



Insource Co., Ltd.

# Q1 FY19 Consolidated Financial Results

(Three months ended December 31, 2019)

Monday, January 27, 2020



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Chap. 01 Q1 FY19 Consolidated Results

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Chap. 02 Q1 FY19 Details by Business

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Chap. 03 Mid-Term Management Plan, “Road to Next 2022”

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< Reference > Company Profile & Business Activities

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## Chap. 01 Q1 FY19 Consolidated Results

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**■ Net sales:**

Increased by 25.5% (+330 million yen) YOY to 1,625 million yen.

The breakdown consists of 1,006 million yen (+17.9%) for On-Site Training, 419 million yen (+33.6%) for Open Seminars and 199 million yen (+57.2%) for Other Businesses. Trainings by job function, IT skill trainings and customization fees of HR support system “Leaf” contributed significantly to overall sales.

**■ Gross profit:**

Increased by 29.7% (+266 million yen) YOY to 1,161 million yen.

Gross profit margin increased by 2.3 points to 71.5%, due to a significant increase in the profit margin of the Open Seminars business, which compensated for the decrease in Other Business profit margins.

**■ Operating profit:**

Increased by 31.6% (+99 million yen) YOY to 414 million yen.

Operating profit margin increased by 1.2 points YOY 25.5%.

## 2

## Consolidated Profit &amp; Loss Statement ① Overview

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Unit: million yen

	1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
Net sales (YOY: mil yen)	<b>1,055</b> (+171)	<b>1,294</b> (+238)	<b>1,625</b> (+330)	<b>+25.5%</b>	<b>6,800</b> (Progression rate: <b>23.9%</b> )
Gross profit (YOY: mil yen) (Gross profit margin)	<b>730</b> (+149) <b>(69.2%)</b>	<b>895</b> (+165) <b>(69.2%)</b>	<b>1,161</b> (+266) <b>(71.5%)</b>	<b>+29.7%</b> <b>(+2.3p)</b>	<b>4,800</b> (Progression rate: <b>24.2%</b> ) <b>(70.6%)</b>
Operating profit (YOY: mil yen) (Operating profit margin)	<b>244</b> (+96) <b>(23.1%)</b>	<b>314</b> (+70) <b>(24.3%)</b>	<b>414</b> (+99) <b>(25.5%)</b>	<b>+31.6%</b> <b>(+1.2p)</b>	<b>1,520</b> (Progression rate: <b>27.2%</b> ) <b>(22.4%)</b>
Ordinary profit (YOY: mil yen)	<b>245</b> (+94)	<b>314</b> (+69)	<b>415</b> (+100)	<b>+31.9%</b>	<b>1,515</b> (Progression rate: <b>27.4%</b> )
Net profit (YOY: mil yen)	<b>165</b> (+65)	<b>207</b> (+41)	<b>276</b> (+68)	<b>+33.2%</b>	<b>1,000</b> (Progression rate: <b>27.6%</b> )

## 3

## Consolidated Profit &amp; Loss Statement ②

Net Sales &  
Gross Profit (by business)

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Unit: million yen

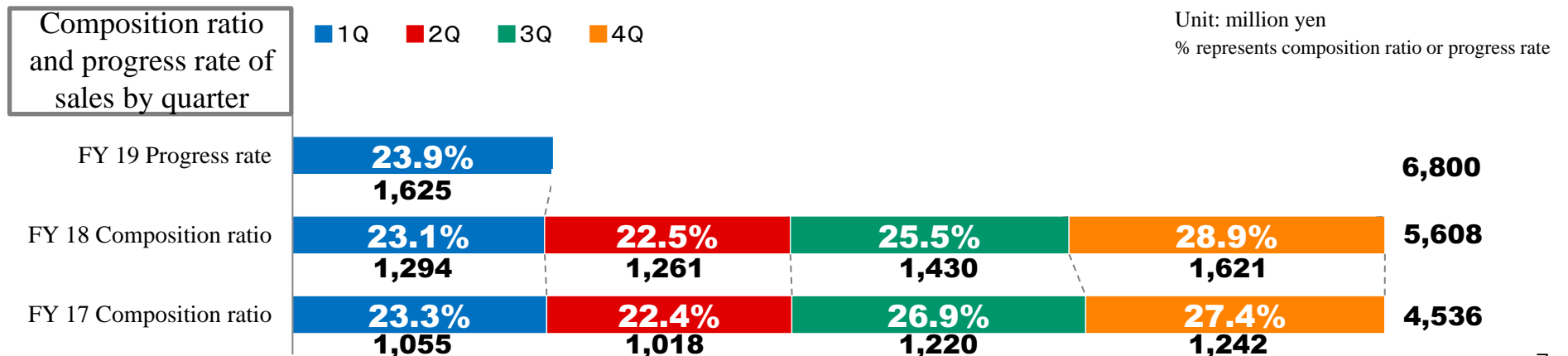
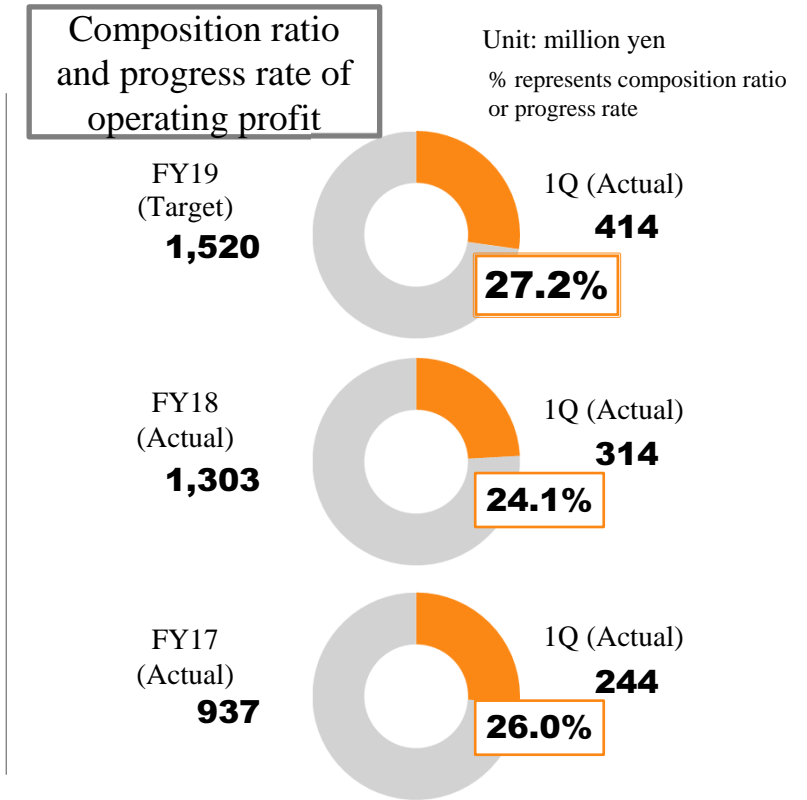
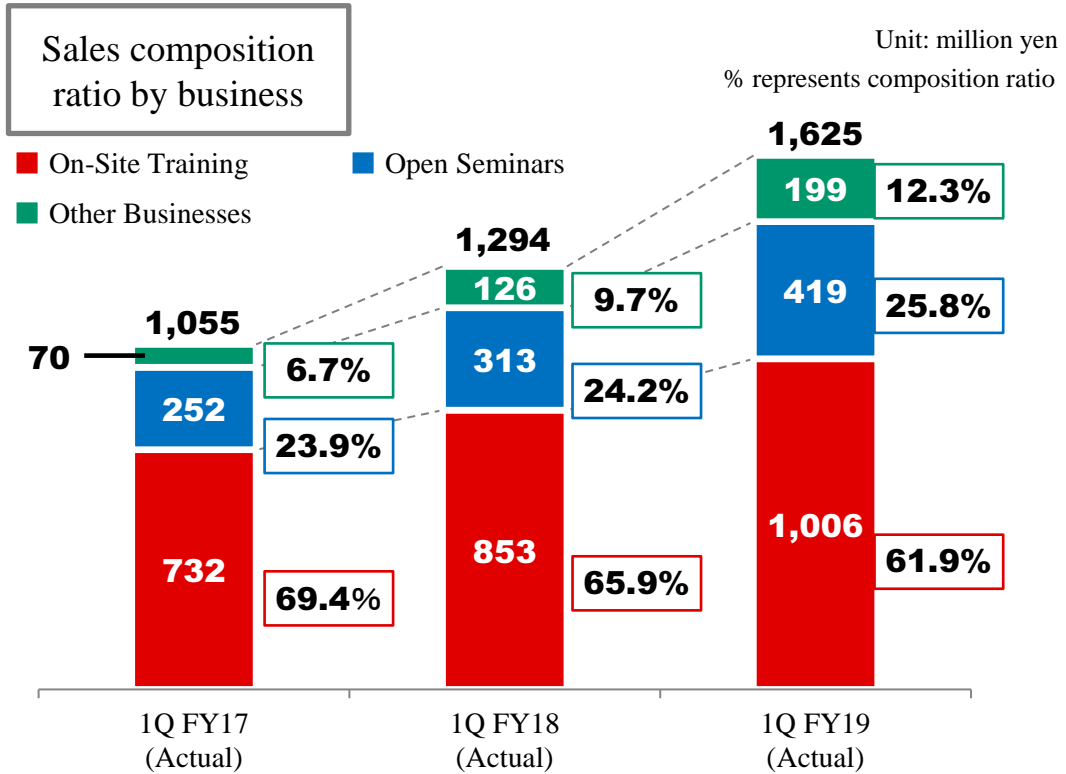
		1Q FY16 (Actual)	1Q FY17 (Actual)	1Q FY18 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
Whole Business	Net sales (YOY: mil yen)	<b>1,055</b> (+171)	<b>1,294</b> (+238)	<b>1,625</b> (+330)	<b>+25.5%</b>	<b>6,800</b> (Progression rate: <b>23.9%</b> )
	Gross profit (Gross profit margin)	<b>730</b> (69.2%)	<b>895</b> (69.2%)	<b>1,161</b> (71.5%)	<b>+29.7%</b> (+2.3p)	<b>4,800</b> (Progression rate: <b>24.2%</b> ) <b>(70.6%)</b>
On-Site Training	Net sales (YOY: mil yen)	<b>732</b> (+89)	<b>853</b> (+121)	<b>1,006</b> (+152)	<b>+17.9%</b>	<b>3,720</b> (Progression rate: <b>27.1%</b> )
	Gross profit (Gross profit margin)	<b>528</b> (72.1%)	<b>609</b> (71.3%)	<b>742</b> (73.8%)	<b>+21.9%</b> (+2.5p)	<b>2,670</b> (Progression rate: <b>27.8%</b> ) <b>(71.8%)</b>
Open Seminars	Net sales (YOY: mil yen)	<b>252</b> (+79)	<b>313</b> (+61)	<b>419</b> (+105)	<b>+33.6%</b>	<b>1,950</b> (Progression rate: <b>21.5%</b> )
	Gross profit (Gross profit margin)	<b>164</b> (65.2%)	<b>195</b> (62.4%)	<b>284</b> (67.9%)	<b>+45.3%</b> (+5.5p)	<b>1,280</b> (Progression rate: <b>22.2%</b> ) <b>(65.6%)</b>
Other Businesses	Net sales (YOY: mil yen)	<b>70</b> (+2)	<b>126</b> (+55)	<b>199</b> (+72)	<b>+57.2%</b>	<b>1,130</b> (Progression rate: <b>17.6%</b> )
	Gross profit (Gross profit margin)	<b>37</b> (52.7%)	<b>90</b> (71.5%)	<b>134</b> (67.4%)	<b>+48.2%</b> (▲4.1p)	<b>850</b> (Progression rate: <b>15.8%</b> ) <b>(75.2%)</b>

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

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4

Composition Ratio • Progress Rate of Sales (by business • by quarter) & Operating Profit





## 5 Consolidated Profit & Loss Statement<sup>③</sup> Breakdown of SG&A expenses

- Total personnel expenses increased mainly due to hiring more employees.
- Other expenses increased due to taxes and other public charges related to purchase of the Company's building and moving expenses.

Breakdown of SG&A	Unit: million yen					
	1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 Changes YOY		FY19 (Target)
Personnel expenses	<b>383</b>	<b>442</b>	<b>563</b>	+121	+27.5%	<b>2,500</b>
Rent expenses	<b>28</b>	<b>31</b>	<b>32</b>	+0	+3.1%	<b>130</b>
Office & system expenses	<b>28</b>	<b>44</b>	<b>61</b>	+16	+37.8%	<b>220</b>
Other expenses	<b>45</b>	<b>62</b>	<b>89</b>	+27	+43.7%	<b>430</b>
<b>Total SG&amp;A expenses</b>	<b>486</b>	<b>580</b>	<b>747</b>	+166	+28.7%	<b>3,280</b>
(SG&A expense ratio)	<b>(46.1%)</b>	<b>(44.9%)</b>	<b>(46.0%)</b>	<b>(+1.1p)</b>	-	<b>(48.2%)</b>

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

## 6 Consolidated Balance Sheet

- By purchasing the Company`s building, fixed assets increased and current assets decreased. Payment of year-end bonuses decreased current assets.
- Payment of accrued income taxes and accounts payable (year-end bonuses) decreased current liabilities.

	FY17 (Actual)	FY18 (Actual)	1Q FY19 (Actual)	Unit: million yen	
				FY18 vs. FY19 Changes	YOY
Current assets	<b>3,420</b>	<b>4,150</b>	<b>2,928</b>	<b>▲1,222</b>	<b>▲29.5%</b>
Fixed assets	<b>539</b>	<b>806</b>	<b>1,414</b>	<b>+608</b>	<b>+75.5%</b>
Total assets	<b>3,959</b>	<b>4,957</b>	<b>4,343</b>	<b>▲614</b>	<b>▲12.4%</b>
Current liabilities	<b>979</b>	<b>1,787</b>	<b>1,243</b>	<b>▲543</b>	<b>▲30.4%</b>
Fixed liabilities	<b>89</b>	<b>86</b>	<b>78</b>	<b>▲8</b>	<b>▲9.5%</b>
Net assets	<b>2,889</b>	<b>3,082</b>	<b>3,020</b>	<b>▲61</b>	<b>▲2.0%</b>
Total liabilities and net assets	<b>3,959</b>	<b>4,957</b>	<b>4,343</b>	<b>▲614</b>	<b>▲12.4%</b>

## Chap. 02 Q1 FY19 Details by Business

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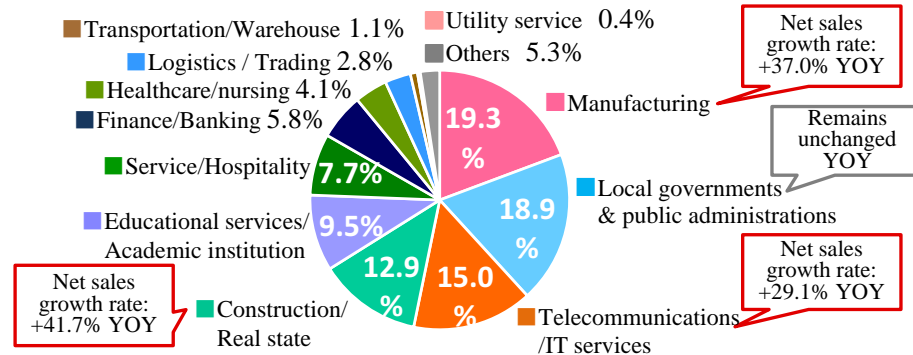
## Highlights

- **On-Site Training:**  
Net sales increased by 17.9% YOY due to increased demand for trainings tailored to private companies in the Tokyo metropolitan area.
- **Open Seminars:**  
Net sales increased by 33.6% YOY due to the expansion of classrooms in Tokyo, Nagoya and Kyushu areas and the increased sales of HRD SmartPack.

## Clients

- Training demand from the following top 3 industries is growing:
  1. Manufacturing
  2. Telecom/IT services
  3. Construction/real estate

Net sales breakdown by industry (training business)



## Services

- The demand for the following trainings is rapidly growing:
  - Upper-level management (+91.7%)
  - IT skills (+70.0%)
- The demand for trainings for mid-level employees/on-site leaders/subsection chiefs is steadily growing (+34.5%).
- Sales growth of risk/compliance and harassment prevention trainings slowed down (+18.2%).

## Areas

- Tokyo metropolitan area and Kyushu area:  
Demand for Open Seminars is significantly growing due to the expansion of classrooms.

\* The figures above show preliminary figures on our On-Site Training and Open Seminars. \* Figures above in parentheses indicate changes from the previous fiscal year.  
\* Our gross profit margins by business were not audited by Ernst & Young ShinNihon LLC.

## 2 On-Site Training

- Net sales increased by 17.9% due to an increase in training demand from manufacturing, telecom/IT services and construction/real estate around the Tokyo metropolitan area.
- Gross profit margin increased by 2.5 point to 73.8% YOY due to the increased average unit price per training.

Unit: million yen

	1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
Net sales	<b>732</b>	<b>853</b>	<b>1,006</b>	<b>+17.9%</b>	<b>3,720</b> (Progression rate: <b>27.1%</b> )
Gross profit*1	<b>528</b>	<b>609</b>	<b>742</b>	<b>+21.9%</b>	<b>2,670</b> (Progression rate: <b>27.8%</b> )
(Gross profit margin)	<b>(72.1%)</b>	<b>(71.3%)</b>	<b>(73.8%)</b>	<b>(2.5p)</b>	<b>(71.8%)</b>
Total number of trainings conducted (times)	<b>3,546</b>	<b>4,075</b>	<b>4,471</b>	<b>+396</b>	<b>16,000</b> (Progression rate: <b>27.9%</b> )
Average unit price (Thousand yen)	<b>206.5</b>	<b>209.6</b>	<b>225.1</b>	<b>+7.4%</b> <b>(+15.5)</b>	<b>232.5</b>

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

### 3 Open Seminars

- Net sales increased by 33.6% due to the expansion of classrooms in Tokyo, Nagoya and Kyushu areas and the increased sales of HRD SmartPack.
- Gross profit margin increased by 5.5 point to 67.9% due to the increased average number of training attendees.

Unit: million yen

	1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
Net sales	<b>252</b>	<b>313</b>	<b>419</b>	<b>+33.6%</b>	<b>1,950</b> (Progression rate: <b>21.5%</b> )
Gross profit*1	<b>164</b>	<b>195</b>	<b>284</b>	<b>+45.3%</b>	<b>1,280</b> (Progression rate: <b>22.2%</b> )
(Gross profit margin)	<b>(65.2%)</b>	<b>(62.4%)</b>	<b>(67.9%)</b>	<b>(5.5p)</b>	<b>(65.6%)</b>
Total number of attendees (attendees)	<b>12,592</b>	<b>16,215</b>	<b>21,132</b>	<b>+4,917</b>	<b>92,000</b> (Progression rate: <b>23.0%</b> )
Average unit price (Thousand yen)	<b>20.0</b>	<b>19.4</b>	<b>19.8</b>	<b>+2.1%</b> (+0.4)	<b>20.7</b>

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

## Highlights

- Net sales in other businesses increased by 57.2% due to the increased number of IT service customization fees and consulting service workshops. However, gross profit margin decreased by 4.1 points.
- The number of “Leaf”(monthly-payment services; subscription model) is increasing steadily.

## IT Services

- Net sales increased by 81.5% YOY due to the following reasons:
  - The number of paid subscribers (organizations) increased by 69 YOY to 175.
  - Large-scale projects with customization fees increased.
- Gross profit margin declined due to personnel expenses for engineers and investment in highly-graded servers for large-scale projects.

e-Learning/  
Video  
production

- Net sales increased by 11.1% YOY, mainly due to the following reasons:
  - The number of IDs for STUDIO (cloud-based e-learning platform) increased by 1,091 YOY to 19,638.
  - The number of orders for large-scale projects and workshops held increased.
- Gross profit margin decreased due to the decrease in profitability of video production projects.

## 5 Other Businesses ① \_\_\_ Net Sales & Gross Profit

■ Net sales increased by 57.2% YOY, mainly due to a significant increase in sales of IT services (81.5% YOY).

■ Gross profit margin decreased due to the following reasons:

- Increased personnel expenses for engineers to deal with large-scale IT service projects.
- Increased communication costs for introduced highly-graded server.

Unit: million yen

	1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
Net sales	<b>70</b>	<b>126</b>	<b>199</b>	<b>+57.2%</b>	<b>1,130</b> (Progression rate: <b>17.6%</b> )
< Breakdown >					
IT service	<b>20</b>	<b>58</b>	<b>106</b>	<b>+81.5%</b>	<b>560</b> (Progression rate: <b>19.0%</b> )
e-Learning / Video production	<b>33</b>	<b>44</b>	<b>49</b>	<b>+11.1%</b>	<b>450</b> (Progression rate: <b>11.1%</b> )
Consulting	<b>16</b>	<b>14</b>	<b>19</b>	<b>+33.4%</b>	<b>90</b> (Progression rate: <b>22.1%</b> )
Gross profit* (Gross profit margin)	<b>37</b> <b>(52.7%)</b>	<b>90</b> <b>(71.5%)</b>	<b>134</b> <b>(67.4%)</b>	<b>+48.2%</b> <b>(▲4.1p)</b>	<b>850</b> (Progression rate: <b>15.8%</b> )

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



Monthly-subscription model		FY17 (Actual)	FY18 (Actual)	1Q FY19 (Actual)	Progression rate of 1Q FY18 to FY19	End of FY19(Target) (End of FY18 vs. End of FY19)
IT Services	Total number of Leaf paid subscribers (organizations) (*1)	<b>92</b>	<b>162</b>	<b>175</b> (+13)	<b>+7.3%</b>	<b>341</b> (+179)
IT Services	Total number of organizations using on-the-web appraisal form service (*1)	<b>26</b>	<b>50</b>	<b>58</b> (+8)	<b>+18.6%</b>	<b>93</b> (+43)
Direct-selling model		1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
IT Services	Total number of organizations implementing Stress Check Support Service (*2)	<b>66</b>	<b>41</b>	<b>24</b>	<b>▲41.5%</b>	<b>333</b> (Progression rate:7.2%)
e-Learning / Video production	Total number of video production solutions (*3)	—	<b>28</b>	<b>19</b>	<b>▲32.1%</b>	<b>360</b> (Progression rate:5.3%)
Consulting	Total number of consulting services	—	<b>20</b>	<b>29</b>	<b>+45.0%</b>	<b>90</b> (Progression rate:32.2%)
Periodical payment model		1Q FY17 (Actual)	1Q FY18 (Actual)	1Q FY19 (Actual)	FY18 vs. FY19 YOY	FY19 (Target)
e-Learning / Video production	Total numbers of e-learning (STUDIO & STUDIO Powered by Leaf) IDs per year (*4)	<b>18,256</b> (End of FY17 <b>34,566</b> )	<b>18,547</b> (End of FY18 <b>40,548</b> )	<b>19,638</b> (+1,091ID)	<b>+5.9%</b>	<b>45,000</b> (Progression rate:43.6%)

\*1 Total number as of the end of the year \*2 The number of Stress Check Support implemented since 2Q FY18 is based on the number of orders delivered.

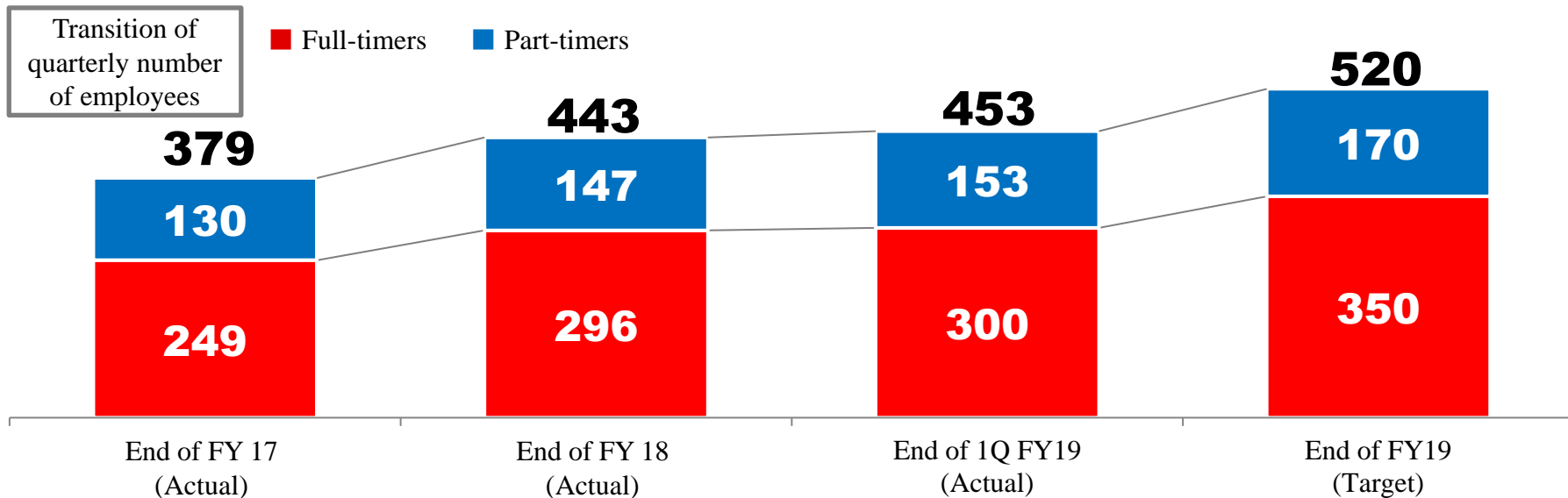
\*3 The number of video production and consulting services is based on video production only from 3Q FY18.

\*4 Since Q1 FY19, the annual total number of e-learning subscription IDs has been calculated based on the periodical payment system (the number of IDs used during a certain period), including the monthly subscription system.

## 7 The Number of Employees

- We will keep enhancing recruitment . Additionally, 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 FY 18 (Actual)	End of 1Q FY19 (Actual) <small>(FY18 vs. FY19 Changes)</small>	Progression rate of 1Q FY18 to FY19	End of FY19 (Target) <small>(End of FY18 vs. End of FY19)</small>
<u>Total number of employees</u>	<b>379</b>	<b>443</b>	<b>453</b> (+10)	<b>13.0%</b>	<b>520</b> (+77)
<u>Number of full-time employees</u>	<b>249</b>	<b>296</b>	<b>300</b> (+4)	<b>7.4%</b>	<b>350</b> (+54)
<u>Number of part-time employees</u>	<b>130</b>	<b>147</b>	<b>153</b> (+6)	<b>26.1%</b>	<b>170</b> (+23)



## 8 Diverse Workforce

- Ratio of female employees in managerial positions: 26.9%
- Employment rate of the handicapped: 3.3%

	Total	Female employees
Total number of employees *2	<b>453</b>	<b>265</b> <b>(58.5%)</b>
Total number of managerial positions	<b>108</b>	<b>29</b> <b>(26.9%)</b>

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

( as of end of December, 2019 (consolidated))

Foreign nationals ※4	<b>4</b>	Seniors (aged over 60)	<b>14</b>	LGBTs	<b>4</b>	Handicapped	<b>10</b> Handicapped employment rate: <b>3.3% *3</b>
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Now actively recruiting more seniors

- Legal employment rate: **2.2%**
- Actual employment rate: **2.11%**

(Source: Ministry of Health, Labour and Welfare  
“ 2018 Handicapped Persons' Employment Status )

Workforce by job function: Diverse specialists work at Insource.

Content Creators	<b>130</b>	Sales Representatives	<b>143</b>	IT Engineers	<b>58</b>
Digital marketers	<b>24</b>	AI /RPA Engineers	<b>7</b>	Designers	<b>15</b>

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

\*2 Directors, auditors and corporate officers are excluded. \*3 Non-consolidated (Insource only)

\*4 “Foreign nationals” refers to employees with foreign nationalities. This includes naturalized Japanese.

	End of FY 18 (Actual)	1Q FY19 (Actual)	Progression rate of 1Q FY19 to FY19(Target)	End of FY19 (Target)
Total number of business sites	<b>22</b>	<b>22</b> (±0)	<b>0%</b>	<b>25</b> (+3)
Total number of permanent classrooms	<b>41</b>	<b>46</b> (+5)	<b>71.4%</b>	<b>48</b> (+7)
Total number of new contracts for WEBinsource (Cumulative contracts)	<b>2,771</b> (11,335)	<b>639</b> (11,974)	<b>26.5%</b>	<b>2,415</b> (13,750)
Total number of content types for On-site training programs	<b>2,821</b>	<b>2,894</b> (+71)	<b>22.9%</b>	<b>3,140</b> (+319)
Total number of content types for Open seminars	<b>2,589</b>	<b>2,716</b> (+127)	<b>42.2%</b>	<b>2,890</b> (+301)
Total number of content types for e-learnings	<b>307</b>	<b>321</b> (+14)	<b>19.2%</b>	<b>380</b> (+73)
Total number of package plans*1	-	<b>31</b>	<b>20.7%</b>	<b>150</b>
Total number of webpages	<b>14,171</b>	<b>15,116</b> (+945)	<b>31.4%</b>	<b>17,180</b> (+3,009)
Total number of sessions	<b>1,712</b>	<b>433</b>	<b>21.0%</b>	<b>2,062</b> (+350)

\*1 Package plan is a one-stop service that solves organizational challenges by providing a unique mix of multiple training programs tailored to clients' specific needs by subject, industry or job function.

## Chap. 03 Progress of the Mid-Term Management Plan, “Road to Next 2022”

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# 1 Mid-Term Management Plan \_\_\_\_ Numerical Targets

- Insource will aim at a CAGR of 20% between FY19 and FY21.
- In FY21, Insource will aim at an increase of sales to 10,000 million yen and operating profit to 2,210 million yen.

Unit: million yen

	FY18 (Actual)	FY19 (Target)	FY20 <Target>	FY21 <Target>	CAGR FY19-FY21
Net sales (YOY: mil yen)	<b>5,608</b> (+1,072)	<b>6,800</b> (+1,191)	<b>8,300</b> (+1,500)	<b>10,000</b> (+1,700)	<b>+21.3%</b>
Gross profit (YOY: mil yen)	<b>3,959</b> (+862)	<b>4,800</b> (+840)	<b>5,870</b> (+1,070)	<b>7,230</b> (+1,360)	<b>+22.2%</b>
Operating profit (YOY: mil yen)	<b>1,303</b> (+365)	<b>1,520</b> (+216)	<b>1,840</b> (+320)	<b>2,210</b> (+370)	<b>+19.3%</b>
(Gross profit margin)	<b>(23.2%)</b>	<b>(22.4%)</b>	<b>(22.2%)</b>	<b>(22.1%)</b>	
Net profit (YOY: mil yen)	<b>835</b> (+200)	<b>1,000</b> (+164)	<b>1,230</b> (+230)	<b>1,470</b> (+240)	<b>+20.7%</b>

## 2 Management Policy for FY21

■ We will continue to aim for sustainable growth by expanding our market share.

### Strategy① Developing with Speed and Concentration

- ▶ As for current businesses, we aim for steady growth by promoting sales increase and business improvement in parallel.
- ▶ We boost new businesses development with “speed and concentration”\* by adopting OODA model.

### Strategy② Diverse Workforce

- ▶ Employees with various characteristics achieve high-quality results by working together. Additionally, using AI/IT technologies will lead to increasing business efficiency.
- ▶ We will develop contents and expand business by maintaining and enlarging diverse workforce in the organization.

### Strategy③ Continuing ESG Management

- ▶ We contribute to society by expanding business and sales since our business itself is deeply related to solving social problems.
- ▶ We disclose non-financial information actively and ensure highly transparent management.

\* We reallocate our resources in the organization speedily and concentrate staff on divisions which contribute to sales and growth.

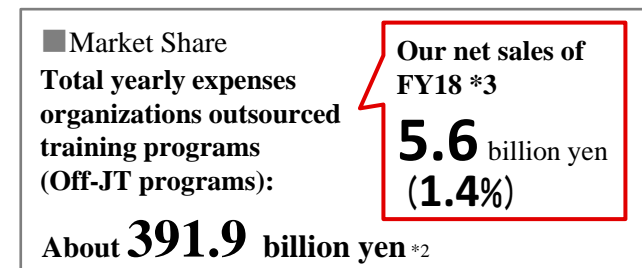
### 3 External Environment Analysis - We have large potential to grow

#### 1. Needs for career development education continue, and the market is also expected to grow

- ▶ The unemployment rate is 2.4% \*<sup>1</sup> in FY18 (October 2018 to September 2019), and many companies are trying to solve organizational problems through educational trainings as measures to labor shortages.  
ex. Time management, IT skills (train employees to utilize AI/RPA )
- ▶ Needs to solve new social problems through educational trainings have increased.  
ex. Compliance, harassment prevention, enhancing diversity, recurrent education

#### 2. Training industry market is huge

- ▶ It is estimated that we have about 1.4% market share in the training industry, which is relatively low.



#### 3. Some elements that may influence the FY19 performance

- ▶ There are some elements that may influence our job performance, such as a possibility of economic downturn and holding the Tokyo 2020 Olympic and Paralympic Games.

- To deal with the market growth, we continue developing contents
- To increase our market share, we will expand business sites and classrooms
- Despite uncertain elements that may affect our job performance temporarily, we continue increasing manpower and system investment.

\*1 Source: "Labor Force Survey" by Ministry of Internal Affairs and Communications

\*2 This figure is calculated based on Basic Survey of Human Resources Development and Labor Force Survey released by Ministry of Health, Labour and Welfare

\*3 Our net sales: FY18 consolidated net sales (Actual)



## Issues

### 1. Increase both the number of clients and unit price

It is necessary to realize the followings simultaneously.

- To increase the number of corporate clients
- To boost unit price per organization and per attendee

### 2. Accelerate growth cycle

In order to achieve our Mid-Term Management Plan, it is urgent to have sustainable growth in training businesses and expand the other businesses.

## Actions and Progress

### 1. Enhance client base and strengthen more “set” plans (combined services)

(1) Keep increasing the number of WEBinsource subscribers.

→ **Target: 2,415 organizations**

**Progress: 639 organizations (progress rate: 26.5%)**

(2) Continue developing training contents.

→ **Target: 319 types**

**Progress: 73 types (progress rate: 22.9%)**

(3) Strengthen “set” sales in various services.

→ **We will develop various packaging plans.**

(4) Offer suggestions tailored to every single attendee.

→ **Enhance BtoBtoC\* communication through e-mailing.**

\*Business to Business to Consumer

### 2. Enhance further investment and organizational structures

(1) Invest in new businesses such as staffing and recruitment services.

→ **Add a member**

(2) Increase investment in promising IT services such as Leaf.

→ **Add 2 members(engineer and pre-sales engineer)**

(3) Establish the organizational structures which can deal with changes caused by external economic environments speedily and maintain its structures.

→ **Add an outside director**

### Issues

#### 3. Enhance recruitment

We are facing labor shortages in all job functions which are essential for growth, especially severe understaffing of sales personnel and system engineers (SE).

#### 4. Enhance opening business sites

We are considering opening more business sites, but we lack of potential area managers and sales representatives .

### Actions and progress

#### 3. Promote diverse recruitment and have employees learn IT skills

(1) Enhance mid-career recruiting

→ **11 mid-careers join the company**

(2) Have employees adopt IT skills and technologies

→ **We turned our 4 employees into system engineers**

→ **78 employees in total participated in in-house IT human resource development training**

(3) Enhance recruits of “Area Sales Representatives”\* and seniors

→ **An area-limited sales representative join the company.**

\*Usually they are part-timers whose jobs are limited by job functions and where they work.

#### 4. Strengthen personnel selection and our support towards business sites

(1) Promote motivated younger employees to be area managers

→ **Promoted three young employees to be area managers.**

(2) Utilize “Area Sales Representatives” and strengthen marketing activities

→ **We will continue to seek new clients by offering distinctive services and strengthen relationships with them.**

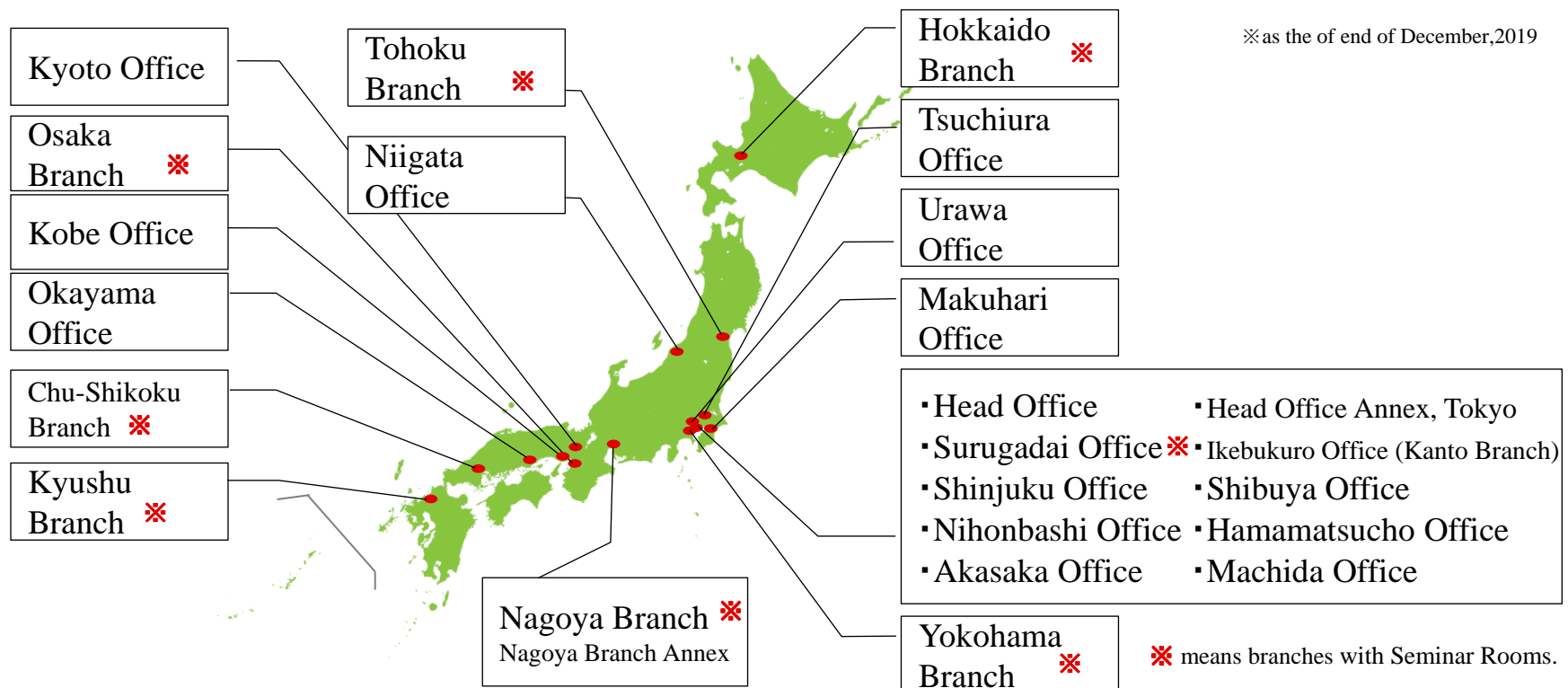
(3) Strengthen system to support business sites by Head Office

→ **Diverse members of administrative division made improvements of in-house system.**

## <Reference> Company Profile & Business Activities

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• 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., Insource Digital Academy Cooperation, Double Work Management Co., Ltd		
• Branch Offices & Business Sites	25 places nationwide	• Seminar Rooms	46 Classrooms in 8 Cities



## 2

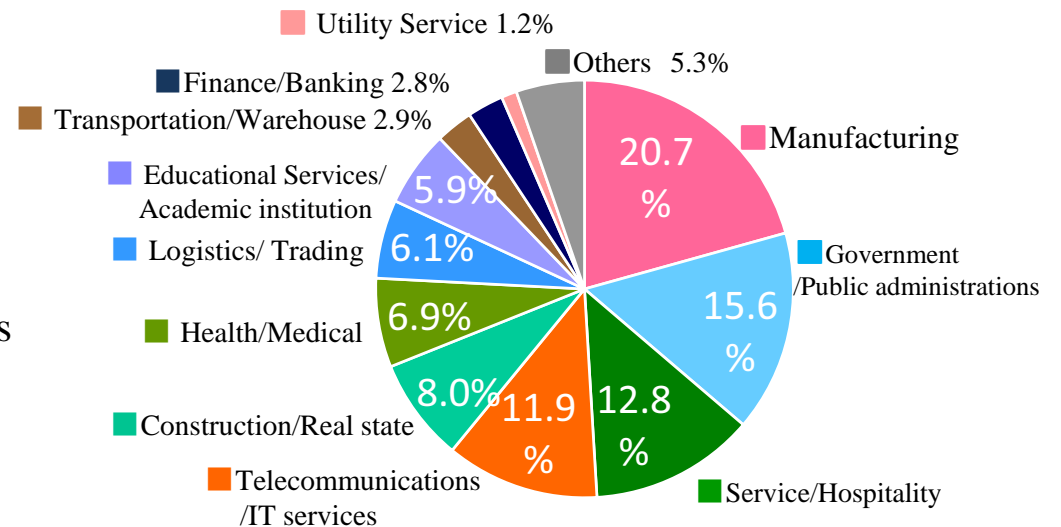
# Business Activities ① Clients and Average growth rate by business



### Composition ratio of clients by industry

The total number of clients who used our services from June 2003 to September 2019

**29,402** organizations



### Compound annual growth rate by business

	FY17 (Actual)	FY18 (Actual)	FY19 (Target)	CAGR FY17-FY19
Whole Business	<b>4,536</b>	<b>5,608</b>	<b>6,800</b>	<b>+23.8%</b>
On-Site Training	<b>2,827</b>	<b>3,279</b>	<b>3,720</b>	<b>+16.2%</b>
Open Seminars	<b>1,166</b>	<b>1,527</b>	<b>1,950</b>	<b>+29.5%</b>
Other Businesses	<b>542</b>	<b>801</b>	<b>1,130</b>	<b>+53.1%</b>

### 3 Business Activities ② Trainings

■ Hands-on approach: Attendees can make the most use of what they have learned immediately. Programs mainly consist of exercises (60%).

■ Positive feedback rates from training attendees. **95.5%** Positive feedback rate (trainings) **94.2%** Positive feedback rate (trainers)

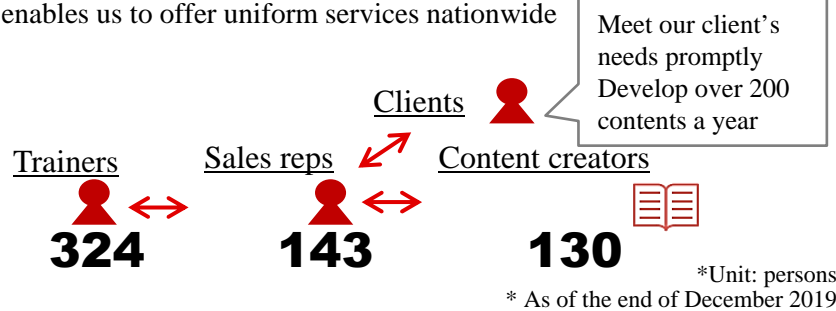
※ as of the end of December, 2019

■ By using IT technologies, we can provide high quality trainings frequently and nationwide.

#### On-Site Training (58.5%)

Offer on-site trainings tailored to organizations' needs

- Separate trainers from content development and utilize IT technologies
- Specialized divisions create contents in-house and trainers concentrate on giving trainings
- Utilizing IT technologies and systematic development system enables us to offer uniform services nationwide



Annual total number of trainings conducted **14,873** times

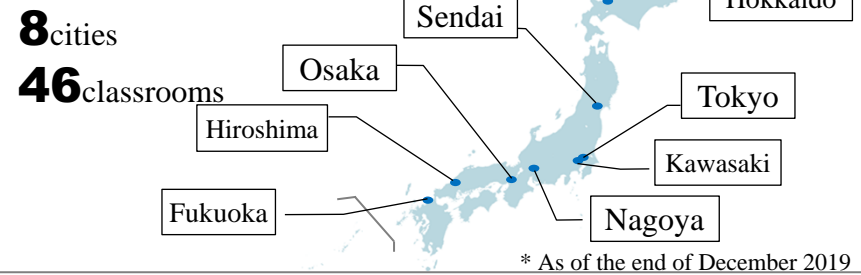


\*from October 2018 to September 2019

#### Open Seminar (27.2%)

Offer open seminars that each person from various organizations can attend

- Hold seminars quite frequently nationwide
- Seminars can be attended at a reasonable fee and anywhere in the country
- Demands for our unique package deal "HRD SmartPack" are high mainly by large companies.



Annual total number of attendees **72,107**



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

\*from October 2018 to September 2019

\* Figures in parentheses indicate percentage of FY18 sales ratio

## 4 Business Activities ③ Other Businesses

■ We are expanding content lineup since we aim to offer services essential for HR departments.

### Other Businesses (Leaf (HR support system), e-Learning, Consulting, Staffing & Recruitment Services) (14.3%)

#### ■ IT Services

- Leaf (HR support system)

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

Leaf earns revenue from monthly subscription fees (subscription model) and customization fees\*2.

Demands for LMS by large companies\*3 and use of on-the-web appraisal form service by mid-sized companies increased

Total number of Leaf paid subscribers **175** organizations

Total number of organizations using on-the-web appraisal form service **58** organizations

Total number of organizations implementing Stress Check Support Service **24** organizations

\* As of the end of December 2019  
Actual no. of Stress Check Support Service applied (Oct - Dec 2019)



#### ■ e-Learning / Video production (Mitemo Co., Ltd)

- STUDIO (Cloud-based e-Learning system) \*4
- Video Production

Earning revenue from monthly subscription fees (subscription model) and direct-selling model

Total number of e-Learning subjects **87** subjects **321** contents

Total number of e-learning subscription IDs per year **19,368** IDs

\* As of the end of December 2019  
Actual no. of active subscription IDs (Oct - Dec 2019)



#### ■ Consulting

- Establishing personnel appraisal service
- Assessment services



#### ■ Staffing & Recruitment Services

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



\*1 Figures in parentheses indicate percentage of FY18 sales ratio. \*2 Direct-selling model \*3 LMS (Learning Management System) is a system used to deliver e-learning courses, track progress, and manage educational records. \*4 STUDIO is powered by Leaf partly.

# 5 4 Major Pillars to Achieve Our Goals and Visions

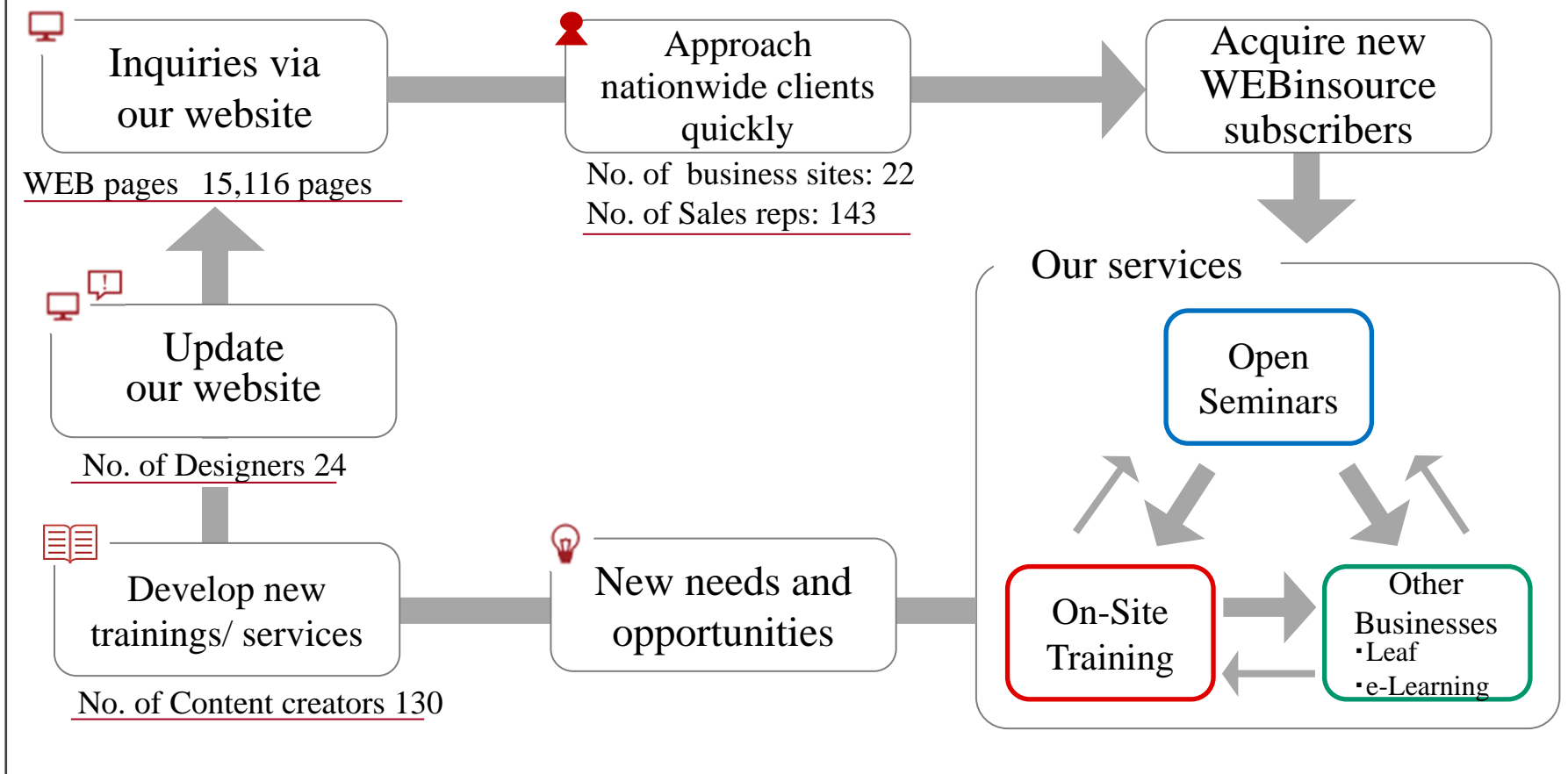
1 A wide range of industries  
**Strong client base**

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 the end of December 2019



## “Strong client base” + “Mixed approach”

1

A wide range of industries  
**Strong client base**

The Number of Clients: 29,402 Organizations \*<sub>1</sub>  
The Total Number of WEBinsource Subscribers: 11,974 Organizations

\*<sub>1</sub> Total number of clients who used our services from June 2003 to September 2019.



Mixed approach to keep high profitability by sharing information cross-functionally.

2

Robust in-house developed  
**Contents**

- Separate content creations from trainers.
- 130 Content Creators produce more than 200 new titles a year.

3

Linkage of sales force and  
digital marketing  
**Strong sales power**

- Provide the best suitable options with 22 business site nationwide and 143 Sales Representatives.
- 24 Digital Marketers will offer proposals effectively by emails and WEB system.

4

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

- Insource has 58 IT engineers, 7 AI/RPA engineers who can develop various services and improve business processes which allows flexible decisions at high speed.

\* as of the end of December 2019