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## Q2 FY20 Consolidated Financial Results [JGAAP]

May 6, 2021

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Scheduled date to submit the Quarterly Securities Report: May 13, 2021

Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on quarterly results: Yes

Scheduled date of Quarterly Results Briefing Session: Scheduled (intended for analysts)

(Figures are rounded down to the nearest million yen)

### 1. Q2 FY20 Consolidated Financial Results (October 1, 2020 – March 31, 2021)

#### (1) Consolidated Financial Results (cumulative)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	mil yen	%	mil yen	%	mil yen	%	mil yen	%
Q2 FY20	3,673	26.4	1,257	101.3	1,273	104.3	823	95.6
Q2 FY19	2,905	13.7	624	10.0	623	10.2	420	13.0

(Note) Comprehensive income: Q2 FY20 825 million yen (98.0%) Q2 FY19 417 million yen (12.0%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
Q2 FY20	19.67	19.65
Q2 FY19	10.01	10.00

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. The above figures for "Earnings per share" and "Fully diluted earnings per share" are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	mil yen	mil yen	%
Q2 FY20	5,760	3,322	57.7
FY19 Full-year	4,344	2,883	66.4

(Reference) Equity: Q2 FY20 3,322 million yen FY19 2,883 million yen

### 2. Dividends

	Annual cash dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	yen sen	yen sen	yen sen	yen sen	yen sen
FY19 Full-year	-	0.00	-	18.50	18.50
FY20 Full-year	-	0.00	-	-	-
FY20 (forecast)	-	-	-	10.00	10.00

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

We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares, but the amount of the year-end dividend for FY19 is the actual amount of the dividend.

3. Consolidated Financial Forecast for FY20 (October 1, 2020 – September 30, 2021)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	mil yen	%	mil yen	%	mil yen	%	mil yen	%	yen sen
FY20 Full Year	7,700	50.4	2,400	206.0	2,410	202.9	1,600	259.2	38.22

(Note) Revisions of forecast of financial results from recently announced figures: Yes

We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. In the above, "Earnings per share" is calculated on the assumption that the stock split was conducted at the beginning of the current consolidated fiscal year.

\* Notes

(1) Significant changes in subsidiaries during Q2 FY20 (six months ended March 31, 2021)  
(changes in specific subsidiaries involving changes in the scope of consolidation): None

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

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)" on page 7 of the attached materials.

(3) Changes in accounting policies, estimates and restatements

- (i) Changes in accounting policies due to the revision of accounting standards : None
- (ii) Changes in accounting policies other than (3)-(i) : None
- (iii) Changes in accounting estimates : None
- (iv) Restatements : None

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

- (i) Total number of issued shares at the end of the period (including treasury shares)
- (ii) Total number of treasury shares at the end of the period
- (iii) Average number of shares during the period (cumulative)

Q2 FY20	42,621,500 shares	FY19 Full-year	42,621,500 shares
Q2 FY20	752,536 shares	FY19 Full-year	767,136 shares
Q2 FY20	41,864,030 shares	Q2 FY19	42,041,200 shares

(Note) We conducted a stock split on January 1, 2021, whereby each share of common stock was split into two shares. The above number of shares was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

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

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

(Cautionary note on forward-looking statement)

The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast figures due to various factors. For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Consolidated Financial Forecasts" on page 2 of this report.

(How to obtain supplementary explanatory materials for quarterly financial results)

Supplementary materials for quarterly financial results are disclosed via TDnet on the same day.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Operating Results Analysis

In the first half of the current fiscal year (from October 1, 2020 to March 31, 2021), as the Coronavirus crisis continues, the career development education market has undergone a structural change from the conventional face-to-face training to choosing online training or e-Learning/video-based education in accordance with each client's environment.

In response to this situation, we have enhanced sales to quickly provide online training, affordable LMS\* and e-Learning videos that meets the needs of our clients.

As a result of these efforts, the number of On-Site Training conducted increased by 5.3% YoY, and the online training composition ratio increased to 60.9%, as the shift to online training has accelerated nationwide in both the public and private sectors. As for online training, profitability was improved due to higher unit prices, and gross profit in the On-Site Training increased by 38.2% YoY. The number of attendees at Open Seminars rose by 34.5% YoY, and the composition ratio of online training increased to 81.0%. The number of attendees per training increased due to online trainings that are easy to participate from all over Japan, and gross profit in the Open Seminars increased by 74.9% YoY. Also, the total number of LMS "Leaf" paid subscribers rose by 35 organizations QoQ and its users has accounted for around 1.5 million. Gross profit in the IT Services grew by 99.3% YoY due to an increase in Leaf's monthly subscription fees and an increase in repeat customizations from large companies that had already installed the system. Additionally, Sales of "Video Department Store", an e-Learning and video EC site, increased partly due to seasonal factors, and gross profit from Other Businesses rose by 46.7% YoY.

In addition to the overall increase in gross profit and improvement in profit margin, SG&A expenses were curbed due to the reduced hiring of mid-career workers as a countermeasure against the Coronavirus crisis, which have resulted in an increase in operating profit.

As a result of the above, consolidated results for the first half of the fiscal year were as follows: net sales of 3,673,917 thousand yen (up 26.4% YoY), operating profit of 1,257,128 thousand yen (up 101.3% YoY), ordinary profit of 1,273,816 thousand yen (up 104.3% YoY) and profit attributable to owners of the parent of 823,299 thousand yen (up 95.6% YoY). We have continued to hit record highs in quarterly performance even amid the Coronavirus crisis.

\*LMS (Learning Management System): "Learning management systems" required for e-learning activities.

#### ■ Net sales by business for the first half of the 19th fiscal year

(Unit: thousand yen)

Business	Q2 FY20 (Oct. 1, 2020- Mar. 31, 2021)	YoY (%)	Q2 FY19 (Oct. 1, 2019- Mar. 31, 2020)
On-Site Training	1,838,831	115.8	1,588,399
Open Seminars	850,095	120.0	708,501
IT Services	549,311	162.1	338,775
Other Businesses	435,678	161.4	269,931
Total	3,673,917	126.4	2,905,608

(Note)1. Since our Group has a single business segment, which is the education service business, the information herein is presented by business category instead of segment.

2. Consumption tax is not included in the above amounts.

### (2) Financial Conditions Analysis

(Assets)

Total assets at the end of the second quarter of the current fiscal year increased by 1,416,102 thousand yen compared to the end of the previous fiscal year to 5,760,667 thousand yen. This was mainly because of an increase of 626,937 thousand yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the second quarter of the current fiscal year increased by 977,101 thousand yen to 2,438,408 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 700,000 thousand yen in short-term borrowings.

(Net assets)

Net assets at the end of the second quarter of the current fiscal year increased by 439,000 thousand yen to 3,322,258 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 423,590 thousand yen in retained earnings.

### (3) Consolidated Financial Forecasts

The consolidated financial forecast for the fiscal year ending September 30, 2021 has been revised from the previous forecast announced on February 22, 2021. For more details, please refer to the "Notice: Revision of FY20 (Full-Year) Consolidated Financial Forecast" released today. Please be reminded that the financial forecast has been prepared based on the information currently available, and actual results may differ from these forecasts due to various factors in the future.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

	(Unit: thousand yen)	
	FY19 (As of Sep. 30, 2020)	Q2 FY20 (As of Mar. 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	2,219,868	2,846,806
Accounts receivable - trade	684,631	832,919
Inventories	24,577	22,516
Other	97,642	102,115
Allowance for doubtful accounts	(1,484)	(2,542)
Total current assets	3,025,236	3,801,815
Non-current assets		
Property, plant and equipment		
Land	409,978	694,271
Other, net	315,192	409,803
Total property, plant and equipment	725,171	1,104,074
Intangible assets		
Leasehold interests in land	—	302,906
Goodwill	25,333	20,727
Software	98,813	95,570
Other	12,998	798
Total intangible assets	137,145	420,002
Investments and other assets	457,011	434,774
Total non-current assets	1,319,328	1,958,851
Total assets	4,344,564	5,760,667
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	88,250	78,241
Short-term borrowings	—	700,000
Accounts payable - other	467,434	420,861
Income taxes payable	87,095	412,805
Advance received	595,950	532,513
Provision for bonuses	—	12,258
Other	141,043	216,346
Total current liabilities	1,379,775	2,373,025
Non-current liabilities		
Asset retirement obligations	81,531	65,382
Total non-current liabilities	81,531	65,382
Total liabilities	1,461,307	2,438,408
<b>Net assets</b>		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	641,793	641,793
Retained earnings	2,129,879	2,553,470
Treasury shares	(689,856)	(677,066)
Total shareholders' equity	2,882,439	3,318,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	817	3,437
Total accumulated other comprehensive income	817	3,437
Total net assets	2,883,257	3,322,258
Total liabilities and net assets	4,344,564	5,760,667

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(For the six months ended March 31, 2021)

(Unit: thousand yen)

	Q2 FY19 (Oct. 1, 2019- Mar. 31, 2020)	Q2 FY20 (Oct. 1, 2020- Mar. 31, 2021)
Net sales	2,905,608	3,673,917
Cost of sales	832,047	847,996
Gross profit	2,073,560	2,825,920
Selling, general and administrative expenses	1,449,021	1,568,792
Operating profit	624,539	1,257,128
Non-operating income		
Interest income	32	255
Dividend income	176	71
Foreign exchange gains	77	213
Subsidies for employment adjustment	2,170	12,600
Subsidy income	—	3,216
Other	89	768
Total non-operating income	2,546	17,125
Non-operating expenses		
Interest expenses	—	437
Share of loss of entities accounted for using equity method	3,641	—
Total non-operating expenses	3,641	437
Ordinary profit	623,444	1,273,816
Extraordinary losses		
Loss on valuation of investment securities	—	50,859
Impairment losses	—	12,199
Total extraordinary losses	—	63,059
Profit before income taxes	623,444	1,210,757
Income taxes	202,476	387,458
Profit	420,967	823,299
Profit attributable to owners of parent	420,967	823,299

(Quarterly Consolidated Statements of Comprehensive Income)

(For the six months ended March 31, 2021)

(Unit: thousand yen)

	Q2 FY19 (Oct. 1, 2019- Mar. 31, 2020)	Q2 FY20 (Oct. 1, 2020- Mar. 31, 2021)
Profit	420,967	823,299
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,869)	2,619
Total other comprehensive income	(3,869)	2,619
Comprehensive income	417,098	825,919
(Comprehensive income attributable to)		
Profit attributable to owners of parent	417,098	825,919
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Q2 FY19 (Oct. 1, 2019- Mar. 31, 2020)	Q2 FY20 (Oct. 1, 2020- Mar. 31, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	623,444	1,210,757
Depreciation	54,475	46,763
Amortization of goodwill	4,606	4,606
Impairment loss	—	12,199
Loss (gain) on valuation of investment securities	—	50,859
Increase (decrease) in allowance for doubtful accounts	(298)	1,058
Interest and dividend income	(209)	(326)
Share of loss (profit) of entities accounted for using equity method	3,641	—
Foreign exchange losses (gains)	(77)	(213)
Decrease (increase) in trade receivables	177,809	(148,287)
Decrease (increase) in inventories	3,685	1,825
Increase (decrease) in trade payables	(74,025)	(10,009)
Other, net	(222,571)	(75,181)
Subtotal	570,481	1,094,052
Interest and dividends received	209	326
Interest paid	—	(437)
Income taxes paid	(416,117)	(20,188)
Net cash provided by (used in) operating activities	154,574	1,073,752
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(48,439)	(30,056)
Purchase of property, plant and equipment	(531,058)	(438,598)
Purchase of intangible assets	(16,269)	(302,906)
Proceeds from sale of shares of subsidiaries and associates	—	22,768
Payments of leasehold and guarantee deposits	(11,792)	(21,789)
Proceeds from refund of leasehold and guarantee deposits	9,252	3,165
Other, net	(4,704)	7,308
Net cash provided by (used in) investing activities	(603,012)	(760,109)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	—	700,000
Purchase of treasury shares	(3,089)	(702)
Proceeds from disposal of treasury shares	—	937
Dividends paid	(336,242)	(387,152)
Net cash provided by (used in) financing activities	(339,331)	313,081
Effect of exchange rate change on cash and cash equivalents	77	213
Net increase (decrease) in cash and cash equivalents	(787,692)	626,937
Cash and cash equivalents at beginning of period	3,292,208	2,219,868
Cash and cash equivalents at end of period	2,504,515	2,846,806



(4) Notes to Quarterly Consolidated Financial Statements

(Notes related to the Going Concern Assumption)

Not applicable

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

Not applicable

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

(Calculating Tax Expense)

With respect to the calculation of tax expenses, reasonable estimations are performed on an effective tax rate established after applying tax accounting to profit before income taxes for the consolidated fiscal year, which includes the first half of the consolidated fiscal year review, and such tax expenses are calculated by multiplying this estimated effective tax rate by profit before income taxes.

(Additional Information)

In assessing and evaluating the recoverability of fixed assets and deferred tax assets, we have made accounting estimates based on the assumption that the impact of the spread of the new coronavirus in the Group's training business will continue for a certain period in the fiscal year ending September 30, 2021, but that demand will recover in the second half of the fiscal year ending September 30, 2021. It is possible that results based on actual results in the future may differ from these estimates and assumptions.

(Segment Information)

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

(Significant subsequent events)

Not applicable