

Insource Co., Ltd.

2Q FY23 Consolidated Cumulative Financial Results (October 1, 2023 to March 31, 2024)

Tuesday, May 7, 2024

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1H FY23 Consolidated Results (Oct. 2023- Mar. 2024)

- The results are as below,

Net Sales	6,018 million yen	(+15.6% YoY)
Gross profit	4,661 million yen	(+17.0% YoY)
Gross profit margin	77.4%	(+0.8pt YoY)
Operating profit	2,400 million yen	(+24.4% YoY)
Operating profit margin	39.9%	(+2.8pt YoY)
- Net sales and operating profit reached record high and profits exceeded plan in 1H FY23.
- For the half-year plan, there is a progress of 100.8% in net sales, 112.2% in operating profit, and 120.4 % in net profit.
- For the full-year plan, there is a progress of 48.0% in net sales, 52.3% in operating profit, and 56.4% in net profit.

2Q FY23 Consolidated Results and Results by business (Jan.- Mar. 2024)

- Net sales increased to 3,148 million yen (+20.3% YoY), recovering 20% YoY growth for the first time in five quarters.
- Gross profit was 2,436 million yen (+20.2% YoY), gross profit margin was 77.4% (-0.0pt YoY), operating profit was 1,339 million yen (+29.2% YoY), operating profit margin was 42.5% (+2.9pt YoY).
- On-Site Training: Net sales: 1,149 million yen, +14.0% YoY, progress: 43.8%
 Number of DX-related training and management training for executives increased at Medium Market (MM) companies.
- Open Seminars: Net sales: 642 million yen, +16.2% YoY, progress: 44.0%
 The number of trainings conducted increased due to a review of the programs and the number of trainings scheduled, maintaining the number of attendees per training.
- IT Services : Net sales: 757 million yen, +45.0% YoY, progress: 64.0%
 Leaf's active users increased to 3.21 million, and customization sales increased significantly due to the completion of large projects for public sector.
- Other Businesses : Net Sales: 598 million yen, +12.3% YoY, progress: 55.5%
 Price changes implemented for e-Learning/videos, and the number of titles sold increased especially for new programs.

Chap. 01

1H FY23 Consolidated Financial Results



Consolidated Profit & Loss Statement 1 - Overview



Unit: million yen

	2Q FY22 (Actual)	2Q FY23 (Actual)	YoY		1H FY22 (Actual)	1H FY23 (Actual)	YoY		1H FY23 (Forecast)	FY23 (Forecast)	Progress	Comments
Net sales	2,617	3,148	+530	+20.3%	5,204	6,018	+814	+15.6%	5,970	12,530	48.0%	【Net sales】 •2Q sales recovered to 20% YoY growth for the first time in five quarters and reached a record high. Also achieved a record high for 1H sales. 【Gross Profit】 •Gross profit increased with 2Q sales growth, reaching a record high for both 2Q and 1H. 【SG&A expenses】 •SG&A expenses were below plan in both 2Q and 1H. •Total personnel expenses increased only 8.2% YoY in 1H due to lower-than-planned 1H workforce. •Other expenses increased due to higher travel expenses for increasing face-to-face sales activities and direct marketing expenses. 【Operating Profit】 •Operating profit in 2Q and 1H exceeded the plan and reached a record high.
Gross profit	2,026	2,436	+410	+20.2%	3,984	4,661	+676	+17.0%	4,680	9,800	47.6%	
Gross profit margin	77.4%	77.4%	▲0.0pt	-	76.6%	77.4%	+0.8pt	-	78.4%	78.2%	-	
SG&A expenses	989	1,097	+107	+10.9%	2,054	2,260	+206	+10.0%	2,540	5,210	43.4%	
SG&A ratio	37.8%	34.9%	▲2.9pt	-	39.5%	37.6%	▲1.9pt	-	42.5%	41.6%	-	
Total personnel expenses *1	784	860	+75	+9.7%	1,653	1,789	+135	+8.2%	-	4,190	42.7%	
Office-related expenses*2	47	36	▲10	▲22.0%	85	72	▲13	▲15.9%	-	175	41.3%	
Office & communication expenses	46	47	+0	+1.2%	88	101	+13	+14.9%	-	210	48.2%	
Other expenses	111	153	+41	+37.0%	226	297	+71	+31.4%	-	635	46.9%	
EBITDA	1,070	1,367	+296	+27.7%	1,988	2,454	+465	+23.4%	-	4,716	52.0%	
EBITDA margin	40.9%	43.4%	+2.5pt	-	38.2%	40.8%	+2.5pt	-	-	37.6%	-	
Operating profit	1,036	1,339	+302	+29.2%	1,930	2,400	+470	+24.4%	2,140	4,590	52.3%	
Operating profit margin	39.6%	42.5%	+2.9pt	-	37.1%	39.9%	+2.8pt	-	35.8%	36.6%	-	
Ordinary profit	1,034	1,341	+307	+29.7%	1,925	2,403	+478	+24.8%	2,145	4,585	52.4%	
Net profit	707	1,025	+317	+44.9%	1,318	1,752	+433	+32.9%	1,455	3,105	56.4%	

*1 "Personnel expenses", "wages, recruitment, training, and benefit expenses", "Outsourcing Expenses", and "Restricted Transfer of Shares (Restricted Stock)" are collectively referred to as "Total personnel expenses". RS for 1H FY23 was 62 million (+2.2% YoY).

*2 "Office-related expenses" includes "rent expenses," "fixed assets tax on company buildings," "real estate acquisition tax," and "depreciation related to tangible fixed assets."

Consolidated Profit & Loss Statement 2

- Net Sales and Gross Profit By Business



Unit: million yen

		2Q FY22 (Actual)	2Q FY23 (Actual)	YoY		1H FY22 (Actual)	1H FY23 (Actual)	YoY		FY23 (Forecast)	Progress	Comments	
On-Site Training	Net sales	1,008	1,149	+140	+14.0%	2,406	2,721	+314	+13.1%	6,210	43.8%	【Net Sales】 • In 2Q, DX-related training and management training for executives increased at Medium Market (MM) companies.	
	Gross Profit	808	915	+106	+13.2%	1,912	2,177	+264	+13.9%	5,020	43.4%		
1H Composit ion ratio	Gross profit margin	80.2%	79.7%	▲0.5pt	-	79.5%	80.0%	+0.5pt	-	80.8%	-	• Average unit price increased due to increase in DX training.	
45.2% (FY22 46.2%)	Monthly Disclosure	Number of trainings conducted Unit: times	3,496	3,840	+344	+9.8%	8,599	9,407	+808	+9.4%	-	-	【Gross Profit】 • Gross profit margin remained at the same level as the previous year.
		Of which, online ratio	33.6%	24.6%	▲9.0pt	-	34.5%	25.5%	▲9.0pt	-	-	-	
		Of which, DX-related training	218	320	+102	+46.8%	544	752	+208	+38.2%	-	-	
		Average unit price Unit: Thousand yen	288.5	299.3	+10.8	+3.8%	279.8	289.2	+9.4	+3.4%	-	-	
Open Seminars	Net sales	553	642	+89	+16.2%	1,184	1,338	+154	+13.0%	3,040	44.0%	【Net Sales】 • In 2Q, number of attendees for OA-related, ChatGPT, and other DX and reskilling-related training programs increased.	
	Gross profit	401	484	+82	+20.6%	892	1,041	+148	+16.7%	2,400	43.4%		
1H Composit ion ratio	Gross profit margin	72.6%	75.4%	+2.7pt	-	75.4%	77.8%	+2.4pt	-	78.9%	-	【Gross profit】 • In 2Q, the number of trainings held increased 11.4% YoY due to a review of the programs and number of trainings scheduled, maintaining the number of attendees per training, which contributed to sales increase and profitability improvement.	
22.2% (FY22 22.8%)	Monthly Disclosure	No. of attendees	25,818	29,366	+3,548	+13.7%	55,772	62,273	+6,501	+11.7%	-		-
		Of which, online ratio	83.3%	74.4%	▲8.9pt	-	82.3%	72.3%	▲10.0pt	-	-		-
		Of which, DX training attendees	2,909	3,985	+1,076	+37.0%	6,122	8,133	+2,011	+32.8%	-		-
	No. of trainings conducted Unit: times	2,707	3,016	+309	+11.4%	5,344	5,725	+381	+7.1%	-	-		
	No. of attendees	9.5	9.7	+0.2	+2.1%	10.4	10.9	+0.4	+4.2%	-	-		
	Average unit price Unit: Thousand yen	21.4	21.8	+0.4	+2.1%	21.2	21.5	+0.2	+1.2%	-	-		

* Gross profit by business has not been audited by Ernst & Young ShinNihon LLC.

Consolidated Profit & Loss Statement 2

- Net Sales and Gross Profit By Business



Unit: million yen

		2Q FY22 (Actual)	2Q FY23 (Actual)	YoY		1H FY22 (Actual)	1H FY23 (Actual)	YoY		FY23 (Forecast)	Progress	Comments	
IT Services	Net sales	522	757	+234	+45.0%	736	1,043	+307	+41.7%	1,630	64.0%	[Net Sales] • 1H sales increased 41.7% YoY. This was due to an increase in the number of organizations in public sector and the completion of large projects for the MEXT and MHLW*3.	
	Gross profit	428	611	+183	+42.9%	576	819	+243	+42.2%	1,320	62.1%		
1H Compositi on ratio 17.3% (FY22 14.1%)	Gross profit margin	82.0%	80.8%	▲1.1pt	-	78.2%	78.5%	+0.2pt	-	81.0%	-	• No. of active users for Leaf series expanded to 3.21 million, resulting in annual recurring revenue (ARR *2) of 869 million yen (+29.3% YoY). [Gross Profit] • 1H sales increased 42.2% YoY due to increase in customization sales.	
	Leaf recurring (Monthly rev.)	168	218	+49	+29.7%	330	429	+99	+29.9%	-	-		
	Leaf customization sales	194	385	+190	+98.3%	216	412	+195	+90.5%	-	-		
	Stress check	160	154	▲5	▲3.7%	189	201	+12	+6.4%	-	-		
	Monthly Disclosure	Leaf paid subscribers (organization)	588	676	+88	+15.0%	588	676	+88	+15.0%	-		-
	Leaf active users (thou.)	2,552	3,216	+664	+26.0%	2,552	3,216	+664	+26.0%	-	-		
Other Businesses	Net sales	533	598	+65	+12.3%	877	915	+38	+4.3%	1,650	55.5%	[Net Sales] • In 2Q, e-Learning/video sales grew, contributing to 1H sales growth, due to price increase implemented mainly for new products and increase in unit sales.	
	Gross profit	388	424	+36	+9.5%	603	623	+20	+3.3%	1,030	60.5%		
1H Compositi on ratio 15.2% (FY22 16.9%)	Gross profit margin	72.8%	71.0%	▲1.8pt	-	68.8%	68.1%	▲0.6pt	-	62.4%	-	• Video production solutions increased in customized video production, which is highly profitable, mainly for large companies. • Regional Revitalization Service saw growth in the fields of tourism promotion and entrepreneurship education, in addition to support for small and medium-sized companies. [Gross Profit] • 1H gross profit increased 3.3% YoY, gross profit margin decreased 0.6 pt.	
	Video sales	198	248	+49	+25.0%	318	344	+26	+8.3%	-	-		
	Video rental	10	9	▲0	▲6.6%	22	18	▲4	▲18.5%	-	-		
	Video Production	21	33	+11	+54.2%	25	53	+27	+106.7%	-	-		
	Video monthly subscription (STUDIO)	35	41	+6	+17.1%	74	81	+6	+8.7%	-	-		
	Consulting/ Assessment Service	35	50	+14	+41.8%	58	85	+26	+45.0%	-	-		
	Online Seminar Support Service	54	56	+1	+2.8%	100	107	+7	+7.6%	-	-		
	Regional Revitalization Service	47	68	+20	+43.6%	49	81	+32	+64.3%	-	-		
Web Marketing	56	49	▲6	▲12.4	95	95	▲0	▲0.7%	-	-			

*1 Gross profit by business has not been audited by Ernst & Young ShinNihon LLC.

*2 ARR: Annual Recurring Revenue. Calculated by multiplying monthly ordinary revenues for each period end month by 12 times.

*3 Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare

Consolidated Balance Sheets

Unit: million yen

	End of FY22 (Actual)	End of 1H FY23 (Actual)	YoY		Comments
Current assets	5,135	5,362	+226	+4.4%	▪ Increase in current assets due to increase in accounts receivable.
Of which, cash and deposits	3,515	3,469	▲46	▲1.3%	
Fixed assets	5,659	5,691	+31	+0.6%	
Total assets	10,795	11,053	+258	+2.4%	
Current liability	2,822	2,720	▲101	▲3.6%	▪ Advances received increased by 107 million yen from 644 million yen at the end of 1H FY22, despite a decrease from the end of previous quarter.
Advances received*	850	751	▲98	▲11.6%	
Fixed liability	43	40	▲2	▲5.7%	▪ The increase in net assets was due to an increase in retained earnings.
Net assets	7,929	8,292	+362	+4.6%	
Liabilities and net assets	10,795	11,053	+258	+2.4%	

※ Advances received are the unused amount of HR smart packs that can be used for services such as Open Seminars and video/e-Learning.

■ Sales reforms since January 2023 achieved results in 1H FY23 - Factors behind 120% YoY growth in 1H

- Improved sales productivity

- Increased proposed amount and amount of orders received due to reform of sales strategies by segment.

- a. Strengthen sales by segment (Oct. 2023) Set sales targets by segment and increased content-lineups.
- b. Increased sales visits (Jan. 2023) Sales teams in Tokyo area were divided into smaller teams (Jan. 2023), and the number of sales visits increased significantly.
Newly opened offices in Shinjuku (Dec. 2023), Chiba (Feb. 2024), Tachikawa (Mar. 2024).
- c. Strengthened large-scale proposals (Oct. 2023) Strengthened large-scale proposal activities, mainly for Large Enterprise (LE) and Medium Market (MM) clients, shifting from expanding the number of clients, and the proposed amount increased.
- d. Strengthened digital sales (Aug., 2023) Changed the web design of primary pages and strengthened direct marketing which resulted in a 20.1% YoY increase in the number of inquiries in 2Q and contributed to sales such as video/e-Learning.
- e. Increased the no. of Open Seminars held (Oct., 2023) Increased face-to-face training which led to 16.2% YoY sales growth in 1H.

- Strengthened sales structure by service - Changed to a more focused strategy

- a. IT Services Strengthened proposals to central and local governments (Jun., 2023), 2Q sales increased 45.0% YoY.
- b. Consulting ICO (Insource Consulting) was established (Oct., 2023) to start consulting business.
- c. Content development ICS (Insource Creative Solutions) was established (Oct., 2023) to streamline content development.

- Established agent sales structure (contribution to business performance is expected from 3Q FY23)

- Formed alliance with Plus Alpha Consulting Co., Ltd. (Nov., 2023) and Kiraboshi Consulting Co., Ltd. (Feb., 2024).

Expansion of sales per company by customer segment



Unit: companies

		Target per company	1H FY22 Results	1H FY23 Results	YoY	Target no. of companies	Achievement rate toward target	Key Sales Themes	
Private sector	LE Large Enterprise businesses	Large corporations (5,000 employees or more)	10,000 thou. yen or more	26	28	+7.7%	90	31.1%	<ul style="list-style-type: none"> Company-wide system proposals with a consulting perspective, On-Site Training for each level, Leaf series Human capital management (DX, advancement of women, leaders training, system provision) Reskilling, career support, health management
		Second-tier companies (1,000 to 4,999 employees)							
	MM Medium Market Business	Medium-sized companies (300 to 999 employees)	5,000 thou. yen or more	12	18	+50.0%	70	25.7%	<ul style="list-style-type: none"> Responding to labor shortages (recruiting support, staffing, and preventing employee turnover) Low-cost DX promotion packaged programs Raising Generation Z (people who were born in the late 1990s and early 2000s) Executive and management development
SMB Small Medium Business	Medium-sized companies (100 to 299 employees)	1,000 thou. yen or more	314	346	+10.2%	890	38.9%	<ul style="list-style-type: none"> Open Seminars, training for next generation leaders and senior managers by using the HR smart packs Raising Generation Z (people who were born in the late 1990s and early 2000s) Support for solving management issues (IR, listing, sales improvement, recruitment support, etc.) 	
	Small and growing companies (<99 employees)								
Total		All segments	100 thou. yen or more	3,986	4,611	+15.7%	7,200	64.0%	<ul style="list-style-type: none"> Promotion of WEBinsource use Continued participation in Open Seminars Conduct tiered and large-scale proposals based on customer needs multiple times Strengthen direct marketing
Public Sector		All segments	100 thou. yen or more	1,639	1,814	+10.7%	2,700	67.2%	<ul style="list-style-type: none"> Expand sales of "Leaf LGWAN Learning", a dedicated e-Learning system for local governments Stress Check Regional co-creation consulting (SME support, tourism promotion, entrepreneurship education)

■ The number of inquiries increased 20.1% YoY due to redesign of primary pages and strengthened direct marketing activities.

	FY22 (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	1H FY23 (Progress rate)	FY23 (Target)	
Monthly Disclosure	No. of new contents for On-Site Training (cumulative)	362 (4,156)	91 (4,247)	96	187 (51.9%)	360 (4,516)
	No. of new contents for Open Seminars (cumulative)	307 (3,937)	267 (4,204)	67	334 (167.0%)	200 (4,137)
	No. of new contents for e-Learning/videos (cumulative)	210 (754)	59 (813)	64	123 (49.2%)	250 (1,004)
	No. of redesigns of the primary page *1	-	133	4,153	4,286 (85.7%)	5,000
Monthly Disclosure	No. of inquiries *2,3	5,086	1,409	1,598	3,007 (50.1%) (+20.1% YoY)	6,000
	No. of new contracts of WEBinsource *4 (Cumulative no. of organizations)	2,975 (21,644)	620 (22,264)	779	1,399 (58.3%) (▲3.9% YoY)	2,400 (24,044)
	Number of newly contracted trainers *5 Unit: People (No. of contracted trainers)	62 (377)	18 (395)	11	29 (Increase progress 72.5%)	40 (417)
	Of which, No. of DX trainers *5 Unit: People (No. of contracted trainers)	17 (84)	11 (95)	7	18 (Increase progress 72.0%)	25 (107)

※1 Number of changes made to the display format of internal links in the main column to increase number of pages viewed per user.

※2 Calculation method has been changed from 1Q FY23 financial results ※3 Each inquiry resulted in an increase in revenue of 277 thousand yen (actual results for FY22)

※4 Each WEBinsource acquisition had the effect of increasing revenues by 139 thousand yen in the Open Seminars Business (actual results for FY22)

※5 Number of trainers and DX trainers are as of the end of each quarter of the fiscal year.

Major News of 2Q FY23 (As of May 2, 2024)

■ Expanded local offices and sales tie-ups, strengthened sales of Leaf for local governments and public sector.

	The news	Business Fields
January	Converting electricity used at four company-owned buildings to renewable energy - Estimated annual reduction of approximately 55% of CO2 (based on actual results for FY22)	Sustainability
	Changed prices of 200 video/e-Learning products (effective Jan. 26, 2024)	Video/e-Learning
February	Formed business alliance with Kiraboshi Consulting Co., Ltd - Sell Open Seminars, videos/e-Learning, and various services for management support.	Open Seminars
	Opened Chiba Office (Started business from Feb. 15)	Strengthen community-based sales
	Launch of "Video Rental Plan" - Major renewal of existing service content, with the additional functions of viewing period selection and viewing management	Video/e-Learning
March	Developed four "Data Literacy Fostering Series" training programs	Content development
	Launched "DX Realization Consulting" - Service provides third opinion on system development for medium-sized and growing companies	Consulting, DX
	Opened Tachikawa (Tokyo) Office (Started business from Mar. 18)	Strengthen community-based sales
	Contract for "Fukuoka Prefectural Officials Training Services" ended	Training management for local governments
April	Training operations as a contractor for the Training Program Services for Local Government Training Center in Fukui Prefecture started	Training management for local governments
	"Plant," an education and training platform for teachers and staff commissioned by the Ministry of Education, Culture, Sports, Science and Technology, began operations - Provide LMS used by 900,000 teachers and staff nationwide	IT Services
	"Japanese Nursing Association On-Demand Training Delivery System" Begins Operation, Commissioned by the Japan Nursing Association - Providing LMS to support the learning of 150,000 nursing professionals nationwide	IT Services
	Selected as a candidate for consignment of "Training Services for Nara Prefectural Officials"	Training management for local governments
	Opened Minato Mirai (Kanagawa prefecture) Office (Started business from Apr. 15)	Strengthen community-based sales

■ Strengthening content development of digital skills, for managers, and for local co-creation business owners.

Rank	1Q FY23		2Q FY23	
1	Digital skills	24	Digital skills	44
2	Business skills	21	For managers	24
3	Sales/Marketing	9	Business skills	12
4	For new employees, younger employees	8	Sales/Marketing	3
5	For managers	7	Risk Management and Compliance	3
6	Health and Productivity Management	5	Local co-creation business	3

■ Continued to expand digital skills areas
【for LE and MM】

- Case Study on Preventing Failures in System
- Python Academy - Using Information from Internal Systems to Create Efficient Documentation
- Customer Data Analysis Training - Creating a recommendation engine using Python
- Understanding API Training - Developing Applications Efficiently
- Introductory Training in Data Science for Business Knowledge

【for all segments – ChatGPT related】

- DX Training for Customer Relations - Developing AI Chatbots with ChatGPT

■ Focus on developing training programs for public sector and local governments, and aim to acquire them in 2H.

Segment	Development Policies
LE/MM	Consulting to support philosophy penetration, diversity promotion. Strengthen the lineup of training programs by level, including next-generation leaders and senior managers.
SMB	Strengthen the lineup of Open Seminars programs for different levels of employees.
Public sector and local governments	Renew current content with a focus on policy formation, business improvement, and OA skills themes. Strengthen content for local co-creation consulting, including support for small and medium-sized enterprises and tourism promotion.

Chap. 02

2Q FY23 Performance by Business



Consolidated Profit & Loss Statement - Overview

Unit: million yen

	2Q FY22 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	YoY	
Net sales	2,617	2,694	2,884	2,870	3,148	+530	+20.3%
(YoY)	(+12.9%)	(+14.1%)	(+13.3%)	(+11.0%)	(+20.3%)		
(QoQ)	(+30)	(+77)	(+189)	(▲14)	(+277)		
Gross profit	2,026	2,021	2,236	2,224	2,436	+410	+20.2%
(YoY)	(+11.4%)	(+14.5%)	(+14.7%)	(+13.6%)	(+20.2%)		
(QoQ)	(+68)	(▲5)	(+215)	(▲11)	(+212)		
(Gross profit margin)	(77.4%)	(75.0%)	(77.5%)	(77.5%)	(77.4%)	(▲0.0pt)	
Operating profit	1,036	877	1,133	1,061	1,339	+302	+29.2%
(YoY)	(+15.3%)	(+15.0%)	(+21.9%)	(+18.8%)	(+29.2%)		
(QoQ)	(+143)	(▲159)	(+255)	(▲72)	(+278)		
(Operating profit margin)	(39.6%)	(32.6%)	(39.3%)	(37.0%)	(42.5%)	(+2.9pt)	
Ordinary profit	1,034	878	1,133	1,061	1,341	+307	+29.7%
(YoY)	(+15.8%)	(+16.3%)	(+21.6%)	(+19.2%)	(+29.7%)		
(QoQ)	(+143)	(▲155)	(+254)	(▲71)	(+279)		
Net Profit	707	584	772	726	1,025	+317	+44.9%
(YoY)	(+15.4%)	(+13.0%)	(+33.3%)	(+19.0%)	(+44.9%)		
(QoQ)	(+97)	(▲122)	(+188)	(▲46)	(+298)		

On-Site Training

Unit: million yen

	2Q FY22 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	YoY	
Net sales	1,008	1,461	1,406	1,571	1,149	+140	+14.0%
(YoY)	(+15.3%)	(+14.2%)	(+11.5%)	(+12.4%)	(+14.0%)		
(QoQ)	(▲389)	(+453)	(▲55)	(+165)	(▲422)		
Gross profit	808	1,142	1,093	1,262	915	+106	+13.2%
(YoY)	(+15.7%)	(+13.6%)	(+9.8%)	(+14.3%)	(+13.2%)		
(QoQ)	(▲294)	(+333)	(▲49)	(+168)	(▲346)		
(Gross profit margin)	(80.2%)	(78.2%)	(77.7%)	(80.3%)	(79.7%)	(▲0.5pt)	
Number of trainings conducted	3,496	5,220	5,039	5,567	3,840	+344	+9.8%
(YoY)	(+17.2%)	(+13.1%)	(+11.3%)	(+9.1%)	(+9.8%)		
(QoQ)	(▲1,607)	(+1,724)	(▲181)	(+528)	(▲1,727)		
Of which, online training	1,173	921	1,313	1,456	943	▲230	▲19.6%
(Composition ratio)	(33.6%)	(17.6%)	(26.1%)	(26.2%)	(24.6%)	(▲9.0pt)	
Average unit price Unit: Thousand yen	288.5	280.1	279.2	282.3	299.3	+10.8	+3.8%
(YoY)	(▲1.6%)	(+1.0%)	(+0.2%)	(+3.1%)	(+3.8%)		
(QoQ)	(+14.5)	(▲8.4)	(▲0.9)	(+3.2)	(+17.0)		

※ Gross profit by business has not been audited by Ernst & Young ShinNihon LLC

Open Seminars

Unit: million yen

	2Q FY22 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	YoY	
Net sales	553	709	724	696	642	+89	+16.2%
(YoY)	(+15.9%)	(+16.1%)	(+16.2%)	(+10.3%)	(+16.2%)		
(QoQ)	(▲78)	(+156)	(+15)	(▲28)	(▲53)		
Gross profit	401	548	588	557	484	+82	+20.6%
(YoY)	(+10.7%)	(+17.3%)	(+20.9%)	(+13.4%)	(+20.6%)		
(QoQ)	(▲89)	(+147)	(+39)	(▲31)	(▲72)		
(Gross profit margin)	(72.6%)	(77.4%)	(81.3%)	(80.0%)	(75.4%)	(+2.7pt)	
Number of attendees Unit: people	25,818	31,008	33,550	32,907	29,366	+3,548	+13.7%
(YoY)	(+16.3%)	(+16.7%)	(+16.8%)	(+9.9%)	(+13.7%)		
(QoQ)	(▲4,136)	(+5,190)	(+2,542)	(▲643)	(▲345)		
Of which, online training (Composition ratio)	21,496 (83.3%)	19,850 (64.0%)	24,230 (72.2%)	23,178 (70.4%)	21,837 (74.4%)	+341 (▲8.9pt)	+1.6%
No. of trainings conducted	2,707	2,644	2,530	2,709	3,016	+309	+11.4%
(YoY)	(+52.9%)	(+25.4%)	(+2.6%)	(+2.7%)	(+11.4%)		
(QoQ)	(+70)	(▲63)	(▲114)	(+179)	(+307)		
No. of attendees per training	9.5	11.7	13.3	12.1	9.7	+0.2	+2.1%
(YoY)	(▲24.0%)	(▲6.9%)	(+13.8%)	(+6.9%)	(+2.1%)		
(QoQ)	(▲1.9)	(+2.1)	(+1.6)	(▲1.1)	(▲2.4)		
Average unit price per training Unit: thousand yen	21.4	22.8	21.5	21.1	21.8	+0.4	+2.1%
(YoY)	(▲0.3%)	(▲0.5%)	(▲0.6%)	(+0.4%)	(+2.1%)		
(QoQ)	(+0.1)	(+1.4)	(▲1.3)	(▲0.4)	(+0.7)		

※ Gross profit by business has not been audited by Ernst & Young ShinNihon LLC

Unit: million yen

	2Q FY22 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	YoY
Net sales	522	240	327	286	757	+234 +45.0%
(YoY)	(+8.1%)	(+22.4%)	(+4.1%)	(+33.8%)	(+45.0%)	
(QoQ)	(+308)	(▲282)	(+87)	(▲41)	(+471)	
<Breakdown>						
Leaf recurring (Monthly revenue)	168	175	193	211	218	+49 +29.7%
(YoY)	(+18.8%)	(+21.1%)	(+22.9%)	(+30.3%)	(+29.7%)	
(QoQ)	(+5)	(+7)	(+17)	(+18)	(+6)	
Sales per month ※1	56	59	67	73	72	+16 +29.3%
Average unit price /Organization (Unit: thou. yen)	98.1	97.1	102.8	107.7	108.4	+10.4 +10.6%
Leaf customization sales	194	61	106	27	385	+190 +98.3%
Stress check	160	2	27	46	154	▲5 ▲3.7%
Gross profit ※2	428	187	266	207	611	+183 +42.9%
(YoY)	(+7.3%)	(+31.3%)	(+3.1%)	(+40.3%)	(+42.9%)	
(QoQ)	(+280)	(▲240)	(+79)	(▲59)	(+404)	
(Gross profit margin)	(82.0%)	(78.1%)	(81.5%)	(72.5%)	(80.8%)	(▲1.1pt)

※1 Monthly charges for the last month of each quarter are shown.

※2 Gross profit by business has not been audited by Ernst & Young ShinNihon LLC

IT Services KPI

	2Q FY22 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	YoY	
<Monthly Subscription Model> (Unit: organization)							
Leaf paid subscribers	588	612	638	662	676	+88	+15.0%
(YoY)	(+25.1%)	(+22.9%)	(+22.2%)	(+20.1%)	(+15.0%)		
(QoQ)	(+37)	(+24)	(+26)	(+24)	(+14)		
Leaf Active Users (Unit: thousand people)	2,552	2,722	2,895	3,060	3,216	+664	+26.0%
(YoY)	(+32.1%)	(+33.4%)	(+37.1%)	(+25.5%)	(+26.0%)		
(QoQ)	(+113)	(+169)	(+173)	(+164)	(+156)		
On-the-web appraisal form services	184	190	201	206	215	+31	+16.8%
(YoY)	(+21.9%)	(+22.6%)	(+21.8%)	(+22.6%)	(+16.8%)		
(QoQ)	(+16)	(+6)	(+11)	(+5)	(+9)		
<Services based on Individual Contract>							
Leaf No. of Customization	54	19	38	15	39	▲15	▲27.8%
(YoY)	(▲28.0%)	(+5.6%)	(▲26.9%)	(+36.4%)	(▲27.8%)		
(QoQ)	(+43)	(▲35)	(+19)	(▲23)	(+24)		
No. of Stress Check Support Service	326	13	65	137	341	+15	+4.6%
(YoY)	(+17.3%)	(▲27.8%)	(▲7.1%)	(+50.5%)	(+4.6%)		
(QoQ)	(+235)	(▲313)	(+52)	(+72)	(+204)		

Other Businesses (Rising Next)

Unit: million yen

	2Q FY22 (Actual)	3Q (Actual)	4Q (Actual)	1Q FY23 (Actual)	2Q FY23 (Actual)	YoY	
Net sales	533	283	426	316	598	+65	+12.3%
(YoY)	(+10.5%)	(+2.8%)	(+23.3%)	(▲8.0%)	(+12.3%)		
(QoQ)	(+189)	(▲249)	(+142)	(▲109)	(+282)		
Gross profit *	388	142	287	198	424	+36	+9.5%
(YoY)	(+8.2%)	(▲4.3%)	(+37.4%)	(▲7.9%)	(+9.5%)		
(QoQ)	(+172)	(▲245)	(+145)	(▲89)	(+226)		
(Gross profit margin)	(72.8%)	(50.1%)	(67.5%)	(62.6%)	(71.0%)	(▲1.8pt)	

<Breakdown>

Video sales (Outright Purchase)	Net sales	198	69	84	96	248	+49	+25.0%
	No. of Videos	887	327	345	447	1,084	+197	+22.2%
Video rental	Net sales	10	6	9	8	9	▲0	▲6.6%
	No. of Viewers	3,493	3,066	3,542	3,910	3,965	+472	+13.5%
Video production	Net sales	21	14	21	19	33	+11	+54.2%
	No. of Contents	23	15	23	40	47	+24	+104.3%
Video monthly subscription (STUDIO)	Net sales	35	41	37	39	41	+6	+17.1%
	No. of User IDs (Unit : thou. IDs)	79	82	85	86	88	+9	+12.0%
Consulting/ Assessment Service	Net sales	35	26	50	35	50	+14	+41.8%
	No. of Organizations	70	54	81	88	99	+29	+41.4%
Online Seminar Support Service	Net sales	54	45	58	51	56	+1	+2.8%
	No. of Organizations	86	34	68	75	68	▲18	▲21.9%
Regional Revitalization Service	Net sales	47	2	99	13	68	+20	+43.6%
	No. of Projects	12	6	15	10	25	+13	+108.3%
Web Marketing	Net sales	56	70	55	46	49	▲6	▲12.4%

* Gross profit by business has not been audited by Ernst & Young ShinNihon LLC.

<Appendix 1> Company Profile & Insource's Advantages



Company Profile

Company name Insource Co., Ltd. (Code number: 6200)
Tokyo Headquarters Insource Dokanyama Bldg. 4-19-12 Nishi Nippori, Arakawa-ku, Tokyo
Capital 800,623 thousand yen
Foundation November 2002
Profile Takayuki Funahashi, Representative Director, President and CEO



Joined Sanwa Bank (now Mitsubishi UFJ Bank) in 1988. Had been in charge of the systems development department (management accounting, sales, marketing) and the personal finance department (new product development). After working in a distribution industry, established Insource Co., Ltd. and became its representative director.

Affiliated Companies

Mitemo Co., Ltd

- Regional Revitalization Business,
- Workshops/ Consulting, e-Learning
- Production of Training Materials

Rashiku Corporation

- Recruitment Support Business

Insource Digital Academy Corporation

- Training Business of HR with Digital Skills
(AI/ Support for Machine Learning Applications, Support for Utilizing RPA, Improving OA/IT Skills and Business Skills)

Insource Marketing Design Corporation

- Website Promotion, Web page Creation, System Development

Insource Business Rep Corporation

- Support Service for Training Management

Insource Consulting Corporation (since October, 2023)

- HR strategy, Consulting, Professional development

Insource Creative Solutions Corporation (since October, 2023)

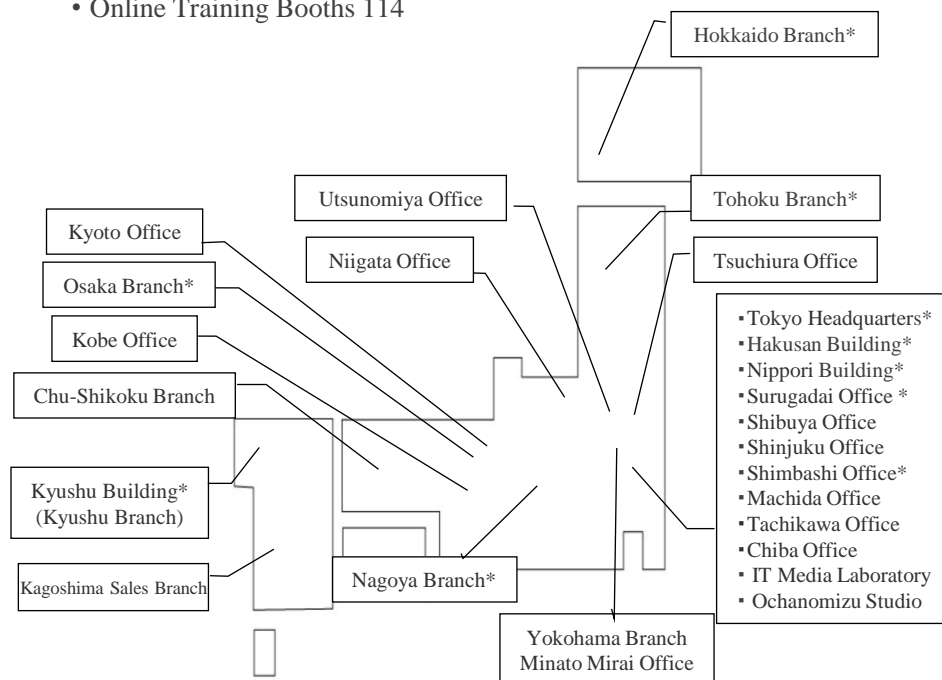
- Training content and video production, website production, consulting

Business Locations : 26

- Seminar Rooms 46 in 6 cities
- Online Training Booths 114

* As of the end of April, 2024

* Branches with Seminar Rooms



- High quality services both face-to-face and online training make it possible to practice what you learned the very next day.
- Digitalization of the operation process for training management allows us to provide more training programs with better quality and high frequency.
- High level of client satisfaction with ... Contents **95.9 %** / Trainers **93.9%** * As of the end of Mar., 2024

On-Site Training

Sales ratio: 1H FY23 45.2%
FY22 48.9%

- Offer On-Site Trainings tailored to organizations' needs

Separate and digitalize the roles of trainers and content-creators

Trainers 406 ↔ Sales reps 254 ↔ Content Creators 129

*As of the end of Mar., 2024

Annual total no. of trainings conducted/attendees
19,666 times 641 thousand attendees
Of which, no. of online trainings
4,633 times 210 thousand attendees

*Apr., 2023 – Mar., 2024

Open Seminars

Sales ratio: 1H FY23 22.2%
FY22 24.3%

- Offer Open Seminars starting from one person

Seminars are held online frequently and nationwide

- More than 4,200 types of courses, including those offered by business partners, are available
- New courses introduced timely
- Up to 50% discount with “HRD Smart Pack”(our unique point service)
- Used by many enterprises including startups and large companies nationwide

Annual total no. of trainings conducted attendees:
10,899 times 126 thousand attendees
Of which, no of online trainings
6,140 times 89 thousand attendees

*Apr., 2023 – Mar., 2024

IT Services

Sales ratio: 1H FY23 17.3%
FY22 12.1%

- Leaf Series (HR support system, LMS)
No. of Leaf paid subscribers/ active users
676 organizations ▪ 3.21 million people
*As of the end of Mar., 2024
- Stress Check Support Service
Cumulative no. of organizations and examinees
Over 2,200 organizations, Over 2.2 million employees
* As of the end of Feb., 2024

Powered by Leaf

Other Businesses

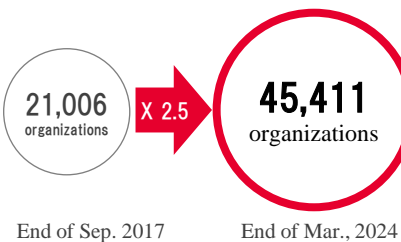
Sales ratio: 1H FY23: 15.2%
FY22: 14.7%

- e-Learning/Videos sales and production
- Consulting, Assessment Services
- Online Seminar Support Service
- Regional Revitalization Service
- Web Marketing Service
- Support Service for Training Management

Numerical comparison between 2017 (listed on TSE First Section) and today

No. of Clients

※ No. of clients who used our service from establishment



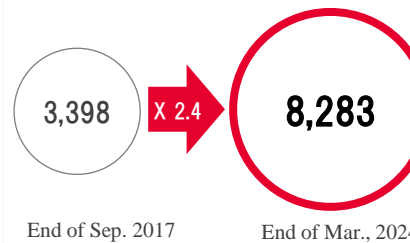
Sales composition of all business* by size

	FY16	FY22
Large Enterprise (1,000 or more employees)	44.0%	49.0%
Medium Market Business (300-999)	19.8%	16.1%
SMB (Small Medium Business) (less than 299)	36.3%	34.9%

* On-Site Training, Open Seminars, IT Services, Other Businesses

↑ Products/Services

No. of Shareholders



No. of Shares Held	End of Sep. 2017	End of Mar. 2024
Overseas Investors	2.2%	17.1%
Domestic Investors	17.8%	28.1%
Domestic Corporations	43.1%	32.9%
Individual/Others	35.6%	21.9%

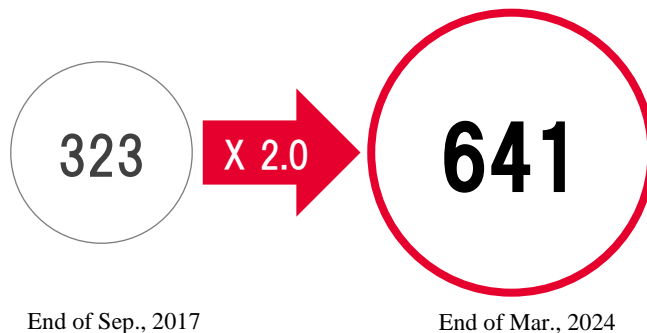
No. of IR meetings held with institutional investors

	FY16	FY22
Total no. of meetings	71	217
Of which, meetings with overseas investors	4	53

Funds ↑ ↓ Returns



No. of employees

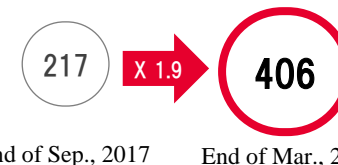


Diverse in-house specialists

	FY16	End of Mar., 2024
Sales Reps	106	254
Content Creators	97	129
IT Engineers	46	128
Designers	19	21
Digital Marketers	25	42
DX Specialists	—	44
Back Office Personnel	30	36

In cooperation ↔

No. of Trainers



No. of trainers by cumulative no. of trainings

End of Mar. 2024	
2,000 times or more	11 trainers
1,000 - 1,999 times	61 trainers
500 - 999 times	78 trainers
100 - 499 times	120 trainers

■ Clients composition ratio by industry

The number of clients who used our services in the past year (Apr., 2023 to Mar., 2024)

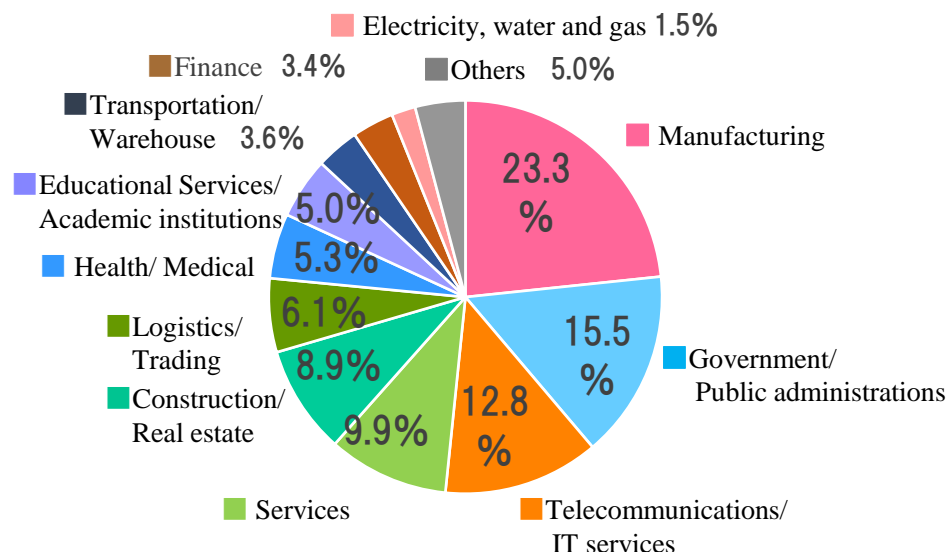
15,275 organizations

【Reference】

The number of clients who have used our services since our foundation

45,411 organizations

The number of clients who used our services in Apr., 2023-Mar., 2024

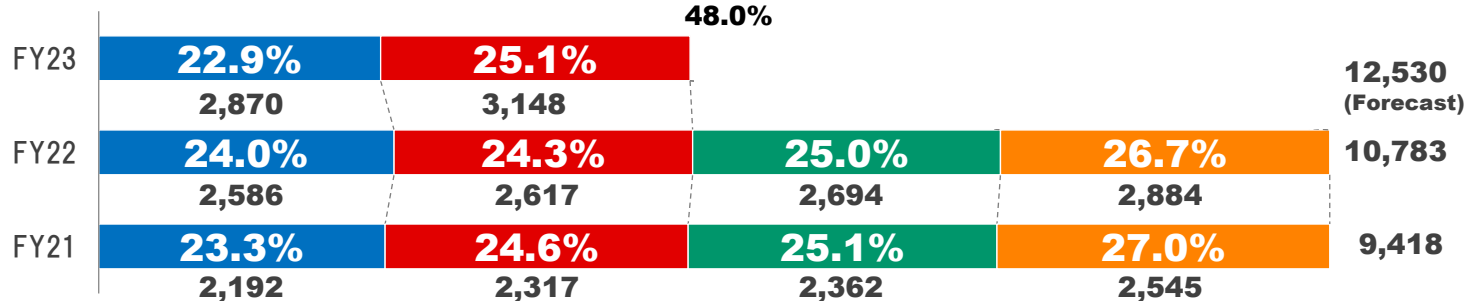


■ Sales composition ratio and progress rate by quarter

■ 1Q ■ 2Q ■ 3Q ■ 4Q

Progress rate
48.0%

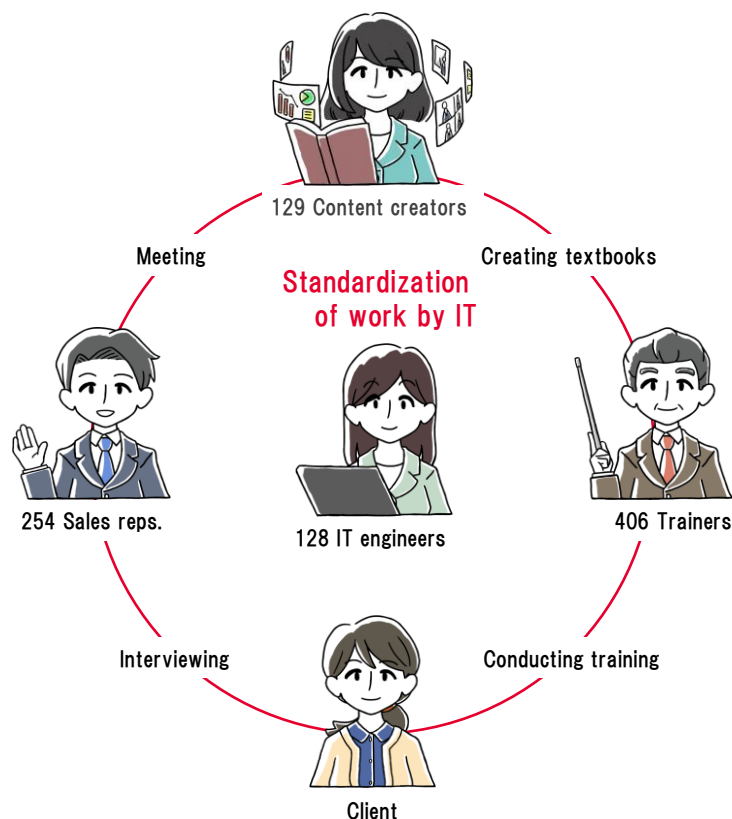
Unit: million yen
% represents composition ratio & progress rate



(1) High Ability to Develop Various Contents and Services

- Separate the roles by digitalization and realize in-house development of content (Training business)

Focusing on their respective roles has reduced costs and improved the quality of training.



*As of the end of Mar., 2024

- Quickly develop a great selection of training contents and web services

An in-house agile team of 129 content creators and 128 IT engineers develop various up-to-date contents in response to social changes and client needs.

- No. of training contents classified by business types

On-Site trainings	Open Seminars	Videos /e-Learning
4,343	4,271	877

*As of the end of Mar., 2024

- Classified by genre (examples)

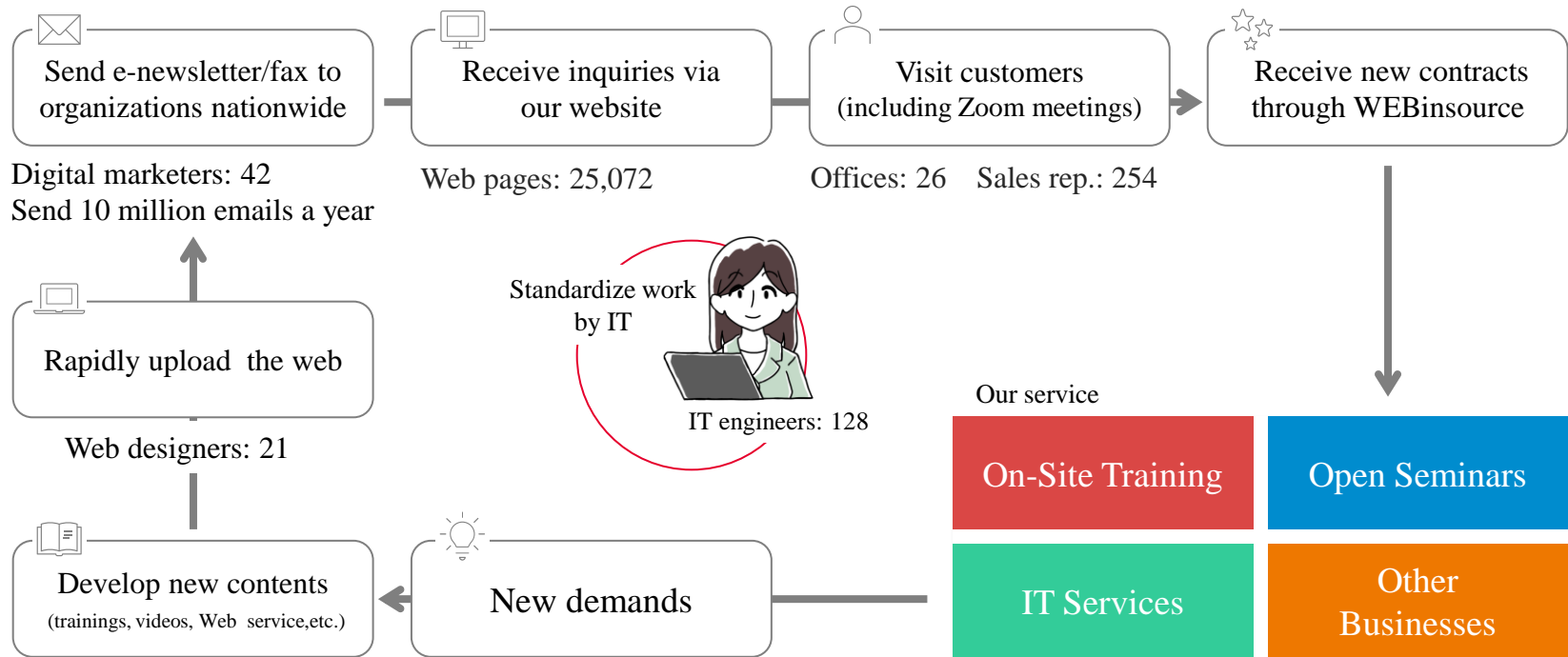
Theme	FY18		FY22		
	No.	Sales Composition ratio	No.	Sales Composition ratio	Sales growth ratio
For managers	1	21.7%	1	21.8%	+65%
Business skills	2	21.4%	2	18.7%	+44%
For new and younger employees	3	13.1%	3	13.3%	+66%
DX/OA/IT	6	6.4%	4	11.6%	+199%
Communication/ CS	4	12.0%	5	9.1%	+24%
Harassment prevention/ Compliance	5	7.5%	6	7.9%	+72%
For mid-career employees	7	4.6%	7	4.8%	+73%
Diversity	8	1.9%	8	1.7%	+44%
Others		11.5%		10.9%	+55%
Total		100.0%		100%	+64%

*As of the end of Sep. 2023

(2) Strong Sales Force to Expand Business through People and IT

Business Flow of Insource

- Expanding sales DX by using IT to utilize all data generated in the sales process since establishment.



*As of the end of Mar., 2024

▶ 254 sales representatives and approximately 25,000 web pages created by 42 digital marketers are cooperated for efficient sales activities.

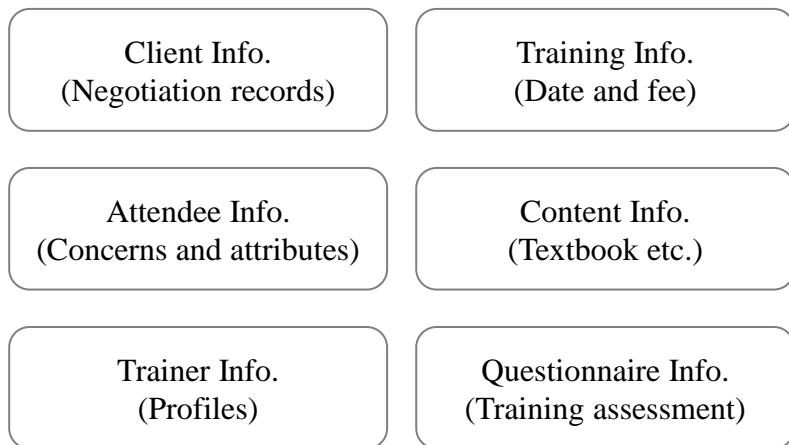
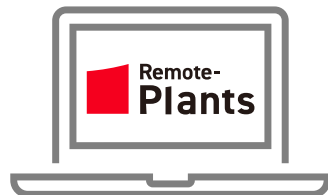
(3) IT Capability - Self-developed System

■ We have promoted systemization for work efficiency since foundation and some service is sold to other companies.

■ We sell our services on EC sites.

System/Online service is also available

In-house system development - Create a database of all kinds of information to standardize operations



The system to manage client information, training operations, and contents etc. was developed.

WEBinsource (membership site) and EC sites “Video Department Store”



Leaf series (HR support system)



We can handle human capital management!



<Lineups of Leaf Series>

Name	Target client
Leaf Basic (education management/LMS)	LE
Leaf Lightning (specialized in e-Learning)	MM/SMB
Leaf inorder (distribution of video content)	MM/SMB
Leaf Eva (personnel evaluation)	MM/SMB
Leaf Human Capital Management	LE
Leaf Management (human resources information management)	MM/SMB
Leaf My STORY (activating internal communication)	MM/SMB
Leaf Corporate University	LE/MM
Leaf wellness	MM/SMB

※Large Enterprise: 1,000 or more employees, Medium Market Business :300-999 employees, SMB (Small Medium Business): Less than 299 employees

- Policy: Aim for ESG and sustainable performance improvement with ESG+P (Performance) management.
- Evaluation: MSCI ESG rating is “AA” and our educational business and internal training are evaluated (As of April 19, 2024).

<Major Actions>

■ Environment

a. Provide electronic textbooks for training programs

- Started providing electronic textbooks in April 2022 as an alternative to paper textbooks in the training business.
- Provided to 36,000 people in 1H FY23, CO2 emissions reduction increased from 4.08t to 5.38t YoY.
- The number of people using the service in the public and private sectors increased from approximately 9,000 to 16,000 YoY.



b. Introduce renewable energy

- Switched to 100% renewable energy plan at the fifth company-owned building (Ochanomizu Studio) in April 2024.
- Renewable energy sources account for approximately 50% of total electricity use (FY23 forecast).

■ Social

a. Project to Eliminate Period Poverty

- Offer sanitary products to local governments by collecting donations from companies for starting at 300,000 yen per lot.
- Cumulative results for 1H FY23
24 companies donated, 74 municipalities accepted, and 44,000 donation packages were delivered.
- Donation packages are placed in restrooms at elementary and junior high schools and distributed to those in need.



b. Human Rights Initiatives

- e-Learning "The Basics of the Lawyers' Commentary Series 'Business and Human Rights' and the Responses Required of Companies*" to all employees, including informal employees. *Produced by Mori Hamada & Matsumoto and sold by the Company.



Materiality and Long-term Indicators

Management philosophy: Create a society in which all people can enjoy working and feel fulfilled

	Materiality	Actions	KPI	FY21	FY22	FY29
Solving Social Issues through Business Activities	1.Increase productivity through career development education (Strengthening the organization)	Acquire knowledge and skills, solve problems, and improve productivity of organizations and individuals through trainings	Training business No. of annual attendees	640,000	720,000	2 million
	2.Acquisition of basic skills to play an active role in diverse environments (Strengthening individuals)	Leveraging IT and enhancing personal skills through the provision of DX training	OA/IT/DX training attendees (Open Seminars)	11,000	13,000	50,000
	3.Development of learning content tailored to each individual and organization	Development and accumulation of content in response to social issues and needs	Total no. of content	3,794	4,156	5,000
	4.Provision of educational infrastructure	Improve productivity and provide fair educational opportunities through the provision of IT	Cumulative video content Annual no.of Open Seminars conducted Leaf active users	544 8,000 2,112,000	754 10,000 2,895,000	1,500 15,000 7 million
ESG	[E] Responding to climate change	Carbon neutral emissions from business	Scope1+2 (t-CO2)	283	237	140
	[S] Excellent performances of diverse employees	Create a workplace where diverse human resources can thrive	Ratio of Female Executive Officer Female Manager Ratio	0% 37.8%	0% 37.4%	50% 50%
	[S] Community Relations	Solve community issues	No. of Regional Revitalization projects No. of public sector supporting period poverty	24 46	36 62	100 100
	[G] Strengthening governance	Ensuring diversity in management	Ratio of female in the Board of Directors	25%	25%	50%

*Targets for 2030 are subject to change as business conditions and management plans are revised or changed in the future.

*The percentage of female executive officers excludes companies where females serve concurrently as directors.

<Appendix 2> Increase of Human Capital Value

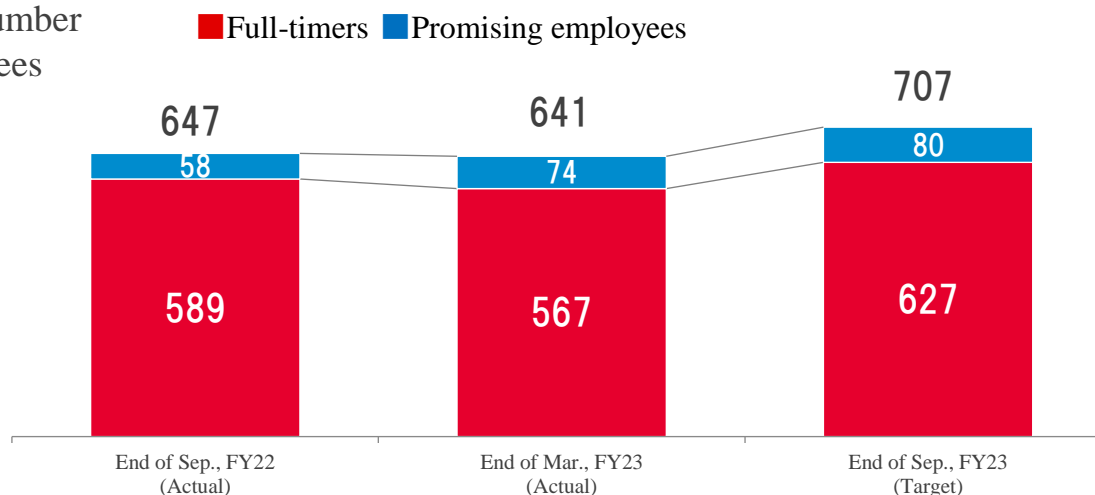


Human Capital - Number of Employees

- Net increase of 25 new employees and 9 mid-careers in April, 2024.
- With the expansion of the national offices, the hiring of “area employees”, employed on the condition of working in a specific region, will be strengthened.

Consolidated number of employees	End of Sep., FY22 (Actual)	End of Mar., FY23 (Actual) (YoY)	Achievement rate (% of increase target)	End of Sep. FY23 (Target) (YoY)
<u>Total number of employees*</u>	647	641 (▲6)	-	707 (+60)
<u>Of which, promising employees*</u>	58	74	92.5%	80 (+22)

Change of number of employees



* Number of employees does not include directors, corporate auditors and executive officers.

* Promising employees (Seed investment in human capital) refers to personnel who have joined the company within one year after graduation or within six months after mid-career hiring

■ Female employees account for 57.4% of the entire employees and 37.7% of managerial positions. Many seniors are also active.

■ Acquired 2 stars in “Eruboshi”, and “Kurumin” certification*. Selected under the

“2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program”.

*Eruboshi: A program under which the Minister of Health, Labor and Welfare certifies companies that have made excellent efforts to promote the advancement of women, based on the Law for the Promotion of Women's Activities.

Kurumin: A certification system for companies that meet certain criteria as a "company that supports child-rearing" based on the Law for Measures to Support the Development of the Next Generation.



	Total	Female employees (ratio)
No. of employees*2	641	368 57.4%
No. of managerial positions	207	78 37.7%

<Private Sectors>
Ratio of female employees in managerial positions:
12.9% *1
(Source: The Gender Equality Bureau of the Cabinet Office (2023))

Foreign nationals *4	4	Seniors (aged over 60)	50	LGBTs	5	People with disabilities	11 Disability employment rate: 2.99% ※3
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Private Sectors
 ▪ Legal employment rate: **2.30%**
 ▪ Actual employment rate: **2.33%**
 (Source: "2023 Disability Persons' Employment Status" released by the Ministry of Health, Labour and Welfare)

■ Workforce by job function (including those who are holding two or more posts concurrently) -Diverse specialists*5

Content Creators	129	Sales Representatives	254	IT Engineers	128	Back Office Personnel	36
Digital Marketers	42	DX Specialists	44	Designers	21	Service Operators	90

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

*2 Directors, auditors and corporate officers are excluded. Employees include part-time employees and exclude part-time and temporary employees.

*3 Non-consolidated (Insource only)

*4 “Foreign nationals” refers to employees with foreign nationalities. This includes foreign nationals who have acquired Japanese citizenship.

*5 Number of employees by job category is calculated by duplicating those who hold concurrent positions.

(As of the end of Mar, 2024, Consolidated)

Human capital disclosure items that Insource focuses on (example)

- Continue to place the highest priority on sales and operating profit per employee, which are directly linked to financial performance expansion, and continue to promote and improve them at the same time.
- Continue to promote the organization development where diverse human resources can work comfortably and promote D, E&I to secure a stable supply of excellent human resources.
- Increase the number of employee shareholders to foster a desire to improve company performance, increase engagement, and raise awareness of management participation.

Category	Items	FY20	FY21	FY22	Remarks
Performance	Sales per employee (thousand yen)*	22,193	24,181	25,225	Calculated based on the average number of employees (excluding temporary employees) during the period
Performance	Operating profit per employee (thousand yen)*	7,113	8,645	9,220	Calculated based on the average number of employees (excluding temporary employees) during the period
Performance	Average points of "Energy"	3.24	3.24	3.24	"Energy" is the ability to have a strong will and to see the value in continuing to work despite difficulties. Maximum 5 points. Calculated using our assessment test tool "giraffe"
Performance	Training hours per employee	15h44m	10h43m	22h30m	Total hours of training and e-Learning courses (excluding study sessions)
Performance	Total number of DX training attendees	201	681	248	Total number of participants in each fiscal year
Performance	Percentage of employees' experience with the company's services	100%	100%	100%	Calculated based on use of Leaf and attendance at Open Seminars and e-Learning
D, E&I	Number of management positions (Percentage of female employees)	156 (34.6%)	185 (37.8%)	211 (37.4%)	
D, E&I	Number of managerial appointments (Percentage of female employees)	43 (44.2%)	38 (52.6%)	29 (48.3%)	Number of non-managerial employees promoted to managerial positions during the fiscal year
D, E&I	Number and rate of employees taking maternity leave Number and rate of employees taking paternity leave	100% 46.2%	100% 92.3%	100% 86.0%	The percentage indicates the ratio calculated by the actual number of acquirers to those eligible for acquisition during the period.
Employee engagement	Percentage of employees who hold shares of Insource	66.6%	69.6%	72.0%	Aggregate employee stock ownership plan participants and RS (restricted stock compensation) holders

- Two challenges for companies concerning human capital management are “increasing the value of human capital” and “disclosing information on human capital.”
- Major issues which Japanese companies are facing based on disclosure information: 5 themes and 7 items (based on Insource’s research)



	Company Implementation Matters	Problems anticipated in the implementation	Insource Services ※Customized for unique items
STEP1	Set Indicators	<ul style="list-style-type: none"> ▪ Create unique indicators in line with management strategy →indicators that lead to increasing corporate value 	<p>Consulting service</p> <p>Check and analyze human capital linked to business performance, etc.</p>
STEP2	Collect and organize data	<ul style="list-style-type: none"> ▪ Easy to disclose information ▪ Consolidate data scattered across multiple systems 	<p>Leaf series</p> <p>Leaf Management/Leaf Human Capital Management/ Leaf Corporate University</p> <p><Example>Manage training attendance time data</p>
STEP3	Determine investment policy for human capital	<ul style="list-style-type: none"> ▪ Show the gap through As is-To be (current situation and desired state) ▪ Choose best talents to invest 	<p>Assessment/Leaf Corporate University</p> <ul style="list-style-type: none"> ▪ Develop and provide original assessments such as “giraffe”/tiered tests/engagement diagnostics, etc.
STEP4	Implement education to achieve the goal	<ul style="list-style-type: none"> ▪ Develop and implement unique educational program ▪ Use e-Learning to increase the implementation rate of education. 	<p>Training (On-Site Training , Open Seminars, e-Learning, video)</p> <ul style="list-style-type: none"> ▪ Meet diverse training needs by various methods, period, budget, etc. ▪ Career education / DX training / Leader development / Diversity promotion <p>LMS “Leaf” /Leaf Corporate University</p>
STEP5	Evaluate educational effectiveness and incorporate into disclosure indicators	<ul style="list-style-type: none"> ▪ Need to evaluate the effectiveness of the unique education 	<p>Assessment/Leaf Corporate University</p> <p>Compare with the historical data with the above STEP2-3</p>

<Appendix 3>

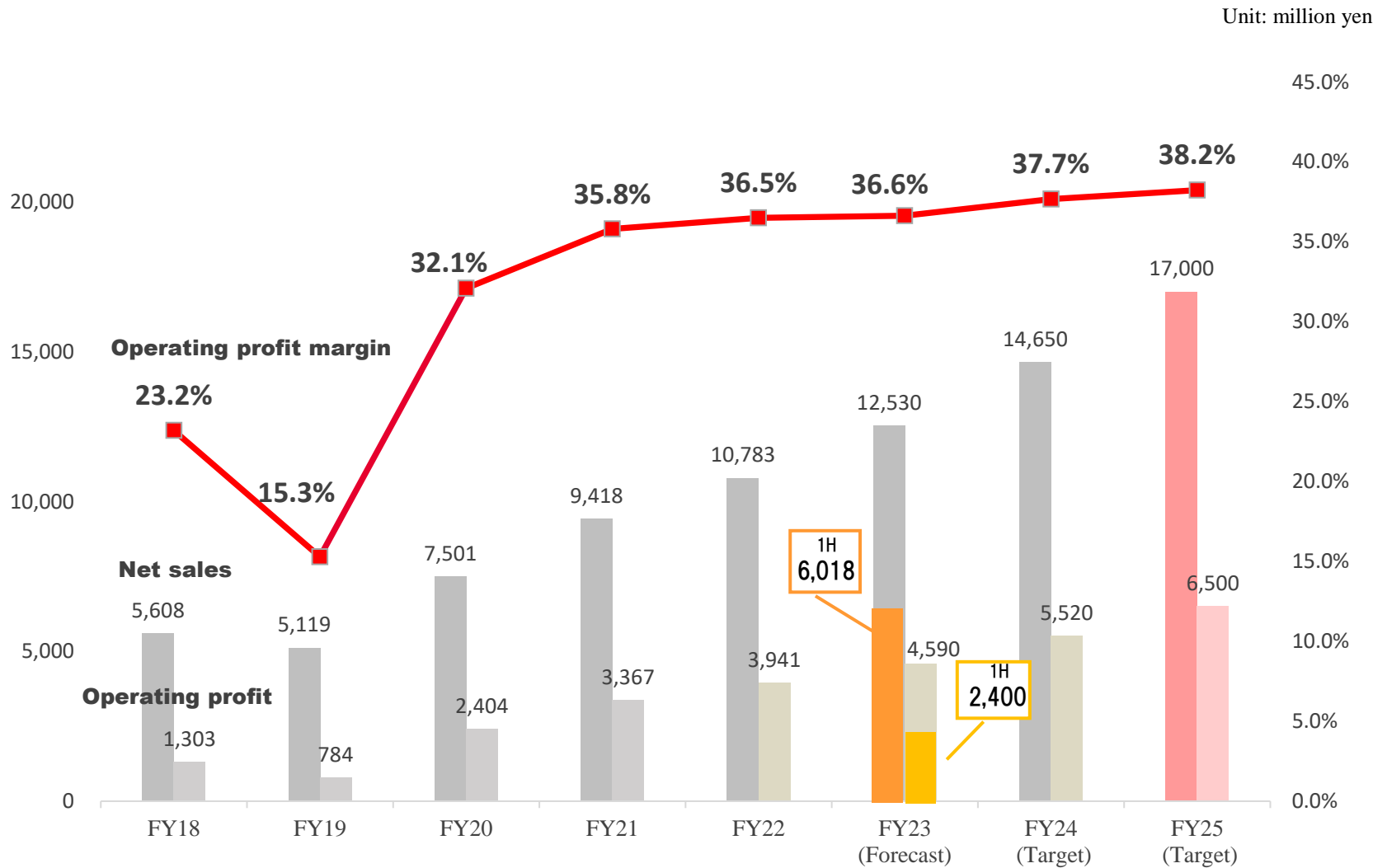
FY23 Financial Consolidated Forecast and
Three-year Business Plan "Road to Next 2026"



Three-year Business Plan “Road to Next 2026” -Financial Results and Targets

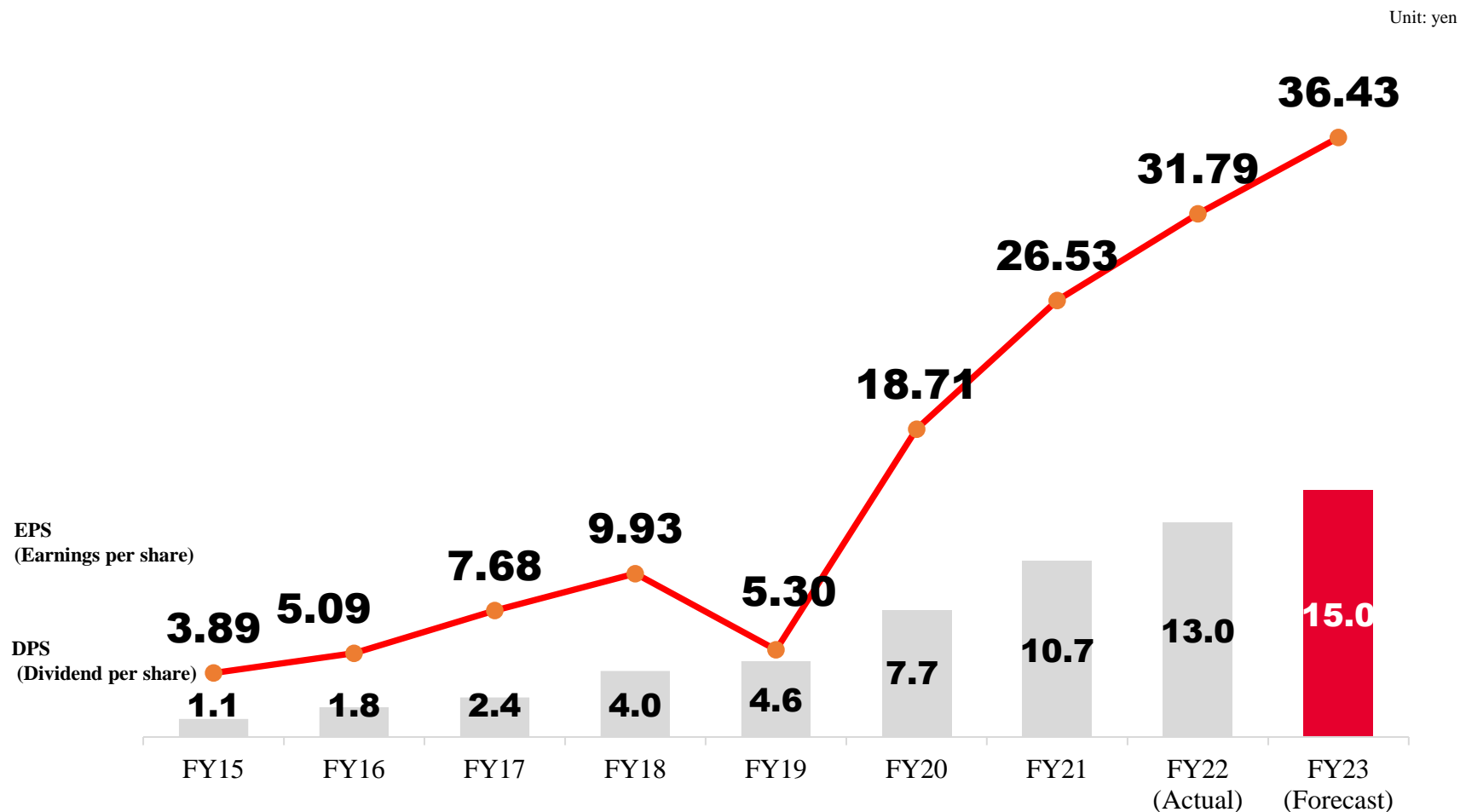


Targets net sales of 17 billion yen, operating profit of 6.5 billion yen, and operating profit margin of 38.2% in FY25.



Shareholder Return Policy

- DPR (dividend payout ratio) target of 40% according to business performance.
- Dividend per share for FY23 is planned to be 15.0 times* that of FY15 at the time of the IPO.



(*) We conducted stock splits on May 1, 2018, September 1, 2019, January 1, 2021 and January 1, 2023. The year-end dividend amount reflects this stock split.
EPS and DPS reflects this stock split.

Basic Policy

- Strengthen the content IP, which Insource has one of the largest training programs in Japan.
- Expand the target client base beyond HR education department
- Continue to achieve high-growth and operating profit margin of 33% or more. For FY25, target net sales of 17 billion yen, CAGR of 16.4%, operating profit of 6.5 billion.

Key measures

1. Expand sales per client by responding to a wide range of corporate management issues.
Strengthen contents IP and enhance sales activities beyond HR education departments such as human capital management, strengthening recruitment, promoting DX, strengthening sales, and strengthening management capabilities (support for listing).
2. Maximize the value of content IP by increasing the number of clients through improvement in multiple use and delivery.
 1. Accelerate securing partner channels in addition to independent sales channels to strengthen delivery to customers
 2. Overseas expansion through multi-use and multi-language support
3. Continue to develop and promote sales of “Rising Next”, a new focused business.
 1. Promote sales of existing services and develop new growth areas
 2. Full-scale provision of services for individuals, including responding to reskilling needs

Developing our Content IP and Growing our Business

Continue to develop more than 300 programs per year to meet the needs of the times

Fiscal year	FY19	FY20	FY21	FY22	FY23 onwards
Social situation	Spread of COVID-19	Restricted activities due to the COVID-19	Accelerating the Promotion of Human Capital Management through "Basic Policies 2022"	Emergence of the generating AI Full-scale launch of Regional Revitalization COVID-19 settlement	Further development of digital utilization Diversification of working styles and mobility of human resources Progress in health and productivity management
Themes for development	<ul style="list-style-type: none"> •Correspondence to telework •Crisis management 	<ul style="list-style-type: none"> •DX promotion •Expansion of video content 	<ul style="list-style-type: none"> •Development by corporate size •Career development by generation 	<ul style="list-style-type: none"> •Return to workplace •Reinforcing face-to-face sales 	<ul style="list-style-type: none"> •Respond to full-fledged demand for reskilling (especially DX) •Strengthening multilingual support
Total number of new contents	319	321	333	362	More than 360 programs per year
Example of program	<ul style="list-style-type: none"> • Instructional training for subordinates in telework •Online business negotiation training •Webinar for new graduates 	<ul style="list-style-type: none"> •Series for system engineers •Series - Learning from history and people's life •Office® Series-Learning from Videos 	<ul style="list-style-type: none"> •Training for enterprises •Training for growth companies •Trainings to overcome difficulties (by generation) 	<ul style="list-style-type: none"> •ChatGPT utilization •Character Education series •New Managers Series •Series for a shy person 	<ul style="list-style-type: none"> •Expansion of DX programes tailored to individual reskilling needs •Strengthen industry-and job-specific programs •Expansion of health and productivity management promotion programs •Strengthening multilingual response to regional power

Top 5 of contents genre in each fiscal year

Rank	FY19		FY20		FY21		FY22	
1	Telework COVID-19 measures	42	Digital skills	47	Business skills	43	Communication	40
2	For managers	33	For sales staff	44	Communication	38	Digital skills	32
3	Communication	31	For managers	32	Career/Motivation	36	Business skills	32
4	Digital skills	23	Subordinate guidance and OJT	22	For managers	32	For managers	27
5	For new graduates	23	Compliance	19	Digital skills	30	Subordinate guidance and OJT	23



Future Business Expansion Plans

Expand client base and further enhance content IP

Develop content IP by broadening the range of target clients to include all corporate organizations, administrations, and individuals, extending the scope beyond HR education department.

Target	Corporate HR department				Corporate planning and sales planning departments			Government administration	Individual
Issues	Human resource development	Personnel/ evaluation	Labor/ Benefits	Employment	DX promotion	Sales force strengthening	Management capabilities strengthening	Regional revitalization	Reskilling
Services provided by Insource Group	1.Training/ e-learning/ Assessment <ul style="list-style-type: none"> •Tiered •Communication •Productivity improvement •Career 	1.Training/ e-learning/ Assessment <ul style="list-style-type: none"> •For assessors •MBO •Personal interviews 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Harassment •Health and productivity management •Labor management 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •For new graduates 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Excel, PPT •Python •DX •Project management 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Sales •Marketing •CS improvement 	1.Training/ e-learning Assessment <ul style="list-style-type: none"> •Training for management •Promotion of female employees activities 	2.Regional Revitalization	3. Learning support/ Career support <ul style="list-style-type: none"> •OA skills •ChatGPT •Programming
	1.HR Tech <ul style="list-style-type: none"> •Leaf •Leaf corporate university •STUDIO 	1.HR Tech <ul style="list-style-type: none"> •Evaluation sheet to Web •Leaf Eva 	1.HR Tech <ul style="list-style-type: none"> •Stress check support •Leaf wellness 	2.Recruitment site Production	2. Consulting DX Promotion, Sales Strategy, Management Strategy (Mid-term Management Plan)				
	2. Consulting Comprehensive support for realizing human capital management (value enhancement and information disclosure)				2.Placement/ Recruiting		2.Web Marketing Support <ul style="list-style-type: none"> •EC website •Digital sales 	3. Listing support/ IR support	
	2.Consulting <ul style="list-style-type: none"> •Building education system 	2.Consulting <ul style="list-style-type: none"> •Building evaluation system 							

1. Current main business 2. “Rising Next” (Newly focused business)
3. Planned to be developed and offered in the future



Strengthen the management base

(Contents Development/Sales Force/System Development + Internal human capital)

FY23 Key Themes	1. Marketing <ul style="list-style-type: none"> ▪ Segmentation based on client characteristics in addition to company size and industry ▪ Diversify sales and promotional methods by segment ▪ Secure sales partners and strengthen cooperation 	2. Consulting <p>Provide medium-to long-term and comprehensive support for management issues such as human capital management, reskilling, and the development of next-generation leaders along with clients.</p>	3. Recruitment and education <ul style="list-style-type: none"> ▪ Educate employees thoroughly in four areas: marketing, consulting, project management, and digital utilization. ▪ Hire limited-area staff actively
Content development	<ul style="list-style-type: none"> ▪ Content development tailored to customer characteristics <ul style="list-style-type: none"> - Owners, traditional companies, and advanced companies etc. ▪ Service for individuals (Reskilling) 	<ul style="list-style-type: none"> ▪ Develop new services that comprehensively resolve corporate, administrative, and individual issues, not limited to human resource development 	<ul style="list-style-type: none"> ▪ Established ICS in Oct., 2023 to secure highly specialized human resources in Kyushu region. Securing new 2025 graduates as well as mid-career hires.
Sales	<ul style="list-style-type: none"> ▪ Sales activities and direct marketing tailored to customer characteristics ▪ Expand sales channels through alliances with other companies 	<ul style="list-style-type: none"> ▪ Established ICO in Oct., 2023 and launched a sales force specializing in consulting projects, mainly by Insource executive officers. ▪ Strengthen systematic and comprehensive proposal-based sales that do not end in a single year. 	<ul style="list-style-type: none"> ▪ Strengthen mid-career recruitment of consulting sales representative ▪ Hiring front-office sales representative in the Tokyo metropolitan area and Kansai region ▪ Hiring limited-area staff Responding to the Z-generation's local orientation
System development	<ul style="list-style-type: none"> ▪ CRM modification for sales rep. <ul style="list-style-type: none"> - Expansion of data maintenance functions and information volume ▪ Strengthen direct marketing functions ▪ API collaboration through alliances with other companies 	<ul style="list-style-type: none"> ▪ Consulting proposal automation tool <ul style="list-style-type: none"> - Started with a Open Seminars course selection system tailored to the training system of customers 	<ul style="list-style-type: none"> ▪ Hiring engineers in the Utsunomiya area where IMD is located Responding to the Z-generation's local orientation
Internal human capital	<ul style="list-style-type: none"> ▪ Knowledge education on customer characteristics ▪ Educate skill to create target list ▪ Increase inside sales personnel and educate skills 	<ul style="list-style-type: none"> ▪ Consulting Suggestion Skills Training <ul style="list-style-type: none"> - Enhancing consulting framework, and basic skills such as preparation of materials 	<ul style="list-style-type: none"> ▪ Select “Project management” and “digital utilization capabilities” for company-wide education ▪ Use Leaf Corporate University to strengthen weaknesses - Implementation of assessment by each division and take recommended Open Seminars

Three-year Business Plan “Road to Next 2026” - Targets by business



Sales Targets and Key Measures by Business Segment

Unit: million yen

Business	FY22 (Actual)	FY23 (Forecast)	FY24 (Target)	FY25 (Target)	Key Measures
Overall (YoY) (Progress rate of 1H FY23) CAGR: 16.4%	10,783 (+14.5%)	12,530 (+16.2%) (48.0%)	14,650 (+16.9%)	17,000 (+16.0%)	<ul style="list-style-type: none"> • Expand sales per client by responding to a wide range of corporate management issues. • Maximize the value of content IP by increasing the number of clients through improvement in multiple use and delivery. • Continue to develop and promote sales of “Rising Next”, a new growing field
On-Site Training (YoY) (Progress rate of 1H FY23) CAGR: 17.2%	5,275 (+13.1%)	6,210 (+17.7%) (43.8%)	7,300 (+17.6%)	8,500 (+16.4%)	<ul style="list-style-type: none"> • Strengthen consulting and improve sales per client • Continue to expand sales force and strengthen education
Open Seminars (YoY) (Progress rate of 1H FY23) CAGR: 16.0%	2,617 (18.0%)	3,040 (+16.1%) (44.0%)	3,530 (+16.1%)	4,090 (+15.9%)	<ul style="list-style-type: none"> • Strengthen sales to individuals to meet needs for reskilling • Secure business partners to strengthen distributor sales
DX related (*1) (YoY) (Progress rate of 1H FY23) CAGR: 34.9%	920 (+34.5%)	1,380 (+49.9%) (40.6%)	1,800 (+30.0%)	2,320 (+30.0%)	<ul style="list-style-type: none"> • Expand target client and strengthen content development - Mid-sized and growing companies, individuals (reskilling), ChatGPT and Python utilization, etc.
IT Services (YoY) (Progress rate of 1H FY23) CAGR: 17.8%	1,304 (+8.9%)	1,630 (+25.0%) (64.0%)	1,870 (+14.7%)	2,130 (+13.9%)	<ul style="list-style-type: none"> • Considering 11 Leaf series, promote to appropriate clients and strengthen acquisition of new projects. • Add new features and pricing plan to the series launched in FY22 • Increase LTV of existing users over 3.21 million (*2)
Other Businesses (YoY) (Progress rate of 1H FY23) CAGR: 12.8%	1,586 (+18.7%)	1,650 (+3.9%) (55.5%)	1,950 (+18.2%)	2,280 (+16.9%)	<ul style="list-style-type: none"> • Regional Revitalization –Strengthen SMB support, develop tourism DX areas, etc. • Online support: Acquire new private-sector projects and consulting to current customers • Web Marketing –Expand business scope of website production/system • Placement/Recruiting-Improve order rate and strengthen cycle of high compensation per case and secure limited job offers • Consulting - Develop consulting and specialist training courses

*1 On-Site Training and Open Seminars related to DX. We have recalculated actual results and reestablished targets.

*2 As of the end of March, 2024

■ Career Training Market – Still great potential for growth

- The market size is estimated to be 320 billion yen in 2023 and over 400 billion yen in 2026.*1 Of which, the DX training market is estimated to be 35 billion yen in 2023 and 40 billion yen in 2026.*2
- The market share of Insource is about 3.1%*3, and there is a lot of room for growth in the future.

■ HR digitalization market -Expansion is expected

- The market size is estimated to be 240 billion yen in 2022 and expected to be 440 billion yen in 2027.*4
- The needs to increase the value of human capital and the administration of information disclosure is expected to increase significantly in the future.
- Net sales of “Leaf” for FY22 is 1.3 billion yen and there is a lot of room for growth.

■ National budget related to regional revitalization -The government promotes regional revitalization projects

- National budget is 1.7 trillion yen in 2023*5 and is expected to continue to grow.
- Specific support and human resource education will be required to create a sustainable and developmental economic cycle in the region in the future, such as management support for SMBs, support for tourism promotion, and promotion of entrepreneurship.

*1 Calculated based on the MHLW's Basic Survey on HR Development and MIC' Labor Force Survey.

*2 Calculated based on Information-technology Promotion Agency, Japan (IPA), "Survey of Enterprises and IT Human Resources for Digital Transformation (DX) Promotion" report and Ministry of Internal Affairs and Communications, "Economic Census - Activity Survey."

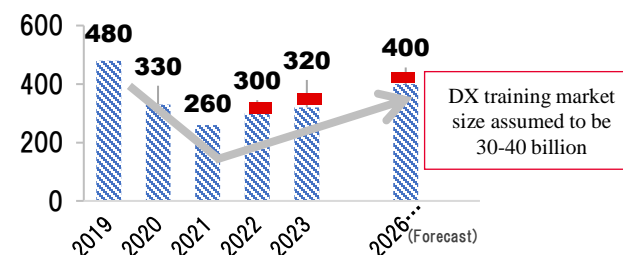
*3 Calculated on the assumption that sales related to the career training market for FY22 are 10 billion.

*4 Calculated based on the "Basic Survey of the Information and Communications Industry" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry

*5 Calculated based on the "Regional Development Budget" on the website of the Secretariat for Promotion of Regional Revitalization of Japan

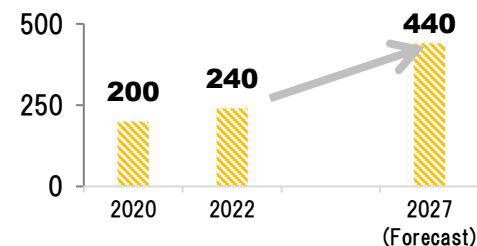
Training market size forecast

Unit (billion yen)



HR digitalization market forecast

Unit (billion yen)



National budget related to regional revitalization

Unit (trillion yen)

