insource
株式会社インソース

[Artist] Mitsuko Yoshizawa
[Title]   炎炎 "En en"

Insource supports promising young artists and researchers from Tokyo University of the Arts. Each year, we select outstanding works of art and support them with school funds, etc. The winning works of the "Art Encouragement Award," "Sogyo Award," and "Asakaze Award" are exhibited in our company and seminar rooms to provide an opportunity for people to view the works of young artists. This work is a Japanese painting on the theme of a sacred bird (firebird/phoenix) in hopes of "reviving the Japanese economy and ending the COVID-19 pandemic" in 2020.

[Brief Biography]

2017   Completed Master's Program in Japanese Painting, Graduate School of Fine Arts, Tokyo University of the Arts
        Won Insource Art Encouragement Award
        Accepted for or the Spring Exhibition of the Japan Art Institute(2016/2017/2018/2019/2020/2021/2022/2023)
        Accepted for the Saikoin Exhibition of the Japan Art Institute (2017/2018/2019/2022)
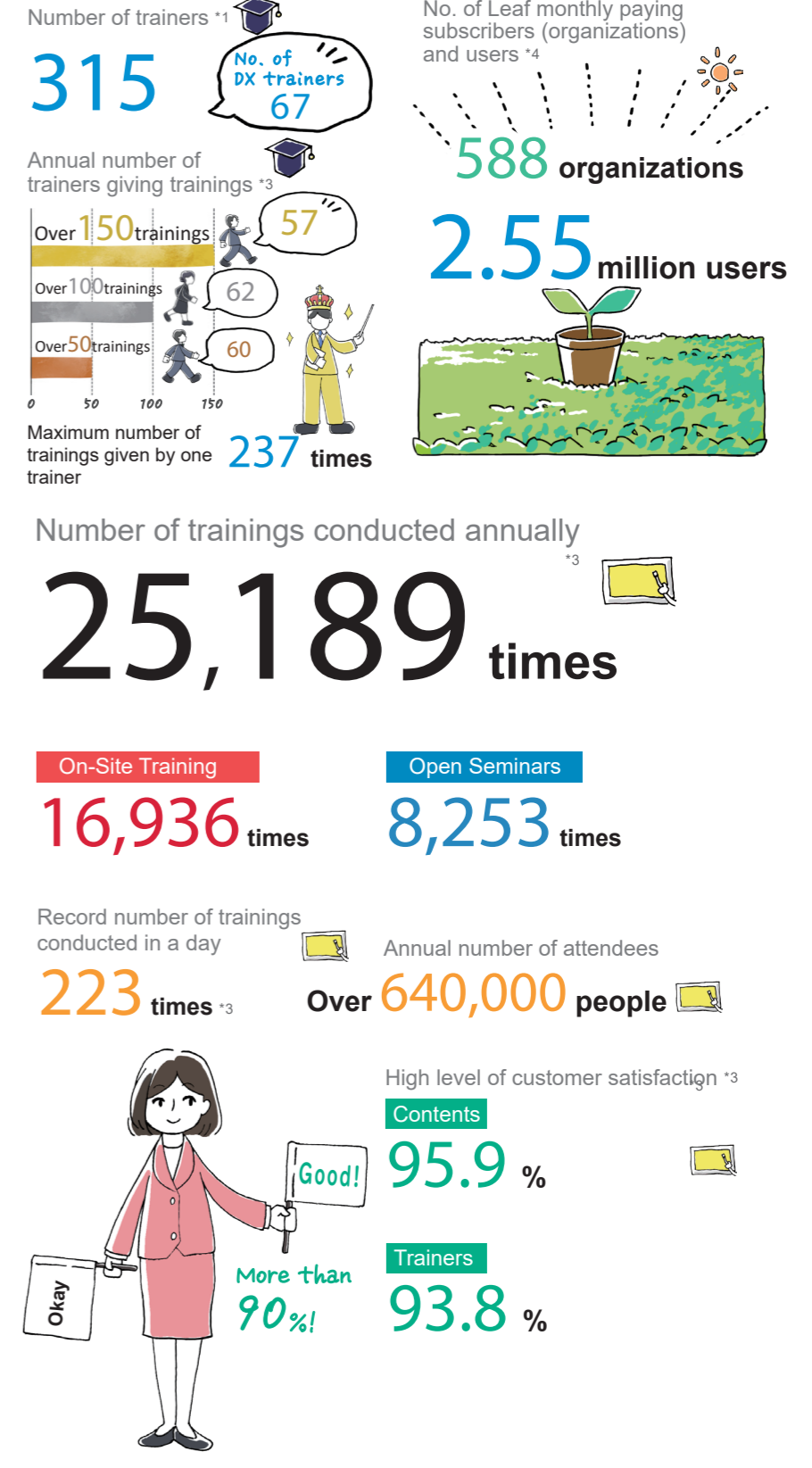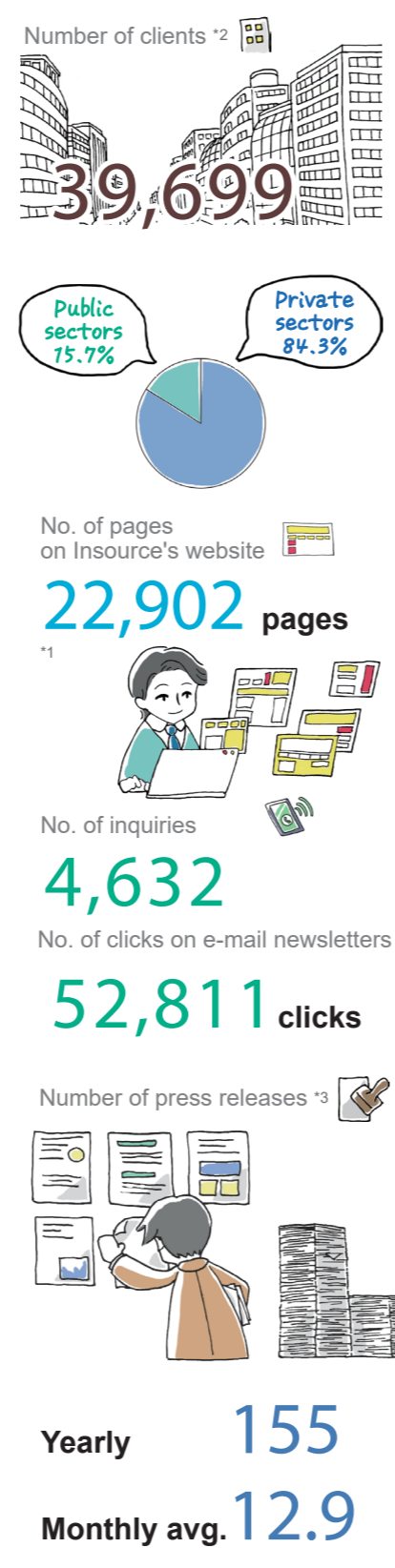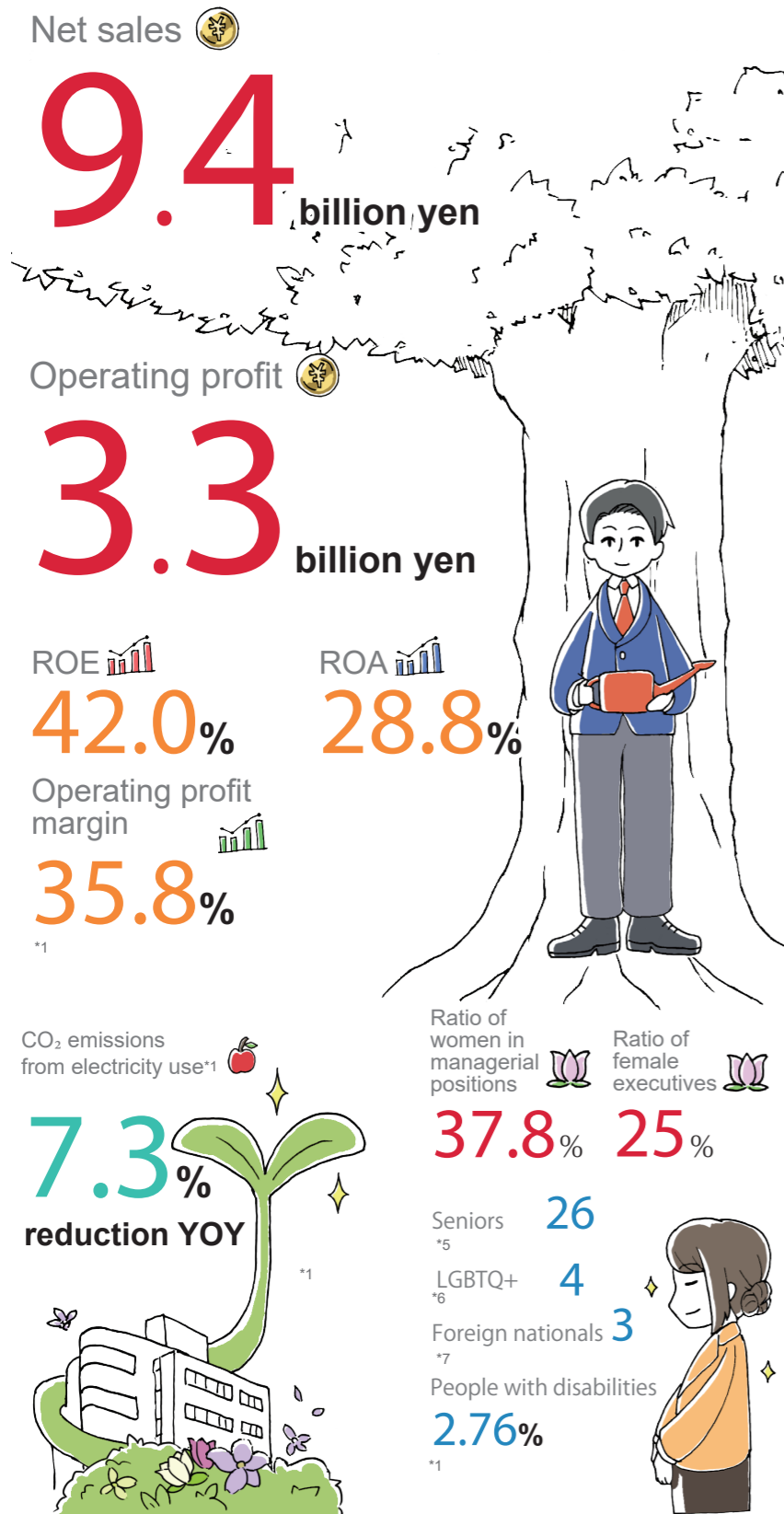
        Currently, entitled as "Inyu" of the Japan Art Institute

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Insource Group
Integrated Report 2022

"En en" by Mitsuko Yoshizawa

Insource by Numbers

Insource evolves with the times and changes.

Net sales
9.4 billion yen

Operating profit
3.3 billion yen

ROE
42.0 %

ROA
28.8 %

Operating profit margin
35.8 %
*1

CO₂ emissions from electricity use *1
7.3 %
reduction YOY
*1

Ratio of women in managerial positions
37.8 %

Ratio of female executives
25 %

Seniors *5 — 26
LGBTQ+ *6 — 4
Foreign nationals *7 — 3
People with disabilities *1
2.76 %

Number of clients *2
39,699

Public sectors 15.7%
Private sectors 84.3%

No. of pages on Insource's website
22,902 pages
*1

No. of inquiries
4,632

No. of clicks on e-mail newsletters
52,811 clicks

Number of press releases *3
Yearly 155
Monthly avg. 12.9

No. of training contents
New contents produced in a year 333

On-Site Training
3,794 types

Open Seminars
3,630 types

No. of video contents *1
544 titles

No. of organizations using assesment *1
260

Business locations in Japan *1
We provide services for clients all over Japan!
Hokkaido
Tohoku
Chu-Shikoku
Kyushu
Yokohama
Nagoya
Osaka
100 %

Number of trainers *1
315
No. of DX trainers 67

Annual number of trainers giving trainings *3
Over 150 trainings — 57
Over 100 trainings — 62
Over 50 trainings — 60
0 50 100 150

Maximum number of trainings given by one trainer
237 times

No. of Leaf monthly paying subscribers (organizations) and users *4
588 organizations
2.55 million users

Number of trainings conducted annually *3
25,189 times

On-Site Training
16,936 times

Open Seminars
8,253 times

Record number of trainings conducted in a day
223 times *3

Annual number of attendees
Over 640,000 people

High level of customer satisfaction *3
Contents
95.9 %

Good!
Okay
More than 90%!

Trainers
93.8 %

*1 As of the end of September, 2022   *2 Cumulative total from June, 2003 to the end of September, 2022   *3 The period from October, 2021 to September, 2022
*4 As of the end of March, 2023   *5 Number of employees aged over 60   *6 Number of employees who agreed to disclose externally as LGBTQ+
*7 "Foreign nationals" refers to employees with foreign nationalities. This includes foreign nationals who have acquired Japanese citizenship.

Corporate philosophy

Our mission is to make a society that all people can enjoy working and feel fulfilled
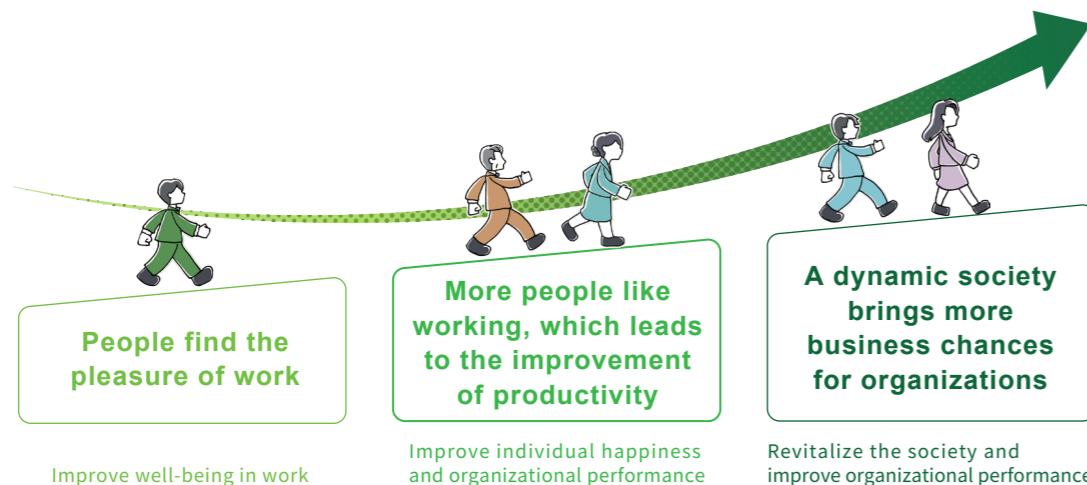
Management policy

- Develop latest services that match social needs
- Provide best services tailored to each customer
- Pursue most efficiency of people and IT to be reasonable
- Realize a diverse society that everyone can give full play

Origin of Company's Name - INSOURCE

insource

Draw out the [SOURCE] of each one [IN] the organization

People find the pleasure of work

Improve well-being in work

More people like working, which leads to the improvement of productivity

Improve individual happiness and organizational performance

A dynamic society brings more business chances for organizations

Revitalize the society and improve organizational performance

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Insource's Management Goals - Never stop moving and creating

Continuously changing ourselves to meet customer needs in a changing environment

Change on its own

- Provied the best services that meet "all client needs" "quickly", "with our expertise", "at reasonable prices"
- Develop our services by ourselves, and also make efforts to improve quality and reduce costs
- Never build services for "our dreams"

It is very simple and not fancy at all, but this is how Insource works. Since our founding, we have developed a great number of services as a result of our commitment to meeting the needs of our clients. The aggregation of these services has become our strength and has led to our business performance.

There are no limits to these methods. As the environment changes and client needs change, we quickly develop services and continue to provide new value to our clients. Even after the pandemic, we will continue to develop new services with speed and grow significantly.

"We continue to act thoroughly and grow through destruction and creativity"

Destruction & Creation

- What we must break down is our own sense of limitation caused by being complacent
- Acting thoroughly leads to the next "creation"

We are not content with stable growth

We are not satisfied with stable growth. It is said that an artist can make a living as a professional painter as long as he or she establishes his or her style (a style or atmosphere that is recognizable to anyone who sees the artist's painting). However, even though the top painters have acquired their own style that is appreciated and praised by others, they do not hesitate to abandon old styles and still work hard every day to acquire new and better ones.

We create new Insource as we act thoroughly

Picasso, the greatest artist of the 20th century, changed his style five times, changing even society's concept of beauty. Our company is in a situation where we have finally settled on our style. Of course, we should not be satisfied with it. We want to create a new style by making all-out efforts, just like an artist makes dozens of sketches every day instead of just dreaming about it.

How to Promote Human Capital Management
- Current Status and Issues in Japanese Companies

Following Western countries, the demand for companies to disclose non-financial information has been expanding in Japan recently. In particular, "human capital" data have attracted a great deal of attention since 2021, when government agencies such as the Cabinet Secretariat, the Financial Services Agency (FSA) issued a series of guidelines. We surveyed 4,424 items disclosed by 450 companies, including those in the JPX Nikkei Topics 400*. As a result, we found issues related to human capital management in Japanese companies and are able to provide services to address all of these issues. We see the wave of "human capital management" as a perfect opportunity for business growth.

*As of the end of January, 2023

What Human Capital Management Means

Human resources change from "resources" to "capital"

Human capital management is defined by the Ministry of Economy, Trade and Industry (METI) as "a management approach that views human resources as capital and maximizes the corporate value over the medium to long term".

Increase corporate value through active investment in human resources

With globalization, the source of corporate competitiveness has shifted from tangible assets (land, equipment, buildings) to intangible assets (technology, IP/IP, brands). Human resources are the source of intangible assets. The concept that corporate value can be increased through proactive investment in human resources is becoming a global standard, focusing on the fact that the value of human resources can be increased through work experience, education and training.
While the development of internal human resources and the creation of a comfortable work environment have been "common" for many Japanese companies, the clear statement that human resources are "capital" rather than "resources" is a new development.

Background of Increased Attention to Human Capital Management
- Notable guidelines at home and abroad

① **ISO30414(Dec., 2018)**
Western companies have been required to disclose non-financial information since around the 2000s, and ISO30414 was published in 2018.

② **"Ito Report on Human Capital Management 2.0" by METI (May,2022)**
This report is the beginning of a surge of interest in human capital management in Japan. We see this report as an extremely valuable recommendation for improving the international competitiveness of Japanese companies.

③ **"Cabinet Office Order on Disclosure of Corporate Affairs" by FSA (Nov., 2022)**
This proposed amendment will require the disclosure of information in annual securities reports.
By analyzing the issues facing Japanese companies and providing solutions in line with these issues, we have been developing new products and strengthening our sales activities to contribute to increasing the value of Japanese companies.

Japanese company's issues found in 4,424 items from 450 integrated reports

1.Business Growth Potential
①Value creation through innovation by DX
- Serious shortage of digital talent

Many Japanese companies have incorporated the keywords "digital" and "DX" (digital transformation) as key components of their management strategies. However, it is evident that there is a shortage of DX talent in almost all companies. Surprisingly, only 21 companies have disclosed their development targets for digital talents, indicating that the comprehensive training will begin in the near future.
→**DX talent development
(supported by Insource Digital Academy)**

②Develop the next generation of leaders
- Shortage of management personnel

Even before human capital management gained attention, many companies were concerned about the "lack of people for future organizations," including succession planning, and the need for people who could lead M&A and new business development to grow their own companies. 12 companies clearly identified "developing the next generation of leaders" and "developing management talent" as goals, suggesting that, like DX, internal talent development is expected to gain momentum in the future.
→**Develop the next generation of leaders
(supported by Insource's On-Site Training and Open Seminars)**

③Challenges
- Need to develop skills and willingness to contribute to company growth

Japan's leading human capital management companies, such as Sojitz, Nomura Research Institute, and MUFG Holdings, are focusing on "creating human resources that can take on challenges."
→**Recruitment and Training of Personnel to Take on Challenges (supported by Insource Assessment, On-Site Training, and Open Seminars)**

2.Diversity, Equity & Inclusion
- Many companies focus on promoting women's advancement

Japanese companies are notorious for lagging far behind in promoting women's activities globally. More than 70% of the measures related to "diversity" are women's activities (out of 450 companies, 209 companies have diversity-related information, of which 151 companies include the word "women"). 636 out of 1,308 diversity-related measures are related to women, making it the most important issue for Japanese companies.

→**Training for successful women's activities and women leaders (supported by Insource's On-Site Training and Open Seminars)**

3.Employee Engagement
- Finding metrics that lead to increased corporate value

32 companies regularly conduct employee engagement surveys and disclose the results, which is a relatively high number among engagement indicators. However, while many investors are interested in employee incentive plans, few companies have disclosed information such as the percentage of employees participating in employee stock ownership plans. Each company seems to be still looking for indicators that will lead to an increase in corporate value.
→**Engagement Assessment (Insource's Assessment), Engagement Improvement Workshop (supported by Mitemo)**

4.Health and Safety
- While this is an advantage for Japanese companies, there are challenges in collecting and accumulating data

Of the total 4,424 items, 695 are related to health and safety. Compared with global companies, Japanese companies have always had high standards for these items, and we believe it is important to index, quantify, and disclose to the public the "things that are taken for granted". Still, we believe that there are problems in the "data collection and accumulation process," such as the participation rate in secondary health examination and trends in the results of employee health check-up.
→**Health and Safety
(supported by Insource's e-Learning and Correspondence Education)**

5.Governance and Compliance
- Company-wide system development and education are essential

While most of the disclosures are related to structures, such as the ratio of outside directors, 59 companies disclose the "number of troubles," such as serious violations of laws and regulations and security incidents, and 33 companies disclose "compliance education" as a measure. In reality, more companies are providing education, and we believe that it is important to make it an indicator.
→**Compliance Education
(supported by Insource's e-Learning and Correspondence Education)**

The 5 Steps of Human Capital Management and Services Provided by Insource

STEP1:Set disclosure indicators based on management strategy

After covering certain indicators disclosed by almost all companies, such as "percentage of female managers", we determine which indicators are the key factors that will support future performance improvement. In this step, we can analyze the human capital items related to each company's performance and provide consulting services on the link between management strategy and human resources strategy. However, we believe that the core of our service revenue is generated after step 2.

STEP2:Collect and organize data

We will collect data scattered throughout the company and establish a system for disclosing such data in the medium to long term. "Leaf Management," "Leaf My STORY," and "Leaf Human Capital Management," which are tools for collecting, managing, and analyzing human resources information, have been available since the spring of 2023. We expect these tools to actually contribute to our business performance from FY23.

STEP3:Determine investment policy

Once the indicators and data to be disclosed are collected, we will discuss the goals and the human resource investment policy to achieve them.

We offer more than 10 types of affordable assessment services to select candidates for next-generation leadership development and to analyze organizational issues related to diversity. In FY22, the number of organizations using our assessment services increased from the previous year, showing strong growth.
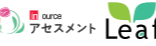
STEP4:Implement measures

In order to achieve the targets of each disclosed indicator, we will implement measures in line with the management strategy, including client's unique educational programs. Providing various programs such as training, e-Learning, and correspondence education is currently our core business, and we expect it to have a positive impact on our business performance in FY22 and beyond. In addition, in training management, we will utilize "Leaf" (HR support system) to facilitate smooth operations, including various communications with trainees. This is where we can make the greatest contribution among the five steps in terms of our ability to provide services that leverage education and IT.

STEP5:Evaluate educational effectiveness

Only when management strategy, disclosure indicators, individual measures, and business performance are linked, our explanation can be convincing to investors. In this step, we assume that the same services are provided to measure effectiveness as in STEP2-3.

■Human Capital Management and Services Provided by Insource

	Company Imple-mentation Matters	Problems anticipated in the implementation	Insource Services *Customized for unique items	
STEP1	Set Indicators	・Create unique indicators in line with management strategy →indicators that lead to increased corporate value	**Consulting service** Check and analyze human capital linked to business performance, etc.	insource CONSULTING
STEP2	Collect and organize data	・Easy to disclose information ・Consolidate data scattered across multiple systems	**Leaf series** Leaf Management/Leaf Human Capital Management/ Leaf Corporate University <Example> Manage training attendance time data	Leaf / Leaf 人的資本管理 / Leaf Management
STEP3	Determine investment policy for human capital	・Show the gap through As is-To be (current situation and desired state) ・Choose best talents to invest	**Assessment/Leaf Corporate University** Develop and provide original assessments such as giraffe/ tiered tests/engagement diagnostics, etc.	アセスメント Leaf / giraffe 階層別テスト
STEP4	Implement education to achieve the goal	・Develop and implement unique educational program ・Use e-Learning to increase the implementation rate of education	**Training** (On-Site Training , Open Seminars, e-Learning, video) Meet diverse training needs by various methods, period, budget, etc. Career Education / DX Promotion / Leader Development / Diversity Promotion **LMS "Leaf" / Leaf Corporate University** Thorough management of diverse educational data	講師派遣 LMS「Leaf」 / 公開講座 Leaf / オンライン / 動画百貨店
STEP5	Evaluate educational effectiveness and incorporate into disclosure indicators	・Need to evaluate the effectiveness of the unique education	**Assessment/Leaf Corporate University** Compare with the historical data with the above STEP2-3	アセスメント Leaf

"Employee first management" is required today

Outside Director **Norio Kambayashi**

Professor, Graduate School of Business Administration Division of Business Administration, Kobe University
Head, the Human Capital Management Research and Education Center
President, Japan Federation of Management Related Academies
Former Chairman, Japan Academy of Business Administration
Former President, Japan Society of Human Resource Management

After graduated from the Faculty of Business Administration, Kobe University in 1989, Mr. Kambayashi studied at the University of Warwick in the UK, where he was a member of the Doctral Programme. Since 2005, he has been Professor, Graduate School of Business Administration Division of Business Administration, Kobe University. His major is business administration, particularly management organisation theory and human resource management theory.

Employee first management

It is well known that human capital management is a key concept that has attracted the most attention. Behind this concept is the idea that valuing and developing human resources over the long term will lead to profits and, in turn, a better society, rather than working hard to earn immediate profits.

The concept of human capital management seems to be a term that has only recently come into use, but the underlying practices have been steadily developed over the past few decades, including CSV management, corporate social responsibility, sustainability, ESG investment, and the promotion of women's activities, all of which were advocated by Professor M. Porter. In a sense, the concept of "human capital management" is a sublimation of all of the above as "employee first management".

Japanese companies have had close relationship with human capital management

In fact, from a historical perspective, the concept of human capital management did not suddenly emerge, but has long been a very common practice in Japanese companies. The practice of patiently training new employees with little knowledge or skills until they become professionals in the company and keeping them employed for a long period of time has long been a strength of Japanese companies.

What Japanese companies have lacked, however, is a systematic framework and system design for putting such a concept into practice. It is so obvious that it is essential to carefully develop human resources over a long period of time that little thought has been given to how exactly to incorporate and implement such a system.

Perspective that has been missing

Some perspectives have been lacking in Japanese companies. For example, the concepts of diversity and governance have been unfamiliar to Japanese management, which has implicitly viewed "full-time male employees with high loyalty to the company who work long time" as the core human resource model, and many Japanese companies have been ill-equipped to deal with them.

As fair and equitable treatment is sought from a global perspective, Japanese companies are strongly urged by society to change this perspective and work toward the realization of a society in which everyone can play an active role in a bright and vibrant manner.

Great opportunity for reform

Now that human capital management has become a mainstream concept, there should be a great opportunity for companies to practice employee first management. Insource's range of training services is sure to help you find the optimal human capital management tools for your company's situation.

If you have any interest in human capital management after reading this integrated report, please feel free to contact Insource.

Contents

Point

The CEO will provide details on the reorganization of the sales organization and the expansion of services for sustainable growth.He will also explain the meaning of the KPIs we are proactively disclosing.

Point

This section explains our approach and business model, which has grown revenue for 20 consecutive years since its founding (except for FY19 during the COVID-19 pandemic).

Point

The Integrated Report 2022 includes a new interview with the project manager about IT service development and future growth strategies for new growth areas.
The ESG part also includes an interview with Outside Directors.

Editorial Policy

We have published this report to encourage dialogue with a wide range of our stakeholders. We are doing our best to provide information on our approach and efforts to "solve social issues," which is the purpose of our Group.

- **Organizations covered in this report**

In principle, this report covers the seven Insource Group companies. In this report, "Insource", "the Company" and "We" refer to the Insource Group unless otherwise noted.

- **Period covered in this report**

FY22 ending September 30, 2022 (October 1, 2021 to September 30, 2022)

*Some of the information is outside the period covered.

- **Disclaimer Regarding Forward-Looking Statements**

Statements in this report regarding current plans, forecasts, strategies, and outlooks are based on information currently available.
Please note that actual results may differ due to various factors in the future.
*This report has not been audited by an auditing firm.

Related Websites (Eng)

- **IR Information**

https://www.insource.co.jp/en/ir/index.html

IR Information
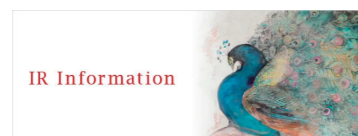
- **Monthly Key Performance Indicator (KPI)**

https://www.insource.co.jp/en/ir/insmthdata.html

Insource by Number (monthly)

- **Sustainability**

https://www.insource.co.jp/en/ir/ir_sustainable_index.html

Create a society where everyone can experience the joy and joy of working
Sustainability
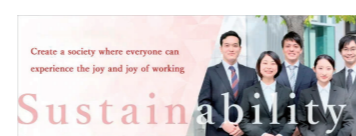
- **Q&A (answers to questions from investors)**

https://www.insource.co.jp/en/ir/ir_faq/index.html

Frequently Asked Questions
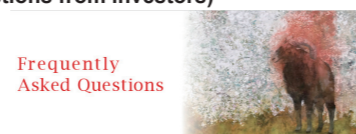
"ENERGY" - A booklet that intoroduces "Solutions for Japan"

https://www.insource.co.jp/energy/index.html

"ENERGY" is a promotional booklet that Insource publishes three to four times a year, providing up-to-date information on human resource development and original insights. It is well received by our clients for its easy-to-understand explanations of issues facing Japanese companies, such as human capital management, DX, and regional revitalization services, as well as our approach to these issues and the services we provide. Please take a look! (Please be noted that "ENERGY" is available in Japanese)

ENERGY   Vol.10
How to promote human capital management

ENERGY   Vol.11
DX revolution's second wave

2.CEO Message

Representative Director,
President and Chief Executive Officer
Takayuki Funahashi

In order to grow by taking advantage of the emerging needs of human capital management, we will strengthen our sales structure and expand contents vigorously.

Q What do you think of the results for FY21?

A Our overall business performance was strong. Net sales and operating profit exceeded the targets of our three-year business plan "Road to Next 2024."

In FY21, the COVID-19 pandemic remained unpredictable, but our overall business remained strong, including a recovery in face-to-face training and growth in DX-related training. Net sales increased 25.6% YoY to 9,418 million yen, exceeding the sales target of 8,900 million yen set in our three-year business plan "Road to Next 2024." In terms of profitability, there were concerns about a decline in the composition ratio of online training, but sales of training for the private sector and DX-related training expanded, resulting in a gross profit margin of 76.6%, the same as in the previous fiscal year. We believe that our ability to respond flexibly to changes in the business environment and maintain profitability was a major achievement. Operating profit increased 40% year on year to 3,367 million yen, achieving the operating profit target of 3,130 million yen for FY22, the second year of "Road to Next 2024," one year ahead of schedule.

Q What is Insource's growth strategy?

A We will expand our business by enhancing content and strengthening our sales structure.

In November 2022, we celebrated the 20th anniversary of our founding as a career training company. Since our founding, we have expanded our business by improving our services and strengthening our sales structure. At the same time, we have continued to streamline our operations with DX.

From FY19 to FY21 (the COVID-19 pandemic), we have grown significantly by optimizing the COVID-19 pandemic environment, including establishing an online training system, expanding sales of Leaf (LMS/ HR support system), and improving e-Learning and videos. We will respond quickly to the post pandemic environment in FY22 and beyond.

Take advantage of strong demand for human capital management and continue to grow

The current situation in which companies are required to manage their human capital is an excellent opportunity for our company to grow. Our strength is our ability to provide a full range of services necessary for human capital development. Solving social issues such as regional revitalization is another field in which we are strong.

We will continue to develop our services and strengthen our sales more than ever to sustain our growth.

Aim to increase market share by strengthening sales

We have a 2% share of the career training market. Since we have a full range of services, it is important to strengthen our sales force. In response to the post pandemic, we are restructuring our sales organization and improving our sales methods from January 2023.

1 **Reorganize sales force**
- Change to the most agile structure based on market needs and employee characteristics

①Expand sales team for Tokyo metropolitan areas from 13 to 23
Realign the sales force in central Tokyo into a small elite team with young leaders to approach medium-sized companies

②Build experienced sales team with strong sales skills
Transfer experienced sales executives to handle new customers and large company clients efficiently

③Launch online sales team of veteran work-at-home employees
Organize experienced employees to increase sales volume per company aimed at large companies and IT firms

④Launch dedicated sales team for the public sector
Aim to win training contracts, Leaf and regional revitalization projects from the public sector

⑤Launch Business Promotion Office
Established directly under the CEO to promote sales of new services and strengthen web marketing

2 **Improve sales methods and develop services**
- Strengthening of the concurrent sales force in order to increase sales per organization

①Strengthen sales training
Enhance training to empower middle-level employees to build interpersonal and proposal skills

②Provide listed companies with solutions to human capital issues
Offer a variety of our human capital development services with an immediate target of 870 companies

③Set new service development targets to increase sales per organization
・Educational content (strengthen lineup in DX, engagement, health management, and legal fields)
・HR Technology (in addition to "Leaf (LMS used by 2.55 million people*)," develop and provide functions to support human capital expansion)
・Assessment services (strengthening relatively weak areas)
・Correspondence education (Launched "Correspondence Education Department Store" on the Web with over 150 titles available to meet strong demand for correspondence courses)

④Improve profitability
・Seminar rooms (purchased company-owned building in Nippori (Tokyo), resulting in additional 8 classrooms)
・Own studio for online use (purchased company-owned building in Ochanomizu (Tokyo) to improve the profitability of online training)

*As of the end of March, 2023

Q What is required of companies in human capital management?

A To expand the company's human capital and accurately disclose information to investors.
Insource provides full-service human capital management support to expand your opportunities.

Companies should achieve growth by increasing the value of their human capital

Human capital management means investing in human resources to increase the value of human capital and achieve growth for your company. To do this, you need to (1) assess the current state of your organization's human capital, (2) select areas that need strengthening, and (3) implement measures. In particular, you need to train your people, embrace diversity, and continue to improve the level of engagement, health, and safety of your employees.

We have services that address the seven issues needed to build human capital and will be expanded in the future

Our strength lies in our ability to provide a wide variety of education and systems needed to increase human capital. We are aware of the following seven issues that Japanese companies need to address in order to expand their human capital. (1) DX skills, (2) leadership development, (3) proactive employee challenge as a prerequisite for corporate growth, (4) training of female managers, (5) engagement, (6) improvement of employee health, and (7) strengthening governance. In addition to many existing services, we will actively develop new services to address corporate challenges.

Companies need to adequately disclose human capital information to investors

In addition, human capital management is important to accurately communicate to investors the company's growth potential and ESG initiatives. Until now, many Japanese companies have failed to attract investors by either not recognizing its importance or disclosing it in a way that is explained to the general public in Japan. We believe that all listed companies will strengthen this point in the future.

Developed new Leaf system for human capital information disclosure

As we have many overseas investors, we were quick to recognize the importance of human capital disclosure and have disclosed a great deal of information since our listing. Leveraging this expertise, we have developed a new version of Leaf, "Leaf Human Capital Management," for human capital expansion and disclosure. We see the current trend of mandatory disclosure of human capital management information for listed companies as a great business opportunity for us.

Q Please tell us about your three-year business plan "Road to Next 2025".

A In addition to growing our four existing businesses, we will achieve further growth through "Rising Next," a new service business that includes education-related, IT services, and regional revitalization, to keep up with the current trend of human capital management

Provide high value-added services and maintain an operating profit margin of 33% or higher. Aim to achieve operating profit of 5.3 billion yen.

In this Three-year Business Plan, we plan to achieve sales of 15.1 billion yen and operating profit of 5.3 billion yen in FY24. We will continue to provide high value-added services and aim to maintain high growth and an operating profit margin of 33% or higher.

Training Business
On-Site Training and Open Seminars are targeted to grow by an average of 17.1% and 19.0% per year, respectively

The On-Site Training business, which accounts for about half of sales, is expected to grow at an average annual rate of 17%, and the Open Seminars business, which accounts for about one-quarter of sales, is expected to grow at an average annual rate of 19%. In FY21, the number of face-to-face training conducted increased significantly as coexistence with COVID-19 has become the norm. In addition, demand for human resource training services is expected to further rise due to the need to increase the value of human capital. In order to ensure that we capture the growing needs for human resource development in areas such as management and reskilling, we will add sales from On-Site Training and Open Seminars to our training business to further secure profits.

IT Services Business
Aim for average annual growth of 21.5%

The size of the IT market for the HR department is estimated to be 420 billion yen in 2025. With our advantage as the SIer (System Integrators) with a customizable platform, we are growing, mainly targeting large private-sector companies. The number of users has exceeded 2.55 million* due to a significant increase in the need for video education under COVID-19 pandemic. In the future, we intend to spread the service not only to large private-sector companies, but also to both public sector and small and medium-sized enterprises.
The current challenge for large companies is to improve the value of their human capital and disclose information,

*As of the end of March, 2023

and it is necessary to provide services to meet this need. Therefore, we have developed and launched "Leaf Human Capital Management" as a human capital information disclosure system.
Together with e-Learning, which is effective in improving the implementation rate of human resources training, we will support the effective and efficient implementation of all processes to enhance the value of human capital and information disclosure by fully utilizing the human resources support system "Leaf" and the Leaf Series lineups.

Other Businesses
Aim for average annual growth of 10.4% by strengthening development and sales promotion of "Rising Next"

Other Businesses, which account for about 10% of sales, aim to create new business opportunities and solve social issues in a wide range of fields. We have named a new growth field "Rising Next" and aim to achieve average annual sales growth of 10.4% by strengthening development and sales promotion.
① Online Business
Growth was 124.6% YoY, mainly due to an increase in online distribution of training and seminars. We will continue to grow by implementing highly complicated distribution and expanding new services.
② Web Marketing
In the Tokyo metropolitan area, we will leverage our customer base while strengthening sales of affordable services in regional areas.
③ Regional Revitalization Service
We are particularly focusing on this business. The government budget is 2.2 trillion yen, and we are targeting sales of 800 million yen in the coming three years.
Not all businesses will grow as expected. Therefore, we intend to achieve our goals by aggressively expanding new growth areas as a hedge against risk.

Q What are the advantages of Insource?

A ① The division of work in the service, ② The redefinition of the training business as contents business, ③ The improvement of productivity through IT, ④ Ability to take on new challenges and resilience to changes

Established a division of work in training services to provide high-quality training services at affordable prices

In FY21, we achieved an operating profit margin of 35.8%. The first reason for our strengths in achieving this profit margin is the division of work in training services. Traditionally, On-site Training services sent trainers to companies. In general, the onsite trainers would meet with the customer and take the time to develop the training textbooks and conduct the training themselves. We broke down the process of providing training services into "negotiation and coordination with customers," "textbook development," and "giving training," each of which is a collaborative effort based on the division of work among sales representatives, content creators, and trainers through the use of IT.

Specifically, our sales representatives interview clients about their needs and propose the most appropriate training programs from our database.

After receiving an order, the content creators develop original textbooks based on the program in a short period of time, taking into account the individual needs of the clients.

The style was then changed so that trainers with high lecture skills could focus on delivering trainings using these textbooks.

As a result, many of our training programs are delivered by highly regarded trainers, and we are able to provide high-quality content at a reasonable price. This makes our training services highly competitive.
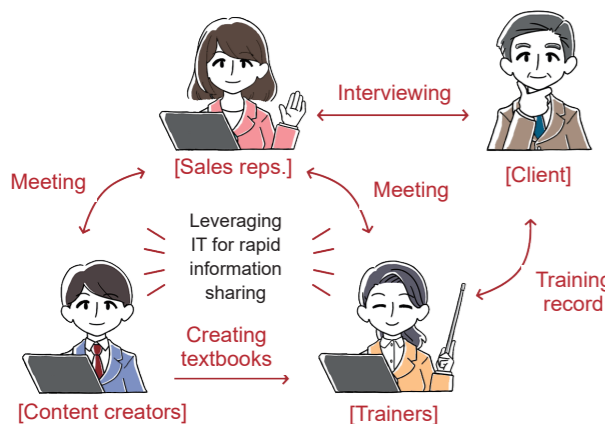
Define training services as a "content business" and create a database of developed content for further use

The second reason is that we have defined our training services as a "content business." All training contents we have developed are stored in the database. And the same content can be used for On-Site Training, Open Seminars, e-Learning and videos, which contributes to higher gross profit and operating profit margin. Although training services are often categorized as a HR business, we consider ourselves more like contents business. We develop more than 300 types of new content every year to maintain our competitive edge.

Realize productivity improvement and sustainable growth by streamlining business processes through IT

The third reason is the digitization of the entire business process. We have standardized every detail of our business processes so that even inexperienced young employees can do their jobs without mistakes. In the past, training services were considered to require veteran sales representatives with a deep understanding of the business to carry out their duties without mistakes. However, under the self-developed system for our business operation, employees who joined the company three years ago can now perform as well as veterans. This has greatly contributed to the productivity improvement. In addition, since the increase in labor force is directly related to the growth of the company, digitization makes a significant contribution to sustainable growth.

Overcome the crisis with the ability to take on challenges and be resilient to change

The fourth is the ability to take on challenges and be resilient to change. Since our founding, we have proactively responded to various changes in the external environment, including the COVID-19 pandemic, the Lehman shock (2008 financial crisis), and 3/11 (Great East Japan Earthquake), and we have grown by overcoming crises.

Opened in 2022
Insource Kyushu Building (Fukuoka)

Opened in 2023
Insource Nippori Building (Tokyo)

Opened in 2023
Insource Ochanomizu Studio (Tokyo)

In times of crisis, career training services often face cost-cutting. If we do not take action, sales will decline. Our strength lies in our ability to be resilient to change, enabling us to rapidly develop new services and acquire new customers while enduring the pain of changing our mission and organization.

Q How do you compare with your competitors?

A Our three key strengths are "our ability to offer a wide variety of products", "our ability to provide products that perfectly meet our clients' needs at reasonable prices", and "the speed with which we can develop new products."
Our challenge for the future is to improve our skills to build relationships and proposal capabilities.

There are more than 2,000 companies in the career training business, including individual consultants, each with a strong customer base. It is difficult to survive in this industry simply by offering good prices and content. Compared to other companies, we are proud of our strengths in three areas: "our ability to offer a wide variety of products", "our ability to provide products that perfectly meet our clients' needs at reasonable prices", and "the speed with which we can develop new products." In terms of products, we aim to solve all HR-related problems, especially by means of education. We continue to expand our service areas by developing 300 new training courses per year and partnering with other companies.

We are able to customize our products to meet the needs of our customers and accelerate the development of new products by systematizing all processes and creating content databases. We also have in-house systems development and an advantage in helping HR departments make the transition to DX.

On the other hand, since many of our sales representatives are young and many of our employees have limited working hours, they do not currently have strong client relationships and are not good at building relationships. In the future, we will not be satisfied with selling one-off training programs, but will build good relationships with clients by interacting with them from a higher perspective to identify their potential needs. We believe it is necessary to increase sales per organization by offering a mix of our various services to encourage concurrent sales.

Q Given the size of the market, there is a lot of room for growth. What are your long-term goals for expanding your performance?

**A** We will target market share of 10% and operating profit of 10 billion yen by 2030

Market environment remains largely unchanged
- Demand for career training will continue due to labor shortages, Generation Z, trends in human capital development, re-skilling, etc.

We believe that the market environment will not change significantly for the following five reasons. If we continue our efforts, we believe that opportunities for performance growth will continue.

1	Amid labor shortages, there is a great need to improve productivity through education
2	The work skills and motivation of the younger generation, the so-called "Generation Z", are declining year by year and follow-up through education is necessary
3	Continue to invest in strengthening human capital, especially in listed companies
4	Increased reskilling needs in response to changes in industrial structure
5	Impact of declining workforce due to digitization and fewer new graduates will not be recognized for another 5-10 years

Many social issues are still unresolved

There are still many social issues that need to be solved by utilizing education and IT. There are still areas that Insource has not involved such as the training of technical personnel to maintain aging infrastructure, addressing the shortage of medical and welfare staff, and improving employee health. On our website "Correspondence Education Department Store," which opened in March 2023, we have greatly expanded the menu of training for technical personnel. We would like to actively take up the challenge in these new fields as well. We will also actively pursue M&A for content in these areas.
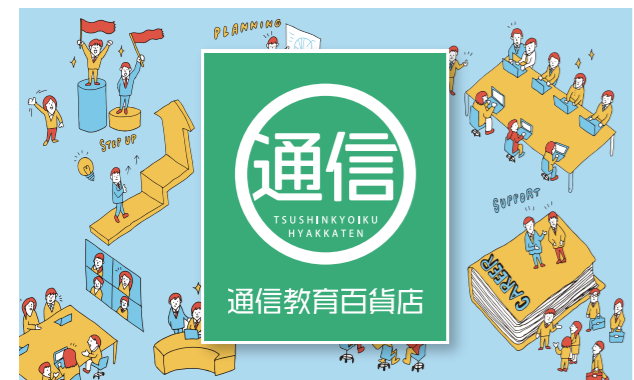
The challenge is to raise the level of both quality and quantity of human resources
-To train managers, sales, and DX personnel

Current market share is about 2%. In order to increase market share to 10% in the future, it is necessary to improve both the quality and quantity of our internal human resources. First, we need to strengthen our management team to cope with the expansion of our workforce and the increase in the number of group companies. The key to growth is to expand the number of employees who have mastered the Insource management style by training.

Second, we need to expand the number of sales representatives. The number of content in the broad sense, including IT services and regional revitalization, is steadily increasing. Sales can be expanded if energetic sales representatives are secured. In addition, we have been strengthening our ability to make proposals since FY22.

Finally, we have an urgent need to expand our DX personnel. In order to significantly increase the number of people who can program, we are requiring all new employees to take Python training from 2021 onward, and we hope that DX personnel should be at least half of all employees within 5 years.

We also intend to actively engage in M&A to strengthen our human resources.
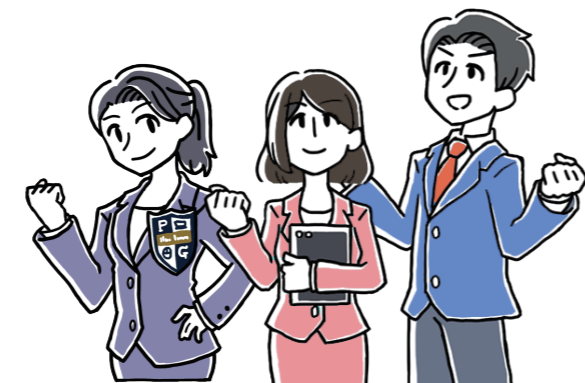
During the training

Q What are your thoughts on recruiting and developing employees for continued growth?

A We have hired people who have the same goals in mind. We will continue to improve our organizational growth potential through more intensive training.

We have hired people who have the same goals in mind
- Energetic people are wanted

Increasing the number of employees and trainers is the biggest factor in expanding business performance. However, hiring a large number of people with different goals will not improve business performance. You hire people simply because they are excellent, but if they do not fit the corporate culture, it will be a negative factor in the expansion of business performance. It is important to carefully select personnel who understand the culture of Insource, and who share the same goals and mindset. We use our in-house developed "giraffe" assessment system to hire people who are full of energy.

New graduates are trained for 2 months, and mid-career hires are trained through group training for at least a month

For new graduates, we assign them after two months of group training and provide enhanced follow-up training. We also provide at least one month of group training for mid-career hires after they join the company, and assign them to workplaces to reduce on-the-job training fatigue. This is in response to the increased burden on the sales workforce caused by the large number of mid-career hires in FY21. We have also reviewed our training process for trainers to increase the number of highly skilled trainers.

Q What are your thoughts on ESG initiatives?

A We aim to achieve the highest ESG rating in order to proactively address social issues and improve our stock price.

Strengthening ESG, especially in terms of the environment, is a key issue in this three-year business plan. We believe this is important not only to proactively address social issues, but also as a measure to improve our share price. Currently, we are rated AA in the MSCI ESG rating, but we have yet to obtain the highest rating due to issues with our environmental and governance scores. We are taking urgent measures, such as strengthening disclosure, to raise the level of our rating as soon as possible.

How to Read Insource KPIs (Key Performance Indicators)

Q What does each of Insource's KPIs (Key Performance Indicators) indicate?

A They are leading indicators of business performance for the immediate future and for the next several years. We disclose many figures so that we can be evaluated from a variety of perspectives.

Disclose the latest KPIs

We believe that quarterly disclosure of financial information is not sufficient for making appropriate investment decisions.Since we want our stakeholders to be able to make appropriate judgments about our company's situation from a variety of perspectives, we disclose the latest 5 non-financial items and 18 details of KPIs in both Japanese and English in a timely manner.

■KPIs (Key Performance Indicators)
https://www.insource.co.jp/en/ir/insmthdata.html

Insource by Number (monthly)

We provide you with the most up-to-date information

Actively disclose news releases

We also actively issue news releases. We do this actively to show the high energy of our activities and our commitment to growth. In particular, we release information about new services and the expansion of our business partners.

■Main topics of News Release

• New contents	• New services
• Tie-ups	• Media coverage
• Campaign information	• External evaluation
• Announcement of new business sites and relocation	

■Number of news releases disclosed

	Japanese	Monthly average	English
FY21	155	12.9	61
FY20	173	14.4	46
FY19	225	18.8	22
FY18	124	10.3	8
FY17	132	11.0	-

How to Read Insource KPIs (Key Performance Indicators)

Most recent financial results
- Number of On-Site Training conducted, number of attendees of Open Seminars, number of organizations that have adopted the "Leaf" (LMS, HR support system), and number of e-Learning/ videos sold (monthly disclosure).

Monthly performance can be inferred from the number of On-Site Trainings conducted (50% of sales), the number of attendees of Open Seminars (24% of sales), the number of organizations and users of the "Leaf" (13% of sales), and the number of e-Learning sold (6% of sales).

Leading indicators of business performance in six months to next two or three years
- Number of contents developed (monthly disclosure), news releases (as needed)

The number of contents developed is a good indicator that showed the activities of contents creators.
Contents of training or e-Learning do not immediately generate large sales. They do not contribute to business performance until six months or two to three years after they are developed. In addition, only about 3% of the contents are sold very well.
Therefore, it is extremely important to ensure future performance by continuing to develop a large number of contents on a monthly basis.
News releases on alliances and other activities are a good indicator of the Company's ambitions and activities. These also contribute to our business performance only after six months to two to three years.

Leading performance indicators in the next few months to six months
- Number of WEBinsource registrations

The number of new registrations for WEBinsource, a discount service for Open Seminars, is the Company's entry product for new customers and is a good indicator of sales activities.
Therefore, it is a forward-looking indicator of our business performance in the next few months to six months.

Leading indicators of sales in the next 1-2 years, and the most recent SG&A indicators
- Number of employees (quarterly disclosure)

Selling training or IT services requires enough sales representatives to provide detailed explanations to meet the customer's needs. It takes workers to coordinate with customers on a variety of matters. In addition, personnel are also required for the development of new contents and new features of Leaf.
Increasing the number of employees is essential for sales growth. However, an increase in the number of employees does not necessarily lead to an immediate increase in sales, because a reasonable amount of time is required for employees to become proficient in their work. This is a leading indicator for sales one to two years later. Naturally, labor costs are required immediately after hiring, which is a factor that raises SG&A expenses. Still, sales and profits per employee have been increasing every year as a result of continuous productivity improvement through the use of IT.

■Monthly disclosure

1.Training Business
・Monthly number of On-Site Training conducted (conducted online, DX-related training)
・Monthly number of attendees at Open Seminars (conducted online, DX-related training)
2.IT Services Business
・Leaf (HR support system)":
　Total number of paid subscribers (organizations, users)
・Number of customization
・Web conversion service for appraisal forms
・Stress Check Support Service
　(Number of orders delivered and orders to be delivered)
3.e-Learning/video Business
・Number of monthly subscription (IDs) for STUDIO
・Number of outright purchase
・Number of rental viewers
4.Client Base
・WEBinsource: Total number of subscribers (organizations)
5.Number of contents developed
・Number of new contents for training
・Number of new videos

We disclose KPIs promptly!
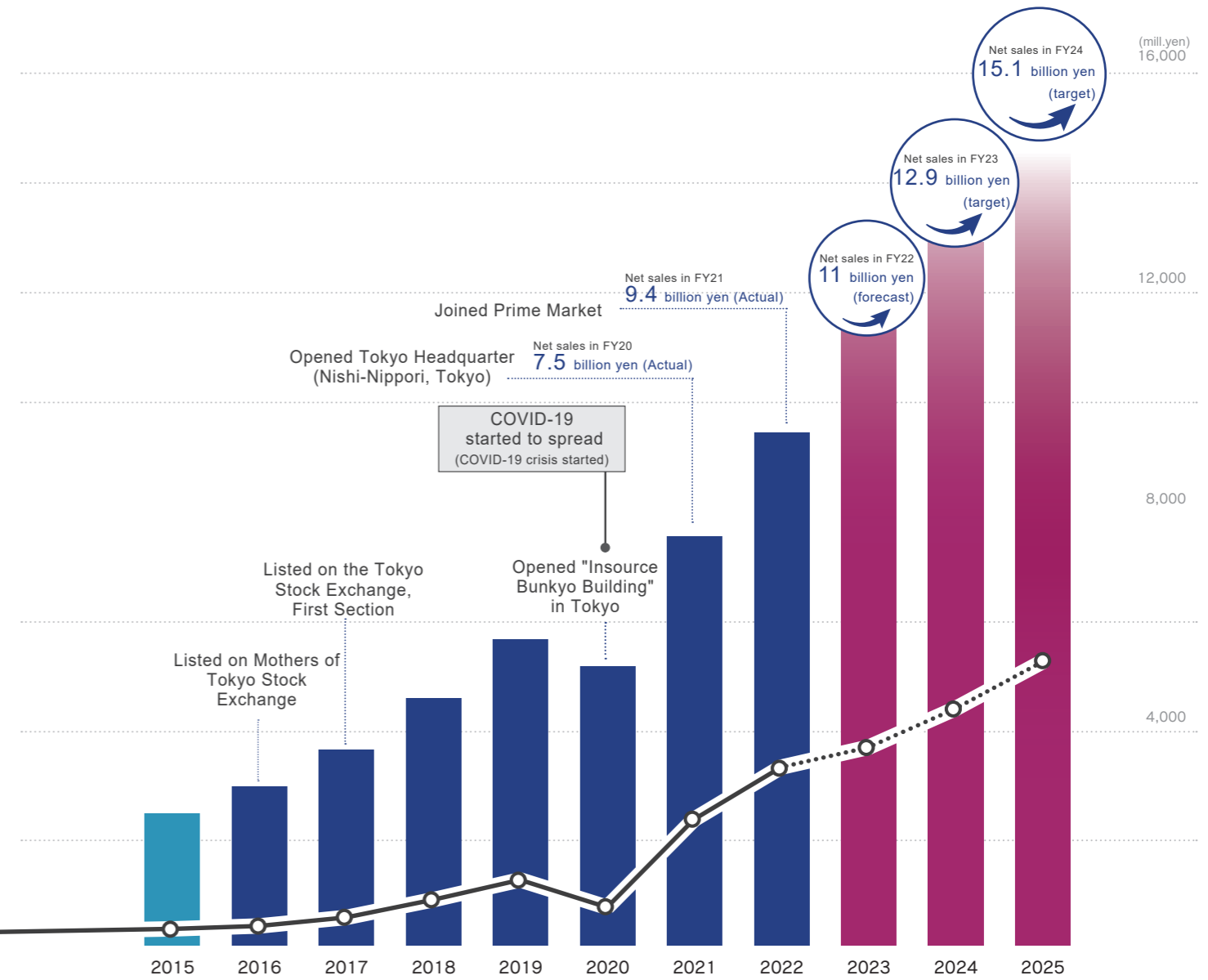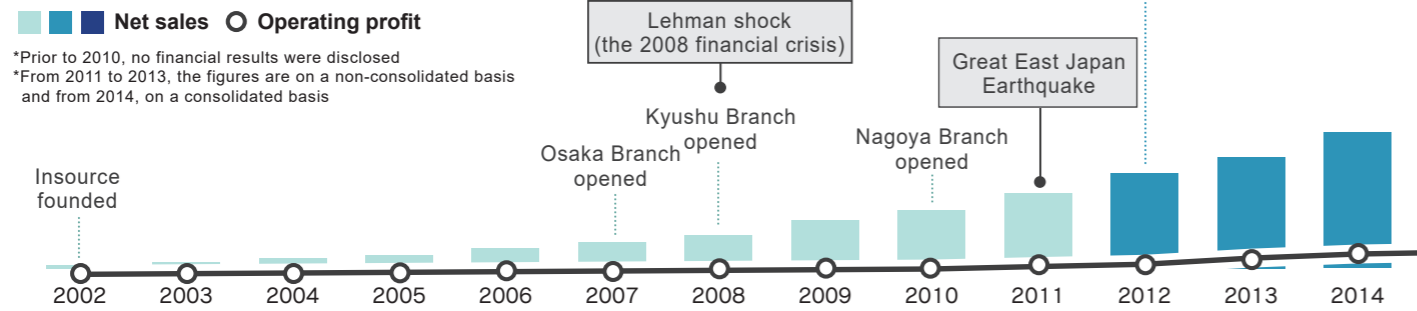
■Quarterly disclosure

Quarterly disclosed non-financial information
・ Number of new contents
　(On-Site Training, Open Seminars, e-Learning/videos)
・ Number of web-sessions
・ Number of employees and their breakdowns
・ Number of business sites, seminar rooms
・ Evaluations of training contents and trainers
・ Number of trainers
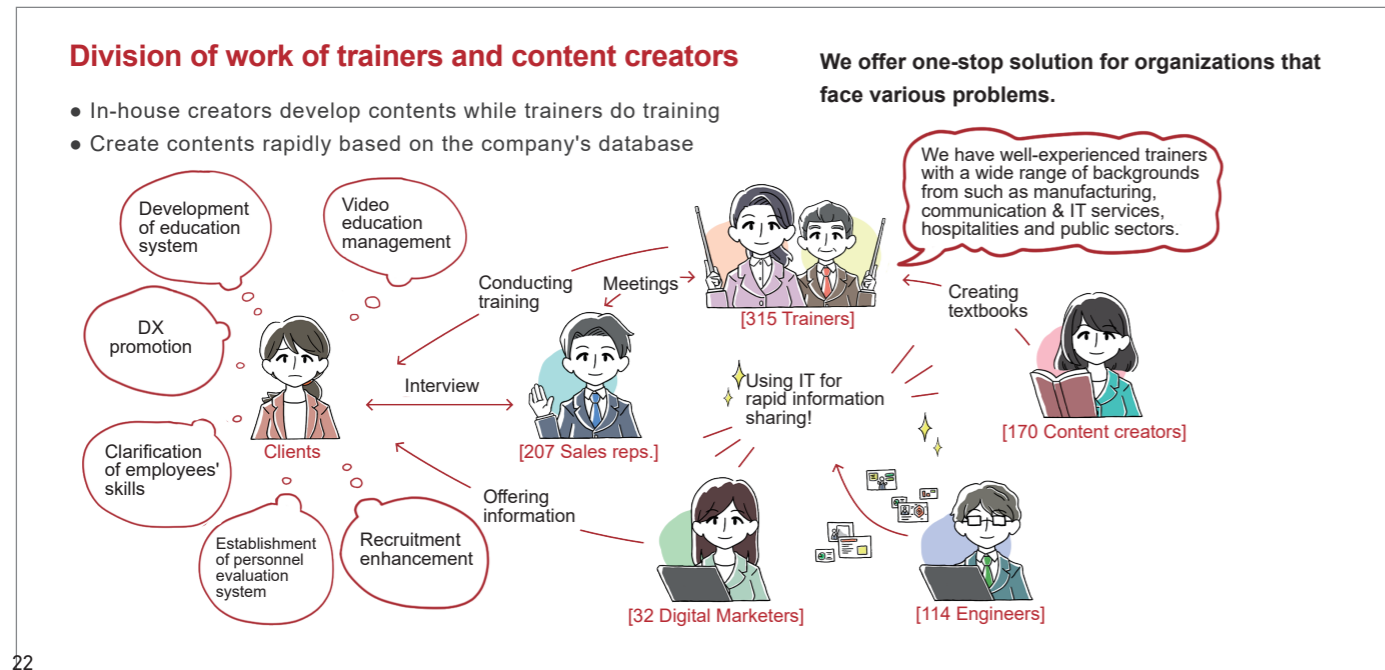・ Number of shareholders
・ Number of clients

Insource's History

We believe that our mission is to realize a society that everyone can enjoy working and feel fulfilled.
Under this mission, we have grown by constantly recognizing changes in society as opportunities.
We will continue to challenge ourselves to create value for the Insource Group with "a sense of speed" and "flexibility."
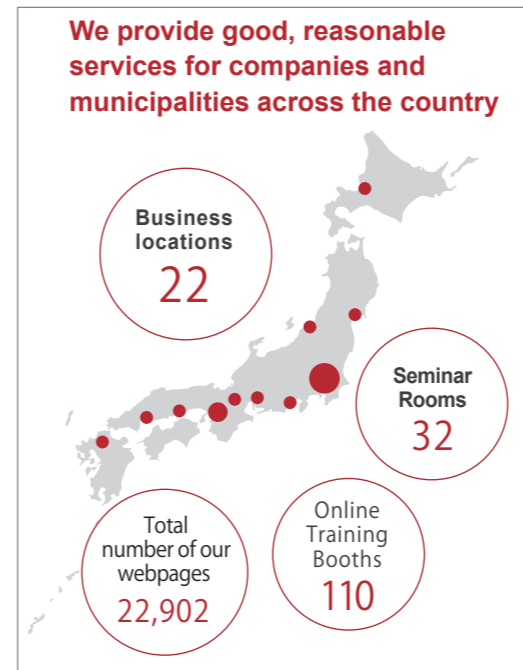
▲ Establishment of offices　● New services　■ Subsidiary business started

Year		Event
2002	▲	Established Insource Co., Ltd.
2007	▲	Opened Osaka Branch
2008	▲	Opened Kyushu Branch in Fukuoka City
2010	●	Started special discount package for Open Seminars (which is now called HRD Smart Pack)
	▲	Opened Nagoya Branch
2011	■	Started video production and e-Learning business by "Mitemo Co., Ltd."
2012	▲	Increased more seminar classrooms in Tokyo in order to expand Open Seminars business
2014	●	Launched sales of "Leaf"
2018	■	Started placement business by Rashiku Corporation Acquired all the shares of "MIRAISOUZOU & COMPANY, Inc."
2019	■	Started IT training business by Insource Digital Academy Corporation
2020	▲	Acquired "Insource Bunkyo Building" in Tokyo, which is the first building of the company owned
2020	●	Opened a website "Video Department Store" run by Insource
2021	▲	Acquired Insource Dokanyama Building in Arakawa-ku, Tokyo and relocated part of the headquarters functions
2021	■	Acquired all the shares of Insource Marketing Design Corporation (former name:Marineroad Inc.)
2022	■	Acquired all the shares of Insource Business Rep Corporation (former name BAS Corporation), which provides help desk and system support services

■ Net sales　○ Operating profit

*Prior to 2010, no financial results were disclosed
*From 2011 to 2013, the figures are on a non-consolidated basis and from 2014, on a consolidated basis

Lehman shock (the 2008 financial crisis)

Great East Japan Earthquake

Kyushu Branch opened

Osaka Branch opened

Nagoya Branch opened

Insource founded

To expand Open Seminars business, Tokyo Seminar Classrooms were relocated

Listed on Mothers of Tokyo Stock Exchange

Listed on the Tokyo Stock Exchange, First Section

Opened Tokyo Headquarter (Nishi-Nippori, Tokyo)

Joined Prime Market

Opened "Insource Bunkyo Building" in Tokyo

COVID-19 started to spread (COVID-19 crisis started)

Net sales in FY20 7.5 billion yen (Actual)
Net sales in FY21 9.4 billion yen (Actual)
Net sales in FY22 11 billion yen (forecast)
Net sales in FY23 12.9 billion yen (target)
Net sales in FY24 15.1 billion yen (target)

(mill.yen) 16,000 / 12,000 / 8,000 / 4,000

Years axis: 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

Business model was established

Division of work of trainers and content creators

- In-house creators develop contents while trainers do training
- Create contents rapidly based on the company's database

We offer one-stop solution for organizations that face various problems.

We have well-experienced trainers with a wide range of backgrounds from such as manufacturing, communication & IT services, hospitalities and public sectors.

Development of education system
Video education management
DX promotion
Conducting training
Meetings
Interview
Clarification of employees' skills
Clients
Establishment of personnel evaluation system
Recruitment enhancement
Offering information
Using IT for rapid information sharing!
Creating textbooks

[315 Trainers]
[207 Sales reps.]
[170 Content creators]
[32 Digital Marketers]
[114 Engineers]

Inceased business locations/ Established platform

We provide good, reasonable services for companies and municipalities across the country

Business locations **22**

Seminar Rooms **32**

Total number of our webpages **22,902**

Online Training Booths **110**

Rapidly develop contents and offer service by utilizing IT and database

Business process was digitally transformed (DX), and product development and sales activities were integrated

- Around 4,500 inquiries are received every year via our website
- Around 300 training contents are developed every year

Newsletters via emails and FAX are sent to organizations
32 Digital Marketers send about 10 million emails in a year

Receive inquiries via our website
Our webpages:22,902

Visit customers across the country without delay
(including Zoom meetings)
22 Business locations and 207 Sales Representatives

Acquire members of WEBinsource

Rapidly upload the web
Designers: 21

Develop new contents
(trainings, videos, Web services)
Contents creators: 170

New needs are generated

Standardize work by IT
IT Engineers: 114

Our Services
Open Seminars
On-Site Training
IT Service
Other Businesses

Value Creation Model

Solving Social and Customer Issues Thoroughly

Purpose

Solving Social and Customer Issues

Insource Group will contribute to solving issues faced by individuals, organizations, and society through its combined strengths. We will realize a society where all people are given equal opportunities and can maximize their individuality and abilities.

Philosophy

Make a society that all people can enjoy working and feel fulfilled.

Management Resources for Creating Value → **Business Model for Creating Value** → **Business Activities** → **Material Issues**

Management Resources for Creating Value

- Diverse Human Resources — Human Capital P.67~
- Insource Culture "Speed and Focus"
- Broad Client Base
- Stable Financial Resources
- Database of Customer Issues

Business Model for Creating Value

Three Strengths

- Content Creation
- Sales Force
- System Development

Quality improvement building up know-how

Various solutions with best means and cost

Management Base P.32~

CULTURE
We take social issues seriously and respond swiftly as a group

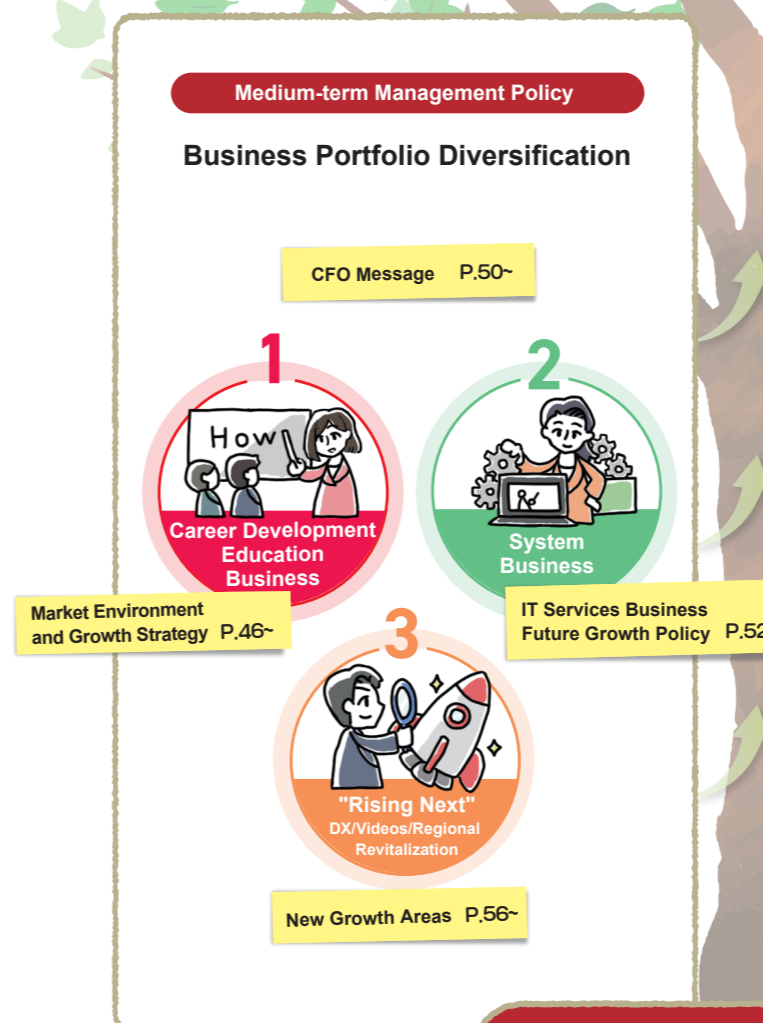## Business Activities

Medium-term Management Policy

Business Portfolio Diversification

CFO Message P.50~

1. Career Development Education Business
2. System Business
3. "Rising Next" DX/Videos/Regional Revitalization

Market Environment and Growth Strategy P.46~

IT Services Business Future Growth Policy P.52~

New Growth Areas P.56~

Material Issues

Three-year Business Plan P.44

Medium-term Management Plan

ROAD TO NEXT 2025

1．Provide diversified services related to managing human capital
①Providing HR education services to improve human capital value (e.g., DX Education)
②Providing human capital management tools (e.g., Leaf Human Capital Management)
③Providing consulting and assessment services for human capital management

2．Develop and promotion sales of new growth areas
(businesses that follow the training and IT services businesses)
- Newly designate regional revitalization businesses and other businesses as new growth areas and invest funds and human resources in them

3．Strengthen ESG priority items
-Solutions for environmental (CO2 reduction) and social issues are particularly strengthened

- **S** Resolving organizational issues and improving productivity through education and IT services
- **E** Environmental Responsibility
- **S** Create with Society
- **S** Human Capital
- **G** Corporate Governance

ESG+Performance Management

Sustainability and Growth Policy P.62 ~

Insource Business Overview

1.Business Field

1. Career training
・On-Site Training
・Open Seminars
・Online Training

2. IT Services
・HR support system Leaf (LMS)
・Leaf Series such as Leaf Management
・Stress Check Support Service

3. Other Services
"Rising Next"
・e-Learning, Video Production
・Regional Revitalization
・Online seminar support service
・Web Marketing
・Placement Services

We provide practical work skills (HOW) education

We provide trainings on practical work skills (HOW). School education provides various basic knowledge and literacy. However, it is not enough because work requires different skills. What is important in work is how to use the obtained knowledge (HOW). Working adults need to learn these practical skills in a short time through multiple training means. We offer "the latest knowledge" such as IT skills and "work methods (HOW)" for working adults. We also provide a wide range of learning infrastructure services. In addition, we are expanding our services to include web marketing support and recruiting, with the goal of providing one-stop solutions to the various management issues and concerns that organizations face.

2.Insource's Basic Policy for Offering Services

We value our five points in order to offer services that will make all the people enjoy working.

5 points!

Concrete contents of "HOW"

Tailor to customers' needs

Competitive price

Be easy to learn in short time

Multiple learning methods

3.Insource's Main Services

We offer the best training services according to our clients' requests and needs.

	On-Site Training オーダーメイド研修 講師派遣 INSOURCE CUSTOM MADE SEMINAR	Open Seminars 1名さまから参加できる 公開講座 INSOURCE OPEN SEMINAR	E-Learning/Video Production	Leaf (HR support system)
Features	・Customization available ・Most of the trainings take place half a day or in one day *Training hours, days, frequency, and number of times are available upon request.	・Available for one attendee ・Mostly trainings take place between half a day to 2 days ・Trainings can be attended either in 6 business sites nationwide or online	・Reasonable price and available for short viewing ・Between around 15 minutes to one hour	・Systems that streamline the work of training PIC ・Platform for watching e-Learning ・Flexible customization support
Achievements *1	Annual total number of trainings conducted: 16,936 times Annual total number of attendees: 540,004 attendees	Annual total number of trainings conducted: 8,253 times Annual total number of attendees: 101,926 attendees	Annual total number of viewers (Rentals): 14,379 Annual total number of purchases (outright purchase): 1,889 Monthly subscription model (STUDIO): 70,258 IDs	Number of users: 2.55 million (*3) Number of organizations: 588 (*3)
Types *2	3,794 types	3,630 types	544 types	More than 30 kinds of options
Average Unit Price *2 *4	275,500 JPY *Determined by training theme and time of one trainer	21,800 JPY *Depending on the number of people and frequency of use, volume discount is available	Rentals: 1,870 yen or more Buying-up: 198,000 JPY or more Monthly Subscription model: 385 JPY /person (tax included)	Watching videos on Leaf plan (subscription): 16,250 JPY/month (tax included)
Purpose of Trainings	・Improve self-awareness ・Change mindsets ・Challenge organizational problems ・Understand company's concept Trainings for different positions and levels are availlable	・Follow-up on On-Site Training ・Stimulation from outside ・Pinpoint individual issues ・Arranging education for a large number of people Trainings to resolve personal concerns and acquire skills appropriate to the content of the work are suitable for those with above aims	・Supplemental knowledge ・Pre-training study ・Post-training reminder study ・Periodic training for the entire company Trainings can be utilized for measures with above aims	・e-Learning ・Training management ・Personnel evaluation ・Stress check support service Multi-functional system that carry out the purposes above thoroughly
Disclosure Items in the monthly KPI *5	・Number of trainings conducted including trainings conducted online DX related training	・Number of attendees including number of online trainings number of DX related training	・Total number of subscription IDs of STUDIO (e-Learning) ・Number of video contents sold (Outright purchase) ・Number of rental viewers	・Number of paid subscribers (organizations) ・Number of customization ・Number of users

*1 From October, 2021 to September, 2022
*2 As of the end of September, 2022
*3 As of the end of March, 2023
*4 Cost per person is calculated based on our model plan
*5 At the beginning of each month, key performance indicators (KPIs) are disclosed as monthly progress report.
　Please check https://www.insource.co.jp/en/ir/insmthdata.html for the detail.

4.Overview of training business

Q What is Insource's model of training ?

A We have adopted a "division of work" method that trainers are in charge of doing trainings while our special team make textbooks.

Rather than a trainers-provider, Insource is more like a contents-maker with over 3,000 types of educational intellectual property

Our company started the business in 2003, although it was a bit late to expand into the career training market. We tried to differentiate us from our competitors who had long experience. We have adopted a unique method, which is called "division of work". Traditionally, trainers are responsible for making contents and conducting trainings. However, under our "division of work", trainers are only responsible for doing trainings, while our internal team specializes in creating training textbooks and contents.
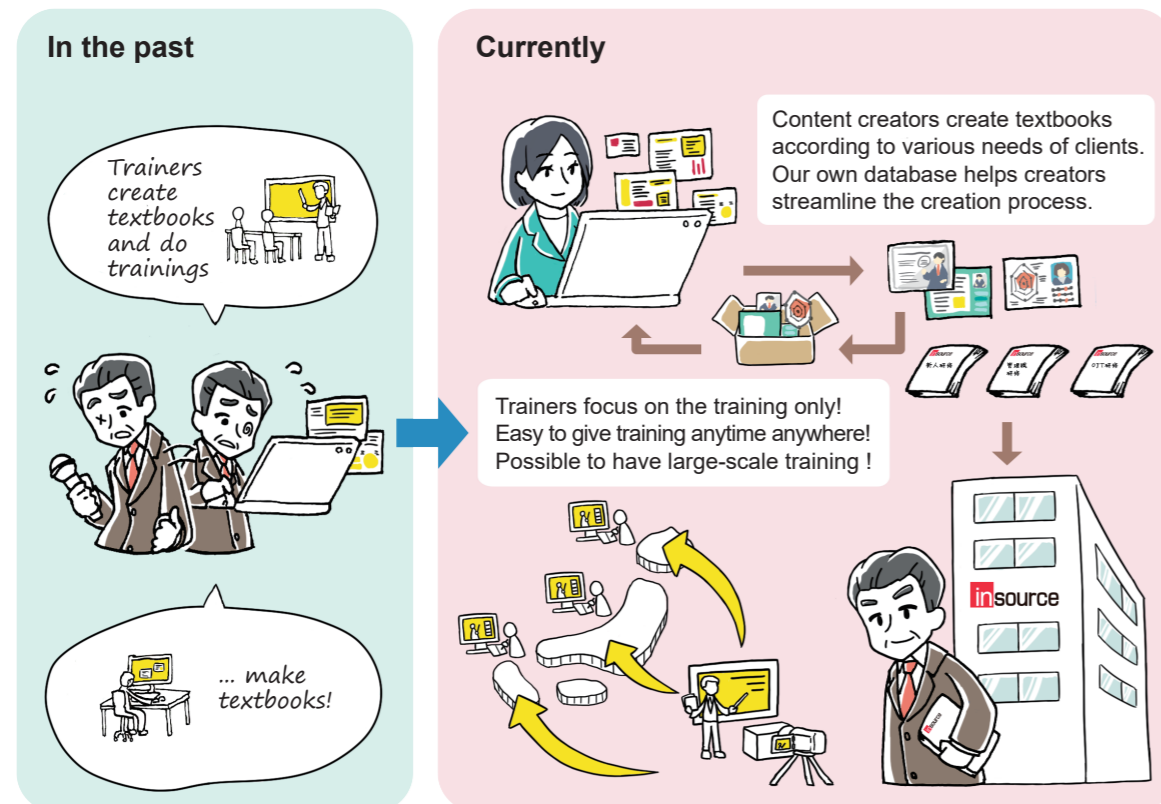
Q What are the strengths/competitive advantages of your training business?

A We are making full use of IT to streamline our operations and create our database.

Our competitive advantage is the structure of our business using IT skills.

We provide our rapid, competitive and customized service through cost reductions and efficiency improvement. We have been developing new functions or making improvements to our database. We also keep creating new contents constantly.

We believe the source of our success is that the business model of division of work, which is backed by the IT capabilities.

In the past

Trainers create textbooks and do trainings

... make textbooks!

Currently

Content creators create textbooks according to various needs of clients. Our own database helps creators streamline the creation process.

Trainers focus on the training only! Easy to give training anytime anywhere! Possible to have large-scale training !

insource

Q Why did Insource begin the education business of career training?

A We noticed that conventional career training did not teach how to think and take action in the workplace.

Education is to make people have the ability to deal with problems.

John Dewey*, who was active in the early 20th century and laid the theoretical foundation for problem-based learning, advocated that "education is about equipping learners with the ability to handle current and future problems," and that has not changed today.
We believe that career development education means dealing with "how one should specifically think and act in the workplace." However, few companies were pursuing specific HOW (practical work methods) training, so we focused our attention there.

*John Dewey:
Leading American philosopher, educational philosopher, psychologist, and pragmatist thinker. He served as professor at the University of Michigan, the University of Chicago, president of the American Psychological Association, professor at Columbia University, and president of the American Philosophical Association.

Q What themes do your trainings have?

A They are about various business skills.

More than 3,000 contents are availabe for different levels, positions, or industries, etc.

The training covers the whole range of business skills. Attendees are primarily business people from all industries. For example, more than 3,000 kinds of training are available, such as one for the new and management-level employees, theme-based training such as career design, logical thinking and complaint handling, business writing skills, and profession and industry-specific training for childcare workers, engineers, IT industry.

Q What kind of people are your trainers?

A Insource trainers come from a diverse range of industries and are able to understand attendees.

Trainers share their own experiences

Our trainers are well-experienced and have come from a wide range of industries. Our trainers will teach from a textbook we have created, while incorporating their own real-life experiences into their training. Therefore, we hire people who have a lot of experience in the workplace (especially management experience and experience in recovering from mistakes) rather than teaching experience or qualifications. Also, the trainee is the protagonist of the training. We hire people who, in addition to their experience in the workplace, can think and empathize with the attendees and encourage their awareness. After being appointed, both new and experienced trainers, are regularly invited to study sessions in order to further improve their skills.

Previously working for IT company in charge of planning and sales

Ex training manager at a hotel

Former bank branch manager

Former government official

Previously working for a consulting firm

Ex sales manager

Q Why do Japanese companies provide education and training?

A Because the company is improving the productivity of internal personnel by training them in the skills they need to do their jobs well.

Companies with more than 300 and less than 3,000 employees outsource training

Japanese companies hire new graduates and inexperienced workers in batches, giving them experience in a variety of jobs while working to improve the skills of their personnel from the bottom up. For this reason, they outsource the skills training required for the job to outside vendors like us. Also, in other countries, workers themselves pay for training to strengthen their skills, whereas in Japan, many companies pay for the training. According to our survey, the size of companies that outsource training is mainly those with more than 300 employees and less than 3,000 employees.

Companies with less than 300 employees tend to place low priority on trainings, while those with more than 3,000 employees have their internal training department.

Education is the key to improving the productivity of internal human resources

Furthermore, due to Japan's declining birthrate and aging population, there will be a shortage of approximately 10 million workers by 2030. In order for an organization to sustainably grow in this challenging environment, productivity must be enhanced through the improvement of internal human resource skills.

Q What is the view of the environment for business training?

A We see a strong tailwind in the area of human capital management, which has received increasing attention in recent years.

Human Capital Management Era

"Human capital management," which views human resources as "capital" and maximizes their value to enhance corporate value over the medium to long term, has attracted increasing attention. The Corporate Governance Code revised in June 2021 requires companies to disclose specific information on investments in human capital taking into account their management strategy and management issues. As the

importance of human capital in corporate evaluation increases, we will offer a one-stop service that includes "consulting on setting human capital disclosure indicators," "a system that enables rapid and inexpensive collection and organization of human capital disclosure data," "assessments that help improve scores on human capital disclosure indicators," and "training services tailored to customer needs."

Q Is there a possibility that competitors will enter the market with the same business model in the future?

A Yes, there is.
We will strengthen our competitiveness with our "IT skills" and "content development capabilities."

Continuing to improve efficiency of content development with IT capabilities

There is no technical difficulty in dividing the work between giving training and creating textbooks, so we believe that competitors can enter the market with a model of work division. To respond to possible

competitors' move, we will maintain and strengthen our competitiveness by continuing to refine our IT capabilities to improve work efficiency, which is the key to our business model, and by continuously creating content.

Kishida Administration:

Expanding Investment in Human Resources to a "1 Trillion Yen in 5 Years" (October 2022)

The Kishida administration has announced that it will expand "investment in human resources," such as reskilling (re-learning) for employment in growth fields, and invest 1 trillion yen over five years. This will be a tailwind for the career education market as it will promote growth fields such as digital, facilitate labor mobility, and nurture human resources.

5.Overview of IT Services business

Q What is your IT Services business? What is exactly "Leaf"?

A We develop mainly HR support system "Leaf".

Equipped with the ability to provide thorough training to a diverse workforce.

Leaf is a business improvement system for those who are in charge of HR and education. The system is equipped with a number of functions for smooth and thorough training of a diverse workforce. In particular, with the spread of e-Learning education after the COVID-19 crisis, the use of the system as a Learning Management System (LMS: a platform for viewing e-Learning) has been increasing.

Q What is the main revenue structure of your IT Services business?

A Leaf's revenue is made up of monthly subscription fees and customization fees.

588 organizations, mostly large corporations, and over 2.55 million users are our clients

Leaf's sales consist of "monthly subscription fees" and "up-selling by customization." Currently, the system is being implemented mainly by large companies and is used by 588 organizations with more than 2.55 million users*. Sales from customization tends to be concentrated in the 2Q (March) and 4Q (September), which are the closing months of Japanese companies.

*As of the end of March, 2023

Leaf Sales Changes   unit: mill. yen

FY	Monthly subscription fees	Customization sales	Total
FY19	266	258	525
FY20	435	446	881
FY21	581	452	1,033

■ Monthly subscription fees ■ Customization sales
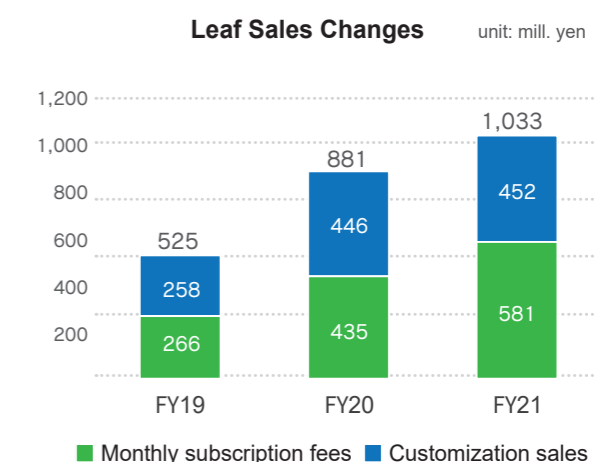
Q What is Leaf's strength?

A It is a large-scale system with reasonable basic fees and flexible customization options.

Our in-house engineers are able to respond flexibly with our development system

Leaf's basic fees are reasonable and more than 30 optional features are available. With a large number of in-house engineers, we can flexibly respond to requests for customization, such as system integration and development of new functions. Furthermore, since the

Microsoft Azure cloud is being used, it can withstand large scale usage access and is highly secure. As a result, the implementation of this system is expanding in large companies and government offices.

*Microsoft Azure is a trademark or registered trademark of Microsoft Corporation.

Management Base : Culture INSOURCE CULTURE

We face social issues with sincerity and respond swiftly as a unified group

To solve social issues

Insource has many members who have a strong desire to solve social issues related to "people". Regardless of each other's backgrounds and experience, we are a group of kind and friendly members who are "willing to talk to those in need" and "willing to teach".

Diverse people are working together and moving quickly

Members with diverse values share a common understanding that we can win if we all move quickly. We believe that this is a common understanding that has arisen from the fact that the work of all departments is quantified a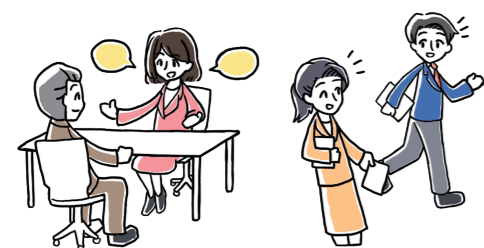s KPIs, making it easy to feel the relationship between one's own actions and business performance, company-wide events held regularly, and the experience of overcoming many crises with organizational strength.

- Inquiries are answered within half a day in principle. The proposal is shared with the entire company at the same time, "Here is a proposal for the same issue!" "We have just created a new textbook!"
- Even if a request for training to be ready in three days is received, we will do our best to respond to it through cross-departmental cooperation

We utilize the OODA model, the decision-making process of the U.S. Marine Corps

We practice the "OODA model", which is an easy-to-understand theorization of the decision-making process of the U.S. Marine Corps. It is OK to fail, but we need to keep moving. If you do not get results, change course immediately.
We believe that the OODA loop, which the entire organization and each individual rotates at high speed on a daily basis, leads to our ability to respond to change.

OODA Loop
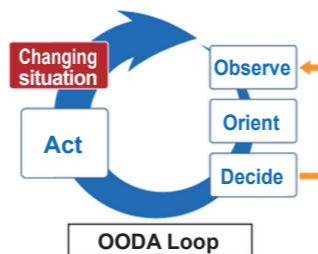
1. Observe - Accepting things "as they are" without preconception

Thinking from the client's perspective
Developing contents and offering service all start from the client's issues. To capture needs instantly and without missing anything, we record, collect, and analyze the trends of inquiries and the content of business negotiations. Client's issues are being collected in a database.

- Conduct weekly content development meetings to develop new content
- If we do not have suitable services needed by the client, all departments will put heads together to develop it from scratch

2. Orient - Oriented by "inspiration" from information

Share the information with the entire company
The source of inspiration is information. For example, information collected through questionnaires from attendees and interviews conducted by sales representatives is disseminated to the entire company on a daily basis, and social trends are also shared. At company-wide morning meetings held twice a week, each department presents KPI progress, good business cases, and kaizen (improvement) information.

- Younger employees introduce a useful tool to reduce time spent creating emails to the entire company
- At sales meetings, from first-year employees to executive officers fill in the "Information Sharing/ Spread Information Horizontally (share information regardless of their job titles)" column and share it

3. Decide - The key to judgment is whether the content, quality, and price meet client's needs

Pursuit of quality without compromise
As client needs and social conditions continue to change, we brush up our services and content in response to these changes; therefore, we quantify all quality, and all feedback from clients and attendees is made public on the Website as well. We have established a system that does not allow "compromise" or "cheating" of services and contents by allowing people outside the company to view our website.

- Sales representatives, trainers, and content creators work together daily to find the best solutions.
- Training evaluations are posted daily on the website,and individual program evaluations are disclosed to the public.

Consider cost-effectiveness
We emphasize not only the content and quality of our services, but also the appropriate price and means to provide those services. To achieve this, the cost of providing services is reduced by automating simple, repetitive tasks and by immediately systematizing tasks that are found to be prone to error.

- Whenever a new project is launched, engineers are also invited to discuss "structuring," "standardization," and "automation".
- Mistakes and troubles are shared among managers as "seeds for improvement."
- Add or improve system functions that can be prevented by applying IT.

4. Act - Act immediately. Return to "observation" state if the situation changes.

Each employee acts proactively and promptly
Each department has KPIs for the amount of action. All of us are committed to building our business performance through each and every one of these steady actions. We flexibly change the priorities of KPIs as situations change.

- Share daily sales KPIs and progress towards targets with the entire company.
- KPIs for the amount of action are set in each department. Example: 10 press release target per month Example: Monthly target to develop 30 training (On-Site Training) content and 18 e-Learning courses

Culture to bring out the best in our employees

Diversity & Inclusion
We value inclusion as part of our culture. We see diversity as a source of competitiveness, and the proportion of female managers is 37.8%. It is said that 80% of people's problems are related to human relationships. We respect the existence of others, rather than clashing with their values, and provide an environment where people can work while having fun and feeling fulfilled.

Opportunities to grow are provided
Young employees with enthusiasm and ability are given one opportunity after another and the opportunity to participate in management meetings. In addition, new graduates are required to take Python training, regardless of their scientific or liberal arts background. This allows employees to grow and discover new talents and aptitudes, and ultimately leads to increased productivity in the organization.

Energy and ability to act
We have the energy and ability to be the first in our industry to release services that solve social problems, and we are keenly aware of changes in the environment and the needs of the world by practicing the OODA model in the field. Our employees have a mindset that sees these changes as opportunities. In our company, failure is not a bad thing. The most problematic thing is to "do nothing" for fear of failure. Our culture is such that even in difficult times, we do not stand still, but keep moving forward in some way.

Management Base : Content Development Capability

INSOURCE CONTENTS
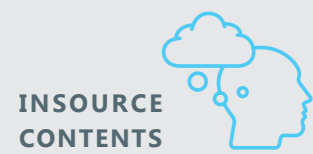
1. Create best products based on the clients' needs
2. Deliver high-quality, affordable contents to society as quickly as possible
3. Provide a wide range of contents with various delivery methods

1.Create best products based on the clients' needs

Q What are the features of Insource's contents?

A We create a customized product based on the client's problems and the attendee's concerns.

We provide a practical framework necessary for work

Since our foundation, "always responding to clients' needs" has been our priority. We also consider the concept of content development to be "useful from tomorrow". For this reason, our training programs are not designed to unilaterally present our ideas and theories to attendees. Based on the problems and concerns of our clients, we have carefully selected frameworks and know-how necessary for actual work, and designed mainly for exercises.

Analyze real "problems" attendees have and create training content

When preparing training materials, we ask attendees to fill out a questionnaire in advance to find out what they are struggling with and what they are trying to do to solve their problems. All of this questionnaire information is stored in our database, which currently contains more than one million data records.

Content creators use the result of this survey to create textbooks based on the content needed by the attendees. This information is truly our asset.

On-Site Training can be flexibly customized to fit any industry, job category, and type of attendees

As mentioned before, we emphasize "conveying content that can be immediately put into practice in the workplace" so that attendees can experience the "joy of working" through the training. Therefore, we offer flexible customization of the On-Site Training. For example, even in the same complaint handling training, each industry and its companies have different complaint situations. Parts are created on a case-by-case basis to suit the job and type of the attendees, such as for sales representatives at an electric power company or for station staff at a railroad company.

2.Deliver high-quality, affordable content to society as quickly as possible

Q What are the strengths of Insource's content?

A It is to be affordable, up-to-date and perfectly-fit.

Transforming speed and quantity into "quality"

With regard to content, we place the greatest emphasis on "always being the first to offer something new." Educational themes have fads, and in order to sell, we have to develop content faster than our competitors. For instance, the Women's Activity Promotion Law* was enacted in 2015 to encourage the success of working women and training for women's activities were increasingly implemented in organizations, which Insource had been developing since 2008. Therefore, we currently have a lineup of more than 50 types of products and extensive experience in the theme of promoting women's success alone. The division of labor between trainers and the textbook development team enables us to mass-produce content quickly.

*Official name: Act on Promotion of Women's Participation and Advancement in the Workplace

Spare no cost in R&D and sell on the long tail business strategy

No matter how niche the need is, we spare no expense in developing content. If we receive an inquiry that says, "We have a problem related to XXX," and there is no corresponding content, we will create content from scratch. As a result, the number of contents in the On-Site Training has led to a total of 3,794 titles. In addition, once the content is created, it is posted on a Web page so that it can be provided to other clients. In order not to miss sales opportunities, we sell thinly and for a long time and focus on meeting every need. We also do not just wait for clients' requests. We are always aware of social conditions and the latest trends and keywords, and create over 300 new contents every year.

Existing contents are also updated daily based on questionnaire results

We believe the content business is entertainment, and it is important to keep our clients "never get bored". Therefore, we brush up the existing contents many times based on the results of feedback and questionnaires from the trainers and clients. The results of the questionnaires are shared with all employees on a daily basis via e-mail from the system, and a rule has been established that the person in charge must improve any low evaluations. In addition, we brush up our training to keep up with social trends. For example, our new employee training is revised every year to reflect the changing perspectives and work styles of the times. In 2023, we have added the concepts necessary to contribute to the SDGs.

Education should be an affordable commodity

We also emphasize "affordable price" in order to deliver our content to more clients. No matter how specialized or advanced, education should not be an expensive service. We believe that our services should be as accessible as daily necessities, so to speak. Therefore, by fully utilizing IT and keeping development and supply costs down, we are able to offer affordable pricing.

Interviewing organizational problems

[Clients] in charge of in-house training

[Insource] Sales representatives

Collecting and doing some researches on the latest human resources education information within the department for development

Interviews on actual problems and issues on site through questionnaires

[Content development] Responsible department

Brush up content based on information that suits various "now" situations

[Clients] Attendees

3.Provide a wide range of contents with various delivery methods

Q What is the most popular content?

A There are no specific best-selling products, but DX/IT training is selling well now.

A wide range of product lineup

The content lineup is diverse, ranging from new employees to management-level employees, and includes content by job level, business skills such as communication, business writing, and logical thinking, as well as content specific to industries and job types. There is no one main content, but sales are made up of a wide range of content. In the past few years, sales of DX and IT training have grown significantly.

■Sales composition ratio by training theme

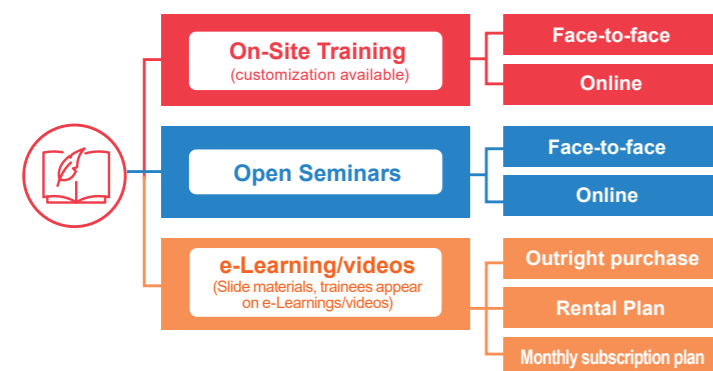| Training theme	FY15		FY20		FY21		Sales growth (vs. FY15)
	Rank	Sales composition ratio	Rank	Sales composition ratio	Rank	Sales composition ratio	
For managers	1	27.6%	1	23.9%	1	22.8%	+85%
Business skills	3	17.5%	2	17.4%	2	16.2%	+107%
Communication/CS	2	20.7%	3	14.3%	3	14.7%	+59%
New/younger employees	4	12.0%	4	13.1%	4	12.0%	+123%
DX/OA/IT	7	2.6%	7	7.2%	5	10.3%	+770%
Harassment/Compliance	5	7.5%	5	10.5%	6	9.5%	+187%
Mid-career employees	6	6.6%	6	9.0%	7	9.3%	+216%
Others		5.4%		4.8%		5.2%	+116%
Total		100%		100%		100%	+124%

*Based on the change in the definition of training themes, sales composition ratios for FY20 and earlier have also been recalculated to conform to the current definition.

Products are available through various delivery methods

Programs developed through On-Site Training are also used in our own Open Seminars, and are further developed into e-Learning and video materials. We use the same content in a variety of formats to keep development costs low. Also, amid the COVID-19 crisis, we launched new online training and e-Learning/video rental plans. We use our multi-channel approach to meet the budgets and needs of our clients.

■Insource's multiple channels to deliver services

On-Site Training (customization available)
- Face-to-face
- Online

Open Seminars
- Face-to-face
- Online

e-Learning/videos (Slide materials, trainees appear on e-Learnings/videos)
- Outright purchase
- Rental Plan
- Monthly subscription plan

Delivery and purchase methods have become more diverse in response to current trends and client needs.

Q How do Insource develop so many contents?

A We have a team with 170 members to create contents by using our huge database.

Mass production of content through "division of labor" between trainers and textbook developers

We have established a "division of labor" system whereby we create the textbooks in-house and outsource the training to trainers who are capable of presenting the content of the textbooks. All created contents are stored in a database. Content creators can also search and utilize parts created in the past. By "standardizing" textbook creation work in this way, which relies on individual skills and tends to be a highly personalized process, we have achieved a mass production system.
This structure, which requires close coordination between trainers, sales representatives, and content creators, has enabled us to increase efficiency through the use of a dedicated and unique system.

170 content creators are working together

We have 170 content creators. They work mainly in the Kyushu and Tokyo offices, and there are many women working while raising children. There are two main teams: one team develops and delivers textbooks for more than 16,000 On-Site Training conducted annually, and the other team develops new content in line with the latest trends.
Textbook preparation work requires social experience. For this reason, we assign people with extensive business experience and those with long experience in educating people in the business world.

■KPIs showed contents expansion
(Unit: people, %, type, title)

	No. of content creators	Questionnaire feedback for trainings	No. of On-Site Training conducted (total)	No. of Open Seminars conducted (total)	No. of e-Learning/ videos posted (total)
FY21	170	95.9	3,794	3,630	544
FY20	172	94.5	3,461	3,296	334
FY19	166	95.4	3,140	2,859	86
FY18	118	95.3	2,821	2,589	-
FY17	103	96.5	2,582	2,292	-

*Percentage of respondents who answered that they understood/understood the content well out of a 5-point scale in the questionnaire ratings.
*Number of e-Learning/videos is the number of videos posted in Video Department Store (EC site)
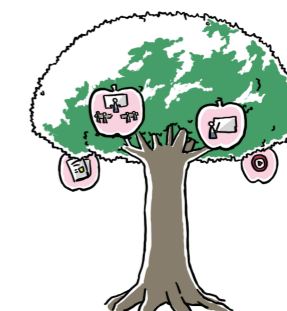
Management Base : System Development Capability

INSOURCE SYSTEM

1	Achieve high productivity by self-developed systems
2	Develop a system with good profitability
3	Operate large scale systems with high reliability and security

1.Achieve high productivity by self-developed systems

Q Why do Insource strengthen its system development capabilities?

A To lower both production costs and SG&A expenses for its own services. In addition, to provide IT services.

Preventing errors from occurring through "systematization"

We have been promoting the systemization of all our operations since our foundation. This is to enable inexperienced employees and members with limited working hours to perform their duties in a short period of time without making mistakes.The key to our growth has been the utilization and structuring of IT.

Training management systems that support Insource's business model

The business model of our training business, which is our competitive advantage, is based on the "Training Management System". In order to conduct training, sales representatives must coordinate detailed information (such as date, time, venue, attendees, training content, and trainers) with clients, trainers, and content creators.

With these automation of routine tasks, we have achieved thorough cost reductions. For example, before a training session, a reminder e-mail is automatically sent to both the clients and the trainer to prevent misunderstandings and lack of confirmation. With the use of IT, communication costs are reduced as much as possible, and mistakes of "misunderstanding, lack of confirmation, and forgetting" are prevented to a minimum.

Leveraging system development capabilities, IT services have also become a profitable business

We are leveraging this development capability to provide IT services through our training management system and LMS, Leaf, which now accounts for 10% of our sales. Like Amazon, we will accelerate our growth by turning our expertise into services and selling them externally.

Q Why do Insource develop system in-house?

A In order to provide our services quickly.

Productivity increased approximately 100 times with in-house developed system

Utilizing an in-house developed system that fits one's own business can achieve productivity about 100 times higher than that of an external commercial package. If there are multiple users and more than 10 cases of the same process per day, we should consider in-house development. Based on this idea, we have not only increased sales, but have also been thoroughly cost-conscious in keeping manufacturing costs and SG&A expenses down, which has led to the high profit margins of our business.

114 in-house engineers cooperate with other departments to develop systems quickly

The system is improved daily by 114 in-house engineers. The presence of in-house engineers enables us to immediately listen to the opinions of our clients, as well as in-house users, and apply them to the system instantaneously. For example, when we started online training amid COVID-19 crisis, we implemented the functions for online training into the existing system in 10 days.

"In-house Digital Human Resource Development Project" for all employees

We improve IT literacy company-wide by conducting IT skills training for all employees and personnel transfers between systems-related and non-systems-related departments. If employees on-site are able to define requirements, communication with the system development department will be smoother, and development speed will be further improved. Since FY19, we have provided all employees with basic knowledge training on DX. Younger employees and those in the content development and media divisions have been trained in skills to be able to define requirements, leading to business improvement and new service development.

We produce the system in-house ourselves

■Changes in numbers of engineers, Leaf's paid subscribers, contracts of WEBinsource, videos sold through EC sites
(Unit: people, %, organizations, title)

| | No. of engineers | No. of Leaf paid subscribers | No. of contracts of WEBinsource | No. of videos sold through EC sites | (For reference) | |
					Gross profit margin	Operating profit margin
FY21	114	522	18,669	1,889	76.6%	35.8%
FY20	114	412	15,798	1,422	76.3%	32.1%
FY19	82	248	13,492	45	71.2%	15.3%
FY18	62	162	11,335	-	70.6%	23.2%
FY17	49	92	8,564	-	68.3%	20.7%

■Examples of Python-based business improvements by Insource's new employees who joined the company in April 2021 (as of the end of December 2021)

Tasks	Time required before improvement	Time required after improvement
Reduce the workload of sales calls (per call)	110s	25s
Automate the preparation of sales meeting materials (per month)	60m	20m
Connect data between two in-house systems (per transaction)	200m	1m
Program automatically selecting dates for all training courses (per training)	500m	15m
Download data automatically from in-house recruiting system (per month)	2,000m	1m

*Operational improvement program developed by a new employees who had no experience before joining the company and received approximately 10 days of training after joining the company

2.Develop a system with good profitability

Q Why do you sell the system as a training company?

A Requests from clients led to the launch of "Leaf," (HR support system/LMS) for the IT Service business

"Leaf" was born from client requests

Insource's EC sites: WEBinsource and Video Department Store

"Leaf"(HR support system/LMS) in IT Services used by 588 organizations*, was launched at the request of a client who wanted to "systemize training management". Large private companies conduct hundreds of training programs per year. The people in charge of education must communicate with trainees regarding training dates and times, venues, and trainee preparations, as well as receive applications, confirm attendance, and manage assignments. It is Leaf that makes these operations go smoothly. Subsequently, with the diversification of education, we have added various functions such as "video viewing" and "online training functions". In addition to education, the system also includes functions to support HR operations such as "stress checks" and "personnel evaluations".   *As of the end of March, 2023

WEBinsource, a membership platform used by a cumulative total of 18,669 organizations, was initially developed as a system for signing up for Open Seminars. However, as the service has expanded, it has evolved into a platform for purchasing a variety of services, including assessment services, e-Learning, videos, textbooks, and other affiliated products.
The "Video Department Store" was also launched in July, 2020 due to the growing demand for e-Learning education amid the COVID-19 crisis.
As a result, video content worth more than 200,000 yen is now being purchased on the Internet, without the assistance of a sales representative. We can expand sales while maintaining a high profit margin by selling video content on our website and WEBinsource.

3.Operate large scale systems with high reliability and security

Q What are the characteristics of Insource's system?

A They are reliable, have high security, and can withstand large-scale operations.

Leaf has 2.55 million users (as of the end of March, 2023)

Providing a safe environment for clients

Our systems are large but highly reliable and secure. Leaf's servers use Microsoft Azure, a cloud service provided by Microsoft Corporation, and are operated on servers in Japan. It is also possible to quickly develop the latest functionality in line with updates to cloud services. Leaf is used by 2.55 million users, and the system can withstand simultaneous access by a large number of people*.

*Microsoft Azure is a trademark or registered trademark of Microsoft Corporation.

Also, Leaf offers its systems in a single-tenant architecture. In addition to encryption of communications and stored data, we provide our clients with a secure environment by installing intrusion detection and prevention systems and conducting annual third-party vulnerability inspections. As a result, there have been zero security incidents in the nine years since the service was launched, and the service uptime has been maintained at 100%.

Management Base : Sales Force

INSOURCE SALES

1	Realize "company-wide sales" with the power of people and IT
2	Have built the client base of more than 30,000 companies
3	Always focus on speedy action and vaule the process

1.Realize "company-wide sales" with the power of people and IT

Q What are the strengths of Insource's sales activities?

A We have a "company-wide sales" system that enables sustainable growth with the power of people and IT

"Company-wide sales" system that utilized the power of people and IT

Plants: Self-developed SFA specializing in the collection and sharing of client information

With the exception of the fiscal year ended September 2020, which was affected by the COVID-19 crisis, we have continued to increase sales since our establishment. This is the result of our unique sales cycle that links the power of people and IT. This is achieved by linking sales activities by sales representatives, sales promotion activities via the Web and e-mail, and new product development.
Specifically, information that arises in the business process, such as "details of negotiations between clients and sales representatives," "issues and problems of clients," and "inquiries from clients," is distributed throughout the company at high speed by utilizing IT. This allows the entire company to share client's issues at the same time, and to quickly coordinate product development, sales promotion and sales activities. It can be said that all employees, not just those who deal directly with clients, are involved in sales activities with a sales mindset.

The sales cycle is operated by Plants, a self-developed SFA*. The system is designed so that necessary information is carefully selected and information can be registered in a minimum amount of time. Even busy sales representatives can use the system without missing any information. Plants records the history of negotiations and transactions between our company and clients since 2003, allowing for a smooth handover in the event of a sales representative change, maternity or paternity and child-care leave. Plants is also used outside of the sales department, where the sales promotion department analyzes negotiation history data to realize one-to-one marketing, selling the most appropriate product to each client. We are constantly improving the functionality of Plants, which contributes to increased sales productivity.

*SFA: Sales Force Automation, which means sales support system.

Insource's sales cycle utilizing the power of people and IT

Distribute e-newsletters and faxes to organizations nationwide → Receive inquiries via our website → Visit clients (including online meetings) → Acquire members of WEBinsource

Rapidly upload the Web

Standardize work by IT

Our service

Register

Develop new service (trainings, videos, services on the web) ← Generate new needs

I see! This is what our clients have wanted.

On-Site Training | Open Seminars
Other businesses | IT Services

2. Have built the client base of more than 30,000 companies

Q How did Insource build a cumulative client base of more than 30,000 companies?

A This is the result of our continued efforts to acquire new clients through large-scale Open Seminars and Web marketing

Large-scale development of Open Seminars contributed to the building of a client base

We have worked with a cumulative total of 39,699 companies and organizations, serving more than 10,000 clients each year. Since we offer Open Seminars that can be attended by as few as one person on a large scale, many people have found it easier to use our services, which makes Insource unique. Sales representatives use the WEBinsource whose usage charge is free, as an opportunity to expand their business.

Practicing Web marketing since the early days of the company

We have 22,902 pages on our website. When the company started the business in 2003, it was rare for companies in the career training industry to disclose detailed training programs and other information on the Web. Therefore, we have posted detailed program content, questionnaire results, and much more information on the Web to help clients better understand the content of our training programs. This has led to numerous inquiries and contributed to the expansion of our client base.

3.Focus on speedy action and vaule the process

Q What is the difference of sales representatives between Insource and competitors?

A Our sales are always proactive to approach customers and take speedy action.

Sales representatives act as directors to meet client needs

We have 207 sales representatives who are responsible for both developing new clients and strengthening relationships with existing clients. We offer a wide variety of content and educational methods to meet our clients' needs and budgets. Sales representatives propose optimal solutions to clients by combining them. In addition to making proposals, sales representatives also play the role of director in conducting training, connecting scriptwriters (content creators) and performers (trainers).

Act independently and respond to requests promptly

Sales representatives practice the OODA model* and work independently. They propose training content and services based on their own judgment after thinking through the client's requests and problems. This enables us to respond to client's requests at a speed that is not possible with a style of training in which trainers decide on the content and prepare the textbooks. It is also very common for our sales representatives themselves to plan and develop new training programs when the most appropriate content is not available. *See p.32 for OODA model

Emphasis on action and process leads to stable sales growth

Sales representatives make it a habit to approach a large number of clients and to conduct thorough information gathering. Educational needs are difficult to identify and services are not sold quickly. Human resource development is an important management issue, and it can take considerable time, sometimes several years, for clients to make decisions. In other words, our sales are the result of our continuous approach and acquisition of information from the past. The reason for the continuous and stable growth of our sales is based on the accumulation of sales activities from the past. Although we have sales targets for each of our sales representatives, we do not impose so-called sales quotas. We do not set huge incentives, either. Sales and "action process" are used as KPIs in the evaluation of sales representatives. Specific KPI items include the amount of action such as the number of daily meetings with clients and proposals, the proposed amount, the number of WEBinsource acquisitions, and the number of times information on client and proposals is shared. We value a good sales process and a positive attitude, as it will lead to future results. Our sales representatives are not motivated by immediate profit, but are made up of dedicated people who can act aggressively for the future.

■KPIs to focus on in sales activities

(Unit: thousand yen, organization, page, time, person)

		FY17	FY18	FY19	FY20	FY21
Productivity	Net sales per employee	19,940	21,325	17,152	22,193	24,181
	Operating profit per employee	4,122	4,956	2,628	7,113	8,645
Management Base	No. of clients (annual)	10,388	11,633	10,786	11,108	12,760
	No. of clients (total)	25,210	29,402	32,938	36,221	39,699
	No. of WEBinsource subscribers (total)	8,564	11,335	13,492	15,798	18,669
	No. of web pages	11,341	14,171	17,727	19,861	22,902
	No. of web-sessions	-	1,712	1,835	2,010	1,804
Number of people	No. of sales reps	118	140	151	180	207
	No. of designers	17	15	16	23	21
	No. of digital marketers	6	21	26	31	32

*Number of Web-sessions: Number of visits from the time a user visits a Web site until they leave
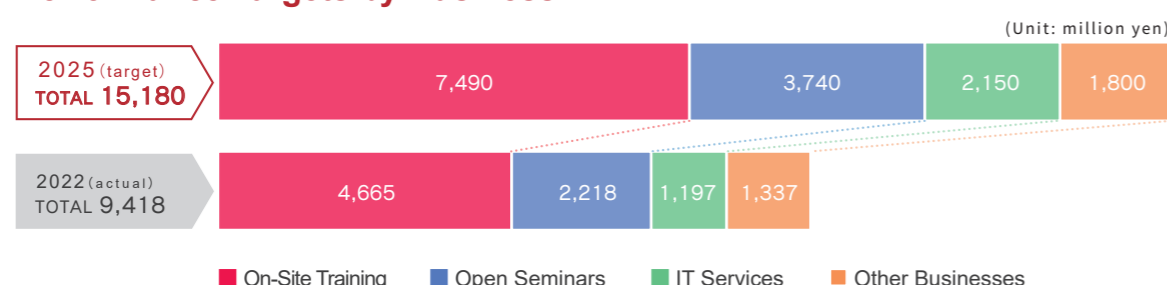
Three-year business plan ROAD TO NEXT 2025

In FY24, we aim for net sales of 15.1 billion yen and operating profit of 5.3 billion yen

Numerical target

(Unit: million yen)

	2023 (forecast)	2024 (target)	2025 (target)	CAGR
Net sales	11,050	12,940	**15,180**	+17.2%
Operating profit	3,730	4,440	**5,300**	+16.3%
Operating profit margin	33.8%	34.3%	**34.9%**	-

Performance Targets by Business

(Unit: million yen)

2025 (target) TOTAL 15,180

On-Site Training	Open Seminars	IT Services	Other Businesses
7,490	3,740	2,150	1,800

2022 (actual) TOTAL 9,418

On-Site Training	Open Seminars	IT Services	Other Businesses
4,665	2,218	1,197	1,337

■ On-Site Training ■ Open Seminars ■ IT Services ■ Other Businesses

Key measures

1 **Taking advantage of the trend to emphasize human capital management, we will diversify our services**

❶ Provide human resource education services that contribute to the enhancement of human capital value (e.g., DX training)

❷ Provide human capital management tools (e.g., Leaf Human Capital Management)

❸ Provide consulting and assessment for human capital management

2 **Develop and promote sales in new growth areas (businesses following the training and IT services businesses)**

Named "Rising Next" as a new growth area to succeed the training business and IT Services business, and invested funds and human resources

- e-Learning and Video Business, Regional Revitalization Business, Online Business, Web Marketing Business, Staffing Business

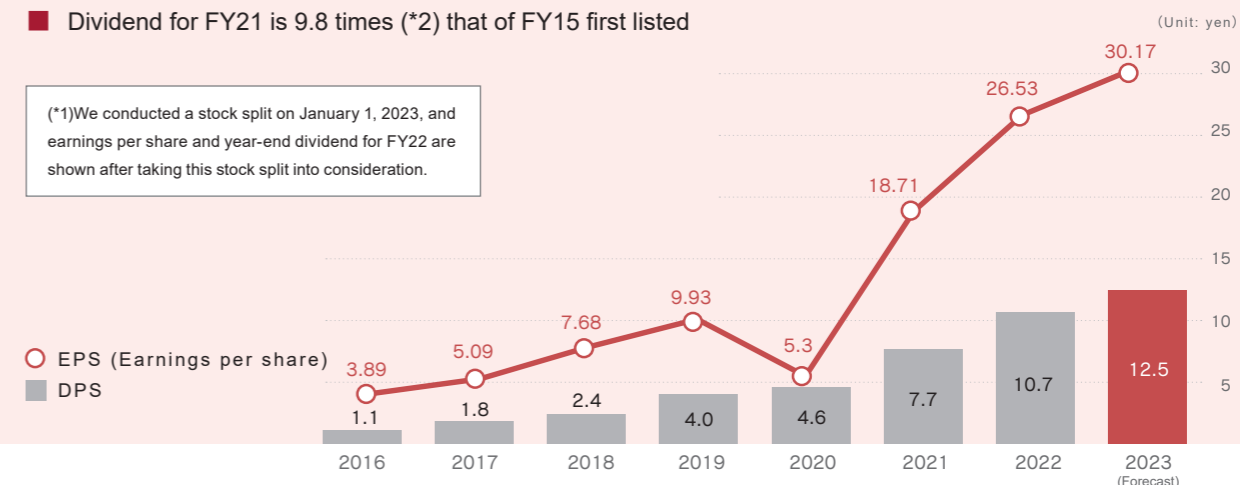**FY24 Other Business Sales Target (vs. FY21): 1,800 million yen (+463 million yen), CAGR +10.4%**

3 **Strengthen ESG priority items**

Strengthening solutions to environmental (CO_2 reduction) and social issues in particular

- Electronic textbook services, Project to Eliminate Period Poverty, and Enhancing Disclosure of Information

Shareholder Return Policy

■ DPR (dividend payout ratio) target of 40% according to business performance

■ Dividend for FY21 is 9.8 times (*2) that of FY15 first listed

(Unit: yen)

(*1)We conducted a stock split on January 1, 2023, and earnings per share and year-end dividend for FY22 are shown after taking this stock split into consideration.

○ EPS (Earnings per share)
■ DPS

	2016	2017	2018	2019	2020	2021	2022	2023 (Forecast)
EPS	3.89	5.09	7.68	9.93	5.3	18.71	26.53	30.17
DPS	1.1	1.8	2.4	4.0	4.6	7.7	10.7	12.5

(*2) 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 splits.

Human Capital Management and Insource Services

We provide full range of services for enhancement of human capital value and disclosure of information.
We offer packaged versions quickly and reasonably priced, as well as customized options.

	Company Implementation Matters	Problems anticipated in the implementation	Insource Services *Customized for unique items
STEP1	Set Indicators	・Create unique indicators in line with management strategy →indicators that lead to increased corporate value	**Consulting service** Check and analyze human capital linked to business performance, etc.
STEP2	Collect and organize data	・Easy to disclose information ・Consolidate data scattered across multiple systems	**Leaf series** Leaf Management/ Leaf Human Capital Management/ Leaf Corporate University <Example> Manage training attendance time data
STEP3	Determine investment policy for human capital	・Show the gap through As is-To be (current situation and desired state) ・Choose best talents to invest	**Assessment/Leaf Corporate University** Develop and provide original assessments such as giraffe/ tiered tests/engagement diagnostics, etc.
STEP4	Implement education to achieve the goal	・Develop and implement unique educational program ・Use e-Learning to increase the implementation rate of education	**Training** (On-Site Training , Open Seminars, e-Learning, video) Meet diverse training needs by various methods, period, budget, etc. Career Education / DX Promotion / Leader Development / Diversity Promotion **LMS "Leaf" / Leaf Corporate University** Thorough management of diverse educational data
STEP5	Evaluate educational effectiveness and incorporate into disclosure indicators	・Need to evaluate the effectiveness of the unique education	**Assessment/Leaf Corporate University** Compare with the historical data with the above STEP2-3

Market Environment and Sales Strategy

Director, Executive Officer
Manager of Group Sales Management Office
Daisuke Kanai

Q Please tell us about the market situation.

A The career training market consists of 2,000 companies and is worth approximately 340 billion yen.

About Insource's share in career training market

The career training market consists of approximately 2,000 companies of various sizes. With relatively low barriers to entry, the market is becoming increasingly competitive.

Still, we have steadily increased our market share since our listing on the Tokyo Stock Exchange.We estimate that our share of the career training market will be around 2% as of 2022.

■Comparison of Business Size by Training Provider in 2022

*Incorporated associations and independent companies (except system integrators and information and telecommunications manufacturers)

◎＝sales (big)　○＝ sales (medium)　△=sales (small)　×＝no sales

Rank	Name	Category	Business Size (Millions of yen)	Management/Business Skill		IT/DX-related	Organizational and human resources consulting	e-Learning	Assessment	Correspondence/ Correction Service
				Private	Public					
1	A`	Private	20,000	◎	×	○	△	○	◎	△
2	B	Private	13,000	◎	△	○	○	○	○	◎
3	Insource	Private	9,400	◎	◎	◎	△	◎	△	△
4	C	Private	7,500	◎	◎	△	◎	△	△	×
5	D	Public	7,000	◎	◎	○	◎	○	○	◎

This data has been analyzed by our research and we do not guarantee the accuracy, completeness, reliability, suitability, or validity of the data.

■Changes in the career training market and Insource's market share over the past five years

(Unit: ten thousand yen, %, thousand yen, 100 million yen, %)

	Market related factors					Market size	
	Training fee per person *1	Percentage of organizations conducting training *1	No. of employees *2	No. of employees in the private sector *3	No. of employees in the public sector *3	Estimated market size *4	Insource's share
2025(estimate) *5	17	50.0%	4,400	3,900	500	4,200	2.7%
2024(estimate) *5	17	50.0%	4,300	3,800	500	4,000	2.2%
2022	15	45.0%	4,300	3,800	500	3,400	2.0%
2021	12	45.9%	4,268	3,754	514	2,600	2.2%
2020	7	45.3%	4,216	3,710	506	1,550	2.6%
2019	19	54.9%	4,244	3,745	499	4,800	1.0%
2018	14	52.9%	4,174	3,685	489	3,400	1.2%

*1: From "Basic Survey on HR (2021)," Ministry of Health, Labour and Welfare *2 From the 2021 Labor Force Survey by the Ministry of Internal Affairs and Communications total number of companies and government agencies with 30 or more employees
*3 Organizations with 30 or more employees *4 Calculated based on *1 and *2 *5 Finalized by Insource

Q How do you see the post-pandemic training market?

A Due to the increasing demand for human capital management, DX, reskilling, and career autonomy, the career training market is expected to grow to approximately 420 billion yen by 2025.

More emphasis on human resource development

The size of the career training market is estimated to be about 340 billion yen in 2022 and about 420 billion yen in 2025. The market shrank temporarily due to the COVID-19 pandemic. However, due to the declining birthrate, aging population, and changing work styles, productivity per employee will not increase unless education is strengthened within organizations. Therefore, we believe that the need for corporate human resource training will remain strong.

Demand for DX personnel training and reskilling education

Today's business environment is becoming increasingly complex and requires human resources with advanced expertise and leadership skills. In particular, human resource development that promotes individual career autonomy, such as human capital management, DX personnel development, and reskilling, is an issue that is being addressed as a challenge by the government. For this reason, we see a high level of attention from various organizations, and we believe there is a great demand for training.

The online ratio is expected to be 60% for Open Seminars and 25% for On-Site Training

The COVID-19 pandemic has made online training more common, allowing participants to attend training regardless of location or time; in May 2023, COVID-19 was reclassified as Category 5 under the Infectious Diseases Act, easing restrictions on activities, and demand for face-to-face training is currently increasing. However, we believe that there will continue to be a high demand for "online training", which can significantly reduce travel costs from distant locations. In light of this situation, we have begun to offer online seminar and event support services to the public; for example, we act as an operational administrator for online distribution, or we assist the client in distributing their seminars and events, as well as rental services of the distribution studio and equipment, which we have positioned as a new growth area, "Rising Next."

■Average unit price of training and online ratio since FY19

(Unit: time, thousand yen, %, person, thousand yen, %)

	On-Site Training			Open Seminar		
	No. of trainings conducted	Online ratio	Unit price (thousand yen)	No. of attendees	Online ratio	Per attendee (thousand yen)
Post pandemic (estimate)	-	25%	-	-	60%	-
FY22 1H	8,599	34.5%	279.9	55,772	82.3%	21.2
FY21	16,936	43.3%	275.5	101,926	83.1%	21.8
FY20	14,224	49.1%	267.0	86,777	82.7%	21.1
FY19	11,390	13.7%	239.2	58,332	26.6%	21.7
(Reference) FY18	14,873	0%	220.5	72,107	0%	21.2

Services required to meet the human capital management needs of organizations

The following systems and services will be developed in-house and provided in both "packaged version" that can be provided quickly and inexpensively and "customized version" to pursue uniqueness in all processes of human capital value enhancement and information disclosure.

1.Consulting	- Unique indicators in line with management strategy
2.Leaf Human Capital Management System	- Collect and organize training attendance data
3.Assessment	- Show the gap through As is-To be (current situation and desired state) and choose best talents to invest
4.Education	- Develop and implement unique educational program and use e-Learning to increase the implementation rate of education
5.Evaluate educational effectiveness	- Evaluate educational effectiveness and incorporate into disclosure indicators

Q What are your specific sales strategies for FY22 and beyond?

A We will focus on increasing revenue per client and acquiring new customers by strengthening concurrent sales.

Mobility-focused sales structure

In FY21, we integrated offices and teams and increased the number of sales representatives, mainly in central Tokyo. As a result, administrative tasks were concentrated on employees with strong sales capabilities, and the performance of the Sales Department as a whole declined. Therefore, from January 2023, we leveled out operations and changed our sales structure from one that emphasizes management and guidance to one that is more player-oriented.

- Doubled the number of teams in the Tokyo area and created a small number of elite teams
- Brought in older, more experienced sales representatives
- Appointed 10 young leaders

Three months after the reorganization, we have achieved good results, such as the acquisition of new "WEBinsource" contracts.

Strengthen customer relationships

The COVID-19 pandemic caused difficulties in communicating with clients, so, in the post pandemic era, communication with clients needs to be strengthened even more. We intend to increase opportunities for face-to-face contact with clients to understand their needs, provide accurate information, and provide after-sales service.

Strengthen proposals for human capital management services
- Approaching 870 companies

We already have several services specialized in human capital management, and we offer packaged services that can be provided quickly and inexpensively for all the "human capital value enhancement" and "information disclosure" processes that are issues for any company, as well as customized versions to pursue uniqueness.

We are currently proposing human capital management solutions based on integrated reports and sustainability reports for listed companies. We initially identified 870 listed companies and offered unique solutions tailored to each company, as they seemed to have a great need for solutions.

Q What is the status of the client segment strategy that you have been working on since the previous fiscal year?

A We will focus on increasing revenue per client and strengthening approach to Medium Market Business.

Sales growth rate of Large Enterprise Business remained steady
/ Challenges in growth of Medium Market Business

Compared to FY18 (pre-pandemic), both revenue per client and net client growth increased in each segment. On the other hand, growth in Mid Market Business, the most competitive segment, has not been sufficient. It is important to strengthen sales measures for this market.

Working to increase unit sales per organization
- Proposal skills and relationship building remain an issue

We pride ourselves on our ability to deliver products and services that are right for our clients at reasonable prices through a variety of sales channels for our rich educational content IP (intellectual property). On the other hand, many of our sales representatives are young and inexperienced, making it difficult for them to build relationships with clients. In FY22, we will enhance in-house sales training and strengthen our sales structure to provide services that are right for each client segment. Through these efforts, we aim to increase the number of new clients and increase the unit price per organization and per trainee.

■Sales and number of clients by 3 segments

(Unit: thousand yen, organization)

	Large Enterprise (1,000 or more employees)				Medium Market Business (300-999 employees)				Small Medium Business (SMB) (Less than 299 employees)			
	Average net sales per organization	YoY (thou. yen)	No. of clients	YoY (organi zation)	Sales Composition (%)	Average net sales per organization	YoY (thou. yen)	No. of clients	YoY (organi zation)	Sales Composition (%)	Average net sales per organization	YoY (thou. yen)	No. of clients	YoY (organi zation)	Sales Composition (%)
FY21	1,641	+133	2,861	+338	49.8%	746	+115	2,237	+220	17.7%	399	+30	7,662	+1,094	32.4%
FY20	1,508	+478	2,523	+153	50.7%	631	+170	2,017	△25	17.0%	369	+97	6,568	+194	32.3%
FY19	1,030	△69	2,370	△12	47.7%	461	△29	2,042	△148	18.4%	272	+1	6,374	△687	33.9%
FY18	1,099	+154	2,382	+216	46.7%	490	+15	2,190	+68	19.1%	271	+21	7,061	+761	34.2%

Large Enterprise (1,000 or more employees)

As in the previous fiscal year, we will reach out to each business unit in addition to HR to improve sales per client. Specifically, we will address training topics such as DX, SDGs, and human capital management. The number of "Leaf" (HR support system/LMS) users exceeded 2.55 million*, mainly from large private companies. We will strive to deepen customer relationships.

*As of the end of March, 2023

Medium Market Business (300-999 employees)

This segment has the smallest market share of our total sales. Our goal is to increase sales per organization by continuing to leverage existing clients and concurrent selling. Specifically, we will divide our sales team into smaller groups, increase the number of approaches to client HR departments, and build relationships with each individual company.

Small Medium Business (SMB) (Less than 299 employees)

There are more than 1.7 million* companies in Japan with less than 300 employees, so there is plenty of potential to develop this market. In order to increase our market share, we will focus on acquiring new clients by increasing the number of approaches to growing companies and proposals to management.

*Calculated based on the "Economic Census - Activity Survey" (2021)

Q Please tell us about any initiatives to increase productivity per employee

A In order to quickly turn young and inexperienced employees into a competent workforce, we are strengthening in-house training programs to strengthen proposal skills and DX knowledge.

We believe it is necessary to raise the level of our proposal skills in order to increase the rate of concurrent sales. Since self-improvement cannot cover this fully, we focus on skill enhancement training that is appropriate for the age and ability of both new graduates and mid-career employees, in order to quickly increase the competency of younger and inexperienced employees. The training program focuses on improving the understanding of various content services through a mix of classroom lectures and practical exercises, such as on-the-job experience.

■Tiered training / Sales training / Skills training

Theme	First year	Second year	Third year	Fourth year	Fifth year	New managers	Base managers
Tiered training	Business Mind	Training for younger employees	Ownership training	Training for mid-level employees	Leadership training	Management skills	【Level 1】Section manager training
	Building interpersonal relationships	[Only for those who are required] OJT Instructor Training		[Only for those who are required] MentorTraining			【Level 2】Senior Management training
Sales training	[Mid-career] Basic sales training for mid-career employees	[Option 1] Interviewing skills [Option 2] Relationship building skills	How to make a proposal	Solution proposals skills	Playing manager training	Sales manager training	Organizational management
Skills training *New managers and base managers are voluntary	Logical thinking	Time management training	Hypothesis building skills	Problem solving	Critical thinking	Marketing	Management strategy
		Training on how to explain things clearly	Cordination skills	Negotiation skills	Planning Skills	One-on-one interview	Evaluator training

CFO Message

Director, Executive Officer, CFO
Manager of
Corporate Management Department
Shigeo Fujimoto

Q As CFO, please tell us how you see the Company's future direction.

A In addition to strengthening each business and service's competitiveness, we will enhance our ability to respond to changes in the environment by diversifying our business portfolio.

With medium- and long-term value creation as our management standard, we consider growth and profitability as key indicators. In addition to strengthening the competitiveness of individual businesses and services, our management direction is to enhance our ability to respond to changes in the environment by diversifying our business portfolio. We believe the key is to invest in growth and maintain financial discipline. By striking a balance between the two, we will enhance corporate value for the medium to long term.

Diversify business portfolio and develop synergies

The basic idea is to have multiple businesses in our portfolio that have different characteristics but to have synergies and are manageable. Our core business is training,On-Site Training and Open Seminars, which account for 50% and 24% of our sales, respectively. The IT Service is the driving force behind the diversification of the business portfolio, accounting for 13% of total sales. While training is based on spot business, "Leaf," the main service of the IT Service, is a recurring business (subscription payment), with 2.55 million users and ARR (annual recurring revenue*) of 636 million yen as of the end of March, 2023. The training and IT Service have been developed through a common sales channel of our clients' human resources departments, and synergies have been realized in the growth of these businesses.

Growth investment in educational content IP, "Leaf" service layer and sales structure

Our growth investments focus on human capital investments, including the hiring, training and deployment of employees, and we have three key areas of focus.
First, we create educational content IP (intellectual property). We create our own educational content, and our trainers focus on providing training sessions. Since we develop and own the IP, we can provide educational content optimized for our clients' issues quickly and inexpensively in many formats, such as On-Site Training, Open Seminars, and e-Learning, which is the source of our sustained competitive advantage.
Second, we are maximizing the client value of "Leaf," our recurring business. To expand the number of clients and increase ARPU (average revenue per user), we are increasing investment in the service layer, including services related to human capital management.
Third, we are strengthening our sales structure. Since our founding, we have emphasized corporate sales activities and worked to increase the number of sales representatives and improve the quality and quantity of sales activities. We will continue to invest in strengthening our sales structure.

*Annual recurring revenue (ARR) is the annual revenue obtained from ongoing services. Calculated by multiplying the monthly sales for the relevant service by 12

Q Tell us about the financial discipline of the Company.

A Return on capital is at the core of our financial discipline, and we make decisions about growth investments and earnings management based on trends in cost of capital and equity spreads.

While cash flow from operating activities is the basic source of funds for investing in growth, we will select the most appropriate means of financing, taking into account the expected rate of return, cost of capital, financial risk, and other factors, depending on the investment project. In terms of return on sales, we pay particular attention to the gross profit margin, which reflects our clients' perception of our services and our competitiveness. Capital turnover and financial leverage will be optimized in relation to capital policies such as shareholder returns.

The cost of capital will be reduced from the perspective of eliminating information asymmetry by enhancing financial and non-financial information disclosure and stock liquidity.

■Changes in our return on equity (ROE) and its components

	FY17	FY18	FY19	FY20	FY21
Rate of return on equity (ROE) (%)	29.4	28.0	14.9	42.6	42.0
Net profit to sales (%)	14.0	14.9	8.7	20.9	23.7
Total asset turnover (times)	1.44	1.26	1.10	1.35	1.22
Financial leverage (times)	1.46	1.49	1.56	1.51	1.46

Q Please tell us about your thoughts on shareholder returns.

A Our shareholder return policy is to increase corporate value and pay dividends.

Our basic policy is to link dividend payments and dividend payout ratio of approximately 40% to business performance while aiming to increase corporate value.

Regarding the acquisition of treasury stock, we will consider such acquisition based on our financial condition, investment opportunities, liquidity of shares, and stock price level.

Q Mr. Okafuji, Chairman of ITOCHU Corporation, has stated that the three principles of business are "earn (*ka-segu*)," "cut (*ke-zuru*)," and "prevent (*fu-segu*)." Please tell us about Insource's "cut" and "prevent".

A We "cut" through aggressive cost reduction and strict expense control, and "prevent" through detailed and frequent disclosure and governance structure.

Select real estate based on use value, not asset value

A typical example of a "cut" is the acquisition of company-owned buildings. In recent years, we have acquired several buildings, including our Tokyo headquarters. We chose buildings that are relatively inexpensive and have high utility value to the company, and make decisions based on the medium- to long-term benefits of reducing cash outflows in addition to short-term cost reductions. In FY21, office expenses decreased by 19 million yen (10.8%) year on year due to the purchase of our own buildings.In addition, we are strictly controlling expenses incurred to prevent redundancies. Department heads and above are empowered to make decisions, even for small amounts such as the purchase of consumables. In group companies, the decision is made by the representative director of the group company after confirmation by Insource's CFO.

The key to "prevent" is governance

Regarding "prevent", we have monthly disclosure. We disclose financial and non-financial information through monthly disclosure of performance indices and financial results presentation materials. This is aimed at eliminating information asymmetry, including within the company, and it is also effective in preventing insider trading.
Also, strict rules are in place for decisions by the Representative Director. The maximum amount of the decision limit is reviewed annually on the basis of the rules adopted by the Board of Directors. In addition, the Board requires a prior report on matters to be approved by the Representative Director, and the Board is responsible for reviewing his decisions. The Board decides on all matters that have a significant impact on the management of the Company, regardless of the amount of money involved.

Future Growth Policies for IT Service Business

Executive Officer
Manager of IT Service Department

Shun Tanaka

Our goal is to make "Leaf" the core human capital management system

Q How do you see the market for digitalization in the field of human resources management?

A We forecast the market size to reach 420 billion yen in 2025

The trend for digitalization of HR departments has accelerated, with the introduction of not only LMS but also talent management systems and workflow systems, which are becoming more common. The market is expected to grow to 420 billion yen* by 2025.

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

Reasonable pricing based on the size of the company is the key

The HR tech market is highly competitive, with many entrants ranging from SAP to start-ups, but we believe the challenge is that each company has a high price point for the benefits. Many companies see it as wasteful to spend tens of millions of yen each year to switch from their current Excel-based systems.

Inexpensive and freely customizable "Leaf"

In addition to its inexpensive price, "Leaf" is an ASP service that can be customized. This has been highly evaluated, especially by large companies.

- Freely customizable ASP, like SAP and Works Applications systems
- 2.55 million users*, mainly large corporations and public sectors

*As of the end of March, 2023

■**Market size forecast for HR digitization**

(Billions of yen)

Year	Value
2019	180
2020	200
2025(forecast)	420
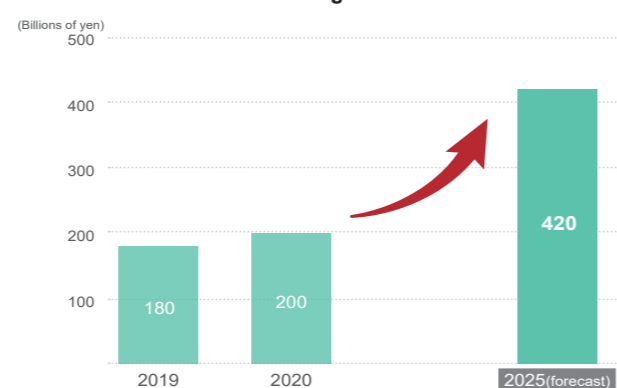
■**Actual changes in Leaf performance**

(unit: millions of yen)

	FY18	FY19	FY20	FY21
Net sales	305.6	525.7	881.8	1,226.6
Monthly Sales	149.8	266.7	435.6	719.8
Non-Monthly Sales	155.8	259.0	446.2	506.8
MRR	14.7	27.0	43.9	53.1
ARR	176.2	323.9	526.3	636.7
No. of paid subscribers	162	248	412	522
No. of User IDs	-	1,273,755	1,756,583	2,112,301

*When revenue, MRR and ARR are expressed as integers, they are rounded to the nearest whole number.

Q Please describe Leaf's strengths and why it is so profitable.

A Customizability and stable operation are Leaf's strengths. We maintain high profitability with in-house development and no advertisement costs.

Develop suitable e-Learning features for all organizations

The means of training within organizations are diversifying, shifting from a traditional focus on face-to-face to a combination of e-learning. As an LMS, Leaf" combines the functions of video and slide viewing and testing. It also has a unique content chaining feature that allows users to freely create courses by combining content. In addition, the fact that users can upload and view as many training materials as they want at no additional cost is a key point that has won the support of our clients.

System customizability, robustness, and high security

Large companies in particular are moving from on-premises server systems to cloud systems. SaaS/ASP that can realize their own unique specifications, can be conveniently used even with simultaneous access, and can be secure are in high demand.

When providing Leaf, we assign a person familiar with HR operations and IT to each customer, define requirements together with the customer, and develop and deliver customized functionality according to the customer's needs.

Maintain high profitability through in-house production and cost-saving sales promotion

Although "Leaf" is highly functional, most of this technical research and system development was done in-house. It can be said that the culture of "in-house creation" that exists within our company has enabled us to respond to changes in the environment, such as the COVID-19 pandemic, and to grow our IT Services business. Our sales promotion activities include sales to our more than 30,000 existing clients and the acquisition of new clients through our website. As we do not use media advertisements to promote sales, we are able to maintain a high level of profitability.

Q Please tell us how you see Leaf's current challenges.

A The challenges are to address human capital management, penetrate the small and medium business market, and improve the unit price per client.

Expand the target by developing new services

As interest in human capital management grows, we will develop and market new services so that the Leaf series can cover the entire educational sequence. In addition, we have failed to reach small and medium-sized enterprises. We will strengthen product development and approaches that fit the market.

Aim to increase unit cost per customer from 2.55 million* users

In addition, measures will be implemented to increase the unit price per client for existing clients. Specifically, we will provide more than 500 types of video and e-Learning materials to the 2.55 million active "Leaf" users, and in addition to its value as a platform, we will provide added value by incorporating new functions and services.

*As of the end of March, 2023

Q Please tell us how "Leaf" will support human capital management.

A As the solution for human capital management, it addresses all processes of human capital disclosure and value enhancement.

Demand for Leaf is expected to grow due to human capital management

Many Japanese companies are becoming increasingly interested in human capital management. Indicators of human capital management include the implementation of employee training and employee health monitoring to realize health management. Therefore, we expect that the use of "Leaf" as a means of e-Learning to increase the rate of training implementation or as a stress check support service will increase more and more.

In addition, effective implementation and disclosure of education requires a system to measure effectiveness before and after, and to accumulate, collect and analyze a vast amount of education records. "Leaf" and the new services to be offered in the future will cover all of these processes.

## "Leaf Corporate University" that "Leaf" (LMS) has developed from

In promoting human capital management, it is important to understand the gap between the ideal state and the current state (As is - To be) and to implement effective measures. In addition to Leaf's training management and operations and e-Learning viewing capabilities, the new "Leaf Corporate University" service comes preloaded with an assessment function to visualize individual issues. In addition, users can register for and take training and e-Learning courses that correspond to the assessment results. The optimal training content for each issue is displayed on the employee's My Page, eliminating issues such as "training content does not match employee needs" or "even if training is provided, the people who should be taking the training are not taking it," leading to improved training accuracy.

Tool to collect and list Information "Leaf Human Capital Management"

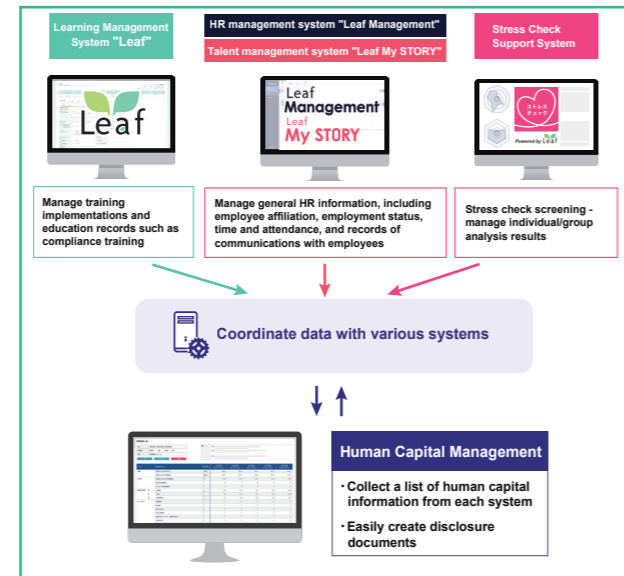**Disclose indicators [show]**

Companies that disclose human capital management indicators will consider a variety of them to promote their unique strengths. It is very complicated to manually calculate, tabulate and manage the history of these indicators. "Leaf Human Capital Management", allows users to set their own indicators, as well as update and revise figures back in the past, and it can be integrated with any system used in the company.

Tool to improve daily HR operations and manage HR data "Leaf Management"

Store indicators [accumulate]

As work and employment styles diversify, the requirements for talent management systems are also likely to change. In addition to managing "static attribute information" such as job titles and salaries, it is necessary to accumulate "dynamic information" such as interview records, requests from employees, and organizational responses to these requests in order to strengthen governance and engagement. Leaf Management" is a talent management system that "visualizes" and shares daily HR department activities as tasks, accumulates the results of responses, and can be used for analysis as an indicator.

■ Manage education, data collection, and disclosure collectively with the Leaf Series
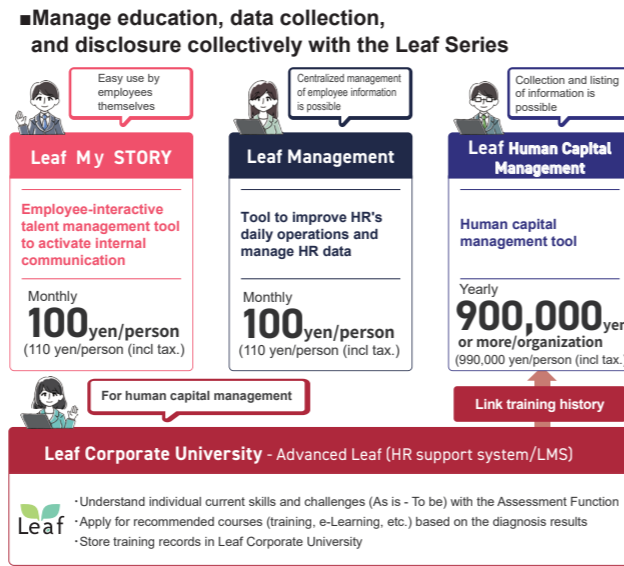
■ "Mechanism" to centrally manage and leverage a wide variety of data

■ "Leaf Management": Practical human resources management that enables the sharing of necessary information within the HR department

Tool to manage employee information and activate communication "Leaf My STORY"

Collect information [Collect]

Talent management systems are typically used by the HR department and employees have not been interested in them. However, we are pleased to announce the launch of "Leaf My STORY", a talent management system that allows employees to proactively share their personal information. With Leaf My STORY, employees can make various notifications, publish and edit their own information, and share it within the organization with the approval of their managers. By using Leaf My STORY together with Leaf Management, "dynamic information" can be easily and quickly collected and stored.

■ "Leaf My STORY": Employees proactively engage in talent management in a fun way

Q What makes the "Leaf" development team unique as a group of engineers?

A They are familiar with both development and operations, and has a culture of developing new services at will.

A group of engineers who ensure stable operation of large systems

The most significant technical features of "Leaf" are its robustness and high level of security to withstand large volumes of access. As the scale of system development increases, experience and knowledge of hardware such as servers and networks as well as software development capabilities become more important. Although it is very difficult to build and operate a system for "Leaf," which is used by a large number of users simultaneously to distribute large volumes of data, our engineers ensure stable operation.

Leverage technological capabilities to promote the development of unique features

For example, we developed a new system in-house that does not overload the client's communication lines even when video materials are used. This technology is a unique feature of "Leaf" and not only reduces the load on the lines, but also allows education using video materials to be conducted on on-premise servers and in LGWAN(Local Government Wide Area Network) environments used by local governments.

We will continue to develop new functions and services swiftly

The new feature to reduce the communication load caused by video education has expanded the base of video material sales targets in addition to the "Leaf" sales target.

We will continue to evolve our existing IT services and develop new services in-house in order to respond to changes in the environment and provide services even more rapidly.

For this purpose, we will continue to hire engineers with new values and maintain an in-house culture that allows them to propose new ideas.

■ Reduced load on lines - "Mechanism" that allows e-Learning to operate freely without the need for Internet access
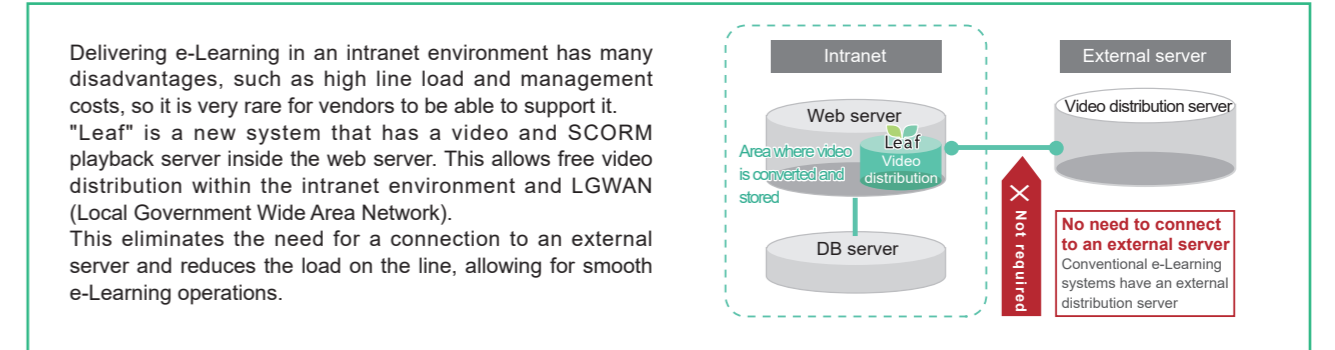
Delivering e-Learning in an intranet environment has many disadvantages, such as high line load and management costs, so it is very rare for vendors to be able to support it.
"Leaf" is a new system that has a video and SCORM playback server inside the web server. This allows free video distribution within the intranet environment and LGWAN (Local Government Wide Area Network).
This eliminates the need for a connection to an external server and reduces the load on the line, allowing for smooth e-Learning operations.

New Areas of Growth - 1. DX Training

DX / IT Promotion Service

Insource drives organizational transformation through **DX & human resource training**

ビジネススキル

現場実装

統計

Excel
Python

DX Promotion Solution only available through Insource, which has trained more than 650,000 people per year with training & IT

Growth Strategy for DX Training Busines
Insource Digital Academy Corporation

insource
デジタルアカデミー

With growing interest in human capital management and re-skilling, we are targeting sales of 1.5 billion yen in FY24

DX training market size is expected to grow to 40 billion yen in 2025*

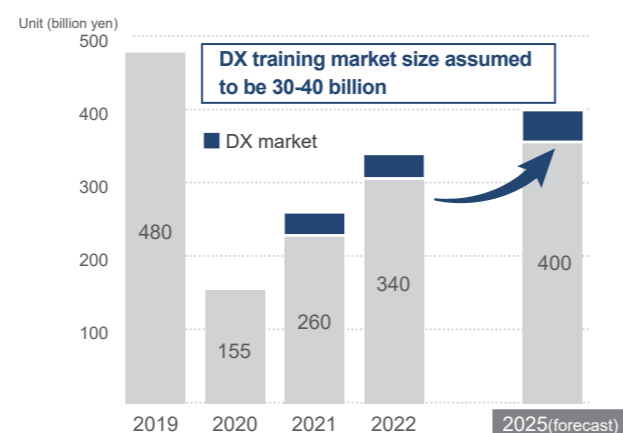"Reskilling" has been rapidly gaining attention in Japan since around 2021. DX training, which is synonymous with this concept, is expected to see an increase in demand in the future, coupled with a focus on "human capital management".

*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."

Future Issues ①
Expand content to broaden the target base - Strengthening introductory contents such as PC operation

Currently, our main contents are mainly for office workers who are usually using PCs to some extent, such as learning programming languages for IT companies, promoting business improvement activities through DX to each business company, and improving OA skills such as Excel. In the future, we will also expand the content for those who have not used PCs much in their past occupations, such as those who work on-site, veterans, and seniors, in order to provide more people with content that matches their current and desired status and eventually lead to higher sales.

■Size forecast for career training market and DX training market

Unit (billion yen)

DX training market size assumed to be 30-40 billion

■ DX market

480		
	155	260
		340
		400

2019   2020   2021   2022   2025(forecast)

Future Issues ②   Hiring trainers

As our business grows, there is an urgent need to recruit trainers who are skilled in IT-related fields and can teach the DX program. In FY22, we are strengthening the structure of our trainer recruitment department. While the number of trainers hired for FY21 was 67, the goal is to hire 82 for FY22.

Future Issues ③
Secure stable sales from project-based orders

In FY21, as a DX partner to a large private company, we won a number of new large-scale, full-year On-Site Training projects focused on DX/IT promotion leadership development programs.

In order to secure these project-based orders on a stable basis, we will redesign our programs for large companies into more compact and cost-effective programs for medium and growing companies, and expand sales to increase the number of orders received. We will also develop and offer second year programs to clients who received orders in FY21, while acquiring new orders.
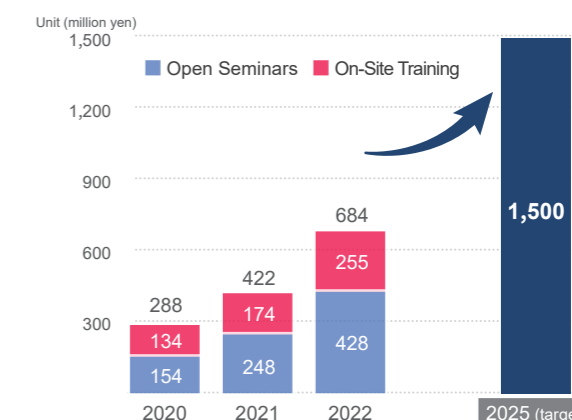
Future Issues ④
Expand sales of Open Seminars on Python

In the Open Seminars business, the "Python Academy" series, which allows trainees to choose from a variety of training hours ranging from half a day to five days and to match their objectives and skills to be acquired, is performing well, and we aim to further expand sales. In addition, we will work to improve the profit margin of the Open Seminars business by strengthening our partnerships with DX training providers to enhance our product lineup and by strengthening our self-developed training programs.

■Orders received for FY21 (in the order of the press releases)

1. Sapporo Holdings Limited (Food and beverage)
2. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (Securities)
3. Nabtesco Corporation (Industrial Machinery)
4. The Kyoei Fire and Marine Insurance Company, Limited (Insurance)
5. DKS Co. Ltd. (Petrochemical)

■Net sales - DX training

Unit (million yen)

■ Open Seminars ■ On-Site Training

	2020	2021	2022	2025 (target)
Total	288	422	684	1,500
On-Site Training	134	174	255	
Open Seminars	154	248	428	

DX personnel can be developed in-house

The biggest bottleneck in DX promotion is the lack of DX personnel

The reason for the shortage of DX personnel is that DX personnel are required to work in a "Two-sword style" (i.e., proficient in both business and IT).
So, how can an organization solve this problem? There are four steps as shown on the right.
Insource Digital Academy will contribute to solving the shortage of DX personnel in Japanese companies and improving their productivity.

■4 steps of DX promotion

Step1	Gain commitment from management and managers
Step2	Experience the convenience of digital through reskilling
Step3	Improve operational efficiency in a way that fits the company's current situation
Step4	Draw business designs using digital technology

■"DX Core Solution Plan": a training plan tailored to the four steps and each step of DX promotion

	Theme	Target	Training plan
Step1	Raise awareness of the crisis, starting with top management	Management Managers (department and section managers)	Awareness training for top management (4 days) Training to develop managers who support DX promoters (3 days)
Step2	Design and prepare to promote a digital strategy	All employees	IT literacy training for employees (e-Learning preview + 2 days)
Step3	Reduce organizational inefficiencies with digitalization	IT planners in business departments	Training on Python utilization to promote business efficiency with trainer's full support (5 days)
Step4	Generate business using digital technology	IT departments / Executive candidates	Training to develop human resources to generate new business through digital technology (13 days)

New Areas of Growth   - 2. e-Learning/ Videos

New Areas of Growth   - 3. Regional Revitalization Service

Excellent support after business start-up. Connecting the community to new challenges, leading to more confidence, pride, and change.

Supporting regional revitalization with 19 different services

Growth Strategy for e-Learning/Videos Business

Growth Strategies for Regional Revitalization Business
Mitemo Co., Ltd

The market size is expected to be 97 billion yen, and the sales target is 1 billion yen by FY24

The domestic e-Learning market for corporate services in FY20 is estimated to be 97 billion yen*(BtoB). This is an excellent opportunity to expand business in both hardware and software.

*Source: Yano Research Institute (2022) "e-Learning Market in Japan: Key Research Findings 2022"
https://www.yanoresearch.com/en/press-release/show/press_id/2970

Growth strategy based on three plans

The e-Learning/Videos Business recorded 580 million yen (+59.9% YoY) in FY21, and the business is expanding. While other companies mainly offer unlimited streaming service with a monthly subscription, we have started outright purchase service through our "Video Department Store," an e-commerce site launched in July 2020. This has met clients needs and is growing rapidly.

- Outright purchase service, not offered by competitors
- Easy to buy on e-commerce site

Our goal is to achieve sales of 1 billion yen in FY24.

Future Issues ①   Expand product lineup

As of the end of September 2022, the number of video contents was 544. Our annual KPI for the number of videos developed is set at 210, with a target of over 1,000 by FY24. In addition to strengthening our own content development capabilities, we will also expand the range of products offered by our business partners by leveraging the sales format and distribution expertise of the "Video Department Store" to expand the fields we cover, including legal-related fields.

Future Issues ②   Develop new services

"Easy Order," which we launched in FY21, is a truly innovative service that no other company offers. We customize our video content to meet each client's needs. A range of packaged services will be developed with our other businesses, such as providing e-Learning linked to the results of individual assessments and using videos as post-training assignments. We will develop and offer new services that meet the needs of the times.

■Three ways we provide video contents

Plan	Price (incl.tax)	Features
Outright Purchase	198,000 yen or more/ title	Great value plan for companies that already have their own video viewing system and wish to have a large number of employees watch the videos repeatedly such as for compliance training
Rental	1,870 yen or more/ person	Plans that minimize the time and cost for HR personnel when the target trainees are limited, such as a few promoted managers, or when one-off training is required
Monthly Subscription	1ID 385 yen or more/ month	Great value plan if the client wants the employees to view multiple topics repeatedly over a period of time

■Sales trend for e-Learning/videos
Unit: million yen, %

Plan	FY20	FY21	YoY
Outright Purchase	208	403	+93.8%
Rental	8	27	+213.9%
Monthly Subscription	149	155	+3.8%
Total	366	586	+59.9%

National budget is 2.2 trillion yen in 2021*. We aim for 800 million yen in sales in FY24.

Create competitive industries in the regions

The government focuses on Regional Revitalization to promote regional development for the following reasons: "to revitalize local economies," "to address the problem of population decline in regional areas," "to correct regional gaps," and "to improve the balance of national land." The national budget for 2021 is expected to be 2.2 trillion yen

(*). *Calculated by the Company based on the "Regional Revitalization Budget" on the website of the Secretariat for the Promotion of Regional Revitalization, Cabinet Office, Government of Japan

Solve local issues by leveraging relationships with public sectors

Mitemo's purpose is to solve social issues. We innovate and add value to the region's basic industries by leveraging the management support through numerous projects and the Insource Group's relationships with public sector.

From developing local leaders to co-creating businesses

Our solutions vary from educational programs that develop human resources capable of taking responsibility for the future of the region, to specific business co-creation, such as "overseas expansion of traditional industries," "creation of high-value-added travel products," and "innovation of local industries using digital technology."

Aim for sales of 800 million yen in FY24

We aim to achieve sales of 800 million yen in FY24 by working with people in various roles in society to create businesses and environments worth living and working in throughout the country.

We provide a "place for co-creation" that produces results in terms of both solving regional issues and revitalizing the local economy

Place for co-creation

Mitemo works with local governments to create co-creation opportunities to foster community-wide collaboration.
1. Provide policy proposals to central government ministries and agencies, local governments, and jointly manage places for co-creation.
2. Provide a place where local businesses can learn how to produce successful results in both local issues and management.
3. Match motivated collaborators.
4. Support for business development and local business start-ups, along with experts.

■Examples of Regional Co-creation Project Achievements

Host	Overview	Price
Nagoya City	Helping traditional crafts expand overseas "Creation as DIALOGUE" Connect traditional craft businesses with directors and designers, and support from product development to overseas expansion.	30 million yen or more
Wakayama Prefecture	Support for Small and Medium Enterprises "VALUE" SMBs in Wakayama and people from outside work and develop new businesses together.	17 million yen or more
Nagoya City	Human Capital Management Support for SMBs "DYNA" Improve recruitment branding and engagement.	15 million yen or more

New Areas of Growth - 4. Other Businesses "Rising Next"

Growth Strategies for Other Businesses "Rising Next"

1.Online Seminar Support Business Online Support Department

In the online training business, we provide support services for client's online seminars and events, including administrative service, distribution support, and rental of distribution studios and equipment. We also provide training support services on behalf of human resources departments of companies and organizations for training programs for their employees. Our online seminar support service has two main features.

A service developed from a training company with extensive knowledge of online training and seminars

We conduct 13,217 online training programs per year (October 2021 - September 2022). Based on this rich experience, we can provide a wide range of support from designing the curriculum to administrative operations and distribution. We can flexibly handle anything from partial support to full outsourcing.

Provide attentive administrative support based on our know-how

Our understanding of the entire training process and related HR issues allows us to provide full support from the planning through to post-training. For example, we can efficiently handle complicated administrative tasks such as contacting attendees, responding to inquiries, collecting assignments, and collecting questionnaires on behalf of our clients by using our system. We can also take care of everything from training attendance and confirmation to host operations such as setting up breakout sessions.

Support examples

- Operation and distribution of 150 online training programs (approx. 500 attendees) for national certifications at 10 locations nationwide
- Provided administrative support for five level-specific trainings for approximately 150 staff members

Future Issues
- Expand services and strengthen sales promotion for further business growth

We will continue to listen to our clients' detailed needs and focus on the following to further satisfy our clients.

- Strengthen contracts for high-level distribution operations such as large symposiums
- Expand outsourcing services to reduce the burden on the sponsors
- Strengthen sales promotion to outsourcing of company's internal training operations

2.Web Marketing Business   Insource Marketing Design Corporation

The Web marketing business offers a one-stop service for all web-related services, including website development, web promotion, systems development, and online store creation.

Solve Issues with the Web

The Web Marketing Business is characterized by our ability to help customers solve their problems through the Web by combining the Web marketing know-how of Insource with the Web production capabilities of our group company, Insource Marketing Design (IMD). Since our founding, we have continued to grow through web-based sales and marketing. By leveraging this know-how, we are able to support our clients' issues, such as improving business performance and sales, preventing job turnover, and recruiting personnel, through web production and digital marketing.

Future Issues
- Expand services and strengthen sales

We will continue to develop new affordable package services for small and medium-sized clients, who are IMD's main target. In addition, we will enhance our approach to clients by expanding services that IMD can only provide, which has been focusing on full-order customized website production.

Develop packaged products to increase sales

Recruitment Accelerator
Packaged recruitment website production with information that job seekers want to know
Price: 220,000 yen or more (incl. tax)

Total package for digital sales
Achieve digital sales for an amount equivalent to personnel costs per sales representative
Price: 8,800,000 yen or more (incl. tax)

3.Recruitment Support Business   Rashiku Corporation

In the Recruitment Support Business, we assist candidates (job seekers) with unique abilities to change jobs so that they can work in their own way, and we provide recruitment support for corporate personnel who want to hire people with abilities that will help solve their company's problems and promote its growth.
The two main features of Rashiku's recruitment services are as follows.

We specialize in high-class recruiting

In FY21, we conducted industry research targeting high earners, and as a result, we were able to deepen the relationship of trust with several companies. Based on a deep understanding of the company's future vision, specific duties, and required mission, we introduce executives for key management positions based on the concept of "introducing only those who are in line with the company's growth strategy". In many cases, we introduce multiple departments and multiple candidates to a single company.

Recruitment focused on quality rather than quantity

Changing jobs is an important event for both the candidate (job seeker) and the hiring company. Rashiku focuses on "quality rather than quantity" in recruitment support service.

- Introduce only those companies that offer the best job, career development and work environment for the candidate (job seeker)
- Only introduce people who we believe are necessary for the company to grow its business

Future Issues - Improve the quality of job postings and increase the order rate

Without changing our policy of "quality rather than quantity", we will further optimize the matching of candidates (job seekers) and companies based on a deep understanding of the business nature and human resource needs of the department.

- Strengthen relationships with client companies to secure their undisclosed job openings
- Secure jobs in industries that have affinities with our current clients

Sustainability and Growth Policy
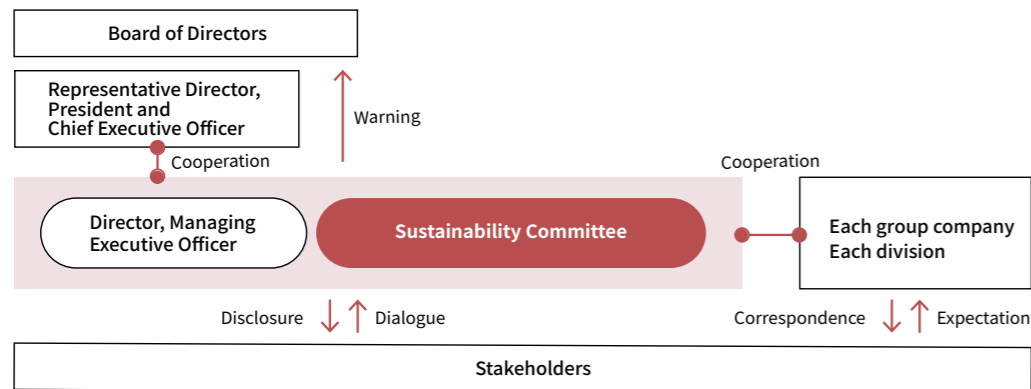
Sustainable Action Agenda
- Contribute to society and environment through business activities
- Co-create with all stakeholders
- Build a sound and transparent governance structure

Achieve sustainable growth - ESG+Performance Management

Through its current business of education and IT services, We help solve organizational issues and improve productivity. As a company that solves social issues, we will proactively create sustainable mechanisms and solutions by strengthening relationships with stakeholders while leveraging our resources and strengths. At the same time, we aim to reduce the burden on the environment, improve human capital, and strengthen corporate governance.

Under the ESG+P management policy, we will achieve sustainable "performance" improvement while expanding businesses and initiatives that provide social value. We hope to lead to the development of a joyful society where diverse people can maximize their individuality and abilities and play an active role while respecting each other.

Sustainability Promotion System

- Board of Directors
- Representative Director, President and Chief Executive Officer
- Cooperation
- Warning
- Director, Managing Executive Officer
- Cooperation
- Sustainability Committee
- Each group company Each division
- Disclosure ↓ ↑ Dialogue
- Correspondence ↓ ↑ Expectation
- Stakeholders

Identify Material Issues

Extracted from social issues and stakeholder requests based on items in international standards and ESG guidelines such as GRI guidelines and SASB (U.S. Sustainability Accounting Standards Board)

↓

Sort out the priorities from the perspectives of the company's growth potential and the value creation for society, based on the above information.

Material issues to achieve sustainable growth

	Material issues	Main initiatives	Related SDGs	Pages in this book Where you can find
S	Resolving organizational issues and improving productivity through education and IT services	• How to work (HOW) education Provide high quality and affordable education through a variety of means • Provide educational infrastructure Provide IT systems that improve productivity		**Business base** Culture ➤ P.32- Content development capability ➤ P.34- System development capability ➤ P.38- Sales force ➤ P.41-
E	Environmental responsibility	• Reduction of CO₂ emissions (reduction of electricity and paper use)		➤ P.64-
S	Improvement in human capital	• Realization of a workplace where diverse individuals can play an active role		➤ P.67-
S	Create with society	• Improve the environment and establish the sustainable system for diverse individuals to be successful		➤ P.72-
G	Corporate Governance	• Strengthen corporate governance structure		➤ P.75-

P	Performance　Three-year Business Plan Net sales of 15.1 billion yen and operating profit of 5.3 billion yen in 2025 (target)

Activities of the Sustainability Committee

Activities in FY21 (3 activities in total)
- In July, 2022, Sustainability Committee was established
- Assigned goals and confirmed progress for each task force

Priority actions for FY22
- Strengthen company-wide activities for energy conservation and paper reduction (E)
- Expand Project to Eliminate Period Poverty (S)
- Strengthen ESG disclosure with an awareness of overseas evaluation institutions

Director, Managing Executive Officer
Chair of the Sustainability Committee
Kumiko Kawabata

E Environmental responsibility

In order to support sustainable development, we believe that activities to reduce environmental impacts based on a long-term perspective are essential, and we will continue to contribute to the entire business community not only through our own internal environmental impact reduction activities, but also through our business activities.

Long-term environmental goals

Although our dependence on natural capital and CO_2 emissions from large-scale production equipment are not high, our energy use has been increasing as our workforce has grown.

We have set long-term environmental goals and are driving our business to address future climate change risks and opportunities and to achieve carbon neutrality by 2050.

- Achieve "net zero" CO_2 emissions (Scope 1+2) from business activities by 2050
- Reduce Scope 2 (CO_2 emissions from electricity) by 50% from the 2020 level by 2030
- Reduce CO_2 emissions from in-house paper use by 50% from 2020 levels by 2030

Initiatives on Climate Change so far

2021
Feb	Organizational structure	● Endorsed TCFD
Mar	Save electricity	● Highly efficient and energy-efficient air-conditioning equipment was installed along with the relocation of the headquarters functions, Adopted LEDs
Oct	Save electricity	● Strengthening power saving by appointing an ESG employee on each floor, starting with company-owned buildings

2022
Feb	Organizational structure	● Established CO_2 Reduction Subcommittee (Chairperson: Director, Managing Executive Officer), Set long-term environmental goals
Mar	In-house PJ	● Launched each task force (Ex.) ● Enhance in-house power saving ● Introduce renewable energy ● Provide electronic textbook service ● Reduce paper use ● Renew printers ● Develop training content
Apr	Service	● Launched an electronic textbook service in the training business
May	Information disclosure	● Released environmental information in the Integrated Report 2021
Jun	Save electricity	● Introduced heat-shielding and light-shielding sheets at each business site
Jul	Organizational structure	● Established Sustainability Committee (chairperson: Director, Managing Executive Officer)
Sep	Save electricity	● Opened Insource Kyushu Building with a lower environmental impact
Dec	Information disclosure	● Opened Sustainability webpage, Disclosed status of response to TCFD recommendations

2023
| Feb | Service | ● Changed in-house A4 paper use (amount used in FY21: approx. 12 million sheets) to FSC-certified paper |
| Apr | Service | ● Added a section on SDGs and climate change to the basic business textbook provided to new employees (68,000 new employees attended in FY21) |

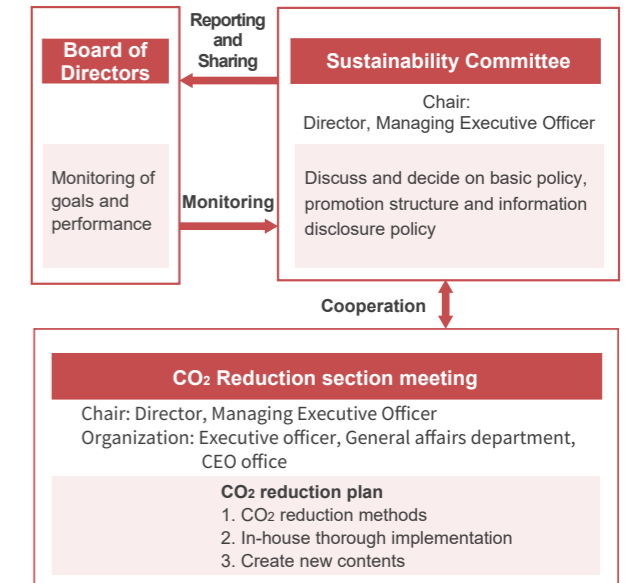# Responses to TCFD Recommendations

The Group recognizes that climate change is an issue that will have a significant impact on society and us, and in February 2021, we expressed our support for the recommendations of the TCFD*. Recognizing the importance of climate-related financial disclosure, we are working to disclose information in line with the framework recommended by the TCFD.

*Abbreviation for The Task Force on Climate-related Financial Disclosures. It was established in 2015 by the Financial Stability Board (FSB) at the request of the G20. It assesses the financial impact of climate change risks and opportunities on management and recommends disclosure of "Governance," "Strategy," "Risk Management," and "Indicators and Targets"

Governance
- The Sustainability Committee chaired by Director, Managing Executive Officer, was established with the CO_2 Reduction Subcommittee, a cross-organizational task force on climate change, as a subordinate organization.
- Quarterly report to the Board of Directors on the activities of the Task Force and the Sustainability Committee

Risk Management
- Identified and evaluated by the Sustainability Committee
- Monitor the state of management of risks and opportunities related to climate change across the Group quarterly by the Risk Compliance Committee, and review and discuss measures

■Climate-related Governance Structure

Strategies

①Risks and Opportunities
We are assessing both physical and transition risks as relevant to our business activities, and are considering ways to mitigate these risks. We also believe that the changing needs of our clients for such risks due to climate change represent an opportunity for us.

②Scenario Analysis
In order to confirm the impact of climate change on our overall business, we will conduct scenario analysis, organize climate-related risks and opportunities and analyze the financial impact, and consider our response policy based on priorities.

TCFD Classification	Possible Changes	Major Risks in Our Group	Impact	Major Opportunities
Physical risks				
Acute	·Increase of natural disasters ·Increase of extreme weather conditions	·Not switchable to online training ·Changes in the course environment ·Increase in training postponements and cancellations due to client business damage (decreased sales and increased volatility)	minor - medium	Increased needs related to "sustainability" due to changing client needs for physical and transition risks and increased societal demands for response
Chronic	·Rise in sea level and temperature ·Change in weather ·Depletion of resources	Decreased priority and demand for training and educational needs due to the spread of COVID-19 and other diseases and stagnant industrial activity	medium - major	
Transition risks				
Policy and Legal	·Tighter environmental regulations ·Introduction of carbon tax ·Increase in weather-related litigation	Rising costs for the Group to comply with stricter regulations on CO_2 emission reduction obligations and carbon pricing schemes	minor	·Increased educational and educational management needs 1.Continuous education to enhance corporate value 2.Efficient human capital management
Technology	·Development of energy and IT ·Advances in decarbonization technologies	Slower productivity growth due to delayed response to new technologies	minor - medium	
Market	·Changes of customer behavior ·Increased demand for environmentally friendly services	Decline in competitiveness and demand for training and education using the paper textbooks currently provided by the Company	medium	·Increased need for educational content 1.Knowledge given type such as SDGs course 2.Business and behavioral change types such as organizational transformation and DX
Reputation	·Expanding social demands for climate change response ·Increased stakeholder concerns	Risk that delays in addressing climate change will impact social reputation, reduce corporate value, and make clients less likely to choose the Company	medium	

Indicators and Goals

The indicators and goals for CO_2 reduction are as follows.

■Electricity

Data Category	Unit	FY19	FY20	FY21	FY29 (target)
Total power usage	Kwh	635,438	590,661	642,291	-
Of which, percentage of renewable energy used	%	0%	0%	0%	50%

■CO_2

unit：t-CO_2

Data Category		FY19	FY20	FY21	FY29 (target)
Total CO_2(Scope1+2) emissions		280.2	260.4	283.2	140.0
Scope1 *1		0	0	0	0
Scope2 *2		280.2	260.4	283.2	140.0
CO_2 emissions per employee		0.90	0.74	0.73	-
Supply chain emissions (Scope 1 + 2 + 3)		2,601.8	3,370.7	6,077.6	-
Scope3 *3		2,321.6	3,110.2	5,794.3	-
Category1	Purchased goods and services	476.2	598.4	703.0	-
	Of which, emissions from in-house paper use	61.6	61.9	87.4	30.0
Category2	Capital goods	1,612.6	2,304.0	4,851.3	-
Category3	Fuel- and energy-related activities not included in Scope 1 or 2	43.3	40.2	43.8	-
Category4	Upstream transport and delivery	20.8	20.5	28.1	-
Category5	Waste generated in operations	-	15.9	24.1	-
Category6	Business travel	88.9	48.7	61.6	-
Category7	Employee Commuting	79.5	82.2	82.2	-

*1 Scope 1 is set to 0 because we do not have our own production facilities and do not directly emit carbon dioxide or other GHGs due to fuel combustion or chemical reactions.
*2 Scope2 is calculated based on market-based figures
*3 Calculated with reference to "CO_2 emissions in the life cycle of paper and paperboard" by the LCA Subcommittee of the Japan Paper Association.
*4 Emissions intensity is used from the "Database of emissions intensity for calculating greenhouse gas emissions of organizations through supply chains" by the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE) are used.
*5 Categories 8 through 15 are not included in the calculation as they are not applicable due to the characteristic of our business.

Topics

Electronic textbooks for training programs

In the training business, we used to provide services with paper textbooks, but in April, 2022, we launched an electronic textbook service in terms of CO_2 emission reduction and changing client needs. The new service offers a choice between conventional paper textbooks and electronic textbooks, according to their training patterns. In the first fiscal year (April, 2022 to March, 2023), approximately 48,000 students used the service, resulting in a CO_2 reduction of approximately 7 tons.

Develop and expand sustainability-related training

We develop approximately 300 new trainings annually, and in recent years we have strengthened the development of training related to sustainability and ESG, as well as content that supports corporate reform and problem solving required for ESG management. The SDGs will also be included in the 2023 training textbook for new employees, describing initiatives that each individual can take, such as reducing CO_2 emissions.

S Human Capital

Our greatest asset is our "human resources," which is the greatest source of corporate value enhancement. We aim to build a strong organization in which a diverse range of human resources can maximize their strengths and respond quickly to social issues.

Principles of Organization Development	We will realize organizational growth through the maximization of the individuality and abilities of all people and through the mutual respect and recognition.
	We will realize a highly satisfactory and transparent organization in which everyone has equal opportunities and is evaluated fairly.
	We are committed to creating a workplace free of discrimination and prejudice of race, nationality, religion, gender, sexual orientation or gender identity, disability, age, place of origin, values, lifestyle etc. and strive to achieve continuous growth.

Diverse human resources to support an organization that is resilient to change

We have a diverse workforce

In order to deliver content and services to the rapidly changing marketplace in a timely manner, we have a diverse group of in-house specialists. For example, in addition to sales and content development staff, we have engineers who develop systems that enable rapid service delivery, and designers who support sales promotion activities. We train these specialists in-house and have produced a large number of digital human resources with liberal arts backgrounds.

Emphasis on interest in new things

The most important qualities we look for in our employees are those who are involved in the growth of "people" and those who find joy and satisfaction in contributing to the improvement of the productivity of the organization and our customers. As our organizational structure changes frequently, we also look for flexibility and a strong interest in learning new things. During the hiring process, we use our own document tests and assessment tools to visualize candidates' career aspirations, motivational factors, and characteristics of their thinking and behavior.

See the "individual" in a person, regardless of their background

We hire like-minded individuals regardless of their background, and we have a large number of senior, disabled, and LGBTQ+ employees. Everyone has the opportunity to excel in content development, systems development, and other departments where they can use their strengths. To balance diversity and growth, we are systematizing our operations across the board. We have created a system that allows employees to work efficiently and accurately, even if they are unfamiliar with the business.

Develop "multi-skilled" employees

One of the characteristics of Insource is that "transfers" and "changes in job titles and duties" occur frequently, as the organization itself changes flexibly in structure and direction in response to changes in society. Through on-the-job training in actual workplaces and our own training programs, many of our members are challenged to work in areas in which they have no experience. Through job rotation, we develop multi-skilled employees with a strong ability to cope with change.

S　Human Capital

Develop each individual with diverse skills

Design education to match current trends and organizational growth

In addition to level-specific training and IT human resource development training, we also provide a wide range of training, including e-Learning training as a company-wide foundation, asset-building initiatives, and regular participation in Open Seminars. We will continue to flexibly design and implement in-house human resource development in accordance with the trends of the times and the growth of the organization.

"Digital Human Resource Development Project" that also includes new employees

Starting in FY19, all employees, including new hires, have been receiving basic DX training. The ability of field staff to define requirements will facilitate communication with system development and further improve development speed.

■ **Examples of using Python by new employees**
- Streamline the sales call process
- Automate the creation of sales meeting materials
- Link data between two in-house systems

Compliance training for all employees

Compliance training is conducted annually for all employees. Using our own products, employees watch a video on "Leaf" and then take a test to check their level of understanding. In particular, copyright law is a required topic because we are a company that handles content as a service.

In-house internship to strengthen group interactions

Insource also offers short-term internships within the company for intergroup interaction and understanding of our products. In FY20, more than 150 sales representatives participated in a two-week internship program at Insource Digital Academy and IT Service Department in order to strengthen their IT human resource training and "Leaf" proposal capabilities.
We also hold morning meetings twice a week, in which all employees participate to share product information and make time for employee interaction.

Training plans

	Company-wide Basic Training	Level-specific Training	HR Development Training for IT Skills	Career Development	Practical Skills Training
Officer	E-Learning Education Harassment Prevention Information security Insider trading prevention Copyright Law		Basic education for all employees based on the IT HR development system + Level-specific (I-IV) training based on the job responsibilities	Career Design by Age Group (20's - 50's) + Second Career	
Manager					
Deputy Chief					
Senior Chief (managerial positions)		Management in the With-Corona Era			Specialized Skills On-the-job Training
Newly Appointed Managers	Asset Formation Shareholding Plan RS for Employees • Corporate defined contribution pension plans	Primary Management			
Leader (employees in fourth year)		Team Management			+
Chief IV (employees in third year)					
Chief III	Common Skills for level-specific training Cost awareness Time management	Business Skills (Technical Conceptual/ Human)			Attendance at Open Seminars
Chief II (employees in second year)					
New Employee (part-time employees)		Business Literacy			
Staff		Understand the Company Communication			Work Skills PC , IT Skills

A comfortable work environment for a diverse workforce

Create a comfortable work environment

Since the Company has had a diverse workforce since our foundation, we have established rules and systems that are flexible. We accommodate staggered/shortened work hours, work from home, and changes in departments and work locations to accommodate changes in lifestyle.
We are also actively promoting non-permanent employees hired as temporary workers to become employees, some of whom now serve as executive officers or department heads.

Received 2 stars in the "Eruboshi" certification as a company advancing women's activities

2023 健康経営優良法人 Health and productivity
Certified as an Excellent Health Management Corporation 2023 (Large Enterprise Division)

Health Management

In order for all people to enjoy working and feel fulfilled, it is important that they are healthy both physically and mentally, and the first and foremost requirement is to maintain and improve the health of our own employees.

In order to realize our management philosophy, Insource is committed to maximizing employee performance by maintaining and improving their health.

Current Status and Measures	Future Issues
1.Measures to prevent lifestyle-related diseases	
•100 percent of the health check rate	•Rate of participation in a secondary health examination
•Improve the uptake of specific health advice	•Improve the risk of abdominal circumference and metabolic syndrome prevalence rates by improving the dietary habits of employees and promoting physical activity
2.Mental Health	
•100% participation rate in mental health education programs (e-Learning video viewing, Line Care and Self-Care Programs)	•Improve health literacy through further enhancement of programs
•87.2% of respondents took the stress check	•100% of respondents receive stress checks
3.Better care related to childbirth and childcare	
•More employees involved in childbirth and childcare, with an average age of 36.5 years	•100% of both male and female employees take parental leave and return to work
4.Deal with health-related issues specific to women	
•Promote gynecological checkups through collaboration with medical institutions	•Provide more in-house education on women's health issues
•Not only within the Company, but also through the "Project to Eliminate Period Poverty" to help improve the welfare of women in the community	•Expand the areas we support through our projects
5.Measures to ensure appropriate working hours and prevent long working hours	
•Alert messages are sent to employees and managers who work long hours (45 hours or more) during the month	•In order to to improve internal productivity, promote systemization and strengthen training in DX skills
•Transition of employee overtime hours is discussed at the Health Committee and supervised by an industrial physician	•Inform employees more appropriately and proactively

To raise awareness of employee asset building and shareholder-oriented management

We want to create an organization in which all employees share the common value of "I love the company and want to contribute to company" while respecting each individuals. To this end, we have introduced three systems from the shareholder's perspective.

① Restricted stock compensation plan for all employees who meet certain conditions (optional)
② Corporate defined contribution pension plan
③ Shareholding association plan (optional)

S   Human Capital

Insource Human Capital Items by Data

	Unit	FY19	FY20	FY21
General information				
Number of personnel *1	people	470	527	592
Number of employees	people	321	382	430
Number of temporary employees	people	149	145	162
Ratio of temporary employees	%	32%	28%	27%
Average age of employees	year-old	31.7	31.4	36.5
Average annual salary *2	JPY	4,791,469	4,726,398	4,797,650

*1 Number of employees is the number of regular and contract employees.
*2 Average annual salary is calculated based on the number of employees in the consolidated group. It includes bonuses and substandard wages.

Potential to improve performance and grow business				
Productivity				
Sales per employee *1	thous. yen	17,152	22,193	24,181
Operating profit per employee *1	thous. yen	2,628	7,113	8,645
Average overtime hours of non-managerial employees	hour	21h06m	18h07m	19h09m
HR Development and DX Talent Development				
Training cost per employee *2	yen	17,196	40,563	46,885
Training hours per employee *2	hour	17h57m	15h44m	10h43m
Total number of DX training attendees	people	159	201	681
Compliance training attendance rate	%	84%	100%	100%
Percentage of employees with Insource's service experience	%	100%	100%	100%
Management Participation and Leadership Development				
Number of management positions (of which female ratio)	people	121(28.9%)	156(34.6%)	185(37.8%)
Number of management appointments (of which female ratio)	people	25(36.0%)	43(44.2%)	38(52.6%)
Ability to Take on Challenges				
Average point of "Energy" *3	point	3.23	3.24	3.24

*1 Calculated based on the average number of employees during the period. Recalculated retroactively due to a review of employee definitions.
*2 Employees can attend our Open Seminars free of charge. Therefore, the estimated cost is calculated by adding the fixed price cost of Open Seminars to the cost of group training (in the case of outside trainers).
*3 "Energy" is the ability to have a strong will and to find value in continuing to work despite difficulties. Maximum 5 points. Calculated using the "giraffe" characteristic assessment of our service.

Employee Engagement				
Number of shares owned by employees *1	%	66.6%	69.6%	68.6%
Average working years of employees	year	3.2	4.1	4.4
Turnover rate *2	%	9.6%	5.1%	12.6%

*1 Recalculated retroactively by reviewing employee definitions
*2 Turnover rate is voluntary for permanent and contract employees of our group. It does not include mandatory retirement or layoffs.

"Sales and operating profit per employee" is the most important priority for us
As growth indicators, we place the highest priority on "number of employees" and "profit per employee". We are improving profitability through thorough system improvement, structuring, and information sharing.

Regarding the "number of management appointments," young employees were selected, and female leaders were actively promoted
A variety of members are active in the company, including a business leader in his/her second year with the company and a base manager who is a working mother. As a result of these members actively promoting the creation of an organization that is easy to work in, a virtuous cycle has been created in which diverse members join the company and participate in management.

Employ people with high "Energy" (tolerance for ambiguous situations)
In our recruitment activities, we use our service, the assessment test "giraffe" to check for "tolerance for ambiguous situations". By gathering members with this high energy, our organization is able to flexibly change to meet the ever-changing needs of our clients.

Engagement indicator is "share ownership"
We are building employee assets through the Shareholding association plan and restricted stock plans (RS) for all employees. We encourage employees to look at the Company from the perspective of shareholders, improving their engagement and encouraging their participation in management.

	Unit	FY19	FY20	FY21
Health and Safety				
Percentage of smokers	%	-	16.5%	16.0%
Stress Check Participation Rate	%	-	93.0%	87.2%

Diversity				
Ratio of female employees	%	58%	55%	56%
Ratio of female managers	%	28%	34%	37%
Ratio of female executives	%	30%	25%	25%
Ratio of female new graduates hired	%	72%	48%	64%
Ratio of employees with disabilities	%	3.14%	2.83%	2.76%
Number of seniors (over 60 years old)	people	14	21	26
Number of LGBTQ+ *1	people	5	6	4
Number of foreign-born people *2	people	4	3	3

*1 Number of employees who have agreed to be externally identified as LGBTQ+.
*2 Foreign-born means those who have foreign nationality. Foreign nationals include Japanese nationals from foreign countries.
*3 Received the 2-star "Eruboshi" certification on February 17, 2022.

Childcare leave				
Number of childcare leave takers	people	11	12	31
Total childcare leave acquisition rate	%	65%	63%	96%
Number of childcare leave takers (female)	people	9	6	19
Childcare leave acquisition rate (female)	%	100%	100%	100%
Number of eligible childcare leave takers (male)	people	8	13	13
Number of childcare leave takers (male)	people	2	6	12
Childcare leave acquisition rate (male)	%	25%	46%	92%
Number of employees scheduled to return to work	people	9	18	19
Number of employees to return to work	people	8	17	19
Return to work rate *1	%	89%	94%	100%

*1 Return to work rate is the percentage of those who were scheduled to return to work during the relevant period and actually returned to work.

37% women in management positions, thanks to the performance-based management and work styles that fit life events from an early stage.
Since the company's founding, we have emphasized the importance of each individual's performance, and as a result, we have promoted employees regardless of gender to management positions, which currently stands at 37%, a high level among Japanese companies. We have achieved an organizational culture without a glass ceiling because working mothers have met our expectations with their achievements. We also allow our employees to choose the way they work according to their life events, such as staggered/shortened work hours, working from home, and changing departments and work locations.

■ Examples
● Before and after maternity or paternity leave, take on a job that allows you to work from home.
● A work environment that fairly welcomes employees returning to work after maternity or paternity leave, whether in managerial or non-managerial positions.
● A flexible employment system that suits individual lifestyles
● A work from home system that does not limit work at existing locations or offices

Seniors are working actively at Insource Digital Academy (IDA), a company that specializes in DX training
IDA, our group specializing in DX and IT human resource training, has a large number of seniors over the age of 60 who are playing an active role. IDA's rapid growth is due in large part to the success of its senior members.

"The number of male employees taking childcare leave" is also increasing! Creating a workplace that is comfortable to work for
In addition to female employees, the number of male employees taking childcare leave has also increased in recent years. In FY21, 12 employees took childcare leave (92% childcare leave rate). We will continue our efforts to create a comfortable workplace.

S Create with Society

We believe that our mission is to realize a "society where people can enjoy their work" by enabling a diverse range of people to make the most of their abilities. We are committed to helping people who are working hard to expand their abilities.
Our aim is to create a society in which a diverse range of people, including women, seniors, people with disabilities, and single-parent families, can play active roles. We will continuously support them based on our business and strengths. In recent years, in particular, we have strengthened our relationship with local communities

Project to Eliminate Period Poverty

Establish a new model to support donations in 2022

The COVID-19 pandemic has accelerated "period poverty," and according to a survey by the Ministry of Health, Labour and Welfare, one out of every 12 women has experienced difficulties in purchasing sanitary products. Therefore, we have launched a new support project by leveraging our relationships with 33,734 private companies and 1,203 local governments (cities, wards, towns, and villages). This project aims to end period poverty by collecting donations from companies and providing sanitary products to local governments.

Helping those in need by building supportive relationships between companies and local governments

Through participation in this project, we will create opportunities for companies to engage in activities related to "S" (Society), which is one of the required ESG initiatives, and build a relationship of coexistence with the communities.

■Status of the use of donations
- Placed sanitary napkins in restrooms at elementary and junior high schools
- Distributed at city and ward office counters
- Distributed at food pantries and "children's cafeterias" (places that offer meals to children for free, especially those from poor families)

■Flow of the Project to Eliminate Period Poverty
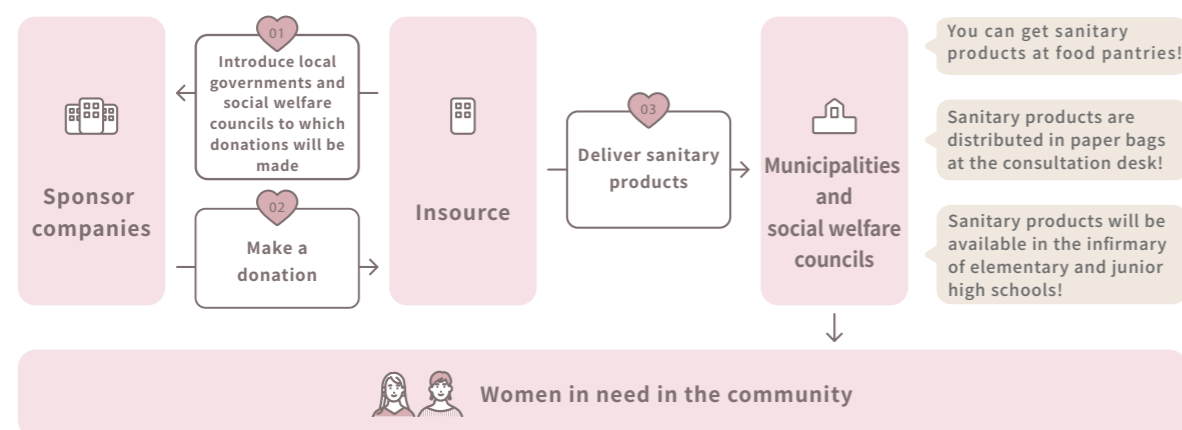
Achievements *As of the end of March, 2023

(Unit: thousand yen, unit, pack, organization)

	Donations (Total)	Number of donation units	Number of donation packs	Municipalities to which donations are made *
As of the end of March in FY22	3,984	14	26,928	46
FY21	300	1	2,376	1

*Cities, wards, social welfare councils, boards of education, etc.

■Sponsor companies (some)
- Mizuho Bank, Ltd
- OHKURAYA FUDOSAN
- Mizuho Securities Co., Ltd.
- Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- SBI MONEYPLAZA Co., Ltd.
- MUFG Bank, Ltd.
- SMBC Nikko Securities Inc.
- PAL Co.,ltd.

■Municipalities to which donations are made (some)
- Tokyo Shinjuku Board of Education
- Tokyo Itabashi Ward
- Tokyo Suginami Council of Social Welfare
- Tokyo Minato Ward
- Saitama Kitamoto City
- Tokyo Nerima Ward
- Tokyo Adachi Ward
- Tokyo Kunitachi City
- Kanagawa Kawasaki City
- Tochigi Oyama City Board of Education

From left in the photo: Ms. Yayoi Kondo, Mayor of Adachi Ward Ms. Yukako Yahachi, Ms. Maria Kobayashi, PAL Co.,ltd.,

Various partnerships for respecting diversity

Cooperation with Arakawa Ward
Support for single-parent families and women entering the workforce

- With the relocation of our Tokyo Headquarter functions to Arakawa-ku in March, 2021, we signed an agreement on comprehensive cooperation
- PC courses for single parents (6 trainings in total since December, 2021)
- Total donations of sanitary products : 7,076,408 yen

Sales promotion support for welfare organizations where people with disabilities work - e-commerce site "mon champ"

- Started e-commerce site "mon champ" in October, 2021
  - Speciality store featuring high quality products from welfare organizations
- As of January 2023, a total of 24 products from 4 organizations are currently on sale
  - Profits generated are returned to the manufacturer's welfare organization
- We aim to increase recogniztion of welfare organizations and provide a sales channel through mon champ

*Currently available only in Japan

G Governance that Supports Value Creation

Chief Outside Director
Hidenori Fujioka

Outside Director
Norio Kambayashi

Outside Director
Katsuko Hirotomi

Interview with Outside Directors - Insource's Governance Structure

With the addition of Outside Director Mr. Fujioka, who was appointed in December 2021, Insource is working to further improve corporate governance by establishing the Nomination and Compensation Committee, introducing restricted stock compensation for directors and officers, and improving the effectiveness of the Board of Directors. The three Outside Directors discussed their activities in FY21, as well as issues facing the Company.

1.Looking Back at FY21

Visualization of the executive compensation decision-making process in the Nomination and Compensation Committee, a first step in succession planning, and an exchange of views between outside directors and business managers were important achievements.

Fujioka
With the establishment of the Nomination and Compensation Committee, the process for determining executive compensation and succession planning policies were determined.

The activities of the Nomination and Compensation Committee, which was established in December 2021, have gradually given us a clear picture of our succession planning policy. We also believe that the activities were worthwhile in that the process for determining compensation for directors and officers was reasonably fixed. As for the restricted stock compensation for directors and others (the system was introduced in December 2021), my personal opinion is that it is necessary to design a system that is closer to a performance-linked system. Further discussion is needed in the future.

Since becoming a Director in 2022, I have interacted with each business manager to understand the current state of the Company's internal operations.

We believe that outside directors are expected to bring awareness to the executive side of management in order to maximize corporate value. With regard to the Board of Directors meetings, advance briefing sessions for outside directors were established, which enabled them to deepen their understanding of agenda items and effectively ask questions, etc. In addition, the exchange of opinions between the outside directors and the persons in charge of each business, which began in FY22, has provided a good opportunity to exchange opinions with members who did not have a chance to talk with them closely in the past.

Kambayashi
Various systems and structures have been rapidly established over the past year or two.

I have been an outside director for more than eight years now, and it seems to me that various systems have developed rapidly in the last year or two. One example of progress is that the Nomination and Compensation Committee has made the framework for determining director compensation more transparent. I believe that we have taken an important step toward becoming a company that is open to society.
In addition, as Mr. Fujioka mentioned, at the meetings where outside directors and business managers exchange views, we are now able to have in-depth discussions with inside directors that were difficult to discuss in the past. The issue for the future is to discuss with each business manager from a company-wide perspective, beyond departmental differences.

Hirotomi
With the establishment of the Nomination and Compensation Committee, the evaluation of directors and officers has become more visible. Active discussions are also taking place.

I think the establishment of the Nomination and Compensation Committee was very important. For some time now, the outside directors have been talking about the need to consider succession planning, and now we have a concrete picture of how to proceed with this. Another positive aspect of the meeting was that we were able to understand and visualize how the evaluation of directors is carried out.
The opinion exchange meetings are also a good opportunity for us to confirm what issues are being discussed with the top management of each Group company and department.

■**Record of meetings held - Nomination and Compensation Committee Meeting and Opinion Exchange Meeting (From FY21 to 1H FY22)**
*Voluntary Nomination and Compensation Committee established in December 2021

Name	FY21	1H FY22
Committee on Nomination	-	2
Committee on Compensation	4	2
Opinion exchange meeting with each business manager	-	6

2.Future Challenges in Establishing a Governance Structure

The challenges are to strengthen the management structure as an organization, including succession planning, internal HR development, and more active discussions

Fujioka
Training a charismatic CEO's successor and developing a self-directed human resource.

First, as for the current state of management, the development of content that foresees the needs of the times, the speed of decision making, and the scientific sales methods based on numerical values are excellent. On the other hand, we need to think about "how to respond as the organization" to further increase corporate value, including future generational changes. We achieved our sales target of 10 billion yen thanks to a charismatic CEO, Mr. Funahashi. For future growth, I would like to see the Company develop and engage self-directed human resources and reflect them in management.

Kambayashi
As a "company that develops people," we would like to focus on our employees as well.

It would be better if we could further visualize our contributions to other stakeholders. As an Outside Director, I also place importance on employee satisfaction and the development of HR. At the opinion exchange meeting mentioned earlier, I thought it would be better if there would be opportunities to talk not only with business managers, but also with employees who have been with the company for a few years. The succession planning has begun, and I would like to contribute to the selection of a successor and a role for the organization that the public identifies with.

Hirotomi
Creating a structure for strategy development, HR development, and more discussion is necessary.

There are three big challenges. First, as an organization, we need to create a strategy-building structure. Currently, employees follow the president's strategy and strong leadership, but it is necessary for members other than the president and CFO to further develop their skills in strategic planning based on numerical analysis. The departments that should be involved in management strategy should secure more time for strategic planning by streamlining their operations so that they can function in their original roles.

The second is HR development. Currently, we have monthly meetings with our group companies "Mitemo" and "Insource Digital Academy" regarding marketing activities. I also have the opportunity to hold meetings and study sessions with Insource employees, many of whom are diligent and serious. I also think it is good to have employees with different personalities. In the future, I would like to review our recruitment and staff development policies so that we can accept and develop a more diverse workforce.

The third is to have more discussions. For example, the Board of Directors Meeting has a strong impression of being a place for approval, and we need to make it more of a place for discussion. As Mr. Kambayashi mentioned, we would like more opportunities for discussion with employees other than those responsible for business operations at opinion exchange meetings. As an outside director, I would like to contribute to the creation of "a place where employees can discuss each other's opinions."

Fujioka
Active exchange of opinions throughout the company to "visualize" challenges.

Recently, we also held the first exchange of opinions between corporate auditors and outside directors. We are now making more arrangements for future meetings to exchange views between outside directors and middle management. One of my important roles as an outside director is to "visualize" challenges within the company. I will actively exchange opinions with people in various positions within the company and offer advice for the development of self-directed HR and training successors.
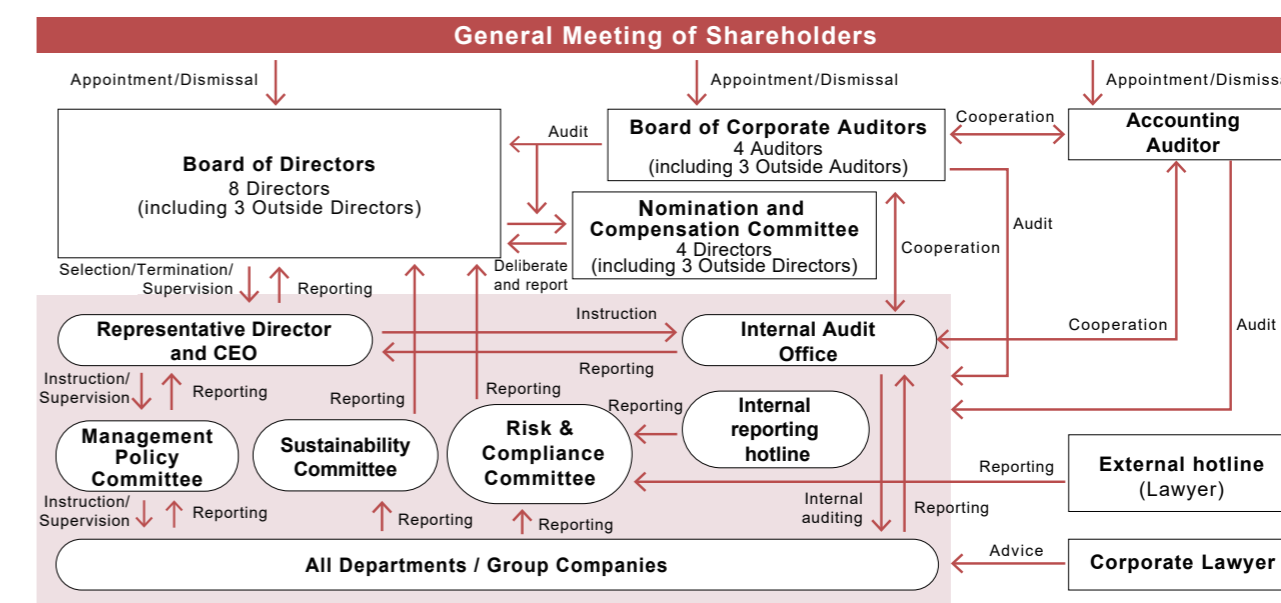
G   Governance that Supports Value Creation

To achieve sustainable growth and enhance corporate value over the medium to long term, we emphasize transparency and sound management, and prompt and appropriate disclosure of information. We not only ensure the rights and substantive equality of our shareholders, but also respect the rights of all stakeholders, including customers, employees, and local communities.We aim to realize a society in which all people can enjoy the work and feel happiness. To this end, we will (1) Improve the efficiency of the management for speedy decision-making and business operation (2) Establish a corporate governance structure to ensure that corporate activities are conducted in harmony with society and based on sound ethical standards (3) Create an optimal business management system that will vitalize the Board of Directors and provide highly effective supervision of directors.

For details, please refer to the "Basic Policy on Corporate Governance".
https://www.insource.co.jp/en/ir/ir_sustainable_governance.html

Corporate Governance Structure

Functions in the Governance Structure

Name	No. of members	Details	No. of meetings held in FY21
Board of Directors	• Chair:Takayuki Funahashi Representative Director, President and CEO • Members;Directors 8 including 3 Outside Directors/2 female Directors	As a management decision-making body, the Board of Directors makes resolutions on important matters in accordance with the Board of Directors Regulations and Rules on Administrative Authority, and outside directors provide advice and supervision to the Board of Directors from an outside third-party perspective. With regular monthly Board of Directors meetings, extraordinary meetings are held as necessary.	18
Board of Corporate Auditors	• 4 Auditors including 3 Outside Auditors, including 1 full-time Auditor, including 1 female Auditor	With regular monthly meetings, the Board of Corporate Auditors holds extraordinary meetings to review the status of audits and audit results, and to share information among the corporate auditors. We conduct effective monitoring by exercising legal authority, such as attending important meetings and receiving reports from related parties at branch offices.	15
Risk and Compliance Committee	• Chair:Takayuki Funahashi Representative Director, President and CEO	For risk management and compliance promotion, the committee is chaired by the Representative Director and implemented by directors, corporate auditors and persons appointed by the chair.	3
Sustainability Committee	• Chair:Kumiko Kawabata Director, Managing Executive Officer	The Committee meets quaterly to promote sustainability, contribute to society and the global environment, and enhance corporate value over the medium to long term. We select themes and set targets for sustainability-related activities, confirm the progress of "task forces," which are cross-departmental teams under the Committee, to disclose information.	Established on July 25, 2022
Internal Audit Office	2	The Internal Audit Office, under the jurisdiction of the Representative Director, prepares an audit plan for each fiscal year and conducts operational audits in accordance with that audit plan. Results are reported to the Representative Director promptly after the audit is conducted.	-
Nomination and Compensation Committee	• Chair: Hidenori Fujioka, Outside Director • Members:4 Directors including 3 Outside Directors/ 2 female Directors	The Committee, an advisory body to the Board of Directors, is responsible for deliberating the selection and dismissal of directors and executive officers of the Company and its group companies, as well as their compensation and succession plans, from an objective and fair perspective.	4

Diversity and Effectiveness of the Board of Directors

The Board of Directors is composed of members with a variety of knowledge, experience, and abilities, and we strive to ensure an appropriate diversity and size, as well as overall balance. To improve the effectiveness of the Board of Directors, all directors and corporate auditors were asked to respond to a questionnaire. Based on the answers, we analyzed and evaluated the effectiveness of the Board of Directors and reviewed the results.

Regarding the evaluation in FY21, the Board of Directors was given high marks in many areas, confirming that it is functioning effectively and fulfilling its role appropriately, and that it will continue to take action to further improve its effectiveness. We will continue to conduct periodic evaluations to maintain and improve the effectiveness of the Board of Directors and to sustainably enhance corporate value.

Effectiveness Evaluation Conducted in November, 2022

Scope
Directors (including outside directors) and corporate auditors (including outside corporate auditors): Total 12 members
Date
Mid-November to the end of November, 2022
Answering Method
5-point scale + free comments
Evaluation Items
①Ensuring shareholder rights and equality
②Appropriate collaboration with various stakeholders
③Ensuring appropriate information disclosure and transparency
④Responsibilities of the board of directors, etc.
⑤Dialogue with shareholders
⑥Operation of the board of directors
⑦Size (number of persons) and members of the board of directors
⑧Structure to support the Board of Directors
⑨Communication among directors (directors and corporate auditors)

Details of the Evaluation
The effectiveness of the Board of Directors is generally considered to be in place
Recognized Content
・Establishment of systems and initiatives to promote dialogue with institutional investors, etc.
・Providing timely and accurate financial statements, as well as non-financial information (monthly KPIs, etc.) and other high value-added information to users
・An overall balanced composition of the knowledge, experience, and competence of the Board's personnel
Issues to be addressed to improve effectiveness
・Proactive involvement and oversight in the development and operation of succession plans for CEOs etc.
Future Issues
・Further collaboration and discussion between the Board of Directors and the Nominating and Compensation Committee
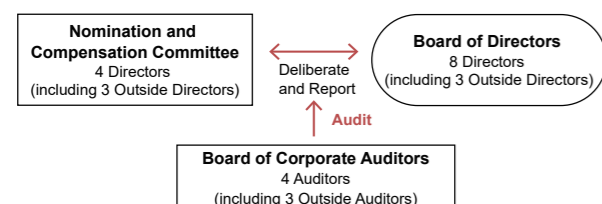
Compensation of Directors

Regarding directors' compensation, the Nomination and Compensation Committee, whose chairman and majority of its members are independent outside directors, deliberate on the appropriateness of the compensation, and the Board of Directors makes a decision on the compensation.

In order to ensure objectivity and transparency in the amount of compensation for directors, the Nomination and Compensation Committee was established in FY21 as an advisory body to the Board of Directors to examine and deliberate on the nomination and compensation of directors.

Basic Policy

• To link compensation to corporate performance in a manner that fully functions as an incentive to sustainably increase corporate value
• To set an appropriate level of compensation based on the roles and responsibilities of each director

Structure of the Nomination and Compensation Committee

Nomination and Compensation Committee 4 Directors (including 3 Outside Directors)	Deliberate and Report ↔	Board of Directors 8 Directors (including 3 Outside Directors)

Audit ↑

Board of Corporate Auditors
4 Auditors
(including 3 Outside Auditors)

Compensation and eligibility

• The three parts of compensation are "base compensation," which is fixed compensation, "bonuses" as performance-linked compensation, and "stock-based compensation"
• Directors receive base compensation, bonuses, and stock-based compensation
• Outside Directors, who have supervisory duties, are paid a base salary in consideration of their duties

Compensation and eligibility

Titles	Base compensation	Bonus	Share-based Compensation
Representative Director	30%	50%	20%
Directors (excluding Outside Directors)	60-70%	20-30%	10%
Outside Directors	100%	-	-
<Reference>Executive Officers Representative Director of Subsidiaries	60-80%	15-35%	5%

*In case of 100% achievement of performance indicators (KPI) to raise awareness of the need to improve performance for each fiscal year

G   Risk Management

In recent years, risks of unprecedented scale have emerged, including infectious disease pandemics, cyber attacks, international conflicts, and natural disasters.
Our group regularly reviews risk, evaluation, and countermeasures. We are not afraid of risks, but our stance is to consider them statistically and make calm decisions. Our risk countermeasures (preventive measures) are as follows. When a crisis occurs (risk materialization), we respond immediately to minimize the damage.

Common risks in all business areas

Category	Item	Possible risk and effect	Countermeasures
Risks to the Business Environment	COVID-19 and Other Infectious Diseases	The spread of the infection may result in restrictions on business activities and the postponement or cancellation of training.	In light of the possibility of outbreaks of infectious diseases, we take 8 countermeasures including reducing the number of participants to half and installing droplet-proof sheet in the On-Site Training venues, or provide online training.
Risks to Our Group's Business	System Failures	If communication networks or servers become unavailable due to unforeseen problems, the Group may not be able to provide its services.	The services we provide and the internal operations make advanced use of computers and Internet technologies, and are highly dependent on telecommunications network services operated by telecommunications carriers. We use a highly reliable cloud service infrastructure for our services to customers, and for the main locations where our online seminar rooms are installed, we make available communication networks provided by multiple carriers.
	Security	There are the possibilities of erasure or unauthorized entry to important data, such as customer personal information due to criminal or unauthorized access and the possibility of claims for compensation for damages due to the above.	The Group has security measures in order to protect against hackers, computer viruses, and other threats. No problems have arisen at this time. However, we will continue to enhance security measures to deter future occurrences.
	In-house System Development System	If progress in system development is delayed due to inability to secure human resources, efficient promotion of internal operations may be hindered.	The Group will continue to hire and train engineers and actively promote the systemization of internal operations. In addition, as we expand our businesses, we will promote internal DX training for non-engineers and continue to improve our operations. ⇒ See "Management Base: System Development Capability" on page 38
	Products and Services	If we are unable to maintain our competitive edge over other companies in the areas of HR and administrative support services, which is offered inexpensively, or create diverse new content, our group's business results could be affected.	In order to maintain our advantage over our competitors, we have divided our work between trainers and content creators, and we provide the latest and customized content at a high speed. In addition to content, we maintain our competitive advantage by providing comprehensive services related to the implementation and operation of education, including educational infrastructure and assessments. ⇒ See "Management Base: Content Development Capability" on page 34
	Web-based Sales Activities	If the number of web page sessions were to decline due to unforeseen events, the effect of the Group's sales promotion could be reduced.	We will continue to expand and improve our web pages to enhance the sales promotion effect in our sales activities. ⇒ See "Management Base: Sales Force" on page 41.
	Intellectual Property Rights	If a malicious third party imitates our services for our original content, it may hinder our business development.	The Group's business is based on the development of original content for training, and we believe it is important to secure intellectual property such as copyrights and trademarks. Our group is committed to protecting and preserving our trademark rights and clearly stating our copyrights, as well as the technologies and know-how we have developed.
		If a third party's intellectual property rights or portrait rights are infringed, the Group may lose social credibility and incur losses due to compensation, our group's business performance may be affected.	We take the utmost care to avoid infringing on trademarks, copyrights, and other intellectual property rights belonging to third parties, as well as portrait rights, by investigating rights relationships in advance. Although no problems have arisen at this time, we will continue to conduct internal training to prevent future occurrences. ⇒ See "S Human Capital" on page 68
	Trainers Securing	If we are unable to secure trainers who have the skills, knowledge, and experience required by the Group to provide training under appropriate contract terms and conditions, there will be a serious problem in the implementation of training.	One of the most important factors in determining the success or failure of a training program is the quality of the trainer. To ensure quality training, it is essential to have trainers with the right skills, knowledge, and experience. The Group will continue its efforts to secure such trainers.
	M&A	If, after the M&A, problems that the Group is not aware of become apparent, or if for some reason the business development does not proceed as planned, the value of the target company's shares or the transferred assets may need to be written down, or the Group's performance and financial position may be affected.	The Group believes that it is possible to supplement and strengthen the Group's business by conducting M&A (such as acquisition of subsidiaries, acquisition of businesses, and capital participation), and actively promotes M&A. In doing so, we strive to avoid as much risk as possible by conducting detailed due diligence on the target company and its business conditions as well as financial, tax, legal, labor, and other factors, gathering information considered necessary and sufficient for decision-making, and carefully examining and considering investment efficiency.
Risk from Competitors	Entry by competitors	If a company in a field different from the training business establishes a business model that causes a paradigm shift in training and enters the market, the Group's sales activities may be hindered and the Group's business performance may be affected.	In order to achieve sustainable growth, we will maintain and enhance our competitiveness by maintaining a diversity that can flexibly respond to change and by continuing to refine our IT capabilities to improve operational efficiency, which is the essential element of our business model. ⇒ See "Value Creation Process" on P.24

G　Dialogue with Shareholders and Investors

We recognize that IR activities are one of the most important activities for sustainable growth and enhancement of corporate value over the medium to long term.
In addition to appropriate information disclosure, we will promptly share evaluations and feedback from shareholders and investors within the company and reflect them in our management and IR activities.

We will promote thorough company-wide visualization to build firm trust

We are committed to proactive information disclosure. We believe that we can build trust with investors by continuing to thoroughly "visualize" our business activities. In the FY21, we published 155 news releases, including monthly performance indicators (KPIs).
News releases are drafted not only by the PR and IR staff, but also by employees in various departments, such as the Content Development Department and Group Sales Management Office, depending on the content of the release.

Each and every employee is committed to pursuing accountability with a sense of ownership. We also disclose monthly performance indicators, frequently asked questions, and English translations. We will provide necessary information in a timely manner to enhance our information and dialogue with our shareholders and investors.

Activities

Holding Regular General Meeting of Shareholders
• Exercise of voting rights in writing and via the Internet
• Online shareholder meeting

Information Disclosure
• Voluntary disclosure of monthly KPI (performance indicator) progress
  (first business day of each month)
• News releases of new content and services, etc.
• English disclosure (financial results and related materials, monthly KPI, and other timely disclosure information)
• Disclosure of Q&A (answers to questions from investors)

### Dialogue with domestic and foreign institutional investors and analysts
• Financial results briefings (2Q, 4Q) and conference calls
• IR meetings: Dialogue mainly online
• Analyst Coverage by 5 companies

Company	Analyst
SBI Investment Co., Ltd.	Norimasa Morimoto
Storm Research	Team coverage
Tokai Tokyo Research Institute	Tatsuo Majima
Haitong International Japaninvest KK	Hiroyuki Terada
Mitsubishi UFJ Morgan Stanley Securities	Katsumi Arai

Dialogue with individual investors
• Information provided through annual shareholder newsletters and website
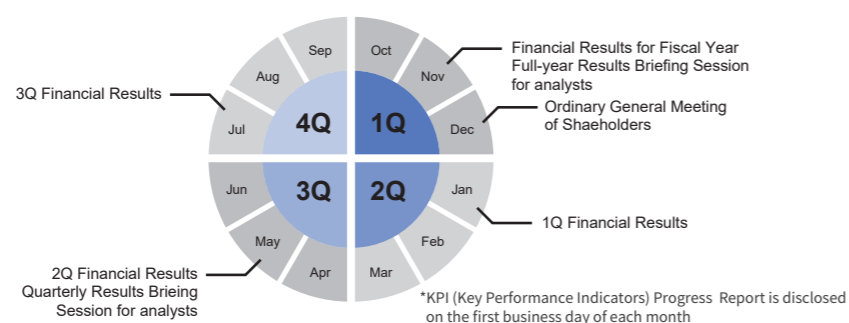
■No. of total small meetings and with overseas investors

	FY17	FY18	FY19	FY20	FY21
Total	92	153	183	248	186
With overseas investors	25	72	94	87	67

■Disclosure in English
We are enhancing disclosure in English.

Material	Schedule	Disclosure status (April ,2023)
Financial results	Every quarter	○ (Same day)
Presentation material	Every quarter	○ (Same day)
Security report	Every quarter	×
Corporate information	Any time	○ (Same day)
Press release	Any time	△ (Partly)
Notice of annual general shareholders meeting	Before meeting (Dec.)	○ (Summary)
Corporate governance report	Every year (Dec.)	×
Integrated report	FY21 version: July 2023	○

■IR calendar

3Q Financial Results
Financial Results for Fiscal Year Full-year Results Briefing Session for analysts
Ordinary General Meeting of Shaeholders
1Q Financial Results
2Q Financial Results Quarterly Results Brieing Session for analysts

*KPI (Key Performance Indicators) Progress Report is disclosed on the first business day of each month

Regular ESG disclosure and dialogue with external evaluation organizations

In FY21, we published the Integrated Report 2021 in May 2022 and the Sustainability Page on the corporate website in December 2022 to expand disclosure of not only financial information but also non-financial information, especially ESG-related information.

In FY22, we will disclose mainly environmental and human capital information, and will also strengthen dialogue with ESG evaluation organizations. We will continue to expand the latest information and data as each of our initiatives progress.

Sustainability Page (released in December 2022)
*English page is also available

Provides a comprehensive introduction with CEO Message, promotion structure, and specific ESG activities

・Overview: Message from CEO, Management Policy and Promotion Structure, Materiality
・E (Environment): Environmental initiatives, Disclosure Based on the TCFD Recommendations
・S (Social) : Contributing to Society through Business, Human Capital, Regional Co-creation Activities
・G (Governance): Corporate Governance, Risk Management, Information Disclosure
・Sustainability Data, External evaluation

URL: https://www.insource.co.jp/en/ir/ir_sustainability.html
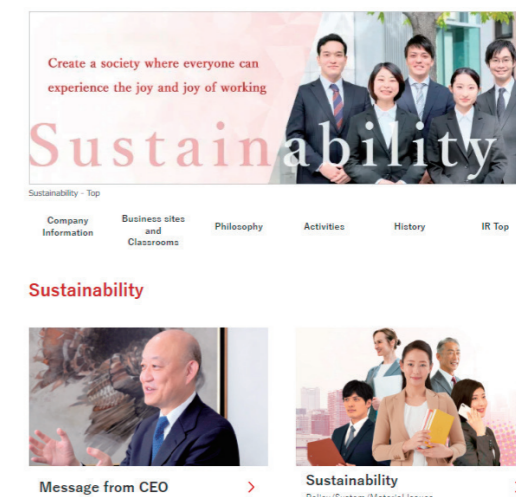
External evaluation

Received MSCI ESG Rating of "AA"

Since June 2021, we have earned and maintained the second highest "AA" rating in the MSCI ESG ratings (as of the end of April 2023). Our education program, robust security measures, and internal training aimed at improving productivity were especially highly evaluated.

Selected as a Constituent of the "JPX-Nikkei Mid and Small Cap Index"

As of August 5, 2022, the Company was selected as a constituent of the "JPX-Nikkei Mid and Small Cap Index" for 2022 (August 31, 2022 - August 30, 2023), which is jointly calculated by JPX Market Innovation & Research, Inc., and Nikkei Inc.

On-Site Training

Dispatch trainers
to the organization
to provide customized training

Composition ratio of sales
49.5%
*FY21
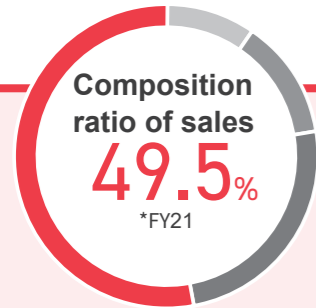
Services provided by

Insource	**Insource**	Training (general)
Mitemo	**Mitemo**	Regional Revitalization Service, workshops
MIRAI	**MIRAISOUZOU & COMPANY**	Management strategy, SDGs, leadership, marketing, and thinking methods etc.
Insource	**Insource Digital Academy**	DX/IT-related training

Features

1	Flexible customization
2	Wide and latest lineup of 3,794 training courses
3	16,936 times of training conducted and 540,004 attendees per year

Level-specific Training

For Executives and Senior Management
- For Executives and Directors
- Strategic Planning ・ Management Development
- Financial and Business Analysis
- For Managers and Senior Management
- OODA Loop (OODA)

For Management
- Management (Evaluation, Goal Management, Interviewing)
- Evaluator ・ Innovative Leader
- Labor Management ・ Risk Management
- Subordinate Coaching

For Middle Management
- OJT ・ Business improvement
- Leadership ・ Time management
- Ownership ・ Followership

For New and Young Employees
- Basic Business (preparation, etiquette) ・ Resilience ・ DX
- Business Document ・ Basic OA
- Training on Methods of Work
- Follow-up Training for New Employees

etc.

Themes of Training

|		
DX		ESG/SDGs
Behavioral Economics		Finance
Thinking Skills		Writing Skills
Communication		CS/ Hospitality/ Complaint Handling
Communicating Skills		Team Building
Sales/ Marketing		Data Analysis/ Utilization
Business Improvement		Subordinate Coaching
Risk Management		Harassment/ Compliance
Career Design		Globalization/ Diversity
OA/IT Skills		Human Resources/ General Affairs/ Legal

FY21 Review

- Net sales: 4,665 million yen (+22.8% YoY), gross margin: 79.1% (+1.1pt YoY)
- Face-to-face training increased for both private sector and public sector (composition ratio of online training is 43.3%)
- Profitable DX training increased, especially in the private sector
- Actively developed new training programs for SMB (Small Medium Business), "Overcoming Hurdles" series, DX, etc.

Current Issues

Large Enterprise	Increase sales amount per customer
Mid-Business, SMB	Further increase the number of customers

FY22 Business Strategies

Tactics	Provide services tailored to the characteristics of business segments to meet the growing demand for investment in education
Large Enterprise	Develop new training programs such as DX training, health management, etc., and strengthen sales promotion
Mid-Business, SMB	Develop new training programs such as the Character Education Series and Strengthening Self-Management Skills, and strengthen sales promotion

Main Topics ① Further growth of DX training - Expand sales of large and year-round projects

In FY21, we were selected by several private companies to start a full-year and large-scale project. We will expand sales to Large Enterprise and Medium Market Business based on the examples we have accumulated from these projects.

<DX partners from April 2022 onwards>
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (Securities and Investments)
Nabtesco Corporation (Industrial Machinery)
The Kyoei Fire and Marine Insurance Company, Limited (Insurance)
DKS Co. Ltd. (Petrochemical) / The Bank of Yokohama (Bank)
Mizuho Securities Co., Ltd. (Securities and Investments)

DX Office IT スキル

Main Topics ② Character Education Series

We have developed a training program to consider "morals," "ethics," and " virtue of humanity" in order to become highly motivated business people. The program is designed for a wide range of attendees, from managers to new employees.

Character Education Series

All levels	[Character Education Series] Workshop on "Correctness" in Business
All levels	[Character Education Series] Workshop on "Morality" in the Workplace
New employees	Training on morals and ethics as working adults(Half day)

Changes in KPIs

(Unit: million yen, %, pt, organization, thousand yen, time, type)

	Sales							Client				KPI				
	Net sales (mill. yen)	YoY (mill. yen)	YoY (%)	Gross profit margin	YoY (pt)	Composition ratio	YoY (pt)	No.of customers	YoY	Average sales per organization (thou. yen)	YoY (thou. yen)	No. of trainings conducted	YoY (%)	Conducted online	Ratio of online training	No. of contents (types)
FY21	4,665	867	+22.8%	79.1%	+1.1	49.5%	△1.1	4,047	+1,153	1,153	+123	16,936	+19.1%	7,338	43.3%	3,794
FY20	3,797	1,073	+39.4%	78.0%	+2.9	50.6%	△2.6	3,554	+59	1,030	+282	14,224	+24.9%	6,988	49.1%	3,461
FY19	2,724	△555	△16.9%	75.1%	+3.7	53.2%	△5.3	3,495	△519	747	△38	11,390	△23.4%	1,561	13.7%	3,140
FY18	3,279	452	+16.0%	71.4%	+0.2	58.5%	△3.9	4,014	+333	786	+43	14,873	+10.5%	-	-	2,821
FY17	2,827	455	+19.2%	71.2%	△0.5	62.3%	△3.8	3,681	+420	743	+55	13,461	+15.58%	-	-	2,582

Open Seminars

Open Seminars -
It is possible even for
one person to participate

Composition ratio of sales
23.6%
*FY21
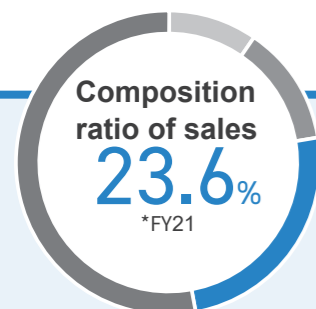
Services provided by

Insource	Insource	Training (general)
Mitemo	Mitemo	Training (general)
Insource デジタルアカデミー	Insource Digital Academy	DX/IT training
提携先	Business partner	DX/IT training , Training for General Affairs, Finance, Legal, IR

特徴

1	Available in 6 cities nationwide and with online support
2	3,630 different lineups
3	8,253 seminars conducted and 101,926 attendees per year

+α Features of our face-to-face seminars

Wide choice of venues
With regular venues in 6 cities across Japan, you can use the venue nearest to you.

More interaction
Communicate and interact with trainers and other attendees during breaks and after the training.

+α Features of online seminars

Attend from anywhere
Participate from home, work-place, or anywhere with a network environment

Realistic learning experience
Group work is also available online! Paper textbooks are used, so you can write notes and review conveniently

As for Open Seminars, Insource enhances the development of training that contributes to increasing the value of human capital

1. DX training for different levels

We offer training to meet a wide range of needs, including those for systems departments as well as those for those with no previous programming experience.

2. Encouraging women's advancement through leadership and career training

Many companies have begun to disclose information such as the ratio of female managers and the number of mothers hired.We are expanding our training programs in response to this trend.

3. Training the Next Generation of Managers

Seminars for "people who really want to learn management" started in 2020. The seminar provides an opportunity to learn realistic management principles, and mainly intended participants are growing companies.

＼ 公開講座を活用した人材育成は、**お得な法人契約サービス**をご活用ください！ 動画・e ラン教材や資格講座なども続々と購入可能に！ ／

人材育成 スマートパック
組織課題を解決する、共通ポイント

年間5名からの ボリューム ディスカウント

年間**2,000名**のご利用で **13,000円/人(日)～**

バリューパック VALUE PACK!

年間**100名**のご利用で **17,400円/人(日)～**

従業員数400名 までの成長・ 中堅企業限定

受講者 **10名のうち約7名**※が利用するポイント割引サービス！ 無料で使える WEBinsource もあります！

※2021年10月～2022年9月の公開講座 全受講者より

Example: Banner images for HRD Smart Pack and Value Pack (Insource's unique point service)

FY21 Review

・Net sales: 2,218 million yen (+21.4% YoY), Gross profit margin: 77.0% (+1.9pt YoY)

・The ratio of online training attendees increased from the previous year to 83.1%, making it more common

・"Energy Sessions," a short training series, is popular

・Developed "Value Pack," a point-based discount service for SMB (Small Medium Business)

Current Issues

Overall	・Lack of ability to propose not only Open Seminars but also with other businesses ・Insufficient promotion of our superiority over other companies in terms of the number of Open Seminars held, number of new products, etc.

FY22 Business Strategies

Overall	・Strengthen development and promotion of mechanisms such as "Open Direct," which allows attendees to sign up for training directly from the WEBinsource. ・Create a platform for training, including partner companies
Large Enterprises	・Develop DX-related training programs for this segment
Mid-Business	・Promote the introduction of "Open Direct" as a response to the increase in the hand-raising system. This will meet the growing need for career autonomy
SMB (Small Medium Business)	・Expand sales of "Value Pack"

新規作成 公開ダイレクト
受講者自身が WEBinsourceから申込める新機能

Main topics - Development of a short training series "Energy Sessions"(*Zenryoku* Exercises)

We have developed a series of "Zenryoku Exercises," in which attendees watch videos in advance and do hands-on work in an online training session. The training is only half a day long and compact, but effective because of the video learning in advance.

ENERGY SESSION
［ エナジーセッション ］

Lineup (excerpt)

[*Zenryoku* Exercises]	How to Raise Generation Z - Learn through pre-viewing videos and practical work
[*Zenryoku* Exercises]	Presentation techniques with an emphasis on results - Learn by watching videos and doing hands-on work
[*Zenryoku* Exercises]	Mental Health through Work from Home (Line Care) - Learn by watching videos in advance and doing hands-on work

Changes in KPIs

(Unit: million yen, %, pt, organization, thousand yen, thousand people, type)

	Sales							Client						KPI			
	Net sales (mill. yen)	YoY (mill. yen)	YoY (%)	Gross profit margin	YoY (pt)	Composition ratio	YoY (pt)	No. of customers	YoY	Average sales per organization (thou. yen)	YoY (thou. yen)	No. of attendees (thou. people)	YoY (%)	No. of online attendees (thou. people)	Ratio of online trainings	No. of contents (type)
FY21	2,218	+391	+21.4%	77.0%	+1.9	23.6%	△0.8	7,694	+697	288	+15	101	+20.7%	84	83.1%	3,630
FY20	1,827	+560	+44.2%	75.1%	+13.1	24.4%	△0.4	6,997	+303	272	+80	84	+48.8%	65	77.0%	3,296
FY19	1,267	△260	△17.0%	62.0%	△4.3	24.8%	△2.5	6,694	△1,656	192	+8	58	△19.1%	16	26.6%	2,859
FY18	1,527	+361	+30.9%	66.2%	△0.1	27.2%	+1.5	8,350	+1,002	183	+24	72	+28.9%	-	-	2,589
FY17	1,166	+269	+30.0%	66.3%	+4.5	25.7%	+0.7	7,348	+677	159	+25	56	+30.6%	-	-	2,292

IT Services

Support work efficiency improvement through IT

Composition ratio of sales
12.7%
*FY21

Services provided by

Insource	Leaf (Human Resources Support System / LMS) STUDIO Powered by Leaf On-the-web appraisal form services Leaf MySTORY(talent management system) Leaf Management Leaf Human Capital Management Stress check support service

Leaf, our LMS and HR support system, enables organizations to grow

2.55 million users! Why are we the most popular in Japan?

*as of the end of March 2023

1 Reasonable price
- Unlimited loading and viewing for easy use forever
- ✓ 95 yen/month/ID* with 0 yen initial fee, overwhelmingly cost-effective!
- ✓ Unlimited use, no additional charges
- ✓ No access limit, no capacity limit, no playback limit, and no limit on the number of times you can take a course

2 Easy to use
- Simple introduction and operation
- ✓ Immediate introduction in as little as 3 days
- ✓ Manual-free
- ✓ No need to learn operations, and it can be used intuitively without the need to transfer from a predecessor

3 Thoroughly designed!
- A "complete" system that is well suited to HR operations
- ✓ By understanding the work of the HR and education departments, we developed functions to optimize the client's operations.

E-Learning functions
- Expand online training
- Course education
- Video streaming
- Slide streaming

Training management functions
- Support remote work
- Schedule management
- Webinar collaboration
- Training data integration

HR data management functions
- Integrate all information of employees
- Management of personnel data

Personnel evaluation functions
- Utilize personnel evaluations for HR development
- Personnel evaluation

Training
- HR management
- Course management
- Effect measurements

Leaf

Basic functions
- Planning
- Attendees selection
- Administrative procedures
- Email
- Document submission and management

Assignment and test functions
-Be used in all kinds of ways for different purposes
- Confirmation test
- Assignments and questionnaires
- Learning effectiveness analysis

Course management function
- Visualize learning status and manage it appropriately
- Course management
- Reminder
- Course record acquisition/utilization

As it looks, as it operates
Web-based HR evaluation sheet service
- The evaluation sheet can be Web-based as it is
- No change in operation method
- Can be applied in as little as one month

Implemented by the Ministry of Health, Labor and Welfare for 5 consecutive years!
Stress Check Support Service
- Support for online implementation for greater convenience and lower costs
- Many measures to improve the test-taking rate
- Improve stress by group analysis and mental care

FY21 Review
- ・Net sales: 1,197 million yen (+17.1% YoY), gross profit margin: 79.2% (+1.9 pt YoY)
- ・Leaf users totaled 2.11 million, up 350,000 from FY20
- ・The number of user organizations increased to 522 (+110 YoY) due to the enhancement of products for SMB (Small Medium Business) and Medium Market Business such as "Leaf Lightning"
- ・Developed new products to support HR operations, including "Leaf Management"

Current Issues
- ・Develop markets for HR operations outside of the education sector
- ・Continue to increase the speed of development of the SMB (Small Medium Business) and Medium Market

FY22 Business strategies

Overall	Strengthen brand quality by launching new product series
Large Enterprises	Expand sales of "Leaf"
Medium Market and SMB	Offer "Leaf Human Capital Management", "Leaf Management", and "Leaf My STORY"

Main Topics **"Leaf Corporate University", "Leaf Human Capital Management" Sales of "Leaf Management" and "Leaf My STORY" begin**

Easy use by employees themselves

Centralized management of employee information is possible

Collection and listing of information is possible

Leaf My STORY
Employee-interactive talent management tool to activate internal communication
Monthly
100 yen/person
(110 yen/person (incl tax.)
For human capital management

Leaf Management
Talent management tools that respond to and visualize all employee requests and desires
Monthly
100 yen/person
(110 yen/person (incl tax.)

Leaf Human Capital Management
Tool to enable human capital disclosure using original indicators
Yearly
900,000 yen or more/organization
(990,000 yen/person (incl tax.)
Link training history

Leaf Corporate University - Advanced Leaf (HR support system/LMS)
Leaf
・Understand individual current skills and challenges (As is - To be) with the Assessment Function
・Apply for recommended courses (training, e-Learning, etc.) based on the diagnosis results
・Store training records in Leaf Corporate University

Changes in KPIs

(Unit: million yen, %, pt, organization, thousand yen)

	Sales							Client (Only Leaf)			
	Net sales (mill. yen)	YoY (mill. yen)	YoY (%)	Gross profit margin	YoY (pt)	Composition ratio	YoY (pt)	No.of customers	YoY	Average sales per organization (thou. yen)	YoY (thou. yen)
FY21	1,197	+175	+17.1%	79.2%	+1.9	12.7%	△ 0.9	522	+110	1,981	△ 159
FY20	1,022	+367	+56.0%	77.2%	+4.2	13.6%	+0.8	412	+164	2,140	+20
FY19	655	+224	+51.9%	73.0%	△ 3.0	12.8%	+5.1	248	+86	2,120	+243
FY18	431	+192	+80.3%	76.0%	-	7.7%	-	162	+70	1,877	-
FY17	239	+154	+181.4%	-	-	-	-	92	+41	-	-

*IT Service business became independent from Other Businesses in FY20

Other Businesses ("Rising Next")

Develop the business necessary for the growth of the HR department and the organization

- ・e-Learning and video sales
- ・Online seminar support service
- ・Video production
- ・Consulting and assessment
- ・Placement services and web marketing

Composition ratio of sales
14.2%
*FY21

Services provided by

Insource		e-Learning and video, online seminar support service, assessment and consulting services
Mitemo		e-Learning, video, video production, and regional revitalization services
らしく♪	Rashiku	Placement & Recruitment Services
Insource Marketing Design		Web promotion, website development, system development, online store creation
Insource Business Rep		Call center services, setup services, IT support services

Main Services

e-Learning, video production

Douga Hyakkaten (Video Department Store)
This site offers a comprehensive video and e-Learning materials, with a lineup of 554* videos. There are outright purchase plans for cutting-edge MP4 video data, convenient one-week rental plans, and affordable flat-rate unlimited streaming plans.
*As of the end of September, 2022

動画百貨店 DOUGA HYAKKATEN
旬なテーマから一般的テーマまで幅広くeラーニング教材をご提案

Online seminar support services

どこでも受講可能 オンライン INSOURCE ONLINE SEMINAR
オンラインセミナー支援サービス
貴社の社内研修やお客さま向けセミナーをトータルサポート

Online seminar support services
①Online seminar support for the operator
②Distribution support
Holding various types of training, seminars, and other events online or in a hybrid style has become a standard practice. However, the workload on the operator side continues to increase. We can handle everything from outsourcing of the operator to arranging broadcasting equipment and staff.

Consulting/ Accessment services

Insource HR Assessment
Visualize not only individual abilities and skills but also characteristics
「組織」と「個」の結びつきを強くする
insource 人材アセスメント

Tiered tests
階層別テスト
客観的な指標で
個々の人のスキルレベルを把握する
The roles required at each level are divided into "knowledge" and "skill to utilize" and scored to provide an objective assessment of skill status

Education and Training System
・Support for establishment of the system
・Reflect the feedback from employees in the field
教育・研修体系構築支援

Regional Revitalization Business
地方創生サービス
19種のサービスで地域活性化を支援
Support both public and private sector to co-create local economic revitalization projects to enhance the vitality of local governments

Placement services

らしく♪
採用にお困りの方へ 貴社に必要な人材を厳選し、ご紹介いたします！
Rashiku Recruitment
organizations and people placement services

Web marketing services

購買行動のすべてにアプローチして、効果を出す
インソースのWeb制作
Web services
Provide web-based problem-solving support, leveraging marketing and web production expertise

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FY21 Review

- ・Net sales: 1,337 million yen (+56.7% YoY), gross profit margin: 64.7% (- 5.0 pt YoY)
- ・e-Learning needs have grown steadily, with an increase in large-scale projects, such as the purchase of multiple units in bulk under a outright purchase plan
- ・Achieved 110.2% YoY growth in regional revitalization business due to large contracts (multiple contracts in government-designated cities, new contracts for projects commissioned by central government agencies and prefectures)
- ・In June 2022, Insource Business Rep Corporation (formerly BAS Corporation) became a group company to strengthen technical support, improve service quality, and enhance cost competitiveness.

Current Issues

- ・Develop new services tailored to clients and strengthen sales force
- ・Strengthen group-wide cooperation and sales capabilities to solve client issues

FY22 Business strategies

e-Learning and videos	Continue to develop new products with a target of 210 per year. Strengthen partnerships and expand products such as health management content
Web Marketing	Develop affordable packaged products "*Makasete* Series" (Makasete means "leave everything to us")
Regional Revitalization	Develop affordable, high value-added packaged products. Expand the number of clients

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Main Topics ① 10 customizable assessments available

We offer a variety of assessments to meet different objectives. By objectively grasping and analyzing the difference between the current situation (As-is) and the desired state (To-be), we support strategic human resource development, thereby enhancing the human capital value of an organization.

insource 人材アセスメント
インソースのアセスメントサービス 人的資本経営にも対応

Main Topics ② Started providing "Easy Order" service for Video Department Store

We will make simple and inexpensive customizations based on existing materials available in the Video Department Store. We can create an original video to meet client needs in as little as two weeks, starting at 50,000 yen plus the cost of purchasing the video.

動画百貨店の イージー オーダー

Changes in KPIs

■Other Businesses ("Rising Next")
(Unit: million yen, %, pt)

	Sales						
	Net sales (mill. yen)	YoY (mill. yen)	YoY (%)	Gross profit margin	YoY (pt)	Composition ratio	YoY (pt)
FY21	1,337	+483	+56.7%	64.7%	△ 5.0	14.2%	+2.8
FY20	853	+381	+80.7%	69.7%	△ 0.9	11.4%	+2.2
FY19	472	+102	+27.7%	70.6%	△ 4.3	9.2%	+2.6
FY18	369	+67	+22.3%	75.0%	-	6.6%	△ 0.1
FY17	302	+72	+31.4%	-	-	6.7%	+0.2

*Sales for IT Services are excluded
*Sales of Insource Business Rep Corporation, which became a group company from 3Q FY21, were included in the Other Businesses

■e-Learning/ Video production
(Unit: title, person, ID)

	Video Contents		
	Outright purchase	Rental viewers	Monthly Subscription (STUDIO)
FY21	1,889	14,379	70,258
FY20	1,422	6,210	54,674
FY19	-	-	19,651

Executives of the Company

Takayuki Funahashi
Representative Director,
President and Chief Executive Officer
Director of Mitemo Co., Ltd
Representative Director of Insource Marketing
Design Corporation

Kumiko Kawabata
Director, Managing Executive Officer
Director of Rashiku Corporation

Shigeo Fujimoto
Director, Executive Officer
Chief Financial Officer
Manager of Group Corporate Management Department
Director of MIRAISOUZOU & COMPANY, Inc.
Director of Insource Digital Academy Corporation
Director of Insource Business Rep Corporation*1

Tetsuya Sawada
Director
Representative Director of Mitemo Co., Ltd

Daisuke Kanai
Director, Executive Officer
Manager of Group Sales Management Office
General Manager of Sales Department
Chief of Online Business Department
Chief of Business Promotion Office
Director of Mitemo Co., Ltd
Director of Insource Digital Academy Corporation

Hidenori Fujioka
Outside Director

Norio Kambayashi
Outside Director

[Significant concurrent positions]
Professor of Graduate School of Business Administration,
Kobe University
President of Japan Federation of Management
related Academies

Katsuko Hirotomi
Outside Director

[Significant concurrent positions]
Director and Executive Officer of Power Interactive
Corp.

Ayami Tabuchi
Full-time Auditor

Shuhei Fujimoto
Auditor

[Significant concurrent positions]
Director, Fujimoto CPA Office
Representative of PKF Hibiki Audit Corporation

Kazuo Iizuka
Auditor

[Significant concurrent positions]
President of Iizuka Law Office
Outside Director of KAWATA MFG. CO., LTD

Kunihiro Nakahara
Auditor

[Significant concurrent positions]
President, Nakahara Accounting Office
Representative Director of Lexicom Inc.

*1 Formerly known as BAS Corporation
*As of the end of December, 2022

■ **The expertise that the Group expects from its Directors** *The maximum 8 main skills possessed by each board member are marked with ●

Job Title		Representative Director, President and Chief Executive Officer	Director Managing Executive Officer	Director Executive Officer
Name		Takayuki Funahashi	Kumiko Kawabata	Shigeo Fujimoto
Business Management	Management Experience	●	●	●
Speedy Decision Making	Quick Action in Response to Changes in the External Environment	●	●	●
Finance	Experience in Borrowing and Raising Funds			●
Expansion of Business Performance	Experience in Expanding Business Performance	●	●	
New Business	Experience in Starting a Business from Scratch	●	●	
Cost Reduction	Streamlining of Business Processes (Reduction of SG&A Expenses)		●	
Risk Management	Compliance with Laws and Regulations and Active Adherence to Rules		●	●
Organizational Management	Experience in Resource Allocation, Personnel Assignments, and Hiring	●	●	●
Sales Expansion	Developing Sales Strategies and Increasing New and Existing Clients			
Content Development	Experience in Content Development	●		●
Trainers	Experience in Speaking Engagements	●		●
Consulting	Consulting Experience			
IT, Technology	Creating a Highly Productive System	●		
Overseas Business Experience	Experience in Overseas Work and Business	●		

Director	Director Executive Officer	Outside Director	Outside Director	Outside Director	Full-time Auditor	Auditor	Auditor	Auditor
Tetsuya Sawada	Daisuke Kanai	Hidenori Fujioka	Norio Kambayashi	Katsuko Hirotomi	Ayami Tabuchi	Shuhei Fujimoto	Kazuo Iizuka	Kunihiro Nakahara
●		●		●				
	●			●				
		●				●	●	●
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		●	●	●	●	●	●	●
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	●			●			●	●
		●	●					

Executive Officers and Representative Directors of Group Companies

Yoshio Ohata
Executive Officer
Manager of Group Content
Development Department

Shin Kebukawa
Executive Officer
Vice Manager of
Group Sales Management Office
Director of
Insource Digital Academy Corporation
Director of
MIRAISOUZOU & COMPANY, Inc.

Shun Tanaka
Executive Officer
Manager of IT Service Department
Chief of IT Support Office

Hiroaki Matsuki
Executive Officer
Vice Manager of
Group Sales Management Office

Tomoyuki Kaeriyama
Executive Officer
Vice Manager of
Group Sales Management Office
Director of
Insource Marketing Design Corporation

Yasutsune Momose
Executive Officer
Manager of
Group General Affairs Department
Manager of
Trainers' Educational Department
Manager of Process Automation Department
Chief of Group Human Resources Department

Akira Takahara
Executive Officer
Manager of Operation Department
Vice Manager of Group Corporate
 Management Department
Assistant Manager of IT Support Office
Director of Rashiku Corporation

Yosuke Kobayashi
Executive Officer
Vice Manager of
Group Sales Management Office
Manager of
Media Business Department
Manager of Expert Sales Department
Chief of Alliance Promotion Office

Hideaki Fujita
Executive Officer
Manager of
Open Seminars Department

Seiichi Tanimura
Executive Officer
Manager of
Expert Sales Department

Hideki Hara
Executive Officer
Chief of Internal Audit Department
Chief of CEO Office

Masahiro Osawa
Executive Officer
Vice Manager of Group Sales
Management Office

Motokazu Hirayasu
Representative Director,
President of Rashiku Corporation

Shinichi Sugiyama
Representative Director, President,
and Chief Executive Officer of
Insource Digital Academy Corporation
Representative Director, President
of MIRAISOUZOU & COMPANY, Inc.
Director of Insource Business Rep
Corporation*1

Masao Moritani
Representative Director and
President of Insource Business Rep
Corporation*1

■ The expertise that the Group expects from its directors and officers
*The maximum 8 main skills possessed by each executive officer are marked with ●

*1 Formerly known as BAS Corporation
*As of the end of December, 2022

Job Title		Executive Officer	Executive Officer	Executive Officer	Executive Officer
Name		Yoshio Ohata	Shin Kebukawa	Shun Tanaka	Hiroaki Matsuki
Business Management	Management Experience				
Speedy Decision Making	Quick Action in Response to Changes in the External Environment			●	
Finance	Experience in Borrowing and Raising Funds				
Expansion of Business Performance	Experience in Expanding Business Performance			●	●
New Business	Experience in Starting a Business from Scratch		●	●	
Cost Reduction	Streamlining of Business Processes (Reduction of SG&A Expenses)				
Risk Management	Compliance with Laws and Regulations and Active Adherence to Rules	●			
Organizational Management	Experience in Resource Allocation, Personnel Assignments, and Hiring	●	●	●	●
Sales Expansion	Developing Sales Strategies and Increasing New and Existing Clients	●	●	●	●
Content Development	Experience in Content Development	●	●		
Trainers	Experience in Speaking Engagements		●		
Consulting	Consulting Experience	●			
IT, Technology	Creating a Highly Productive System			●	
Overseas Business Experience	Experience in Overseas work and business				

Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer	Representative of Group Company	Representative of Group Company	Representative of Group Company
Tomoyuki Kaeriyama	Yasutsune Momose	Akira Takahara	Yosuke Kobayashi	Hideaki Fujita	Seiichi Tanimura	Hideki Hara	Masahiro Osawa	Motokazu Hirayasu	Shinichi Sugiyama	Masao Moritani
					●			●	●	●
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Consolidated Financial Statements and Notes

Consolidated Balance Sheets

(Unit: thousand yen)

Assets	FY20 (As of Sep. 30, 2021)	FY21 As of Sep. 30, 2022
Current assets		
Cash and deposits	2,624,111	3,827,499
Notes receivable - trade	-	678
Accounts receivable - trade	882,846	1,188,038
Merchandise	9,000	4,802
Work in process	41,853	33,030
Prepaid expenses	171,681	183,168
Other	32,189	24,853
Allowance for doubtful accounts	△1,994	△1,256
Total current assets	3,759,687	5,260,816
Non-current assets		
Property, plant and equipment		
Buildings	601,090	1,290,823
Accumulated depreciation	△100,687	△129,320
Buildings, net	500,403	1,161,503
Tools, furniture and fixtures	65,195	73,422
Accumulated depreciation	△47,738	△53,716
Tools, furniture and fixtures, net	17,456	19,706
Land	1,179,658	1,179,658
Construction in progress	182,160	66,143
Total property, plant and equipment	1,,879,678	2,427,011
Intangible assets		
Leasehold interests in land	305,984	305,984
Goodwill	53,120	36,118
Software	92,624	104,207
Other	951	346
Total intangible assets	452,680	446,657
Investments and other assets		
Investment securities	82,465	72,012
Long-term prepaid expenses	211,052	83,527
Leasehold and guarantee deposits	163,820	139,378
Deferred tax assets	216,365	299,602
Other	954	784
Total investments and other assets	674,658	595,304
Total non-current assets	3,007,017	3,468,974
Total assets	6,766,705	8,729,790

(Unit: thousand yen)

Liabilities	FY20 (As of Sep. 30, 2021)	FY21 (As of Sep. 30, 2022)
Current liabilities		
Accounts payable - trade	114,029	161,232
Accounts payable - other	399,621	578,232
Income taxes payable	758,874	791,269
Accrued consumption taxes	261,213	199,240
Advances received	599,026	730,681
Deposits received	53,138	80,781
Other	16,405	17,968
Total current liabilities	2,202,311	2,559,407
Non-current liabilities		
Asset retirement obligations	59,504	42,820
Other	4,465	2,125
Total non-current liabilities	63,969	44,945
Total liabilities	2,266,280	2,604,353
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	854,983	874,680
Retained earnings	3,313,927	4,895,118
Treasury shares	△472,612	△449,751
Total shareholders' equity	4,496,921	6,120,670
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,503	4,767
Total accumulated other comprehensive income	3,503	4,767
Total net assets	4,500,424	6,125,437
Total liabilities and net assets	6,766,705	8,729,790

Consolidated Statements of Income

(Unit: thousand yen)

	FY20 (Oct. 1, 2020 - Sep. 30, 2021)	FY21 (Oct. 1, 2021 - Sep. 30, 2022)
Net sales	7,501,115	9,418,481
Cost of sales	1,779,586	2,204,368
Gross profit	5,721,528	7,214,112
Selling, general and administrative expenses	3,317,264	3,846,729
Operating profit	2,404,264	3,367,383
Non-operating income		
Interest income	518	38
Dividend income	275	340
Foreign exchange gains	264	1,456
Subsidies for employment adjustment	12,850	715
Subsidy income	3,216	-
Income from sales of goods	-	1,444
Income from base station installation	1,557	2,008
Surrender value of insurance policies	206	3,045
Other	2,614	800
Total non-operating income	21,504	9,848
Non-operating expenses		
Interest expenses	661	509
Loss on extinguishment of stock-based compensation expenses	8,324	29,297
Other	143	1,084
Total non-operating expenses	9,130	30,891
Ordinary profit	2,416,638	3,346,340
Extraordinary income		
Gain on redemption of investment securities	1,222	-
Total extraordinary income	1,222	-
Extraordinary losses		
Loss on valuation of investment securities	50,859	29,995
Loss on retirement of non-current assets	387	-
Impairment losses	20,626	-
Total extraordinary losses	71,873	29,995
Profit before income taxes	2,345,987	3,316,344
Income taxes - current	855,077	1,166,523
Income taxes - deferred	△80,290	△83,794
Total income taxes	774,786	1,082,729
Profit	1,571,200	2,233,615
Profit attributable to owners of parent	1,571,200	2,233,615

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	FY20 (Oct. 1, 2020 - Sep. 30, 2021)	FY21 (Oct. 1, 2021 - Sep. 30, 2022)
Profit	1,571,200	2,233,615
Other comprehensive income		
Valuation difference on available-for-sale securities	2,685	1,263
Total other comprehensive income	2,685	1,263
Comprehensive income	1,573,886	2,234,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,573,886	2,234,879
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statements of Cash Flows

(Unit: thousand yen)

	FY20 (Oct. 1, 2020 - Sep. 30, 2021)	FY21 (Oct. 1, 2021 - Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	2,345,987	3,316,344
Depreciation	124,750	134,534
Amortization of goodwill	11,159	17,562
Share-based payment expenses	70,350	140,382
Impairment losses	20,626	-
Loss on retirement of non-current assets	387	-
Loss (gain) on valuation of investment securities	50,859	29,995
Loss (gain) on redemption of investment securities	△1,222	-
Increase (decrease) in allowance for doubtful accounts	510	△889
Interest and dividend income	△794	△378
Foreign exchange losses (gains)	△264	△1,456
Decrease (increase) in trade receivables	△185,557	△288,670
Decrease (increase) in inventories	△24,471	13,155
Increase (decrease) in trade payables	24,328	4,212
Other, net	76,370	263,134
Subtotal	2,513,019	3,669,929
Interest and dividends received	794	378
Interest paid	△661	△509
Income taxes paid	△156,202	△1,125,647
Net cash provided by (used in) operating activities	2,356,950	2,544,151
Cash flows from investing activities		
Purchase of investment securities	△50,123	△17,723
Proceeds from sale and redemption of investment securities	21,945	2
Purchase of property, plant and equipment	△1,234,726	△695,583
Purchase of intangible assets	△305,984	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	24,677
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△6,438	-
Proceeds from sale of shares of subsidiaries and associates	22,768	-
Payments of leasehold and guarantee deposits	△26,728	△34,751
Proceeds from refund of leasehold and guarantee deposits	60,142	59,920
Loan advances	△410	△300
Proceeds from collection of loans receivable	8,146	740
Other, net	△33,394	△24,134
Net cash provided by (used in) investing activities	△1,554,804	△687,153
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	2,340	-
Proceeds from long-term borrowings	4,660	-
Repayments of long-term borrowings	△28,019	△2,340
Purchase of treasury shares	△934	△772
Proceeds from disposal of treasury shares	937	472
Dividends paid	△387,152	△652,425
Net cash provided by (used in) financing activities	△408,168	△655,065
Effect of exchange rate change on cash and cash equivalents	264	1,456
Net increase (decrease) in cash and cash equivalents	404,242	1,203,388
Cash and cash equivalents at beginning of period	2,219,868	2,624,111
Cash and cash equivalents at end of period	2,624,111	3,827,499

Performance Trends

(Unit: million yen)

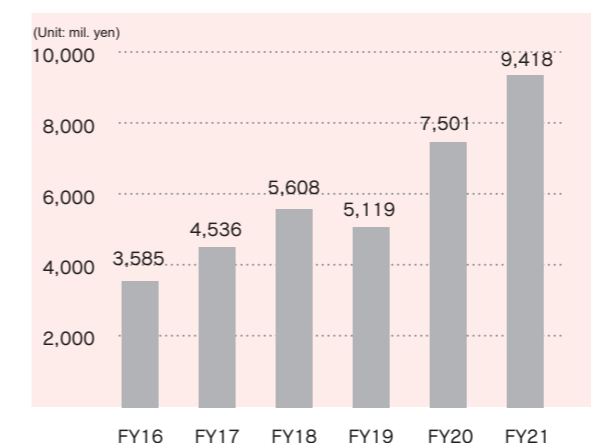| Fiscal Year Ended September 30	FY16	FY17	FY18	FY19	FY20	FY21
Financial Reports:						
Net sales	3,585	4,536	5,608	5,119	7,501	9,418
On-Site Training	2,372	2,827	3,279	2,724	3,797	4,665
Open Seminars	897	1,166	1,527	1,267	1,827	2,218
IT Services				655	1,022	1,197
Other Businesses	315	541	801	472	853	1,337
Gross profit	2,403	3,096	3,959	3,643	5,721	7,214
SG&A	1,811	2,158	2,655	2,859	3,317	3,846
Personal expenses	1,385	1,662	2,047	2,260	2,615	3,107
Office-related expenses	123	131	142	169	182	162
Office & communication expenses	86	119	164	139	156	181
Others	215	245	301	287	363	395
Operating profit	592	937	1,303	784	2,404	3,367
Ordinary profit	608	933	1,298	795	2,416	3,346
Profit attributable to owners of parent	412	635	835	445	1,571	2,233
Financial Position:						
Total assets	1,436	2,889	3,082	2,883	4,500	6,125
Total liabilities	907	1,070	1,875	1,461	2,266	2,604
Net assets	2,343	3,959	4,957	4,344	6,766	8,729
Cash Flows:						
Cash flow from operating activities	578	751	1,345	191	2,356	2,544
Cash flow from investing activities	△8	△147	△236	△624	△1,544	△687
Cash flow from financing activities	△314	804	△642	△639	△408	△655
Free cash flow	570	604	1,109	△433	812	1,857
Per Share Information (yen):						
Earnings per share	5.09	7.68	9.93	5.30	18.71	26.53
Dividends	1.8	2.4	4.0	4.6	7.7	10.7
Payout ratio	35.4	31.3	40.3	86.7	41.4	40.5
Net assets per share	22.25	34.32	36.64	34.44	53.46	72.75

*We conducted stock splits on May 1, 2018, September 1, 2019, January 1, 2021 and January 1, 2023. Each number is calculated on the assumption that the stock split was conducted at the beginning of FY16.
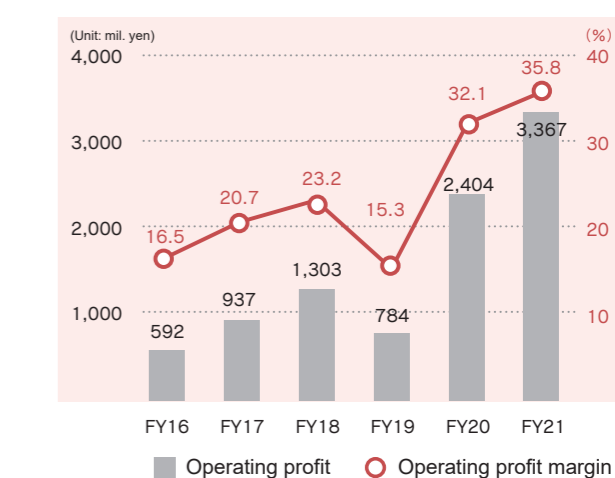
Major Indicators:	FY16	FY17	FY18	FY19	FY20	FY21
Operating profit margin	16.5	20.7	23.2	15.3	32.1	35.8
Equity ratio	61.3	73.0	62.2	66.4	66.5	70.2
ROE	29.8	29.4	28.0	14.9	42.6	42.0
Net profit margin (%)	11.5	14.0	14.9	8.7	20.9	23.7
Total assets turnover (times)	1.67	1.44	1.26	1.10	1.35	1.22
Financial leverage (times)	1.55	1.46	1.49	1.56	1.50	1.46
No. of employees	227	249	296	321	382	430

Performance Trends

Net sales

(Unit: mil. yen)

FY16	FY17	FY18	FY19	FY20	FY21
3,585	4,536	5,608	5,119	7,501	9,418

Operating profit/Operating profit margin

(Unit: mil. yen) / (%)

	FY16	FY17	FY18	FY19	FY20	FY21
Operating profit	592	937	1,303	784	2,404	3,367
Operating profit margin	16.5	20.7	23.2	15.3	32.1	35.8

Net profit/Net profit margin

(Unit: mil. yen) / (%)

	FY16	FY17	FY18	FY19	FY20	FY21
Net profit	412	635	835	445	1,571	2,233
Net profit margin	11.5	14.0	14.9	8.7	20.9	23.7
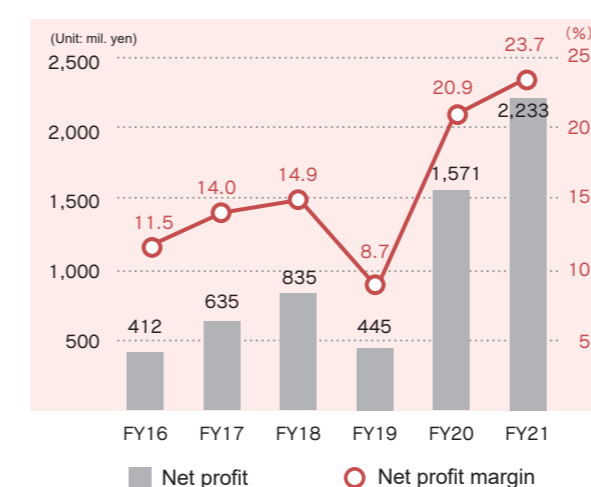
Total assets/Equity ratio

(Unit: mil. yen) / (%)

	FY16	FY17	FY18	FY19	FY20	FY21
Total assets	2,343	3,959	4,957	4,344	6,766	8,729
Equity ratio	61.3	73.0	62.2	66.4	66.5	70.2

ROE

(%)

ROE	FY16	FY17	FY18	FY19	FY20	FY21
ROE	29.8	29.4	28.0	14.9	42.6	42.0
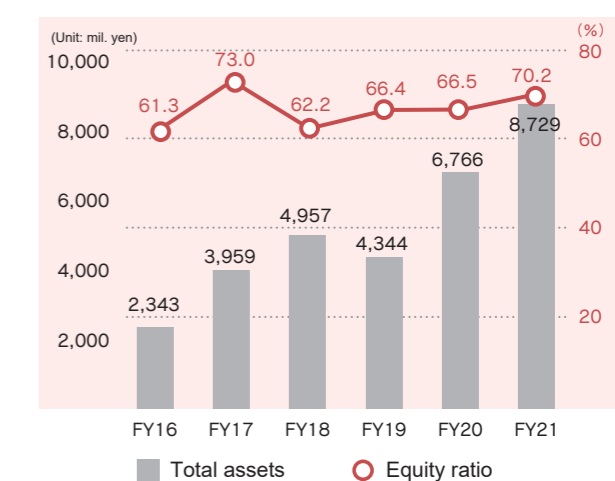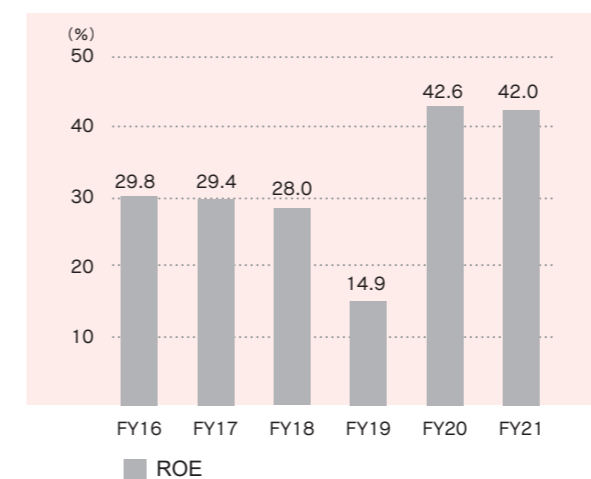
Earnings per share/Net assets per share

(Unit: yen)

	FY16	FY17	FY18	FY19	FY20	FY21
Earnings per share	5.09	7.68	9.93	5.30	18.71	26.53
Net assets per share	22.25	34.32	36.64	34.44	53.46	72.75
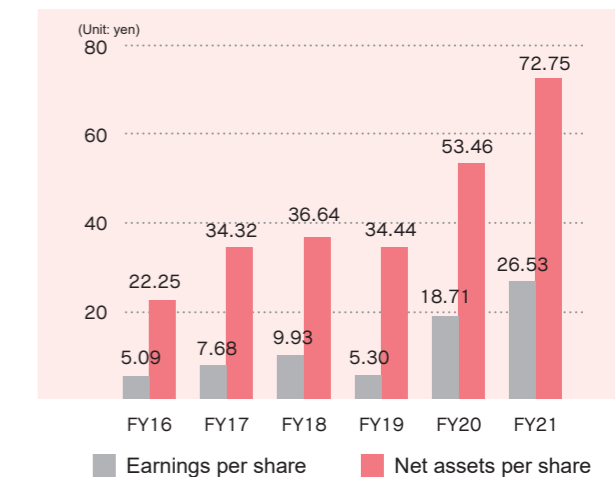
Company's Profile/Stock information(as of Dec.31, 2022)

Company's profile

Company Name	Insource Co., Ltd.
Date of Foundation	November, 2002
Date of Establishment	January, 2003
Headquarters	3-20, Kanda Ogawamachi, Chiyoda-ku, Tokyo 101-0052
Tokyo Headquarters	Insource Doukanyama Bldg.,4-19-20,Nishi Nippori, Arakawa-ku , Tokyo 116-0013
Capital	800.62315 million yen
The end of fiscal year	September
Number of employees	592 (Consolidated)
Group Company	Mitemo Co., Ltd.
	Rashiku Corporation
	MIRAISOUZOU & COMPANY, Inc.
	Insource Digital Academy Corporation
	Insource Marketing Design Corporation
	Insource Business Rep Corporation (formerly known as BAS Corporation)

Stock information

|	
Total number of shares authorized to be issued	300,000,000 shares*
Total number of shares issued	85,243,000 shares*
Number of shares per unit	100 shares
Number of shareholders	4,237
Fiscal year	From October 1 to September 30 of the following year
Ordinary general meeting of shareholders	December
Record date for dividends	September 30
Date of share offering	July 21, 2016
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation

*The Company conducted a stock split on January 1, 2023. The total number of shares authorized to be issued and the total number of shares issued and outstanding are those after the stock split.

Major Shareholders

| Name of shareholder	Number of stock (thousand shares)	Percentage (%)
Leplus Co.	12,679	30.12
The Master Trust Bank of Japan (Trust Account)	5,346	12.70
Takayuki Funahashi	3,322	7.89
Kumiko Kawabata	2,684	6.38
STATE STREET BANK AND TRUST COMPANY 505303	1,601	3.80
Blake Corporation	1,169	2.78
STATE STREET BANK AND TRUST COMPANY 505019	800	1.90
CREDIT SUISSE (LUXEMBOURG) S.A./CUSTOMER ASSETS, FUNDS UCITS	743	1.77
GOVERNMENT OF NORWAY	549	1.30
CREDIT SUISSE (LUXEMBOURG) S.A./CUSTOMER ASSETS, FUNDS UCITS	507	1.21

*Shareholding ratios are calculated excluding treasury shares and rounded down to two decimal places

Shareholders description

Total number of shares issued
42,621,500shares
(As of the end of FY21)
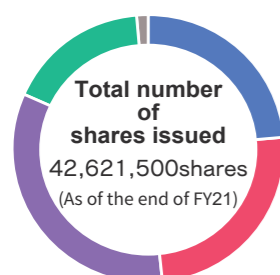
■ Overseas Institutional Investors	23.67	%
■ Domestic Institutional Investors	24.91	%
■ Others	33.25	%
■ Business Companies	16.94	%
■ Individual Treasury Stock	1.23	%

Stock price and trading volume (Tokyo Stock Exchange)
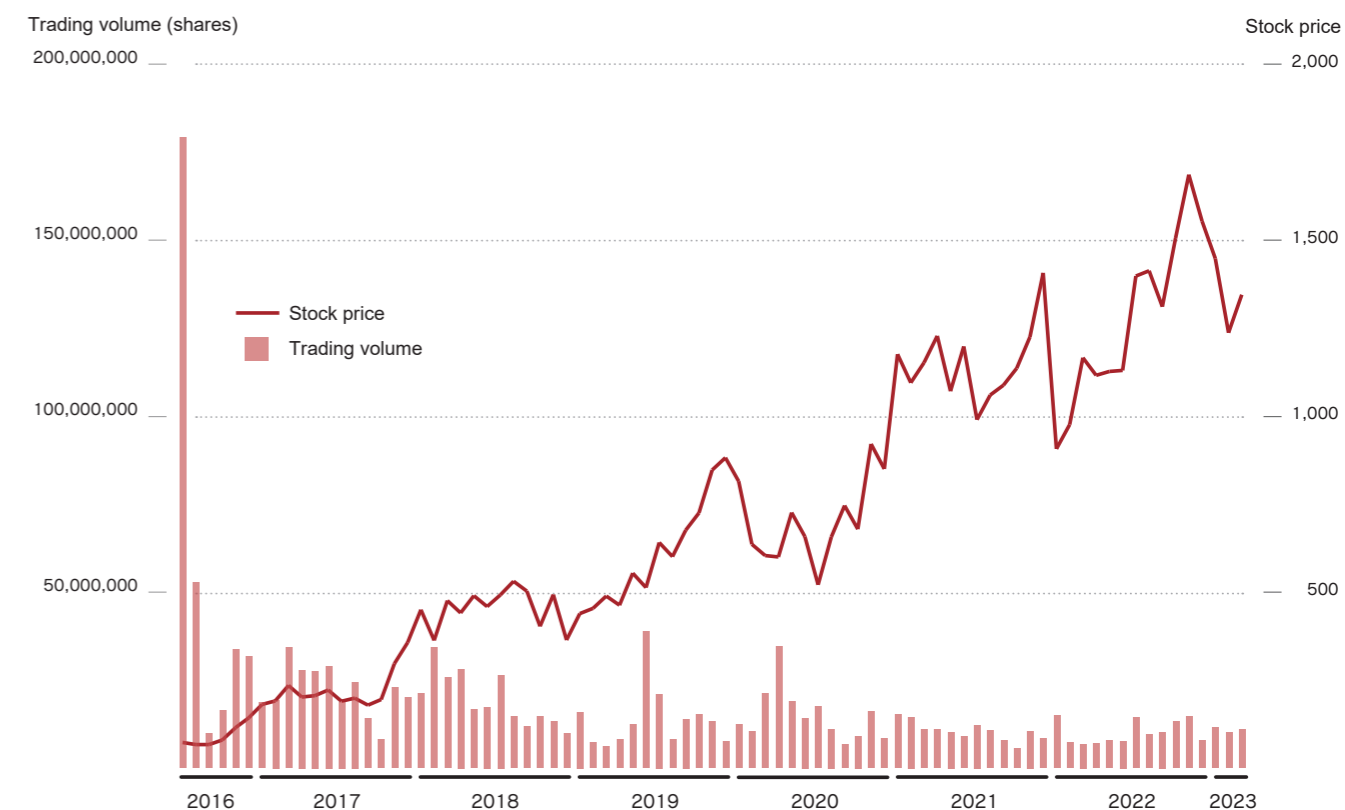
*Although stock splits were conducted on May 1, 2018, September 1, 2019, January 1, 2021, and January 1, 2023, calculations are based on the assumption that such stock splits were conducted at the beginning of FY16.

About the Integrated Report

Thank you for taking the time to read the Insource Group Integrated Report 2022.

This is the second time we have published our Integrated Report, and this time we focus on "Human Capital Management," which has been rapidly gaining attention in recent years. We hope this will help to further deepen your understanding and trust in our company.

We will keep improving our corporate value and have more communication with all stakeholders.

IR Website

We constantly disclose our latest financial performance information and other information to our shareholders and investors on our IR website in English. To get more details, please click here:

https://www.insource.co.jp/en/ir/index.html
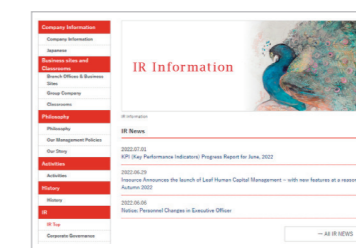
Financial Statements
Disclosure Information
Stock-related information
IR-related Q&A

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