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2Q FY23 Consolidated Financial Results [JGAAP]

May 7, 2024

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 Scheduled date to submit the Quarterly Securities Report: May 14, 2024
 Scheduled date to commence dividend payments: -
 Availability of supplementary briefing material on quarterly results: Yes
 Scheduled date of Quarterly Results Briefing Session: Scheduled (Intended for analysts)

(Amounts are rounded down to the nearest million yen)

1. 2Q FY23 Consolidated Financial Results (October 1, 2023 – March 31, 2024)

(1) Consolidated Financial Results

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	mil yen	%	mil yen	%	mil yen	%	mil yen	%
2Q FY23	6,018	15.6	2,400	24.4	2,403	24.8	1,752	32.9
2Q FY22	5,204	15.4	1,930	15.2	1,925	16.1	1,318	16.0

(Note) Comprehensive income: 2Q FY23 1,755 million yen (33.5%) 2Q FY22 1,314 million yen (15.8%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
2Q FY23	20.86	20.86
2Q FY22	15.66	15.65

(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. In the above, "Earnings per share" and "Fully diluted earnings per share" are calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	mil yen	mil yen	%
2Q FY23	11,053	8,292	75.0
FY22 Full-year	10,795	7,929	73.5

(Reference) Shareholders' equity: 2Q FY23 8,292 million yen FY22 Full-year 7,929 million yen

2. Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	yen sen	yen sen	yen sen	yen sen	yen sen
FY22 Full-year	—	0.00	—	13.00	13.00
FY23 Full-year	—	0.00			
FY23 (forecast)			—	15.00	15.00

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

3. Consolidated Financial Forecast for FY23 (October 1, 2023 – September 30, 2024)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	mil yen	%	mil yen	%	mil yen	%	mil yen	%	yen sen
FY23 Full-year	12,530	16.2	4,590	16.5	4,585	16.4	3,105	16.0	36.43

(Note) Revisions of forecast of financial results from recently announced figures: No

* Notes

(1) Significant changes in subsidiaries during 2Q FY23

(changes in specific subsidiaries involving changes in the scope of consolidation) : None

(2) Specific accounting methods for quarterly consolidated financial statements : Yes

(3) Changes in accounting policies, estimates and restatements

(i) Changes in accounting policies due to the revision of accounting standards : None

(ii) Changes in accounting policies other than (3)-(i) : None

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(4) Total number of issued shares (common stocks)

(i) Total number of issued shares at the end of the period (including treasury stocks)	2Q FY23	85,243,000 shares	FY22	85,243,000 shares
(ii) Total number of treasury stocks at the end of the period	2Q FY23	1,390,469 shares	FY22	1,055,089 shares
(iii) Average number of shares during the period (cumulative)	2Q FY23	83,973,718 shares	2Q FY22	84,191,563 shares

(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares, and the above calculations are based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants and audit corporations

* Explanation for the appropriate use of financial forecasts and other special notes:

(Cautionary note on forward-looking statement)

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast figures due to various factors.

For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Consolidated Financial Forecasts” on page 3 of this report.

(How to obtain supplementary explanatory materials for financial results)

Supplementary materials for quarterly financial results are disclosed on the Company's website along with this financial report.

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1. Qualitative Information on Quarterly Financial Results

(1) Overview of Business Results

The needs of career training market are strong because of growing concerns for improving labor productivity and reskilling efforts, as well as for human capital management that leads to higher corporate value. The market is growing during the second quarter of the current fiscal year (From October 1, 2023 to March 31, 2024), as face-to-face trainings have been increasing.

Amid this situation, the Group developed new services in the areas of training and e-Learning content for DX, reskilling, health and productivity management, and the HR support system and LMS (*1) "Leaf" to help clients solve various management issues, strengthened alliances with other companies, and reinforced its sales structure, including opening new offices.

Regarding On-Site Training Business, the number of trainings conducted at private sector, especially mid-sized companies, increased, and the total number of trainings conducted increased by 9.4% YoY.

In Open Seminars Business, the number of attendees per training maintained, and the number of trainings conducted increased; therefore, the total number of attendees increased 11.7% YoY.

About IT Services, the number of paid subscribers of "Leaf" increased to 676 organizations (+88, +15.0% YoY). As the total active users exceed 3.21 million as of the end of March 2024, Leaf's monthly subscription fees (MRR (*2)) increased steadily, and ARR (*3) grew 29.3% YoY to 869 million yen. Although the number of customization projects decreased 27.8% YoY, we have completed delivery of a large customization project such as for the Ministry of Education, Culture, Sports, Science and Technology.

In Other Businesses, sales increased due to 22.2% YoY in the total number of units sold mainly for the highly profitable new e-Learning and videos. Sales also increased due to strong sales of video production solutions mainly to large enterprises and growth in Regional Revitalization Service mainly to public sectors.

Operating profit margin increased due to a -1.9 pt YoY in SG&A expense margin.

As a result of the above, consolidated financial results for this second quarter are as follows; net sales were 6,018,519 thousand yen (+15.6% YoY), operating profit was 2,400,791 thousand yen (+24.4% YoY), ordinary profit was 2,403,929 thousand yen (+24.8% YoY), profit attributable to owners of parent was 1,752,268 thousand yen (+32.9% YoY).

*1:LMS (Learning Management System): A system necessary for implementing e-Learning.

*2:MRR: Monthly Recurring Revenue

*3:ARR: Annual Recurring Revenue. Calculated by multiplying the MRR of the last month of each term by 12.

■Net sales by business for the second quarter of FY23

(Unit: thousand yen)

Business	2Q FY23 (Oct.1, 2023 – Mar.31, 2024)	YoY(%)	2Q FY22 (Oct.1, 2022 – Mar.31, 2023)
On-Site Training	2,721,146	113.1	2,406,469
Open Seminars	1,338,733	113.0	1,184,296
IT Services	1,043,502	141.7	736,329
Other Businesses	915,137	104.3	877,018
Total	6,018,519	115.6	5,204,114

(2) Overview of Financial Position

(Assets)

Total assets at the end of the second quarter of the current fiscal year increased by 258,738 thousand yen compared to the end of the previous fiscal year to 11,053,974 thousand yen, mainly due to an increase of 382,388 thousand yen in accounts receivable.

(Liabilities)

Total liabilities decreased by 103,930 thousand yen compared to the end of the previous fiscal year to 2,761,805 thousand yen. This was mainly due to a decrease of 98,384 thousand yen in advances received.

(Net Assets)

Net assets increased by 362,668 thousand yen compared to the end of the previous fiscal year to 8,292,169 thousand yen. This was mainly due to an increase in retained earnings of 657,825 thousand yen.

(3) Consolidated Financial Forecasts

There is no change to the full-year consolidated financial forecast for FY23 from the forecast announced on November 6, 2023. The forecasts are based on information available at the time of preparation and actual results may differ from these forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	2Q FY23 (As of Mar.31, 2024)
Assets		
Current assets		
Cash and deposits	3,515,516	3,469,218
Notes receivable - trade	3,862	—
Accounts receivable - trade	1,385,239	1,767,627
Inventories	74,932	20,672
Other	157,773	106,647
Allowance for doubtful accounts	(1,602)	(1,504)
Total current assets	5,135,722	5,362,662
Non-current assets		
Property, plant and equipment		
Buildings, net	1,640,828	1,600,781
Land	1,734,192	1,735,908
Other, net	34,949	49,757
Total property, plant and equipment	3,409,970	3,386,446
Intangible assets		
Leasehold interests in land	769,778	769,778
Goodwill	21,420	17,525
Software	148,724	153,774
Other	346	346
Total intangible assets	940,270	941,425
Investments and other assets	1,309,271	1,363,439
Total non-current assets	5,659,513	5,691,312
Total assets	10,795,236	11,053,974
Liabilities		
Current liabilities		
Accounts payable - trade	193,432	182,644
Accounts payable - other	645,148	627,787
Income taxes payable	784,461	821,612
Advances received	850,350	751,965
Provision for bonuses	—	6,000
Other	348,944	330,885
Total current liabilities	2,822,337	2,720,895
Non-current liabilities		
Asset retirement obligations	43,397	40,909
Total non-current liabilities	43,397	40,909
Total liabilities	2,865,735	2,761,805

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	2Q FY23 (As of Mar.31, 2024)
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	893,072	893,747
Retained earnings	6,666,433	7,324,259
Treasury shares	(442,399)	(741,283)
Total shareholders' equity	7,917,728	8,277,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,772	14,822
Total accumulated other comprehensive income	11,772	14,822
Total net assets	7,929,500	8,292,169
Total liabilities and net assets	10,795,236	11,053,974

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months ended March 31, 2024)

(Unit: thousand yen)

	2Q FY22 (Oct. 1, 2022- Mar. 31, 2023)	2Q FY23 (Oct. 1, 2023- Mar. 31, 2024)
Net sales	5,204,114	6,018,519
Cost of sales	1,219,795	1,357,231
Gross profit	3,984,319	4,661,287
Selling, general and administrative expenses	2,054,138	2,260,496
Operating profit	1,930,180	2,400,791
Non-operating income		
Interest income	18	16
Dividend income	173	231
Foreign exchange gains	—	81
Subsidies for employment adjustment	1,017	1,449
Income from base station installation	1,105	1,105
Surrender value of insurance policies	23	1,447
Other	569	508
Total non-operating income	2,907	4,840
Non-operating expenses		
Interest expenses	234	—
Foreign exchange losses	509	—
Loss on extinguishment of stock-based compensation expenses	6,822	803
Commission for purchase of treasury shares	—	899
Total non-operating expenses	7,565	1,702
Ordinary profit	1,925,523	2,403,929
Profit before income taxes	1,925,523	2,403,929
Income taxes	607,016	651,660
Profit	1,318,506	1,752,268
Profit attributable to owners of parent	1,318,506	1,752,268

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six months ended March 31, 2024)

(Unit: thousand yen)

	2Q FY22 (Oct. 1, 2022- Mar. 31, 2023)	2Q FY23 (Oct. 1, 2023- Mar. 31, 2024)
Profit	1,318,506	1,752,268
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,737)	3,050
Total other comprehensive income	(3,737)	3,050
Comprehensive income	1,314,769	1,755,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,314,769	1,755,319
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	2Q FY22 (Oct.1,2022- Mar.31,2023)	2Q FY23 (Oct.1,2023- Mar.31,2024)
Cash flows from operating activities		
Profit before income taxes	1,925,523	2,403,929
Depreciation	76,073	83,361
Amortization of goodwill	8,500	3,894
Share-based payment expenses	70,765	71,498
Increase (decrease) in allowance for doubtful accounts	235	(98)
Interest and dividend income	(191)	(248)
Foreign exchange losses (gains)	509	(81)
Decrease (increase) in trade receivables	(25,872)	(378,525)
Decrease (increase) in inventories	11,105	54,260
Increase (decrease) in trade payables	(8,833)	(10,788)
Other, net	(146,262)	(146,710)
Subtotal	1,911,553	2,080,491
Interest and dividends received	191	248
Interest paid	(234)	—
Income taxes paid	(761,815)	(630,632)
Net cash provided by (used in) operating activities	1,149,695	1,450,107
Cash flows from investing activities		
Purchase of investment securities	(61)	(61)
Purchase of property, plant and equipment	(395,170)	(38,908)
Purchase of intangible assets	(466,023)	—
Payments of leasehold and guarantee deposits	(366,434)	(84,717)
Proceeds from refund of leasehold and guarantee deposits	17,129	25,242
Other, net	(7,340)	(2,747)
Net cash provided by (used in) investing activities	(1,217,900)	(101,192)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	700,000	—
Repayments of long-term borrowings	(1,170)	—
Purchase of treasury shares	(400)	(300,852)
Dividends paid	(905,088)	(1,094,442)
Net cash provided by (used in) financing activities	(206,659)	(1,395,294)
Effect of exchange rate change on cash and cash equivalents	(509)	81
Net increase (decrease) in cash and cash equivalents	(275,373)	(46,298)
Cash and cash equivalents at beginning of period	3,827,499	3,515,516
Cash and cash equivalents at end of period	3,552,126	3,469,218

(4) Notes to Quarterly Consolidated Financial Statements

(Notes related to the Going Concern Assumption)

Not applicable

(Notes to Significant Change in the Amount of Shareholders' Equity)

The Company acquired 331,500 shares of treasury stock for 299,952 thousand yen based on a resolution of the Board of Directors meeting held on November 6, 2023. Due to this acquisition, treasury stock totaled 1,390,469 shares and 741,283 thousand yen at the end of the second quarter of the current fiscal year.

(Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statement)

(Calculating Tax Expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year, including the second quarter under review, and multiplying quarterly income before income taxes by the effective tax rate.

(Segment Information)

This information is omitted because the Group operates in a single segment of the education service business.

(Significant Subsequent Events)

Not applicable