

# Insource Co., Ltd.

## 1Q FY22 Consolidated Financial Results

(October 1, 2022 to December 31, 2022)

Wednesday, January 25, 2023

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(TSE: 6200)

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## Chapter 1 1Q FY22 Consolidated Financial Results

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## Chapter 2 1Q FY22 Details by Business

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## <Appendix 1> Company Profile & Advantages of Insource ESG Initiatives

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## <Appendix 2> Three-year Business Plan “Road to Next 2025”

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## 1Q FY22 (Oct.- Dec.2022) Results

- Net Sales: 2,586 million yen (+18.0% YoY), Gross profit: 1,957 million yen (+16.6% YoY)  
Gross profit margin: 75.7% (-0.9pt YoY), Operating profit: 893 million yen (+15.2% YoY)  
Operating profit margin: 34.5% (-0.8pt YoY)
- On-Site Training Business performed well with the private sector, Open Seminars Business and Other Businesses progressed steadily, achieving sales and profits as planned.  
Sales progress rate: 23.4%, Gross profit progress rate: 22.8%, Operating profit progress rate: 24.0%

## 1Q FY22 (Oct.- Dec.2022) Details by Business

- On-Site Training (Net Sales: 1,397 million yen, +11.9% YoY, Progress rate: 25.5%)  
Sales grew steadily thanks to the increase in the number of trainings conducted and higher unit prices for private sectors, and the increase in more profitable DX trainings as well.
- Open Seminars (Net Sales: 631 million yen, +24.5% YoY, Progress rate : 24.1%)  
Total number of attendees increased due to the strong performance of the “Python Academy”\* and an increase in the number of trainings conducted including new ones.
- IT Services (Net Sales: 213 million yen, +5.0% YoY, Progress rate : 14.3%)  
Leaf’s annual recurring revenue (ARR) grew steadily, but customization sales shifted to 2Q, resulting in a slight increase in sales.
- Other Businesses (Net Sales: 343million yen, +47.5% YoY, Progress rate : 23.7%)  
Sales and profit showed steady growth as sales for highly profitable video/e-Learning increased steadily.

\*Basic courses for programming language "Python"

# Chapter 1 1Q FY22 Consolidated Financial Results

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# Consolidated Profit & Loss Statement (1) Overview

Unit: million yen

	1Q FY20 (Actual)	1Q FY21 (Actual)	1Q FY22 (Actual)	YoY	FY22 (Forecast)	Progress rate
Net sales (YoY)	<b>1,814</b> (+189)	<b>2,192</b> (+378)	<b>2,586</b> (+394)	<b>+18.0%</b>	<b>11,050</b> (+1,631)	<b>23.4%</b>
Gross profit (YoY) (Gross profit margin)	<b>1,390</b> (+228) (76.6%)	<b>1,678</b> (+288) (76.6%)	<b>1,957</b> (+278) (75.7%)	<b>+16.6%</b> (▲0.9pt)	<b>8,580</b> (+1,365) (77.6%)	<b>22.8%</b>
Operating profit (YoY) (Operating profit margin)	<b>646</b> (+232) (35.6%)	<b>775</b> (+128) (35.4%)	<b>893</b> (+117) (34.5%)	<b>+15.2%</b> (▲0.8pt)	<b>3,730</b> (+362) (33.8%)	<b>24.0%</b>
Ordinary profit (YoY) (Ordinary profit margin)	<b>659</b> (+244) (36.4%)	<b>765</b> (+106) (34.9%)	<b>891</b> (+125) (34.5%)	<b>+16.4%</b> (▲0.5pt)	<b>3,720</b> (+373) (33.7%)	<b>24.0%</b>
Net Profit (YoY) (Net profit margin)	<b>452</b> (+176) (24.9%)	<b>522</b> (+70) (23.8%)	<b>610</b> (+87) (23.6%)	<b>+16.8%</b> (▲0.2pt)	<b>2,540</b> (+306) (23.0%)	<b>24.0%</b>

# Consolidated Profit & Loss Statement (2) Net sales and gross profit by business

Unit: million yen

		1Q FY20 (Actual)	1Q FY21 (Actual)	1Q FY22 (Actual)	YoY	FY22 (Forecast)	Progress rate
On-Site Training	Net Sales (YoY)	<b>1,066</b> (+59)	<b>1,248</b> (+182)	<b>1,397</b> (+149)	<b>+11.9%</b>	<b>5,480</b> (+814)	<b>25.5%</b>
	Composition ratio: <b>54.0%</b> (FY21 <b>49.5%</b> )	Gross profit (Gross profit margin)	<b>822</b> (77.1%)	<b>990</b> (79.3%)	<b>1,103</b> (79.0%)	<b>+11.4%</b> (▲0.4pt)	<b>4,410</b> (80.5%)
Open Seminars	Net Sales (YoY)	<b>447</b> (+27)	<b>507</b> (+60)	<b>631</b> (+124)	<b>+24.5%</b>	<b>2,620</b> (+401)	<b>24.1%</b>
	Composition ratio: <b>24.4%</b> (FY21 <b>23.6%</b> )	Gross Profit (Gross profit margin)	<b>339</b> (76.1%)	<b>391</b> (77.3%)	<b>491</b> (77.8%)	<b>+25.3%</b> (+0.5pt)	<b>2,060</b> (78.6%)
IT Services	Net Sales (YoY)	<b>150</b> (+43)	<b>203</b> (+53)	<b>213</b> (+10)	<b>+5.0%</b>	<b>1,500</b> (+302)	<b>14.3%</b>
	Composition ratio: <b>8.3%</b> (FY21 <b>12.7%</b> )	Gross Profit (Gross profit margin)	<b>110</b> (73.3%)	<b>147</b> (72.3%)	<b>147</b> (69.2%)	<b>+0.4%</b> (▲3.2pt)	<b>1,240</b> (82.7%)
Other Businesses	Net Sales (YoY)	<b>150</b> (+58)	<b>233</b> (+82)	<b>343</b> (+110)	<b>+47.5%</b>	<b>1,450</b> (+112)	<b>23.7%</b>
	Composition ratio: <b>13.3%</b> (FY21 <b>14.2%</b> )	Gross Profit (Gross profit margin)	<b>118</b> (78.6%)	<b>149</b> (64.0%)	<b>215</b> (62.5%)	<b>+44.1%</b> (▲1.5pt)	<b>870</b> (60.0%)

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

# Consolidated Profit & Loss Statement (3) Breakdown of SG&A expenses

- Office & communication expenses increased 33.8% YoY due to PC purchases and Office 365 license updates.
- Office-related expenses decreased 13.1% YoY due to the lower ground rent after purchasing the company's own buildings and closing some seminar classrooms.

Unit: million yen

Breakdown of SG&A	1Q FY20 (Actual)	1Q FY21 (Actual)	1Q FY22 (Actual)	Increase/ Decrease	YoY	FY22 (Forecast)
Personnel expenses*1	<b>599</b>	<b>732</b>	<b>869</b>	<b>+137</b>	<b>+18.7%</b>	<b>3,925</b> (+818)
Of which, RS*2	<b>0</b>	<b>29</b>	<b>30</b>	<b>+0</b>	<b>+2.0%</b>	<b>125</b> (+4)
Office-related expenses *3	<b>42</b>	<b>44</b>	<b>38</b>	<b>▲5</b>	<b>▲13.1%</b>	<b>165</b> (+3)
Office & communication expenses	<b>26</b>	<b>30</b>	<b>41</b>	<b>+10</b>	<b>+33.8%</b>	<b>210</b> (+29)
Others	<b>75</b>	<b>95</b>	<b>114</b>	<b>+19</b>	<b>+20.0%</b>	<b>550</b> (+155)
Total SG&A	<b>744</b>	<b>903</b>	<b>1,064</b>	<b>+160</b>	<b>+17.8%</b>	<b>4,850</b> (+1,006)
(SG&A ratio)	<b>(41.0%)</b>	<b>(41.2%)</b>	<b>(41.1%)</b>	<b>(▲0.1pt)</b>	-	<b>(43.9%)</b>

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

\*2 Restricted stock.

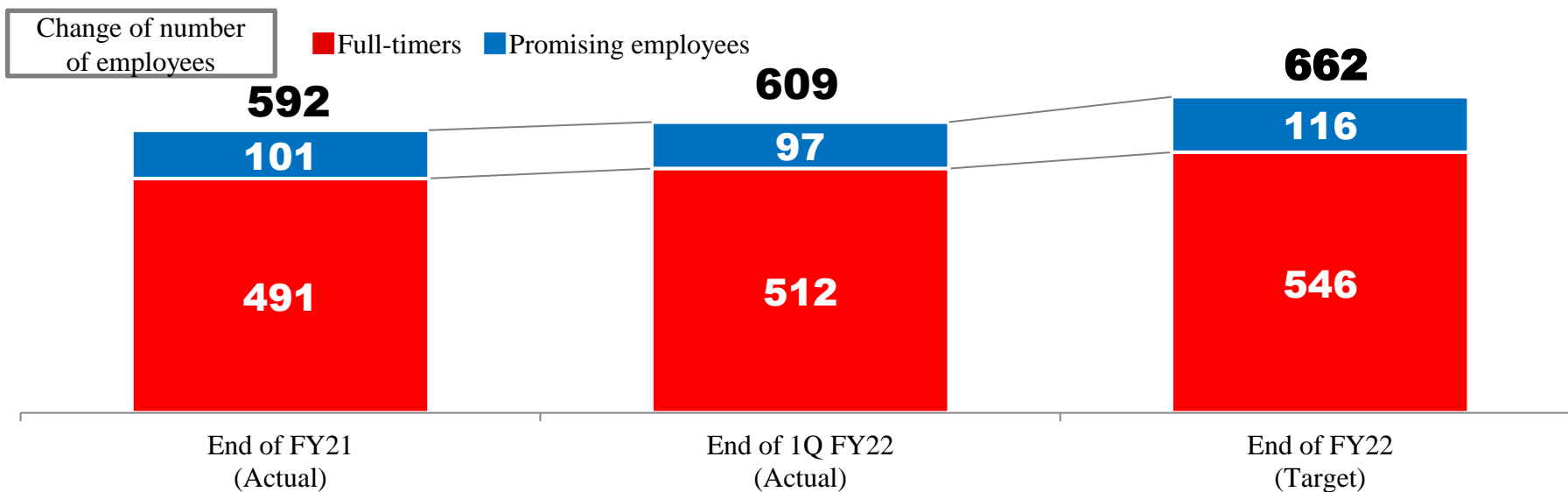
\*3 Office-related expenses include ground rent, fixed asset tax of the company's buildings, real estate acquisition tax, and depreciation of property, plant and equipment.



# Human Capital - Number of Employees

- The number of employees increased by 17 and 31 new graduates will join the company in April, 2023.
- Promising employees (Seed investment in human capital) are personnel who have joined the company within one year after graduation or within six months after mid-career hiring. Especially for new graduates, we are training them as new core human resources equipped with both DX and sales skills.

Consolidated number of employees	End of FY21 (Actual)	End of 1Q FY22 (Actual) (vs end of 1Q FY21)	Progress rate against FY22 target	End of FY22 (Target) (vs end of FY21)
<u>Total number of employees*</u>	<b>592</b>	<b>609</b> (+17)	<b>24.3%</b>	<b>662</b> (+70)
<u>Of which, promising employees*</u>	<b>101</b>	<b>97</b>	<b>83.6%</b>	<b>116</b> (+15)



\* Number of employees does not include directors, corporate auditors and executive officers.

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

# Human Capital - Diversity Disclosure

- Female employees account for 56.5% of the entire employees and 38.1% of managerial positions.
- Acquired 2 stars in “Eruboshi” certification\*. Selected under the “2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program”.

\*A program under which the Minister of Health, Labor and Welfare certifies companies that have made excellent efforts to promote the advancement of women, based on the Law for the Promotion of Women's Activities.



	Total	Female employees
No. of employees*2	<b>609</b>	<b>344</b> <b>56.5%</b>
No. of managerial positions	<b>197</b>	<b>75</b> <b>38.1%</b>

<Private Sectors>  
Ratio of female employees in managerial positions:  
**13.2%** \*1  
(Source: The Gender Equality Bureau of the Cabinet Office (2022))

Foreign nationals*4	<b>3</b>	Seniors (aged over 60)	<b>39</b>	LGBTs	<b>5</b>	People with disabilities	<b>10</b> Disability employment rate: <b>2.73%</b> *3
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Workforce by job function  
(including those who are holding two or more posts concurrently)  
- Diverse specialists work at Insource \*5

<Private Sectors>  
• Legal employment rate: **2.30%**  
• Actual employment rate: **2.25%**  
(Source: “2022 Disability Persons' Employment Status” released by the Ministry of Health, Labour and Welfare)

Content Creators	<b>155</b>	Sales Representatives	<b>222</b>	IT Engineers	<b>113</b>	Back Office Personnel	<b>39</b>
Digital Marketers	<b>30</b>	DX Specialists	<b>23</b>	Designers	<b>20</b>	Service Operators	<b>73</b>

\*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.  
\*5 Number of employees by job category is calculated by duplicating those who hold concurrent positions.  
(As of the end of December, 2022, Consolidated)

# Consolidated Balance Sheets

■ Decrease in cash and deposits, current liabilities, and net assets due to payment of dividends and corporate taxes.

Unit: million yen

	End of FY20 (Actual)	End of FY21 (Actual)	End of 1Q FY22 (Actual)	Increase/ decrease	YoY
Current assets	<b>3,759</b>	<b>5,260</b>	<b>3,954</b>	<b>▲1,306</b>	<b>▲24.8%</b>
Of which, cash and deposits	<b>2,624</b>	<b>3,827</b>	<b>2,531</b>	<b>▲1,296</b>	<b>▲33.9%</b>
Fixed assets	<b>3,007</b>	<b>3,468</b>	<b>3,784</b>	<b>+315</b>	<b>+9.1%</b>
Total assets	<b>6,766</b>	<b>8,729</b>	<b>7,739</b>	<b>▲990</b>	<b>▲11.3%</b>
Current liabilities	<b>2,202</b>	<b>2,559</b>	<b>1,864</b>	<b>▲695</b>	<b>▲27.2%</b>
Of which, Advances received *	<b>599</b>	<b>730</b>	<b>641</b>	<b>▲88</b>	<b>▲12.1%</b>
Fixed liabilities	<b>63</b>	<b>44</b>	<b>44</b>	<b>▲0</b>	<b>▲1.3%</b>
Net assets	<b>4,500</b>	<b>6,125</b>	<b>5,830</b>	<b>▲295</b>	<b>▲4.8%</b>
Total liabilities And net assets	<b>6,766</b>	<b>8,729</b>	<b>7,739</b>	<b>▲990</b>	<b>▲11.3%</b>

\* 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

# Human Capital Management Related Services - Progress

- Conducted surveys on human capital disclosures of 865 companies and currently proposing solutions to them.
- Held 6 types of free seminars on human capital management, attended by 227 companies including unlisted companies (as of December 31, 2022).
- Japanese companies are facing five major topics.

Examples of topics and issues	Services to Support Problem Solving
<p><u>1. Improvement in Business Performance</u></p> <ul style="list-style-type: none"> <li>▪ Develop management and senior managers who can fulfill their responsibilities to expand business performance without being bound by precedent or tradition.</li> <li>▪ Improve productivity and create new businesses and services by DX</li> </ul>	<ul style="list-style-type: none"> <li>▪ Senior management training "Change and Conceptualization“, "Learning from Great People“, "Financial Indicators for Management," etc.</li> <li>▪ DX promotion Education by level and job title, including DX understanding, Python, project management, etc.</li> </ul>
<p><u>2. Diversity &amp; Inclusion</u></p> <ul style="list-style-type: none"> <li>▪ Increase the ratio of female managers and the ration of women in recruitment</li> <li>▪ Develop and promote diverse human resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Training (career leadership for women/management for managers)</li> <li>▪ Career development support through personnel interviewing on behalf of the company</li> <li>▪ Website creation (recruitment page) to recruit women</li> </ul>
<p><u>3. Employee Engagement</u></p> <ul style="list-style-type: none"> <li>▪ Increase sales per employee and reduce turnover</li> <li>▪ Create a work environment where active communication takes place</li> </ul>	<ul style="list-style-type: none"> <li>▪ Centralized management of personnel information and communication activation tools Leaf Management/Leaf My STORY</li> <li>▪ Engagement assessments and workshops</li> </ul>
<p><u>4. Corporate Health</u></p> <ul style="list-style-type: none"> <li>▪ Promote to take leaves and reduce long working hours</li> <li>▪ Manage and promote employees' health (e.g., reducing the number of high-risk employees in health checkups)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Training related to overtime reduction to prevent long working hours</li> <li>▪ Stress check and mental health training</li> <li>▪ Video materials to raise awareness of health checkups and lifestyle improvements</li> </ul>
<p><u>5. Strengthening Governance</u></p> <ul style="list-style-type: none"> <li>▪ Improve literacy of management and all employees (Improvement of compliance awareness/prevention of harassment/enhancement of information security, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Video materials by theme, such as compliance and information security</li> <li>▪ Corporate Governance Training for Management</li> <li>▪ Harassment Risk Assessment</li> </ul>

# 1Q FY22 Launch of New Services

- Expand service lineup tailored to each company's needs in human capital management.
- Strengthen development of hybrid services, such as Open Seminars combining with video contents.

## <Major new services>

- New service Video Packages Supporting Corporate Health
- Overview 15 training videos co-developed with Value HR Inc. covering 10 topics including sleep, exercise and health checkups results.
- Target client Large Enterprise/Medium Market Business
- Launch date November, 2022

- New service Employee Engagement Assessment (Renewal)
- Overview Freely customizable. Results can be used as KPI for human capital management.
- Target client All Clients
- Launch date December, 2022

- New service ENERGY SESSION series
- Overview Half-day training course focusing on practices and case studies. Videos can be viewed in advance.
- Target client Large Enterprise
- Launch date November, 2022

■ The decrease in the number of trainers was due to the termination of contracts who were not working for a certain period of time. New hires have been steady since the previous fiscal year as the framework has been strengthened.

	FY20 (Actual)	FY21 (Actual)	1Q FY22 (Actual)	FY22 (Actual & Progress rate)	FY22 (Target)
No. of new contracts of WEBinsource (Cumulative no. of organizations)	<b>2,306</b> <b>(15,798)</b>	<b>2,871</b> <b>(18,669)</b>	<b>608</b> <b>(19,277)</b>	<b>608</b> <b>(25.3%)</b>	<b>2,400</b> <b>(21,069)</b>
No. of new contents for On-Site Training (Cumulative no.)	<b>321</b> <b>(3,461)</b>	<b>333</b> <b>(3,719)</b>	<b>90</b> <b>(3,884)</b>	<b>90</b> <b>(25.7%)</b>	<b>350</b> <b>(4,144)</b>
No. of new contents for Open Seminars (Cumulative no.)	<b>437</b> <b>(3,296)</b>	<b>334</b> <b>(3,630)</b>	<b>61</b> <b>(3,691)</b>	<b>61</b> <b>(30.5%)</b>	<b>200</b> <b>(3,830)</b>
No. of new contents for e-Learning/videos *1 (Cumulative no.)	<b>248</b> <b>(334)</b>	<b>210</b> <b>(544)</b>	<b>57</b> <b>(601)</b>	<b>57</b> <b>(27.1%)</b>	<b>210</b> <b>(654)</b>
No. of core solution plans *2 (Cumulative no.)	<b>60</b> <b>(231)</b>	<b>36</b> <b>(267)</b>	<b>10</b> <b>(277)</b>	<b>10</b> <b>(25.0%)</b>	<b>40</b> <b>(307)</b>
No. of web-sessions (Unit: thou. times)	<b>2,010</b>	<b>1,804</b>	<b>418</b>	<b>418</b> <b>(20.9%)</b>	<b>2,000</b>
No. of clicks on email newsletters (Unit: click)	<b>56,390</b>	<b>52,811</b>	<b>17,705</b>	<b>17,705</b> <b>(29.5%)</b>	<b>60,000</b>
No. of trainers *3 (Unit: people)	<b>340</b>	<b>315</b>	<b>309</b> <b>(▲6)</b>	<b>309</b> <b>(▲10.0%)</b>	<b>375</b> <b>(+60)</b>
No. of DX trainers *3 (Unit: people)	<b>52</b>	<b>67</b>	<b>63</b> <b>(▲4)</b>	<b>63</b> <b>(▲26.7%)</b>	<b>82</b> <b>(+15)</b>
No. of organizations using assessment (Unit: organizations)	-	<b>260</b>	<b>129</b>	<b>129</b> <b>(30.3%)</b>	<b>426</b>
CO2 emissions per employee*4 (Unit: t-CO2)	<b>0.74</b>	<b>0.73</b>	<b>0.15</b>	<b>0.15</b> <b>(22.5%)</b>	<b>0.69</b>

\*1 No. of new contents for e-Learning/videos are those developed by the Company only (excluding partners). \*2 Core solution plan: A 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. \*3 The number of trainers is as of the end of each fiscal period. \*4 Calculated by dividing CO2 emissions from electricity use (Scope2) by the average number of employees during the fiscal year.

## Chapter 2 1Q FY22 Details by Business

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# Consolidated Profit & Loss Statement - Overview

Unit: million yen

	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY	
Net sales (QoQ)	<b>2,192</b> (+235)	<b>2,317</b> (+124)	<b>2,362</b> (+45)	<b>2,545</b> (+182)	<b>2,586</b> (+41)	<b>+394</b>	<b>+18.0%</b>
Gross profit (QoQ)	<b>1,678</b> (+197)	<b>1,819</b> (+140)	<b>1,765</b> (▲53)	<b>1,950</b> (+184)	<b>1,957</b> (+7)	<b>+278</b>	<b>+16.6%</b>
(Gross profit margin)	<b>(76.6%)</b>	<b>(78.5%)</b>	<b>(74.7%)</b>	<b>(76.6%)</b>	<b>(75.7%)</b>	<b>(▲0.9pt)</b>	
Operating profit (QoQ)	<b>775</b> (+103)	<b>899</b> (+123)	<b>762</b> (▲136)	<b>929</b> (+166)	<b>893</b> (▲36)	<b>+117</b>	<b>+15.2%</b>
(Operating profit margin)	<b>(35.4%)</b>	<b>(38.8%)</b>	<b>(32.3%)</b>	<b>(36.5%)</b>	<b>(34.5%)</b>	<b>(▲0.8pt)</b>	
Ordinary profit (QoQ)	<b>765</b> (+100)	<b>893</b> (+127)	<b>755</b> (▲137)	<b>931</b> (+176)	<b>891</b> (▲40)	<b>+125</b>	<b>+16.4%</b>
Net Profit (QoQ)	<b>522</b> (+100)	<b>613</b> (+90)	<b>517</b> (▲95)	<b>579</b> (+62)	<b>610</b> (+30)	<b>+87</b>	<b>+16.8%</b>



# On-Site Training Business

- Sales remained steady due to an increase in both the number of trainings conducted and the unit price by private sectors, and an increase in profitable DX trainings conducted.
- Gross profit margin remained almost flat due to higher unit price, despite a decline in the ratio of online training.

Unit: million yen

	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY	
Net Sales (QoQ)	<b>1,248</b> (+308)	<b>874</b> (▲374)	<b>1,280</b> (+405)	<b>1,262</b> (▲18)	<b>1,397</b> (+135)	<b>+149</b>	<b>+11.9%</b>
Gross profit (QoQ) (Gross profit margin)	<b>990</b> (+255) (79.3%)	<b>698</b> (▲291) (79.9%)	<b>1,006</b> (+307) (78.6%)	<b>995</b> (▲11) (78.9%)	<b>1,103</b> (+108) (79.0%)	<b>+113</b> (▲0.4pt)	<b>+11.4%</b>
No. of trainings conducted (times) (QoQ)	<b>4,807</b> (+1,282)	<b>2,984</b> (▲1,823)	<b>4,617</b> (+1,633)	<b>4,528</b> (▲89)	<b>5,103</b> (+575)	<b>+296</b>	<b>+6.2%</b>
Of which, no. of online training (composition ratio)	<b>2,321</b> (48.3%)	<b>1,798</b> (60.3%)	<b>1,390</b> (30.1%)	<b>1,829</b> (40.4%)	<b>1,791</b> (35.1%)	<b>▲530</b>	<b>▲12.8%</b>
Average unit price (unit: thou.yen) (QoQ)	<b>259.8</b> (▲7.1)	<b>293.1</b> (+33.3)	<b>277.2</b> (▲15.8)	<b>278.7</b> (+1.5)	<b>273.9</b> (▲4.8)	<b>+14.2</b>	<b>+5.4%</b>

# Open Seminars Business

■ Total number of attendees increased due to the strong performance of the “Python Academy” and an increase in the number of trainings conducted including new ones.

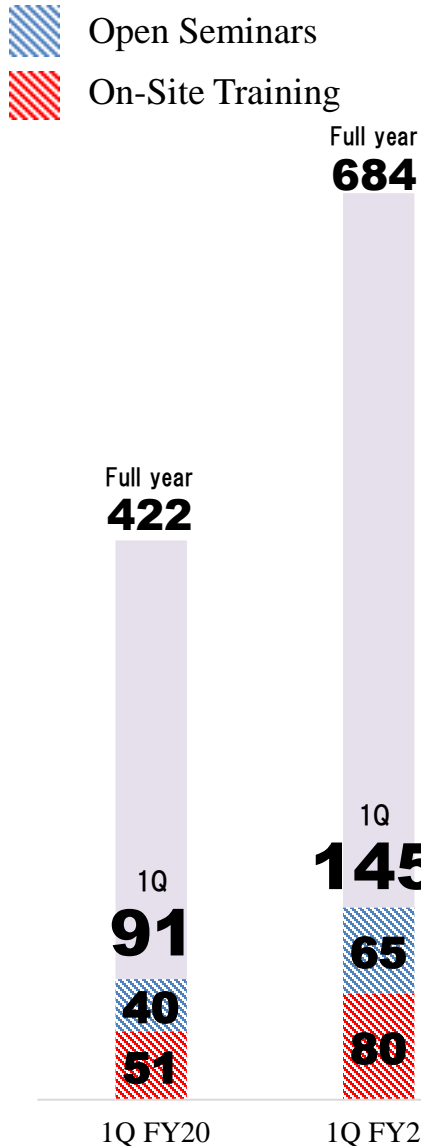
■ Decrease in the number of attendees per training due to increase in the number of face-to-face trainings.

Unit: million yen

	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY	
Net Sales (QoQ)	<b>507</b> (+42)	<b>476</b> (▲30)	<b>610</b> (+133)	<b>623</b> (+12)	<b>631</b> (+7)	<b>+124</b>	<b>+24.5%</b>
Gross profit (QoQ) (Gross profit margin)	<b>391</b> (+46) (77.3%)	<b>362</b> (▲29) (76.0%)	<b>468</b> (+105) (76.7%)	<b>486</b> (+18) (78.1%)	<b>491</b> (+4) (77.8%)	<b>+99</b> (+0.5pt)	<b>+25.3%</b>
No. of attendees (QoQ)	<b>24,440</b> (+2,594)	<b>22,205</b> (▲2,235)	<b>26,568</b> (+4,363)	<b>28,713</b> (+2,145)	<b>29,954</b> (+1,241)	<b>+5,514</b>	<b>+22.6%</b>
Among above, no. of online training (composition ratio)	<b>21,121</b> (86.4%)	<b>20,047</b> (90.3%)	<b>20,006</b> (75.3%)	<b>23,563</b> (82.1%)	<b>24,418</b> (81.5%)	<b>+3,297</b>	<b>+15.6%</b>
No. of attendees per training (QoQ)	<b>12.8</b> (+0.5)	<b>12.5</b> (▲0.2)	<b>12.6</b> (+0.1)	<b>11.6</b> (▲1.0)	<b>11.4</b> (▲0.2)	<b>▲1.4</b>	<b>▲11.2%</b>
Average unit price per training (unit: thou.yen) (QoQ)	<b>20.7</b> (▲0.5)	<b>21.4</b> (+0.7)	<b>22.9</b> (+1.5)	<b>21.7</b> (▲1.3)	<b>21.0</b> (▲0.6)	<b>+0.3</b>	<b>+1.5%</b>

# DX-related Training – Business Performance

## DX-related sales



Unit: million yen

## Sales for 1Q FY22: +57.3% YoY

- On-Site Training: Increase in the number of large projects for DX human resource development.
- Open Seminars: Increase in the number of attendees particularly for “Python Academy” and trainings to improve basic IT literacy.
- Actively receive new orders for year-round training programs in the 2H FY22 (April-September) as well as strengthening content for the second year for the clients.

## DX-related training – Business Performance

	1Q FY20	1Q FY21	1Q FY22
Sales (mill. yen)	<b>91</b>	<b>145</b>	<b>229</b>
YoY	▲0.8%	+59.5%	+57.3%
On-Site Training	<b>51</b>	<b>80</b>	<b>144</b>
YoY	+1.4%	+58.2%	+78.8%
Open Seminars	<b>40</b>	<b>65</b>	<b>85</b>
YoY	▲3.5%	+61.2%	+30.7%
On-Site Training No. of training*	<b>142</b>	<b>208</b>	<b>326</b>
Open Seminars No. of attendees	<b>1,706</b>	<b>2,650</b>	<b>3,213</b>

## Major new contents developed in 1Q

- October DX project management by non-IT department  
~ Project management trainings (case studies-based learning)
- November Statistics for practical use  
~ Basic Training in Statistical Analysis
- December Project Management from the outsourcer’s perspective  
~ Project Management from the Perspective of the outsourcer

\*Due to a change in the aggregation method, the number of On-Site Training differs from the number announced in the "KPI Progress" disclosed on the first business day of each following month in 1Q FY21.

# IT Services Business

- The number of Leaf paid subscribers was 551. Leaf users increased to 2.43 million users (+31.9% YoY). Annual recurring revenue (ARR\*<sup>1</sup>) increased to 660 million yen (+19.1% YoY)
- Accelerate expansion of service layers, including human capital information disclosure, to enhance business value as a platform.
- Customization sales shifted to 2Q due to change of delivery dates.
- Gross profit margin declined (-3.2 pt YoY) due to higher server usage fees, but expected to be reduced by improving system efficiency.

Unit: million yen

	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY	
Net Sales (OoO) <Breakdown>	<b>203</b> (▲97)	<b>483</b> (+280)	<b>196</b> (▲287)	<b>314</b> (+118)	<b>213</b> (▲100)	<b>+10</b>	<b>+5.0%</b>
Leaf Monthly Subscription (QoQ)	<b>137</b> (+9)	<b>141</b> (+3)	<b>145</b> (+3)	<b>157</b> (+12)	<b>162</b> (+5)	<b>+24</b>	<b>+17.8%</b>
Sales per month* <sup>2</sup>	<b>46</b>	<b>47</b>	<b>49</b>	<b>53</b>	<b>55</b>	<b>+8</b>	<b>+19.1%</b>
Average unit price /Organization (unit: thou. yen)	<b>107.9</b>	<b>104.0</b>	<b>98.8</b>	<b>102.4</b>	<b>99.6</b>	<b>▲8.3</b>	<b>▲7.7%</b>
Leaf Customization	<b>34</b>	<b>235</b>	<b>48</b>	<b>133</b>	<b>22</b>	<b>▲11</b>	<b>▲34.7%</b>
Stress check	<b>31</b>	<b>106</b>	<b>3</b>	<b>23</b>	<b>28</b>	<b>▲2</b>	<b>▲7.7%</b>
Gross Profit * <sup>3</sup> (QoQ) (Gross profit margin)	<b>147</b> (▲99) <b>(72.3%)</b>	<b>399</b> (+251) <b>(82.6%)</b>	<b>142</b> (▲256) <b>(72.7%)</b>	<b>258</b> (+116) <b>(82.4%)</b>	<b>147</b> (▲111) <b>(69.2%)</b>	<b>+0</b>	<b>+0.4%</b> <b>(▲3.2pt)</b>

\*1 ARR: Annual Recurring Revenue. Calculated by multiplying the Monthly usage fees of the last month of each term by 12.

\*2 Monthly usage fees (Recurring Revenue) for the last month of each quarter. \*3 Our gross profit margins by business were not audited by Ernst & Young ShinNihon LLC.

Monthly Subscription Model (Unit: organization)	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY
Leaf paid subscribers	<b>432</b>	<b>470</b>	<b>498</b>	<b>522</b>	<b>551</b>	<b>+119 +27.5%</b>
(QoQ)	(+20)	(+38)	(+28)	(+24)	(+29)	
Leaf Users (Unit: thousand people)	<b>1,848</b>	<b>1,932</b>	<b>2,040</b>	<b>2,112</b>	<b>2,438</b>	<b>+589 +31.9%</b>
(QoQ)	(+92)	(+84)	(+107)	(+72)	(+326)	
On-the-web appraisal form services	<b>134</b>	<b>151</b>	<b>155</b>	<b>165</b>	<b>168</b>	<b>+34 +25.4%</b>
(QoQ)	(+6)	(+17)	(+4)	(+10)	(+3)	
Services based on Individual Contract	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY
Leaf No. of Customization	<b>17</b>	<b>75</b>	<b>18</b>	<b>52</b>	<b>11</b>	<b>▲6 ▲35.3%</b>
(QoQ)	(▲41)	(+58)	(▲57)	(+34)	(▲41)	
No. of Stress Check Support Service	<b>102</b>	<b>277</b>	<b>18</b>	<b>70</b>	<b>79</b>	<b>▲23 ▲22.5%</b>
(QoQ)	(+59)	(+176)	(▲259)	(+52)	(+9)	

# Other Businesses (“Rising Next”)

- Highly profitable e-Learning/videos: Needs grew steadily and sales increased by 57.8% YoY  
In particular, outright purchase (sales of contents) contributed to the increase in gross profit, with 2.2 times YoY.

Unit: million yen

	1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY	
Net Sales (QoQ)	<b>233</b> (▲17)	<b>482</b> (+249)	<b>275</b> (▲206)	<b>345</b> (+69)	<b>343</b> (▲1)	<b>+110</b>	<b>+47.5%</b>
<Breakdown>							
e-Learning/ Video Production (QoQ)	<b>108</b> (▲6)	<b>311</b> (+203)	<b>138</b> (▲173)	<b>176</b> (+38)	<b>171</b> (▲5)	<b>+62</b>	<b>+57.8%</b>
Consulting/ Assessment Service/ Online Seminar Support Service (QoQ)	<b>57</b> (▲21)	<b>74</b> (+16)	<b>57</b> (▲16)	<b>70</b> (▲16)	<b>69</b> (▲1)	<b>+11</b>	<b>+19.2%</b>
Web Marketing* (QoQ)	<b>54</b> (+13)	<b>61</b> (+6)	<b>46</b> (▲14)	<b>40</b> (▲6)	<b>39</b> (▲1)	<b>▲14</b>	<b>▲27.2%</b>
Gross Profit* (QoQ) (Gross profit margin)	<b>149</b> (▲5) (64.0%)	<b>358</b> (+209) (74.3%)	<b>148</b> (▲210) (53.8%)	<b>209</b> (+60) (60.5%)	<b>215</b> (+5) (62.5%)	<b>+65</b>  (▲1.5pt)	<b>+44.1%</b>

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

\* Recalculated web marketing sales for FY21 in the end of September, 2022.

# Other Businesses KPIs

■ For Regional Revitalization Service, strengthened sales activities for FY22-23. Approached to 765 regional development departments. Had business meetings and made proposals with 100 municipalities.

Unit of Net Sales : million yen		1Q FY21 (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q FY22 (Actual)	YoY	
<e-Learning/Videos>								
Outright Purchase	Net Sales	<b>53</b>	<b>176</b>	<b>89</b>	<b>83</b>	<b>119</b>	<b>+65</b>	<b>+123.1%</b>
	No. of Videos	<b>271</b>	<b>869</b>	<b>385</b>	<b>364</b>	<b>538</b>	<b>+267</b>	<b>+98.5%</b>
Rental	Net Sales	<b>6</b>	<b>10</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>+6</b>	<b>+100.4%</b>
	No. of Viewers	<b>4,138</b>	<b>3,763</b>	<b>3,584</b>	<b>2,894</b>	<b>4,028</b>	<b>▲110</b>	<b>▲2.7%</b>
Monthly Subscription (STUDIO)	Net Sales	<b>43</b>	<b>29</b>	<b>45</b>	<b>36</b>	<b>39</b>	<b>▲4</b>	<b>▲9.6%</b>
	No. of User IDs (Unit : thou. IDs)	<b>58</b>	<b>61</b>	<b>66</b>	<b>70</b>	<b>73</b>	<b>+15</b>	<b>+26.0%</b>
Video Production Solution	Net Sales	<b>5</b>	<b>18</b>	<b>11</b>	<b>9</b>	<b>4</b>	<b>▲1</b>	<b>▲22.4%</b>
	No. of Contents	<b>36</b>	<b>66</b>	<b>21</b>	<b>43</b>	<b>18</b>	<b>▲18</b>	<b>▲50.0%</b>
Consulting/ Assessment Service	Net Sales	<b>31</b>	<b>37</b>	<b>20</b>	<b>34</b>	<b>23</b>	<b>▲7</b>	<b>▲25.3%</b>
	No. of Organizations	<b>76</b>	<b>71</b>	<b>54</b>	<b>59</b>	<b>63</b>	<b>▲13</b>	<b>▲17.1%</b>
Online Seminar Support Service	Net Sales	<b>26</b>	<b>36</b>	<b>37</b>	<b>35</b>	<b>45</b>	<b>+19</b>	<b>+72.1%</b>
	No. of Organizations	<b>68</b>	<b>68</b>	<b>45</b>	<b>60</b>	<b>94</b>	<b>+26</b>	<b>+38.2%</b>
Regional Revitalization Service	Net Sales	<b>3</b>	<b>44</b>	<b>3</b>	<b>51</b>	<b>2</b>	<b>▲1</b>	<b>▲35.6%</b>
	No. of Organizations	<b>4</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>▲1</b>	<b>▲25.0%</b>

# <Appendix 1> Company Profile & Advantages of Insource ESG Initiatives

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# 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 November 2002
- Representative Director Takayuki Funahashi, Representative Director, President and CEO  
 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, Web page Creation, System Development

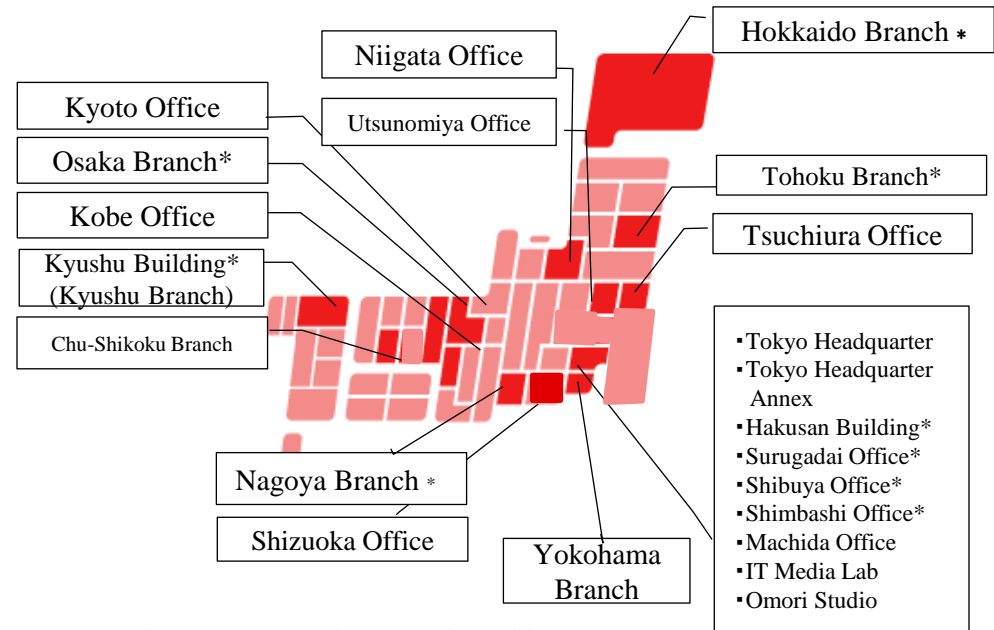
### BAS Corporation

- Call center service, Setup service, IT support service

## Business Locations: 22

\*As of the end of December, 2022

\*Branches with Seminar Rooms



Seminar Rooms: 32 Classrooms in 6 Cities

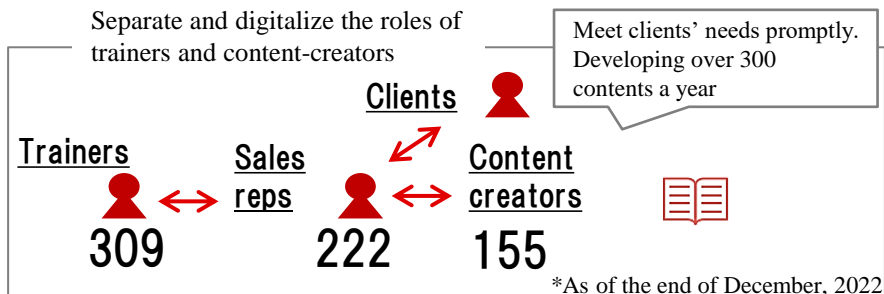
Online Training Booths: 111 Booths

- High quality services both face-to-face and online training make it possible to practice what you learned the very next day.
- Digitalization of the operation process for training management allows us to provide more training programs with better quality and high frequency.
- High level of client satisfaction with: Contents **95.8%** / Trainers **93.7%**

\*As of the end of December, 2022

## On-Site Training (1Q FY22 Sales ratio: 54.0%, FY21: 49.5%)

### Offer On-Site Trainings tailored to organizations' needs



Annual total number of trainings conducted/attendees

**17,232** times   **550** thousand attendees

Out of the total number of trainings conducted online:

**6,808** times   **228** thousand attendees

\*January - December, 2022



## Open Seminars (1Q FY22 Sales ratio: 24.4%, FY21: 23.6%)

### Offer Open Seminars starting from one person

Seminars are held online frequently and nationwide

- 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 many enterprises including startups and large companies nationwide

Annual total number of trainings conducted / attendees

**8,980** times   **107** thousand people

Among them, the total number of trainings conducted online:

**6,215** times   **88** thousand people

\*January - December, 2022



## IT Services (1Q FY 22 Sales ratio: 8.3%, FY21 12.7%)

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

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



## Other Businesses (1Q FY22 Sales ratio: 13.3%, FY21: 14.2%)

- e-Learning/Videos sales and production
- Consulting, Assessment Services, Online Seminar Support Service, Regional Revitalization Service
- Supporting web promotion
- Call center service, IT support service

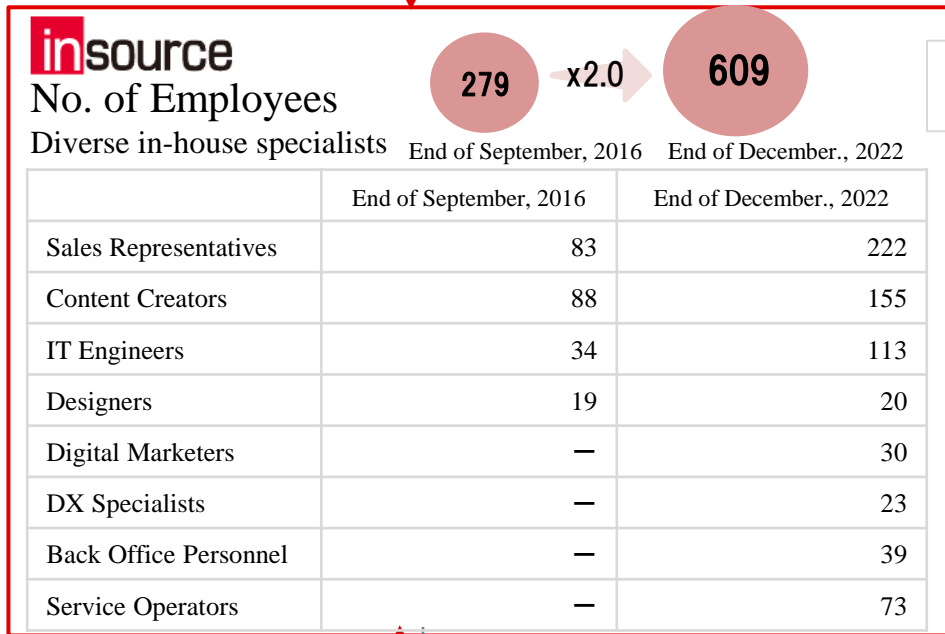


# Stakeholders of Insource

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

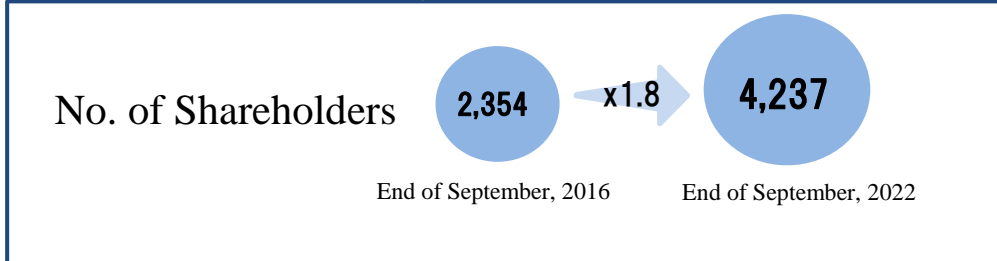
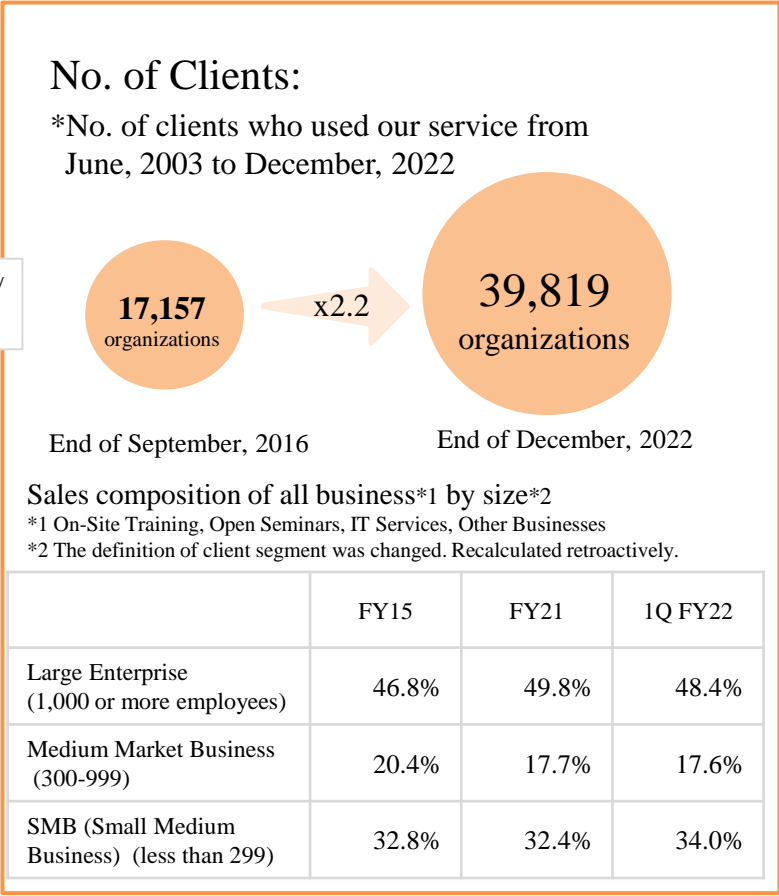


↑ In cooperation ↓



↑ Funds ↓ Returns

Products/  
Services



No. of Shares Held	End of September, 2016	End of September, 2022
Overseas Investors	4.7%	23.7%
Domestic Investors	9.4%	24.9%
Domestic Corporations	45.3%	33.2%
Individual/Others	40.6%	18.2%

# Clients and Quarterly Sales Composition Ratio

## Clients composition ratio by industry

The total number of clients who used our services in the past year (January, 2022 to December, 2022)

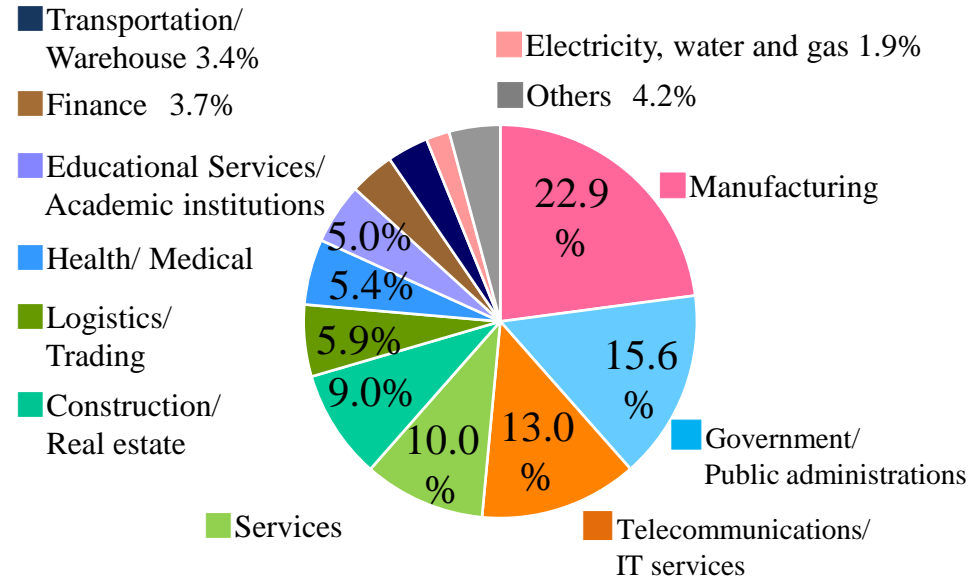
**12,869** organizations

[Reference]

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

**39,819** organizations

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

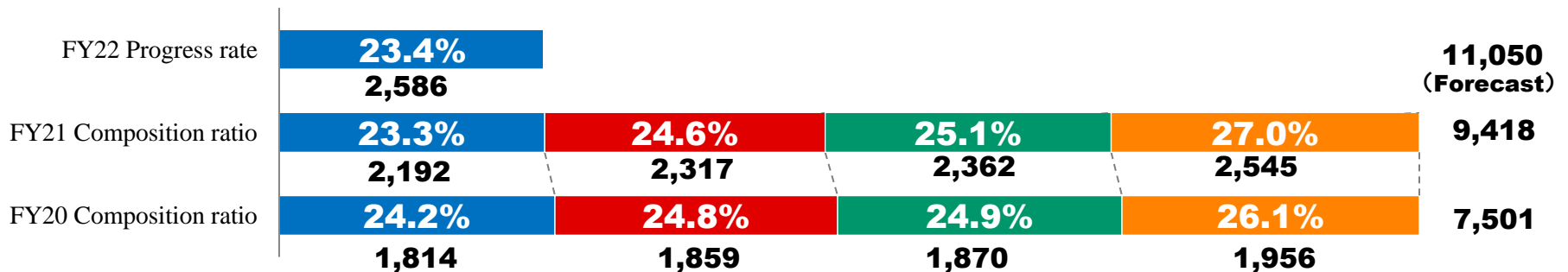


## Sales composition ratio and progress rate by quarter

■ 1Q ■ 2Q ■ 3Q ■ 4Q

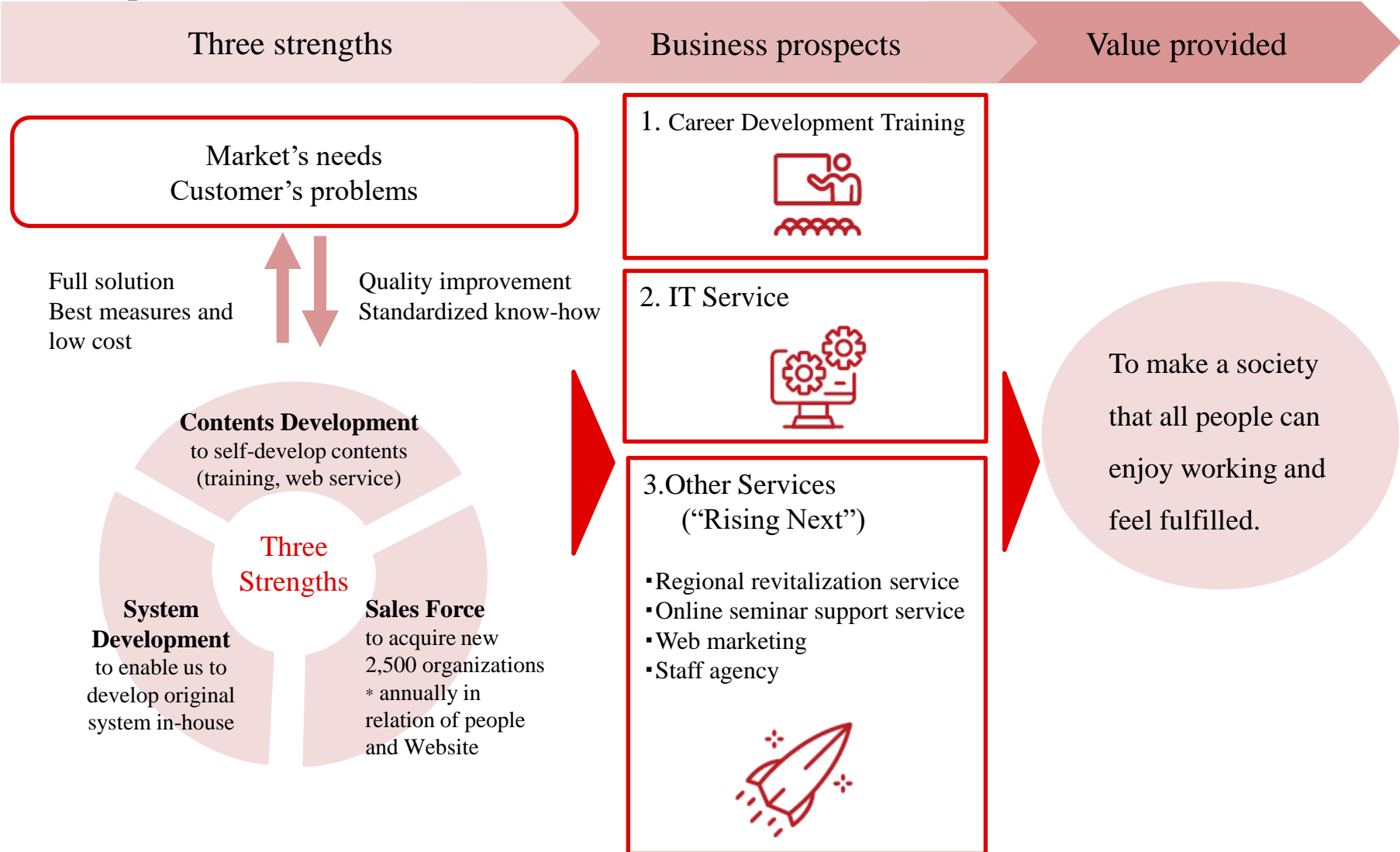
Unit: million yen

% represents composition ratio & progress rate



# Advantages of Insource

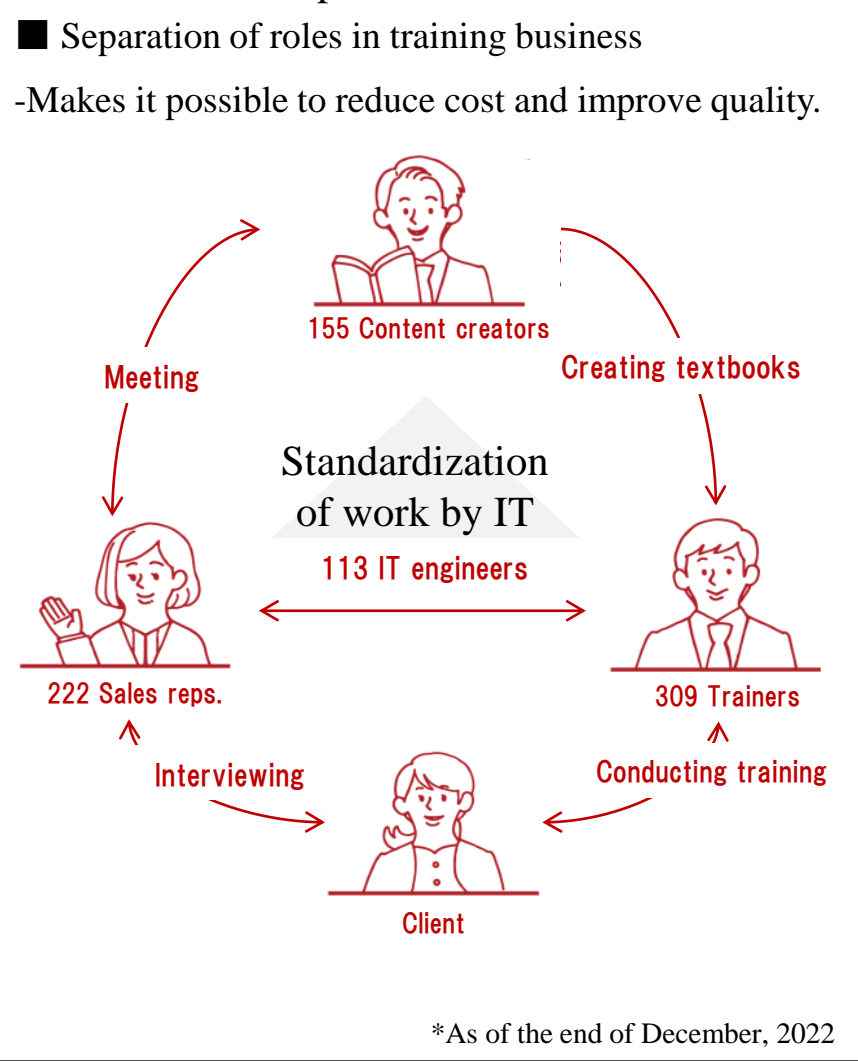
Insource always keep evolving focusing on three strengths (Contents Development, System Development and Sales Force).



\* No. of new contracts of WEBinsource

# (1) High Ability to Develop Various Contents and Services

- Separate the roles by digitalization and realize in-house development of content



- Quickly develop a great selection of training contents and web services

An in-house agile team of 155 creators and 113 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
<b>3,884</b>	<b>3,691</b>	<b>601</b>

\*As of the end of December, 2022

■ Classified by genre

For managers	For students and prospective employees
<b>353</b>	<b>78</b>
For medium employees	DX・AI・RPA・IT training
<b>93</b>	<b>205</b>
For young employees	COVID-19 era, remote working training
<b>107</b>	<b>64</b>
For new employees	Trainings by theme, industry or sector
<b>180</b>	<b>2,454</b>

\*As of the end of December, 2022

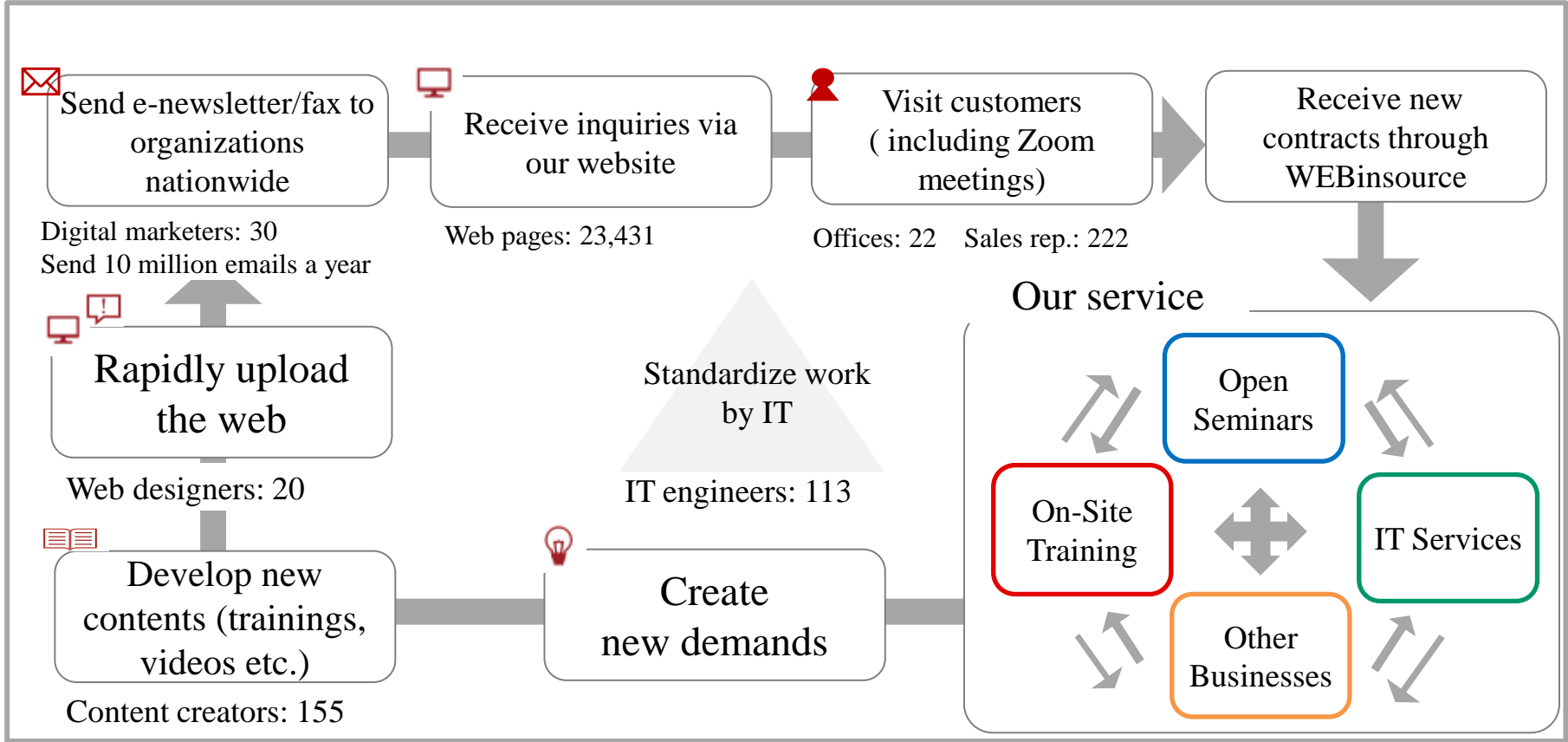
■ Example of web service

- 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 DX by using IT to utilize all data generated in the sales process



\*As of the end of December, 2022

⇒222 sales representatives and approximately 20,000 web pages created by 30 digital marketers are cooperated for efficient sales activities.

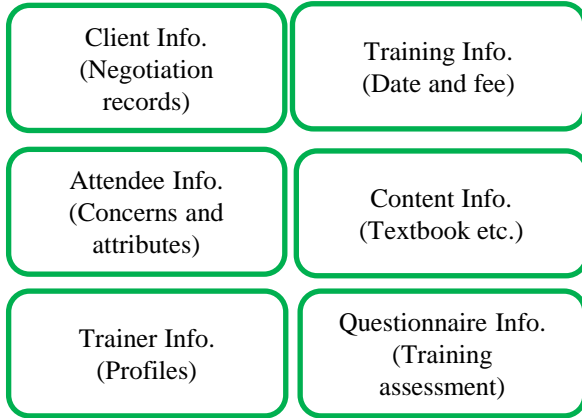
### (3) IT Capability - Self-developed System

■ We have promoted systemization for work efficiency since foundation and some service is sold to other companies.

■ We sell our services on EC sites.  
System/Online service is also available.

#### ■ In-house system development

Create a database of all kinds of information to standardize operations.



The system to manage client information, training operations, and contents etc. was developed.

■ Sold via EC sites “Video Department Store” and WEBinsource (membership site)



■ Leaf (HR support system)

- New version was launched to support human capital management



Released “Leaf Management/My STORY” and Leaf Human Capital Management” systems to support human capital management  
- Allows centralized management and analysis of human capital information with other companies' systems



Leaf Management  
Leaf My STORY

We can handle human capital management!



#### <Lineups of Leaf Series>



- Leaf Lightning
- Leaf in order
- Leaf Eva
- Leaf Human Capital Management
- Leaf Management
- Leaf My STORY



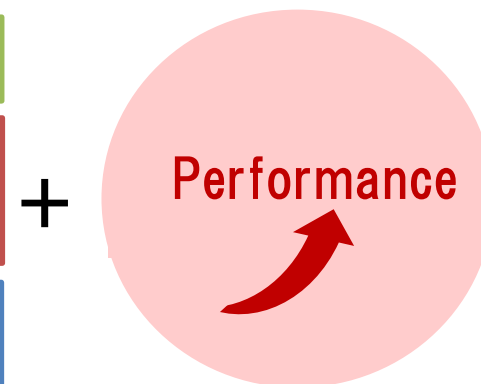
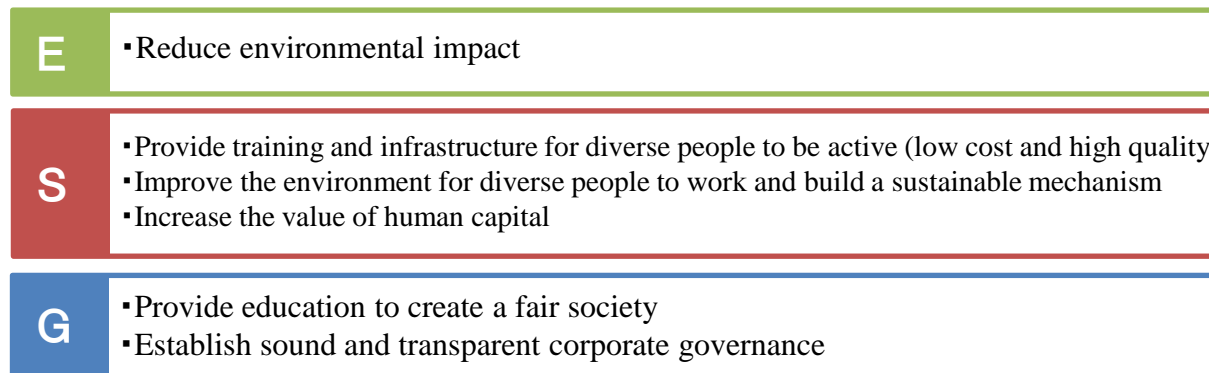
# ESG + P (performance) – Solving Social Issues through Our Business **in**source

■ Our mission is to help working people solve social issues.

■ Insource Group’s mission

-We will continue to improve its performance (P) while being focusing on ESG

We will make a society that all people can enjoy working and feel fulfilled



■ Received the second highest rating of AA in MSCI Rating

- As of December, 2022, Insource has 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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# 1Q FY22 ESG Highlights

- The project to eliminate “Period Poverty” is being strengthened by the Business Promotion Office, which was newly established at the end of September, 2022.
- Sustainability webpage launched to strengthen dialogue with stakeholders (English ver. coming soon).

## < Major Initiatives >

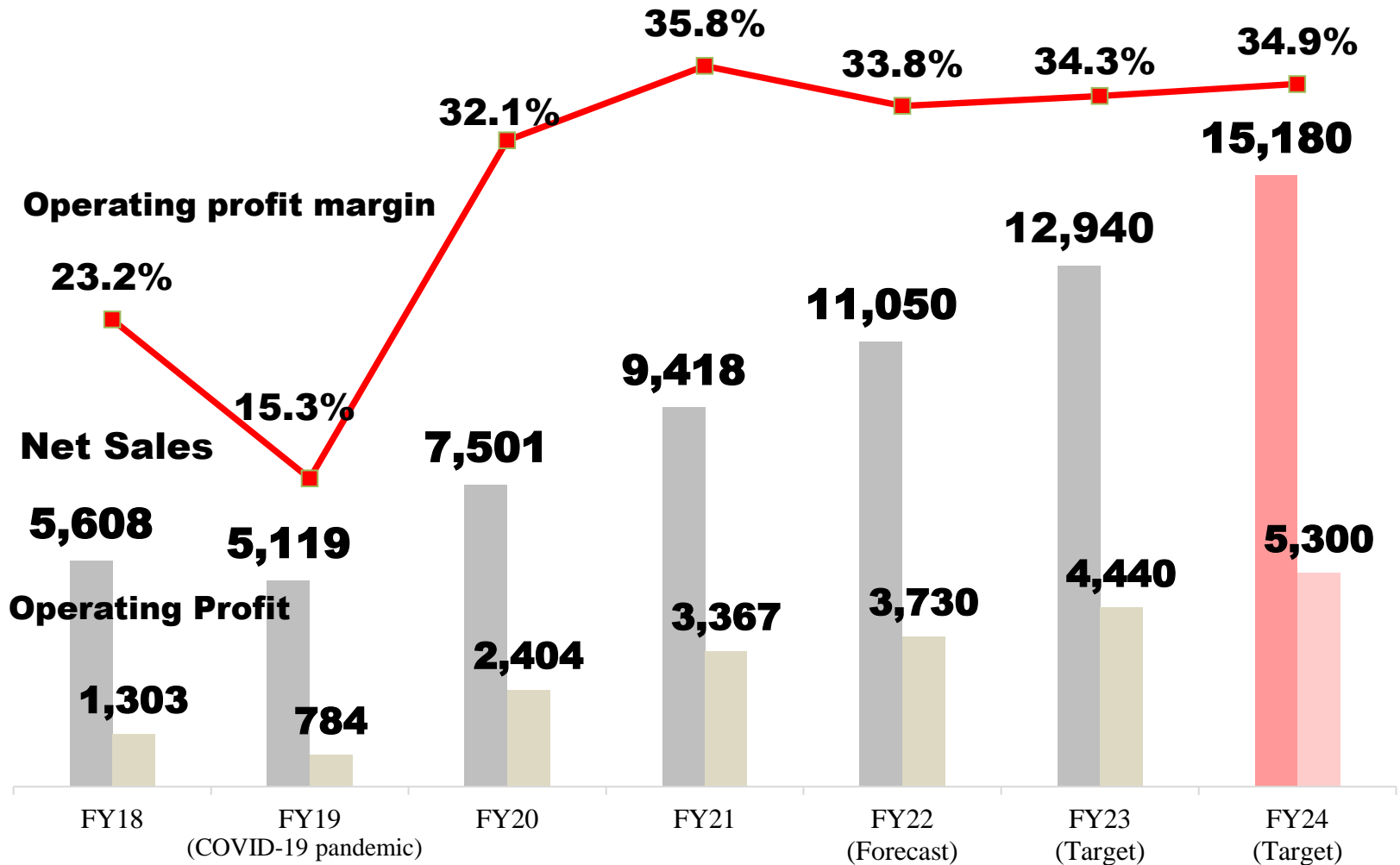
<p style="text-align: center; font-size: 2em; font-weight: bold;">E</p>	<ul style="list-style-type: none"> <li>▪ Initiatives</li> <li>▪ Details</li> <li>▪ 1Q Achievement</li> </ul>	<p>Electronic textbook service</p> <p>Provide electronic textbooks in April 2022 as an alternative to paper textbooks in order to reduce environmental impact in the training business.</p> <p>CO2 emissions reduced by 2.20 tons, for a cumulative total of 5.11 tons (equivalent to about 35,000 people), achieving the annual target of 5 tons from April, 2022.</p>	
<p style="text-align: center; font-size: 2em; font-weight: bold;">S</p>	<ul style="list-style-type: none"> <li>▪ Initiatives</li> <li>▪ Details</li> <li>▪ 1Q Achievement</li> </ul>	<p>Project to eliminate “Period Poverty”</p> <p>Donations of 300,000 yen per unit from enterprises to provide sanitary products to local governments.</p> <p>6 private companies donated, 22 local governments accepted. Distributed in restrooms at elementary and junior high schools and to those in need.</p>	
<p style="text-align: center; font-size: 2em; font-weight: bold;">G</p>	<ul style="list-style-type: none"> <li>▪ Initiatives</li> <li>▪ Details</li> </ul>	<p>Sustainability webpage launched (English ver. coming soon)</p> <p>Comprehensive introduction of the top message, action guidelines and promotion system, and stance on environmental, social, and governance (ESG) initiatives and specific activities.</p>	

## <Appendix 2> Three-year Business Plan “Road to Next 2025”

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This 3-year business plan targets net sales of 15,180 million yen, operating profit of 5,300 million yen, and an operating profit margin of 34.9% in FY24

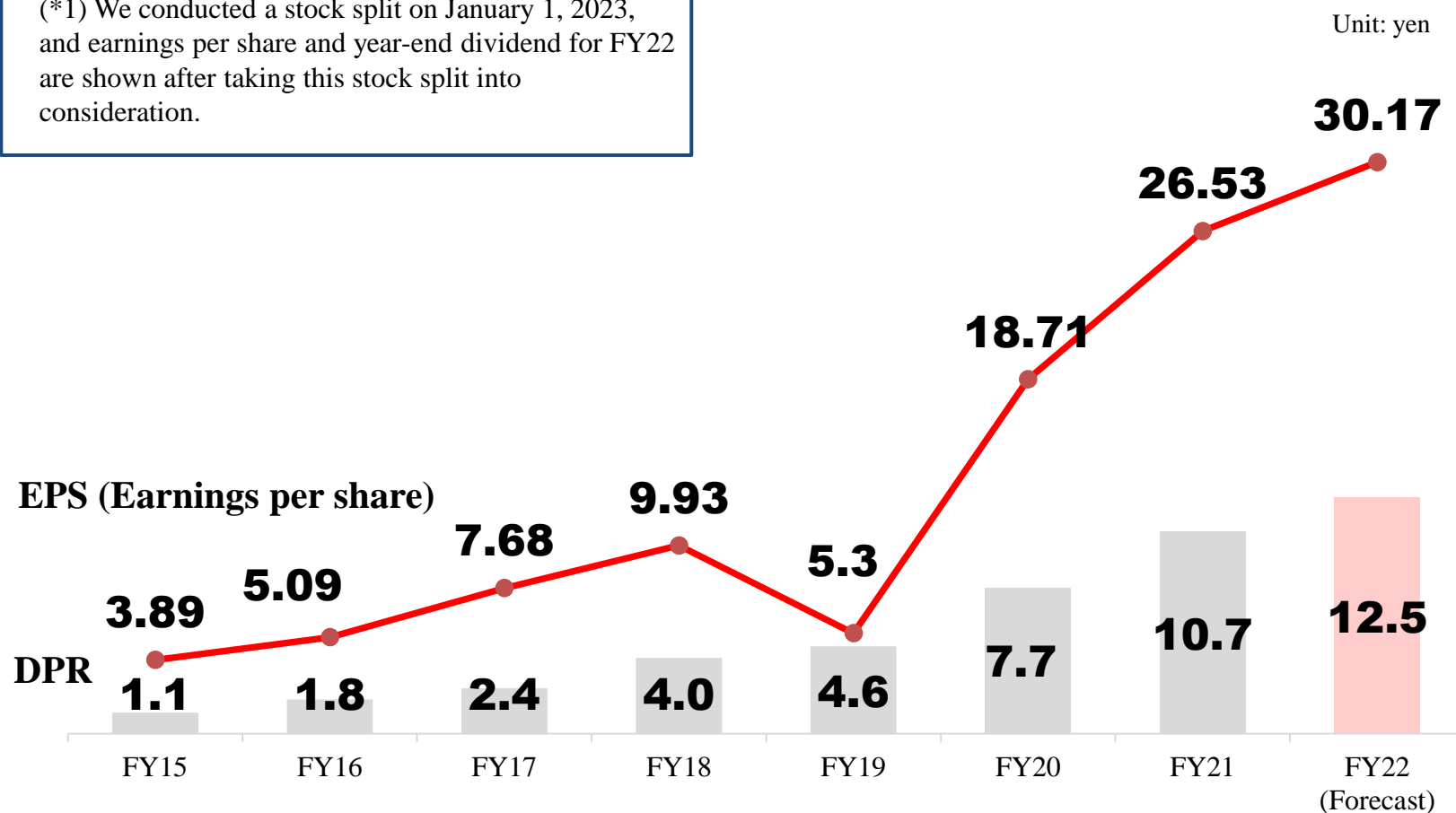
Unit: million yen



# Shareholder Return Policy

- DPR (dividend payout ratio) target of 40% according to business performance.
- Dividend for FY21 is 9.8 times\*2 that of FY15 first listed.

(\*1) We conducted a stock split on January 1, 2023, and earnings per share and year-end dividend for FY22 are shown after taking this stock split into consideration.



(\*2) We conducted stock splits on May 1, 2018, September 1, 2019, January 1, 2021 and January 1, 2023. The year-end dividend amount reflects this stock split.

## ■ Basic Policy

Provide high value-added services and continue to achieve high growth and an operating margin of 33% or higher.

Aim for net sales of 15,180 million yen, operating profit of 5,300 million yen in FY24.

## ■ Key Measures

1. Ride the wave of human capital management and extend services in a diversified manner.
  - (1) Provide HR trainings to improve human capital value (DX training, etc.)
  - (2) Provide human capital management tools (Leaf Human Capital Management, etc.)
  - (3) Provide consulting and assessment services for human capital management
2. Develop and promote sales in new growth areas (next business besides Training and IT Services)
  - Name new growth areas as “Rising Next” and invest funds and HR
3. Strengthen initiatives to address ESG priorities
  - Address environmental (CO2 reduction) and social issues in particular

# Three-year Business Plan “Road to Next 2025” -Target by business segment

Unit: million yen

		FY21 (Actual)	FY22 (Forecast)	FY23 <Target>	FY24 <Target>
Overall	Net Sales (YoY)	<b>9,418</b> (+1,917)	<b>11,050</b> (+1,631)	<b>12,940</b> (+1,890)	<b>15,180</b> (+2,240)
	Gross profit (Gross profit margin)	<b>7,234</b> (76.6%)	<b>8,580</b> (77.6%)	<b>10,080</b> (77.9%)	<b>11,890</b> (78.3%)
On-Site Training	Net Sales (YoY)	<b>4,665</b> (+867)	<b>5,480</b> (+814)	<b>6,400</b> (+920)	<b>7,490</b> (+1,090)
	Gross profit (Gross profit margin)	<b>3,691</b> (79.1%)	<b>4,410</b> (80.5%)	<b>5,160</b> (80.6%)	<b>6,070</b> (81.0%)
Open Seminars	Net Sales (YoY)	<b>2,218</b> (+391)	<b>2,620</b> (+401)	<b>3,130</b> (+510)	<b>3,740</b> (+610)
	Gross profit (Gross profit margin)	<b>1,709</b> (77.0%)	<b>2,060</b> (78.6%)	<b>2,460</b> (78.6%)	<b>2,940</b> (78.6%)
IT Services	Net Sales (YoY)	<b>1,197</b> (+175)	<b>1,500</b> (+302)	<b>1,810</b> (+310)	<b>2,150</b> (+340)
	Gross profit (Gross profit margin)	<b>948</b> (79.2%)	<b>1,240</b> (82.7%)	<b>1,500</b> (82.9%)	<b>1,790</b> (83.3%)
Other Businesses	Net Sales (YoY)	<b>1,337</b> (+483)	<b>1,450</b> (+112)	<b>1,600</b> (+150)	<b>1,800</b> (+200)
	Gross profit (Gross profit margin)	<b>865</b> (64.7%)	<b>870</b> (60.0%)	<b>960</b> (60.0%)	<b>1,090</b> (60.6%)

\*Gross profit by business segment has not been audited by EY ShinNihon LLC.

- Two main issues for companies in human capital management
  - 1: “Value enhancement of human capital”
  - 2: “Information disclosure of human capital”
- We provide support in three areas: HR training, human capital management tools, and consulting and assessment.
- Expansion of human capital is linked to each company's management strategy

Disclosure of human capital information includes common items that can be compared with other companies and unique items that are linked to management strategies.

< Major human capital disclosure items of Japanese companies (Research by Insource as of January, 2023) >

Category	Name of Item	Development Status of Insource’s New Services
Improvement in business performance	(1) Next generation leader development (2) Client value creation and productivity improvement by DX promotion (3) New businesses and challenges	Practical program of management simulation / DX-related training / IT literacy check
Diversity	Number and ratio of female managers, Percentage of women in recruitment	Career training for female employees
Employee engagement	Engagement survey results, Percentage of employees using stock ownership plan	Engagement Assessment (Updated)
Health, safety & sanitation	Employees' health conditions	Video series of corporate health
Strengthening governance	System improvement of ratio of external directors, etc, Compliance education	Harassment risk assessment (Updated)

-> We provide both services that resolve issues common to each company and customizable services linked to unique strategies at a low cost in training, management tools and consulting and assessment.



■ We provide services in all processes of human capital value improvement and information disclosure.  
We offer packaged versions quickly and competitively, as well as customized versions tailored to unique needs.

Items to be implemented in companies	Challenges to be addressed	Services that Insource can provide *Customization based on clients’ requests
<b>STEP 1</b> Set indicators	<ul style="list-style-type: none"> <li>▪ Create indicators in line with the management strategy</li> <li>-&gt;To increase corporate value</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Consultation</b> Analysis and research of human capital linked to business performance</li> </ul>
<b>STEP 2</b> Collect and compile disclosure data	<ul style="list-style-type: none"> <li>▪ Make it easy to human capital disclosure</li> <li>▪ Aggregate, collect and save data from multiple systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Leaf Series (Family)</b> Leaf Management/Leaf Human Capital Management/ LMS “Leaf” &lt;Example&gt; Manage and collect data on training hours</li> </ul>
<b>STEP 3</b> Decide on a policy of investing in human capital	<ul style="list-style-type: none"> <li>▪ Grasp the gap between "As is-To be" (the current situation and the desired state)</li> <li>▪ Select human resources for investment</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Assessment</b> Develop and provide original assessments such as giraffe/ Test for different levels/ Engagement assessment</li> </ul>
<b>STEP 4</b> Conduct trainings to achieve the goals	<ul style="list-style-type: none"> <li>▪ Design and conduct original training programs</li> <li>▪ Increase training implementation rates with e-Learning education</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Training</b> (On-Site Training, Open Seminars, e-Learning/ videos) - Customization requests on the method, period or budget Diverse curriculum for career training, DX promotion, leader development and diversity encouragement</li> <li>▪ <b>LMS “Leaf”</b></li> </ul>
<b>STEP 5</b> Reflect training effectiveness and disclosure indicators	<ul style="list-style-type: none"> <li>▪ Measure effectiveness of unique trainings with customized assessment</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Assessment</b> Compared with the past using the same measurement method as in STEP 2-3, depending on the details of the measure</li> </ul>

■ Sales Target for FY24 (vs FY21)

Unit: million yen

Business	Sales Target for FY24	vs FY21	CAGR
▪ On-Site Training	7,490	+2,825	+17.1%
▪ Open Seminars	3,740	+1,522	+19.0%

■ Current status and measures to achieve goals

1. Current status

(1) The Company's market share in the career education market is around 2% (See slide 51).

We assume that there is significant room for growth.

(2) Demand for HR training services is expected to increase due to the needs to increase the value of human capital.

(3) The number of face-to-face trainings is increasing significantly as a result of getting used to new normal with COVID-19.

(4) Large-scale DX trainings are expected to increase.

(5) Sales targeted for each client segment have been strong since the start in FY21.

2. Measures

(1) Strengthen personnel expansion

(2) Continue to strengthen the development of new contents related to human capital management and a flexible customization system tailored to the unique needs of each client.

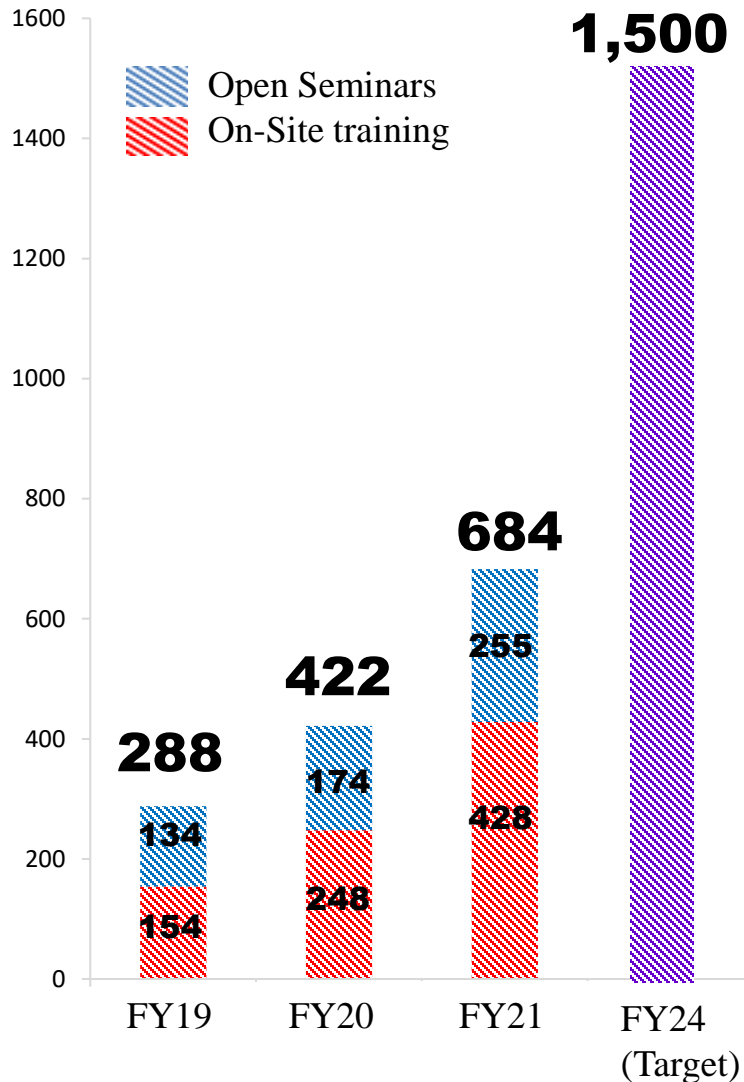
(3) Develop contents in highly specialized fields to meet growing reskilling needs.

-> Expand training and e-Learning/video's lineup in fields such as DX, legal, finance/accounting, data/statistical analysis, marketing, etc.

# 1 – (4) DX Training - Most promising field for FY24

Sales for DX training

Unit: million yen



■ Sales Target for FY24 (vs FY21)  
1,500 million yen (+816 million yen)

■ Current status and measures to achieve goals

## 1. Current status

- (1) The DX training market is estimated to be 40 billion yen in 2025 (See slide 51).
- (2) For On-Site Training, we have been chosen to partner with several private companies in the finance, manufacturing, food and beverage industry, distribution, service, and other industries. Full-year and large-scale projects have started and are in full swing from the 4Q FY21.
- (3) The number of attendees at the Open Seminars, especially at the “Python Academy,” has been increasing.

## 2. Measures

- (1) Expand sales of year-round, large-scale projects for large and medium-sized companies based on our experience gained in FY21.
- (2) Recruit trainers in line with the speed of growth of the business.
- (3) Develop a packaged service of successful cases by FY21 and promote them in Open Seminars.
- (4) Expand “Python Academy” to the B-to-C field.

# 1 – (5) IT Service - The Strategy for Growth of Leaf

## ■ Sales Target for FY24 (vs FY21)

2,150 million yen (+952 million yen), CAGR +21.5%

## ■ Current status and measures to achieve goals

### 1. Current status

- (1) The size of the HR Technology market is estimated at 420 billion yen in 2025 (see slide 51).
- (2) Leveraging its advantage as a "Sier with a customizable platform“, IT Services Business is growing with mainly targeting large companies.  
The number of users has exceeded 2.43 million\* due to a significant increase in the need for video education under the COVID-19 pandemic.
- (3) Current challenge for large companies is to increase the value of human capital and disclosure of information, and we need to provide services to meet their needs.

### 2. Measures

#### (1) New launch of human capital disclosure system

Human capital disclosure requires a great deal of effort to collect, organize, and manage dispersed data.

⇒ Leaf Human Capital Management-for HR, management and IR departments will be newly launched. (scheduled for spring 2023)

#### <Main Feature>

- Integrated management and listing of all information by connecting to other companies' current systems
- Easily calculate training hours by Leaf
- Possible to set up original items for human capital management.

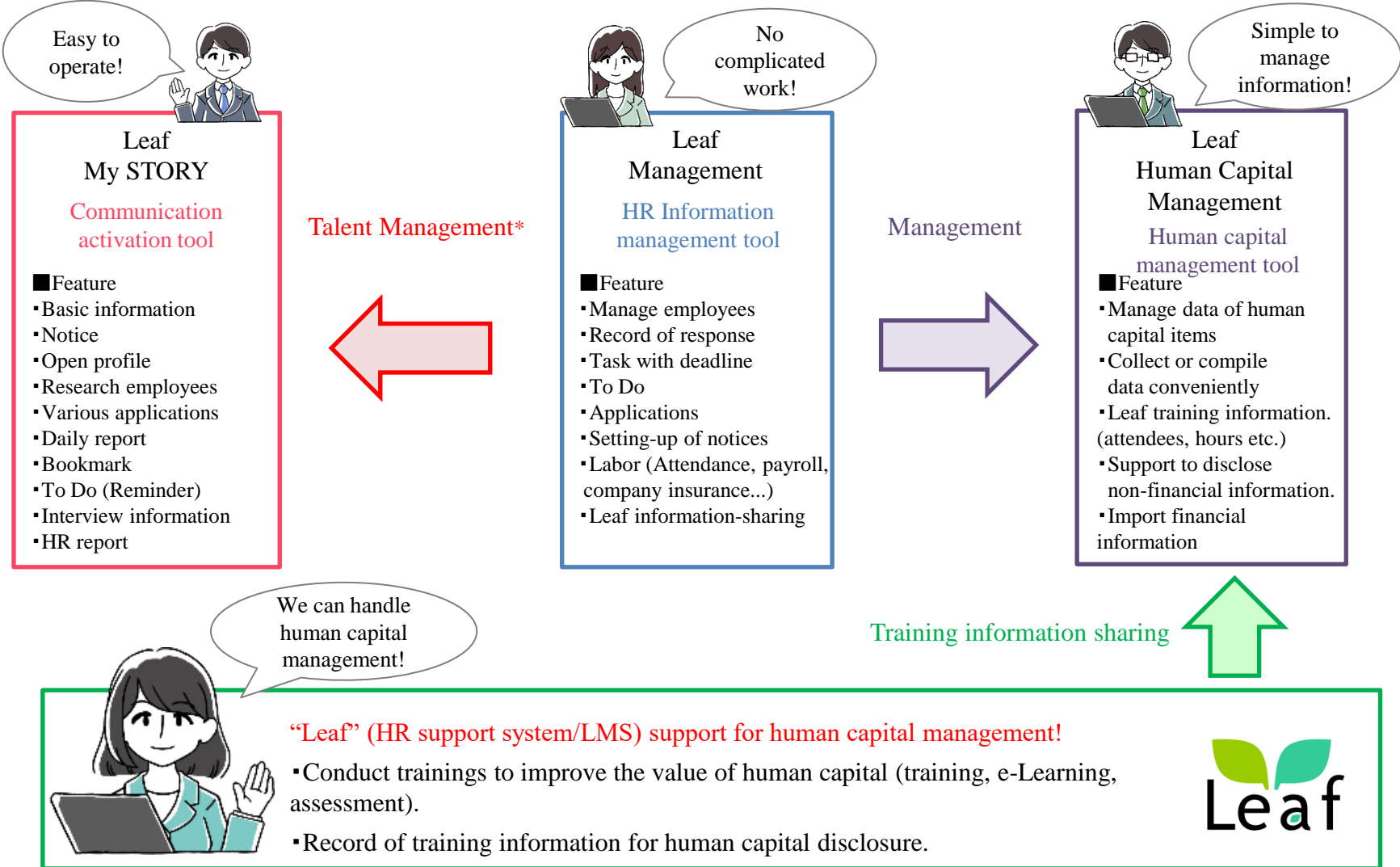
- (2) Further expand sales of "Leaf," (LMS, HR support system), mainly to large companies to support them in enhancing the value of human capital.  
e-Learning is effective in improving the implementation rate of HR training. Demand for "Leaf" is also expected to increase.

**-> Support effective implementation of all processes in human capital value improvement and information disclosure through full use of the “Leaf” and “Leaf Series (Family)”.**

\*As of the end of December, 2022




# 1 – (6) IT Service - Leaf for Human Capital Disclosure

“Leaf My STORY”, “Leaf Management”, “Leaf Human Capital Management”  
 - Support human capital information management



\*Visualize and analyze the abilities of talents to make strategic investment.

## Price list for “Leaf Management”, “Leaf My STORY”, “Leaf Human Capital Management”

	Basic Fee	Remarks
<b>Leaf Management</b>  HR information management tool - Streamlining the management of complex employee information	100 yen/person (Monthly)	1. All prices exclude tax. 2. Free charge of initial cost*1 for clients using “Leaf” 3. Additional charges for customization. 4. Three-month free trial*2 for clients using the Smart Pack for HR Development.
<b>Leaf My STORY</b>  Communication activation tool - Employee information can be disclosed to each other and used for career interviews, etc. career interviews, etc.	100 yen/person (Monthly)	
<b>Leaf Human Capital Management</b>  Human capital management tool - Consolidate and centralize information by linking with LMS "Leaf" and other companies' systems.	Starting from 900,000 yen/company (Annually)	

\*1: 20,000 yen (tax not included) and more for "Leaf Management" and "Leaf My STORY".  
100,000 yen (tax not included) and more for "Leaf Human Capital Management"

\*2: Subject to only “Leaf Management” and “Leaf My STORY”.

## 2 – (1) “Rising Next” business strategy (Other Businesses)

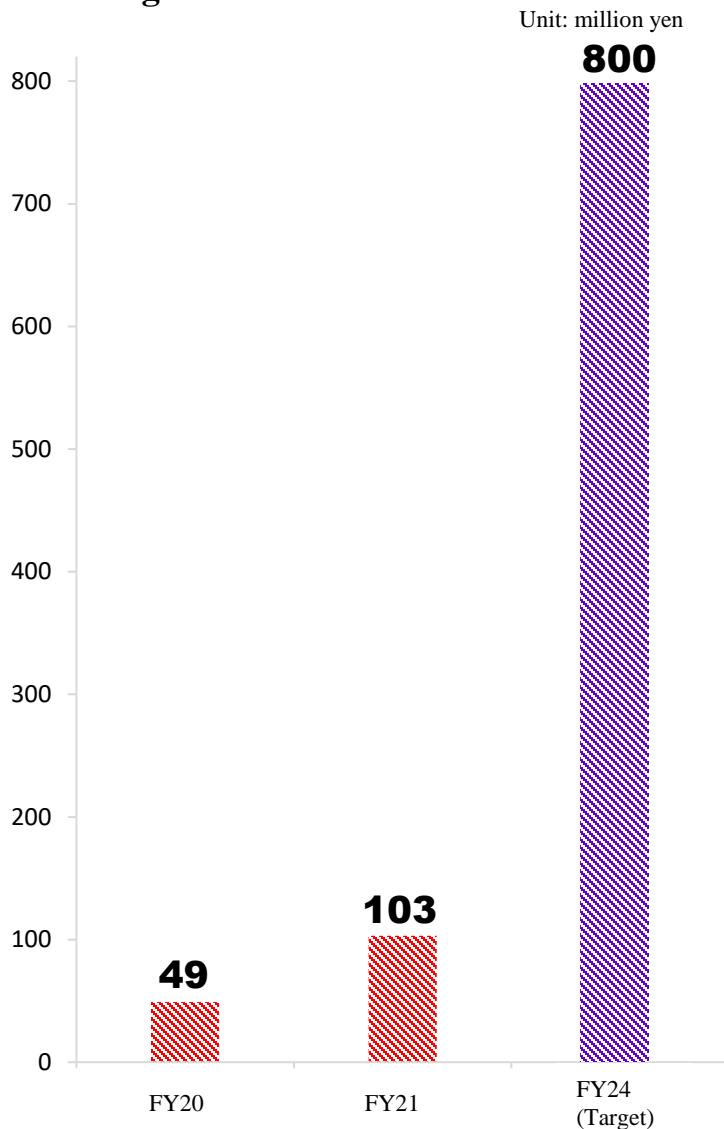
### FY24 sales target of Other Businesses (vs FY21):

1,800 million yen (+463 million yen), CAGR +10.4% (Incl. e-Learning, video production, consulting, and assessment)

Aiming to capture new business opportunities and solve social issues in a wider range of fields, we have named a new growth field "Rising Next" and are stepping up development and sales promotion.

Business	Services	Activities in FY21	Measures through FY24
Regional Revitalization (see slide 47) 	Support for local economy revitalization projects co-created by public-private sectors aiming at maintaining and enhancing the vitality of local governments (Regional branding)	<p>■ <u>+210.2% YoY due to big contracts</u></p> <ul style="list-style-type: none"> <li>▪ Several business contracts from government-designated city (Nagoya)</li> <li>▪ New business contracts from Central government ministries (Ministry of the Environment and Japan Tourism Agency) and prefectures (Wakayama-ken and Miyazaki-ken)</li> </ul>	<p>■ <u>Expand services and the number of clients</u></p> <ul style="list-style-type: none"> <li>▪ Accumulate business models for problem solving in local economies by strengthening sales in major cities</li> <li>▪ Develop low-cost packaged services to expand target clients</li> <li>▪ Support business development of community-based companies</li> </ul>
Online seminar support service 	<ul style="list-style-type: none"> <li>▪ Support for online implementation of training and seminars</li> <li>▪ Operation management service for online training and seminars</li> </ul>	<p>■ <u>Significant growth with 124.6% YoY</u></p> <ul style="list-style-type: none"> <li>▪ Improvement in cost per client</li> <li>▪ Establishment of operation flow and system</li> <li>▪ Improvement of streaming level (hybrid)</li> </ul>	<p>■ <u>Enforce sales and expand services for continued growth</u></p> <ul style="list-style-type: none"> <li>▪ Improvement in cost per client and profit margins</li> <li>▪ Implementation of high-difficulty streaming such as other companies' shareholder meetings, etc.</li> <li>▪ Expansion of new services and sales coverage</li> </ul>
Web marketing 	<p>Support service for web marketing</p> <ul style="list-style-type: none"> <li>▪ Online promotion</li> <li>▪ Website building</li> <li>▪ System development</li> <li>▪ Online store building</li> </ul>	<p>■ <u>Strengthen products and sales marketing aiming for sales increase</u></p> <ul style="list-style-type: none"> <li>▪ Product development of packaged services (3 services including a custom website)</li> <li>▪ New business contracts in cooperation with Insource sales team</li> <li>▪ Expansion of existing clients to other divisions and departments</li> </ul>	<p>■ <u>Targeting and sales enforcement</u></p> <ul style="list-style-type: none"> <li>▪ Areas around Tokyo: Leverage Insource's client base</li> <li>▪ Regional area: Enforce sales with low-cost services</li> </ul>
Recruitment support 	<ul style="list-style-type: none"> <li>▪ Recruitment support business</li> <li>▪ Support service for mid-career recruitment</li> </ul>	<p>■ <u>Targeting and force enhancement</u></p> <ul style="list-style-type: none"> <li>▪ Targeted recruitment for high income individuals</li> <li>▪ Industry research for executive recruiting</li> <li>▪ Mid-career recruiting to strengthen the workforce</li> </ul>	<p>■ <u>Enhance the quality of job postings to improve order closing rate</u></p> <ul style="list-style-type: none"> <li>▪ Strengthen relationships to secure undisclosed job openings</li> <li>▪ Secure job openings in affinity industries</li> </ul>

### Sales of Regional Revitalization



■ FY24 sales target (vs FY21): 800 million yen (+ 697 million yen)

■ Current status and measures to achieve goals

#### 1. Current status

(1) National budget related to regional revitalization is 2.2 trillion yen (see slide 51) in FY20 and is expected to continue.

(2) Activities in FY21

- Contracted several projects from Nagoya (government-designated city)
- Contracted new projects from Central government ministries (Ministry of the Environment and Japan Tourism Agency) and prefectures (Wakayama-ken and Miyazaki-ken).

#### 2. Measures

(1) Set major cities (prefectures, government-designated cities etc.) as priority areas. The entire Insource Group will disseminate information, make proposals and increase the number of successful business models that address diverse issues in local economies.

(2) Develop and provide low-cost packaged services besides major cities. Strengthen service and system development as well as expand lineup to flexibly meet the needs.

(3) Support large community-based companies (finance, energy and telecommunications, etc.) in developing regional revitalization projects based on our knowledge.



# 3. Strengthen ESG Initiatives

## Activities in FY21

## Measures through FY24

### Environment

- Environmental activity initiatives and framework
  - (1) Establishment of CO2 Reduction Subcommittee (Chair: Director, Managing Executive Officer)
  - (2) Establishment of long-term environmental targets (Scope2 in FY29 : 50% lower vs FY19)
  - (3) TCFD compliance – Assessment of climate-related risks and opportunities
  - (4) Commencement of electronic training textbook service

- Reduction of GHG emissions and proactive information disclosure
  - (1) Introduction of renewable energy and in-house procurement
  - (2) Continuation of energy and resource conservation activities (electricity and paper use)
  - (3) Promotion of electronic training textbook – GHG reduction in the value chain
  - (4) TCFD compliance and information disclosure

### Social

- First step towards commercialization of welfare business
  - (1) Commencement of new project to support “Period Poverty”
  - (2) Establishment of e-commerce website “mon champ”
  - (3) Signed an “Agreement on Comprehensive Collaboration” with Arakawa Ward to address community issues.

- Expansion of welfare business focused on “Period Poverty” FY24 sales target: 10 million yen
  - (1) Utilize Insource’s client base to build relationships
  - (2) Promote activities to eliminate “Period Poverty”
  - (3) Build further sustainable support in the welfare field

### Governance

- Transferred to the Prime Market Listing and responded to Corporate Governance Code
  - (1) Publication of Integrated Report 2021 (Japanese and English)
  - (2) Establishment of Nomination and Remuneration committee and sustainability committee
  - (3) Personnel increase (1 external director and 1 external auditor)
  - (4) Transition to the Prime Market Listing

- Enhancement of the quality of stakeholder engagement
  - (1) Proactively disclose non-financial information on a monthly basis
  - (2) Establish a sustainability page and disclose information
  - (3) Publish Integrated Report 2022 in the first half of FY22
  - (4) Continue to respond to Corporate Governance Code including succession planning

# Current Sales by Client Segment and Sales Target for FY24

- Strengthening sales by client segment led to high growth and will continue to strengthen sales.
  - Sales and content departments collaborate to develop and provide new products targeted to each segment.
  - Activate meetings for each client segment and information sharing.
    - > Significant progress in product development facilitating deeper client interactions.
  
- Strengthen group-wide collaboration and training of sales representatives
  - Provide comprehensive proposals to meet the needs of "human capital management," "DX," "reskilling," etc., and improve sales capabilities of non-training products, such as IT Services and other services.
  - Strengthen training of sales representatives - Actively recruit both new graduates and mid-career individuals, and continue to improve their skills through in-house training using "Leaf" to quickly turn them into a competitive force.

Client Segment		FY21 Actual (*) Number of clients (YoY) Cost per client(YoY)	FY24 Forecast Number of clients (vs FY21) Cost per client (vs FY21)	Key sales themes for three-year business plan
Large Enterprise	Large (5,000 or more people)	2,129 clients (+12.3%)	2,600 clients (+22.1%)	<ul style="list-style-type: none"> <li>▪ <b>Human capital management support (education, systems, consulting)</b></li> <li>▪ New themes such as DX, reskilling, etc.</li> <li>▪ Support for solving issues in each department</li> <li>▪ Compliance training</li> </ul>
	Second-tier large (1,000-4,999 people)	1,700 thousand yen (+7.1%)	2,000 thousand yen (+17.6%)	
Medium Market Business	Medium (300-999 people)	1,842 clients (+10.8%) 830 thousand yen (+16.6%)	2,250 clients (+22.1%) 900 thousand yen (+8.4%)	<ul style="list-style-type: none"> <li>▪ <b>Provide one-stop service (Web marketing, etc.)</b></li> <li>▪ Provide company-wide systematic education/support for building an evaluation system</li> <li>▪ Strengthen development of new services for this specific segment</li> </ul>
SMB (Small Medium Business)	Second-tier medium (100-299 people)	5,425 clients (+17.8%)	6,700 clients(+23.5%)	<ul style="list-style-type: none"> <li>▪ <b>Support top management in solving issues</b></li> <li>▪ Management-level training, communication</li> <li>▪ Compliance training (harassment prevention, etc.)</li> </ul>
	Small (50-99 people)	412 thousand yen (+2.7%)	450 thousand yen (+9.2%)	

\*The number of clients and cost per client are calculated only for private companies with transaction amounts of at least 1 yen.

## Challenges

### 1. Secure HR

As in FY21, there is a shortage of human resources essential for growth in all job categories. Particularly, development of multi-skilled personnel with sales, service development and IT skills is in urgent need.

### 2. Expand products and services in line with the times

Need to quickly develop training content and services of interest to society such as human capital management and reskilling

### 3. Recruit and cultivate new trainers

Urgent to recruit and cultivate new trainers (Especially in DX field) due to sales increase

## Measures

### 1. Strengthen diversified HR recruitment and training

- (1) Recruit more new graduates.
- (2) Encourage staff to become multi-skilled with IT capabilities by strengthen in-house training.
- (3) Conduct recruitment activities at departments other than HR department.

### 2. Enhance close cooperation of service development and sales

- (1) Special team for each client segment
  - Assign sales representatives and content creators.
- (2) Staff reshuffle and in-house studying group
  - Cultivate multi-skilled staff with sales, content-creating, and IT technologies.
- (3) DX Training
  - Cultivate more 100 programming personnel over the next three years.
- (4) Integrate sales management and digital marketing departments.

### 3. Strengthen the recruitment system and build a framework for trainer training

- (1) Increase the number of personnel in the trainer recruitment and training department
- (2) Assign people in charge of trainer training at each sales office.

# Size of Related Markets and National Budgets

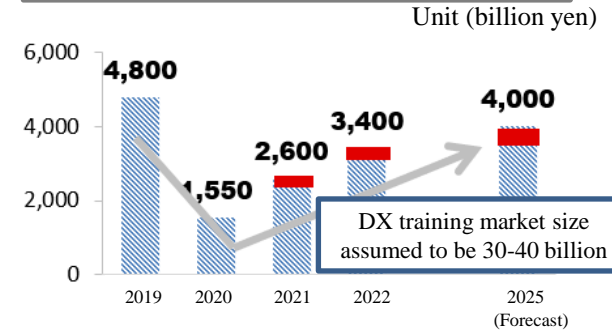
## ■ Career training Market – Still great potential for growth

- The market size is 340 billion yen in 2022 and over 400 billion yen in 2025 \*1. Of which, the DX training market is 32 billion yen in 2022 and 40 billion yen in 2025 \*2.
- The market share of Insource is about 2%, and there is a lot of room for growth in the future.

\*1 Calculated based on the MHLW's Basic Survey on HR Development and MIC' Labor Force Survey.

\*2 Calculated based on Information-technology Promotion Agency, Japan (IPA), "Survey of Enterprises and IT Human Resources for Digital Transformation (DX) Promotion" report and Ministry of Internal Affairs and Communications, "Economic Census - Activity Survey."

Training market size forecast

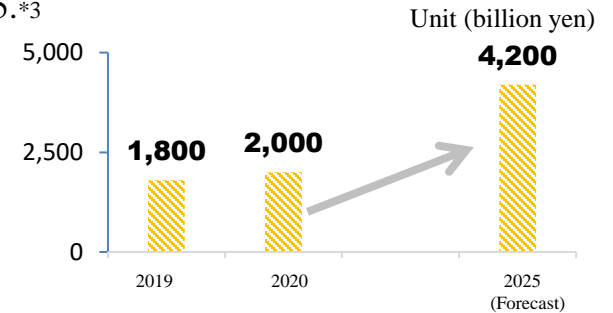


## ■ HR digitalization market -Expansion is expected

- The market size is 200 billion yen in 2020 and expected to be 420 billion yen in 2025.\*3
- The needs to improve the value of human capital and the administration of information disclosure is expected to increase significantly in the future.
- Net sales of "Leaf" for FY21 is 1.2 billion yen and there is a lot of room for growth.

\*3 Calculated based on the "Basic Survey of the Information and Communications Industry" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry

HR digitalization market forecast



## ■ National budget related to regional revitalization

- The government promotes regional revitalization projects
- National budget is 2.2 trillion yen in FY20\*4 and is expected to continue to grow.
- Specific support and human resource education will be required to create a sustainable and developmental economic cycle in the region in the future, such as management support for small and medium-sized enterprises, support for tourism promotion, and promotion of entrepreneurship.

\*4 Calculated based on the "Regional Development Budget" on the website of the Secretariat for Promotion of Regional Revitalization of Japan

National budget related to regional revitalization

