+0)	93 (+18)	102 (+9)	111 (+8)	+36	+49.6%
Sales per month*1	25	26	31	34	38	+13	+52.0%
Average unit price /Organization (unit: thou. yen)	116.7	105.7	111.3	104.7	102.0	▲14.7	▲12.6%
Leaf Customization	17	128	39	193	59	+41	+238.2%
Stress Check Support Service	2	18	17	102	1	▲0	▲35.0%
Gross Profit *2 (QoQ)	60 (▲103)	183 (+122)	110 (▲73)	326 (+216)	106 (▲220)	+46	+76.4%
(Gross profit margin)	(63.9%)	(82.3%)	(73.3%)	(81.9%)	(61.8%)	(▲2.1pt)	

*1 The monthly subscription fee is shown for the last month of each quarter.

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

Monthly subscription model	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	Q1-3 Progression rate against FY20 target	FY20 Full-year Target
Total number of Leaf* paid subscribers (unit: organizations)	224	248	298	333	375	83.6%	400
(QoQ)	(+34)	(+24)	(+50)	(+35)	(+42)		(+152)
(Cumulative no. of FY20)	(62)	(86)	(50)	(85)	(127)		(152)
Total number of organizations using on-the-web appraisal form service (unit: organizations)	77	93	98	108	116	135.3%	110
(QoQ)	(+10)	(+16)	(+5)	(+10)	(+8)		(+17)
(Cumulative no. of FY20)	(27)	(43)	(5)	(15)	(23)		(17)
Case-by-case basis model	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	Q1-3 Progression rate against FY20 target	FY20 Full-year Target
Total number of organizations which ordered customizations for Leaf	15	43	18	50	19	-	-
(QoQ)	(+15)	(+28)	(▲25)	(+32)	(▲31)		
(Cumulative no. of FY20)	(15)	(58)	(18)	(68)	(87)		
Total number of organizations implementing Stress Check Support Service	16	41	56	230	14	93.8%	320
(QoQ)	(▲185)	(+25)	(+15)	(+174)	(▲216)		
(Cumulative no. of FY20)	(241)	(282)	(56)	(286)	(300)		

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

Overall/ Clients

1. Net sales decreased by 226 million yen (-56.8%) QoQ, but increased by 77 million yen (+82.4%) YoY to 172 million yen.
2. Increase in Leaf monthly subscription fees
The number of paid subscription organizations increased by 151 YoY, and monthly subscription fees increased by 36 million yen YoY. In June, the monthly fee surpassed 38 million yen.
3. Sales to the manufacturing industry, human resources industry, and local governments increased.
4. More widely used by large and small companies
3.6 million yen of annual sales are assumed, as both monthly subscription fees and customization fees for large companies with 1,000 or more employees are expected.
The number of small companies with less than 300 employees also increased by 60 YoY, as LMS has become more common regardless of company size.

Sales composition ratio by size	FY19 (Full-year)	FY20 (Q1-3)	YoY		Average annual sales per company (annual usage fee + customization fee)
No. of Large companies (1,000 or more employees)	108	168	+60	55.6%	3,658,000yen
No. of Mid-size companies (300-999)	68	99	+31	45.6%	1,140,000yen
No. of Small companies (less than 300)	72	132	+60	83.4%	889,000yen
Total	248	399	+151	60.9%	2,104,000yen

Examples of Customization

1. Video playback speed adjustment function
The speed of e-learning (videos) can be adjusted from 0.75x to 2x.
2. Content Chain Function
The order can be freely set about e-Learning (videos), slide materials, assignments, and questionnaires so that it can prevent attendees from failing to watch and answer questions.

■ Established its position as an LMS for large companies.

- Popular system favored by 375 companies and 1.6 million users (As of the end of June, 2021).
- E-learning is firmly rooted in society under Coronavirus crisis.



■ Future Business Development

1. For large companies: Continue to develop a variety of optional functions
 - Global support (automatic translation), API linkage with other companies' HR payroll systems.
2. Develop specialized Leaf for more small and medium-sized companies.

<Latest version specialized for small and medium-sized companies in FY20>

	Function name (tentative)	Description
1	Leaf Management	A tool for communication and information management between human resources and employees, enabling the reduction of work errors and man-hours, including procedures of joining and leaving the company, improvement of daily operations etc.
2	Leaf Lightning	E-Learning specialized Leaf suitable for small and medium-sized companies

⇒ Leaf/e-learning will target not only large companies but also small and medium-sized companies

Other Businesses (QoQ)

Unit: million yen

	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	YoY	
Net Sales (QoQ)	99 (▲170)	103 (+4)	150 (+47)	284 (+133)	167 (▲117)	+68	+68.7%
<Breakdown>							
e-Learning/ Video Production (QoQ)	72 (▲5)	80 (+7)	98 (+17)	194 (+96)	139 (▲54)	+66	+91.8%
Outright purchase▪Rental (QoQ)	3 (▲16)	11 (+7)	41 (+30)	62 (+21)	67 (+4)	+63	+1816.0%
Monthly Subscription (STUDIO) (QoQ)	46 (+16)	34 (▲12)	22 (▲11)	38 (+16)	48 (+9)	+1	+4.1%
Video Production Solution (QoQ)	7 (▲4)	23 (+15)	34 (+11)	77 (+43)	24 (▲53)	+16	+216.3%
Consulting/Online seminar support service (QoQ)	18 (▲33)	21 (+3)	38 (+17)	76 (+38)	21 (▲56)	+1	+8.3%
Gross Profit※1 (QoQ)	60 (▲74)	75 (+14)	118 (+43)	198 (+79)	123 (▲74)	+63	+104.2%
(Gross profit margin)	(61.1%)	(72.8%)	(78.6%)	(69.5%)	(73.9%)	(+12.8pt)	

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

Other Businesses KPIs (QoQ)

	Q3 FY19 (Actual)	Q4 FY19 (Actual)	Q1 FY20 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	YoY
e-Learning/ Video Production						
Total no. of video contents sold (outright purchase) (QoQ)	–	–	285 (+285)	430 (+145)	419 (▲11)	–
e-Learning/ Video Production						
Total no. of rental viewers (QoQ)	–	–	1,090 (+1,090)	1,878 (+772)	1,735 (▲143)	–
e-Learning/ Video Production						
STUDIO (e-Learning) (unit: IDs) (QoQ)	27,177 (+9,241)	19,651 (▲7,526)	42,488 (+22,837)	44,514 (+2,026)	51,047 (+6,533)	+159.8%
e-Learning/ Video Production						
Total no. of e-Learning/video production* (unit: orders) (QoQ)	14 (▲24)	40 (+26)	41 (+1)	37 (▲4)	35 (▲2)	+150.0%
Consulting						
Total no. of consulting services (QoQ)	16 (▲34)	19 (+3)	27 (+8)	83 (+56)	55 (▲28)	+243.8%
Online seminar support service						
Total no. of Online seminar support service (QoQ)	–	–	27 (+27)	67 (+40)	36 (▲31)	–

*The calculation method for the number of video and consulting services has been changed to the number of video services only from 3Q FY18.

Overall

1. Net sales decreased by 117 million yen (-41.3%) QoQ and increased by 68 million yen (+68.7%) YoY to 167 million yen.
2. As many companies have adapted to the Coronavirus crisis situation and online training has spread nationwide, the growth of video and e-Learning has slowed down. In particular, the sales of video production solutions declined because there were no big projects.
3. Sales of consulting services decreased this quarter due to a large order received in the previous quarter.

Sales Of e-Learning /Videos

Popularity Ranking of e-Learning/Videos

Rank (Outright Purchase)		Rank (Rentals)	
1	Compliance (2019)	1	Mentorship
2	SDGs Management for Future Business	2	Business Document - Learn the basics of writing documents that communicate clearly with others (with booklet and text)
3	Personnel evaluation and assessment	3	Women's Career Design - Balancing Work and Life, Broadening Possibilities (with booklet and text)

Sales results for Q3 FY20

	Q1	Q2	Q3	
Total number of video sold (outright purchase)	285	430	419	Price: 198,000yen(tax included)~/piece
Total number of viewers (rentals)	1,092	1,878	1,735	Price: 1,870yen(tax included)~/person
STUDIO (e-Learning) (unit: IDs)	42,488ID	44,514ID	51,047ID	Price: Each ID cheapest 350yen(tax included)~/month

■ Marineroad Inc. becomes a wholly owned subsidiary as of July 1, 2021

***Company name changed to Insource Marketing Design Corp. as of August 1.**

Address: Utsunomiya City, Tochigi Prefecture

Business activities: Web promotion, website production, system development

Number of employees: 17 (mainly designers and system engineers)

■ Entering the Web Marketing Business as Insource Group

We will develop a new service that combines Insource's know-how of attracting customers through the Internet with Marineroad's expertise in web development, and provide it for 30,000 Insource's clients.



Support our clients in recruiting and attracting customers, and resolve issues by improving UX through our advanced web promotion capabilities and know-how.



Develop powerful web marketing, content, platform, and customer base.

Topics for FY20 Various KPIs

- The number of online booths decreased by 6 due to relocation . Target for FY20 has been achieved.
- Developed a cumulative total of 275 new e-Learning/videos.

	End of FY19 (Actual)	Q2 FY20 (Actual)	Q3 FY20 (Actual)	Q1-3 FY20 (Actual)	End of FY20 (Target)
No. of new online training booths (Cumulative no.)	45 (45)	73 (118)	▲6 (112)	67 (Progression Rate: 112.0%)	55 (100)
Total no. of new contracts for WEBinsource (organizations) (Cumulative contracts)	2,157 (13,492)	1,120 (14,612)	575 (15,187)	1,695 (Progression Rate: 67.8%)	2,500 (15,992)
No. of new programs/content types for On- Site training *1 (Cumulative no.)	319 (3,140)	155 (3,295)	96 (3,391)	251 (Progression Rate: 78.4%)	320 (3,460)
No. of new programs/content types for Open Seminars (Cumulative no.)	270 (2,859)	125 (2,984)	130 (3,114)	255 (Progression Rate: 85.0%)	300 (3,159)
No. of new e-Learning/videos *2 (Cumulative no.)	86 (86)	117 (203)	72 (275)	189 (Progression Rate: 94.5%)	200 (286)
Total no. of Core solution plans *3 (Cumulative no.)	171	30 (201)	7 (208)	37 (Progression Rate: 61.7%)	60 (231)
No. of websessions (Unit: thou. times)	1,835	971	574	1,545 (Progression Rate: 72.3%)	2,135

*1 The counting method has been changed from that of the monthly KPI Progress Report. We will use this counting method from now on.

*2 The number of new e-Learning and video content includes videos developed by our Company (excluding partners).

*3 Core solution plan is a one-stop service that solves organizational challenges by providing a unique mix of multiple trainings and services tailored to clients' specific needs by subject, industry or job function (former name: package plan).

<Reference> Company Profile & Business Activities

Company Profile

▪ Company name	Insource Co., Ltd.	▪ Representative director and president	Takayuki Funahashi
▪ Date of foundation	November, 2002	▪ Capital	800,623 thousand yen
▪ Tokyo Headquarters	Insource Dokanyama Bldg. 4-19-12 Nishi Nippori, Arakawa-ku, Tokyo		
▪ Affiliated companies	Mitemo Co., Ltd, Rashiku Corporation, MIRAI SOUZOU & COMPANY, Inc., Insource Digital Academy Cooperation, Marineroad Inc.		

Affiliated Companies

Mitemo Co., Ltd

- e-Learning, Platform business
- Production of Training Materials
- Workshops/ Consulting
- Regional Revitalization Business

Rashiku Corporation

- Recruitment support business
- Support Service for Career Change

MIRAI SOUZOU & COMPANY, Inc.

- On-Site Training Business

Insource Digital Academy Corporation

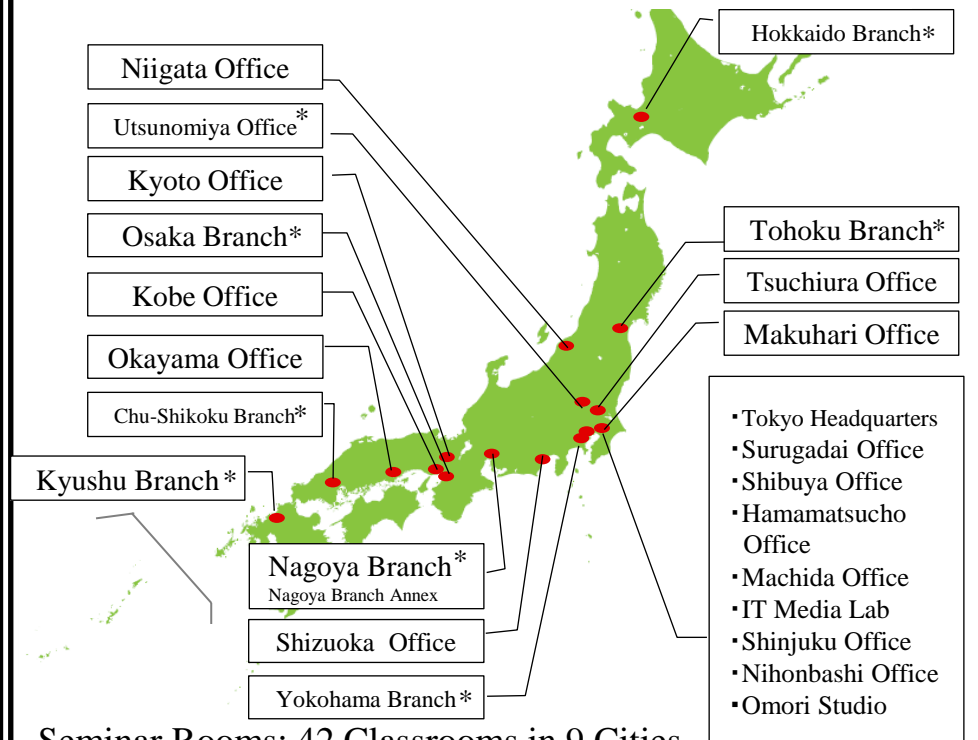
- Human Resource Development with Digital Skills
(AI/ Support for Machine Learning Applications, Support for Utilizing RPA, Improving OA/IT Skills and Business Skills)

Marineroad Inc.

*It will be renamed to Insource Marketing Design Corp. as of Aug. 1

- Website Promotion, Homepage Creation, System Development

Branch Offices & Business Sites: 24 Places Nationwide



Seminar Rooms: 42 Classrooms in 9 Cities

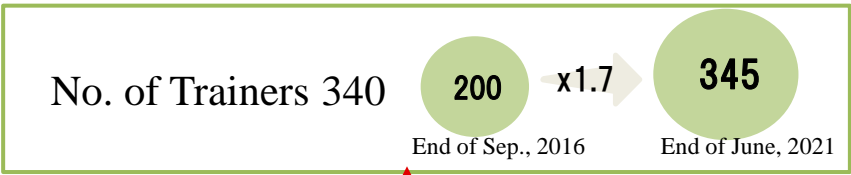
Online Training Booths: 112 Booths

※ Branches with Seminar Rooms

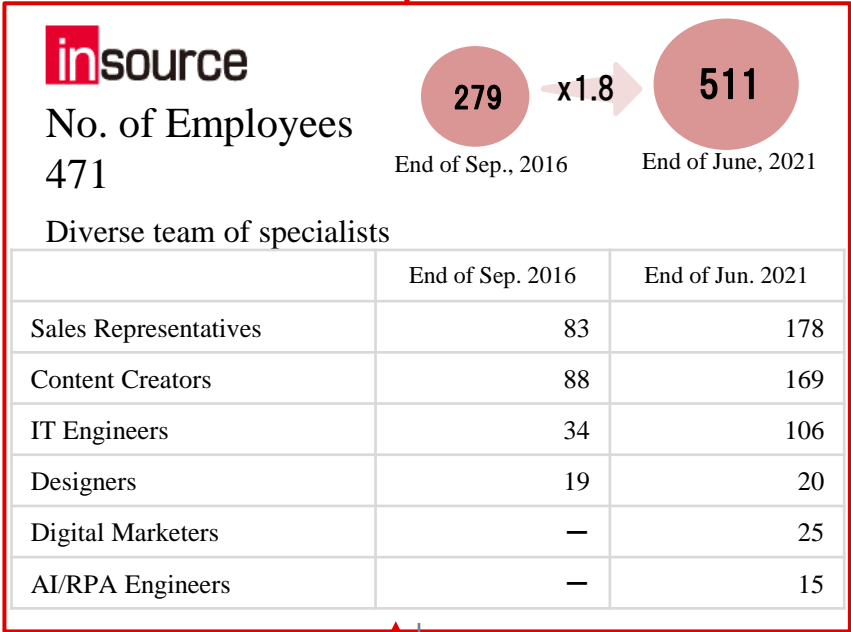
*As of the end of June, 2021

Stakeholders around Insource

■ Comparison between when listed on Mothers market (2016) and today

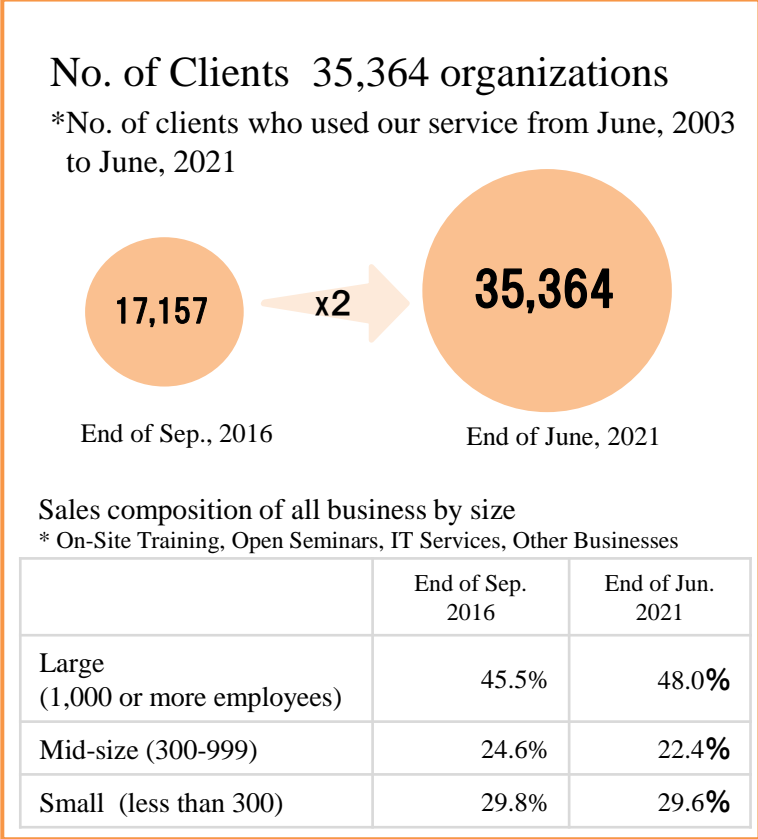


↕ In cooperation



Products/
Service

→



Funds ↑ Returns ↓



Business Activities ① Clients and Average Growth Rate by Business

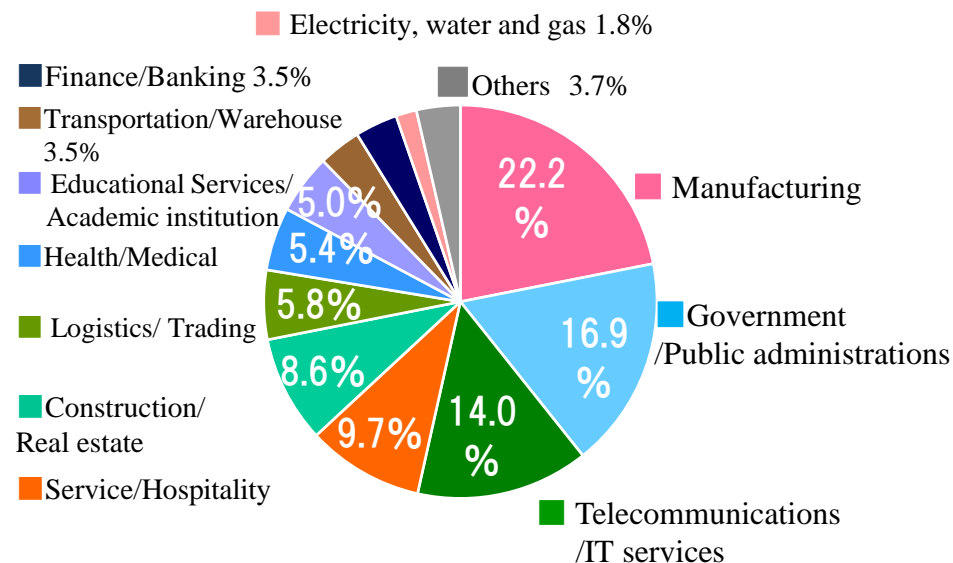
■ Composition ratio of clients by industry

The total number of clients who used our services from July, 2020 to June, 2021

10,608 organizations

The total number of clients who used our services from June, 2003 to June, 2021

35,364 organizations



■ Compound annual growth rate by business (Target)

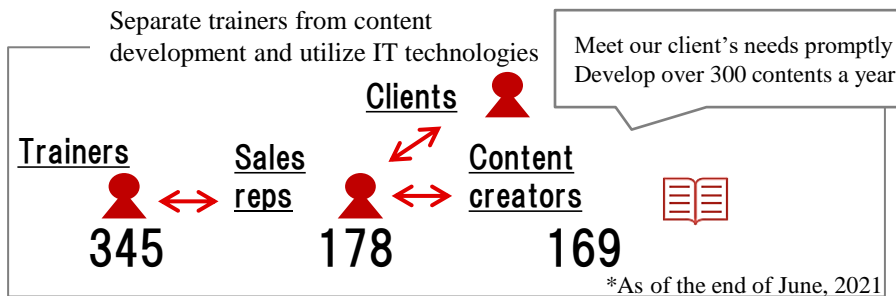
	FY18 (Actual)	FY19 (Actual)	FY20 (Revised Forecast)	CAGR FY18-FY20
Whole Business	5,608	5,119	7,700	+19.3%
On-Site Training	3,279	2,724	3,900	+11.3%
Open Seminars	1,527	1,267	1,870	+17.0%
IT Services	431	655	1,050	+63.8%
Other Businesses	369	472	880	+42.7%

Business Activities ②

- Hands-on approach: Attendees can make the most use of what they have learned immediately, either face-to-face or online training. Programs mainly consist of exercises
 - The whole process of training management conducted by IT. High quality and high frequency trainings was achieved.
 - Positive feedback rates from training attendees **95.3%** / Positive feedback rate (trainings) **95.3%** / Positive feedback rate (trainers) **93.6%**
- *As of the end of June, 2021

On-Site Training (Sales ratio: 51.5%)

Offer On-Site Trainings tailored to organizations' needs



Annual total number of trainings conducted/attendees

13,604 times **467** thou. attendees

Out of the total number of trainings conducted online:

5,930 times **179** thou. attendees

*July, 2020-June, 2021



Open Seminars (Sales ratio: 24.6%)

Offer Open Seminars that one person can attend

- Seminars are held online frequently and nationwide
- Held both at venues (in 9 cities in the country) and online
- 75,799 attendees annually year (No. of online attendees: 70%)
- More than 3,000 types of courses, including those offered by business partners, and new courses are introduced in a timely manner
- Up to 50% discount with "HRD Smart Pack" (our unique point service)
- Used by both startups and large companies nationwide

Annual total number of trainings conducted/attendees

7,116 times **75** thou. attendees

Out of the total number of trainings conducted online:

3,359 times **53** thou. attendees

*July, 2020 - June, 2021



IT Services (Sales ratio: 13.0%)

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

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



Other Businesses (Sales ratio: 10.9%)

- e-Learning / Video production
- Online seminar support service
- Consulting, Recruitment Services



* Figures in parentheses indicate percentage of Q1-Q3(cumulative total) sales ratio
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<Reference> Insource's Features

■ Our mission is to solve social issues

Insource's business objective is to contribute to career development by providing a wide range of services that enable people to learn how to work in a practical manner and educational infrastructure using IT.

■ Power of Innovation - Building new business models with the power of IT

We have developed a new business model for career development education, realizing cost reductions and quality improvements in training. In addition, we increased the number of our nationwide bases and membership sites to expand the platform for service provision.

■ DX Power - Thorough use of data and IT from our founding

Achieved significant productivity improvements by digitalizing our training management process since the beginning of our business. With a database of information from all activities, the data is used for content development and sales activities. Also, self-developed system can be offered.

■ Ability of Content Development – More than 300 new products developed every year

In response to diverse needs, we continuously develop more than 300 new trainings every year. In the future, we will continue to develop new trainings, especially for DX/IT-related and packaged programs. Furthermore, a variety of delivery methods will be offered for a single content in order to meet the needs.

■ Behavioral Principles - “Speed and Focus” and “Competition and Integration”

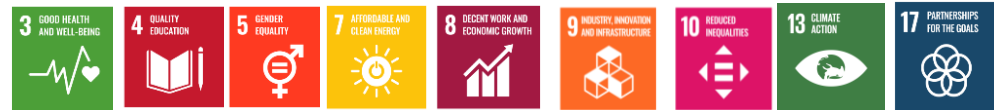
We flexibly shift our strategy in response to changing circumstances. In order to ensure diversity, various teams in contents development and sales are formed to compete against one another. At the same time, we ensure high productivity by integrating, standardizing and systemizing common tasks.

■ Emphasis on Diversity

Consisted of diverse human resources and specialists; 60% female workers (more than 30% in management), foreign nationals, seniors, LGBT and people with disabilities. Maintain diversity by hiring without regard to gender, age, educational background or nationality.

- We will continue to improve its performance (P) while being conscious of ESG
- We received the second highest rating of AA in the MSCI ESG Rating (As of June, 2021)

Environment/Social



Environment: Company-wide power saving / LED installation

Social: Our mission is to help working people solve social issues

Practicing diversity at work

The number of employees Female **289** Seniors (aged over 60) **10**

※ As of the end of June, 2021

Governance



▪ Actively disclose non-financial information on a monthly basis

- Newly developed training programs
- No. of On-Site training conducted
- No. of Open Seminars attendees
- No. of WEBinsource subscribers
- No. of Leaf monthly paying subscribers (organizations)
- No. of organizations implementing Stress Check Support Service

▪ Disclose financial status and forecast frequently depending on the situation

We will disclose latest information for your reference under the ever-changing environment.

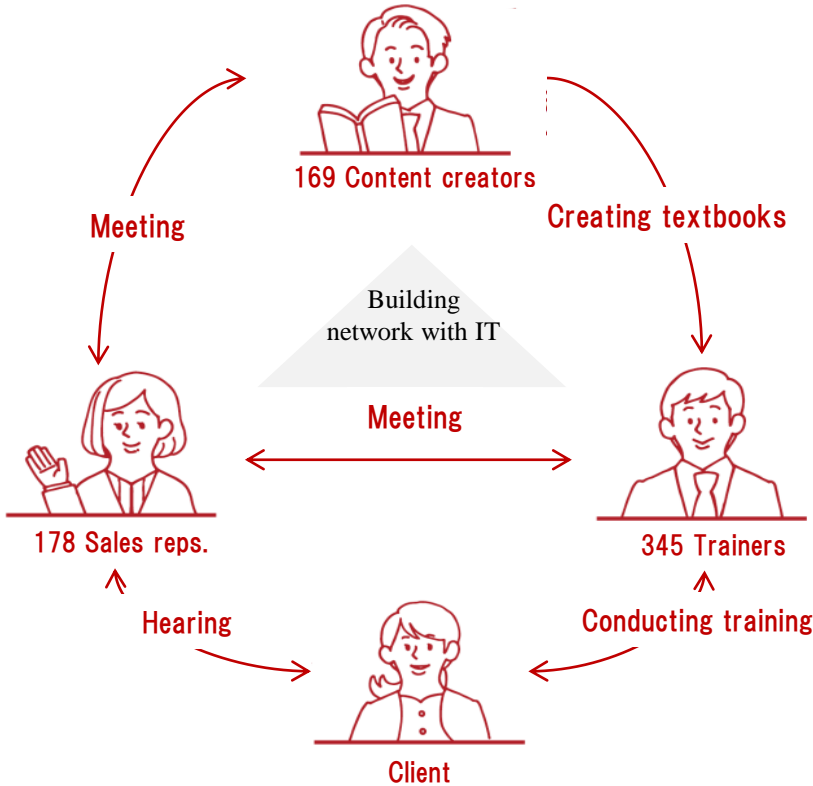
Performance

We contribute to society by solving social issues through trainings. In addition, we will continue to improve our performance by providing trainings at a low cost through our IT capabilities and systematization.

History of Insource's Innovation ①

Establish a new business model

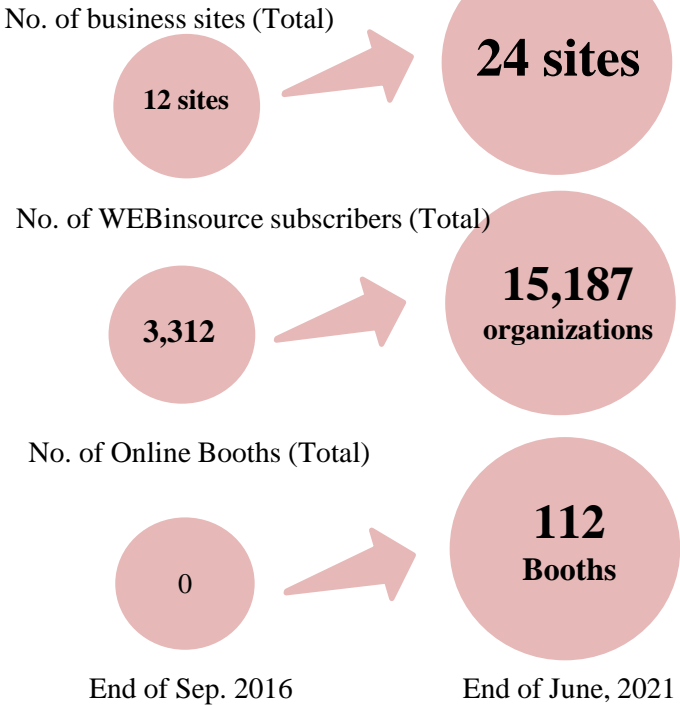
Using the power of IT to create a “division of labor” between trainers and textbook creators



- Created a "division of labor" system where textbooks are developed in-house and trainers focus on conducting trainings
- Develop contents quickly through thorough systemization

Build the Platform

Provide good and reasonable services to organizations and local governments across the country

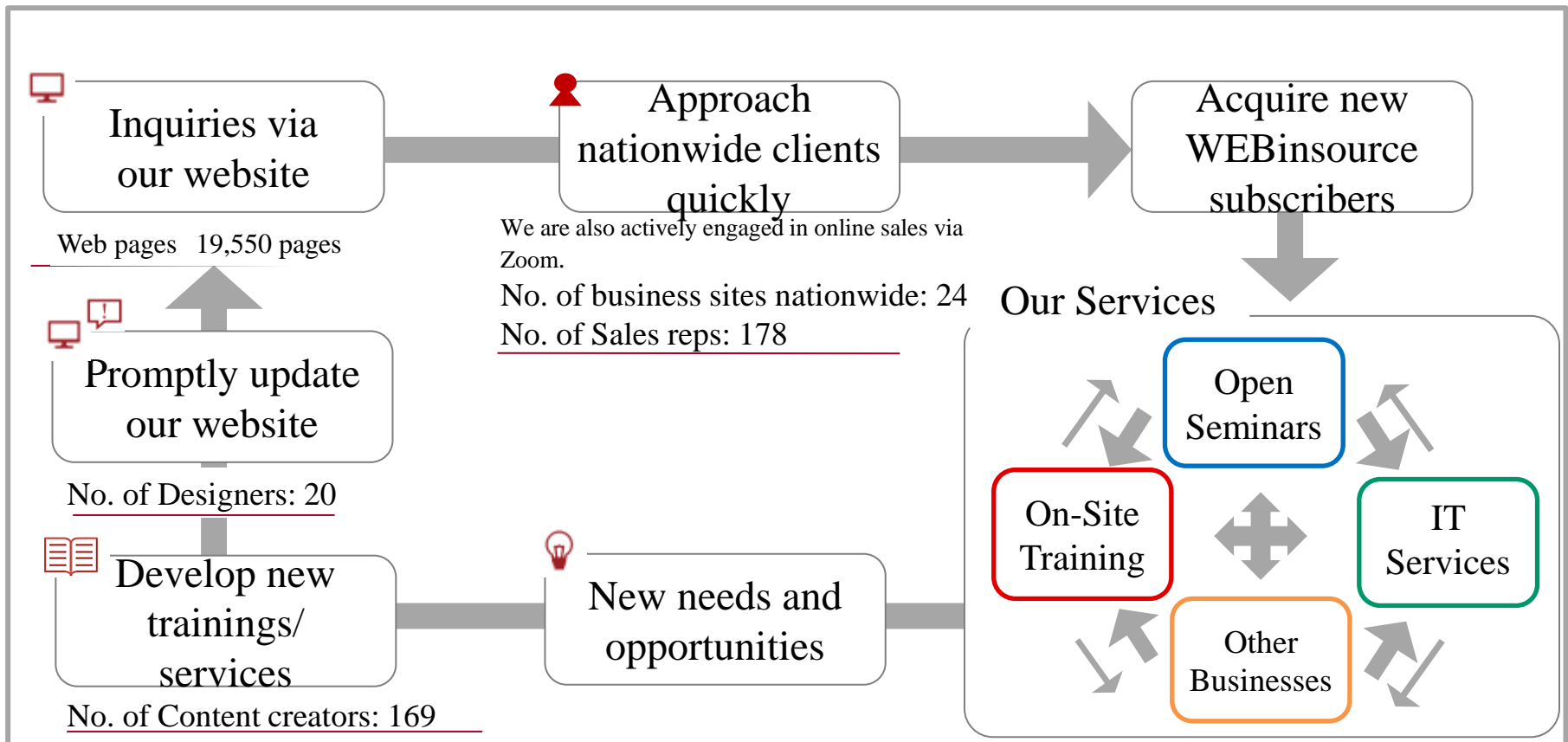


- 24 nationwide business sites, 42 seminar classrooms, 112 online booths
- Organized 15,187 public and private companies through the membership site "WEBinsource"

Rapidly develop products and provide services through the use of IT and data

Business flow of Insource – Totally IT-enabled and Systematized

*As of the end of June, 2021



Promote systemization to improve business efficiency since our founding

Develop sales of training and videos on EC site

Self-developed ASP "Leaf" to be sold externally

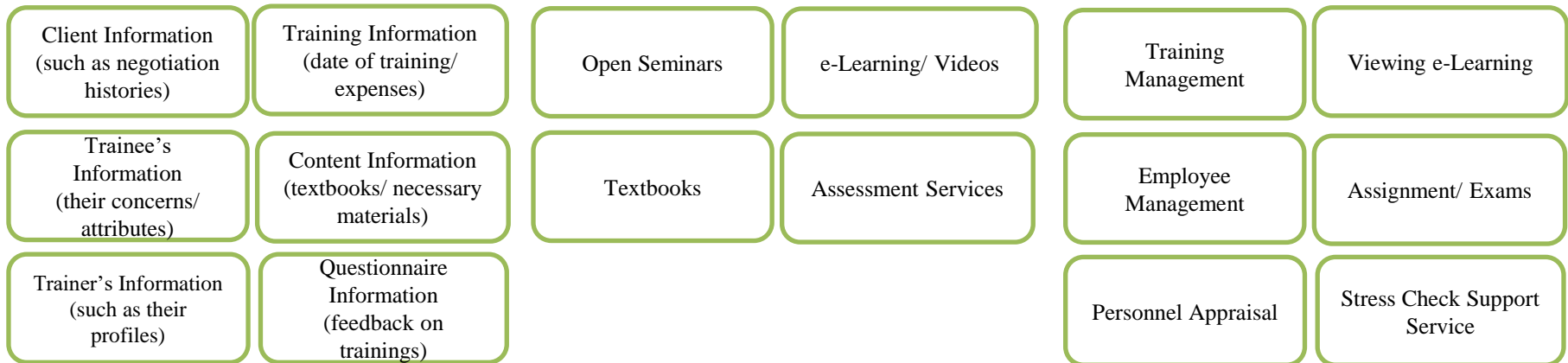
Developed a system to manage client information, training operations and content



Sales through WEBinsource (membership site), "Video Department Store" (EC site)



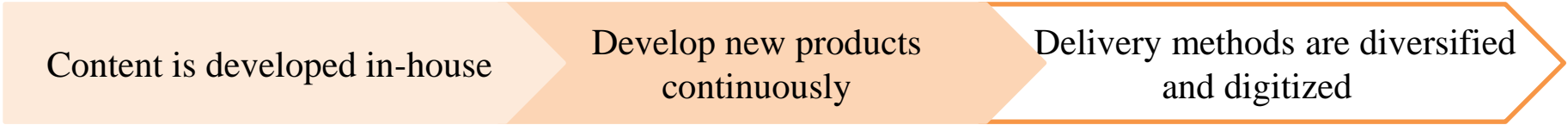
IT Service Division is established, and start selling the personnel support system "Leaf"



- Create a database of all information
- Systematize all operations

- In-house engineers quickly respond to new functions to meet client's needs and improve convenience

- Various functions as a tool to manage complicated HR operations
- 375 organizations have implemented the system as of the end of June, 2021



Develop trainings on level-based and business skills trainings

300 new training programs are developed annually, offering a wider range of themes year by year

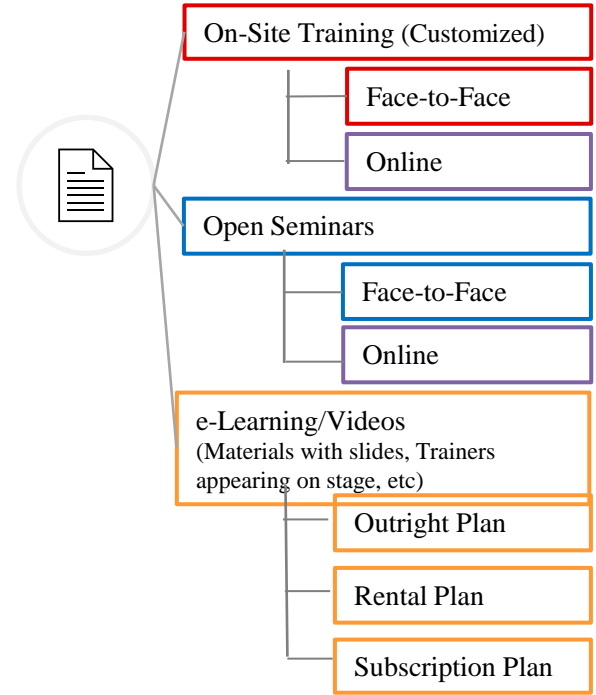
A variety of delivery and purchase methods are available to meet clients' needs

Level-based Skills Business Skills

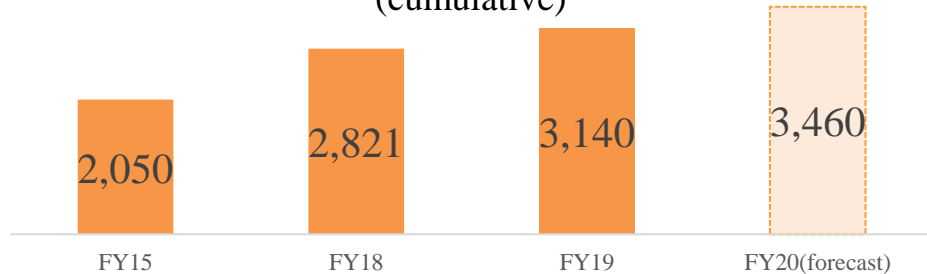
- | | |
|--|------------------------|
| For Managers | ▪ Time Management |
| ▪ Senior management | ▪ Business documents |
| ▪ Newly appointed managers | ▪ Communication |
| Mil-level employees | ▪ CS/Hospitality |
| ▪ Leaders | ▪ Complaint handling |
| ▪ Mid-level employees | ▪ Negotiation skills |
| Newly employed and younger employees | ▪ Business improvement |
| ▪ For those with the 1 st to 5 th year experiences | ▪ Creating manuals |
| ▪ Business basics | ▪ |
| | ▪ |
| | ▪ |

Future Development Plans

- DX/IT-related
 - Recurrent Education Program
 - Packaged products (Core Solution Plan)
 - Videos/e-Learning
 - AI Voice Series
 - Animation
- etc.



Number of On-Site Training contents developed (cumulative)



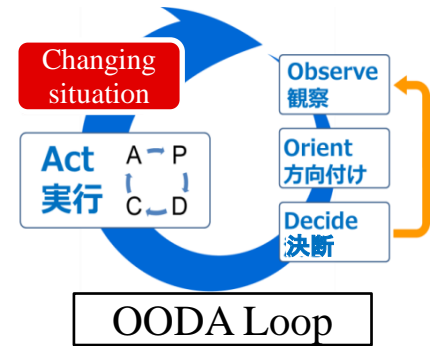
Speed and Focus - Respond flexibly and quickly to environmental changes based on OODA Model

With decision-making process “OODA Loop”, we drive the business forward

- Information sharing throughout the company through IT systemization
- Set KPIs that break down performance targets into action levels, and have all employees analyze them on their own

Overcoming the Coronavirus crisis and growing into a stronger organizations

- Systematized the complicated work involved in conducting online training in one week
- Expanded business scale through major personnel transfers to growth areas



*What is OODA Loop?

OODA Loop is a simple practical framework inspired by US Marine Corps' decision-making process. With OODA Loop, you can flexibly deal with changing situations at high speed.

Competition and Integration

Increased productivity through a sense of competition and standardization of work within the company

Due to in-house competition, we have created diverse products and services and realized highly creative sales activities

- The Content Development Department develops a wide variety of products and services on a daily basis by duplicating work and competing with different teams
- Managers in Sales Department are appointed from their twenties to executive officers, and they compete and try to improve by learning from each other

Thoroughly standardize and structure common operations

- Integrate, standardize, and systemize operations common to all groups

Cooperation and Harmony – With no performance-based or penalty-based approach, we share information and results

Diverse Workforce - Diversity is a driving force for growth

Ratio of female employees in managerial positions: 34.1%

Employment rate of people with disabilities: 2.81%

	Total	Female employees
Total number of employees *2	511	289 56.6%
Total number of managerial positions	155	53 34.1%

Ratio of female employees in managerial positions:
14.9% *1
(Source: The Gender Equality Bureau of the Cabinet Office (2019))

Foreign nationals ※4	4	Seniors (aged over 60)	10	LGBTs	6	People with disabilities	9 Disability employment rate: 2.81% *3
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• Legal employment rate: **2.2%**
• Actual employment rate: **2.11%**
(Source: “2019 Disability Persons' Employment Status” released by the Ministry of Health, Labour and Welfare)

Workforce by job function: Diverse specialists work at Insource.

Content Creators	169	Sales Representatives	178	IT Engineers	106
Digital Marketers	25	AI /RPA Engineers	15	Designers	20

*1 Administrative and managerial workers include board members, managers or above, administrative civil servants.

(As of the end of June, 2021 (consolidated))

*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.

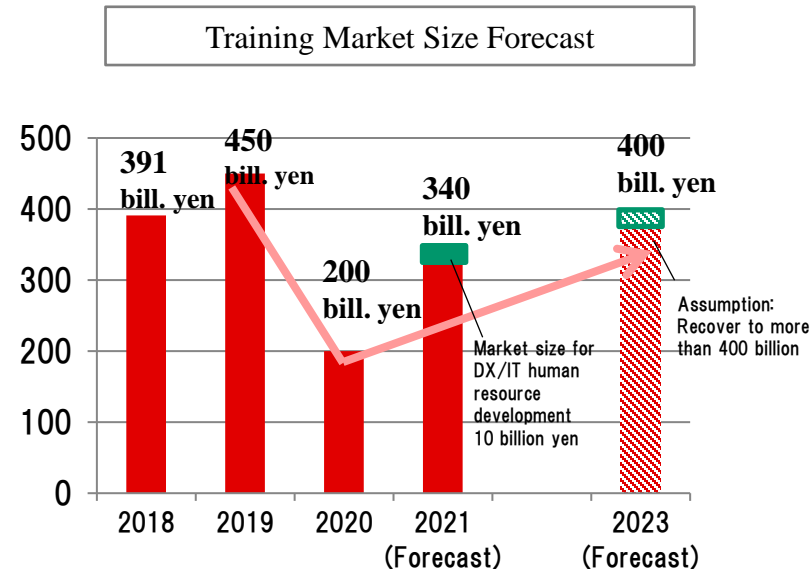
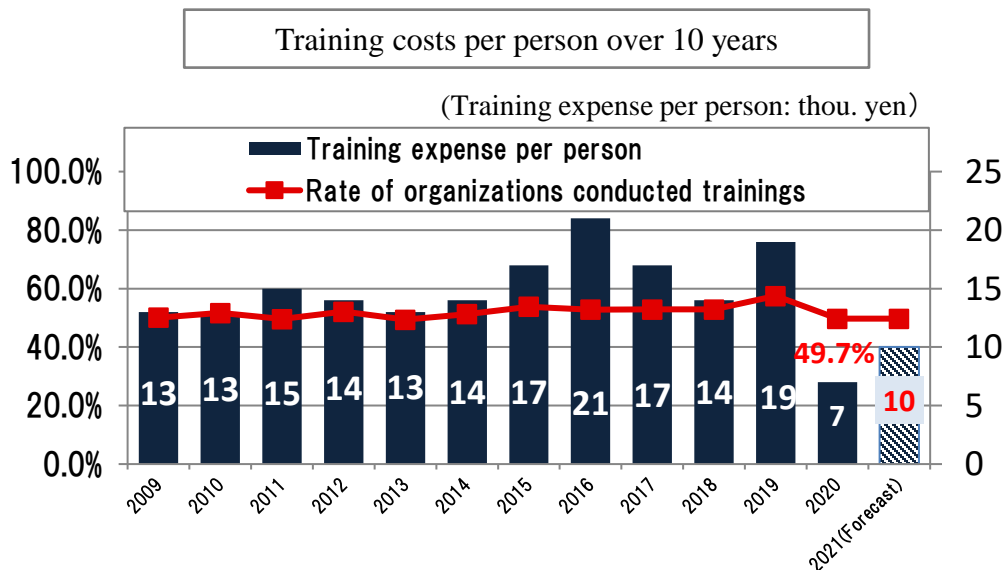
<Reference> Mid-Term Management Plan, “Road to Next 2023”

1. Market sizes for 2020 was 200 billion and 2021 is expected to be 340 billion yen*1

- The market size of 2020 decreased to 200 billion yen and per capita training cost was 7,000 yen (-12,000 yen from the previous year). Our market share increased to 2.5%.
- The market size in 2021 is expected to be 340 billion yen, assuming that the ratio of companies that implement training will be 49.7%, the same as in 2020, and that per capita training costs will increase to 10,000 yen.

2. Market size for DX/IT human resource development is assumed to be 10 billion yen*2

- There is a chronic shortage of IT personnel. So it is expected that companies would step up re-skilling to cultivate and utilize internal workforce rather than hiring from the outside.



*1 This figure is calculated based on the surveys done by Ministry of Health, Labour and Welfare (2020) and Ministry of Internal Affairs and Communications

*2 IT personnel training costs are calculated 450,000 yen per person. *3 The survey done by Ministry of Economy, Trade and Industry in 2019.

*4 Calculated from the Ministry of Health, Labour and Welfare's "Human Resources Development Basic Survey (2009 - 2019)"; the percentage of companies outsourcing in 2019 was 57%.

Major Themes

1. Strengthen services in new fields - Secure a large market share in new fields

- DX/IT services
Development of Python trainings for those with liberal arts backgrounds.
(Sales target is set at more than 1 billion yen within two years)
- SDGs/ESG services
Strengthen training and consultations on diversity, women’s empowerment etc. based on our own experience.
- WEB production services
Start providing recruitment and sales support web services.
- Online seminar support service
Expand BPO services to support online operations.

2. Expand IT services’ business –Increase sales

- Expand and accelerate the Leaf business, and create a service delivery platform

3. Thoroughly diversify methods of selling educational services

How we offer trainings

- Face-to-face (for real)
- Online
- e-Learning

Sales methods of e-Learning/video production

- Outright
- Monthly Subscription
- Rentals

- The financial target for FY21 onward will be presented at the same time of the announcement of FY20 based on the upturn of financial results.
- Temporary targets have been set based on the current sales situation.

	FY19 (Actual)	FY20 (Revised Forecast)	FY21 <Temporary Target>	FY22 <Temporary Target>	CAGR FY20-FY22
Net sales (YoY: mil yen)	5,119 (▲488)	7,700 (+2,580)	8,500 or more	10,000 or more	-
Gross profit (YoY: mil yen)	3,643 (▲315)	5,900 (+2,256)			-
Operating profit (YoY: mil yen) (Gross profit margin)	784 (▲519) (15.3%)	2,400 (+1,615) (31.2%)			-
Net profit (YoY: mil yen)	445 (▲389)	1,600 (+1,154)			-