

Q&A session during “Dialogue between Outside Directors and Institutional Investors”

Date and time: Friday, August 22, 2025, 15:00-16:00 (JST)

[Speakers] Outside Directors: Mr. Hidenori Fujioka, Ms. Yoshiko Niwamoto, Mr. Kohei Habara

This is the main question and answer session during the Dialogue between Outside Directors and Institutional Investors. We partially revised the expressions to make them easier for readers to understand. Questions (No. 12 and 13) received verbally during the presentation are not included in the video, but are included in this document for your reference.

Question 1: What is your perception of your own roles as an Outside Director?

Also, how do you think you can contribute to Insource?

Answer 1: (Mr. Fujioka) All three of us have answered “As an Outside Director, ① Important Roles, ② What I particularly keep in mind” during the presentation. So please accept our earlier explanations as our response for this question. [Supplement: Slide pg. 16-pg. 18]

Question 2: Please tell us about each Outside Director's involvement, time commitment, and job responsibilities

Answer 2: (Mr. Fujioka) While ensuring the governance of business operations is a matter of course, meetings to exchange opinions with executives are a valuable opportunity to grasp the actual situation in the workplace and to advise executives so that they can play an active role at a higher level. The time for activities as an Outside Director is approximately 3 hours per month for the Opinion exchange meeting, and 7-8 hours per month excluding the time for attending Board of Directors meetings, including Nomination and Compensation Committee and preliminary briefing for the Board of Directors. One issue we need to address is that last year’s assessment of the Board of Directors effectiveness showed a slight decline in “involvement in management strategies.” We are therefore looking to enhance discussions on the rolling proposal for Three-year Business Plan.

(Ms. Niwamoto) As an Outside Director, it is important to exchange views with executives. By directly listening to their thoughts and skills of employees, I believe that it will be meaningful for us to gain an understanding of the nature of their business, which cannot be obtained solely from paper materials, and to cross-reference it with the skill matrix required for succession planning. Approximately 3 hours a month are spent on the time for exchanging views, and 7-8 hours a month, excluding Board of Directors attendance, including Nomination and Compensation Committee and preliminary briefing for the Board of Directors. We recognize the need to accelerate discussions on evaluating potential successors at Nomination and Compensation Committee.

(Mr. Habara) Regarding the way I engage, I believe decision-making within the Board of Directors is of utmost importance. I strive to accurately understand the actual state of business operations through opinion exchange meetings and pre-briefings designed to enhance the effectiveness of these decisions. In

addition, as a member of the Nomination and Compensation Committee, I recognize that the development and selection of the next management personnel in the succession plan is an important issue, and I am focusing on the delegation of authority and the development of human resources through the tough assignments to the key positions of each group company. As with other Outside Directors, the activity hours I spend are around 7-8 hours per month.

Question 3: There are concerns that the Board of Directors has become a mere formality. Please tell us, as best you can, what kind of discussions are taking place at the Board of Directors meetings, and whether there have been any disagreements or heated debates.

Answer 3: (Mr. Fujioka) The Board of Directors places emphasis on management oversight and maintaining the effectiveness of management. Reasonable judgments are made after thoroughly discussing the background, objectives, risk analyses, return on investment, etc. of the deliberated matters, and the effectiveness of the deliberation is maintained. It is not a formal approval body, and it has not become a mere form. While discussions rarely become heated, proposals related to CAPEX (capital expenditures) tend to generate active debate. Each has been approved as a risk-taking measure aimed at enhancing corporate value over the medium term.

Question 4: Compared to other companies you involve, what do you see the strengths, weaknesses (issues) and features of Insource?

Answer 4: (Mr. Habara) Our strength is “Contents Development.” We have adopted a unique scheme that provides trainer with in-house developed training contents. Our greatest strength lies in having developed content alongside our sales activities from the beginning. At present, we are continuously evolving through customization according to client needs and review after training. On the other hand, our weakness lies in our internal human resources, rather than in the external environment. In the medium to long term, we need to continuously strengthen our business management structure, including developing successors, securing management personnel, and increasing the number of the trainers.

Question 5: Please tell us about the discussions regarding the qualities of the CEO's successor and the organizational structure.

Answer 5: (Mr. Fujioka) The successor responsible for our company's sustainable growth and medium-to-long-term enhancement of corporate value must possess multifaceted qualities. We are currently in a successor development phase, where candidates are assigned tough assignments to cultivate their decision-making skills in positions with significant autonomy. Additionally, through next-generation management training programs, we are developing their strategic thinking and vision-building capabilities. We believe that the business management system will be discussed in conjunction with the timing of narrowing down in the next phase.

Question 6: When discussions are conducted solely by Outside Directors, what are the main agendas for discussion?

Answer 6: (Ms. Niwamoto) There are no opportunities for all three Outside Directors to meet in person, and they do not hold discussions among ourselves. However, should a situation arise requiring the involvement of an Independent Outside Director—such as when a governance issue occurs—we are able to consult immediately.

Question 7: The current president is a founder and has strong leadership. Can you say what you want to say to him?

Answer 7: (Mr. Habara) President Funabashi, as well as the founder, chairs the Board of Directors. Board of Directors is actively asked to provide input and inquiries to ensure that discussions on the various agenda items are fully conducted, and I believe that Board of Directors has a constructive debate. As an Outside Director, I recognize that I can express my views from a neutral standpoint as necessary.

Question 8: Do you think that Outside Directors can dismiss the CEO in the event of a scandal or poor performance?

Answer 8: (Mr. Fujioka) Regarding the dismissal of CEO, we recognize that it must be carried out carefully based on the Corporate Law and the rules of corporate governance. However, in the unlikely event that the dismissal criteria are exceeded, we will investigate and deliberate the appropriateness at the Independent Directors' Meeting, and then consult with Board of Directors to seek a resolution to dismiss CEO.

Question 9: Compared to other companies, Insource undergoes frequent organizational changes. What are your thoughts on this?

Answer 9: (Ms. Niwamoto) This fiscal year, as of October 15 last year, we changed our sales structure to a Five-Departments System in effect, and we made personnel changes on a total of 8 times until the one effective on August 4. All personnel changes are aimed at 1) strengthening profit centers by client segment, 2) enhancing DX related services, 3) developing contents for the administration and strengthening the sales system, and 4) developing new growth fields, which we believe are leading to the strengthening of business operations. We undergo frequent organizational changes compared to other companies. This is the result of flexibly structuring and restructuring our organization in accordance with our strategies and management issues, which we view as sound organizational management that fits our strategies. In addition, in a mature organization, structures and job structures tend to be fixed, which may lead to malfunctioning; however, we are in the growth stage, and we believe that flexible changes are effective. Still, since repeated changes may lead to confusion and exhaustion among employees, we continuously discuss the consistency of our vision/strategy/organization/duties at Board of Directors and opinion exchange meetings.

Question 10: What kind of discussions and suggestions do Outside Directors have on capital-policy?

Answer 10: (Mr. Habara) As an Outside Director, I oversee capital policy with independence from the perspective of enhancing corporate value and protecting shareholder interests. I engage in discussions and proposals emphasizing the alignment between the mid-term management plan, human capital management, and capital policy. I will now introduce the current main capital policy.

Growth Investment: Retained earnings are a priority for the Three-year Business Plan, and we invest capital in developing new growth fields, DX training contents, and administrative contents.

Shareholder Return Policy: Targets are a payout ratio of 50% and DOE18% (This is based on the premise that the mid-term plan is achieved.).

Improving Capital Efficiency: We believe that the steady execution of growth measures outlined in our mid-term plan will lead to improved ROE and reduced capital costs. Furthermore, we have introduced a Restricted Stock (RS) system utilizing treasury stock, thereby linking human capital management with capital policy.

Question 11: I think Insource has a high cash generation capacity and is a promising acquisition target from the perspective of other companies, but please tell us how each of the Outside Directors views the company's value. Also, what discussions have you had regarding corporate value, and is there a consensus among the Outside Directors?

Answer 11: (Mr. Fujioka) We believe that our corporate value also includes medium-to long-term growth potential and competitive advantage that cannot be measured solely by financial indicators. In-house developed Learning Management System (LMS) has over 4.6 million users. By providing services that are linked to clients' internal systems, the churn rate is extremely low, and we are able to grow stably. According to a survey by the Ministry of Internal Affairs and Communications, the total number of employees in Japan is estimated to be 67 million people, with approximately 34 million people (50%) using PCs or tablets. Of these, 13.5% are connected as users of our LMS. We believe this gives us a competitive advantage supporting medium-to-long-term growth, as we have secured delivery channels exceeding four times our 3% share of the career training market. We are continuously discussing how quantifying and visualizing the growth potential and profitability of this business will further enhance corporate value.

(Ms. Niwamoto) We believe that the foundation of our corporate value lies in our competitive advantage in career training business. Our training content holds the top domestic market share in most segments. Through specialized product development, we provide diverse training content tailored to meet the needs of all target clients. While the sales volume of each product may be modest, the extensive product lineup ensures comprehensive coverage of client needs, preventing missed opportunities and achieving high overall sales volume. This approach enables effective control of manufacturing costs and selling, general, and administrative expenses. This has been achieved through the systemization of training, the division of production and giving training, and the overwhelming ability to produce contents. While achieving greater efficiency through systemization and division of labor, it is a very excellent situation in which the simultaneous realization of cost leadership and differentiation strategies is realized strategically in terms of covering the diverse learning needs of clients with a wealth of content.

(Mr. Hahara) Our source of corporate value lies in a business model with high profitability and growth potential, and we understand that our foundations are “Contents Development” and “strengths in the digital field.” We have built a powerful development system, and release more than 300 new titles each year in high quality and with a sense of speed, while maintaining high quality content in line with the times. In addition to offline services, the digital field, including Leaf and video and e-Learning, DX related services, has also grown to account for more than 30% of consolidated net sales. We believe that by further strengthening these measures, we will maintain profitability and growth, and lead to sustainable increases in corporate value through appropriate capital policies and shareholder returns.

Question 12: The succession plan has gained an understanding to some extent, but as an Outside Director, how do you evaluate the current status of developing the next President candidate? Specifically, from a qualitative perspective, please share whether you believe the candidate is sufficiently developed or if you consider more time and development to be necessary.

Answer 12: (Mr. Fujioka) The selection of the successor is currently underway based on four key evaluation criteria, with the process progressing as needed through development plans to build candidates' performance records. Discussions are advancing to ensure the overall schedule is met, and we can confirm it is on schedule.

Question 13: The current stock price seems to be somewhat weak, but from the perspective of an Outside Director, could you tell us about your awareness of the issues you are facing in maximizing corporate and shareholder value, and the measures you will take to improve them? In particular, if you feel that there is a gap in the stock price, please tell us the factors behind it and if there are measures to increase shareholder value.

Answer 13: (Mr. Fujioka) We place great importance on stock prices as an indicator of corporate soundness. We have implemented measures such as granting Restricted Stock and setting the stock ownership incentive at a high level of 30%, so that management and employees are aware of the stock price. However, the share price declined recently since the 3Q results were disclosed, and we intend to continue identifying potential factors through dialogue with investors and report and discuss them with the Board of Directors.

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