

Insource Co., Ltd.

1Q FY2018 Consolidated Financial Results

(Three months ended December 31, 2018)



株式会社インソース

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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 1Q FY2018 Consolidated Results

Chap. 02 FY2018 Progress Report

<Appendix> About Insource

Chap. 01 1Q FY2018 Consolidated Results

■ Net sales:

Increased by 22.6% (+238 million yen) YOY to 1,294 million yen.

The breakdown consists of 853 million yen (+16.6%) for On-Site Training, 313 million yen (+24.3%) for Open Seminars and 126 million yen (+78.8%) for Other Businesses.

■ Gross profit:

Increased by 22.7% (+165 million yen) YOY to 895 million yen.

Gross profit margin (69.2%) was at the same level YOY.

■ Operating profit:

Increased by 28.9% (+70 million yen) YOY to 314 million yen.

2 Consolidated Profit Loss Statement ① (Overview)

■ Net Sales increased by 22.6% to 1,294 million yen

Unit: million yen

■ Gross profit margin (69.2%) was at the same level YOY

| | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
|---------------------------|----------------------|------------------------|------------------------|----------------|---|
| Net sales (YOY) | 884 (+210) | 1,055 (+171) | 1,294 (+238) | + 22.6% | 5,600 (Progression rate: 23.1%) |
| Gross profit (YOY) | 580 (+127) | 730 (+149) | 895 (+165) | + 22.7% | 3,900 (Progression rate: 23.0%) |
| (Gross profit margin) | (65.6%) | (69.2%) | (69.2%) | (±0p) | (69.6%) |
| Operating profit (YOY) | 147 (+14) | 244 (+96) | 314 (+70) | + 28.9% | 1,160 (Progression rate: 27.1%) |
| (Operating profit margin) | (16.7%) | (23.1%) | (24.3%) | (+1.2p) | (20.7%) |
| Ordinary profit (YOY) | 150 (+16) | 245 (+94) | 314 (+69) | + 28.3% | 1,150 (Progression rate: 27.4%) |
| Net profit (YOY) | 99 (+13) | 165 (+65) | 207 (+41) | + 25.3% | 750 (Progression rate: 27.7%) |

3 Net Sales & Gross Profit (by business)

Unit: million yen

| | | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
|------------------|------------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|---|
| Whole Business | Net sales (YOY) | 884 (+210) | 1,055 (+171) | 1,294 (+238) | +22.6% | 5,600 (Progression rate: 23.1%) |
| | Gross profit (Gross profit margin) | 580 (65.6%) | 730 (69.2%) | 895 (69.2%) | +22.7% (±0p) | 3,900 (Progression rate: 23.0%) (69.6%) |
| | Net sales (YOY) | 643 (+121) | 732 (+89) | 853 (+121) | +16.6% | 3,300 (Progression rate: 25.9%) |
| On-Site Training | Gross profit (Gross profit margin) | 461 (71.8%) | 528 (72.1%) | 609 (71.3%) | +15.3% (-0.8p) | 2,340 (Progression rate: 26.0%) (70.9%) |
| | Net sales (YOY) | 173 (+57) | 252 (+79) | 313 (+61) | +24.3% | 1,460 (Progression rate: 21.5%) |
| Open Seminars | Gross profit (Gross profit margin) | 94 (54.4%) | 164 (65.2%) | 195 (62.4%) | +18.9% (-2.8p) | 990 (Progression rate: 19.8%) (67.8%) |
| | Net sales (YOY) | 68 (+31) | 70 (+2) | 126 (+55) | +78.8% | 840 (Progression rate: 15.1%) |
| Other Businesses | Gross profit (Gross profit margin) | 24 (35.3%) | 37 (52.7%) | 90 (71.5%) | +142.9% (+18.8p) | 570 (Progression rate: 15.9%) (67.9%) |

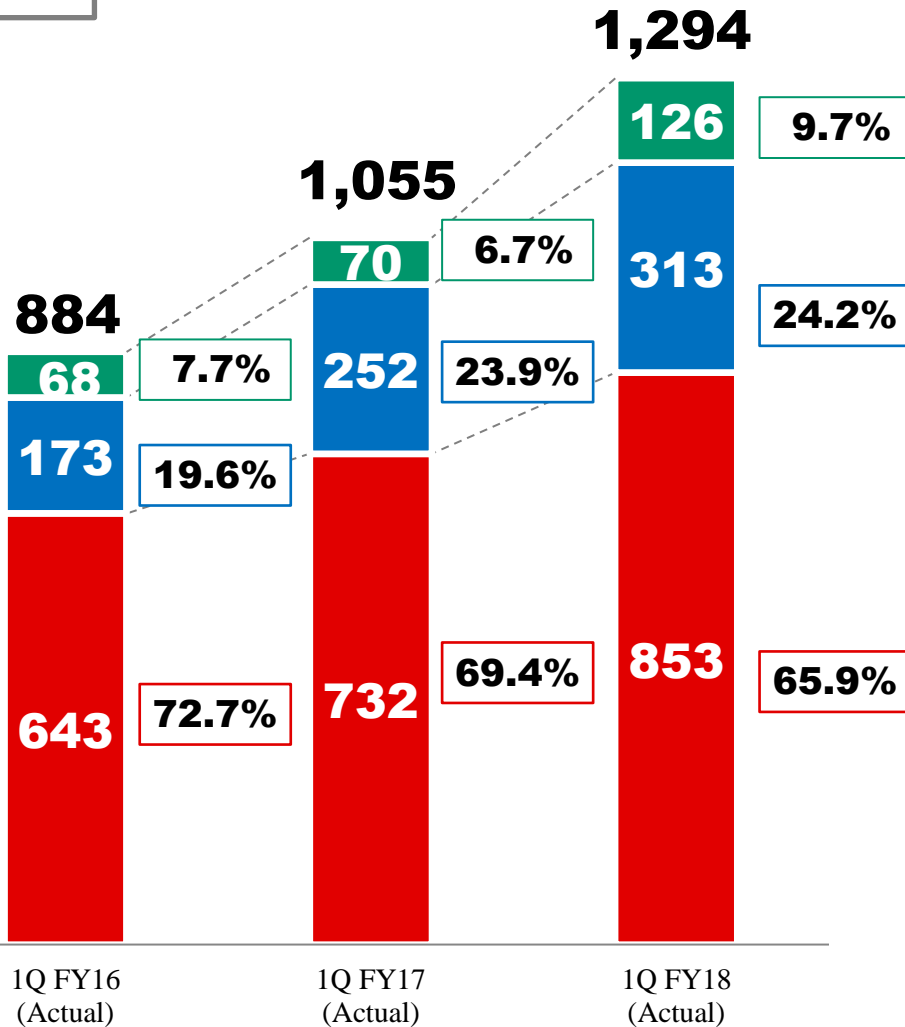
* Our gross profit margins by business were not audited by Ernst & Young ShinNihon LLC.

Transition
of net sales

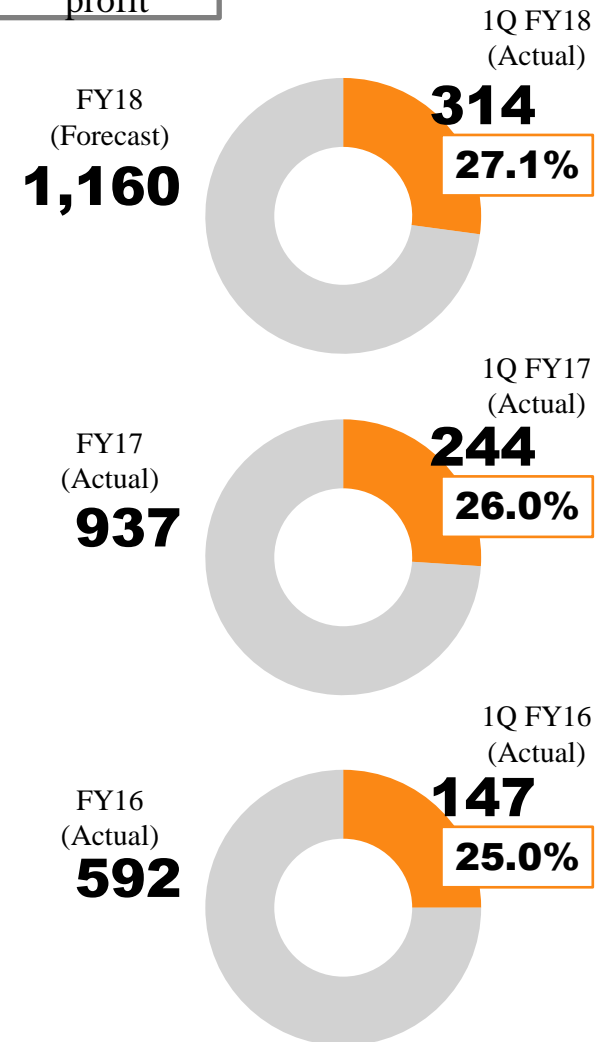
■ On-Site Training ■ Open Seminars
■ Other Businesses

Unit: million yen

% represents composition ratio

Transition
of operating
profit

Unit: million yen
% represents progression rate



5 Consolidated Profit and Loss Statement ②

- Transition of gross profit
- Breakdown of SG&A expenses

Unit: million yen

Transition of gross profit

| | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | | FY18 (Forecast) |
|---------------------|---------------------|---------------------|---------------------|------|--------|--------------------|
| Net Sales | 884 | 1,055 | 1,294 | +238 | +22.6% | 5,600 |
| Gross profit | 580 | 730 | 895 | +165 | +22.7% | 3,900 |
| Gross profit margin | 65.6% | 69.2% | 69.2% | ±0p | - | 69.6% |

Breakdown of SG&A

| | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | | FY18 (Forecast) |
|--------------------------|---------------------|---------------------|---------------------|-----|--------|--------------------|
| Total personnel expenses | 339 | 383 | 442 | +58 | +15.3% | 2,100 |
| Rent expenses | 25 | 28 | 31 | +2 | +9.0% | — |
| Office & system expenses | 25 | 28 | 44 | +16 | +57.2% | — |
| Other expenses | 40 | 45 | 62 | +17 | +38.7% | — |
| Total SG&A expenses | 432 | 486 | 580 | +94 | +19.5% | 2,740 |
| (SG&A expense ratio) | (48.9%) | (46.1%) | (44.9%) | - | - | (48.9%) |

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

6 Consolidated Balance Sheet

■ Current assets: Cash and deposits decreased due to payments of income taxes and dividend.

■ Net assets: Increased due to increased profits and decreased treasury stock by the exercise of stock acquisition rights

Unit: million yen

| | FY16 (Actual) | FY17 (Actual) | FY18 (Actual) | FY17 vs. 1Q FY18 YOY | |
|----------------------------------|------------------|------------------|------------------|-------------------------|---------------|
| Current assets | 1,941 | 3,420 | 3,318 | -101 | -3.0% |
| Fixed assets | 402 | 539 | 623 | +84 | +15.6% |
| Total assets | 2,343 | 3,959 | 3,942 | -16 | -0.4% |
| Current liabilities | 808 | 979 | 937 | -42 | -4.4% |
| Fixed liabilities | 98 | 89 | 93 | +3 | +4.2% |
| Net assets | 1,436 | 2,889 | 2,911 | +22 | +0.8% |
| Total liabilities and net assets | 2,343 | 3,959 | 3,942 | -16 | -0.4% |

7 On-Site Training

- Skill enhancement trainings (coaching, mentoring and facilitation) are highly demanded.
- Gross profit margin dropped due to increase of outsourcing on-site training programs.

Unit: million yen

| | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
|--|---------------------|---------------------|---------------------|----------------|--|
| Net sales | 643 | 732 | 853 | +16.6% | 3,300 (Progression rate: 25.9%) |
| Gross profit* | 461 | 528 | 609 | +15.3% | 2,340 (Progression rate: 26.0%) |
| (Gross profit margin) | (71.8%) | (72.1%) | (71.3%) | (-0.8p) | (70.9%) |
| Total number of trainings conducted (times) | 3,102 | 3,546 | 4,075 | +529 | 16,100 (Progression rate: 25.3%) |
| | FY16 (Actual) | FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
| Average unit price (Thousand yen) | 204.1 | 210.0 | 209.6 | -0.4 | 205.0 |
| Total number of contents by category (types) | 2,333 | 2,582 | 2,642 | +60 | 2,800 (Progression rate: 27.5%) |

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

8 Open Seminars

- Mental health workshops and IT workshops (AI, RPA, and OA) are highly demanded.
 - The average unit price fell due to the increase in the number of “HRD SmartPack” users.
- As a result, gross profit margin dropped.

Unit: million yen

| | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
|--|---------------------|---------------------|---------------------|----------------|--|
| Net sales | 173 | 252 | 313 | +24.3% | 1,460 (Progression rate: 21.5%) |
| Gross profit* | 94 | 164 | 195 | +18.9% | 990 (Progression rate: 19.8%) |
| (Gross profit margin) | (54.4%) | (65.2%) | (62.4%) | (-2.8p) | (67.8%) |
| Total number of attendees (attendees) | 8,627 | 12,592 | 16,215 | +3,623 | 71,200 (Progression rate: 22.8%) |
| | FY16 (Actual) | FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
| Average unit price (Thousand yen) | 20.9 | 20.8 | 19.4 | -1.4 | 20.5 |
| Total number of organizations subscribing to WEBinsource (organizations) | 5,804 | 8,564 | 9,265 | +701 | 11,000 (Progression rate: 28.8%) |

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

■ Key Factors of Sales Growth

Services

- Risk-reduction trainings are in high demand due to the social megatrends of compliance reinforcement.
Risk management/compliance/harassment prevention trainings (+56.0% YOY) account for 18.1% of 1Q sales growth.
- Demands for mid-level employee trainings are continuously growing.
Mid-Level Employee Trainings (+31.3% YOY) account for 10.4% of 1Q sales growth.
- On-Site Training: Upskilling trainings, including coaching, mentoring and facilitation, are highly demanded.
- Open Seminars: Mental health workshops and IT workshops, including AI, RPA, and OA are highly demanded.

Clients

- Demands from the following industries are growing:
 - Telecom/IT service industry (+32.1% YOY),
 - Call centers/BPO/staffing agencies (+39.8% YOY)
- Demand from the service/hospitality (B-to-C) industry decreased (-19.5% YOY)

Area

- On-Site Training: Demands are steadily growing throughout the country (+10 to 20% YOY).
- Open Seminars: Demands are steadily growing in Tokyo area (+21.5% YOY). In addition, demands are dramatically growing in Osaka area (+39.7%) and Fukuoka area (+43.5%)

* From October 2018 to December 2018 * The figures above show preliminary figures on our On-Site Training and Open Seminars.

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

10 Other Businesses ① Net Sales & Gross Profit

■ Net sales substantially increased by 78.8% YOY to 126 million yen

■ Gross profit significantly increased by 142.9% YOY to 90 million yen with growing demand in our highly profitable product, “Leaf”.

Unit: million yen

| | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY | FY18 (Forecast) |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------------|---|
| Net sales | 68 | 70 | 126 | +78.8% | 840 (Progression rate: 15.1%) |
| <Breakdown> | | | | | |
| IT service | 14 | 20 | 58 | +180.2% | 400 |
| e-Learning / Video production | 23 | 33 | 44 | +33.7% | 290 |
| Consulting | 30 | 16 | 14 | -8.8% | 150 |
| Gross profit* (Gross profit margin) | 24 (35.3%) | 37 (52.7%) | 90 (71.5%) | +142.9% (+18.8p) | 570 (67.9%) (Progression rate: 15.9%) |

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

11 Other Businesses ② ___KPIs

■ By reallocating sales resources to “Leaf” itself, the number of Stress Check Support Service subscribers (organizations) decreased.

■ The number of “Leaf” paid subscribers significantly increased by 14 organizations YOY to 106.

| Acquisition number in 1Q | 1Q FY16 (Actual) | 1Q FY17 (Actual) | 1Q FY18 (Actual) | YOY |
|---|---------------------|---------------------|----------------------------|------------|
| Total number of organizations implementing Stress Check Support Service (organizations) | 17 | 66 | 41 | -25 |
| Total number of video production and consulting services (projects) | 20 | 24 | 37 | +13 |
| Cumulative number at the end of 1Q | FY16 (Actual) | FY17 (Actual) | End of 1Q FY18 (Actual) | YOY |
| Total number of organizations using on-the-web appraisal form service (organizations) | — | 26 | 31 | +5 |
| Total number of organizations subscribing to “Leaf” (organizations) | 51 | 92 | 106 | +14 |
| Total numbers of e-learning (STUDIO & STUDIO Powered by Leaf) (*) subscription IDs per year (IDs) | 12,550 | 34,566 | 18,256 | — |

*The annual total number of e-learning subscription IDs was based on the active subscription IDs from FY2018 on.
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1 Other Businesses ③ __Launching full-fledged assessment services

Insource's proprietary assessment tool to measure and evaluate skills, knowledge and aptitude.

To measure skills & knowledge : Skill Survey



STEP① Measure the proficiency of individual's skills online

STEP② Identify individual-/organizational-level issues

Through statistical analysis

Apply the analysis to mid-career recruitment, employee training and organizational problem solving.

STEP③

- Identify organizational issues and strengths with data analysis
- Develop evidence-based training curriculum to best suit each organization's needs
- Improve all-employee's skills

- Identify why some people achieve positive results at work
- Recruit people suitable to meet the skill requirements
- Visualize individual's issues

To measure personality traits : “Rashiku”'s service, “giraffe”

STEP① Measure personality traits and behavioral characteristics online



STEP② Identify individual-/organizational-level characteristics

Through statistical analysis

Apply the analysis to graduate/mid-career recruitment and organizational diagnosis

STEP③

- Improve management ability and develop training curriculum based on individual characteristics

- Identify why some people achieve positive results at work
- Create personnel portfolios

1 Other Businesses ④ __Skill Survey

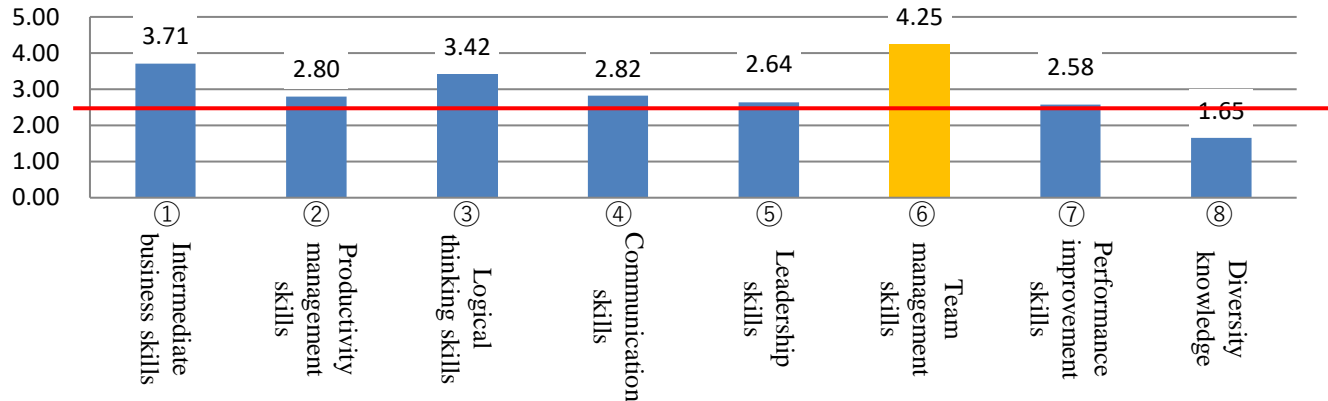
Insourc's Skill Survey provides detailed analysis reports

Skill Survey provides averages, standard deviations and correlations between categories.



▶ Skill Survey enables clients to design more effective training curriculum.

Standard deviations



Correlations

| | Intermediate business skills | Productivity management skills | Logical thinking skills | Communication skills | Leadership skills | Team Management skills | Performance improvement skills | Social Common sense |
|--------------------------------|------------------------------|--------------------------------|-------------------------|----------------------|-------------------|------------------------|--------------------------------|---------------------|
| Intermediate business skills | 1.000 | | | | | | | |
| Productivity management skills | 0.193 | 1.000 | | | | | | |
| Logical thinking skills | 0.125 | 0.151 | 1.000 | | | | | |
| Communication skills | 0.158 | 0.154 | 0.149 | 1.000 | | | | |
| Leadership skills | 0.151 | 0.141 | 0.127 | 0.179 | 1.000 | | | |
| Team management skills | 0.192 | 0.204 | 0.215 | 0.206 | 0.299 | 1.000 | | |
| Performance improvement skills | 0.139 | 0.126 | 0.103 | 0.112 | 0.109 | 0.165 | 1.000 | |
| Diversity knowledge | 0.132 | 0.161 | 0.115 | 0.157 | 0.131 | 0.259 | 0.135 | 1.000 |

▶ The table above shows that the team management skill differ substantially from the other skills. Also, it could be said that the team management skill is highly correlated with the productivity management, logical thinking, communication, and leadership skill.

4 < FY17 > Assessment services launched

STEP ①

Develop and provide up-to-date assessment services to deal with today's business issues

Assessment services launched

■ Skill Survey

Visualize skills and knowledge through statistical analysis and identify organizational issues and strengths with data.

■ Personality traits test service, "giraffe"

Visualize the personalities and behavioral characteristics of each employee through identifying them with data.

STEP ②

< 1H FY18 > Promote Assessment Services as effective recruitment/training tools

Skill Survey coupled with "giraffe" can streamline and improve recruitment and training processes

- The combination of Skill Survey and "giraffe" enables clients to decide whether to hire new employees through evaluating individual's skills and knowledge objectively.
- The combination enables clients to develop evidence-based training curriculum to suit each organization.

Joint promotion

■ Recruitment promotion service, "cheetah"

Assists organizations to ensure smooth, fast, and efficient hiring processes by identifying the adequate personnel for each organizational position.

STEP ③

< 2H FY18 and beyond >

Visualize various personnel data from recruitment through promotion


To make human resource strategies, Insource will develop a system which allows various personnel data such as recruitment, job evaluation, promotion to be collected and analyzed.

Comprehensive statistical analyses

■ Skill Survey

■ Personality traits test service, "giraffe"

■ Web conversion service for appraisal forms

 Provide tools to maximize organizational performance

Chap. 02 FY2018 Progress Report

1 Mid-Term Management Plan___Numerical Targets

■ Insource will aim at a CAGR of 20% or more between FY2018 and FY2020

■ In FY2020, Insource will aim at an increase of net sales to 8,750 million yen and operating profit to 1,750 million yen.

| | FY17 (Actual) | FY18 (Forecast) | FY19 <Target> | FY20 <Target> | Unit: million yen CAGR FY2018 - FY2020 |
|------------------------------|------------------------|--------------------------|--------------------------|--------------------------|--|
| Net sales (YOY) | 4,536 (+951) | 5,600 (+1,064) | 7,070 (+1,470) | 8,750 (+1,680) | +24.5% |
| Gross profit (YOY) | 3,096 (+693) | 3,900 (+804) | 4,950 (+1,050) | 6,150 (+1,200) | +25.7% |
| Operating profit (YOY) | 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) | 635 (+223) | 750 (+115) | 945 (+195) | 1,180 (+235) | +22.9% |

■ We will expand market presence and keep 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 32

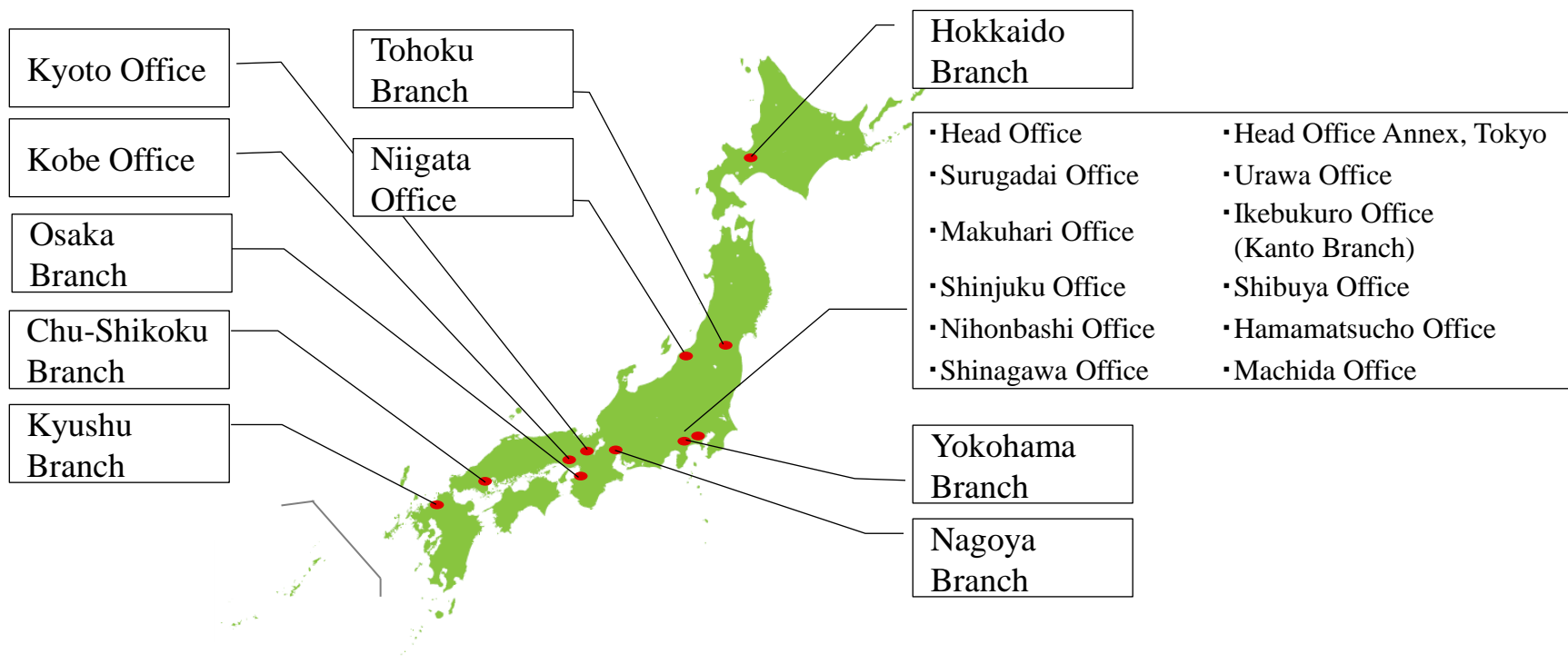
3 FY2018 Topics: KPIs

| | FY17 (Actual) | End of 1Q FY18 (Actual) (Changes) | Progression rate of 1Q FY18 to FY18(Forecast) | End of FY18 (Forecast) (Changes) |
|--|------------------|---|---|--|
| <u>Total number of business sites</u> | 20 | 20 (±0) | 0% | 24 (+4) |
| <u>Total number of employees</u> | 379 | 390 (+11) | 11.5% | 475 (+96) |
| <u>Total number of Full-time employees</u> | 249 | 256 (+7) | 13.7% | 300 (+51) |
| <u>Total number of Part-time employees</u> | 130 | 134 (+4) | 8.9% | 175 (+45) |
| <u>Total number of organizations subscribing to WEBinsource</u> | 8,564 | 9,265 (+701) | 28.8% | 11,000 (+2,436) |
| <u>Total number of content types for on-site training programs</u> | 2,582 | 2,642 (+60) | 27.5% | 2,800 (+218) |
| <u>Total number of content types for open seminars</u> | 2,292 | 2,387 (+95) | — | — |
| <u>Total number of permanent classrooms</u> | 32 | 37 (+5) | 83.3% | 38 (+6) |
| <u>Total number of webpages</u> | 11,341 | 12,535 (+1,194) | — | — |
| <u>Total number of webpages ranked No.1 in Google search</u> | 270 | 271 (+1) | — | — |

<Appendix> About Insource

1 Company Profile

- Company name Insource Co., Ltd.
- Date of foundation November, 2002
- 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., Double Work Management Co., Ltd
- Branch Offices & Business Sites 22 places nationwide (as of December 31, 2018)
- Representative director and president Takayuki Funahashi
- Capital 800,623 million yen



2 Business Activities

* Figures in parentheses indicate percentage of FY2017 sales.

On-Site Training (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 (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 in FY2017:

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 (11.9%)

■ IT Services

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



Powered by LEAF



insourceのセキュリティサービス

■ e-Learning / Video production



■ Consulting

- Establishment (operation) of personnel appraisal
- 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.

3 Benefits of Insource's Services

- Mainly through trainings, we are offering various services for every worker to find fulfillment in their careers. In addition, we will aim to offer one-stop services essential for personnel and administration management.

Training Business (On-Site Training & Open Seminars)

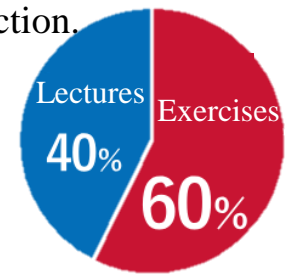


- Hands-on approach: Attendees can make the most use of what they have learned immediately and change their behaviors in a favorable way.

We can offer clients the best suitable trainings tailored to each industry, business and job function.

- ▶ Insource is actively offering informative and practical training programs that meet clients' needs, challenges and business objectives.

- Insource's training programs consist of exercises (60%) coupled with lectures (40%).



Other Businesses (IT Services, Assessment, e-Learning, etc.)



We can offer a wide range of training-related content services with knowledge about human resource development.

IT Services Integrates every service line on our in-house platform, 'Leaf', including training scheduling, stress checking and personnel appraisal.

Assessment Visualize worker's performance which can apply to human resource strategies, including (but not limited to) training, recruitment, assignment, promotion.

e-Learning Offers edutainment contents created by education professionals

4 Insource's 4 Pillars to achieve high profitability

“Strong client base” + “Mixed approach”

A wide range of industries
Strong client base

Insource has a broad range of clients, including private sectors across various industries, public sectors, hospitals, welfare services and universities.



Mixed Approach

Robust in-house developed
Contents

With our specialized division of content creations, Insource can offer a wide range of training programs while maintaining training quality.

Linkage of sales force and
digital marketing
Strong sales power

- Streamlining sales activities through web marketing and in-house CRM (customer relationship management) platform.
- Opening more offices across the country to offer the best suitable options tailored to each client's needs.

In-house IT systems and AI-
driven tools

**Information
Technologies**

Insource has abundant IT/AI engineers who can develop various services and improve business processes which allows flexible decisions at high speed.

5 Strong Client Base

A wide range of industries
Strong client base

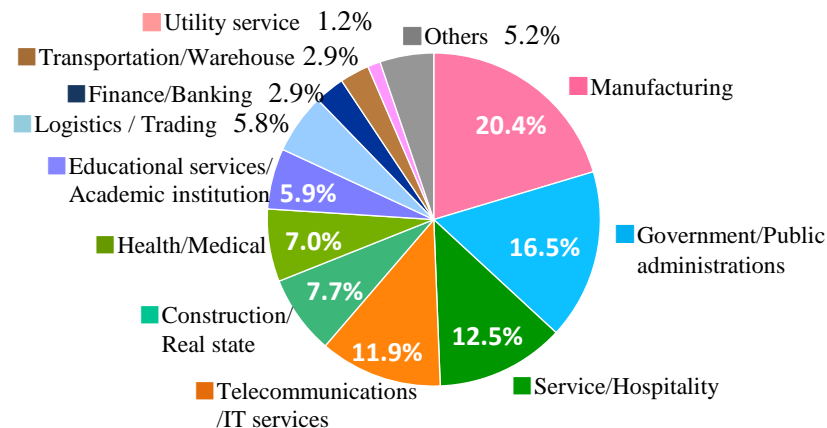
Insource has a broad range of clients, including private sectors across various industries, public sectors, hospitals, welfare services and universities.

■ Number of clients:

25,210 organizations

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

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



■ 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

9,265 organizations

*As of December 31, 2018

(YOY: +**701**)

WEBinsource (Insource's web service)

▶ With WEBinsource, clients can sign up online for Open Seminars at discounted prices. Clients can also apply online for our affiliated companies' training programs, books, etc. More and more clients are implementing WEBinsource as an employee training infrastructure. This is leading to increase in the number of Open Seminar attendees.

Robust in-house developed
Contents

With our specialized division of content creations, Insource can offer a wide range of training programs while maintaining training quality

Positive feedback rates from training attendees

■ Positive feedback rate (trainings): **95.4%** ■ Positive feedback rate (trainers): **94.3%**

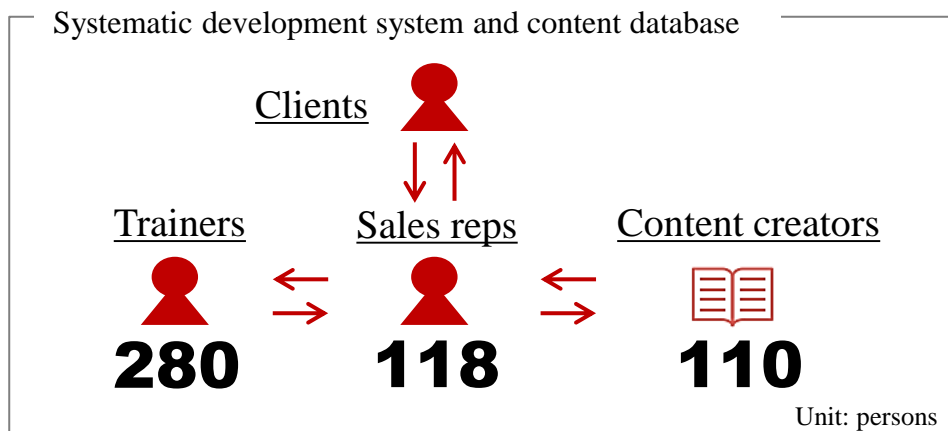
* From October 2017 to September 2018

* The rates above are calculated based on our questionnaire results.

In-house content creation

Our specialized division develops and creates training contents so that Insource trainers can focus on providing high quality trainings with attendees.

By separating content creation from other tasks and creating content database, Insource is achieving high profits while maintaining training quality.



<Number of training types>

■ On-Site Training **2,642**
(+60 YOY)

■ Open Seminars **2,387**
(+95 YOY)

*As of December 31, 2018

- Insource developed more than 200 new contents in FY2017. We will also develop over 200 new contents in FY2018.
- Insource can achieve smooth cross-functional collaborations internally and externally by saving developed contents on the internal database.

7 Approach ② Strong Sales Power

Linkage of sales force and digital marketing

Strong sales power

- Opening more offices across the country to offer the best suitable options tailored to each client's needs.
- Streamlining sales activities through web marketing and in-house CRM (customer relationship management) platform.

■ Total number of Digital marketers: **8**

■ Webpages: **12,535** pages

■ Webpages ranked No. 1 on Google search: **271** pages

■ Total number of Sales representatives: **118**

■ Business sites: **20**

■ Open Seminar classrooms: **7** locations **37** classrooms

*As of December 31, 2018

■ In-house developed CRM system, "Plants 12" manage clients' information and transaction logs.

▶ Streamline sales activities by making the most use of relationships with clients and transaction logs.

■ Combining various approaches to effectively reach wider clients

Sales calls by sales representatives

Outbound activities:
Sending e-mail newsletters on a regular basis

Inbound activities:
Enriching the quality and quantity of web contents

By combining various approaches, clients can imagine Insource right away when in their needs.

8 Approach ③ __In-House Development of IT/AI Platforms

In-house IT systems and AI-driven tools
Information Technologies

Insource has abundant IT/AI engineers who can develop various services and improve business processes which allows flexible decisions at high speed.

■ Total number of IT engineers:

48

■ Total number of AI engineers:

5

■ Total number of network security professionals:

2

*As of December 31, 2018

■ Our in-house SEs developed an online human resource support system, “Leaf”.

▶ “Leaf” improves not only Insource but also client’s productivity

■ In line with social trends, Insource is actively developing a broad range of IT-related services, including AI and RPA (robotic process automation).



STUDIO

Plants



■ Insource’s diverse workforce creates various services.

| | Total | Female employees |
|--|------------|------------------------------|
| Total number of employees <small>*2</small> | 390 | 222 (56.9%) |
| Total number of managerial positions | 102 | 22 (21.6%) |

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

*As of December 31, 2018 (consolidated)

| | | | | | | | |
|---|----------|---------------------------|-----------|-------|----------|-------------|-----------|
| Foreign nationals (including naturalized citizens) | 3 | Seniors (aged over 60) | 15 | LGBTs | 3 | Handicapped | 10 |
|---|----------|---------------------------|-----------|-------|----------|-------------|-----------|

Now actively recruiting more seniors

Handicapped employment rate:
3.7% *3
• Legal employment rate: **2.0%**
• Actual employment rate: **1.97%**
(Source: Ministry of Health, Labour and Welfare “2017 Handicapped Persons' Employment Status”)

Workforce by job function: Insource consists of highly qualified, diverse specialists.

| | | | | | |
|------------------|------------|-----------------------|------------|--------------|-----------|
| Content Creators | 110 | Sales Representatives | 118 | IT Engineers | 48 |
| Designers | 16 | AI Engineers | 5 | | |

*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)

We are steadily achieving 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.

