

Financial Results Briefing Q&A Session Summary

Date & Time: November 10, 2023 (Friday) 15:00-16:00 (JST)

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

The following is a summary of the main questions and answers at the financial results briefing. Some parts of the contents have been added or modified for better understanding.

All responses were made by CEO Funahashi in Japanese.

Q1: What are the specific details in regards to increasing sales per company, which is a priority in the Three-year Business Plan?

A1: The sales team has been divided into 19 teams in the Tokyo metropolitan area to eliminate overlapping responsibilities and increase the number of client visits.

In addition, we will enhance the consulting skills of each sales representative to address a wide range of management issues of our clients.

Currently, study sessions and training on breaking down customer requests and proposal preparation is being conducted mainly for young employees.

Q2: Please tell us about the feedback you have received from the "Leaf Corporate University" in the IT Services business.

Q2: Leaf Corporate University" provides a system that combines "visualization" of the characteristics and skills of existing human resources with "training" to bring them closer to the human resources needed by the organization.

In FY22, Leaf Corporate University" has been adopted by Yamanashi Prefecture, Nara Prefecture, and several other private companies.

The ability to analyze issues by department and to identify the actual skills needed is highly valued.

Leaf Corporate University is also used for training in our company.

Q3: What are your thoughts on Benesse Holdings, Inc.'s plans for the strengthening of career training?

A3: The market for career training consists of more than 2,000 small, medium, and micro enterprises, and each company shares the marketing costs to expand the market. Therefore, we believe that an increase in the number of new entrants who bear the marketing costs will invigorate the market, which in turn will lead to an increase in our sales, which we believe is a welcome development.

Q4: KPI (Key Performance Indicators) progress for October seems to be slow.

What are your prospects for the future?

A4: On-Site Training, which accounts for about half of sales, saw a 111% increase in the number of trainings conducted, but of these, sales tended to be relatively high, with sales from high-unit-price DX-related training growing 164%. On the other hand, Open Seminars, which account for about 25% of sales, were unable to increase the number of attendees due to the small number of dates held, as the emphasis was too much on profit. We have revised our training schedule and believe that the YoY increase in attendance will return in December or early in the new year.

Q5: What areas would you say Insource lacks if you were to describe Keyence Corporation as an ideal in terms of sales activities?

A5: We believe that we could not conduct "persistent" sales activities like Keyence. The incentive system that we introduced in the previous fiscal year did not lead to results. We will strive to strengthen our sales activities in a way that fits our company's culture. We will do what we can to strengthen our consulting capabilities.

(Reference) Notice: Release of Supplemental Financial Data for FY22

In order to promote an appropriate understanding of our group's business performance and financial position among our stakeholders, we have disclosed supplementary data on our financial results, including actual business performance and our Three-year Business Plan (rolling method) covering the three-year period from FY23 to FY25. These materials can be downloaded from the following URL on our website, and have been disclosed since the FY16. (URL: https://www.insource.co.jp/en/ir/ir_library.html)

Excerpts from the Materials

Operating Results (Unit: million yen)

Financial year	FY21	FY22	FY23 Forecast	FY24 Target	FY25 Target
Net sales	9,418	10,783	12,530	14,650	17,000
On-Site Training	4,665	5,275	6,210	7,300	8,500
Of which, DX-related training	428	574	-	-	-
Open Seminars	2,218	2,617	3,040	3,530	4,090
Of which, DX-related training	255	346	-	-	-
IT Services	1,197	1,304	1,630	1,870	2,130
Other Businesses	1,337	1,586	1,650	1,950	2,280
Gross profit margin	7,214	8,242	9,800	11,560	13,530
On-Site Training	2,963	4,148	5,020	5,980	7,030
Open Seminars	1,709	2,029	2,400	2,805	3,260
IT Services	948	1,030	1,320	1,530	1,765
Other Businesses	865	1,032	1,030	1,245	1,475
SG&A expenses	3,846	4,300	5,210	6,040	7,030
Total personnel expenses	3,107	3,445	4,190	-	-
Office-related expenses	162	170	175	-	-
Office & communication expenses	181	194	210	-	-
Other expenses	395	491	635	-	-
EBITDA	3,476	4,063	4,716	-	-
Operating profit	3,367	3,941	4,590	5,520	6,500
Ordinary profit	3,346	3,937	4,585	5,515	6,495
Profit attributable to owners of parent	2,233	2,676	3,105	3,735	4,400

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