

Insource Co., Ltd.

3Q FY2018 Consolidated Financial Results

(Three months ended June 30, 2019)

(Code Number: 6200)

July 26, 2019



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Chap. 01 1Q – 3Q FY2018 (2018.10-2019.6) Consolidated Results

Chap. 02 3Q FY2018 (2019.4-2019.6) Details by Business

Chap. 03 Mid-Term Management Plan Progress Report

<Appendix> About Insource

Chap. 01 1Q – 3Q FY2018 (2018.10-2019.6) Consolidated

Results

1Q – 3Q (18.10-19.6)

■ Net Sales:

Increased by 21.0% (+692 million yen) YOY to 3,986 million yen.

The breakdown consists of 2,345 million yen (+15.3%) for On-Site Training, 1,072 million yen (+27.5%) for Open Seminars and 569 million yen (+36.1%) for Other Businesses.

■ Gross profit:

Increased by 23.4% (+529 million yen) YOY to 2,793 million yen.

Gross profit margin increased by 1.4 points YOY to 70.1% thanks to profitability improvement of Other Businesses.

■ Operating profit:

Increased by 35.5% (+247 million yen) to 944 million yen.

SG&A ratio decreased thanks to company-wide productivity improvement activities and system implementation. Operating profit margin increased by 2.5 points YOY 23.7%.

3Q (19.4-19.6)

■ Net sales increased by 17.3% (+210 million yen) YOY to 1,430 million yen.

Gross profit margin increased by 1.9 points YOY to 70.8% because profitable trainings for private companies greatly contributed to our sales. Operating profit increased by 39.6% (+106 million yen) YOY to 376 million yen.

FY2018 Consolidated Results Forecast: Change from April

■ Based on the recent performance, we have changed FY2018 results forecast (released on April 26, 2019):

- Net sales: 5,600 million yen to 5,530 million yen (change from April: -70 million yen) ;
- Operating profit: 1,260 million yen to 1,240 million yen (change from April : +100 million yen) .

*In this document, we use revised FY2018 full-year performance forecast data.

*In this document, Revision stands for changes in FY2018 consolidated performance forecast.

2 Consolidated Profit Loss Statement ① 1Q-3Q (18.10-

■ Gross profit margin increased by 1.4 points YOY to 70.1%

■ Operating profit margin increased by 2.5 points YOY to 23.7%

Unit: million yen

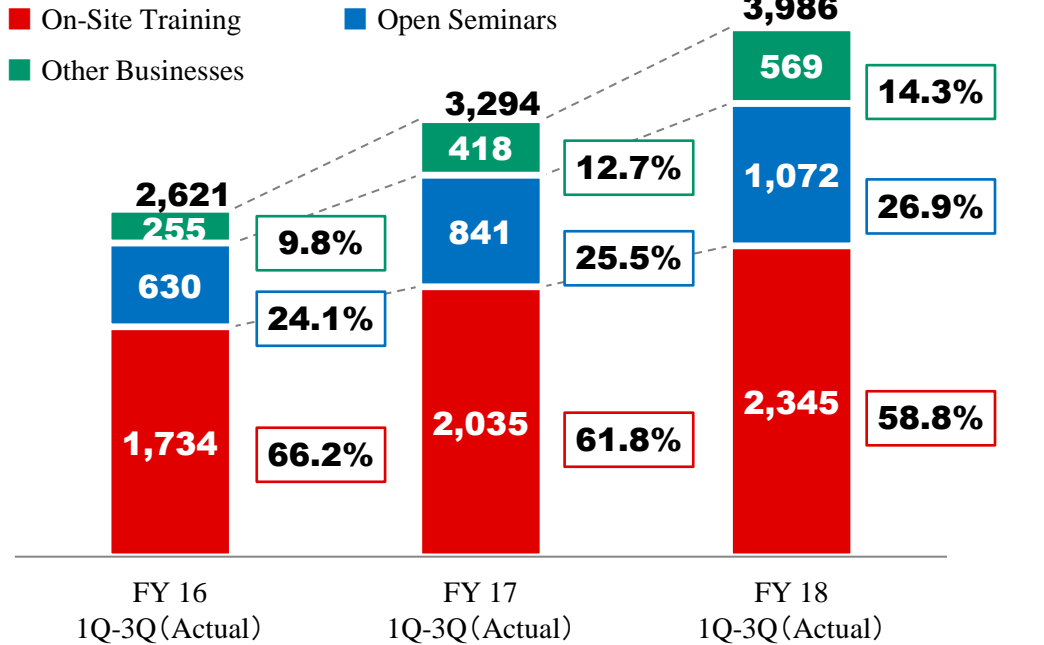
	FY 16 1Q-3Q (Actual)	FY 17 1Q-3Q (Actual)	FY 18 1Q-3Q (Actual)	YOY	FY 18 (July Forecast)
Net sales (YOY)	2,621 (+524)	3,294 (+672)	3,986 (+692)	+21.0%	Changed ▲70 5,530 (Progression rate: 72.1%)
Gross profit (YOY) (Gross profit margin)	1,750 (+328) (66.8%)	2,264 (+514) (68.7%)	2,793 (+529) (70.1%)	+23.4% (+1.4p)	Changed ▲40 3,860 (Progression rate: 72.4%) (69.8%)
Operating profit (YOY) (Operating profit margin)	418 (+59) (16.0%)	697 (+278) (21.2%)	944 (+247) (23.7%)	+35.5% (+2.5p)	Changed +100 1,260 (Progression rate: 75.0%) (22.8%)
Ordinary profit (YOY)	434 (+77)	689 (+254)	940 (+250)	+36.3%	Changed +105 1,255 (Progression rate: 74.9%)
Net profit (YOY)	284 (+60)	464 (+179)	621 (+156)	+33.6%	Changed +70 820 (Progression rate: 75.7%)

Unit: million yen

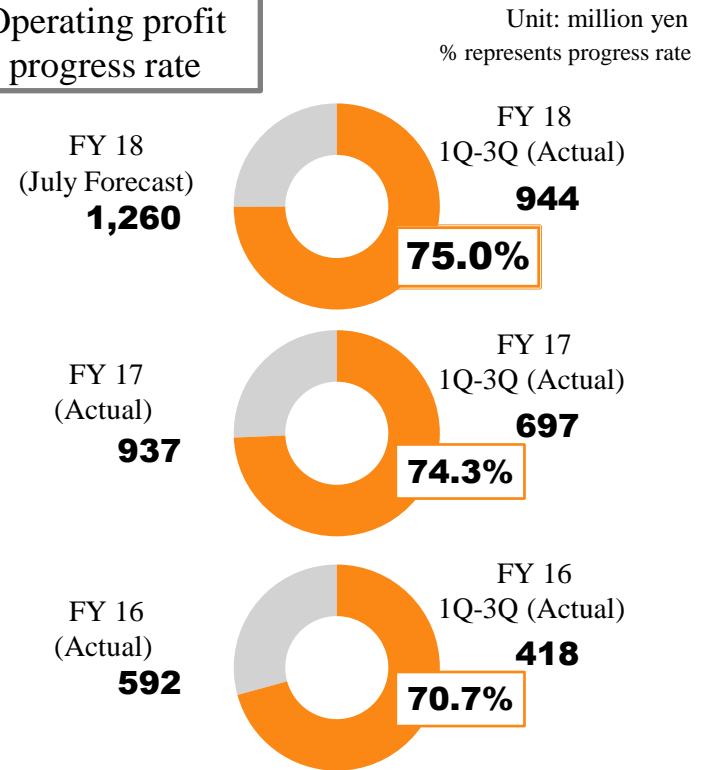
		FY 16 1Q-3Q (Actual)	FY 17 1Q-3Q (Actual)	FY 18 1Q-3Q (Actual)	YOY	FY 18 (July Forecast)
Whole Business	Net sales (YOY)	2,621 (+524)	3,294 (+672)	3,986 (+692)	+21.0%	Changed ▲70 5,530 (Progression rate: 72.1%)
	Gross profit (Gross profit margin)	1,750 (66.8%)	2,264 (68.7%)	2,793 (70.1%)	+23.4% (+1.4p)	Changed ▲40 3,860 (Progression rate: 72.4%) (69.8%)
On-Site Training	Net sales (YOY)	1,734 (+248)	2,035 (+300)	2,345 (+310)	+15.3%	Changed ▲60 3,240 (Progression rate: 72.4%)
	Gross profit (Gross profit margin)	1,251 (72.1%)	1,473 (72.4%)	1,683 (71.8%)	+14.3% (▲0.6p)	Changed ▲40 2,300 (Progression rate: 73.2%) (71.0%)
Open Seminars	Net sales (YOY)	630 (+168)	841 (+210)	1,072 (+230)	+27.5%	Changed +50 1,510 (Progression rate: 71.0%)
	Gross profit (Gross profit margin)	379 (60.2%)	551 (65.5%)	691 (64.5%)	+25.3% (▲1.0p)	990 (Progression rate: 69.8%) (65.6%)
Other Businesses	Net sales (YOY)	255 (+107)	418 (+162)	569 (+150)	+36.1%	Changed ▲60 780 (Progression rate: 73.0%)
	Gross profit (Gross profit margin)	118 (46.5%)	239 (57.3%)	418 (73.6%)	+74.7% (+16.3p)	570 (Progression rate: 73.5%) (73.1%)

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

Sales composition ratio by business

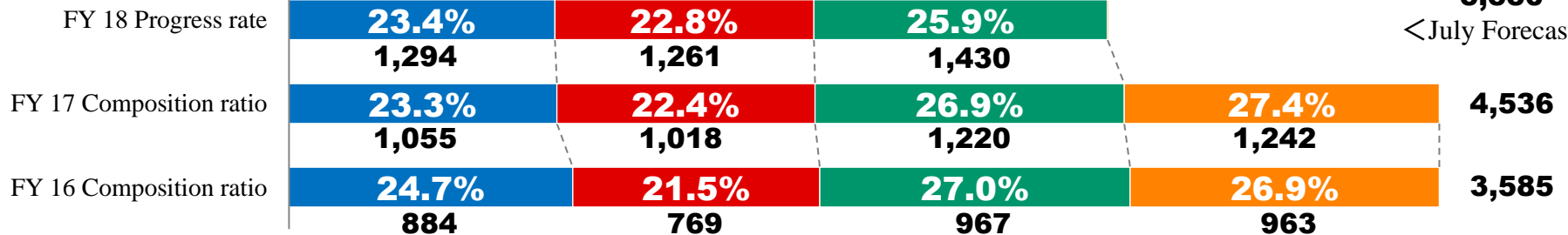


Operating profit progress rate



Composition ratio and progress rate of sales by quarter

■ 1Q ■ 2Q ■ 3Q ■ 4Q



5 Consolidated Profit and Loss Statement ②1Q-3Q (18.10-19.6)

• Transition of Gross Profit
• Breakdown of SG&A expenses

Unit: million yen

Transition of gross profit	FY 16	FY 17	FY 18	YOY		FY 18
	1Q-3Q (Actual)	1Q-3Q (Actual)	1Q-3Q (Actual)			(July Forecast)
Net sales	2,621	3,294	3,986	+692	+21.0%	5,530
Gross profit	1,750	2,264	2,793	+529	+23.4%	3,860
Gross profit margin	66.8%	68.7%	70.1%	+1.4p	-	69.8%
Breakdown of SG&A	FY 16	FY 17	FY 18	YOY		FY 18
	1Q-3Q (Actual)	1Q-3Q (Actual)	1Q-3Q (Actual)			(July Forecast)
Total personnel expenses	1,049	1,222	1,432	+210	+17.2%	1,992
(Total personnel expenses rate)	(40.0%)	(37.1%)	(35.9%)	-	-	-
Rent expenses	79	87	93	+6	+7.0%	—
Office & system expenses	69	83	117	+33	+39.8%	—
Other expenses	133	173	204	+31	+18.2%	—
Total SG&A expenses	1,331	1,567	1,849	+281	+18.0%	2,600
(SG&A expense ratio)	(50.8%)	(47.6%)	(46.4%)	-	-	(47.0%)

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

6 Consolidated Balance Sheet

- Fixed assets: Investment in securities increased due to the further investment in our affiliates
- Current liabilities: Increased due to advance receipt of HRD SmartPack (our unique package deal available at highly discounted rates) and allocation of reserve for bonuses.

Unit: million yen

	FY 16 (Actual)	FY 17 (Actual)	FY 18 3Q (Actual)	End of FY 17 vs. 3Q FY 18	
Current assets	1,941	3,420	3,583	+163	+4.8%
Fixed assets	402	539	688	+149	+27.8%
Total assets	2,343	3,959	4,272	+313	+7.9%
Current liabilities	808	979	1,317	+337	+34.4%
Fixed liabilities	98	89	88	▲1	▲1.2%
Net assets	1,436	2,889	2,866	▲23	▲0.8%
Total liabilities and net assets	2,343	3,959	4,272	+313	+7.9%

Chap. 02 3Q FY2018 (2019.4-2019.6) Details by Business

Unit: million yen

		FY 18							
		FY 17 (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)	YOY	1Q-3Q (Actual)	FY 18 (July Forecast)	
Whole Business	Net sales (YOY)	4,536	1,294 (+238)	1,261 (+243)	1,430 (+210)	+17.3%	3,986 (+692)	Changed ▲70 5,530 (Progression rate: 72.1%)	
	Gross profit	3,096	895	885	1,012	+20.4%	2,793	Changed ▲40 3,860 (Progression rate: 72.4%)	
	(Gross profit margin)	(68.3%)	(69.2%)	(70.2%)	(70.8%)		(70.1%)	(69.8%)	
On-Site Training	Net sales (YOY)	2,827	853 (+121)	628 (+84)	862 (+104)	+13.8%	2,345 (+310)	Changed ▲60 3,240 (Progression rate: 72.4%)	
	Gross profit	2,013	609	453	620	+14.9%	1,683	Changed ▲40 2,300 (Progression rate: 73.2%)	
	(Gross profit margin)	(71.2%)	(71.3%)	(72.2%)	(71.9%)		(71.8%)	(71.0%)	
Open Seminars	Net sales (YOY)	1,166	313 (+61)	313 (+69)	444 (+100)	+29.1%	1,072 (+230)	Changed +50 1,510 (Progression rate: 71.0%)	
	Gross profit	773	195	192	302	+30.4%	691	990 (Progression rate: 69.8%)	
	(Gross profit margin)	(66.3%)	(62.4%)	(61.3%)	(68.2%)		(64.5%)	(65.6%)	

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

Highlights

- 3Q of every year is the best sales period.
- Sales increased: On-Site Training: +13.8% YOY; Open Seminars: +29.1% YOY.
- Gross profit margin of both businesses rose YOY.

Services

- More and more major companies are signing up for Open Seminars.
- Trainings for new employees (+15.6%) and OJT trainings (+13.7%) are highly demanded.
- Trainings for risk management/compliance/harassment prevention (+77.2%) and IT workshops have been in high demand (+52.1%) since 2Q.
- Communication-related trainings to revitalize organizations are in considerably high demand, including team building trainings and assertive communication trainings (+76.0%).
- Demand for trainings for newly appointed managers slowed down (-17.7%)

Clients

- Demands from the following industries are growing:
 - Manufacturing (+29.5%)
 - Real estate / Construction (+23.5%)
- Demands from the pharmaceutical industry (+88.7%) have been increasing since 2Q.
- Demands from the financial/insurance industries decreased (-3.0%).

Areas

- In Kanto area, both On-Site Trainings (+12.8%) and Open Seminars (+29.9%) are in high demand, primarily due to the increased number of business sites.
- In Kinki area, both On-Site Trainings (+27.8%) and Open Seminars (+26.1%) have been in high demand since 2Q.

* 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.

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

3 On-Site Training KPI 3Q (19.4-19.6)

	FY 17 (Actual)	FY 18		3Q (Actual)	YOY	1Q-3Q (Actual)	FY 18 (July Target)
		1Q (Actual)	2Q (Actual)				
Total number of trainings conducted (times) (YOY)	13,461 (+1,841)	4,075 (+529)	2,778 (+241)	3,946 (+202)	+5.4%	10,799 (+972)	14,900 (Progression rate: 72.5%) Changed ▲1,200
Average unit price (Thousand yen) (YOY)	210.0 —	209.6 (+3.0)	226.3 (+11.9)	218.7 (+16.1)	+7.9%	217.2 (+10.2)	217.0 Changed +12.0

	FY 17 (Actual)	FY 18		End of 3Q (Actual)	End of FY 17 vs. 3Q FY 18	1Q-3Q (Actual)	FY 18 (July Target)
		End of 1Q (Actual)	End of 2Q (Actual)				
Total number of contents by category (types) (End of FY 17 vs. 3Q FY 18)	2,582 —	2,642 (+60)	2,701 (+119)	2,762 (+180)	+6.7%	— —	2,800 (82.6%*) (+218)

*The percentage shows the progression rate towards the increase from the actual number for the end of FY 2017 to the target for the full business year of FY 2018.

4 Open Seminars KPI 3Q (19.4-19.6)

	FY 17 (Actual)	FY 18			YOY	1Q-3Q (Actual)	FY 18 (July Target)
		1Q (Actual)	2Q (Actual)	3Q (Actual)			
Total number of attendees (attendees)	55,948	16,215	15,087	19,033	+26.8%	50,335	71,200 (Progression rate: 70.7%)
(YOY)	—	(+3,623)	(+3,129)	(+4,019)		(+10,771)	
Average unit price (Thousand yen)	20.8	19.4	20.8	23.3	+1.7%	21.3	21.3 <small>Changed +0.8</small>
(YOY)	—	(▲0.7)	(+0.3)	(+0.4)		(±0)	

	FY 17 (Actual)	FY 18			End of FY 17 vs. 3Q FY 18	1Q-3Q (Actual)	FY 18 (July Target)
		End of 1Q (Actual)	End of 2Q (Actual)	End of 3Q (Actual)			
Total number of organizations subscribing to WEBinsource (organizations)	8,564	9,265	9,942	10,625	+24.1%	—	11,000 (84.6%*)
(End of FY 17 vs. 3Q FY 18)	—	(+701)	(+1,378)	(+2,061)		—	(+2,436)

*The percentage shows the progression rate towards the increase from the actual number for the end of FY 2017 to the target for the full business year of FY 2018.

5 Other Businesses ___ Net Sales & Gross Profit 3Q (19.4-19.6) **in**source

Unit: million yen

	FY 17 (Actual)	FY 18			YOY	1Q-3Q (Actual)	FY 18 (July Forecast)
		1Q (Actual)	2Q (Actual)	3Q (Actual)			
Net Sales	542	126 (+55)	318 (+89)	123 (+6)	+5.1%	569	Changed ▲60 780 (Progression rate: 73.0%)
<Breakdown>							
IT service	239	58	191	61	+18.1%	311	Changed ▲20 380
e-Learning / Video production	152	44	82	38	+43.1%	165	290
Consulting*2	—	14	21	18	—	55	Changed ▲20 80
Gross profit*1	309	90	239	88	+29.7%	418	570 (Progression rate: 73.5%)
(Gross profit margin) *1	(57.0%)	(71.5%)	(75.1%)	(71.7%)	(+13.6p)	(73.6%)	(73.1%)

- 1 Our gross profit margins by business were not audited by Ernst & Young ShinNihon LLC.
- 2 Net sales of Consulting in FY2018 is not calculated.

Highlights

- Sales of Other Businesses slightly increased by 5.1% YOY because March and September are traditionally the peak seasons for direct-selling services. However, by adopting a profit-oriented strategy on a company-wide basis, gross profit significantly increased by 29.7% YOY.
- More and more organizations are subscribing to monthly-payment services, such as Leaf and e-learning courses.

IT Services

- Leaf (HR support system)
The number of Leaf subscribers (organizations) substantially increased by 72 YOY to 145 as of the end of June. 53 organizations subscribed to Leaf between 1Q and 3Q FY2018 while 41 organizations subscribed in FY2017 (full year).

e-Learning /Video production

- STUDIO (Cloud-based e-Learning system)
The number of active subscription IDs increased to 905 as of the end of June.

Consulting service

- Sales decreased because we are currently shifting to more profitable assessment services, such as personnel appraisal management service while reducing unprofitable services.

<FYI>

- Leaf earns revenue from monthly subscription fees (subscription system) and customization fees. Average monthly subscription fee: 85,000 yen / month* (Customization fee may be charged when Leaf is implemented.) *From October 2018 to June 2019

Monthly-subscription models	FY17 (Actual)	FY 18			YOY	1Q-3Q (Actual)	FY 18 (July Target)
		1Q (Actual)	2Q (Actual)	3Q (Actual)			
Total number of Leaf paid subscribers (organizations) (*1, *2)	92	106	132	145	+72	—	Changed +20 160 (90.6%*5)
Total number of organizations using on-the-web appraisal form service (*1)	26	31	37	40	+22	—	—
Total numbers of e-learning (STUDIO & STUDIO Powered by Leaf) subscription IDs per year	34,566	18,547	20,523	21,874	+905	34,113	—
Direct-selling models	FY 17 (Actual)	FY 18			YOY	1Q-3Q (Actual)	FY 18 (July Target)
		1Q (Actual)	2Q (Actual)	3Q (Actual)			
Total number of organizations implementing Stress Check Support Service (*3)	157	37	135	12	+12	184	200 (*5) (Progression rate: 92.0%)
Total number of video production solutions (*4)	86	28	41	18	+7	87	—
Total number of consulting services	66	20	26	24	+4	70	—

*1 Total number as of the end of the year *2 The annual total number of e-learning subscription IDs has been calculated based on the active subscription IDs from FY2018 on.

*3 The number of Stress Check Support implemented since 2Q FY 2018 is based on the number of orders delivered. *4 The number of video production and consulting services is based on video production only from 3Q FY 2018. *5 The percentage shows the progression rate towards the increase from the actual number for the end of FY 2017 to the target for the full business year of FY 2018.

Chap. 03 Mid-Term Management Plan Progress Report

1 Mid-Term Management Plan ____ Numerical Targets

- Insource will aim at a CAGR of 20% 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.

Unit: million yen

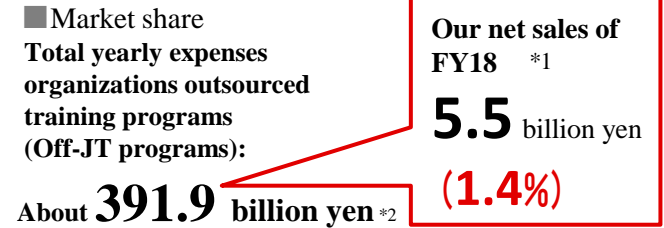
	FY 17 (Actual)	FY 18 (July Forecast)	FY 19 (Target)	FY 20 (Target)	CAGR FY 18-FY 20
Net sales (YOY)	4,536 (+951)	5,530 (+993)	7,070 (+1,470)	8,750 (+1,680)	+24.5%
Gross profit (YOY)	3,096 (+693)	3,860 (+763)	4,950 (+1,050)	6,150 (+1,200)	+25.7%
Operating profit (YOY)	937 (+345)	1,260 (+332)	1,410 (+250)	1,750 (+340)	+23.2%
(Gross profit margin)	(20.7%)	(22.8%)	(19.9%)	(20.0%)	
Net profit (YOY)	635 (+223)	820 (+184)	945 (+195)	1,180 (+235)	+22.9%

*1 The numbers shown above are numerical targets based on our Mid-Term Management Plan released on November 9, 2018.
The Mid-Term Management Plan will be reviewed every year with rolling method.

2 FY18: Present situation

▪ Insource has about a 1.4 percent market share in the training industry. Overall unemployment rate in May 2019 was 2.4% *3

▶ Domestic companies are facing a serious labor shortage. Demand for trainings is expected to continue to grow for the time being.



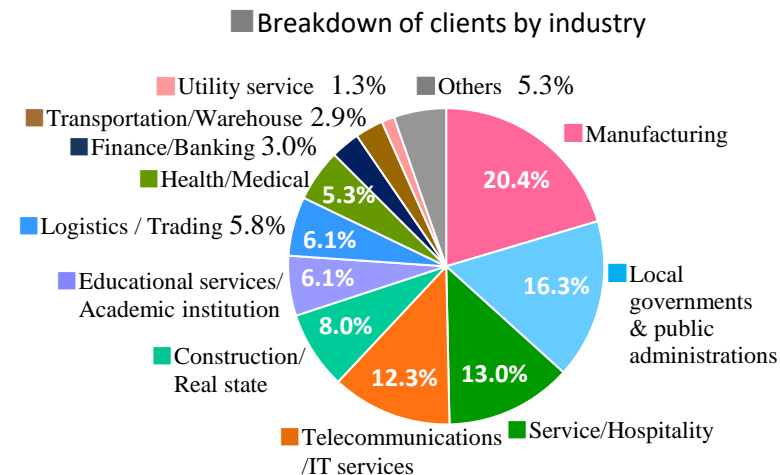
*1 Our net sales: FY2018 consolidated net sales (forecast)

*2 This figure is calculated based on Basic Survey of Human Resources Development issued in 2018 and Labor Force Survey issued in 2018 by Ministry of Health, Labour and Welfare.

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

• Insource has over 27,000 clients*1 and over 10,000 organizations subscribe to WEBinsource.*2

▶ We do not only provide training programs, but also offer staffing services to enhance client base. In addition, Insource provide optional products and various services.



*1 Breakdown of clients by industry who used our services from June 2003 to March 2019

*2 As of the end of June

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

Strategy ① Enhancing client base

< 3Q Results >

- 4 classrooms were added to Kawasaki Seminar Room (April 2019)
- 3 offices were newly opened*:
 - Tsuchiura Office (May, 2019), Okayama Office (July 2019)* and Akasaka Office (July 2019) *
- Kobe Office was relocated to Osaka City (July 2019)* *These office openings and relocation are included in 4Q performance.
- 10,625 organizations have subscribed to WEBinsource (End of FY 17 vs. 3Q FY 18; +2,061 organizations)*

*As of the end of June 2019

< Management plan from 4Q onwards >

- Enhance client base by building a strong, widespread business network nationwide
 - ▶ As for expanding client base, we will change our targets from cities with the population of 5 million to those of 3 million, so that we can pay closer attention to our nationwide clients.
- Have all employees of Insource Group learn IT knowledge and skills
 - ▶ We will develop IT professionals through in-house developed training programs, and will improve company-wide productivity by having all employees learn how to use RPA and how to develop systems.
- Recruit and hire more talented people
 - ▶ We will continue to recruit mid-career professionals and hire more part-timers from 4Q onward while curbing hiring of new employees.

Strategy ② Expanding content lineup

< 3Q Results >

Expanding RPA workshop lineup (launched in April 2019)

- We have developed hands-on workshops to effectively implement RPA company-wide. 9 types of workshops include the workshop to learn how to use major RPA tools (as of the end of June 2019).

“giraffe” (organizational analysis service released by Rashiku Corporation in April 2019)

- By identifying the characteristic data of each employee through “giraffe” assessment service, we have analyzed organizational characteristics.

Renewed business document proofreading service (launched in April 2019)

- This service enables you to effectively communicate your intentions without misunderstanding by following 3 steps: 1. Check your ability, 2. Identify your issues, 3. Upgrade your job skills.

Strategy ③ Strengthening change management

By putting into practice the essence of OODA Loop, Insource is taking new approaches while adapting to today’s ever-changing and challenging business environment.

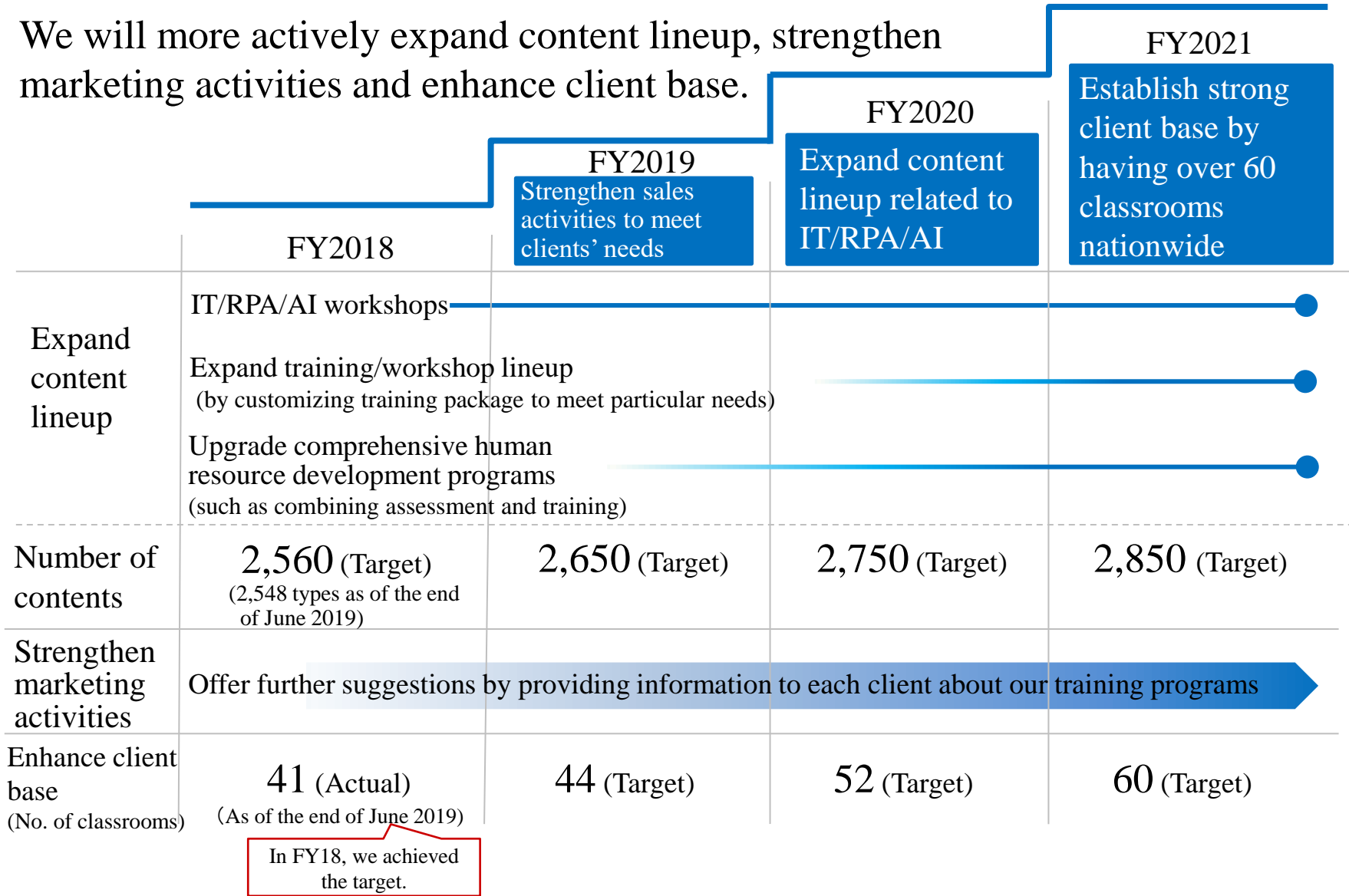
*For details of OODA Loop, see page 39

We have acquired an office building, tentatively named Insource Bunkyo Building.

To reduce rent expenses, we signed the contract on the acquisition of the office building (July 2019).

5 Open Seminar: Roadmap

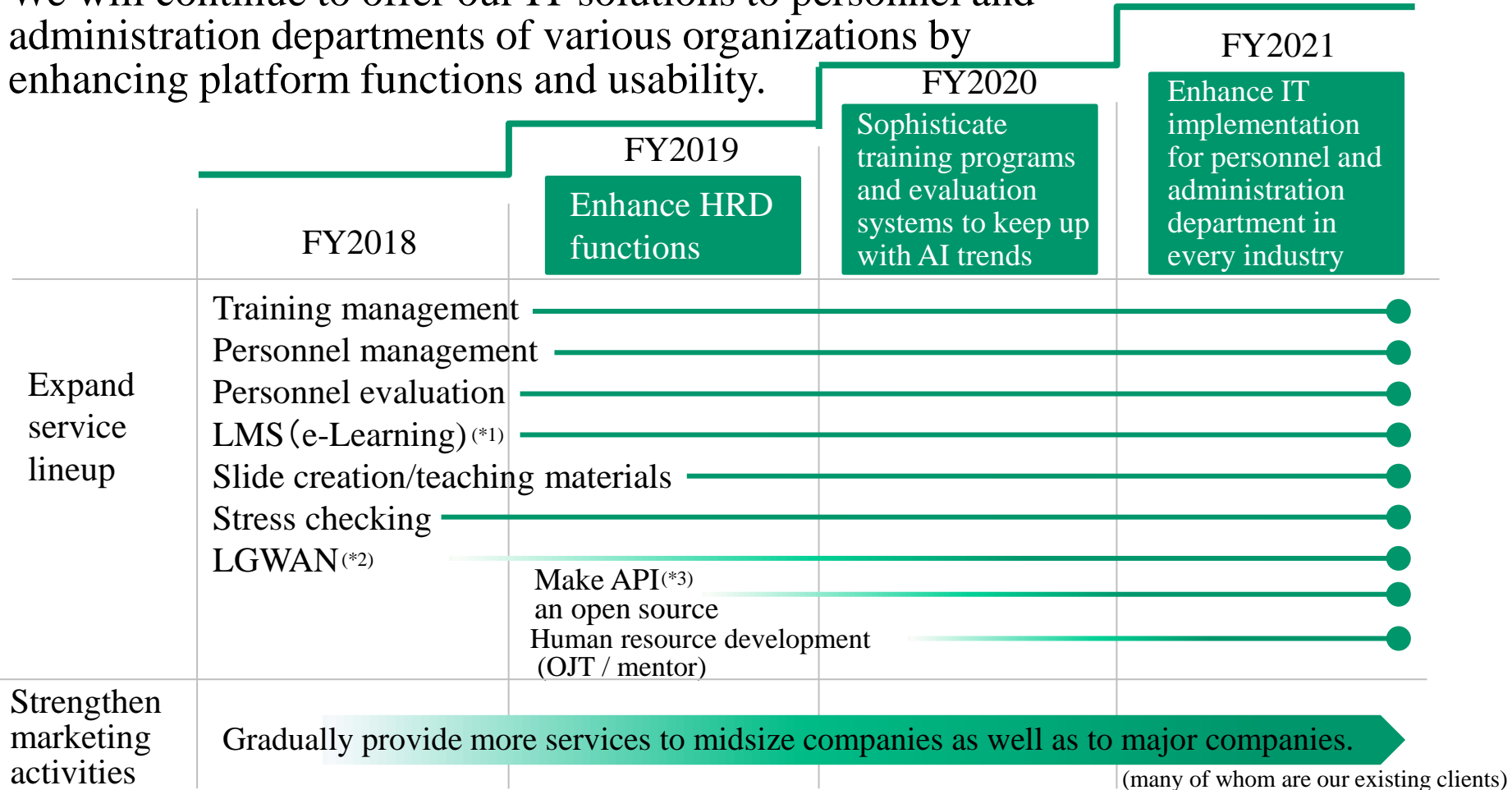
We will more actively expand content lineup, strengthen marketing activities and enhance client base.



In FY18, we achieved the target.

6 Leaf (HR Support System): Roadmap

We will continue to offer our IT solutions to personnel and administration departments of various organizations by enhancing platform functions and usability.



*1 LMS (Learning Management System) is a system used to deliver e-learning courses, track progress, and manage educational records.

*2 LGWAN (Local Government Wide Area Network) is a secure administration network that connects local governments. All local governments nationwide are planning to implement LGWAN.

*3 API: Application programming interface

	End of FY 17 (Actual)	FY 18 End of 2Q (Actual)	FY 18 End of 3Q (Actual) (End of FY 17 vs. 3Q FY 18)	Progression rate of 3Q FY18*	End of FY 18 (July Target) (End of FY 17 vs. 3Q FY 18)
<u>Total number of business sites</u>	20	19	20 (±0)	0%	22 (+2)
<u>Total number of organizations subscribing to WEBinsource</u>	8,564	9,942	10,625 (+2,061)	84.6%	11,000 (+2,436)
<u>Total number of content types for on-site training programs</u>	2,582	2,701	2,762 (+180)	82.6%	2,800 (+218)
<u>Total number of content types for open seminars</u>	2,292	2,504	2,548 (+256)	95.5%	2,560 (+268)
<u>Total number of permanent classrooms</u>	32	37	41 (+9)	100.0%	Changed +3 41 (+9)
<u>Total number of webpages</u>	11,341	13,351	13,951 (+2,610)	106.1%	13,800 (+2,459)
<u>Total number of webpages ranked No.1 in Google search</u>	270	207	231 (-39)	—	—

KPI's Point

*The percentage shows the progression rate towards the increase from the actual number for the end of FY 2017 to the target for the full business year of FY 2018.

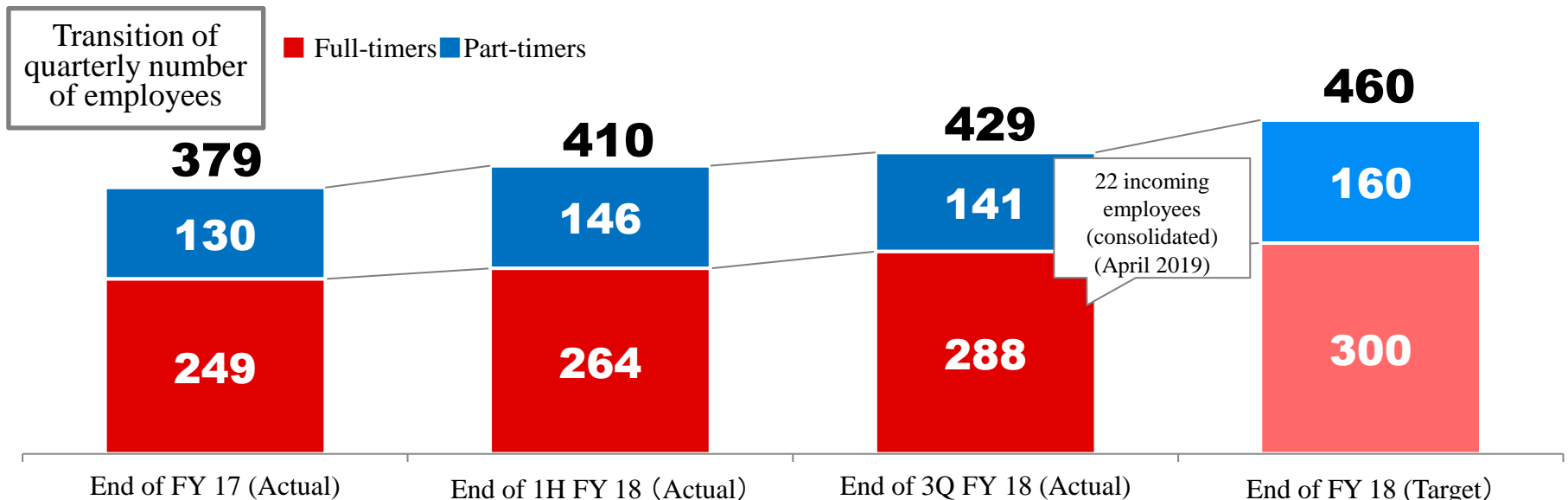
Business sites	We will have achieved our goal by opening new offices in Okayama and Akasaka in July, 2019.
WEBinsource	A steady change has been seen towards achieving our goals.
Contents	Serialized contents have been developed to aim for step-ups.
Webpages ranked No. 1 on Google Search	The number of page views decreased due to the change of Google's algorithm; however, we have seen a recovery after having enriched the webpage contents.

We continue to enhance the recruitment of personnel; however, the number of recruitment has been controlled because we are encouraging all employees to be competent in IT knowledge and skills in order to improve productivity.

	End of FY 17 (Actual)	End of 2Q FY 18 (Actual)	End of 3Q FY 18 (Actual) (End of FY 17 vs. 3Q FY 18)	Progression rate of 3Q FY 18*	End of FY 18 (July Target) (End of FY 17 vs. 3Q FY 18)
Total number of employees	379	410	429 (+50)	61.7%	Changed ▲15 460 (+81)
<u>Number of full-time employees</u>	249	264	288 (+39)	76.5%	300 (+51)
<u>Number of part-time employees</u>	130	146	141 (+11)	36.7%	Changed ▲15 160 (+30)

* As of the end of June, 2019 (Consolidated)

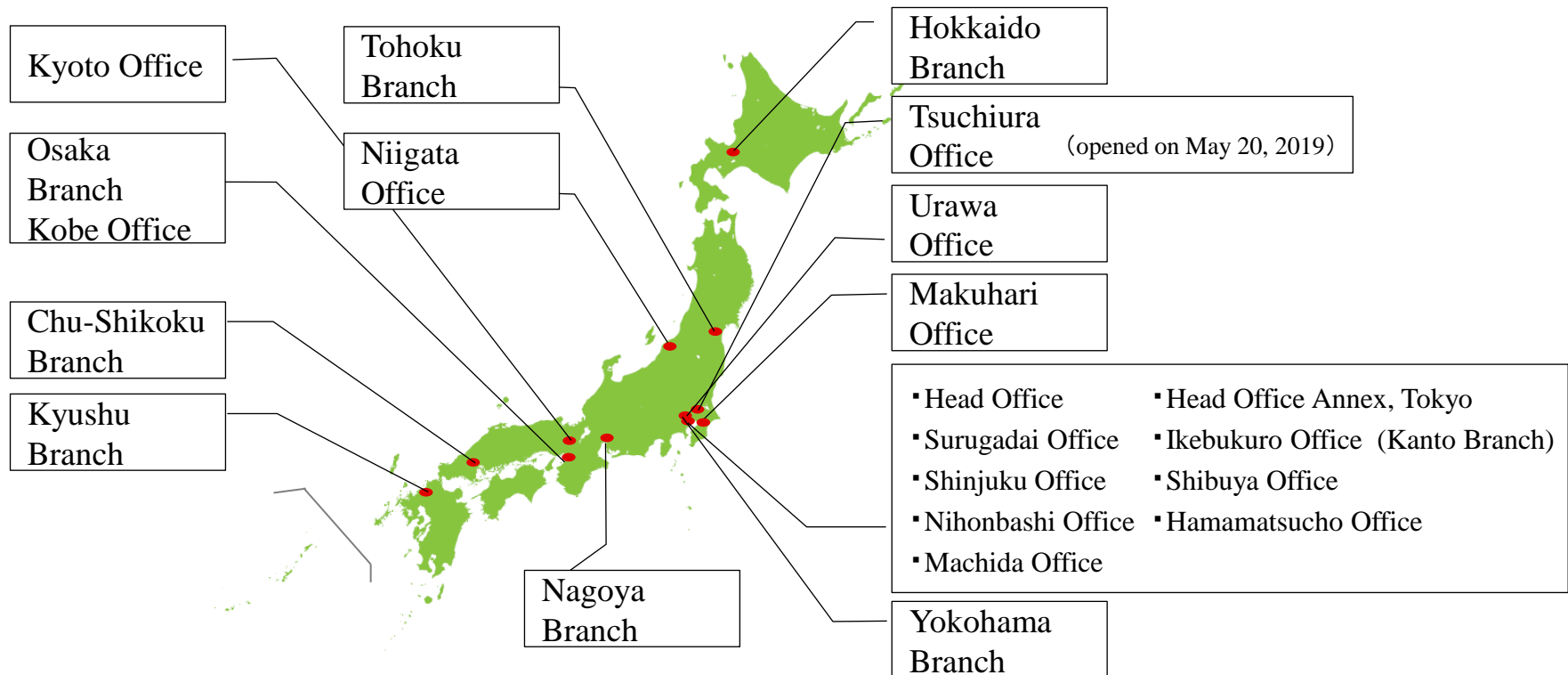
*The percentage shows the progression rate towards the increase from the actual number for the end of FY 2017 to the target for the full business year of FY 2018.



<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., Insource Digital Academy Cooperation, Double Work Management Co., Ltd (April 2019)
- Branch Offices & Business Sites 22 places nationwide (as of end of June, 2019)
- Representative director and president Takayuki Funahashi
- Capital 800,623 thousand yen



* Figures in parentheses indicate percentage of 1Q-3Q FY 2018 sales.

On-Site Training (58.8%)

Offer on-site trainings tailored to organizations needs

■ Annual total number of trainings conducted:

14,231
(YOY: +**1,815**)

■ Annual total number of attendees:

453,091
(YOY: +**56,767**)

*From April 2018 to March 2019



Open Seminars (26.9%)

Offer open seminars that each person from various organizations can attend

■ Annual total number of trainings conducted:

8,158
(YOY: +**1,581**)

■ Annual total number of attendees in FY2017:

62,700
(YOY: +**13,014**)

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

*From April 2018 to March 2019



Other Businesses (14.3%)

IT Services

- IT adoption in human resource and general administration departments
- Stress check support service
- AI/RPA utilization support
Insource Digital Academy Cooperation (April 2019)
- Security service



e-Learning / Video production



Consulting

- Establishment (operation) of personnel appraisal
- Assessment
- CS (customer satisfaction) surveys



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)

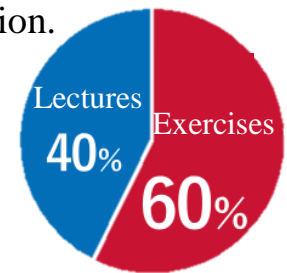


Hands-on approach: Attendees can make the most use of what they have learned immediately and change their behaviors in a favorable way.

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 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** Visualizes 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”

<p>1 A wide range of industries Strong client base</p>	<p>Insource has a broad range of clients, including private sectors across various industries, public sectors, hospitals, welfare services and universities.</p>
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Mixed approach to keep high profitability by sharing information cross-functionally.

<p>2 Robust in-house developed Contents</p>	<p>With our specialized division of content creations, Insource can offer a wide range of training programs while maintaining and improving training quality.</p>
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<p>3 Linkage of sales force and digital marketing Strong sales power</p>	<ul style="list-style-type: none">▪ 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.
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<p>4 In-house IT systems and AI-driven tools Information Technologies</p>	<p>Insource has abundant IT/AI engineers who can develop various services and improve business processes which allows flexible decisions at high speed.</p>
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5 4 Major Pillars to achieve our goals and visions

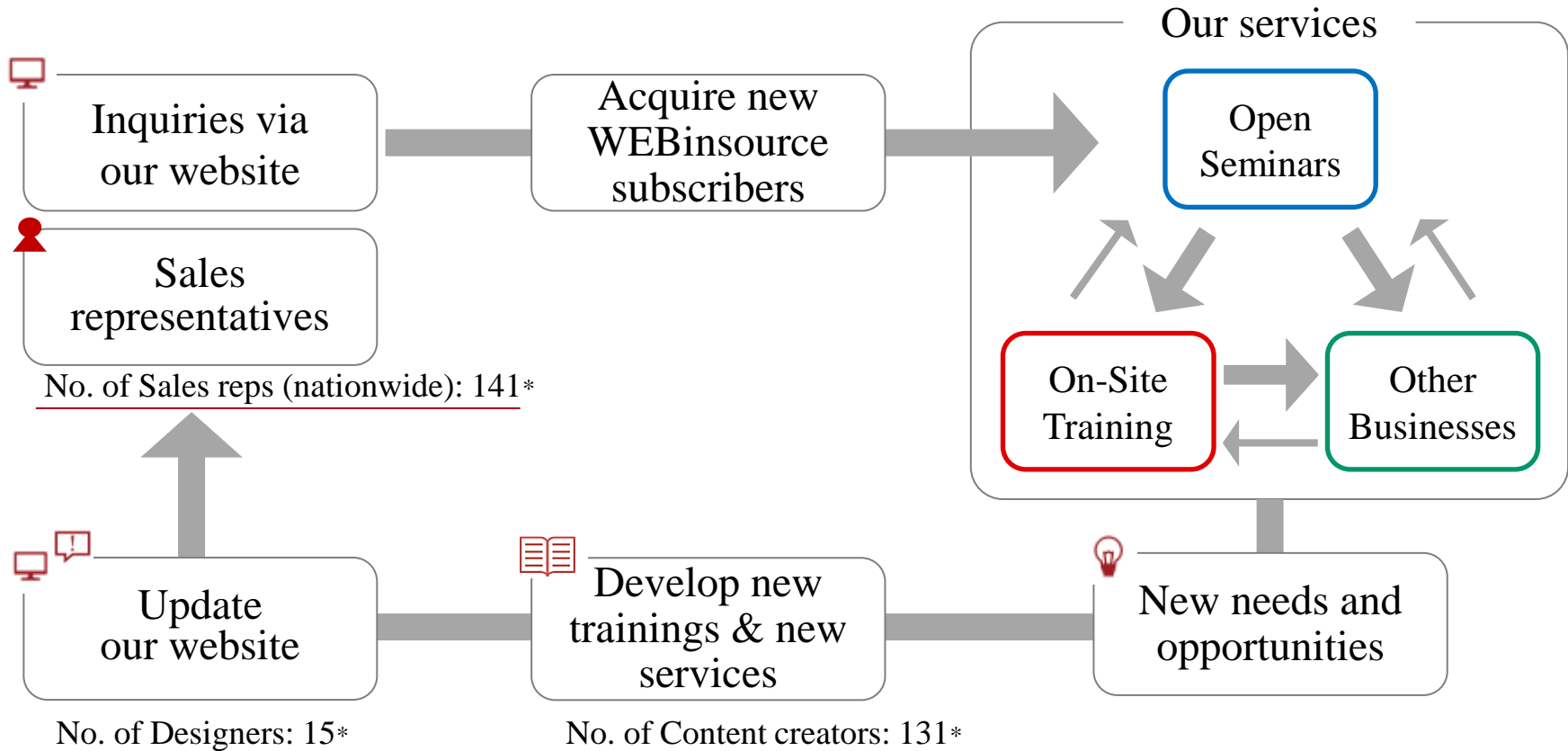
1 A wide range of industries
Strong client base

2 Robust in-house developed
Contents

3 Linkage of sales force and digital marketing
Strong sales power

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

Systematic cross-functional cooperation through IT utilization

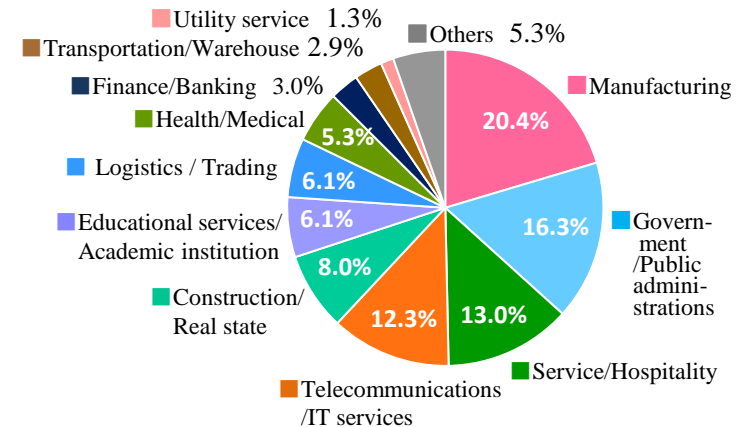


*As of end of June, 2019

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.

Breakdown of clients by industry



Number of clients:

27,097 organizations

*Total number of clients who used our services from June 2003 to March 2019.

(YOY: +**3,965** organizations)

Annual total number of attendees:

515,791

*From April 2018 to March 2019

*On-site trainings plus open seminars

(YOY: +**69,781**)

Annual total number of trainings conducted:

22,389

*From October 2017 to September 2018

*On-site trainings plus open seminars

(YOY: +**3,396**)

Total number of WEBinsource subscribers

10,625 organizations

*As of June 30, 2019

(End of FY 17 vs. 3Q FY 18: + **2,061**)

WEBinsource

► 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 and improving training quality

■ Positive feedback rates from training attendees

■ Positive feedback rate (trainings): **95.5%** ■ Positive feedback rate (trainers): **94.2%**

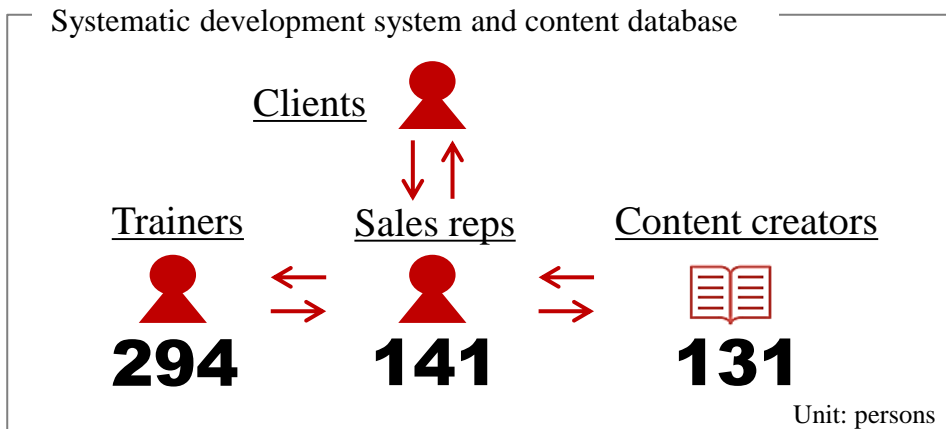
* From April 2018 to March 2019

* 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 and improving training quality.



<Number of training types>

■ On-Site Training **2,762**
(+180 End of FY 17 vs. 3Q FY 18)

■ Open Seminars **2,548**
(+256 End of FY 17 vs. 3Q FY 18)

*As of June 30, 2019

- 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.

Linkage of sales force and digital marketing

Strong sales power

- Opening more offices nationwide 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: **22**

■ Webpages: **13,951** pages

■ Webpages ranked No. 1 on Google search: **231** pages

■ Total number of Sales representatives: **141**

■ Business sites: **20**

■ Open Seminar classrooms: **8** locations **41** classrooms

*As of June 30, 2019

■ 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.

9 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: **55**

■ Total number of AI engineers: **7**

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

*As of June 30, 2019

■ 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).



10 Diverse Workforce

Employment rate of the handicapped: 3.1%

Ratio of female employees in managerial positions: 24.5%

	Total	Female employees
Total number of employees ^{*2}	429	245 (57.1%)
Total number of managerial positions	106	26 (24.5%)

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

*As of March 31, 2019 (consolidated)

Foreign nationals (including naturalized citizens)	3	Seniors (aged over 60)	13	LGBTs	4	Handicapped	10 Handicapped employment rate: 3.1% ^{*3}
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Now actively recruiting more seniors

• Legal employment rate: **2.2%**
• Actual employment rate: **2.05%**
(Source: Ministry of Health, Labour and Welfare “2018 Handicapped Persons' Employment Status”)

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

Content Creators	131	Sales Representatives	141	IT Engineers	55	Designers	15
Digital marketers	22	AI/RPA Engineers	7	network security professionals	2		

*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)

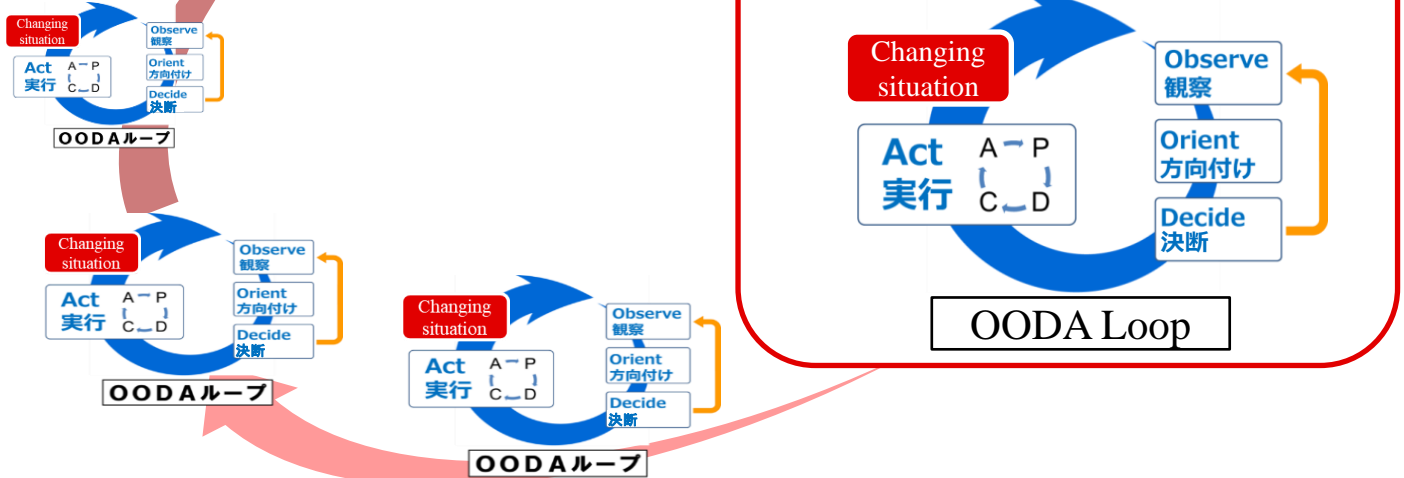
The market is always seeking the growth of revenue amount and rate

■ Aim for utilizing OODA Loop

- To change the policy or plan even during period so as to aim for the growth of revenue amount and rate.
- To deal the environmental changes inside and outside the company promptly.

*What is OODA Loop?

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.



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

Social

Implementing career development education

Annual total number of trainings conducted: **22,389** times
*As of March 31, 2019

Developing recurrent education contents

Total number of training contents: **3** types
*As of June 30, 2019

Sponsoring Japan Blind Football Association

Cooperate with World Grand Prix March, 2019

Governance

Active sales promotion of trainings related to compliance and e-learning courseware:

Total number of training contents **54** types
*As of June 30, 2019

Compliance, private information protection act, labor management, subcontracting act, copyright act, introduction to information security, risk management, etc.

e-Learning **17** subjects (**21** contents)
*As of June 30, 2019

Active disclosure of non-financial information on a monthly basis

- Newly developed training programs
- No. of on-site trainings conducted
- No. of Open Seminar attendees
- No. of WEBinsource subscribers
- No. of Leaf monthly paying subscribers (organizations)
- No. of organizations implementing Stress Check Support Service (organizations)

Environment

Company-wide power saving / LED installation