

Insource Co., Ltd.

FY2017 Consolidated Financial Results

(Fiscal year ended September 30, 2018)

&

Mid-Term Management Plan, “Road to Next 2021”

Friday, November 9, 2018



株式会社インソース

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「insource」「Leaf」「Plants」「WEBinsource」の名称およびロゴは株式会社インソースの登録商標です。

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- Unless otherwise noted, financial statements contained herein are presented in accordance with generally accepted accounting principles in Japan.
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Chap. 01 Company Profile & Business Activities

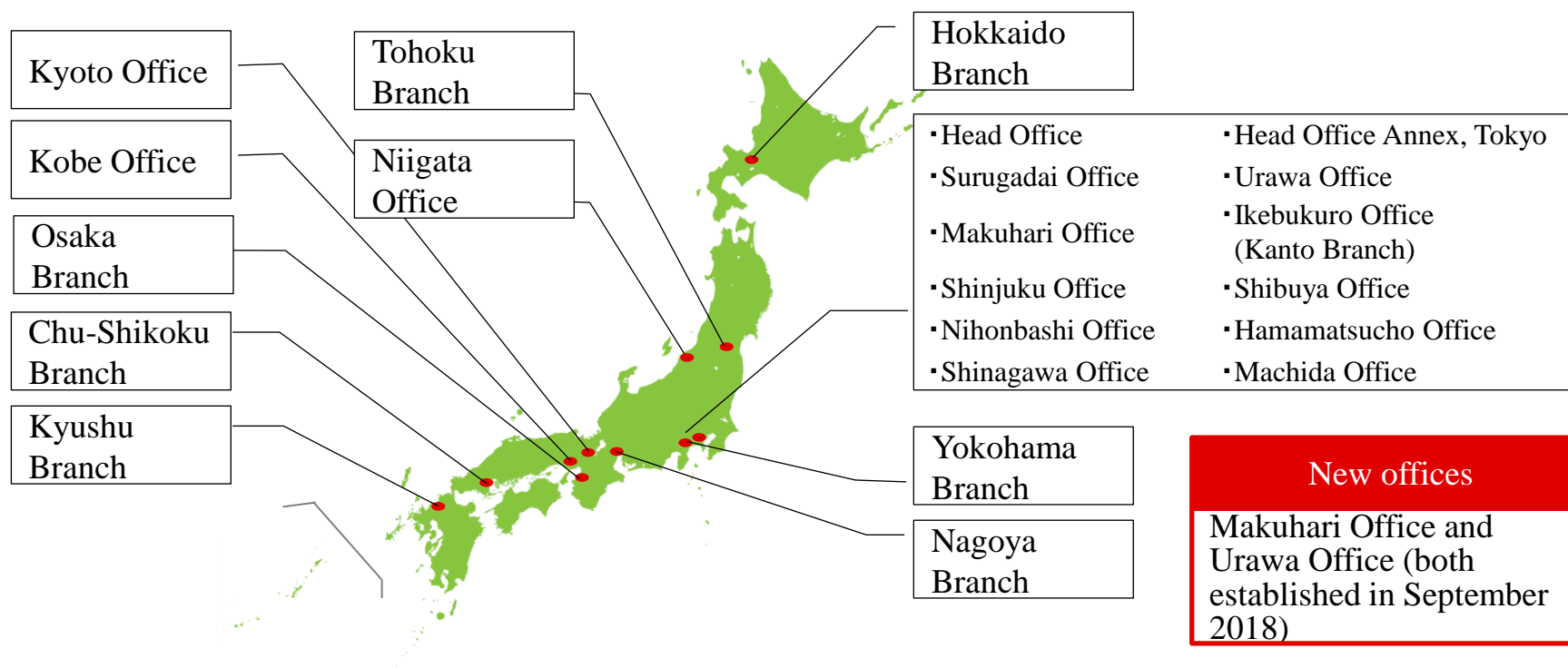
Chap. 02 FY2017 Consolidated Financial Results & FY2018 Forecasts

Chap. 03 Mid-Term Management Plan, “Road to Next 2021”

<Reference> FY2017 Quarterly Sales & KPIs

Chap. 01 Company Profile & Business Activities

▪ Company name	Insource Co., Ltd.	▪ Representative director and president	Takayuki Funahashi
▪ Date of foundation	November, 2002	▪ Capital	800,623 thousand yen
▪ Headquarters	Kandabashi Park Bldg. 5F 1-19-1 Kanda Nishiki-cho, Chiyoda-ku. Tokyo		
▪ Affiliated companies	Mitemo Co., Ltd, Rashiku Corporation, MIRAI SOUZOU & COMPANY, Inc.		
▪ Branch Offices & Business Sites	22 places nationwide (as of September 30, 2018)		



2 Business Activities

On-Site Training

FY2017 sales ratio:
62.3%

Offer on-site trainings tailored to organizations' needs

■ Annual total number of trainings conducted:

13,461
(YOY: +1,841)

■ Annual total number of attendees:

434,764
(YOY: +62,320)

*From October 2017 to September 2018



Open Seminars

FY2017 sales ratio:
25.7%

Offer open seminars that each person from various organizations can attend

■ Annual total number of trainings conducted:

7,238
(YOY: +1,676)

■ Annual total number of attendees :

55,948
(YOY: +13,120)

*The numbers above include trainings and attendees via our online classroom system, "Enkaku Real"

*From October 2017 to September 2018



Other Businesses

FY2017 sales ratio:
11.9%

IT Services

- IT adoption in human resource and general administration departments
- Stress check support service
- AI/RPA utilization support
- Security service



e-Learning / Video production



Consulting

- Establishment (operation) of personnel appraise
- Assessment
- CS (customer satisfaction) surveys, etc.



Staffing & Recruitment Services

- Recruitment promotion
- Staffing services for (potential) returners, short-time workers with regular employment.



Insource has established Double Work Management Co., Ltd. , (jointly owned company with Mediaflag Co., Ltd.) in November 2018.

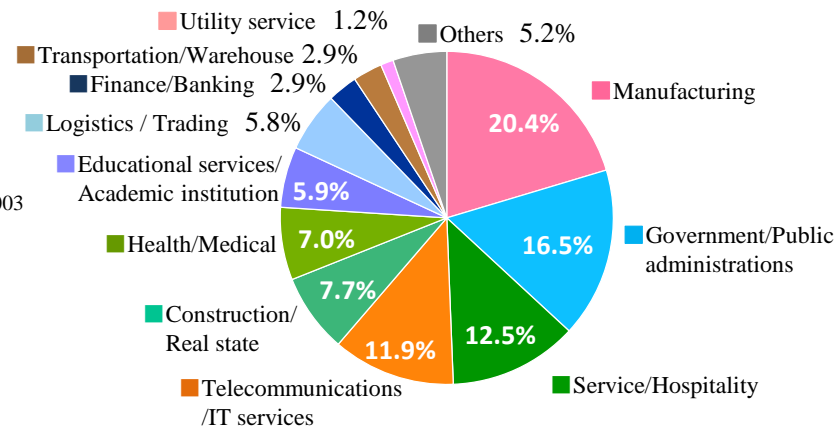
A wide range of industries
Strong
client base

■ Number of clients

25,210 organizations

*Total number of clients who used our services from June 2003 to September 2018.

(YOY: +**4,204**)



■ Annual total number of attendees:

490,712

*From October 2017 to September 2018

*On-site trainings plus open seminars

(YOY: +**75,440**)

■ Annual total number of trainings conducted:

20,699

*From October 2017 to September 2018

*On-site trainings plus open seminars

(YOY: +**3,517**)

■ Total number of WEBinsource subscribers:

8,564 organizations

*As of September 30, 2018

(YOY: +**2,760**)

■ Total number of curriculum types for on-site trainings:

2,582

(YOY: +**249**)

■ Total number of curriculum types for open seminars:

2,292

(YOY: +**464**)

Robust in-house
developed
Contents

■ Total number of content creators:

103

■ Total number of designers:

17

*As of September 30, 2018

4 Insource's 4 Pillars

Abundant human
resources and
web contents

Strong
sales power

■ Webpages:

11,341 pages

■ Webpages ranked No. 1 on
Google search:

270 pages

■ Business Sites:

20

■ Total number of sales representatives:

118

■ Total number of digital marketers:

6

*As of September 30, 2018

Insource is developing various in-house systems, including
AI-driven tools and RPA (robotic process automation) systems.

In-house IT systems and
AI-driven tools

Information
Technologies



■ Total number of
IT engineers: **49**

■ Total number of
AI engineers: **4**

■ Total number of
network security professionals: **2**

*As of September 30, 2018

Chap. 02 FY2017 Consolidated Results

FY2018 Forecasts

- Sales increased by 26.5% (+951 million yen) YOY to 4,536 million yen.
The breakdown consists of 2,827 million yen (+19.2%) for on-site trainings, 1,166 million yen (+30.0%) for open seminars and 542 million yen (+71.9%) for other businesses
- Gross profit increased by 28.9% (+693 million yen) YOY to 3,096 million yen.
Gross profit margin increased by 1.2 points YOY to 68.3%.
- Operating profit increased by 58.4% (+345 million yen) YOY to 937 million yen through increased sales (+951 million yen) YOY and higher gross profit margin (+1.2 points) YOY.

2 Consolidated Profit & Loss Statement ① (Overview)

■ Net sales increased by 26.5% to 4,536 million yen.

■ Gross profit margin increased by 1.2 points YOY to 68.3%.

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY	FY2018 (Forecast)
Net sales (YOY: mil yen)	2,915 (+492)	3,585 (+669)	4,536 (+951)	+26.5%	5,600 (+1,063)
Gross profit (YOY: mil yen) (Gross profit margin)	1,941 (+294) (66.6%)	2,403 (+461) (67.0%)	3,096 (+693) (68.3%)	+28.9% (+1.2p)	3,900 (+803) (69.6%)
Operating profit (YOY: mil yen) (Operating profit margin)	460 (+59) (15.8%)	592 (+131) (16.5%)	937 (+345) (20.7%)	+58.4% (+4.1p)	1,160 (+222) (20.7%)
Ordinary profit (YOY: mil yen)	452 (+54)	608 (+155)	933 (+325)	+53.5%	1,150 (+216)
Net profit (YOY: mil yen)	298 (+59)	412 (+114)	635 (+223)	+53.9%	750 (+114)

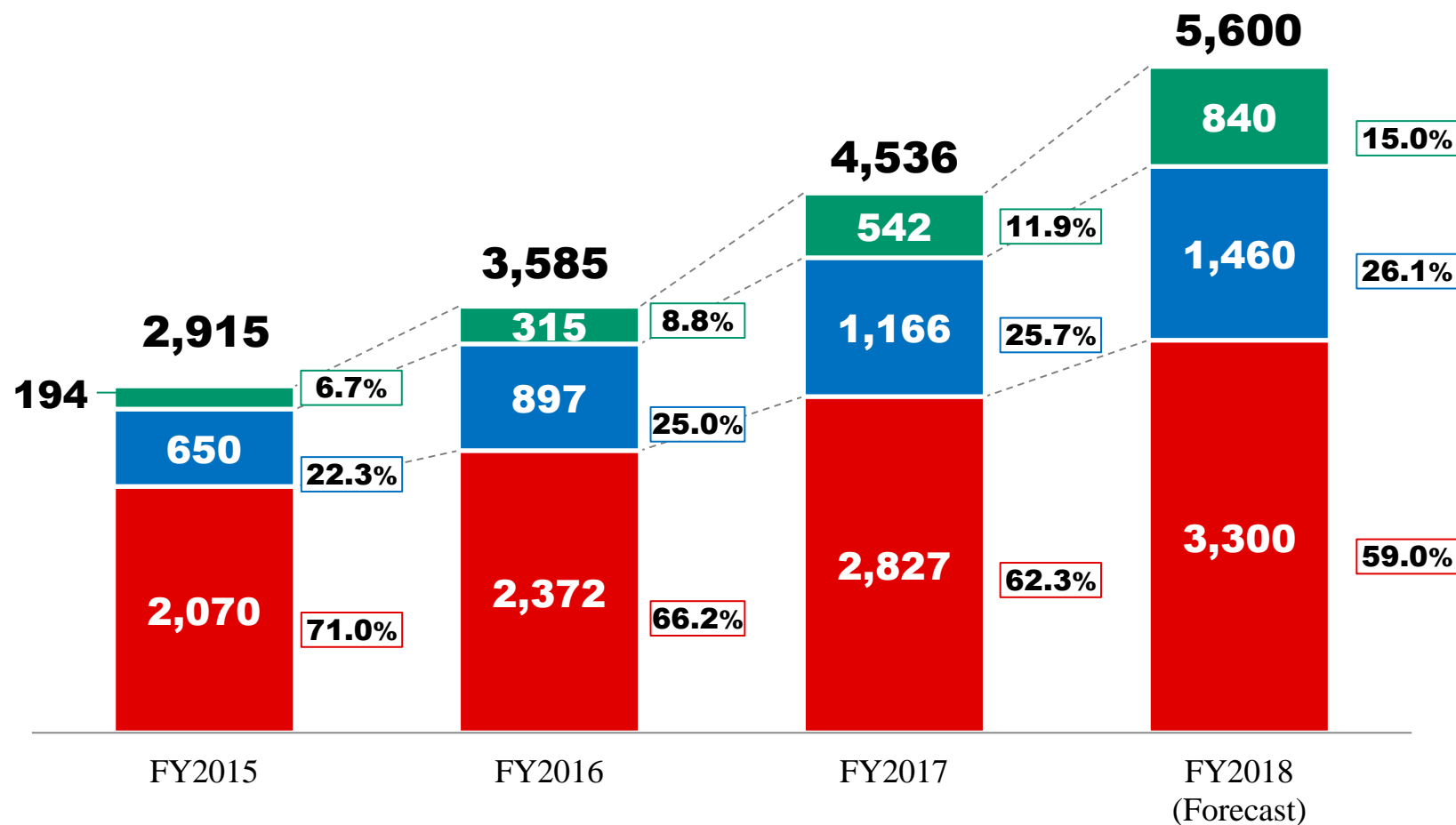
Unit: Million yen

		FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY	FY2018 (Forecast)
Whole Business	Net sales (YOY: mil yen)	2,915 (+492)	3,585 (+669)	4,536 (+951)	+26.5%	5,600 (+1,063)
	Gross profit (Gross profit margin)	1,941 (66.6%)	2,403 (67.0%)	3,096 (68.3%)	+28.9%	3,900 (69.6%)
On-Site Trainings	Net sales (YOY: mil yen)	2,070 (+230)	2,372 (+302)	2,827 (+455)	+19.2%	3,300 (+472)
	Gross profit (Gross profit margin)	1,482 (71.6%)	1,700 (71.7%)	2,013 (71.2%)	+18.4%	2,340 (70.9%)
Open Seminars	Net sales (YOY: mil yen)	650 (+156)	897 (+246)	1,166 (+269)	+30.0%	1,460 (+293)
	Gross profit (Gross profit margin)	386 (59.4%)	554 (61.8%)	773 (66.3%)	+39.0%	990 (67.8%)
Other Businesses	Net sales (YOY: mil yen)	194 (+105)	315 (+120)	542 (+227)	+71.9%	840 (+298)
	Gross profit (Gross profit margin)	96 (49.5%)	116 (36.8%)	309 (57.0%)	+112.6%	570 (67.9%)

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

■ On-Site Training ■ Open Seminars ■ Other Businesses

Unit: million yen



* % = Composition ratio

Unit: million yen

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	FY2016 vs. FY2017 Changes	YOY	FY2018 (Forecast)
Net Sales	2,915	3,585	4,536	+951	+26.5%	5,600
Gross profit	1,941	2,403	3,096	+693	+28.9%	3,900
Gross profit margin	66.6%	67.0%	68.3%	+1.2p	-	69.6%

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	FY2016 vs. FY2017 Changes	YOY	FY2018 (Forecast)
Personnel expenses	1,152	1,385	1,662	+276	+20.0%	2,100
Rent expenses	83	107	120	+13	+12.3%	—
Office & system expenses	81	102	130	+28	+27.6%	—
Other expenses	163	215	245	+29	+13.7%	—
Total SG&A expenses	1,481	1,811	2,158	+347	+19.2%	2,740
(SG&A expense ratio)	(50.8%)	(50.5%)	(47.6%)	-	-	(48.9%)

* Personnel expenses include manpower, recruitment, training, and benefit expenses from this fiscal year.

6 Consolidated Profit & Loss Statement ③

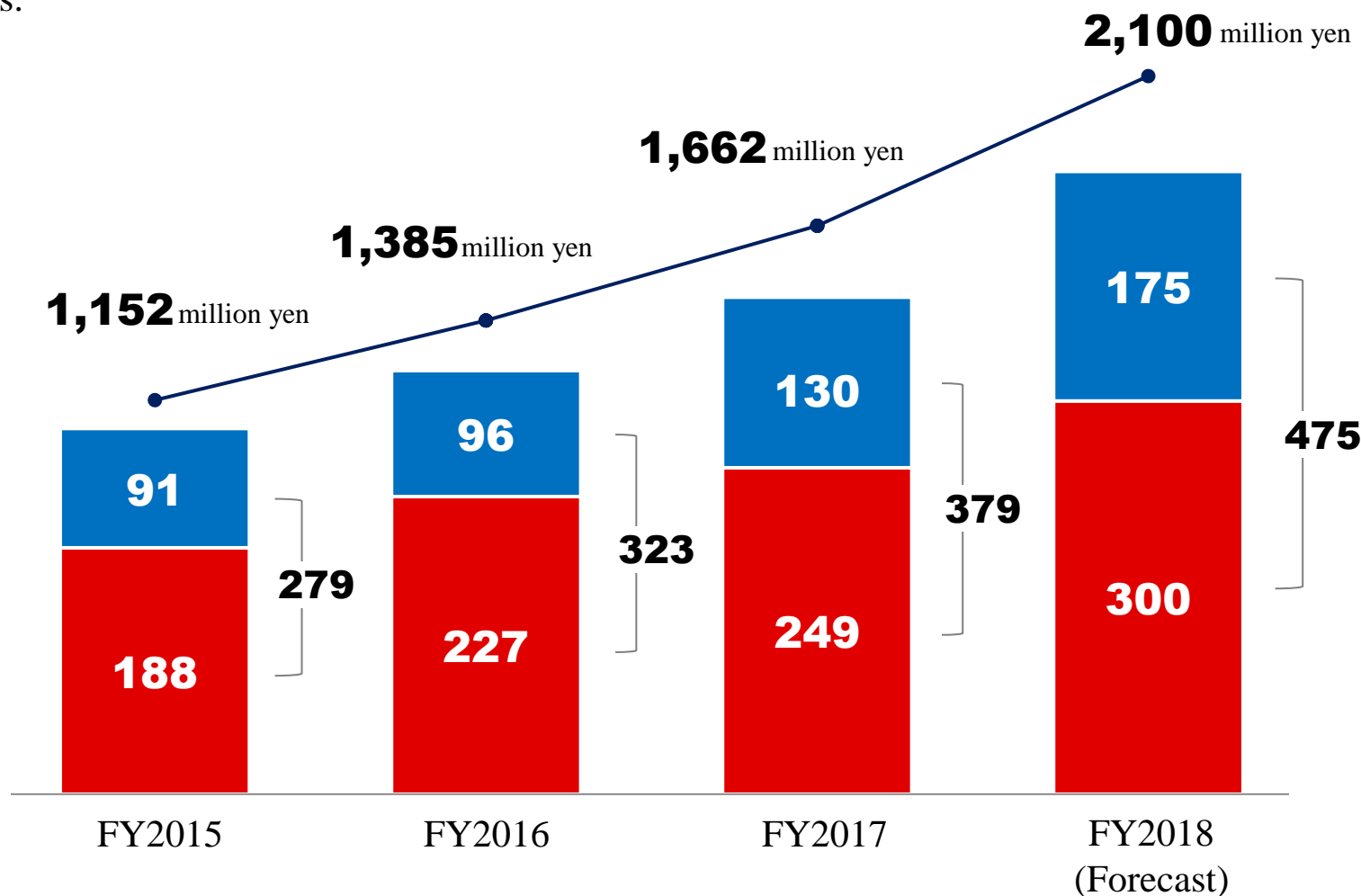
- Transition of the number of employees
- Total personnel expenses

■ Full-timers

■ Part-timers

● Personnel expenses

Increased personnel expenses are linked to the growing number of employees.



■ Current and net assets increased mainly due to public share offering and posting profits.

Unit: million yen

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	FY2016 vs. FY2017 Changes YOY	
Current assets	1,559	1,941	3,434	+ 1,493	+ 77.0%
Fixed assets	391	402	524	+ 121	+ 30.2%
Total assets	1,950	2,343	3,959	+ 1,615	+ 68.9%
Current liabilities	536	808	979	+ 171	+ 21.3%
Fixed liabilities	79	98	89	△ 9	△ 9.4%
Net assets	1,334	1,436	2,889	+ 1,453	+ 101.1%
Total liabilities and net assets	1,950	2,343	3,959	+ 1,615	+ 68.9%

8 Consolidated Cash Flow

■ Even after dividend distribution, cash flow from financing activities increased due to public share offering.

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY
Cash flow from operating activities	363	578	751	+173
Cash flow from investing activities (△ stands for decrease)	△139	△8	△147	△138
Cash flow from financing activities	300	△314	804	+1,119
Translation differences on cash and cash equivalents	△4	1	0	±0
Changes in cash and cash equivalents	519	257	1,409	+1,152
Cash and cash equivalents at beginning of period	640	1,159	1,416	—
Cash and cash equivalents at end of period	1,159	1,416	2,825	—

9 Business Information ①: On-Site Training

- Business sites in Tokyo area are keeping sales brisk, particularly Shinjuku Office and Shinagawa Office (both newly opened last fiscal year).
- Trainings for promising young / mid-level employees are being highly demanded.

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY	FY2018 (Forecast)
Net Sales (mil yen)	2,070	2,372	2,827	+19.2%	3,300
Gross profit*1 (mil yen) (Gross profit margin)	1,482 (71.6%)	1,700 (71.7%)	2,013 (71.2%)	+18.4% (△0.5p)	2,340 (70.9%)
Total number of trainings conducted (times)	10,422	11,620	13,461	+1,841 (+15.8%)	16,100
Average unit price (Thousand yen)	198.6	204.1	210.0	+5.9	205.0
Total number of contents by category (types)	2,050	2,333	2,582	+249 (+10.7%)	2,800

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

(1) Key Factors of Sales Growth (Private & Public Sectors)

Services	<ul style="list-style-type: none"> ▪ Trainings related to practical business skills to improve productivity are in high demand (+56.7% YOY): Logical Thinking Trainings (+77.7% YOY), Presentation Trainings (+56.4% YOY), Time Management Trainings (+55.0% YOY) ▪ Trainings to improve workplace morale/climate are in good demand (+50.1% YOY): Risk/Compliance/Harassment-Prevention Trainings (+48.7% YOY), Mental Health 101 trainings (+53.2% YOY) ▪ Trainings for promising young/mid-level employees are in high demand (+44.6% YOY): Young Employee Trainings (+47.1% YOY), Mid-Level Employee Trainings (+40.8% YOY)
Clients	<ul style="list-style-type: none"> ▪ There has been a strong demand from industries facing severe labor shortages: Manufacturing (+40.3% YOY), service/hospitality (+52.7% YOY), construction/real estate (+66.3% YOY) In particular, Mid-Level Employee Trainings are in high demand from these industries.
Area	<ul style="list-style-type: none"> ▪ Business sites in Tokyo area, particularly newly established offices, have strong sales: Shinjuku Office (+64.5% YOY) and Shinagawa Office (+101.1% YOY)

* From October 2017 to September 2018 * The figures above show preliminary figures on our on-site training.

* Figures above in parentheses indicate changes from the same period of the previous fiscal year.

(2) Opening New Offices Nationwide

Steady Business Expansion

Insourc has opened four new offices in FY2017:

Niigata Office (October 2017), Kobe Office (December 2017), Urawa Office (September 2018)

Makuhari Office (September 2018)

Total number of business sites nationwide: **20**

*As of September 30, 2018

11 Business Information ②: Open Seminars

- Trainings related to “Work-Style Reforms” are being highly demanded. Stratified trainings for young employees are also in good demand.
- Thanks to high demand for individual trainings in organizations, “HRD SmartPack 100” and larger package deals are selling well nationwide.

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY	FY2018 (Forecast)
Net sales (Million yen)	650	897	1,166	+30.0%	1,460
Gross profit*1 (Million yen) (Gross profit margin)	386 (59.4%)	554 (61.8%)	773 (66.3%)	+39.0% (+4.3p)	990 (67.8%)
Total number of attendees (Attendees)	31,439	42,828	55,948	+13,120 (+30.6%)	71,200
Average unit price (Thousand yen)	20.6	20.9	20.8	△0.1	20.5
Total number of organizations subscribing to WEBinsource (Organizations)	3,312	5,804	8,564	+2,760 (+47.6%)	11,000

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

(1) Key Factors of Sales Growth



Services	<ul style="list-style-type: none"> ▪ Trainings related to “Work-Style Reforms” are in high demand (+48.6% YOY): AI Workshops (+500.0% YOY), Microsoft Office Trainings (+152.4%), Communication trainings (+67.3%) ▪ Demand for Young/Mid-Level Employee Trainings (+28.4% YOY) and Business Skill Trainings are growing (+28.4% YOY): Young Employee Trainings (+73.3% YOY), Logical/Critical/Lateral Thinking Trainings (+64.5% YOY) ▪ Thanks to high demand for individual trainings in organizations, “HRD SmartPack100” and larger package deals are selling well nationwide (+48.9%). ▪ WEBinsource subscribers increased to 8,564 organizations (+2,760 organizations YOY) <small><FYI> Unit price of HRD SmartPack 100: 1,950 k yen</small>
Clients	<ul style="list-style-type: none"> ▪ A strong demand from industries that have bases, branches and offices throughout the country: Service/hospitality (+41.1% YOY), manufacturing (+33.9% YOY), telecom/IT services (+46.2% YOY), finance/banking (+33.3% YOY) In terms of 4Q, demand from telecom/IT industries grew by 50.5%
Area	<ul style="list-style-type: none"> ▪ The number of training participants are growing in our business sites other than those in Tokyo area: Chushikoku (+69.1% YOY), Osaka (+37.2% YOY)

(2) Expanding services

* From October 2017 to September 2018 * The figures above show preliminary figures on our open seminars.
* Figures above in parentheses indicate changes from the same period of the previous fiscal year.

Enkaku Real providing online night-school courses

遠隔リアル

Enkaku Real allows clients to attend training programs from different locations using face to face videos.

Total number of Enkaku Real courses conducted: **45**

* From October 2017 to September 2018

<FYI> In August 2018, Insource has developed Upskilling Course (2-hour weeknight courses).

13 Divisional Information ③: Other Businesses __FY2017 Topics

Unit: million yen

- Net sales substantially increased by 71.9% YOY to 542 million yen.
- Gross profit significantly increased by 112.6% YOY to 309 million yen thanks to growing demand in our highly profitable products, “Leaf” and e-learning courseware.

	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY	FY2018 (Forecast)
Net sales	194	315	542	+71.9%	840
<Breakdown>					
IT service	—	85	239	+181.4%	—
e-Learning / Video production	—	111	152	+36.9%	—
Consulting	—	118	149	+26.4%	—
Gross profit* ₁ (Gross profit margin)	96 (49.5%)	116 (36.8%)	309 (57.0%)	+112.6% (+20.2p)	570 (67.9%)

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

Total	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	YOY
Total number of organizations subscribing to Leaf (Organizations)	33	51	92	+41 (+80.4%)
Total number of organizations implementing Stress Check Support Service (Organizations)	39	92	169	+77 (+83.7%)
Total number of organizations using on-the-web appraisal form service (Organizations)	—	—	26	+26
* Using on-the-web appraisal form service have fully launched since August 2017.				
Total numbers of e-learning (STUDIO & STUDIO Powered by Leaf) subscription IDs per year (IDs)	7,720	12,550	34,566	+22,016 (+175.4%)
Total number of video production and consulting services (Projects)	96	116	160	+44 (+37.9%)

Expanding IT service line by utilizing Leaf as the platform

- Web conversion service for appraisal forms
(fully launched since August 2017)
to realize streamlined operations by converting paper-/Excel-based performance appraisal forms into digital formats available online.

- STUDIO Powered by Leaf
Simple & User-friendly Cloud-Type e-Learning Courseware

Total number of
paying subscribers
a month: **26** organizations

HR assessment sheet
WEB conversion service

Total number of
subscription IDs
per year: **34,566** IDs

STUDIO
Powered by Leaf

*STUDIO plus STUDIO Powered by Leaf

*As of September 30, 2018

AI/RPA Utilization Support

AI workshops for experienced employees are in good demand for the improvement of organizational productivity.

Total number of
AI workshop
attendees:

811 attendees

*From October 2017 to September 2018



Assessment Services

- 8 Essential Skill Assessment for New Recruits
(launched since December 2017)
 - Insource has developed 8 Essential Skill Assessment based on analysis of today's young recruits' characteristics and surveys among HR persons.
 - Based on the results, Insource suggests clients effective training programs.

- Skill Survey for young/mid-level employees
(launched since June 2018)

- Measure various business knowledge, resourcefulness and adaptability
- Know skill levels of each employee to establish effective training systems

Total number of
respondents
(8 essential
skill assessment):

132 organizations
4,120 employees



Total number of
respondents
(self-assessment):

173 organizations
3,496 employees

<FYI> Insource has also developed Skill Survey for new/higher-level managers (launched since October 2018)

*As of September 30, 2018

16 FY2017 Topics: KPIs

	FY2016*1 (Actual)	FY2017*2 (Actual)	YOY
<u>Total number of business sites</u>	16	20	+4
<u>Total number of employees</u>	323	379	+56
<u>Total number of Full-time employees</u>	227	249	+22
<u>Total number of Part-time employees</u>	96	130	+34
<u>Total number of organizations subscribing to WEBinsource</u>	5,804	8,564	+2,760
<u>Total number of content types for on-site training programs</u>	2,333	2,582	+249
<u>Total number of content types for open seminars</u>	1,828	2,292	+464
<u>Total number of permanent classrooms</u>	8(30)	7(32)	△1(+2)
<u>Total number of webpages</u>	10,224	11,341	+1,117
<u>Total number of webpages ranked No.1 in Google search</u>	205	270	+65

*1 As of September 30, 2017 *2 As of September 30, 2018

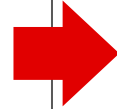
Issues

Business expansion led to reduced productivity.

Net sales fell short of initial forecast.

Initial forecast	FY2017 result
740 million yen	561 million yen

Actions



1. Enhance HR development
2. Further systematize operations
3. Flatten organizational structure



1. Increase the number of sales personnel
2. Develop more appealing products

Chap. 03 Mid-Term Management Plan, “Road to Next 2021”

1 Steady & Sustainable Growth expected for FY2018

- Insource has about 1 percent market share in the training industry (a growing market).

■ Market share
Total yearly expenses
organizations outsourced
training programs
(Off-JT programs):

About **348** billion yen *2

Our net sales*1
4.5 billion yen
(1.3%)

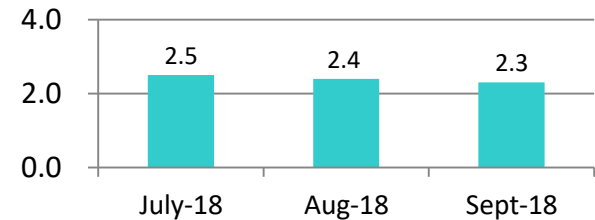
*1 Our net sales: Consolidated net sales (FY2017 ended Sept 30)

*2 This figure is calculated based on "2014 Economic Census for Business Frame Survey" by Statistics Bureau, Ministry of Internal Affairs and Communications and "the Fiscal 2016 Basic Survey of Human Resources Development by Ministry of Health, Labour and Welfare".

- Overall unemployment rate in September 2018 was 2.3 percent.
Labor shortage in Japan has reached a new level of severity.

- ▶ More and more companies are striving to raise productivity by utilizing training programs and e-learning courseware.

■ Transition of overall unemployment rate



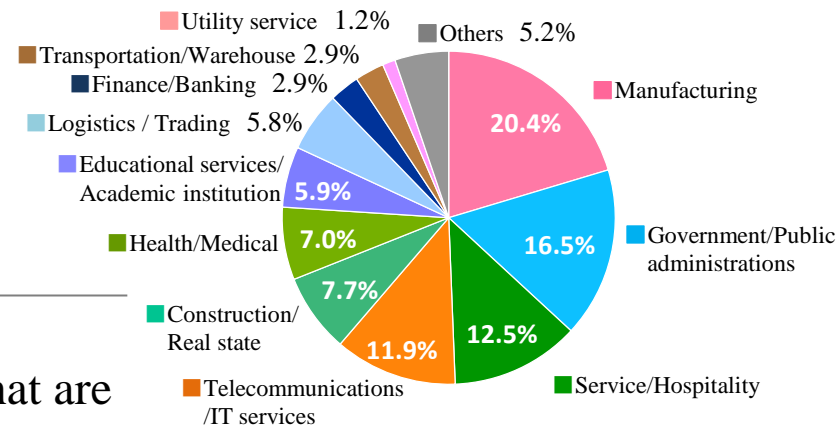
*Source: "Labor Force Survey" by Statistics Bureau, Ministry of Internal Affairs and Communications

- Insource has over 25,000 clients

- ▶ We do not only offer training programs, but also provide optional products and various services.
In addition, Insource has engaged in staffing agency/service business.

*Breakdown of clients who used our services from June 2003 to September 2018

■ Breakdown of clients by industry



- Broad and Diverse Range of Clients

- ▶ Insource will offer more services to organizations that are unaffected by economic downturn, such as local governments, hospitals, and schools.

2 Mid-Term Management Plan, “Road to Next 2021”

～Numerical Targets

- Insource will aim to achieve 20% growth in net sales and profits in the next three years of the mid-term plan.
- Insource will aim to increase net sales to 8,750 million yen and operating profit to 1,750 million yen in FY2020.

	FY2017 (Actual)	FY2018 (Forecast)	FY2019 <Target>	FY2020 <Target>	CAGR FY2018 - FY2020
Net sales (YOY: mil yen)	4,536 (+951)	5,600 (+1,064)	7,070 (+1,470)	8,750 (+1,680)	+24.5%
Gross profit (YOY: mil yen)	3,096 (+693)	3,900 (+804)	4,950 (+1,050)	6,150 (+1,200)	+25.7%
Operating profit (YOY: mil yen)	937 (+345)	1,160 (+223)	1,410 (+250)	1,750 (+340)	+23.1%
(Gross profit margin)	(20.7%)	(20.7%)	(19.9%)	(20.0%)	
Net profit (YOY: mil yen)	635 (+223)	750 (+115)	945 (+195)	1,180 (+235)	+22.9%

We will continue to achieve stable performance-linked payout ratio of 30 percent to make sure that our shareholders support us for many years to come.

	FY2016 (Actual)	FY2017 (Estimate)	FY2018 (Forecast)
Dividend per share	18 yen 00 sen <small>Common dividend: 15 yen 00 sen Commemorative dividend: 3 yen 00 sen</small>	12 yen 00 sen	14 yen 00 sen
Total dividends	145 million yen	201 million yen	—
Dividend payout ratio	35.3%	31.2%	31.8%

4 Mid-Term Management Plan, “Road to Next 2021”

~3 Major Strategies

■ We will continue to gain market share for steady and sustainable growth.

Strategy ① Appeal to more clients

1. Further increase WEBinsource subscribers
2. Promote community-based sales activities by opening more small offices and Open Seminar classrooms in new locations.

Strategy ② Expanding content lineup

Insource will offer contents and services essential for personnel and administration management.

Strategy ③ Strengthening change management

By putting the concept of OODA Loop* into practice, Insource will take new approaches while flexibly adapting to today's ever changing and challenging business environment ahead of the competition.

*For details on OODA Loop, see page 35

5 Strategy ① Appeal to more clients

	FY2017 (Actual)	FY2018 (Forecast)	FY2020 (Target)
<u>Total number of WEBinsource subscribers (organizations)</u> Increasing regular clients	8,564	11,000	15,800
<u>Total number of business sites</u> Open more offices around the Tokyo metropolitan area and in regional locations across the country	20	24	30
<u>Total number of classrooms</u> Add Open Seminar classrooms	32	38 <small>5 classrooms will be added in December 2018</small>	45
<u>Total number of employees</u> Promote diverse recruitment, including mid careers and elderlies.	379	475	620

* As of September 30, 2018

6 Strategy ② Expanding content lineup ①

■ Insource will aim to offer one-stop services necessary for personnel and administration management.

◎: Performance contributor

○: Under promotion

△: Now available

FY2017
(Actual)

FY2018
<Policy>

HR Develop ment	On-Site Training	◎	2,582 contents by type in total. Actively developing contents related to harassment prevention and foreigner employment.	Continue to add 200 training contents related to local governments, hospitals and schools on a yearly basis.
	Open Seminar	◎	2,292 contents by type in total. Actively developing contents related to night-school/short-time courses, recurrent education, IT (including AI and RPA)	Continue to add in-house and affiliate's contents and those related to local governments, hospitals and schools.
	e-Learning <small>STUDIO & STUDIO Powered by Leaf</small>	◎	88 subjects, 233 contents. Focused on contents related to compliance and productivity improvement.	Offer services linked up with WEBinsource.
Health & Safety	Health Management <small>Stress Check Support Service</small>	○	Offered stress check support services through cluster analysis and YOY result comparison.	Expand services mainly for small businesses.
Human Resource Strategy	HR Tech <small>"Leaf", personnel & administration management support system</small>	○	Promoted sales activities for Assessment Sheet Web Conversion Service	Develop new services.

7 Strategy ② Expanding content lineup ②

■ Insource will aim to offer one-stop services necessary for personnel and administration management.

◎: Performance contributor

○: Under promotion

△: Now available

FY2017
(Actual)

FY2018
<Policy>

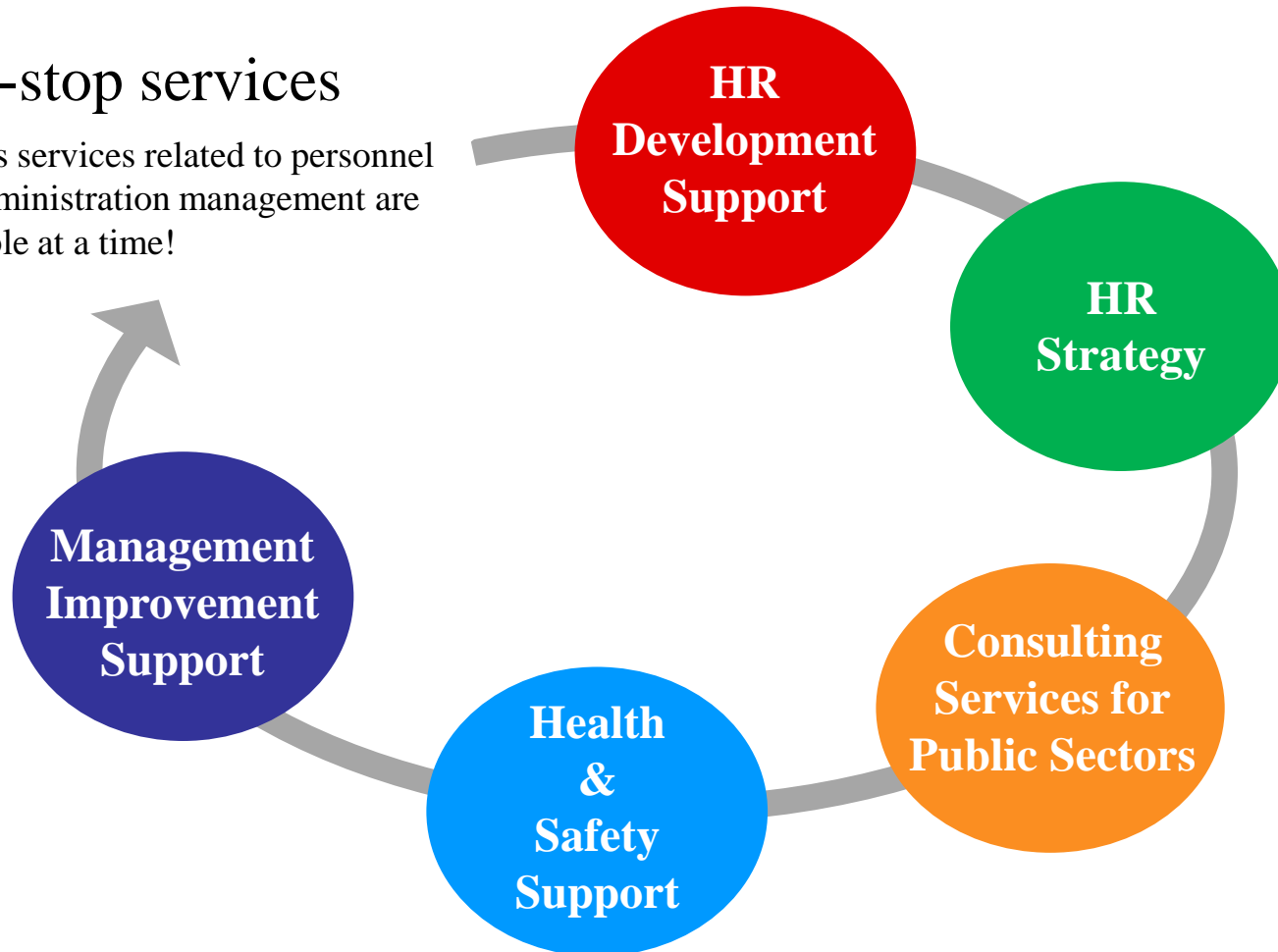
Human Resource Strategy	Assessment	△	Developed 8 essential skill assessment and tests by job title	Promote sales activities by identifying issues based on assessment and offering services systematically.
	Staff agency *FY 2018	—	Rashiku Corporation developed recruitment promotion services by focusing on full-time recruitment for mid-careers in place of new recruits.	Fully launch aptitude tests and assessment tools and actively promote mid-career recruitment support.
	Staffing services *FY 2018	—	Established Double Work Management Co. , Ltd., a part-time job agency mainly for (potential) returners and short-time workers with regular employment.	Fully launch services.
Management Improvement	Consulting	○	Offered CS surveys and personnel system support services.	Develop more services. Actively promote in-house development of trainings.
	Security	△	Offered security assessment service, “Targeted E-mail Attack Diagnosis”	Active sales promotion

8 Strategy ② Expanding content lineup ③

- By collaborating with other companies, we will offer a wider line of products for people in charge of personnel/general affairs.
Then, we will improve client usability and promote one-stop services.

One-stop services

Various services related to personnel and administration management are available at a time!



9 Strategy ③ Strengthening change management ①

We will steadily achieve our goals by flexibly changing the strategy depending on situations and implementing “P+OODA Loop” at high speed.

■ Practicing OODA Loop

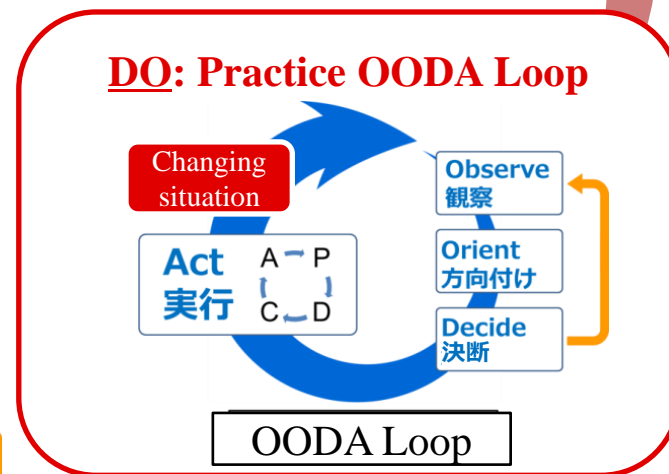
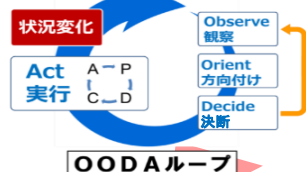
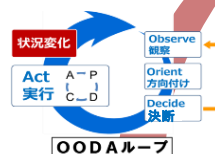
Under a definite management policy, experienced leaders will act at high speed:

①Observe ⇒ ②Orient ⇒ ③Decide ⇒ ④Act

*What is OODA Loop?

Insource is incorporating the essence of OODA Loop into its training programs.

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



■ "Rashiku", recruitment matching service to promote two businesses

らしく

Organizational consulting

Now developing aptitude tests and assessment tools

Visualizing employees' thinking patterns and behavioral characteristics beyond meritocracy

<E.g. > Motivation to work: career orientation / sympathy / decision-making / employee satisfaction

Visualization

- Defining personality traits needed for the job.
- Utilizing personnel rotation and recruitment.
- Tailoring management approaches based on employees' individualities and identities.

Recruitment promotion

Recruitment consulting to increase the number of employees

■ Recruitment promotion services ____ Hiring mid-careers permanently

- Restructuring personnel system by verbalizing recruitment requirements and actively offering information to staff agencies and job seekers.
- Actively cooperating with our regular staff agencies and coordinating with other staff agencies. Recommending staff agencies with specialties, such as sales for 20s, IT, Web design, academic, foreign companies.

■ Interview services ____ Supporting recruitment promotion support

■ Recruitment strategy workshop ____ Supporting recruitment strategy

11 Strategy ③ Strengthening change management ③

Acquiring 100% ownership of MIRAI SOUZOU & COMPANY, Inc.

• Company name	MIRAI SOUZOU & COMPANY, Inc.	• Representative	Seiichi Tanimura (President and Representative Director)
• Date of establishment	January 2012	• Business outline	Selective education training for major companies
• Address	Kandabashi Park Bldg. 5F 1-19-1 Kanda Nishiki-cho, Chiyoda-ku. Tokyo	• Insource Co., Ltd.'s 100%-owned company	

Double Work Management Co. , Ltd., jointly owned with Mediaflag Co., Ltd.

• Company name	Double Work Management Co. , Ltd.	• Representative	Kota Yamaguchi (Representative Director)
• Date of establishment	November 2018	• Business outline	Staffing agency/service specializing in short-time work.
• Address	Token International Building 6F 2-12-19 Shibuya, Shibuya-ku, Tokyo	• Jointly owned with Mediaflag Co., Ltd. (Insource Co., Ltd.'s 40%-owned company)	

Capital and business alliance with Business Market Co., Ltd. to expand solution services for public sectors

• Company name	Business Market Co., Ltd.	• Representative	Omote Kazutake (President and Representative Director)
• Date of establishment	November 2016	• Business outline	Business succession support through M&A utilizing the Internet
• Address	ST Tomita 4F 4-7-4 Shinbashi, Minato-ku, Tokyo		

Our business goals are to provide solutions to social issues with everyone engaged in work.



S Implementing career development education
Developing recurrent education contents
Sponsoring Japan Blind Football Association

Annual total number of trainings conducted: **20,699** types

Total number of training contents: **3** types

Free trial workshop was held in October 18, 2018

G Active sales promotion of trainings related to compliance and e-learning courseware:
Compliance, private information protection act, labor management, subcontracting act, copyright act, introduction to information security, risk management, etc.

Total number of training contents **22** types

e-Learning **14** subjects (**19** contents)

G Active disclosure of non-financial information on a monthly basis

■ Newly developed training programs ■ No. of Open Seminar attendees ■ No. of Leaf monthly paying subscribers (organizations)

■ No. of on-site trainings conducted ■ No. of WEBinsource subscribers

Assessment sheet WEB conversion service / Stress Check Support Service / STUDIO Powered by Leaf

E Company-wide power saving / LED installation

Insource are active on social issues by hiring and retaining staff with diverse backgrounds.

	Total	Female employees
Total number of employees *2	379	214 (56.5%)
Total number of Full-time employees	249	115
Total number of Part-time employees	130	99
Total number of managerial positions	92	18 (19.6%)
Total full-time executives	17	2 (11.8%)

Ratio of female employees in managerial positions:
13.2%※1
(2017; Source: The Gender Equality Bureau of the Cabinet Office)

Ration of female executives at listed companies:
3.7%※3
(2017; Source: The Gender Equality Bureau of the Cabinet Office)

* As of September 30, 2018, Consolidated

Foreign nationals (including naturalized citizens)	4	Seniors (aged over 60)	16	LGBTs	4	Handicapped	10	Handicapped employment ratio: 3.8% *4
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Now increasing the number of senior employees

• Legal employment rate: **2.0%**
• Actual employment rate: **1.97%**
(Source: Ministry of Health, Labour and Welfare
“2017 Handicapped Persons' Employment Status”)

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

*2 Directors, auditors and corporate officers are excluded.

*3 Board members consist of directors, auditors and representative executive officers and corporate officers of company with nominating committee, etc.

*4 Non-consolidated (Insource only)

＜FYI＞ FY2017 Quarterly Sales and KPIs

	FY2016 (Actual)	FY2017 (Actual)				Full Year
		1Q	2Q	3Q	4Q	
Overall (YOY) <Composition ratio>	3,585 (+23.0%) -	1,055 (+19.3%) <+23.3%>	1,018 (+32.3%) <+22.4%>	1,220 (+26.2%) <+26.9%>	1,242 (+28.9%) <+27.4%>	4,536 (+26.5%)
On-site training (YOY)	2,372 (+14.6%)	732 (+13.9%)	543 (+18.8%)	758 (+19.6%)	792 (+28.8%)	2,827 (+19.2%)
Open Seminars (YOY)	897 (+38.0%)	252 (+45.9%)	244 (+32.3%)	343 (+26.2%)	325 (+24.3%)	1,166 (+30.0%)
Other businesses (YOY)	315 (+61.9%)	70 (+3.5%)	229 (+81.0%)	117 (+94.6%)	123 (+108.3%)	542 (+71.9%)

		FY2016 (Actual)	FY2017(Actual)				
			1Q	2Q	3Q	4Q	Full Year
On-Site Training	Total number of trainings conducted (YOY)	11,620 (+11.4%)	3,546 (+14.3%)	2,537 (+16.1%)	3,744 (+21.5%)	3,634 (+11.7%)	13,461 (+15.8%)
	Total number of contents by category (YOY)	2,333 (+13.8%)	2,390 —	2,437 —	2,516 —	2,582 —	2,582 (+10.7%)
		FY2016 (Actual)	FY2017(Actual)				
			1Q	2Q	3Q	4Q	Full Year
Open Seminar	Total number of attendees (YOY)	42,828 (+36.2%)	12,592 (+47.1%)	11,958 (+17.1%)	15,014 (+36.7%)	16,384 (+23.3%)	55,948 (+30.6%)
	Total number of organizations subscribing to WEBinsource (YOY)	5,804 (+75.2%)	6,328 (+9.0%)	6,970 (+20.0%)	7,831 (+34.9%)	8,564 (+47.5%)	8,564 (+47.5%)
	Total number of contents by category (YOY)	1,828 (+71.5%)	2,014 —	2,124 —	2,205 —	2,292 —	2,292 (+25.4%)

		FY2016 (Actual)	FY2017(Actual)				
			1Q	2Q	3Q	4Q	Full Year
Other businesses	Total number of organizations implementing Stress Check Support Service	92	66	18	36	49	169
	Total number of organizations subscribing to Leaf	43	45	53	73	92	92
		FY2016 (Actual)	FY2017(Actual)				
			1Q	2Q	3Q	4Q	
Total number of business sites		16	18	18	18	20	
Total number of permanent class rooms		8(30)	8(33)	8(32)	7(32)	7(32)	
Total number of venues open seminars were held		26	-	-	-	34	
Total number of employees (consolidated)		323	328	371	388	379	
Webpages		10,220	10,534	10,847	11,070	11,341	
Webpages ranked No. 1 in Google search		205	220	202	204	270	