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November 9, 2021  
Insource Co., Ltd.

## FY20 Financial Results Briefing Q&A Session Summary

Date: November 9, 2021 (Tuesday) 15:00-16:00

Speakers: Takayuki Funahashi (Representative Director, President and CEO),  
Shigeo Fujimoto (Director, Executive Officer and CFO)

The following is a summary of the main questions and answers from the financial results briefing. Some parts of the content have been added or revised for easier understanding.

All answers were provided by Funahashi (CEO).

Question 1: What is the current status and future plans for ESG-related items?

Answer 1: First of all, on the environmental aspect, we have set up a CO2 reduction committee and are starting with a survey of our current CO2 emissions.

At the same time, we are considering how to reduce CO2 emissions in the work and how to raise higher awareness among entire employees.

We use a lot of paper for our training textbooks. In order to reduce CO2 emissions, we will give top priority to reducing paper consumption. (Please refer to page 45 of the financial statements.)

Regarding governance, we plan to add an outside director at the next general meeting.

In addition, we plan to establish a voluntary Nomination and Compensation Committee.

These matters are scheduled to be included in the Integrated Report to be released within this year.

Question 2: Please tell us about the composition ratio of online training and changes in customers' thinking about online training.

Answer 2: Even after the Corona pandemic, we expect that the online ratio will remain at about 40% for On-Site Training and about 60% for Open Seminars. This is because that online is more convenient and lower cost. It doesn't take the cost of venues, transportation and accommodation for customers. While online training is effective for skill acquisition, face-to-face training is more effective for different career levels such as new employee training and management training. People often make difference choice of face-to-face or online training depending on their own needs.

Question 3: There are many competitors in the Web marketing field. Please tell us about your growth strategy.

Answer 3: We believe that the web marketing business is worth entering because the market and prices are stable. We have developed our own website and utilized it to increase our sales and HR recruitment. We will continue to provide solution service for our customers especially for small and medium-sized companies based on our know-how in website creating and multiple media approaches. (Please refer to page 20 of the financial statements)

Question 4: In the three-year business plan, the rate of increase in sales seems insufficient compared to the rate of increase in SG&A expenses, especially personnel expenses.

Can we assume that the increase in expenses will help boost sales in FY22 and thereafter?

Please tell us about this from a medium-term perspective.

Answer 4: The operating profit margin for FY20 was 32.1%.

This is because we had to curb the recruiting of HR due to the impact of Coronavirus crisis.

We will resume the recruitment of HR from FY21, so SG&A expenses will be higher than FY20.

(Please refer to page 8 of the financial statements)

As for the rate of increase in sales, if we succeed in product development and segment-specific strategies in FY21 and FY22, we believe that these seeding investments will lead to sales increases.

Question 5: Your DX human resource development has been a success. What are the possibilities for the DX staffing business in the future?

Answer 5: We are putting the training of new and young DX personnel at the core of our business because it has cost advantages.

We will consider DX staffing business in the future.

Question 6: What are your thoughts on how to increase recruitment?

Answer 6: We do not care about gender, age, or educational background, but hire people with both logical ability and high spirit of challenge, based on our own assessment standard.

We are not limited to university graduates, but also consider hiring people with abilities and enthusiasm from a wide range of fields, including high school, technical college, vocational school, and graduate school. Considering the development of DX, having a young age is an advantage.

Question 7: Please tell us how to strengthen your sales to small and medium-sized companies.

Answer 7: We established a new sales force called Grow Business and Sales Development (Inside Sales) in FY21. We will strengthen our sales approach to the management levels and provide services from training proposals to corporate solutions.

(See page 19 of the Financial Statements).

Question8 : What are the prospects for recovery in the postponement of On-Site training in FY20, and what is the impact on sales?

Answer 8: Similar to FY20, we expect that demand will recover in three months beginning from October when the yearly training budgets of customers will be used up.

At present, inquiries are increased by 30% compared to last year, and we see as a sign of recovery.

The impact on sales has been factored into the financial forecast.

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