



[Artist] Satoko Minamitani

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-style painting, created in 2022, on the theme of a sacred bird (firebird/phoenix), wishing for the "revival of the Japanese economy and the end of the COVID-19 crisis."

[Brief Biography]

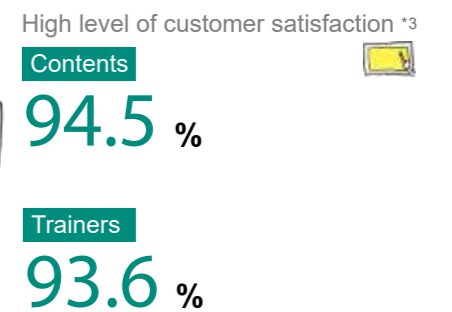
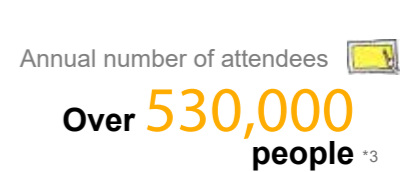
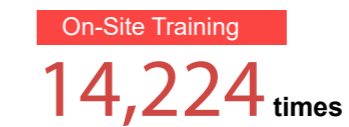
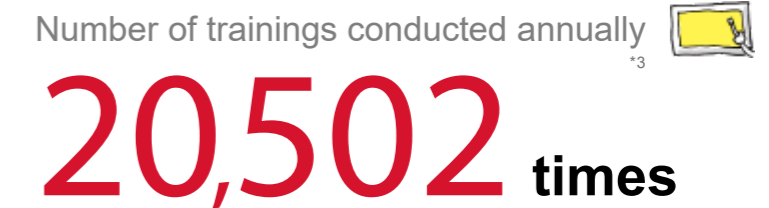
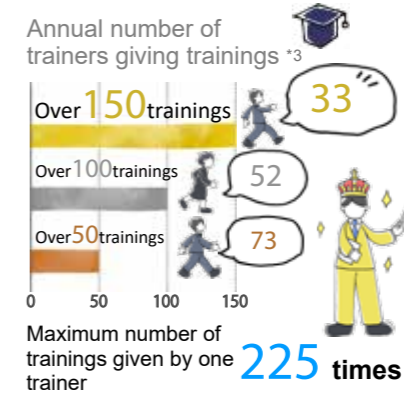
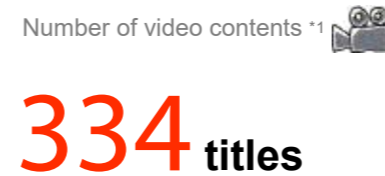
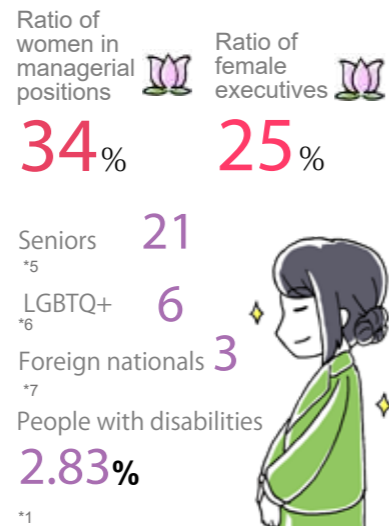
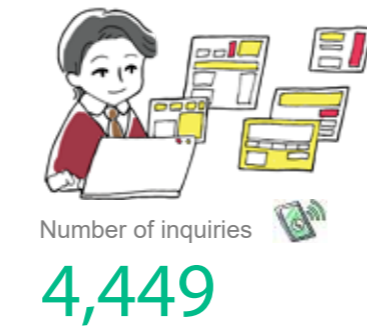
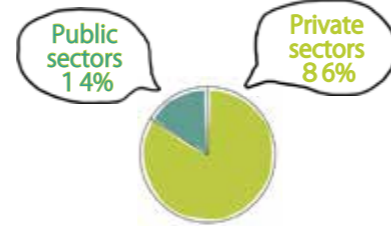
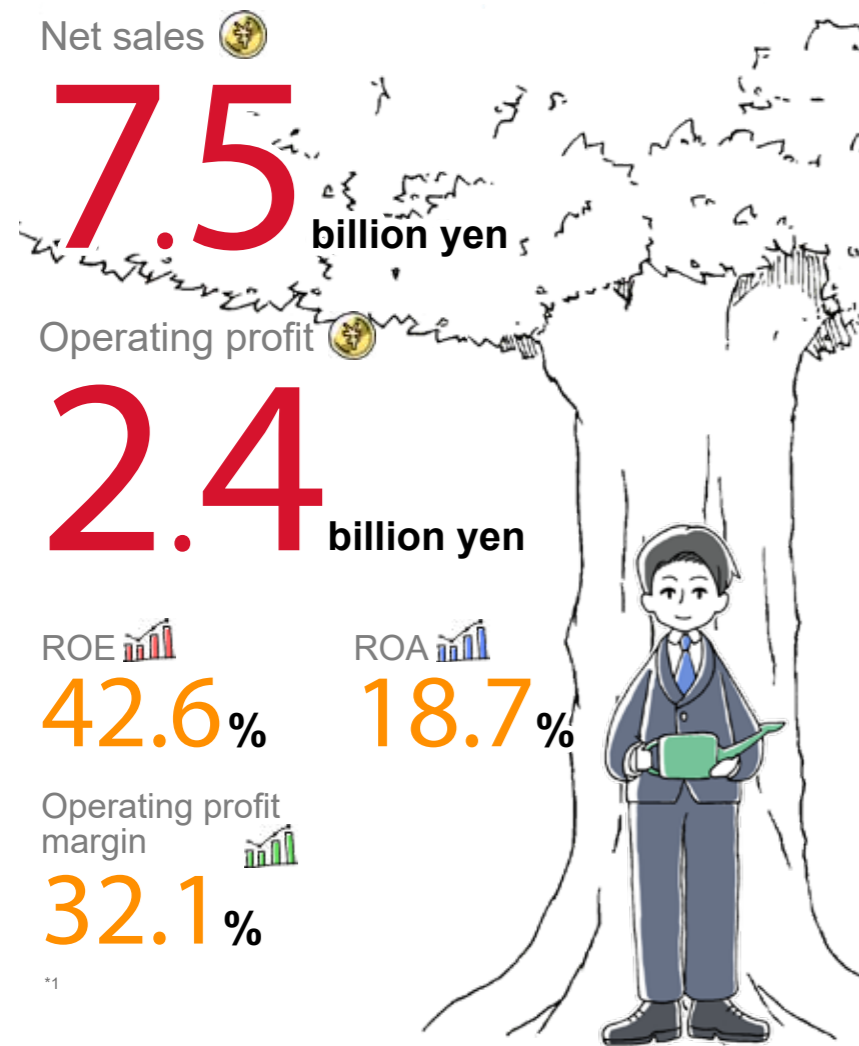
- 2018 Completed Master's program in Japanese Painting, Tokyo University of the Arts, Graduate School of Fine Arts Awarded the Insource Sogyo Prize
- 2019 Accepted for the Spring Exhibition of the Japan Art Institute (afterwards 2020)



「Moeizu」 Satoko Minamitani

Insource by Numbers

Insource evolves with the times and changes.



*1 As of the end of September, 2021 *2 Cumulative total from June, 2003 to the end of September, 2021 *3 The period from October, 2020 to September, 2021
*4 As of the end of March, 2022 *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.

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

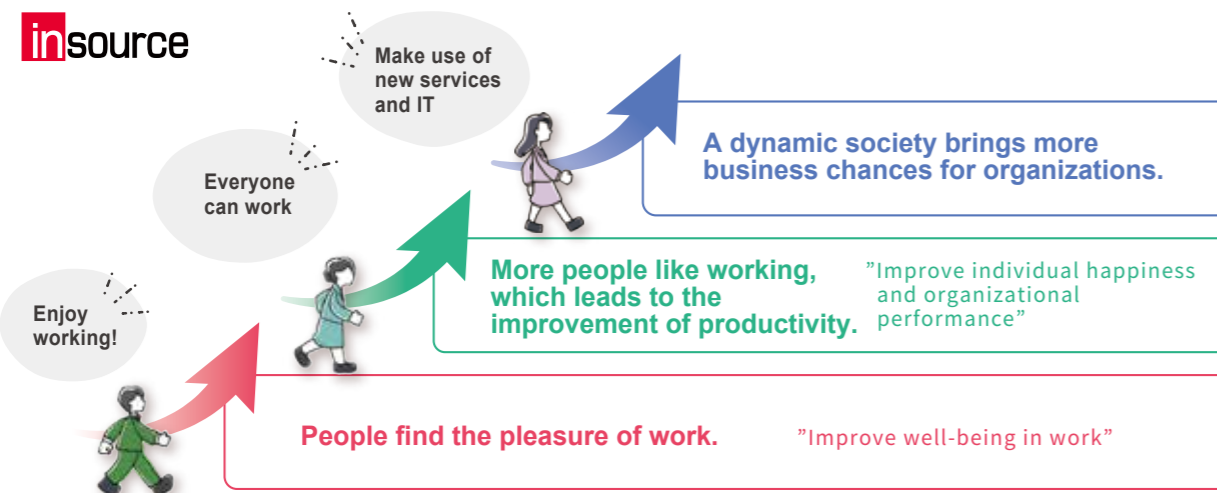
Make a society that all people can enjoy working and feel fulfilled.

Management policy

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

Origin of Company's Name - INSOURCE

Draw out the **SOURCE** of each one **IN** the organization



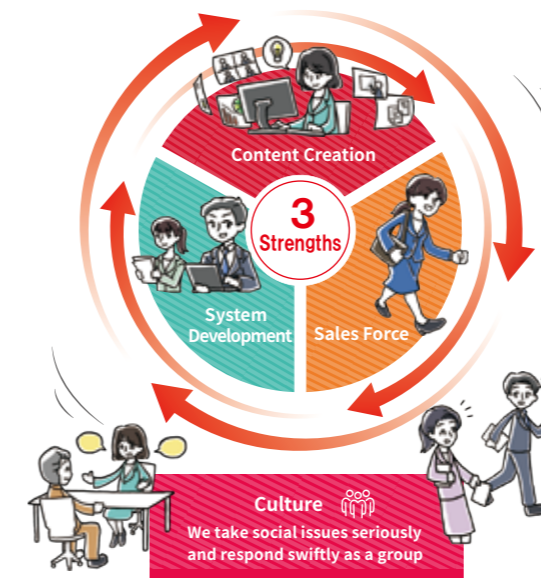
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Business Model that Supports Our Value Creation



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.

■ **Period covered in this report**
Financial year 2021 ending September 30, 2021 (October 1, 2020 to September 30, 2021)

*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.

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We will act nimbly to expand business.

- Evolve ourselves to be resilient to any environmental change
- Aspire for sales growth and cost reduction

We have achieved record sales and profits for FY20 because we took an early shift to online training and made a growth in new services including IT, e-Learning and video production amid COVID-19 crisis. We will work steadily and flexibly to achieve the targets of 12.8 billion yen in net sales and 3.7 billion yen in operating profit that set forth in our three-year business plan "Road to Next 2024," which concludes in FY23.

Representative Director, President and Chief Executive Officer
Takayuki Funahashi

About the growth and advantages of Insource

Q How did Insource manage to get a big growth amid COVID-19 crisis?

A We built a new organizational structure to adapt to environmental changes. We also took an early swift to highly profitable services including online training, IT and e-Learning/video services for large private sectors.

Due to the spread of the COVID-19, demand for training services that many people gather in one classroom to take trainings, has declined dramatically since March, 2020. In May, 2020, the situation became critical when sales of training services fell sharply below the previous year, and operating profit fell to a loss of 200 million yen per month.

In March, 2020, we made an immediate cross-organizational change to establish an "online education sales department" to promote online training, and at the same time, our engineers joined forces to develop

an internal system in only 10 days, which enable us to provide large-scale online training efficiently.

We also established a development and sales structure to meet increasing needs for e-Learning and video services and LMS*. We actively promote the sales of online training through remote business meetings. As a result of these efforts, we were able to recover our business performance as early as September, 2020 to the point of turning operating profit into the black in a single month.

*LMS (Learning Management System): A "learning (education) management system" required for e-Learning viewing

4 steps to bring the highest sales in FY20

In FY20, despite the ongoing COVID-19 crisis, because we were able to respond quickly to new market needs, resulting in highest on record in net sales of 7,501 million yen, operating profit of 2,404 million yen, and an operating profit margin of 32.1%.

We think that 4 steps we've taken contribute to the above result.

1. Expanded highly profitable online training.
2. Increased clients of large companies in major metropolitan areas because of the promotion of online training.
3. Developed new training programs such as DX-related or remote-work.
4. Made a growth in non-training areas such as the development of IT services, e-Learning and video services.

Impact on sales due to the COVID-19 Crisis

Single month deficit of 200 million yen in May, 2020, and deficit continues from April to August, 2020 (Unit: million yen)

	April	May	June	July	August	September
Consolidated net sales (YoY)	370 △251 (△40.4%)	177 △172 (△49.3%)	295 △162 (△35.5%)	368 △154 (△29.5%)	347 △115 (△25.5%)	654 +90 (+17.2%)
Net sales On-Site Training (YoY)	175 △192 (△52.3%)	81 △139 (△63.2%)	136 △138 (△50.3%)	208 △124 (△37.4%)	199 △66 (△25.0%)	334 +0 (+0.1%)
Net sales Open Seminars (YoY)	124 △80 (△39.2%)	43 △56 (△56.4%)	88 △50 (△36.1%)	78 △74 (△48.8%)	87 △53 (△37.8%)	136 △24 (△15.5%)

4 Steps

- 1 Expanded highly profitable online training
- 2 Increased clients of large companies
- 3 Developed new training programs such as DX-related or remote-work
- 4 Provided more trainings such as IT services, e-Learning and video services

Q Why has Insource achieved 20% sales growth every year since it went public?

A Because the training market is easily expanded as long as you work hard enough. We work hard to provide services that match client needs in a timely manner and at low cost, and carry out sales activities efficiently.

Firstly, our market share is low. The career development education market is a 240 billion yen market (our estimate) consisting of several thousand companies of various sizes. Our sales are 7.5 billion yen and our market share is about 2%. Although the competitive environment is intense, we are in a position to increase our market share through sales efforts.

Secondly, based on client needs obtained from sales activities, we quickly develop and provide services best suited to their issues. For example, when compared to historical data, different clients may have similar needs based on industry, sector, target group. By analyzing and utilizing the content data we have developed to date, we are able to develop services that match client needs at a reasonable price.

In addition, trends in the content of inquiries and information from clients are shared throughout the company at any time. We are constantly looking at social trends and what is popular to develop new services.

Thirdly, we developed a system for efficient sales activities that utilizes IT (see page 46 for details). Currently, we have published approximately 20,000 webpages introducing our services. Moreover, by utilizing a client management system developed in-house, we send out more than 10 million sales e-mails a year, and receive approximately 4,400 inquiries a year. Our sales representatives promptly approach these inquiring clients. As a result, we acquire more than 2,000 organizations as new clients per year.



Q Why did you start the career training business?

A Because I think that organizational issues can be resolved more quickly if individual employees are encouraged to take proactive action rather than top management advocates.

We were a strategic consulting firm at the time of our founding. We found that improvements and reforms proceeded more quickly when we worked with individual employees at the front lines to change their awareness and behavior, rather than when we prepared research reports and persuaded them to take the lead to make improvement and innovation. This is the beginning of the training business. Many people asked me, "Why do you work in so different business as a former banker?" I previously worked at Sanwa Bank (now Bank of

Mitsubishi UFJ), where I was an engineer and developed new financial services using IT. Both jobs involve tasks such as "find issues from scratch," "devise original content," "automize the process using IT," "develop customers," and "provide services." The work practices and processes of the financial services development and the training business are very similar. Therefore, I was able to start working in the field of career training.

Q What's the purpose of Insource?

A Insource's purpose is to solve social issues. We believe that we provide sustainable solutions to social issues with nimble action and our resources.

Revitalize the whole society by boosting the power of workers

The motto of Insource is "Make a society that all people can enjoy working and feel fulfilled". When people do their jobs well, they become happier and more motivated to take on new challenges. As a result, productivity improvement and innovation in organizations will be promoted, and the entire society will be revitalized. We believe the power of each individual is the key to social revitalization.

Our purpose is to solve as many social problems as possible

We are facing with many serious social issues such as climate change, poverty, widening inequalities, and gender inequalities. We find out innovative solutions that can balance the economic rationality. That is our mission to solve as many issues as possible.

Resolve social issues that everyone must face seriously from three aspects.

Among those social issues, we find the main problems are economic reasons, insufficient mechanisms and the lack of institutions. However, just as life insurance was once created to support the livelihood of the bereaved, I believe that there are ways in which a private company can provide sustainable solutions to social issues.

One clue is our project to address period poverty, which we launched in February, 2022 (For details, see p.53). We believe that we can provide a sustainable solution by utilizing our sales force and network. We also have the planning ability to launch new businesses from scratch and have employees who have same desire. We work together to try to solve social issues as possible as we can.

Q Why are there a 34% female management ratio, a large number of LGBTQ+ and senior employees in Insource?

A We did not intentionally achieve diversity, but hired people based on their abilities, regardless of gender, age, education, or nationality.

The ratio of female managers is 34.6% (the average for Japanese companies is 14.9%), the ratio of employees with disabilities is 2.83% (the average for Japanese companies is 2.11%). We are an organization with a diverse workforce, including 6 LGBTQ+, 21 seniors over 60 years old, and 3 non-Japanese nationals as of September 2021. This is a result of our capability-based hiring policy.

We also have a diverse workforce, including content creators, sales representatives, engineers, and designers. With the diversity of our workforce, we share the common mission and cooperate with each other to maximize performance. As a result, we have become a strong organization that are resilient to changes.

*1 Source: The Gender Equality Bureau of the Cabinet Office (2019)
*2 Source: 2019 Disability Persons' Employment Status released by the Ministry of Health, Labour and Welfare

Q What's your culture like?

A Insource has a common understanding that we are disadvantaged but we work hard.

"Disadvantaged group"

Thankfully, we are receiving more and more compliments these days that we are a strong company; however, our common understanding is that we are a "vulnerable group." If we let our guard down even a little, we will be knocked down by our competitors. Therefore, in order to survive, each employee approaches as many organizations as possible, develops whatever service the client desires with all his/her intelligence, and works to secure as much profit as possible by thoroughly reducing costs. I believe that diligence is essential to overcome weakness and build strengths.

Help others

We have many employees who always want to be of help to others. Many of our employees are supportive of their colleagues and are kind to customers. I believe it is this kind of underlying passion for solving social issues that makes them so dedicated to the work.

Adopt the OODA model in decision-making and action

While the PDCA is generally used for business management in Japanese companies, we have adopted the OODA model for organizational operations, which is a decision-making and action logic used by the U.S. Marine. We believe that the OODA model is one of the reasons why each and every employee was able to make their own decisions and act promptly even in the midst of big changes in the environment.



CEO with new employees joined in 2022

Q Why does Insource achieve a higher operating margin than competitors?

A There are three reasons. The first is the division of work in the service, the second is the redefinition of the training business as contents business, and the third is the improvement of productivity through IT.

Providing high-quality training services at low cost by using IT and the division of work in the process of providing training services.

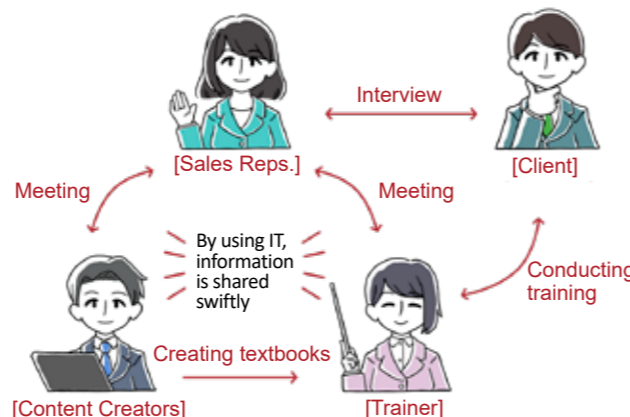
We achieved 32.1% operating margin in FY20. The first reason is the establishment of the model of division of work in training services.

Under conventional training services, trainers are dispatched to companies to meet customers, create the textbooks, and give the trainings. All the work is done by themselves.

We have developed a business model that breaks down the process of providing training services into the "negotiation and coordination with the customer," "textbook creation," and "training conducting." The three parties, sales representatives, content creators, and trainers, collaborate on the division of labor through the use of IT.

Concretely, our sales representatives meet with customers to find out their needs, and propose the most suitable training program from our database.

After they receive the order, content creators develop original textbooks based on each individual customer's needs in a short period of time. Then, experienced trainers could focus on training based on prepared the textbooks. As a result, we have a lot of trainers who are highly rated and provide high quality contents at a low price. This has led to the high competitiveness of our training services.



Define training services as "contents business"

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, video services, 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 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.

Q Which kind of management does Insource aim to be?

A We aim for steady and high growth rates by continuously satisfying customer needs amidst the changing environment.

Insource's motto is to meet the needs of customers and achieve steady profits

We do not develop the kind of service that it is what we dreamed.

We are committed to providing best services that meet customer needs with our expertise, at reasonable prices, as quickly as possible. As a result, there are a vast number of services born from customer needs, which contributes to our business sales. We develop our services by ourselves, which is the source of our competitiveness in the contents business. We also make efforts to improve quality and reduce costs in routine work.

It is very simple, but this is the stype of Insource.

Insource requires breakthrough and creativity

However, we are not content with stable growth. We believe that we need breakthrough and creativity in order to achieve even greater 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, the top-notch painters, despite having acquired their own style that is appreciated and praised by others, they still work hard every day to abandon old styles in order to acquire new and better ones. Picasso, the greatest artist of the 20th century, changed his style five times, which even changed society's concept of beauty.

Keep growth through new challenges from environmental change

It is not as flashy as it sounds, but there are no limits to this approach. As long as the environment continues to change and customers continue to face challenges, we can continue to develop new services. Despite the recent COVID-19 crisis, we have developed new services at a rapid pace.

As a result, we have been able to grow significantly.

Our company is in a situation where we have finally settled on our style. However, we should not be content with it. The first thing we must break down is our own sense of limitation caused by being complacent. If we want to increase our own business tenfold or even a hundredfold, we think that we should not be stuck in the past. We would like to create a new style by taking all-out efforts, just as an artist makes dozens of sketches every day, rather than just dreaming about it.

Business performance

Q Please tell us what indicators of business performance you consider important.

A We will put emphasis on sales, gross margin, and operating profit, and aim for 20% YoY growth in sales and operating profit.

We consider sales, the gross margin, and operating profit as important performance indicators. The training services are "low needs" products, meaning that only a small percentage of companies that are performing well will need our training services. Therefore, our first priority is how to secure sales.

Second, we focus on the gross profit margin because we are continually improving our cost to ensure profit even from a small amount of sales.

Third, we emphasize operating profit because the key to securing profits is to improve sales volume at low-cost through the use of IT. We have also been maintaining 20% YoY growth in sales and operating profit since our foundation.

Breakdown of production cost and SG&A expenses

	Types	Breakdowns
Production cost	Variable cost	Remuneration of trainers Outsourcing costs Training management expenses
	Fixed cost	Content creation expenses Venue rental fee
	Other expenses	Expenses for office supplies Communication costs
SG&A expenses	Total personnel expenses	Allowance for salary Business outsourcing expenses Welfare expenses Advertising expenses for hiring/ Recruitment commissions Educational research expenses
	Office-related expenses	Rental expenses Depreciation expense of property, plant and equipment
	Office and communication expenses	Communication costs Expenses for office supplies Depreciation expense of software
	Other expenses	Commuting and travel expenses Advertising expenses

Q Why is Insource so proactive in disclosing non-financial information and news releases?

A We strive to provide latest information so that stakeholders can easily evaluate our company's actual status.

I believe that quarterly disclosure of financial results alone is not sufficient to make proper investment decisions. I used to be a banker and in charge of financing. In addition to the financial analysis of financial statements, I also place importance on the investigation of the actual condition of the company when making financing decisions.

Although a bank's decision is naturally different from an investment decision in stocks, we believe that the same is true in that up-to-date information should be used to determine the actual state of management. Therefore, we promptly disclose 7 items and 18 details of KPIs in both Japanese and English so that our stakeholders can make proper judgments about our company's situation.

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)
 - 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

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 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 (25% of sales), the number of organizations and users of the "Leaf" (10% of sales), and the number of e-Learning sold (5% 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 for the next few months

- Number of WEBinsource registrations (monthly disclosure)

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.

We disclose information every 2-3 days!



Main topics of News Release

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



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

Number of news releases disclosed

	Japanese	Monthly average	English
FY20	173	14.4	46
FY19	225	18.8	22
FY18	124	10.3	-
FY17	132	11	-
FY16	152	12.7	-

Q Please tell us about your three-year business plan "Road to Next 2024".

A We will expand the training business by increasing the number of sales personnel and developing new contents, and increase the sales of IT services and e-Learning, and realize growth by entering new business fields such as marketing support.

As our market share is only 2%, there is a lot of room for sales expansion. We aim to achieve operating profit of 3.7 billion yen by increasing the workforce.

In the plan, we aim to achieve sales of 12.8 billion yen and operating profit of 3.71 billion yen in FY23. Since our market share is around 2%, we believe the targets are achievable.

**Training Business
Average annual growth of 15% for On-Site training, 22% for Open Seminars**

We aim to achieve average annual sales growth of 15% in the On-Site Training, which accounts for approximately 50% of our sales. Although competition in the market is fierce, we will maintain our growth by strengthening our promotion for large companies.

At present, about 60% of On-Site Training are held online, which have high unit prices. We expect that about 30% will remain after the end of COVID-19 because online training significantly reduces costs.

Regarding Open-Seminars, which accounts for 25% of our sales, we aim to grow sales at an average rate of 18%. Few companies provides Open Seminars on a large scale.

Our HRD Smart Pack (a discount service for Open Seminars) is being used by more and more large companies. Furthermore, we expect to continue to see high growth because our client of medium-sized and growing companies in the service industry, whose business performance declined due to the COVID-19 crisis, is on a recovering track.

In addition, we will continue to develop new contents that respond to social needs, such as DX and sales enhancement, in order to ensure the sales and profits.



**Non-training business
Average annual growth of 28% for IT Services, and 32% for Other Businesses**

We plan to grow our non-training businesses, such as IT services and others, which have thrived under the COVID-19, up to 2 billion yen in sales in FY23, and to expand the ratio of non-training businesses from current 1/4 to 1/3. This is a goal that must be achieved as a countermeasure against risks such as pandemics.

The IT Services business, which accounts for about 10% of sales, aims to achieve average annual sales growth of 28%. We will expand the introduction of "Leaf"(LMS, HR support system), to small and midsize companies to more than 1,000 organizations. We will also aim to increase sales by developing more new services.

In the Other Business area, which accounts for about 10% of sales, we will first strengthen sales of e-Learning and video contents. In addition, through Insource Marketing Design Co., which joined the Group last year, we aim to achieve an average annual sales growth of 32% by increasing sales in the marketing field.

Rebuilt the sales structure based on the size of customers in order to meet specific needs.

While both our sales and profits are growing, there are many issues that need to be addressed. The sales volume for large companies is still low compared to competitors, and the number of clients is decreasing when comparing FY20 to FY18.

In light of these issues, we have reorganized our sales structure from October 2021. We have clearly classified our target customers into three segments according to the size of the client company, and have changed our sales promotion activities in each area. We have then created an optimal services combination for each segment, and have revised our sales structure to promote sales. Through these efforts, we aim to increase sales per client for large companies and expand the number of transactions for medium-sized and growing companies.



Q What are your current issues? What is necessary for further growth?

A We are in need of personnel and services that are essential for diverse business development. In the future, we intend to expand marketing support utilizing IT such as the Web and e-mail.

It is necessary to secure human resources and expand services for diverse business development.

The current issue is the insufficient number of personnel and services.

We need to expand our workforce in all positions and departments, including contents creators, sales representatives, engineers, and designers. We need to expand IT-related contents, especially to meet the growing DX needs. To address these issues, we are strengthening recruitment and making flexible organizational and personnel changes. We are also strengthening cooperation among group companies, expanding business partners to broaden our service lineup, and considering mergers and acquisitions.

The biggest issue is to increase sales. We want to make marketing field as our next growth.

We believe that it is vital for our company to continue to grow by increasing our ability to address the issues that society and businesses are facing. The areas that we are particularly targeting are marketing and sales expansion support. Isao Nakauchi, founder of Daiei, said "Sales fixes everything". The most important priority is to secure sales. Insource has honed its expertise in sales expansion by showing that even if you have limited resources, you can win if you work hard by utilizing IT. Therefore, we would like to take advantage of our know-how and provide marketing support services to clients.

Q What is your long-term goal for the business expansion?

A Our goal is that the operating profit will be 10 billion yen by 2030.

We have the goal of achieving "10 billion yen in operating profit" by 2030.

We are an unblessed company that neither sells daily necessities nor is backed by the government. If we are not aware of our situation and do not constantly improve ourselves, we will be eliminated. Therefore, over the next eight years, we would like to strengthen our human resources, reinforce our revenue base, and create new businesses that can grow as much as possible. We

believe that we can realize the goal of "10 billion yen in operating profit".

It is an ambitious goal, but we hope to become a strong company for the sake of our employees and shareholders, and to resolve social issues.

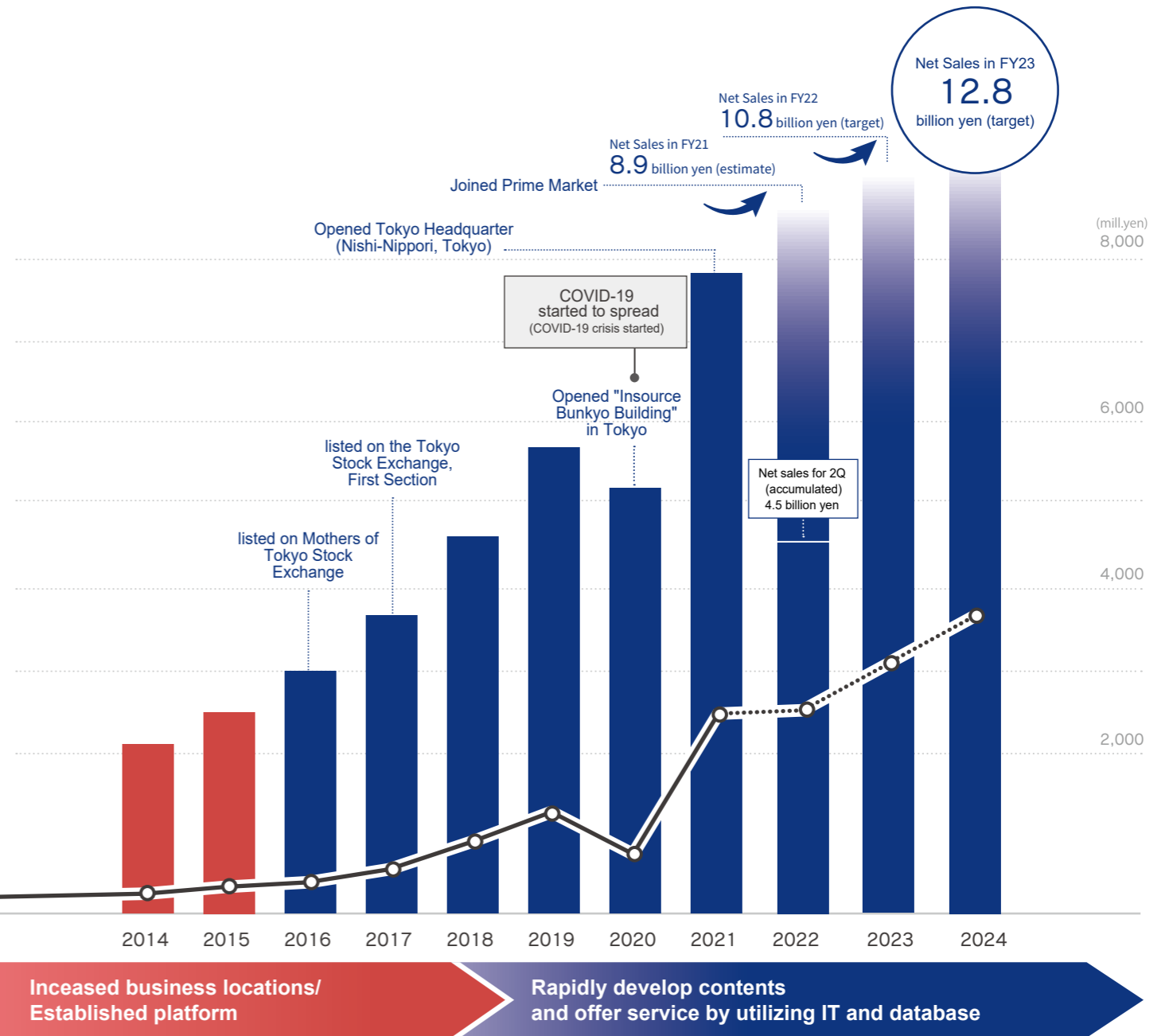
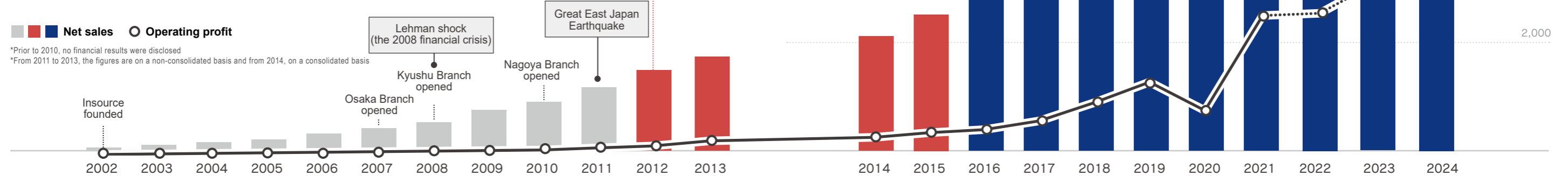
However, our first goal is to achieve operating profit of 3 billion yen, and then sales of 10 billion yen.

If we can reach these goals at an early stage, I believe we will be able to see 10 billion yen in operating profit by 2030.

Insource's History

We believe that our mission is to realize a society that everyone can give full play and enjoy working. 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."

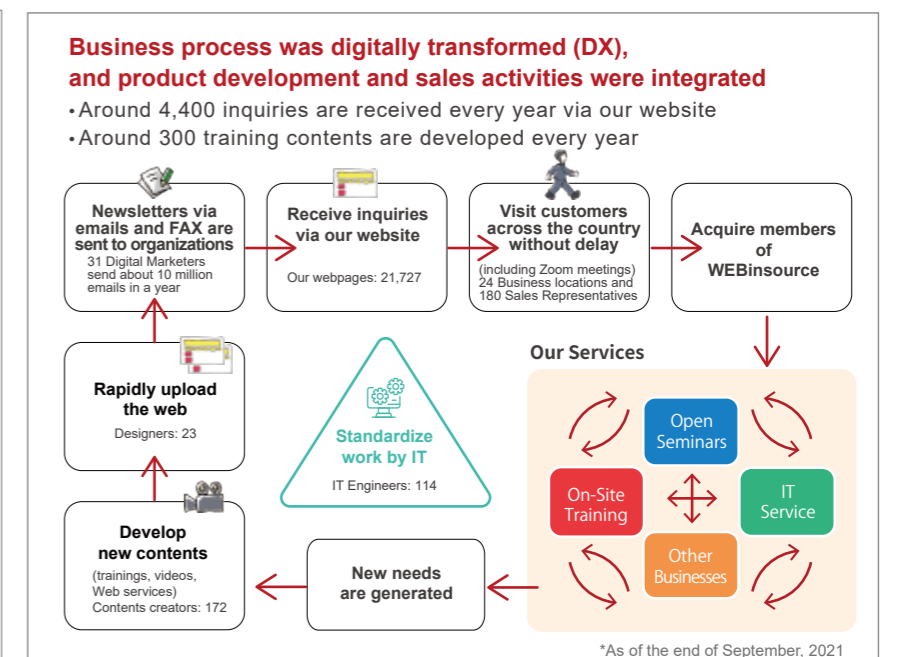
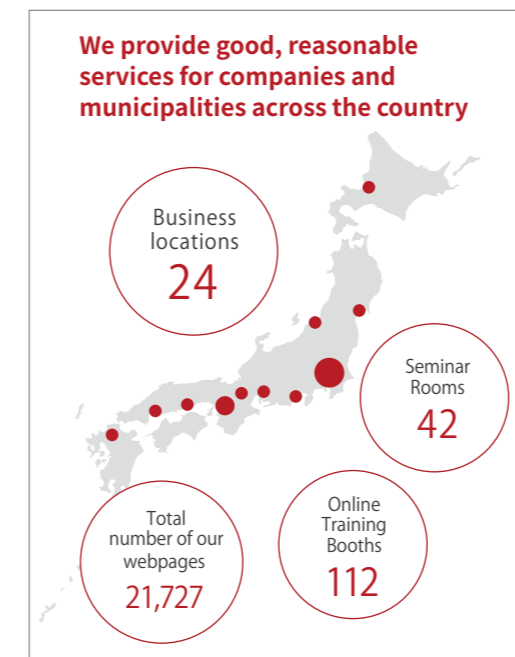
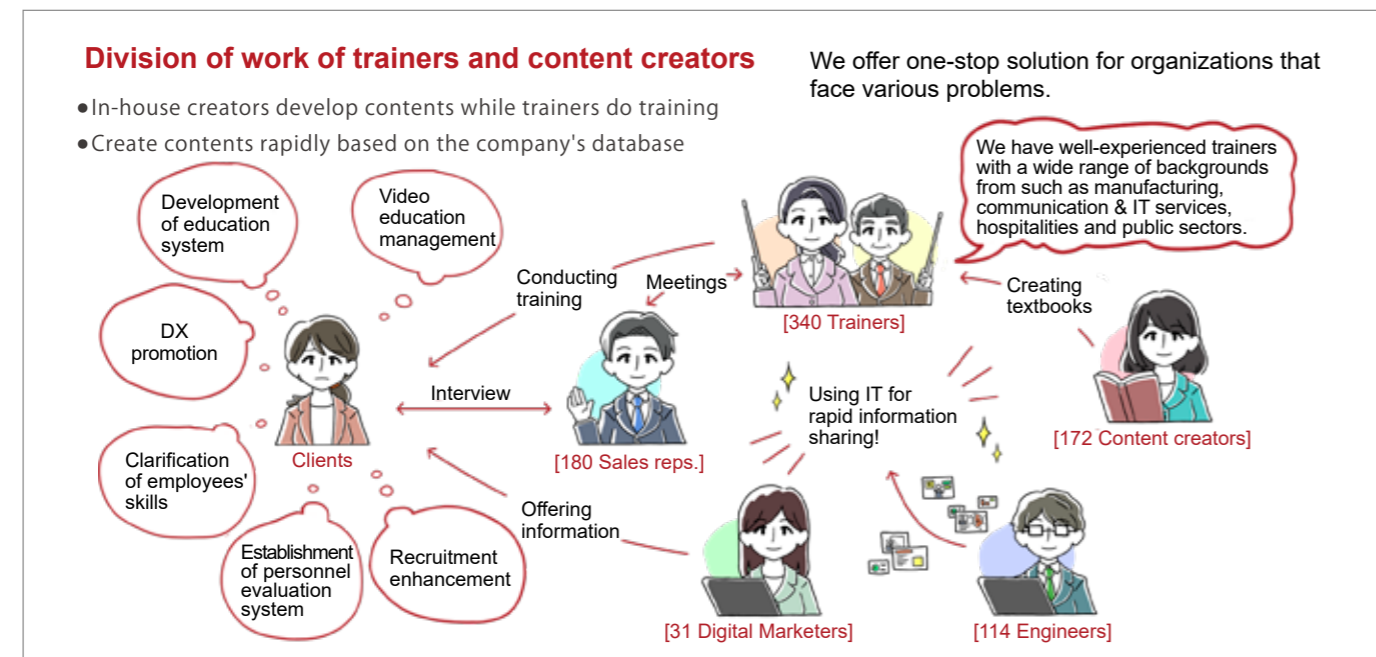
2002	▲ Established Insource Co., Ltd.
2007	▲ Opened Osaka Branch
2008	▲ Opened Kyushu Branch in Fukuoka City
2010	● Started special discount package for Open Seminars (which is now called HRD Smart Pack)
	▲ Opened Nagoya Branch
2011	■ Started video production and e-Learning business by "Mitemo Co., Ltd."
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.)



Business model was established

Increased business locations/
Established platform

Rapidly develop contents
and offer service by utilizing IT and database



Value Creation Model

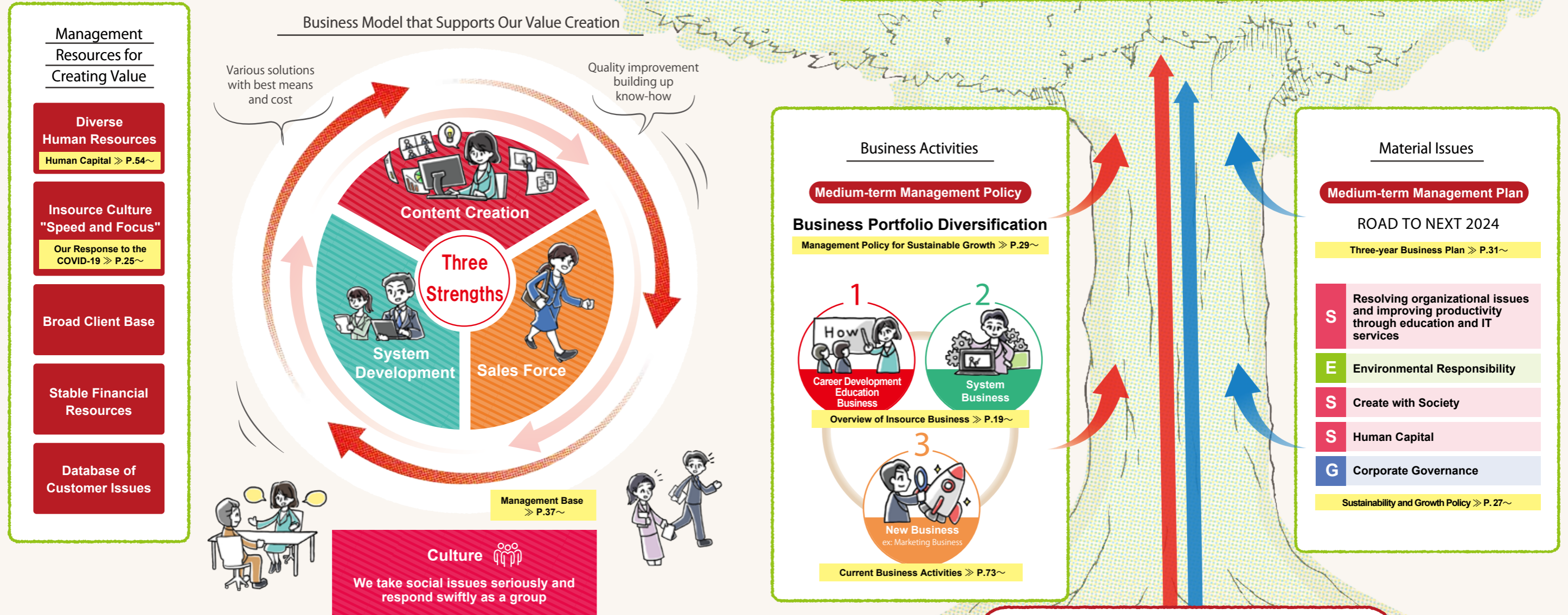
Solving Social and Customer Issues Thoroughly

Purpose
Solving Social and Customer Issues

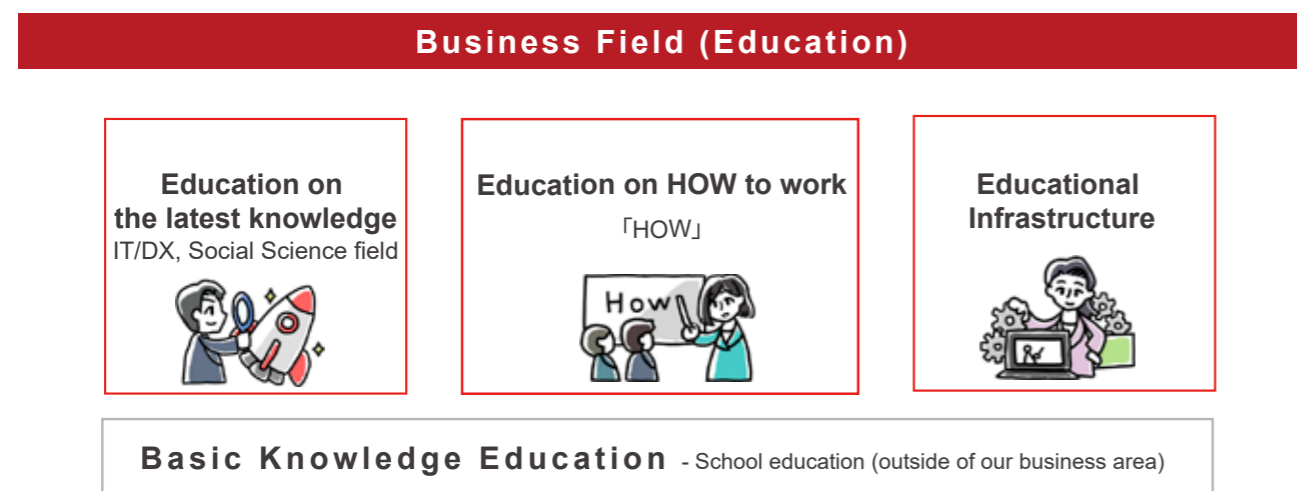
Insource Group will contribute to solving issues faced by individuals, organizations, and society through its combined strengths. We will realize a society where all people are given equal opportunities and can maximize their individuality and abilities.

Philosophy

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



Insource Business Overview



We provide practical work skills (HOW) education

We provide trainings on practical work skills (HOW).

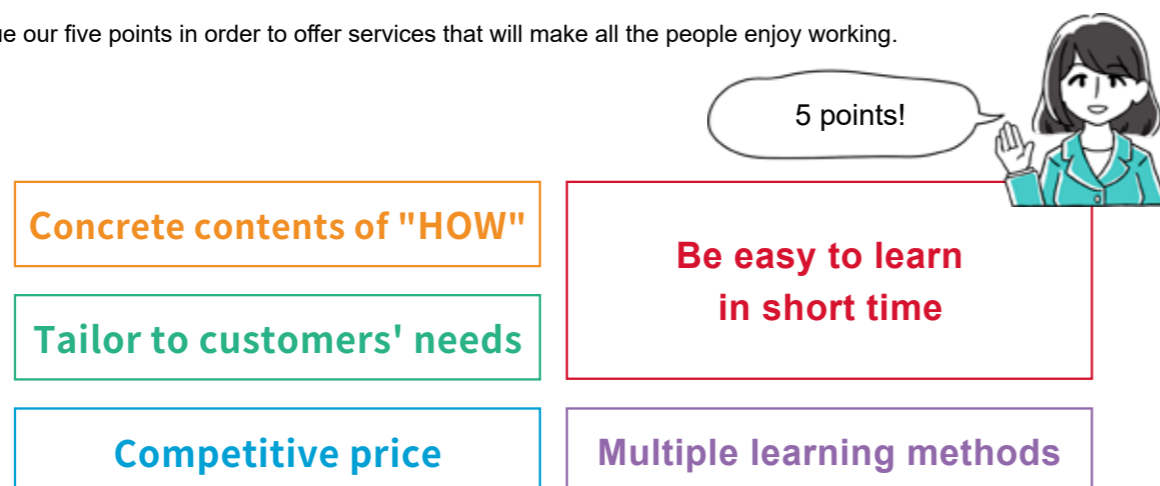
School education provides various basic knowledge and literacy. However, it is not enough because work requires different skills.

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.





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.



Insource's Main Services

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

	 On-Site Training <small>オーダーメイド研修</small> <small>講師派遣</small> <small>INSOURCE CUSTOM MADE SEMINAR</small>	 Open Seminars <small>1名さまから参加できる</small> <small>公開講座</small> <small>INSOURCE OPEN SEMINAR</small>	 E-Learning/Video Production	 Leaf (HR support system)
Features	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Available for one attendee • Mostly trainings take place between half a day to 2 days • Trainings can be attended either in 7 business sites nationwide or online 	<ul style="list-style-type: none"> • Reasonable price and available for short viewing • Between around 15 minutes to one hour 	<ul style="list-style-type: none"> • Platform for watching e-Learning • Flexible customization support
Achievements ^{*1}	<p>Annual total number of trainings conducted: 14,224 times</p> <p>Annual total number of attendees: 452,773 attendees</p>	<p>Annual total number of trainings conducted: 6,278 times</p> <p>Annual total number of attendees: 84,448 attendees</p>	<p>Annual total number of viewers (Rentals): 6,210</p> <p>Annual total number of purchases (outright purchase): 1,422</p> <p>Monthly subscription model (STUDIO): 54,674 IDs</p>	<p>Number of users: 1.93 million (*)</p> <p>Number of organizations: 470 (*)</p> <p>(As of the end of March, 2022)</p>
Types ^{*2}	3,461 types	3,296 types	334 types	More than 30 kinds of options are available
Average Unit Price ^{*2 *3}	<p>266,900 JPY</p> <p>* Determined by training theme and time of one trainer</p>	<p>21,600 JPY</p> <p>* Depending on the number of people and frequency of use, volume discount is available</p>	<p>Rentals: 1,870 yen or more</p> <p>Buying-up: 198,000 JPY or more</p> <p>Monthly Subscription model: 385 JPY /person (tax included)</p>	<p>Watching videos on Leaf plan (subscription): 16,250 JPY/month (tax included)</p>
Purpose of Trainings	<ul style="list-style-type: none"> • Improve self-awareness • Change mindsets • Challenge organizational problems • Understand company's concept <p>Trainings for different positions and levels are available</p>	<ul style="list-style-type: none"> • Follow-up on On-Site Training • Stimulation from outside • Pinpoint individual issues • Arranging education for a large number of people <p>Trainings to resolve personal concerns and acquire skills appropriate to the content of the work are suitable for those with above aims</p>	<ul style="list-style-type: none"> • Supplemental knowledge • Pre-training study • Post-training reminder study • Periodic training for the entire company <p>Trainings can be utilized for measures with above aims</p>	<ul style="list-style-type: none"> • e-Learning • Training management • Personnel evaluation • Stress check support service <p>Multi-functional system that carry out the purposes above thoroughly</p>
Disclosure Items in the monthly KPI ^{*3}	<ul style="list-style-type: none"> • Number of trainings conducted including trainings conducted online including DX related training 	<ul style="list-style-type: none"> • Number of trainings conducted including trainings conducted online including DX related training 	<ul style="list-style-type: none"> • Total number of subscription IDs of STUDIO (e-Learning) • Number of video contents sold (Outright purchase) • Number of rental viewers 	<ul style="list-style-type: none"> • Number of paid subscribers (organizations) • Number of customization • Number of users

*1 From October, 2020 to September, 2021

*2 As of the end of September, 2021

*3 Cost per person is calculated based on our model plan

*4 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.

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.

Insource is more like a contents-maker rather than a trainers-provider.

Our company was founded in 2002, 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.

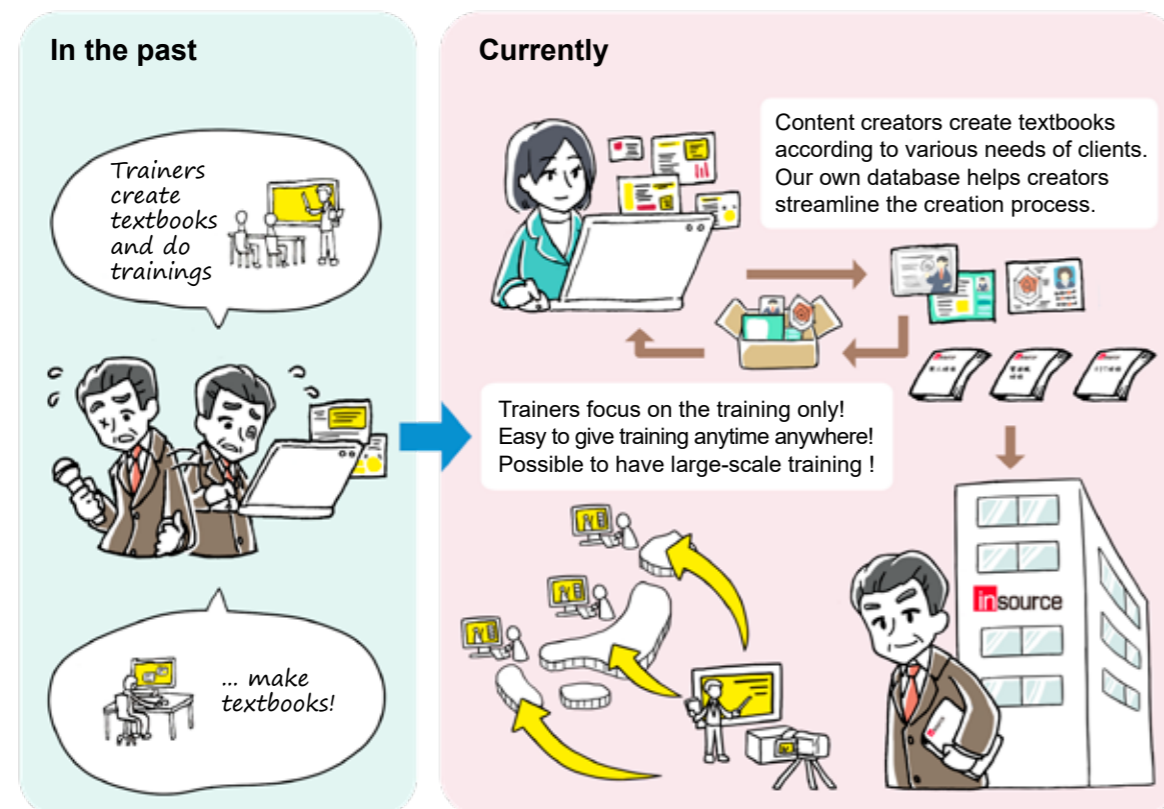
Q What are the strengths/competitive advantages of your training business?

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.



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 available 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 Which 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.



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 Are there any seasonal factors in training or e-Learning business?

A Yes, various educational programs are offered throughout the year, with training often taking place from April to June and October to December

Sales of training tends to concentrate in the 1Q and 3Q, and videos in the 2Q and 4Q

Many Japanese companies have an annual education plan and budget to carry out training. Various training programs are held throughout the year. Sales tend to increase in the 1Q (October to December), when there is a large number of training programs for promoted employees and managers, and in the 3Q (April to June),

when there is a large number of training programs for new employees and managers. E-Learning and videos are often purchased at the end of a company's fiscal year, and sales tend to increase in the 2Q (March) and 4Q (September).

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

A Yes, that's possible. 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:

Announced 400 billion yen human resources investment policy over 3 years (November 12, 2021)

The Kishida administration, which took office in 2021, has announced that it will strengthen investment in "people" for Japan's future growth, and has announced an investment policy of around 400 billion yen over three years. The policy is to promote growth areas such as digital technology, facilitation of labor mobility, and human resource development. This policy will be a tailwind for the career development education market.

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 amid the COVID-19 crisis, the use of the system as a Learning Management System (LMS: a platform for viewing e-Learning) has been increasing.



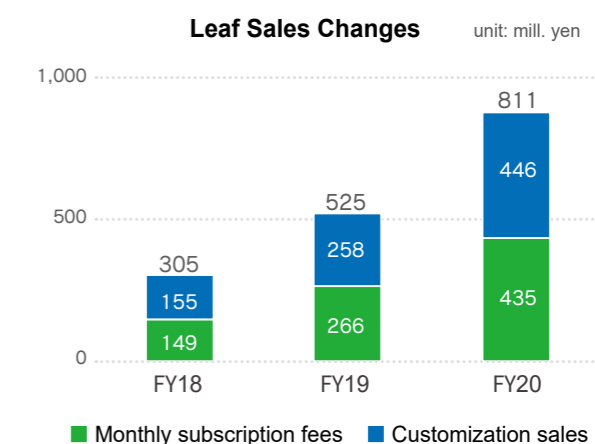
Q What is the main revenue structure of your IT Services business?

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

470 organizations, mostly large corporations, and over 1.9 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 470 organizations with more than 1.93 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, 2022



Q What is Leaf's strength?

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

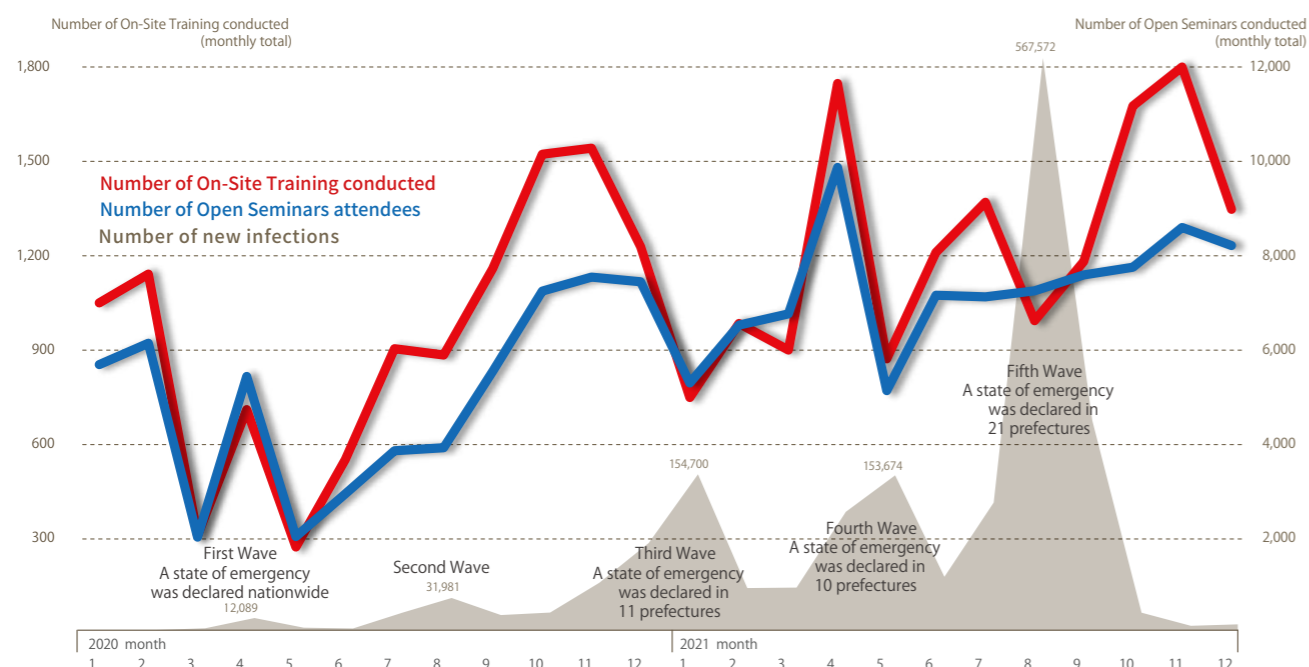
Our in-house engineers are able to respond flexibly with our development system

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.

Response to the COVID-19 crisis



How we responded with "Speed and Focus"

- 1 Make calm decisions and react quickly
- 2 Cost reduction thoroughly
- 3 No taboos, and "Make Money" always comes first

1. Make decisions quickly and react quickly

Record profits were achieved through quick and calm response to the COVID-19 crisis

Around March to May, 2020, most of our competitors stopped offering training; however, we calmly determined that it was possible to continue its business and immediately began offering online training, developed new training programs for the COVID-19 era, and launched new businesses and services. As a result, record profits were achieved in FY20.

Flexible diversity to adapt to change

Insource Group is made up of a diverse range of services, departments and human resources. This enabled us to respond quickly to the enhancement of IT services, video sales, and the development of new training programs.

2. Cost reduction thoroughly

During the crisis, thorough cost reduction measures were taken. For example, non-sales departments were asked to plan and implement projects to reduce waste and improve business operations, and to present the progress of the project to the entire company on a weekly basis.

We were ready to overcome the COVID-19 crisis

Around 2012, when the norovirus infections spread, we took stringent infection control measures. At that point, hand sanitizers were placed at each business location, and infection control measures for each employee had become customary. This minimized confusion within the company at the time of the spread of COVID-19. In addition, by the time of 2017, we had introduced Zoom*, an online conferencing tool, and all employees were familiar with its use. Furthermore, Mitemo Co., Ltd, a group company, had been providing online training on a small scale since pre-COVID-19 crisis, and thanks to this, the company was able to smoothly respond to the shift to online training.

*The name and log of "Zoom" are trademarks or registered trademarks of Zoom Video Communications, Inc. in the United States and other countries, including Japan.

Also, all expenditures over 10,000 yen are now subject to approval. The detailed checks unexpectedly revealed that small losses were continually occurring, having resulted in the strengthening of the structure.

Our Speedy Response to the COVID-19 crisis (2020)

March
Developed content for online training and changed internal structure to implement online training and responded quickly

- 2 Started offering online new employee training by Mitemo (our group company)
- 10 Insource developed online Open Seminars (8 themes) for training for new employees.
- 16 Established Online Education Sales Department. It was decided that business would continue after April.

April
Expanded online training for new employees on a large scale, developed online training management system rapidly

- 7 Open Seminars scheduled for April and May were also made available online (more than 400 dates)
- All Open Seminars in areas subject to declared state of emergency were switched to online
- 40 booths where online training could be held were complete
- 17 Developed in-house management system for online training and released the first phase of the system (Equipped with online-specific operational management functions such as sending MeetingID)
- 21 Open Seminars scheduled for May and June were set up online (more than 900 dates)
- 23 As a content for solving social issues with a view to post-COVID-19 crisis, "Insource ENERGY Forum - Japan Solution", which is a free online seminar, began

May
Enhanced non-face-to-face service system and improved online convenience

- 1 New service started to make textbooks used in Open Seminars available at photocopyers in Seven-Eleven* convenience stores
- 11 Due to the difficulties in making sales visits, 40 sales representatives were temporarily shifted to other divisions. Then 12 sales representatives were completely transferred to the IT Services Department, which was less affected by the Coronavirus crisis in order to strengthen non-face-to-face service

June
Returned to normal business activities and re-opened Open Seminars onsite (continued to be held online, too)

- Early Expanded e-Learning and video development workforce significantly
- 3 Resumption of Open Seminars onsite alongside online programs nationwide following the full lifting of the state of emergency declaration
- 10 Provided operational support services for vaccination operations for 400,000 people with "Leaf," a HR support system and LMS, prior to the start of COVID-19 vaccination at workplaces

July
Opened a website "Video Department Store" and launched "Online seminar support services"

- 15 New services started such as support for making training and lectures online using our technology, and one-week rental of e-Learning and video content
- 29 Opened a website "Video Department Store" (EC site)

September
Single month sales recovered to about the same level as the previous year

December
1H FY20 (October - December, 2020) achieved record highs in sales and profit

FY20 Full-year net sales increased by 46.5% YoY, and sales profit by 206.5% YoY

3. No taboos, and "Make Money" always comes first

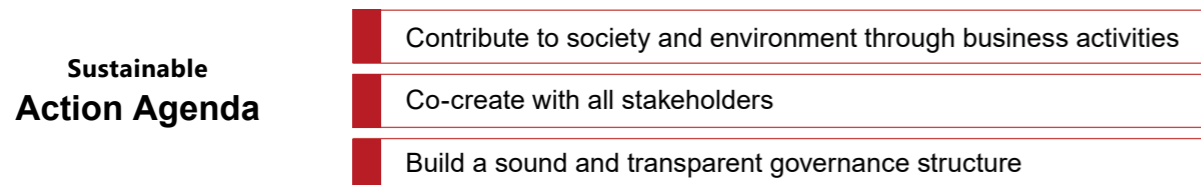
Dynamic Personnel Changes to "make money"

Following COVID-19 crisis and the government's declaration of the first state of emergency in 2020, the Online Education Sales Department was established in March. In addition, in order to "make money", which we set our main aim, from April to June 2020, 40 employees, or a quarter of the sales representatives, were assigned to the IT Services Department or the Content Development Department. Furthermore, the IT Department developed an online training system in just 10 days, resulting in a massive rollout of online training in April.

Strengthen non-face-to-face service promptly

Amid this crisis, non-face-to-face service was strengthened. Many services were released; for example, Leaf's operational support services for COVID-19 vaccination operations, support service to make training and lectures online, rental plan of e-Learning/videos, and "Video Department Store" (EC site) to sell video content. These services are still growing significantly.

Sustainability and Growth Policy



Achieve sustainable growth - ESG+Performance Management

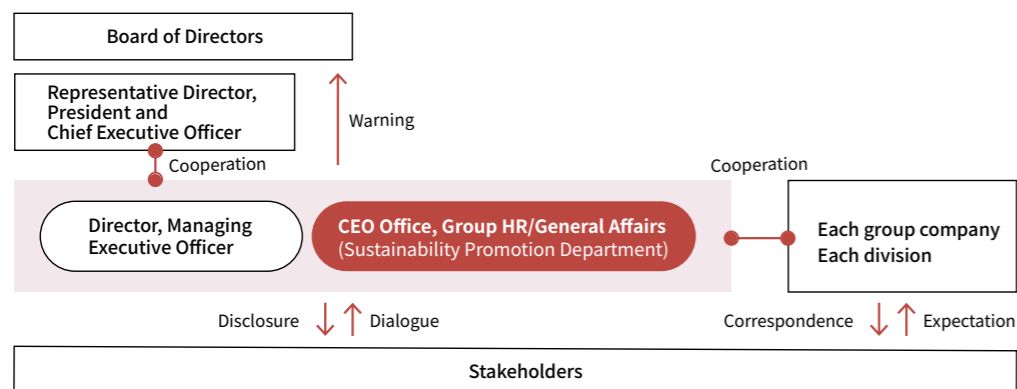
Through its current business of education and IT services, the Group helps solve organizational issues and improve productivity. As a company that solves social issues, we will proactively create sustainable mechanisms and solutions by strengthening relationships with stakeholders while leveraging the Group's resources and strengths.

At the same time, we aim to reduce the burden on the environment, improve human capital, and strengthen corporate governance.

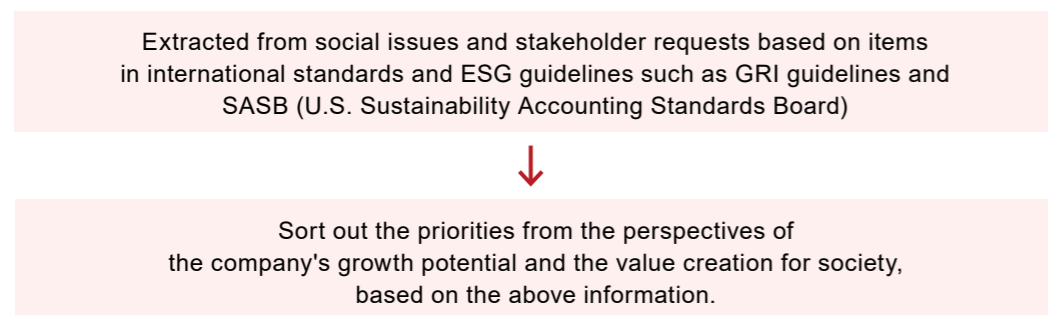
Under the ESG+P management policy, the Group will achieve sustainable "performance" improvement while expanding businesses and initiatives that provide social value.

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



Identify Material Issues



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	<ul style="list-style-type: none"> 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.37- Content development capability > P.39- System development capability > P.43- Sales force > P.46-
E	Environmental responsibility	<ul style="list-style-type: none"> Reduction of CO₂ emissions (reduction of electricity and paper use) 		> P.49-
S	Create with society	<ul style="list-style-type: none"> Improve the environment and establish the sustainable system for diverse individuals to be successful 		> P.51-
S	Improvement in human capital	<ul style="list-style-type: none"> Realization of a workplace where diverse individuals can play an active role 		> P.54-
G	Corporate Governance	<ul style="list-style-type: none"> Strengthen corporate governance structure 		> P.59-

P Performance Three-year Business Plan
 Net sales of 12.8 billion yen and operating profit of 3.7 billion yen in 2024 (target)

Received the second highest MSCI ESG rating of "AA"

The MSCI ESG Ratings are based on an analysis of the environmental, social, and governance practices and risk management capabilities of more than 8,500 companies worldwide, and are rated on a seven-point scale from AAA (highest rank) to CCC (lowest rank). Only 14 Japanese companies have received the highest rating of "AAA," and we have received the second highest rating of "AA" (as of June, 2021). This rating was particularly high in recognition of our education business, robust security measures, and internal training aimed at improving productivity. The recognition represents that our education business, strong security measures and internal education to improve productivity were especially highly evaluated. Our business objective is to contribute to the resolution of social issues related to working people, and we strongly support the ESG of each company through career development education.

*THE USE BY INSOURCE CO., LTD. OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF INSOURCE BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

Management Policy for Sustainable Growth



Director, Executive Officer, CFO
Corporate Management Department
Shigeo Fujimoto

Increase corporate value through business portfolio diversification

Q How to improve your corporate value over the medium to long term?

A We want to be resilient to changes by diversifying our business portfolio.

We have witnessed that how the digital technology and COVID-19 crisis gave the impact on our lives and business in such short period. Although the extent and time of the impact are different, we believe the business environment will keep changing in the future. It is essential to increase the corporate value and make profitable growth over the medium to long term.

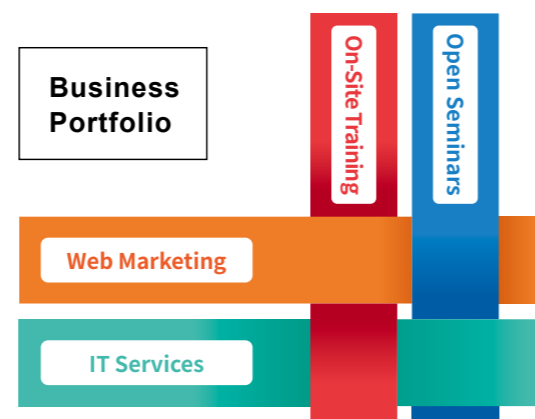
In order to achieve profitable growth in an ever-changing environment, we must respond quickly to any change. That means the biggest challenge is how to be resilient to change. Therefore we try to diversify our business portfolio in order to improve the corporate value.

Q What do you think about your business portfolio diversification?

A The basic ideas are "diversification of business characteristics" and "profitability of our know-how".

Diversification of business is just like the warp and weft on a loom. The training business (On-Site Training and Open Seminars) is our core business, which accounts for 75% of consolidated sales. The training is conducted each time under customers' request, which is called spot-business. It is like warp of our business and its competitiveness needs to be further enhanced. On the other hand, the recurring business is like weft on our business.

We weave both of them in our business portfolio to strengthen our competitiveness.



Specific initiatives for monetizing in-house expertise is the LMS "Leaf" (HR support system) and "Web Marketing". Leaf is a cloud-based service that provides training and education management know-how that we have cultivated through our own training business management. As a recurring business, annual recurring revenue (ARR)*1 continued to grow strongly, increasing by 45.5% YoY to 554 million yen*2. We announced our entry into the Web marketing business in our medium-term management plan "Road to Next 2024"

*1 Annual recurring revenue (ARR) is the annual revenue obtained from ongoing services
Calculated by multiplying the monthly sales for the relevant service by 12
*2 As of the end of December, 2021

released in November, 2021. We will not stop at one-off web production, but will provide sales and digital marketing support services as a packaged recurring service to expand sales, such as SEO, customer data management, and the establishment of a sales structure that links people and IT. This is the commercialization of the practical know-how that Insource, a latecomer to the training industry, has developed in the process of expanding sales.

Management policy

Q What is your management policy?

A We aim to keep growth in profitability and pursue higher efficiency based on operating cash flow from the existing businesses.

In principle, the source of investment is operating cash flow generated from existing businesses, and we will strengthen our ability to generate operating cash flow by improving not only the profit & loss statement (PL) but also the balance sheet, such as by reducing working capital. In addition, for profit growth to increase corporate value, return on capital must exceed the cost of capital. We will establish and operate a system to evaluate and support growth investments from the perspective of both profitability and efficiency, which constitute return on capital.

The following table shows the transition of return on equity (ROE), one of the ratios of return on capital. In FY19, ROE declined significantly from the previous year due to the COVID-19 crisis, but in FY20, ROE improved significantly to 42.6% as a result of improved efficiency as well as improved profitability.

	FY16	FY17	FY18	FY19	FY20
Rate of return on equity (ROE) (%)	29.8	29.4	28.0	14.9	42.6
Net profit to sales (%)	11.5	14.0	14.9	8.7	20.9
Total asset turnover (times)	1.67	1.44	1.26	1.10	1.35
Financial leverage (times)	1.55	1.46	1.49	1.56	1.51

Q How do you think about capital allocation?

A While taking full consideration to keep financial soundness, we will invest in growing business and allocate dividends to shareholder based on funds from operating cash flow.

Growth investments will focus on the development of new contents, as well as the expansion of the service lineup, functional enhancements, and strengthening of the sales structure in the recurring business, such as Leaf. We will also invest in mergers and acquisitions, primarily to expand our training contents and IT services, and to strengthen our recurring business.

We will strive to enhance shareholder returns through profit growth, with a target consolidated dividend payout ratio of 40%.

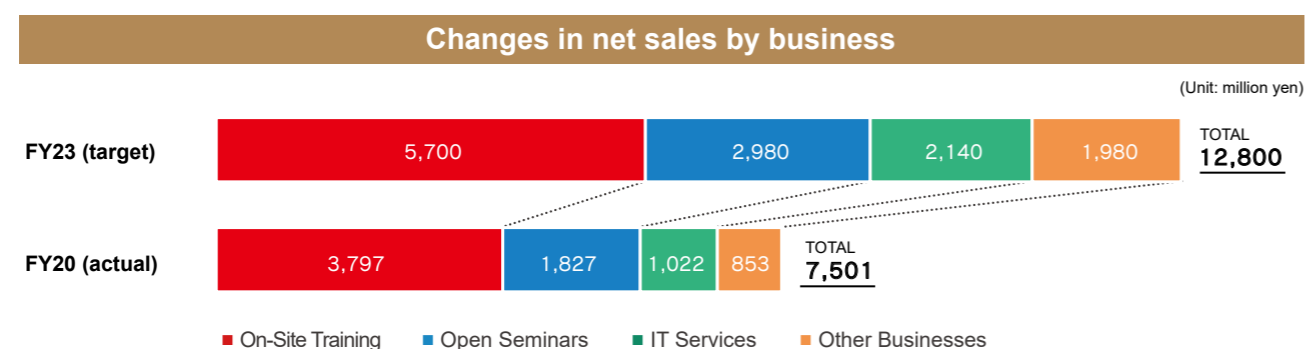
We will purchase of treasury shares based on the financial condition, investment opportunities, stock liquidity, and stock price level.

While operating cash flow is the basic source of funds for growth investments, we will take best financing method after considering expected return, cost of capital, financial risk etc. depending on each investment project. Since capital structure affects corporate value through the cost of capital, we will control our capital structure properly so that we do not miss any investment opportunities while maintaining our financial soundness.

Three-year business plan

ROAD TO NEXT 2024

Numerical target				
	FY21 (forecast)	FY22 (target)	FY23 (target)	CAGR
				(Unit: million yen)
Net Sales	8,900	10,800	12,800	+19.5%
Operating profit	2,600	3,130	3,710	+15.6%
Ordinary profit	2,600	3,130	3,710	+15.6%
Net profit	1,770	2,140	2,530	+17.2%



To achieve performance targets

- Our share of the career development education market is approximately 2%. We will expand market share by increasing sales force and continuing to introduce new content in a timely manner.
- We divided customers into three segments (Large Enterprise, Mid-Business, SMB (Small Medium Business)) and established a sales structure dedicated to each client segment. At the same time, we will provide education and IT services optimized for each segment to increase sales per client and increase the number of clients at the same time.
- We expect that automation in HR department and the web marketing will continue to grow. We will develop more convenient services for clients and expand our non-educational services.

Provide best service for different customer with optimal sales approach

Customer Segmentation	Sales destination	Sales strategy	Training	IT Service	Other Business
Large Enterprise Large (5,000 or more people) Second-tier large (1,000-4,999 people)	HR Dept. + Other Dept.	Expand overall Sales including but not limited to HR Dept.	-New trainings (DX, SDGs etc.) -Support for solving departmental issues -Compliance training	Leaf (Multi-function, customization)	Support for video training
Mid-Business Medium (500-999 people)	Manager/ Staff of HR Dept.	Expand each sales volume by strengthening proposals.	-Comprehensive solution for company -Support for evaluation system	Leaf Lightning (LMS functional specialization) On-line evaluation sheet (Optional)	Support for marketing, recruitment, DX etc.
SMB (Small Medium Business) Second-tier medium (100-499 people) Small (-99 people)	CEO/Management team	Expand sales by not only training service but also business solution.	-Solution for business issues, management, communication, compliance training	Leaf Management (HR routine work of SMBs)	

Increase both in sales per client and in the number of clients is achieved simultaneously

To increase sales per client

We will aim to increase the sales of Large enterprise and Mid-business. In particular, that of large companies aims to be 1.7 times as high in FY23 as it was in FY20.

To increased the number of clients

We will aim to increase the number of Mid-business and Large enterprise clients. Our target is to increase the number by 1,200 by FY23.

Changes in net sales and clients by 3 segments

	Large Enterprise (more than 1000 employees)				Mid-Business (500-999 employees)				SMB (Less than 499 employees)			
	Average sales per organization	YoY	No. of clients	YoY	Average sales per organization	YoY	No. of clients	YoY	Average sales per organization	YoY	No. of clients	YoY
FY23 (target)	3,000	-	2,800	-	900	-	1,650	-	400	-	7,900	-
FY20	1,586	+489	2,485	+136	697	+178	1,474	+1	353	98	7,147	+185
FY19	1,097	△65	2,349	+7	519	△22	1,473	△92	255	△8	6,962	△762

(Unit: thousand yen, organization)



Market Environment and Sales Strategy



Director, Executive Officer
 Manager of Group Sales Management Office
 General Manager of Sales Department
 Manager of Online Training Department

Daisuke Kanai

About changes in the market environment

Q Please tell us about the market situation.

A There are a wide variety of companies in the career training market. The current market size is about 240 billion yen.

The market for career development education is expected to expand to approximately 340 billion yen by 2024, with reskilling and digital skill education.

The market size of the career development education in 2021 is estimated to be approximately 240 billion yen, and 340 billion yen in 2024 (our estimate). Although the market shrank temporarily due to the COVID-19 crisis, we believe that organizations' HR development needs will remain strong because there is the urgent need to improve per capita productivity due to the declining birthrate, aging population, and changes in work styles. In particular, HR development that promotes individual career autonomy, such as training of HR with digital skills (DX) and reskilling education, has attracted attention, and we believe that the market will continue to expand from a medium to long-term perspective.

Insource's market share is about 2%

The career development education market is a highly competitive environment comprised of thousands of companies of various sizes. We estimate that our market share will be about 2% in 2021.

The IT market for the HR department and the Web marketing market are also expanding

As for the need for digitalization of HR routine work, we expect the market size will grow from approximately 200 billion yen in 2019 to 400 billion yen* by 2024. In IT Services business, net sales of "Leaf" (HR support system/ LMS) were 1 billion yen in FY20, and we believe there are significant opportunities for sales expansion. In addition, the market size of Web marketing, which we newly entered in FY21, is also expanding due to the needs of organizations to improve their business performance, and is expected to grow from 2.4 trillion yen in 2019 to 3 trillion yen* in 2024.

*Calculated based on METI's [2020 Basic Survey on Information and Communication Industry], May 28, 2021.

Changes in the career development education market and Insource's market share over the past five years

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

	Market related factors			Market size	
	No. of employees *1	Percentage of organizations conducting training*2	Training fee per person *2	Estimated market size *3	Insource's share
2024 (estimate)*4	4,300	50.0%	14	3,400	2.5~3.0%
2021 (estimate)	4,268	49.7%	10	2,400	2.3%
2020	4,216	45.3%	7	1,550	2.6%
2019	4,244	54.9%	19	4,800	1.0%
2018	4,174	52.9%	14	3,400	1.2%
2017	4,090	52.9%	17	4,000	0.8%
2016	4,020	52.8%	21	4,900	0.6%

*1 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
 *2 From "Basic Survey on HR (2020)," Ministry of Health, Labour and Welfare
 *3 Calculated based on *1 and *2 *4Finalized by Insource

Q How has the COVID-19 crisis impacted your client base and sales?

A We have achieved higher gross profit margin because of the expansion of online training for large companies.

Private companies and areas surrounding the three major metropolitan areas (Kanto, Chubu, and Kinki) increased their share of sales

Improvement in unit price for On-Site Training/
 Improvement in gross margin due to increase in number of attendees for one Open Seminar

While sales to public sectors that emphasize face-to-face training decreased amid COVID-19 crisis, sales to large private sectors increased thanks to the "Leaf" (HR support system/ LMS) for online training and e-Learning education. By area, sales in the three major metropolitan areas (Kanto, Chubu, and Kinki) grew, while sales in regional offices, which account for a large proportion of public sector sales, were not strong. From now on, while we combine our business sites nationwide, we will efficiently utilize online business negotiations to recover sales to public sectors and expand sales to private sectors.

In FY20, private sectors in the three major metropolitan areas with high unit prices increased their sales, and the gross profit margin of the training business grew as a result of the expansion of online training. This is because we charged an online setup fee for On-Site Training, which increased the per-client price. With regards to Open Seminars, the number of attendees per program has increased due to the fact that attendees can now participate from all over Japan without having to come to our venue, and that there is no longer a limit on the number of attendees per classroom. Although face-to-face training will recover as the COVID-19 crisis ceases, the need for online training remains strong, and we expect the online ratio for each business to remain at around 30% for On-Site Training and 60% for Open Seminars.

Changes from COVID-19 crisis

Since our establishment, we had expanded our sales mainly in the Tokyo area, with public sectors as our main target. While building on our achievements, we grew by attracting private sectors and expanding our area throughout the country. Service prices are generally higher per unit for private sectors than for public ones, and for the three major metropolitan areas than for rural areas.

Changes of net sales of private and public sectors, the number of clients and average sales per organization

(Unit: million yen, organization, %, average per organization: thousand yen)

	Net Sales (million yen)					No. of clients					Average sales of one organization (thousand yen)			
	FY15	Sales ratio	FY20	Sales ratio	Increased net sales	FY15	Client ratio	FY20	Client ratio	No. of clients increased	No. of clients increased	FY15	FY20	Increased net sales
Private Sectors	1,788	61%	5,868	78%	4,079	5,748	72%	8,685	78%	2,937	51.1%	311	676	365
Public Sectors	1,127	39%	1,633	22%	506	2,205	28%	2,423	22%	218	9.9%	511	674	163

Number of clients in three major metropolitan areas (Kanto, Chubu, and Kinki) and other areas, and changes of average sales per organization

(Unit: %, organization, thousand yen)

	Three major metropolitan areas (Kanto, Chubu, and Kinki)					Other areas (Hokkaido, Tohoku, Hokuriku&Koshinetsu, Chu-Shikoku, Kyushu)				
	Sales composition ratio	No. of clients (Organization)	YoY (Organization)	Average net sales per organization	YoY (thousand yen)	Sales composition ratio	No. of clients (Organization)	YoY (Organization)	Average net sales per organization	YoY (thousand yen)
FY20	83.7%	8,745	+297	710	+229	16.3%	2,369	+24	512	+106
FY19	81.0%	8,448	△513	482	△11	19.0%	2,345	△326	406	△5
FY18	80.1%	8,961	+974	493	+49	19.9%	2,671	+270	412	+17
FY17	78.9%	7,987	+345	444	+92	21.1%	2,401	+97	395	+39
FY16	76.6%	7,642	+1,587	352	△0.4	23.4%	2,304	+404	356	△26
FY15	74.6%	6,055	-	353	-	25.4%	1,900	-	382	-

* Three major metropolitan areas include Kanto, Chubu, and Kinki regions, and other areas include Hokkaido, Tohoku, Hokuriku & Koshinetsu, Chu-Shikoku, Kyushu regions.

Average unit price of training and online ratio after September, 2020

(Unit: times, thousand yen, times, %)

	On-Site Training				Open Seminars			
	No. of trainings conducted	Average training unit price	Trainings conducted online	Online ratio	No. of attendees (people)	Unit price per attendee (thousand yen)	No. of attendees who took online	Online ratio
After COVID-19 crisis ends(estimate)	-	-	-	About 30%	-	-	-	About 60%
FY20	14,224	267.0	6,988	49.1%	86,777	21.1	71,731	82.7%
FY19	11,390	239.2	1,561	13.7%	58,332	21.7	15,537	26.6%
(Reference: FY18)	14,873	220.5	-	0%	72,107	21.2	-	0%

3.Toward Sustainable Growth

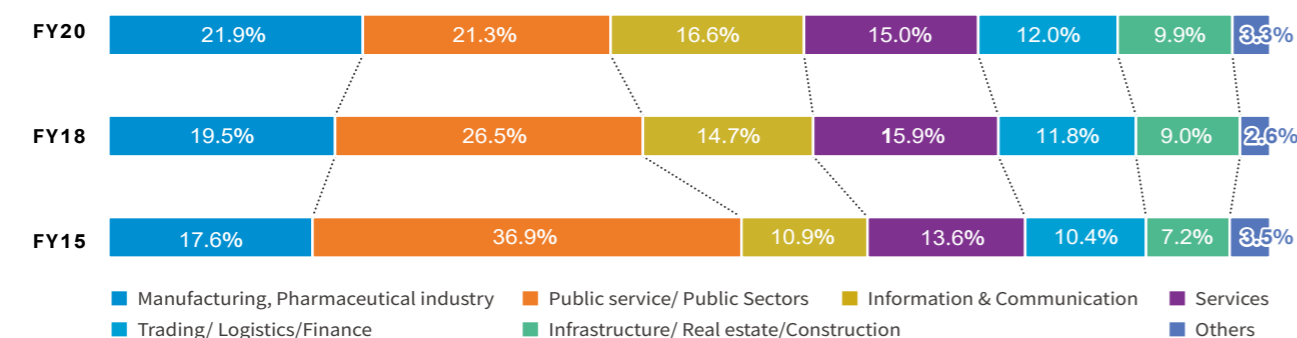
Q What are your current client trends (as of April, 2022)?

A The needs for HR development of our clients in all industries are recovering because of their improved performance.

Overall corporate performance (for the fiscal year ended March 31, 2022) appears to be strong. We feel that there is a strong need for HR development training to address the issues that companies are facing, such as increasing sales, improving operations, and preventing employee turnover. As the COVID-19 crisis seems to be ending, we expect to see a recovery in face-to-face training at private and public sectors that have been holding off on training due to this crisis.

In addition, in the private sectors, we expect our sales in the service industry (food service industry, hotel industry, travel industry, etc.), whose performance was affected by the COVID-19 crisis, to gradually recover. From FY21 to FY22, we are determined to strengthen our approach to clients in order to capture the demand for training that could not be held during the crisis.

Changes of sales composition by industry



Insource's Sales Strategy

Q What is Insource's future sales strategy?

A We will strengthen our sales and contents development structure that tailored to client's size, in order to expand sales volume of each client and increase the number of clients.

Developing a market based on "Company size and appropriate products"

Our basic strategy is to continue to attract a wide range of clients nationwide. We used to expand our market share by developing business offices nationwide and conducting sales activities closely tied to the local community. Most of our products and services are targeted at clients with company sizes ranging from 300 to 3,000 employees, and sales from that segment account for 70% of our total sales, especially in the private sectors.

Based on this current situation, we will divide our clients into three segments based on the size of the company, and strengthen our sales and content development structure tailored for each segment. We will also aim to expand our market share by more closely linking our sales activities with the development of content and services, and by studying the market in depth. Specifically, we aim to increase the average sales per organization, with a focus on large companies, and expand the number of clients of small and growing companies.

Large Enterprise (1,000 or more employees)

In addition to the HR department, we also approach each business department to increase sales per company. Specifically, we will address the latest educational themes such as DX and SDGs, as well as the educational needs of each department. Implementation of "Leaf" (HR support system/ LMS) is also expanding, especially among major private sectors, and we will continue to pursue further deepening of this business.

Medium Business (500-999 employees)

This is the segment with the largest number of our existing clients. We will continuously approach HR departments and HR managers as decision makers in order to increase sales per company through continued use of existing clients and package proposals. We also aim to expand through the newly released LMS "Leaf Lightning" for small and medium-sized companies in October, 2021, sales of video contents, and "on-the-web appraisal form service" of Leaf.

Small Medium Business (SMB) (less than 499 employees)

This is the segment where our market share is the smallest in terms of sales. There are more than 1 million companies with less than 500 employees* in Japan, so there is plenty of room for development. In addition to educational services, we will also propose to management the needs of the organization as a whole, such as organizational expansion, recruitment support, and labor saving in the HR department, in order for us to develop new business opportunities. To achieve this, we will first analyze client's needs and then focus on product development, including Web marketing business which we newly started.

*Figures calculated from the Economic Census (July, 2012)



Q What are the sales issues that Insource face?

A The issues are how to curb the decline in the number of clients and ensure the sales not to be affected by the pandemic.

Expanding the number of new clients, which declined due to the COVID-19 crisis, is an ongoing challenge

When compared between FY18 and FY20, the number of new clients acquired has decreased. It is urgent that we take in client's needs in response to the COVID-19 crisis and restore the number of clients. Although the average cost per client is rising in all segments, we believe there is significant room for improvement in average sales per organization, especially in the Large Enterprise (semi-large and large companies) segment.

Ensuring sales not affected by pandemics

In FY19, training services saw a significant decline in revenues due to the COVID-19 crisis. To achieve sales that are not affected by the pandemic, we will propose a mix of services from our IT Services and Other Businesses to secure sales.

Based on a diverse service lineup that responds to social changes, we will provide optimal solutions to client's needs, aiming to acquire new clients and increase average sales per organization.

Sales and number of clients by 3 segments before and after COVID-19 crisis

(unit: thousand yen, organization)

	Large Enterprise (1,000 or more employees)				Medium Business (500-999 employees)				Small Medium Business (SMB) (less than 499 employees)			
	Average net sales per organization	YoY (thou. yen)	No. of clients	YoY (organization)	Average net sales per organization	YoY (thou. yen)	No. of clients	YoY (organization)	Average net sales per organization	YoY (thou. yen)	No. of clients	YoY (organization)
FY20	1,586	+489	2,485	+136	698	+178	1,475	+1	354	+99	7,148	+185
FY19	1,097	□65	2,350	+7	520	□22	1,474	□92	255	□9	6,963	□762
FY18	1,163	+182	2,343	+194	542	+16	1,566	+169	264	+16	7,724	+882



Management Base : 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

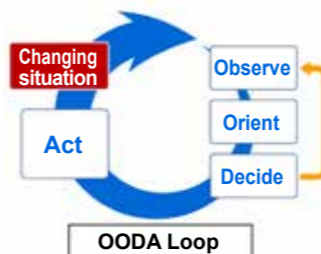
Members with diverse values share a common understanding that we can win if we all move quickly. We believe that this is a common understanding that has arisen from the fact that the work of all departments is quantified as KPIs, making it easy to feel the relationship between one's own actions and business 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, and related information keeps coming up. "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 don't 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.



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.

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.

- 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.

- 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. 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

Insource culture - After working for Insource for 5 years



Speed to change

Insource repeatedly job rotates and places the right people in the right positions at the right time. There are many opportunities to hear directly from the president (which is quite rare for employees in the same position as mine in a large company), and the company-wide goals reach straight to the employees on-site. So I am more motivated and can act quickly.

Backseat player

I was not that outstanding in university. I was just hiding in a place where I could blend in with other people. To be honest, I would rather not work in the public eye, under the spotlight, with the loudest cheers. I tend to think I am just happy to be able to help the people in front of me in some small way and be useful in that way. But I can't just hide in the crowd all the time. Several times a year, my work is evaluated from different perspectives and I am given the opportunity to appear on the center stage. By being in Insource, the experiences that I wanted to avoid are gradually building up into successful ones.

Kind colleagues

I think it is a good environment with a lot of information sharing and words of gratitude everywhere. I myself was very surprised when I worked part-time before entering, I was thanked with "Thank you, that is very helpful" after completing the assigned tasks. I now find myself naturally saying a word of appreciation for everyone and everything.



Management Base : Content Development Capability



- 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.Delivering 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

Existing contents are also updated daily based on questionnaire results

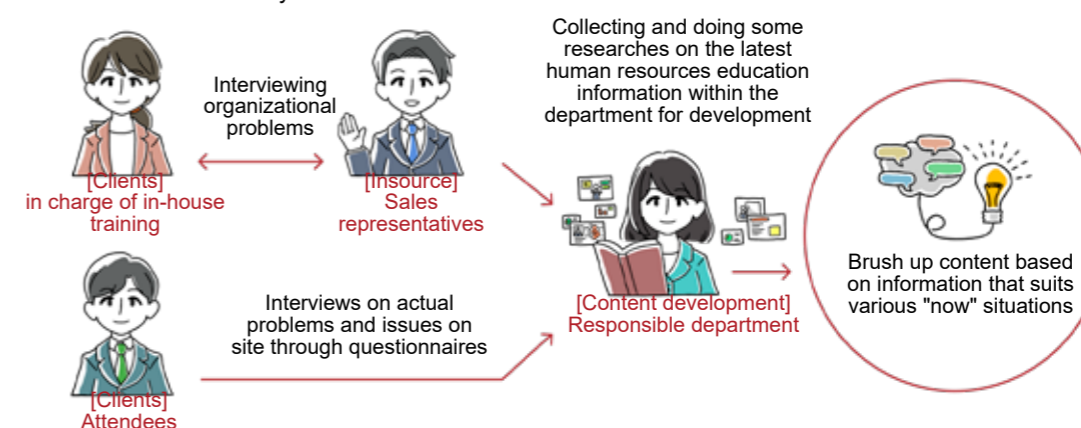
We believe the content business is entertainment, and it is important to keep our clients "never get bored". Therefore, we brush up the existing contents many times based on the results of feedback and questionnaires from the trainers and clients. The results of the questionnaires are shared with all 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 recent years, we have added content such as how to handle social networking sites, tips on working from home, online tools, and mental health.

Spare no cost in R&D and create best and latest contents

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 _____," 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 3,461 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 30 to 50 new contents every month.

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.



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		Sales growth
	Rank	Sales composition ratio	Rank	Sales composition ratio	
For managers	1	26.4%	1	23.0%	+87%
New/younger employees	4	14.7%	2	17.7%	+158%
Business skills	2	18.1%	3	17.3%	+106%
Communication/CS	3	17.4%	4	10.4%	+29%
DX/IT	6	2.8%	5	7.6%	+478%
Harassment/Compliance	5	6.0%	6	7.1%	+154%
Mid-career employees	7	2.5%	7	4.5%	+291%
Others		12.0%		12.4%	+122%
Total		100%		100%	+115%

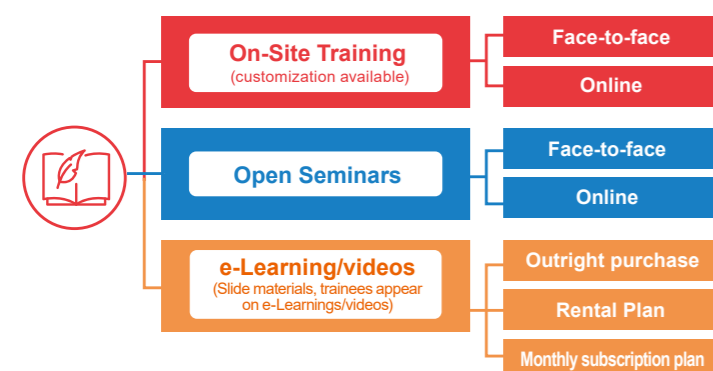


Products are available through various delivery methods

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



Q How do Insource develop so many contents?

A We have a team with 172 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.

172 content creators are working together

We have 172 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 the more than 20,000 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

	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)
FY20	172	94.5	3,461	3,296	334
FY19	166	95.4	3,140	2,859	85
FY18	118	95.3	2,821	2,589	-
FY17	103	96.5	2,582	2,292	-
FY16	97	96.6	2,333	1,828	-

*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



- 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 manufacturing costs and SG&A expenses

Preventing errors from occurring through "systematization"

We have been promoting the systemization of all our operations since our foundation. As a latecomer to the market, we had difficulty attracting human resources. In order to survive, we needed to systematize our operations as well as create manuals to ensure that everyone could complete the same tasks without errors. This is because it enabled inexperienced employees and members with limited working hours to perform their tasks in a short period of time without making errors. We believe that the key to our growth has been the utilization of IT and the creation of this system.

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.

At the time of the company's foundation, we developed a system to manage this information so that errors and problems would not undermine the motivation of our valuable young employees.

Automation of routine operations to achieve thorough cost reduction

The system is equipped with a variety of automated functions. For example, before a training is conducted, a reminder e-mail is automatically sent to both the client and the trainer to prevent misunderstandings and lack of confirmation by the parties involved. Other features include a notification function that reminds the sales representative and his/her supervisor of the next date to approach the client based on the details of the business meeting. With the use of IT, communication costs are reduced as much as possible, and errors of "misunderstanding, lack of confirmation, and forgetting" are prevented to a minimum.

Q Why do Insource develop system by yourself?

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 the fiscal year ended September 2020, 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.



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
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%
FY16	46	51	5,804	-	57.0%	16.5%

In-house digital human resources training by level (FY20/09)

		Level	Target	No. of attendees
Company-wide	Level 0	Know what DX is, understand what it is, and can think about IT and data	Employees (selected)	203
	Level 0-2	Can promote DX in own organization (at least, be able to lead business improvement)	Managers of all departments/ Leaders	94
	Level 1	Can specify the DX of one's own department (to define system requirements and create prototypes such as screen transitions and forms)	Content creators/ Digital marketers/ Designers	69
	Level 2	Simple IT conversion in your own department can be done in Python	New employees in 2021/ Employees at Insource Digital Academy Corporation	47
	Level 3	Can develop diverse systems as an engineer	Employees in the system development department	114

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



"Leaf"(HR support system/LMS) in IT Services used by 470 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, 2022

Insource's EC sites: WEBInsource and Video Department Store



WEBInsource, a membership platform used by a cumulative total of 17,221 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 have learned that we can expand sales while maintaining a high profit margin by selling video content on our website and WEBInsource.

*As of the end of March, 2022

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 1.93 million users

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 1.93 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.

Providing a safe environment for clients

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 eight 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

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.

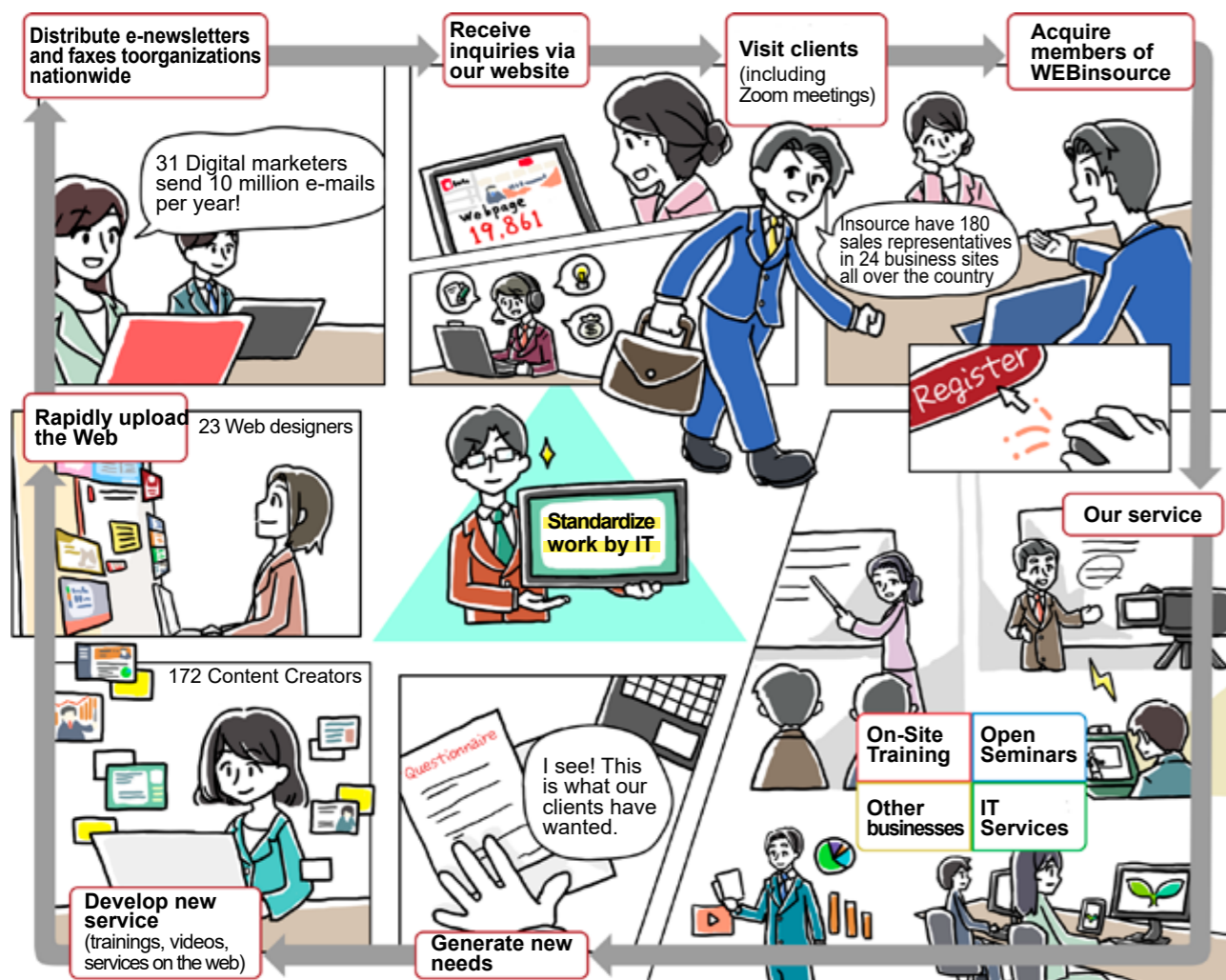
Specifically, information that arises in the business process, such as "details of negotiations between clients and sales representatives," "issues and problems of clients," and "inquiries from clients," is distributed throughout the company at high speed by utilizing IT. This allows the entire company 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.

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

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 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



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 36,221 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 19,861 pages on our website. When the company was founded in 2003, it was rare for companies in the career development education 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 value 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 180 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).

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.

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.

KPIs to focus on in sales activities

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

		FY16	FY17	FY18	FY19	FY20
Productivity	Net sales per employee	16,005	18,219	20,320	16,410	21,371
	Operating profit per employee	2,643	3,766	4,723	2,514	6,850
Management Base	No. of business sites	16	20	22	24	24
	No. of clients (annual)	9,941	10,388	11,633	10,786	11,108
	No. of clients (total)	21,006	25,210	29,402	32,938	36,221
Amount of action	No. of WEBinsource subscribers (total)	5,804	8,564	11,335	13,492	15,798
	No. of business meetings (face-to-face and online)	384,000	466,000	493,000	471,000	476,000
	No. of home pages	10,224	11,341	14,171	17,727	19,861
Number of people	No. of web-sessions	-	-	1,712	1,835	2,010
	No. of sales reps	106	118	140	151	180
	No. of web designers	19	17	15	16	23
	No. of digital marketers	-	6	21	26	31

*Number of Web-sessions: Number of visits from the time a user visits a Web site until they leave



ACTIONS FOR OUR EARTH!

E Environmental responsibility

The sustainability of the global environment, including controlling climate change, has become an urgent issue. As a company that provides solution services throughout Japan by using "training and IT," Insource recognizes that reducing environmental burden is an important issue in order to pass on a sustainable environment to the next generation, as well as in order to expand the scale of our business and solve social issues in the future.

In order to support sustainable development on a global scale, activities to reduce environmental impact based on a long-term perspective are essential. Our group will continue to contribute to the reduction of environmental impact not only within our own company but also throughout our business operations.

Endorsement of TCFD Recommendations and Establishment of CO2 Reduction Committee

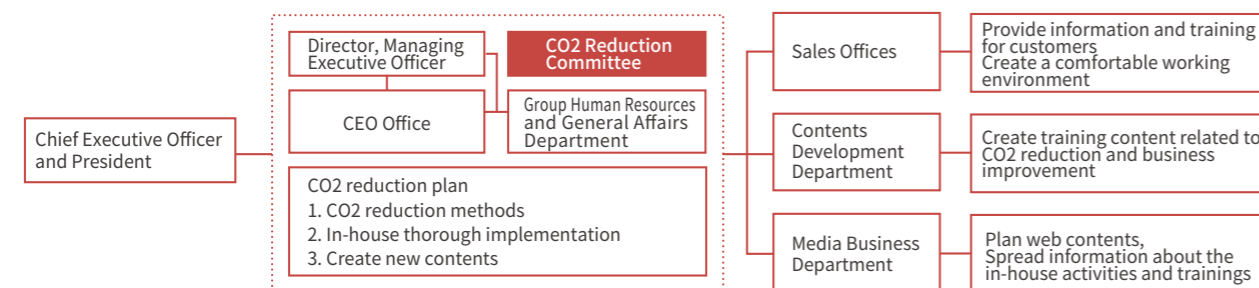
Although our dependence on natural capital and CO₂ emissions from large-scale production equipment are not high, we have been increasing our workforce and expanding our locations in order to achieve 20% growth every year. Energy usage is increasing every year. Under such circumstances, Insource endorsed the TCFD (Task Force on Climate-related Financial Disclosures) in February 2021 and established a CO₂ Reduction Committee.

The Committee is chaired by the Director and Managing

Executive Officer, and is composed of personnel mainly from the CEO Office and the Group Human Resources and General Affairs Department. Through monthly committee meetings, the committee works with each department to identify the current status of CO₂ reductions, set targets, plan to ensure thorough implementation within the company.

We will promote the TCFD project and enhance information disclosure based on the framework of TCFD recommendations.

Structure of CO2 Reduction Committee



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".

FY29 Target: 50% reduction in electricity use and in-house paper use

We first tried to grasp the current status. Based on the characteristics of our business, which is mainly education and IT services, we will work on : ① Indirect emissions from electricity use (Scope 2) at our 24 business locations in Japan and ② Paper use (Scope 3, Category 1).

The figures were calculated by ourselves based on the results of our activities, referring to the "Basic Guidelines for the Formulation of Greenhouse Gas Emissions through the Supply Chain" by Japan's Ministry of the

Environment and Ministry of Economy, Trade and Industry (METI).

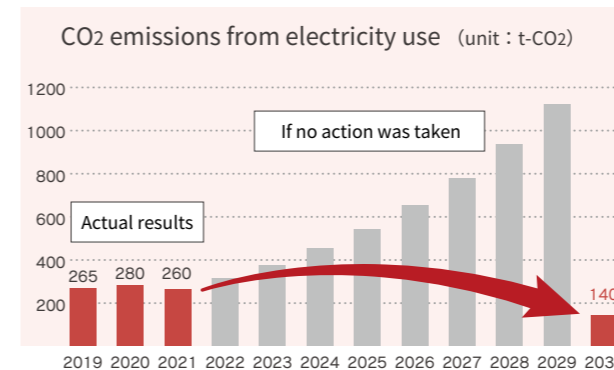
The long-term environmental targets are set as follows: ①50% reduction of CO₂ emissions from electricity use and ②50% reduction of CO₂ emissions from in-house paper use by FY29.

We will promote activities to achieve the above targets, and to reduce environmental burdens in our business operations.

Long-term Environmental Targets for FY29



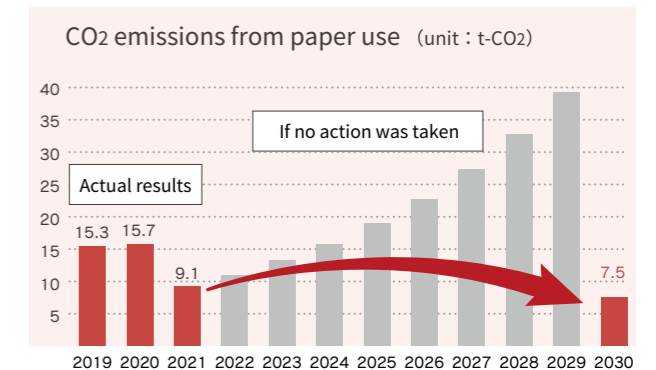
Base year: FY19



*The figures are calculated by our company based on our business activities and multiplied by the relevant emission data, referring to the "Basic Guidelines for Calculating Greenhouse Gas Emissions through the Supply Chain" issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.



Base year: FY19



*Calculated with reference to "CO₂ emissions in the life cycle of paper and paperboard" by the LCA Subcommittee of the Japan Paper Association.

Start "Electronic Training Textbook Service" from April, 2022

We have traditionally provided training services using paper textbooks. In order to promote paperless training to reduce CO₂ emissions, we started the "Electronic Textbook Service" in April, 2022. We first introduced this service for On-Site Training and Open Seminars (online), allowing customers to choose electronic textbooks as well as conventional paper textbooks according to their training patterns.

This new service will prevent delays in textbook delivery due to social conditions, and is expected to reduce our transportation costs. It will also help reduce burdens of our staff and improve convenience for our customers.

In the first year, we aim to reduce CO₂ reduction by 5 tons, equivalent to about 31,000 paper textbooks.





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.

Aim to increase sales for welfare organizations where people with disabilities work

Started e-commerce site "mon champ"

We have long been aware of the issues regarding the welfare of people with disabilities and the environment of facilities, and have been searching for ways to improve sales of welfare organizations. To make more companies and people be able to buy their products, in October, 2021, we launched "mon champ," an e-commerce site featuring products from welfare organizations.

The profits generated by mon champ are returned to the welfare organizations that manufacture the

Improve profits for welfare organizations through CSR activities

We will promote the "mon champ" products to our more than 30,000 customers. We will contribute to raising the recognition of the products of welfare organizations by encouraging the use of these products in a variety of situations, such as gifts used in corporate activities, prizes for internal events, snacks during breaks of training sessions, summer and year-end gifts, and gifts for employees' families.

products to help them raise wages and improve working environment. As of January, 2022, we have sold products from 3 organizations. To ensure long-term sales, high quality of products must be maintained. We help them improve the quality and design of packaging that can be used as corporate gifts. In the future, we will provide more support for welfare organizations and expand the product lineup.



Benefits of using mon champ

Benefits for Welfare Organizations

- Provides new sales opportunities
- Increase sales ⇒ Improve welfare benefits
- Improved recognition of welfare

Benefits for the Company

- Improve brand through CSR activities
- Support welfare organizations
- Provide CSR education for employees

The current status of hourly wage is 200 yen for people with disabilities

There are currently 17,198* employment support establishments in Japan, of which 13,441* welfare organizations are "employment support type B establishments" for continuous employment support. Type B establishments provide skill-enhancing training for people with disabilities who have difficulty finding regular jobs at general companies. Type A establishments offer employment contracts to people with disabilities and pay them wages above the minimum wage. On the other hand, Type B establishments only pay wages for the work done. The average wage in 2020 was 15,776 yen per month at Type B establishments with an hourly wage of 222 yen*.

	Type A	Type B
Basic points	Work place Aim to work at general companies	Training Aim to work at Type A
Employment contract	Yes (with employment insurance) 20 hours per week (4 hours per day, 5 days per week)	No
Wage	Minimum wage in principle 79,625 yen per month Hourly wage 899 yen	Wage for work done 15,776 yen per month Hourly wage 222 yen

*Reference: Ministry of Health, Labor and Welfare, "Actual Wages in Fiscal Year 2020" <https://www.mhlw.go.jp/content/12200000/000859590.pdf>

Promote the advancement of single-parent families and women in society in Arakawa Ward, Tokyo

Concluded an "Agreement on Comprehensive Collaboration" with Arakawa Ward in November, 2021

With the relocation of our Tokyo Headquarter functions to Arakawa-ku in March, 2021, we have come to conclude this agreement because we deeply sympathize with Arakawa Ward's efforts to address poverty among single-parent families and women.

Summary of the Agreement

The Company and Arakawa Ward will mutually cooperate and collaborate to support the independence of single-parent families in order to improve quality of life of single-parent families and ensure the sound growth of their children and support the advancement of women in society.

Cooperation Items

- (1) Support for single-parent families in employment
- (2) Support for single-parent families in their daily lives
- (3) Support for women's advancement in society

Future Initiatives

- (1) Support for self-reliance of single-parent families through our training business
- (2) Provide donations and food items
- (3) Provide necessary goods or sustainable support for women in poverty



From the left in the photo:
Mr. Takayuki Funahashi, Representative Director, President and CEO, Insource Co., Ltd.
Mr. Yoshiaki Kitagawa, Deputy Mayor of Arakawa Ward

Examples of activities: Holding employment support seminars for single parents

In the wake of the COVID-19 crisis, more people want to change their jobs from the food service industry to office work. We have been offering PC courses for single-parents since December, 2021. In the beginner's course, we teach basic operations such as how to start up a PC and how to input text. In the practical course, we aim to improve their skills through exercises such as writing resumes and data inputting at work. In the future, we plan to hold seminars on various subjects such as business etiquette, talking skills, telephone answering skills, and "Hou-Ren-Sou" (reporting and consultation) at work.



An Example of Seminar



PC skills course

1. PC setup and startup
2. Basic PC operation (1)
3. Basics of PC operation (2)
4. Efficient text input
5. Folder and file management
6. Various functions to improve work efficiency
7. Send E-mails

Questionnaire from participants (partial)

- I would like to try general office work, which I have never experienced before.
- It took me a while to learn the terminology, but I want to keep learning and get used to it.
- I was glad to be able to remember how to use a PC, as I had not touched one since I was certified in high school.

Aim to eliminate "Period Poverty" through sustained support

Start the Project to Eliminate Period Poverty

We strongly agreed with Arakawa Ward's efforts to address "period poverty," and we concluded an agreement with Arakawa Ward regarding comprehensive cooperation in November, 2021.

What is Period Poverty?

Period poverty refers to the inability to access sanitary products due to economic circumstances and lack of social understanding of menstruation. People are unable to purchase sanitary products because the economic poverty is becoming more severe with the COVID-19 crisis, and low social recognition that menstruation is less talked in public. For example, in single-father families, there are cases where daughters are unable to purchase sanitary products because their fathers lack knowledge about menstruation.

Then, we sought to find a way to provide more comprehensive and sustainable support for "period poverty" in Japan as a whole and we started this project.

It is necessary to increase the social recognition of the issue and provide financial support to solve this problem. In other words, a wide range of organizations and individuals must work together to address this issue. In many other countries, various initiatives are under way, such as the tax exemption of sanitary products and the installation of sanitary napkins in schools and public restrooms. In Japan, the issue has been widely covered in the media since 2021, and efforts to distribute sanitary products free of charge based on donations and emergency stockpiles have just begun at municipalities offices across the country.

What we can do - Helping the poor by building a support system between companies and local municipalities

We will work with our customers including 31,305 private companies and 1,178 local municipalities (cities, wards, towns, and villages) on the project. We collect the donations of sanitary products from company sponsors and send to local municipalities or social welfare councils. Through participation in this project, we will create opportunities for companies to engage in activities related to S (Society) among the required ESG initiatives, and build coexisting relationships with the regions we support. In 2022, the first year of the project, we aim to provide this service to a total of 50 regions. We will mobilize the full power of the company to take on the challenge of resolving issues in local communities.

- Guidelines for sponsors
【Sponsors needed】
 - Companies that support the fight against period poverty
 - Companies that want to strengthen their relationship with local communities through ESG activities
- 【Amount of donation】
Donation from 300,000 yen per unit
(Cost of sanitary products for 200 people a year)



S Human Capital

We are committed to promoting diversity and providing various related services. As an organization that provides these services, we have a diverse workforce and various work styles within the company.

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.

	Unit	FY18	FY19	FY20
General information				
Number of personnel	people	443	470	527
Number of employees	people	296	321	382
Number of temporary employees	people	147	149	145
Ratio of temporary employees	%	33%	32%	28%
Average age of employees	year-old	31.5	31.7	31.4
Average working years of employees	year	3.4	3.2	4.1
Turnover rate	%	8.0%	9.6%	5.1%
Average annual salary	Jap. yen	5,353,022	4,791,469	4,726,398

*Number of employees is the number of regular and contract employees *Turnover rate is voluntary for regular and contract employees of our group. It does not include mandatory retirement or layoffs. Average annual salary is calculated based on the number of employees in the consolidated group. It includes bonuses and substandard wages.
*Average annual salary is calculated based on the number of employees in the consolidated group. It includes bonuses and substandard wages.

Productivity

	Unit	FY18	FY19	FY20
Sales per employee	thous. yen	20,320	16,410	21,371
Operating profit per employee	thous. yen	4,723	2,514	6,850
Average overtime hours of non-managerial employees	hour	25 h 02min.	21 h 05min.	18 h 07min.

HR Development

	Unit	FY18	FY19	FY20
Training cost per employee	yen	17,498	17,196	40,563
Training hours per employee	hour	16 h 28min.	17 h 57min.	15 h 44min.
Compliance training attendance rate	%	85%	84%	100%

*Employees can attend our Open Seminars free of charge. Therefore, the estimated cost is the sum of group training (for outside trainers) expenses and the fixed price.

Diversity

	Unit	FY18	FY19	FY20
Ratio of female employees	people	58%	58%	55%
Ratio of female managers	%	26%	28%	34%
Ratio of female executives	%	23%	30%	25%
Ratio of female new graduates hired	%	41%	72%	48%
Ratio of employees with disabilities	%	3.00%	3.14%	2.83%
Number of seniors (over 60 years old)	people	14	14	21
Number of LGBTQ+	people	4	5	6
Number of foreign-born people	people	3	4	3

*Number of employees who have agreed to be externally identified as LGBTQ+.

*Foreign-born means those who have foreign nationality. Foreign nationals include Japanese nationals from foreign countries.

*Received the 2-star "Eruboshi" certification on February 17, 2022.

Childcare leave

	Unit	FY18	FY19	FY20
Number of childcare leave takers	people	10	11	12
Total childcare leave acquisition rate	%	67%	65%	63%
Number of childcare leave takers (female)	people	10	9	6
Childcare leave acquisition rate (female)	%	100%	100%	100%
Number of eligible childcare leave takers (male)	people	5	8	13
Number of childcare leave takers (male)	people	0	2	6
Childcare leave acquisition rate (male)	%	0%	25%	46%
Number of employees scheduled to return to work	people	5	9	18
Number of employees to return to work	people	5	8	17
Return to work rate	%	100%	89%	94%

*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.

S HR Capital - Diversity



Director,
Managing Executive Officer
Kumiko Kawabata

Recruitment and Diversity at Insource Group

Q Why does Insource have a diverse workforce?

A We kept hiring people who came to us when we were not well-known, which made us diversified.

We kept hiring people who were interested in us, which led to "diversity"

Before we were listed on the stock exchange, we had a difficult time attracting new employees because our training service is less noticeable. As a result, we have become a company that employs a wide variety of people who are interested in us, including those raising children, people with disabilities, or seniors.

Systemization and individuality made it possible to achieve diversity

The secret to achieving both diversity and growth is thorough systemization and allocation of work to the most suitable individuals.

① Thorough Systematization

It is necessary to build a system to improve work efficiency. By systematizing the workflow, anyone can immediately adapt to work even if they are unfamiliar with the job.

② Respect individuality

When there is a task to be done, we always choose the most suitable one according to the individual skills and abilities.

Develop "multi-skilled" personnel who are resilient to change

We have a diverse workforce including sales representatives, content creators, engineers, digital marketers, AI/RPA engineers, designers etc. Those people with multiple skills are needed to quickly develop content and provide services. In order to develop multi-skilled human resources, we repeatedly job rotate and assign personnel to maximize their individual personalities and abilities.

Our diverse human resources work together by using their respective strengths and their various perspectives, which leads to new product development and efficiency improvement.

Q What do you place importance on when you decide to hire someone?

A We value the people who can feel the happiness and satisfaction from helping others grow, and the people who are flexible and have a strong interest in new things.

Happiness of helping people grow, flexibility, and strong interest in new things

An important quality of working at our company is the feeling happiness in contributing to the improvement of productivity by being involved in the growth of "people". In addition, our departments and groups are frequently established or merged, and internal "transfers" and "changes in responsibilities" occur frequently. Since the organization itself is highly flexible, we are looking for individuals to be flexible and interested in new things as well.

Utilization of "Giraffe (our unique organizational analysis service)" in the hiring of new graduates

We began hiring new graduates in 2006. We have hired 10 to 30 new graduates every year since 2008. We have been using the assessment system "giraffe" that was developed by ourselves, in our hiring activities since 2020. The system visualizes the career ambitions and motivational factors, the best working environment, and thinking and behavioral characteristics of applicants.

Recruitment of seniors, people with disabilities, and LGBTQ+

We hire people who have similar goals regardless of their attributes. We actively hire seniors over the age of 60, people with disabilities, and LGBTQ+ individuals. Many of our senior employees have extensive social experience and contribute to the content development. In addition, our employment rate of people with disabilities is 2.83%. Instead of establishing a special-purpose subsidiary of ours, people with disabilities are able to fully utilize their abilities in content development, system development, and other areas where they can make the most of their strengths. In addition, there are six LGBTQ+ employees in the company. Because we are a diverse workplace, we value each one regardless of their attributes and experience.

Chances for rehires and for temporary employees to be promoted to executive positions

There are many employees who have rejoined the company after they left in the past. In addition, it has become common practice since 2007 for temporary employees to be promoted to regular employees, and some have become executive officers or department heads.

Q Why are there so many female managers?

A Because we have introduced a performance-based working culture and flexible work style tailored to life events of each employee.

Ratio of female managers: 34.6%

We always have placed importance on the results of each employee's work. We promote women to managerial positions based on their performance regardless of gender. As a result, the current ratio of female managers is 34.6%, which is high among Japanese companies. Some working mothers are in charge of sales office managers and system department heads. We have been able to realize an organizational culture with no glass ceiling because our working mothers have met our expectations with their achievements. In addition, we allow our employees to choose the way they work in accordance with their life events.

By combining different work hours, shortened work hours, remote working or change of work locations, each

employee is able to maximize his or her performance under the circumstances. We will continue to strive to create an organization to make everyone can play an active role.

■ Examples

- Before and after maternity/paternity leave, employees are assigned duties that allow them to work at home
 - Build a work environment that fairly welcomes employees returning to work after maternity or childcare leave
 - Flexible options to suit the lifestyle
 - More option for work locations
- Eg: Opened new offices in Okayama and Shizuoka to accommodate female employees who moved there for family reasons

S HR Capital - Developing Human Resources

Training plans for FY19 - FY20

In addition to level-specific training and IT skills training, we provide a wide range of education such as e-Learning, asset formation initiatives, and periodic Open Seminars. We plan to conduct internal HR development in accordance with the trends of the times and the growth of the organization.

	Company-wide Basic Training	Level-specific Training	HR Development Training for IT Skills	Career Development	Practical Skills Training
Officer					
Manager					
Deputy Chief	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	Specialized Skills On-the-job Training + Attendance at Open Seminars
Senior Chief		Management in the Post-Corona Era			
Newly Appointed Managers		Primary Management			
Leader		Team Management			
Chief IV	Common Skills for level-specific training Cost awareness Time management	Business Skills (Technical Conceptual/ Human)			
Chief III					
Chief II					
New Employee		Business Literacy			
Staff		Understanding the CompanyCommunication			Work Skills PC IT Skills

Level-specific training of FY19 - FY20

We conduct training for each level of employees. In FY20, the common themes were "Cost Awareness" and "Productivity Improvement (Business Management)". We aimed to foster a mindset of "Make Profits" even in the adversity of the COVID-19 crisis.

	New Employees	Younger Chief	Veteran Chief	Leaders	Newly Appointed Managers	Managerial Workers (Sales)	Managerial Workers (Non-sales)	Staff
Annual Program	Graduated 1 year ago	Graduated 2-3 years ago Recruited as mid-career 3 years ago	Graduated 4 years ago Mid-career workers for more than 3 years	Graduated 5 years ago Promoted mid-career workers	Graduated 6-7 years ago Promoted mid-career workers	All employees with at least 2 years of management experience and below the rank of deputy manager	All employees with at least 2 years of management experience and below the rank of deputy manager	Within a year of employment
Skills required for each level		Develop basic skills as a worker	Coach subordinates	Leadership	Management (Basic)	Sort out issues in own department, train subordinates, and prepare plans	Acquire diverse management expertise	Learn about Insource
Concept of Training		Reflect on past experiences and strengthen the basics of one's work	Be a role model for younger colleagues. Lead others to do things and show examples	Expand your work area and learn how to think and behave as a leader	Conduct business from a management perspective with an awareness of improving team productivity	Acquire problem-solving skills in actual workplaces by organizing issues in one's own department and creating a training plan for subordinates	Learn "standardization of work" and "setting of KPI" which are important in managing work from home, and acquire management know-how	Understand how to deal with Insource and strengthen communication skills with employees
By Level	Business Mind	Role Recognition	Role Recognition	Role Recognition	Role Recognition	Role Recognition	Role Recognition	Role Recognition
Common Skills	Management Figures	Cost Consciousness	Cost Consciousness	Cost Consciousness	Cost Consciousness			
	Productivity Improvements	Time Management	Time Management	Time Management		Business Expansion	Business Expansion	
	Business Documents	Business Documents	Business Documents	Business Documents				
Skills by Different Level	Human Skills				Communication between Managers and Subordinates	Management in the Post-Corona Era	Management in the Post-Corona Era	Communication
	Technical Skills				Operation Promotion			
	Conceptual Skills		Problem Resolution	OODA				
	Career Development	Career Development	Career Development	Career Development	Career Development	Career Development	Career Development	Career Development
Risk/Compliance		Labor Management	Harassment	Harassment/Mental Health Labor Management				

About level-specific training

Cultivate HR who can enjoy changes

We are always changing with a sense of speed and flexibility. This requires our employees to respond to changes in the times and the environment and to continue to grow. In order to develop such human resources, we flexibly adopt the necessary skills in line with the times and provide the best training programs for different levels.

Common themes - Cost Awareness and Productivity Improvement for FY19 - FY20

From FY19 - FY20, we have added new common themes of "cost awareness" and "productivity improvement" in addition level-specific trainings.

In the face of the COVID-19 crisis, we can not provide our training services as before and has had an impact on the company's business performance. It is necessary to raise each individual's awareness of costs. It focuses employees' engagement to consider how their actions are linked to the company's performance. And productivity improvement includes the individual and team time management skills to ensure good results even in the face of increasing work-at-home and overtime restrictions.

Others

Digital skills training for all employees

From FY18, the company has been conducting an internal digital HR development project for all employees, setting IT skill targets according to their positions and departments. All new employees who joined the company in April, 2020 received training on the Python programming language. In the sales department, new employees have already achieved positive results by using Python to improve their work

Example of new employees who joined the company in April, 2020

- Conducted study sessions for senior employees
- Developed a tool for automatic creation of sales lists
- Developed automated program for proposal creation

To raise awareness of employee asset formation 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)

Cultivate young leaders with problem-solving skills

In order to make young employees competitive at an early stage, we actively transfer authority to them, and some of them are appointed as base managers or project leaders in their 20s. The training focuses on the skills of "thinking independently, engaging the team, and problem-solving". While we have introduced "problem solving" for veteran chief-level employees who play a central role in the team, the trainings focus on OODA concepts and skills for team leaders.

Playing managers with results-oriented skills

Since most are playing managers, the training focuses on management of their own work as well as methods to improve team performance. The training for sales department managers is conducted in the form of a workshop to sort out issues in their own departments and subordinates, and work out solutions. The training for managers of non-sales divisions is focused mainly on confirming management methods for remote work, and includes learning how to separate and standardize work, how to assign work to staff, and how to manage risk and motivation.

Compliance training for all employees

The training is conducted for all employees every year. The employees watch our product on Leaf, and then take a confirmation test to measure their level of understanding. And copyright law is a necessary training as a company that provide content service.

In-house internship to strengthen group interactions

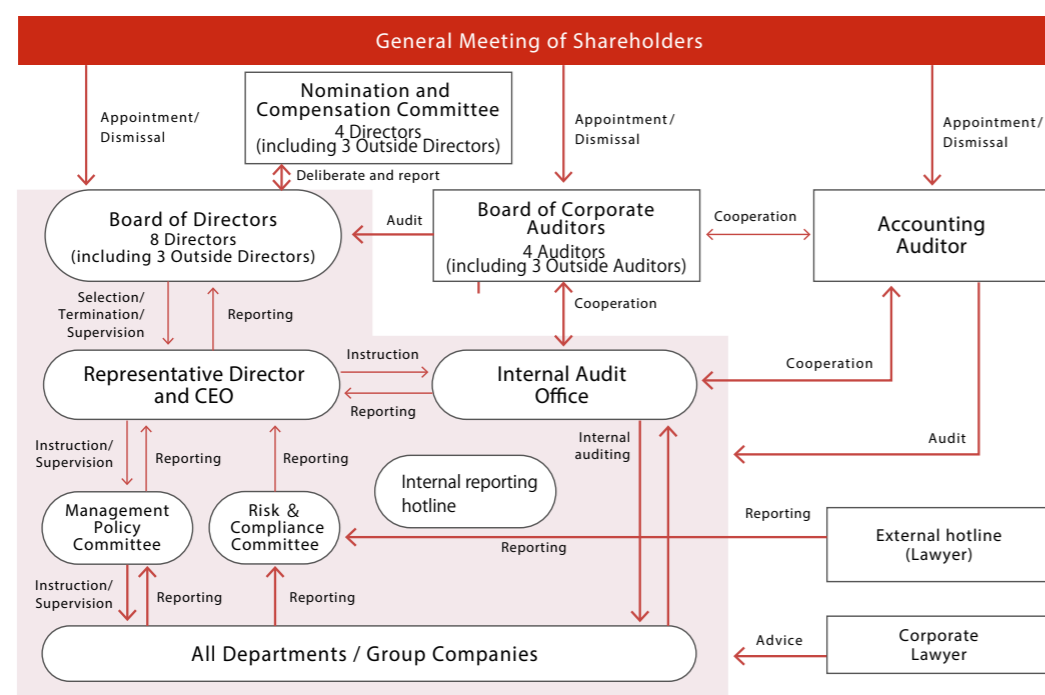
Short-term internships within the company are also offered to promote interaction among the group. In FY19, a total of more than 150 sales representatives participated in a two-week internship program to the Insource Digital Academy and the IT Services Division to strengthen IT personnel training and Leaf's understanding.

G Corporate Governance

Basics of Corporate Governance

In order 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.

Corporate Governance Structure



Functions in the Governance Structure

Name	Number of members	Details	Number of meetings held in FY20
Board of Directors	Internal Directors 5 Outside Directors 3 (including 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. In addition to regular monthly meetings of the Board of Directors, extraordinary meetings are held as necessary.	18
Board of Corporate Auditors	Internal Auditor 1 Outside Auditors 3 *including 1 full-time auditor (including 1 female director)	In addition to regular monthly meetings, the Board of Corporate Auditors holds extraordinary meetings as necessary to review the status of audits and audit results, and to share information among the corporate auditors. The Board of Corporate Auditors is committed to effective monitoring by exercising its legal authority to attend important meetings and receive reports from related parties, as well as by conducting on-site inspections at branch offices and other business locations.	15
Risk and Compliance Committee	Chair: 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.	5
Internal Audit Office	2	The Internal Audit Office, under the supervision of the Representative Director, prepares an audit plan for each fiscal year and conducts operational audits in accordance with that audit plan. The results are reported to the Representative Director promptly after the audit.	-
Nomination and Compensation Committee	Internal Directors 1 Outside Directors 3 (including 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.	Established on December 17, 2021

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 FY20, 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, 2021

Scope

Directors (including outside directors) and corporate auditors (including outside corporate auditors): Total 10 members

Date

Mid-November to the end of November, 2021

Answering Method

5-point scale + free comments

Evaluation Items

- ① Ensuring shareholder rights and equality
- ② Appropriate collaboration with various stakeholders
- ③ Ensuring appropriate information disclosure and transparency
- ④ Responsibilities of the board of directors, etc.
- ⑤ Dialogue with shareholders
- ⑥ Operation of the board of directors
- ⑦ Size (number of persons) and members of the board of directors
- ⑧ Structure to support the Board of Directors
- ⑨ Communication among directors (directors and corporate auditors)

Summary of Evaluation

The effectiveness of the Board of Directors is generally considered to be secured.

Details of the Evaluation

- Proactive collaboration with stakeholders apart from shareholders (local communities, etc.)
- Establishment of systems and initiatives to promote dialogue with institutional investors etc.
- Disclose financial statements but also non-financial information (monthly KPI, etc.) and other information that is of high added value to users in a timely and accurate manner
- Adequate discussion of important issues (management strategy, governance, risk management, etc.) at Board of Directors meetings

Issues to be addressed to improve effectiveness

- Enhancement of the system to support the Board of Directors
- Further activation of communication among directors and corporate auditors

Future Issues

- Early provision of information necessary for resolution and ensuring sufficient time (including prior explanations)
- Establishment of a system to ensure that internal directors and outside directors are able to communicate with each other

Compensation of Directors

Regarding directors' compensation, the Nomination and Compensation Committee, whose chairman and majority of its members are independent outside directors, deliberates on the appropriateness of the compensation, and the Board of Directors makes a decision on the compensation. Until now, the President and Representative Director, who was appointed by the Board of Directors, determined director compensation for each fiscal year, taking into consideration his/her role, level of contribution, business performance, and other factors. In order to ensure objectivity and transparency in the amount of compensation for directors, the Nomination and Compensation Committee was established in FY20 as an advisory body to the Board of Directors to examine and deliberate on the nomination and compensation of directors.

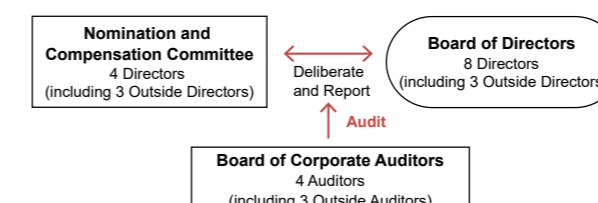
Basic Policy

- 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

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

Structure of the Nomination and Compensation Committee



Composition Ratio of Compensation

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

Basic Measures

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. ⇒ See "Response to the COVID-19 crisis" on page 25.
	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.
Risks to Our Group's Business	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 43.
	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 ⇒ See "Management Base: Content Development Capability" on page 39.
	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 "Sales Force" on page 46 .
	Intellectual Property Rights	If a malicious third party imitates our services for our original content, it may hinder our business development. 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.	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. 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.
	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	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.17

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.

Activity Policy: 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 FY19, we published 173 news releases, including monthly performance indicators (KPIs). In the past, we issued 51 news releases in March, 2020, when the response to COVID-19 was in full swing and training for new employees was just around the corner. Even under unprecedented circumstances, we have communicated our activities to our shareholders and investors. 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 the Media Business Department, 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 conversation 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

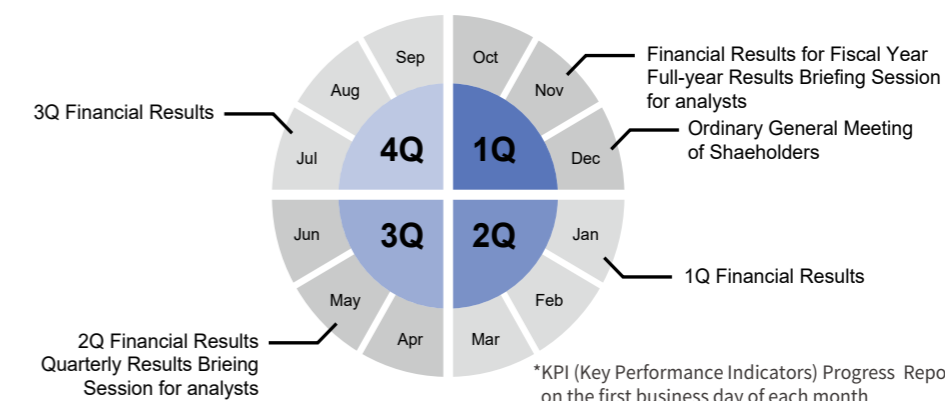
Dialogue with individual investors

- Information provided through annual shareholder newsletters and website

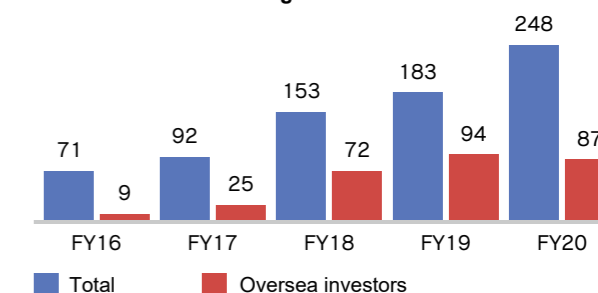
Dialogue with external evaluation organizations such as ESG rating agencies

- Received MSCI ESG rating of "AA" (June, 2021)
(Also described on p.28)

IR calendar



No. of total small meetings and with overseas investors



Disclosure in English

We are enhancing disclosure in English.

Material	Schedule	Disclosure status (April ,2022)
Financial results	Every quarter	○ (Same day)
Presentation material	Every quarter	○ (Same day)
Presentation material	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	July ,2022	○

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

Executives of the Company



Takayuki Funahashi
Representative Director,
President and Chief Executive Officer
Director of Mitemo Co., Ltd
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 Corporate Management Department
Director of MIRAI SOUZOU & COMPANY, Inc.
Director of Insource Digital Academy Corporation



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
Manager of Online Training Department



Hidenori Fujioka
Outside Director



Norio Kambayashi
Outside Director
[Significant concurrent positions]
Professor of Graduate School of Business
Administration, Kobe University
Chairman of the Japan Academy of Business
Administration



Katsuko Hiroto
Outside Director
[Significant concurrent positions]
Director of Power Interactive Corp.



Ayami Tabuchi
Full-time Auditor



Mamoru Yamashita
Auditor



Shuhei Fujimoto
Auditor
[Significant concurrent positions]
Representative of PKF Hibiki Audit Corporation



Kazuo Iizuka
Auditor
[Significant concurrent positions]
President of Iizuka Law Office
Outside Director of KAWATA MFG. CO., LTD

■ 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		

*As of the end of April, 2022

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 Hiroto	Ayami Tabuchi	Mamoru Yamashita	Shuhei Fujimoto	Kazuo Iizuka
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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 MIRAI SOUZOU & COMPANY, Inc.

Shun Tanaka
Executive Officer
Manager of IT Service Department
Director of Insource Marketing Design Corporation

Hiroaki Matsuki
Executive Officer
Vice Manager of Group Sales Management Office



Hideaki Fujita
Executive Officer
Manager of Open Seminars Department
Vice manager of Operation Department

Seiichi Tanimura
Executive Officer
Vice Manager of Group Sales Management Office
Manager of Expert Sales Department
Officer in charge of Trainers' Educational Department
Vice Manager of Process Automation Department

Hideki Hara
Executive Officer
Vice Manager of Group Sales Management Office
Vice Manager of Expert Sales Department
Vice Manager of Process Automation Department

Masahiro Osawa
Executive Officer
Vice Manager of Group Sales Management Office



Tomoyuki Kaeriyama
Executive Officer
Vice Manager of Group Sales Management Office
Manager of Expert Sales Department
Manager of Process Automation Department

Yasutsune Momose
Executive Officer
Manager of CEO Office
Manager of Group Human Resources & General Affairs Department
Director of Mitemo Co., Ltd

Akira Takahara
Executive Officer
Manager of Operation Department
Vice Manager of Group Management Department
Officer in charge of EC Solution Department
Officer in charge of Internal Audit Department
Director of Rashiku Corporation
Director of Insource Digital Academy Corporation

Yosuke Kobayashi
Executive Officer
Manager of Media Business Department
Director of Insource Marketing Design Corporation



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 MIRAI SOUZOU & COMPANY, Inc.

Toshiaki Ohashi
Representative Director of Insource Marketing Design Corporation

■ The expertise that the Group expects from its directors and officers

*The maximum 8 main skills possessed by each executive officer are marked with ●

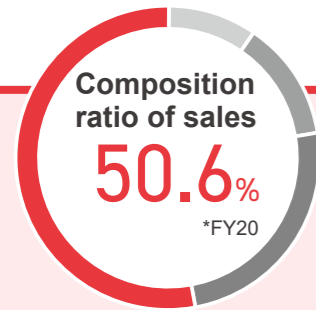
Job Title	Executive Officer	Executive Officer	Executive Officer	Executive Officer
Name	Yoshio Ohata	Shin Kebukawa	Shun Tanaka	Hiroaki Matsuki
Business Management	Management Experience			
Speedy Decision Making	Quick Action in Response to Changes in the External Environment		●	
Finance	Experience in Borrowing 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			

*As of the end of April, 2022

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	Toshiaki Ohashi
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		●		●		●	●		●	●
	●		●							●
	●		●							
		●							●	●

On-Site Training

Dispatch trainers to the organization to provide customized training



Services provided by

	Insource	Training (general)
	Mitemo	Workshops, dispatch of facilitators, etc.
	MIRAI SOUZOU & COMPANY	Management strategy, SDGs, leadership, marketing, and thinking methods etc.
	Insource Digital Academy	DX/IT-related training

Features

- 1 Flexible customization**
- 2 Wide and latest lineup of 3,461 training courses**
- 3 14,224 times of training conducted and 452,773 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
- Labor Management
- Subordinate Coaching
- Innovative Leader
- Risk Management

For Middle Management

- OJT
- Leadership
- Mentor
- Business improvement
- Time management
- Followership

For New and Young Employees

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

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**

FY20 Review

- Net sales: 3,797 million yen (+39.4% YoY), gross margin: 78.0% (+2.9 pt YoY)
- Increase in the number of private companies with high unit-price, mainly in the three major metropolitan areas
- Expansion of high unit-price online training (online ratio: 49.1%)
- Proactive development of new training courses such as Post-COVID-19 World, DX, SDGs training, etc.

Current Issues

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

FY21 Business Strategies

Tactics	Provide services with optimal content and means for each enterprise segment
Large Enterprise	Develop new trainings such as DX training and SDGs training, and strengthen sales promotion
Mid-Business, SMB	Develop new trainings including turnover prevention solutions, and strengthen sales promotion

Main Topics ① Expansion of DX Training

We have been developing products to meet the growing needs for DX training.

We will aggressively expand sales, mainly to public and private sectors.



July, 2020	Started offering the "Gokui Series" for project managers
April-July, 2021	Provide ICT trainings (basic and advanced) for the Tokyo Metropolitan Government officials
May, 2021	Started offering Python-specific programming training for beginners
March, 2022	Appointed as a partner of Sapporo Holdings Limited's "DX Human Resource Development for All Employees" program

Main Topics ② Development of Solutions for Employee Turnover Prevention

We have developed a training lineup mainly for SMB on the theme of employee turnover prevention or employee retention. These programs are targeted at personnel managers, mid-career recruiters, and leaders, as well as mid-career and young employees.



For HR Professionals	(Half-day) Trainings on the prevention of employee turnover and supporting the workplace retention of employees
For Managers	Prevent employee turnover - support the early career success of employees
For Younger Employees	Training for young employees - career development and motivation management

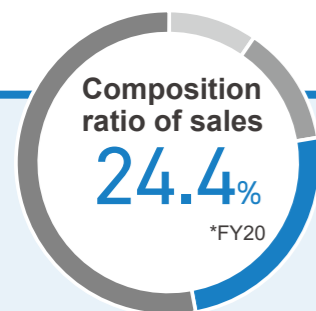
Changes in KPIs

(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)
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	+15.8%	-	-	2,582
FY16	2,372	302	+14.6%	71.7%	+0.1	66.2%	△9.8	3,261	+499	688	△15	11,620	+11.5%	-	-	2,333
FY15	2,070	-	-	71.6%	-	75.9%	-	2,762	-	703	-	10,422	-	-	-	2,050

Open Seminars

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



Services provided by

	Insource	Training (general)
	Mitemo	Training (general)
	Insource Digital Academy	DX/IT training
	Business partner	DX/IT training, Training for General Affairs, Finance, Legal, IR

Features

- 1 Available in 7 cities nationwide and with online support
- 2 3,214 different lineups
- 3 6,278 seminars conducted and 84,448 attendees per year

+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

+α Features of our face-to-face seminars

Wide choice of venues

With regular venues in 7 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.

Insource aims to provide reliable services to our customers

1. An environment for concentration

The concept is "Art-Museum". The calm atmosphere of the venue allows you to concentrate on learning and relax while taking a break. The surrounding environment is also excellent.



2. A safe and comfortable venue

The venue is fully equipped with infection control measures, including disinfection and avoid the "Three Cs" to prevent infection.



3. A well-developed website and materials

We have enhanced our website with information such as the process from application as FAQs. We also provide contents such as Q&A and course direction to help you choose the right training program for you.



オンライン・全国各地で実施している公開講座を、お得にまとめ買い /

公開講座が最大半額!! スマートパック

受講者の10人に7人*が利用するポイント制割引サービス

*2020年6月～2020年11月の公開講座全受講者より

研修コストを大幅削減

通常26,400円の公開講座も**13,000円**に!
料金プランに応じて最大**50%OFF**

様々なサービスに使える

公開講座、動画教材、研修テキスト
などポイントが使える対象サービスを拡大中

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

FY20 Review

- Net sales: 1,827 million yen (+44.2% YoY), Gross profit margin: 75.1% (+13.1 pt YoY)
- The ratio of online training attendees increased to 77.0%, leading to an increase in the number of attendees per training (elimination of seminar room and area restrictions)
- Continued face-to-face training in classrooms with thorough infection control measures
- Aggressively expanded training programs offered by business partners in addition to in-house developed ones

Current Issues

Overall	Lack of contents optimized for business segments
Mid-Business, SMB	Decrease in the number of organizations using the service due to the impact of COVID-19

FY21 Business Strategies

Overall	<ul style="list-style-type: none"> • Expansion of contents and services for the company segment and increase in the number of business partners • Improve convenience of "WEBinsource" for Open Seminars applications, promote use of common points 	
Large Enterprises	Expand sales of "Energy Session" (short training series)	
Mid-Business, SMB	Expand sales of "Value Pack" which is available for Mid-Business and SMB at 48,000 yen/month (including tax)	

Main topics - Development of a short training series "Energy Sessions"

While most of our trainings are held in one day, we are developing "Energy Sessions" in response to requests from our clients who want to learn key points in a short time.



We will offer a lineup of the latest trends to meet the needs of individual skill development.

Lineup (part)

Full Discussion	Diversity and Inclusion Training
Full Discussion	Considering organizational strategies to utilize "individuality" and enhance competitiveness
Full Discussion	Behavioral Economics and Nudge Theory Training - Communication
Full Discussion	Behavioral Economics and Nudge Theory Training - Document Preparation
Full Discussion	Training on how to create PowerPoint that impress people

Changes in KPIs

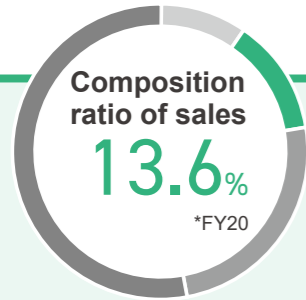
(Unit: million yen, %, pt, organization, thousand yen, thousand people, type)

	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)
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
FY16	897	+247	+38.0%	61.8%	+2.5	25.0%	-	6,671	+1,183	134	+19	43	+36.2%	-	-	1,828
FY15	650	-	-	59.4%	-	22.3%	-	5,488	-	115	-	31	-	-	-	1,066

4.Current Business Activities

IT Services

Support work efficiency improvement through IT



Services provided by

Insource	LMS Leaf (HR support system) /Stress Check Support Service
----------	--

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

1.93 million users! Why are we the most popular in Japan? *as of the end of March 2022

- Reasonable price**
Unlimited video streaming
- Easy to use**
Simple introduction and operation
- Abundant Functions**
A complete system that is well designed for HR 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



- 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 4 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

FY20 Review

- Net sales of 1,022 million yen (+56.0% YoY), gross profit margin of 77.2% (+4.2 pt YoY)
- The number of Leaf users exceeded 1.75 million, and annual recurring revenue (ARR) increased by 65.4%
- Flexible customization accelerated adoption by large enterprises, with a total of 412 paid organizations (+164 YoY)
- Launched "Leaf Lightning" aimed at Mid-Business, SMB

Current Issues

- Further expansion of sales to large companies and market development for small and mid-sized companies
- Acceleration of development of new functions and services

FY20 Business strategies

Overall	Expand the Leaf series by strengthening development of new functions and new versions
Large Enterprises	Further expand sales of Leaf
Mid-Business, SMB	Strengthen sales promotion of Leaf Lightning

Main Topics ① Strengthen promotion of Leaf Lightning

Leaf Lightning is a packaged product targeted at Mid-Business, SMB and equipped with the functions necessary to introduce e-Learning training.



Main Topics ② Development of new features of Leaf

We are releasing new features and new versions of Leaf. We will provide the best services to meet diverse needs.

Oct., 2021	Released Leaf's Three New Functions: "Multilingual Subtitles", "Editing Function" and "English display"
Mar., 2022	Released "Leaf in order," a fixed-price e-Learning system
Mar., 2022	Released Leaf EVA, an easy-to-use personnel evaluation system
Apr., 2022	Released "Communication Board" and "One Time Password (Two Factor) Authentication"



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)
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	-	-
FY16	85	+54	+174.5%	-	-	-	-	51	+18	-	-
FY15	31	-	-	-	-	-	-	33	-	-	-

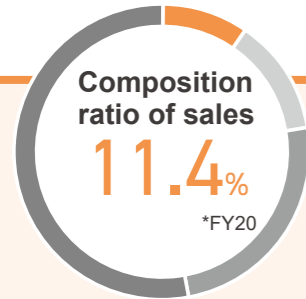
*IT Service business became independent from Other Businesses in FY20

4. Current Business Activities

Other Businesses

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

- e-Learning and video sales
- Online supporting seminars
- Video production
- Consulting and assessment
- Placement services and web marketing



Services provided by

	Insource	e-Learning and video, online business supporting services, assessment and consulting services
	Mitemo	e-Learning, video, video production, and regional development services
	Rashiku	Staffing & Recruitment Services
	Insource Marketing Design	Web promotion, website development, system development, online store creation

Main Services

e-Learning, video production



Douga Hyakkaten (Video Department Store)
The site provides a comprehensive video and e-Learning materials. Depending on each content, there are outright purchase plans for data and DVDs, rental plans, and flat-rate unlimited streaming plans.

Online seminar supporting services



Online seminar supporting services
Seminar management service (supporting services)
Operator dispatch service
Studio venue rental service
Online webinar operation supporting service

Consulting/ Assessment services



Insource HR Assessment
Visualize not only individual abilities and skills but also characteristics



"giraffe" Assessment
Assessment tool to visualize employees' career aspirations, attitudes, and behavioral characteristics



Education and Training System
•Support for establishment of the system
•Reflect the feedback from employees in the field



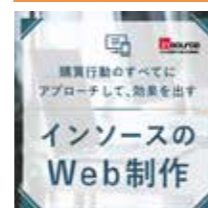
Survey on customer
•Satisfaction and customer service
•Survey of current CS
•Create original survey sheets
•Provide various training programs

Placement services



Rashiku Recruitment
Connecting organizations and people placement services

Web marketing services



Web Production
•Effective web production
•Web access analysis and improvement proposal service

FY20 Review

- Net sales: 853 million yen (+80.7% YoY), Gross profit margin: 69.7% (-0.9 pt YoY)
- "Douga Hyakkaten (Video Department Store)," launched in July 2020, has grown largely in response to the non-face-to-face training needs of COVID-19.
- Online seminar supporting service launched in July 2020 has increased significantly.
- Insource Marketing Design, Inc. (formerly Marine Road, Inc.) became a group company and started web marketing services in July 2021.

Current Issues

- Strengthen sales promotion to existing customers through integrated proposals with other services
- Strengthen personnel to maintain high growth rate

FY20 Business strategies

Overall	Strengthen investment in recruitment and new businesses
e-Learning and videos	Continue to develop new contents with a target of 210 videos per year
Web Marketing	Strengthen sales promotion of recruitment support and performance improvement solutions

Main Topics ① Develop 20 new videos every month in correspondence with trends

Develop latest videos including harassment prevention, labor management, personal information protection, promotion of Women's Advancement and DX, compliance, etc., corresponding to the legal revision in April, 2022



Main Topics ② Launched "Recruitment Accel," a recruitment website production service

In March 2022, we launched "Recruitment Accel," a service to produce recruitment websites to ensure customers can choose the people they want. We provide one-stop support for issues ranging from web production to recruitment and training.



Changes in KPIs

Other Businesses

	(Unit: million yen, %, pt)						
	Net sales (mill. yen)	YoY (mill. yen)	YoY (%)	Gross profit margin	YoY (pt)	Composition ratio	YoY (pt)
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
FY16	230	+66	+40.6%	-	-	6.4%	+0.8
FY15	163	-	-	-	-	5.6%	+5.6

*Sales for IT Services are excluded
*Sales for Web marketing is included from 4Q FY20 as Insource Marketing Design, Inc. became a group company

e-Learning/ Video production

	(Unit: No., IDs, %)			
	Outright purchase	Rental viewers	Monthly Subscription (STUDIO)	Video Production Solution
4Q FY20	288	1,507	54,674	23
3Q FY20	419	1,735	51,047	35
2Q FY20	430	1,878	44,514	37
1Q FY20	285	1,090	42,488	41

*Monthly Subscription (STUDIO) IDs are calculated at the end of each month

Consolidated Financial Statements and Notes

Consolidated Balance Sheets

(Unit: thousand yen)

	FY19 (As of Sep. 30, 2020)	FY20 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	2,219,868	2,624,111
Accounts receivable - trade	684,631	882,846
Merchandise	7,966	9,000
Work in process	16,610	41,853
Prepaid expenses	30,333	171,681
Other	67,309	32,189
Allowance for doubtful accounts	△1,484	△1,994
Total current assets	3,025,236	3,759,687
Non-current assets		
Property, plant and equipment		
Buildings	389,415	601,090
Accumulated depreciation	△91,488	△100,687
Buildings, net	297,926	500,403
Tools, furniture and fixtures	57,278	65,195
Accumulated depreciation	△40,012	△47,738
Tools, furniture and fixtures, net	17,266	17,456
Land	409,978	1,179,658
Construction in progress	—	182,160
Total property, plant and equipment	725,171	1,879,678
Intangible assets		
Leasehold interests in land	—	305,984
Goodwill	25,333	53,120
Software	98,813	92,624
Other	12,998	951
Total intangible assets	137,145	452,680
Investments and other assets		
Investment securities	122,821	82,465
Long-term prepaid expenses	—	211,052
Leasehold and guarantee deposits	195,856	163,820
Deferred tax assets	137,260	216,365
Other	1,073	954
Total investments and other assets	457,011	674,658
Total non-current assets	1,319,328	3,007,017
Total assets	4,344,564	6,766,705

(Unit: thousand yen)

	FY19 (As of Sep. 30, 2020)	FY20 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	88,250	114,029
Accounts payable - other	467,434	399,621
Income taxes payable	87,095	758,874
Accrued consumption taxes	69,396	261,213
Advances received	595,950	599,026
Deposits received	58,259	53,138
Other	13,388	16,405
Total current liabilities	1,379,775	2,202,311
Non-current liabilities		
Asset retirement obligations	81,531	59,504
Other	—	4,465
Total non-current liabilities	81,531	63,969
Total liabilities	1,461,307	2,266,280
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	641,793	854,983
Retained earnings	2,129,879	3,313,927
Treasury shares	△689,856	△472,612
Total shareholders' equity	2,882,439	4,496,921
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	817	3,503
Total accumulated other comprehensive income	817	3,503
Total net assets	2,883,257	4,500,424
Total liabilities and net assets	4,344,564	6,766,705

Consolidated Statements of Income

(Unit: thousand yen)

	FY19 (Oct. 1,2019-Sep. 30, 2020)	FY20 (Oct. 1,2020- Sep. 30, 2021)
Net sales	5,119,777	7,501,115
Cost of sales	1,475,896	1,779,586
Gross profit	3,643,880	5,721,528
Selling, general and administrative expenses	2,859,521	3,317,264
Operating profit	784,359	2,404,264
Non-operating income		
Interest income	511	518
Dividend income	372	275
Subsidies for employment adjustment	2,420	12,850
Subsidy income	13,224	3,216
Foreign exchange gains	—	264
Other	2,553	4,377
Total non-operating income	19,082	21,504
Non-operating expenses		
Interest expenses	—	661
Foreign exchange losses	60	—
Share of loss of entities accounted for using equity method	6,987	—
Commission for purchase of treasury shares	853	—
Loss on extinguishment of stock-based compensation expenses	—	8,324
Other	—	143
Total non-operating expenses	7,901	9,130
Ordinary profit	795,540	2,416,638
Extraordinary income		
Gain on redemption of investment securities	—	1,222
Total extraordinary income	—	1,222
Extraordinary losses		
Loss on valuation of investment securities	85,024	50,859
Loss on retirement of non-current assets	—	387
Impairment losses	—	20,626
Total extraordinary losses	85,024	71,873
Profit before income taxes	710,515	2,345,987
Income taxes - current	270,180	855,077
Income taxes - deferred	△5,116	△80,290
Total income taxes	265,063	774,786
Profit	445,452	1,571,200
Profit attributable to owners of parent	445,452	1,571,200

Consolidated Statements of Comprehensive Income

(Unit: thousand yen)

	FY19 (Oct. 1,2019-Sep 30, 2020)	FY20 (Oct 1,2020- Sep 30, 2021)
Profit	445,452	1,571,200
Other comprehensive income		
Valuation difference on available-for-sale securities	△4,525	2,685
Total other comprehensive income	△4,525	2,685
Comprehensive income	440,926	1,573,886
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	440,926	1,573,886
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	710,515	2,345,987
Depreciation	100,389	124,750
Amortization of goodwill	9,212	11,159
Share-based payment expenses	—	70,350
Impairment losses	—	20,626
Loss on retirement of non-current assets	—	387
Loss (gain) on valuation of investment securities	85,024	50,859
Loss (gain) on redemption of investment securities	—	△1,222
Increase (decrease) in allowance for doubtful accounts	△181	510
Interest and dividend income	△884	△794
Share of loss (profit) of entities accounted for using equity method	6,987	—
Foreign exchange losses (gains)	60	△264
Decrease (increase) in trade receivables	44,662	△185,557
Decrease (increase) in inventories	△7,364	△24,471
Increase (decrease) in trade payables	△42,953	24,328
Other, net	△33,711	76,370
Subtotal	871,758	2,513,019
Interest and dividends received	884	794
Interest paid	—	△661
Income taxes paid	△680,736	△156,202
Net cash provided by (used in) operating activities	191,906	2,356,950
Cash flows from investing activities		
Purchase of investment securities	△48,500	△50,123
Proceeds from sale and redemption of investment securities	3	21,945
Purchase of property, plant and equipment	△559,495	△1,234,726
Purchase of intangible assets	△22,565	△305,984
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	△13,957	△26,728
Proceeds from refund of leasehold and guarantee deposits	38,618	60,142
Loan advances	△8,366	△410
Proceeds from collection of loans receivable	528	8,146
Other, net	△10,519	△33,394
Net cash provided by (used in) investing activities	△624,254	△1,544,804
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
Purchase of treasury shares	△305,099	△934
Proceeds from disposal of treasury shares	1,406	937
Dividends paid	△336,237	△387,152
Net cash provided by (used in) financing activities	△639,930	△408,168
Effect of exchange rate change on cash and cash equivalents	△60	264
Net increase (decrease) in cash and cash equivalents	△1,072,339	404,242
Cash and cash equivalents at beginning of period	3,292,208	2,219,868
Cash and cash equivalents at end of period	2,219,868	2,624,111

5.Data Section

Performance Trends

(Unit: million yen)

Fiscal Year Ended September 30	FY16	FY17	FY18	FY19	FY20
Financial Reports:					
Net sales	3,585	4,536	5,608	5,119	7,501
On-Site Training	2,372	2,827	3,279	2,724	3,797
Open Seminars	897	1,166	1,527	1,267	1,827
IT Services				655	1,022
Other Businesses	315	541	801	472	853
Gross profit	2,403	3,096	3,959	3,643	5,721
SG&A	1,811	2,158	2,655	2,859	3,317
Personal expenses	1,385	1,662	2,047	2,260	2,615
Landrent	107	120	126	133	129
Office & system expenses	102	130	180	178	216
Others	215	245	301	287	355
Operating profit	592	937	1,303	784	2,404
Ordinary profit	608	933	1,298	795	2,416
Profit attributable to owners of parent	412	635	835	445	1,571

Financial Position:

Total assets	1,436	2,889	3,082	2,883	4,500
Total liabilities	907	1,070	1,875	1,461	2,266
Net assets	2,343	3,959	4,957	4,344	6,766

Cash Flows:

Cash flow from operating activities	578	751	1,345	191	2,356
Cash flow from investing activities	-8	-147	-236	-624	-1,544
Free cash flow	570	604	1,109	-433	812
Cash flow from financing activities	-314	804	-642	-639	-408

Per Share Information (yen):

Earnings per share	10.18	15.36	19.86	10.61	37.43
Dividends	3.6	4.8	8.0	9.2	15.5
Payout ratio	35.4	31.3	40.3	86.7	41.4
Net assets per share	89.00	137.30	146.59	68.89	106.92

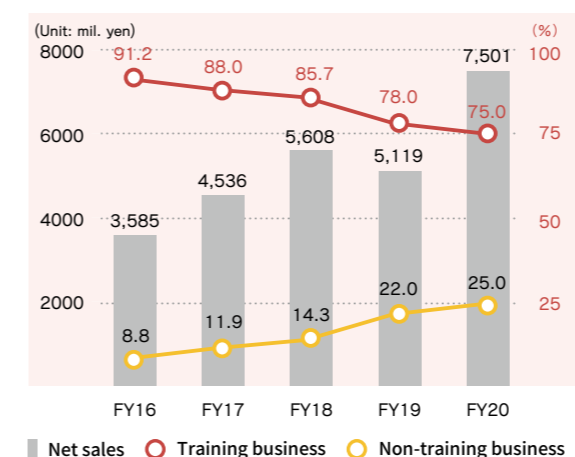
*Each number is calculated on the assumption that the stock split was conducted at the beginning of FY16:

Major Indicators:

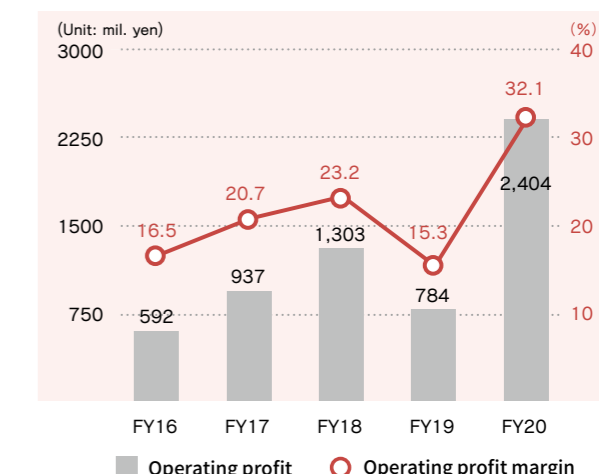
Operating profit margin	16.5	20.7	23.2	15.3	32.1
Equity ratio	61.3	73.0	62.2	66.4	66.5
ROE	29.8	29.4	28.0	14.9	42.6
Return on sales (ROE)	11.5	14.0	14.9	8.7	20.9
Total assets turnover (times)	1.67	1.44	1.26	1.10	1.35
Financial leverage (times)	1.55	1.46	1.49	1.56	1.51
No. of employees	323	379	443	470	527

Performance Trends

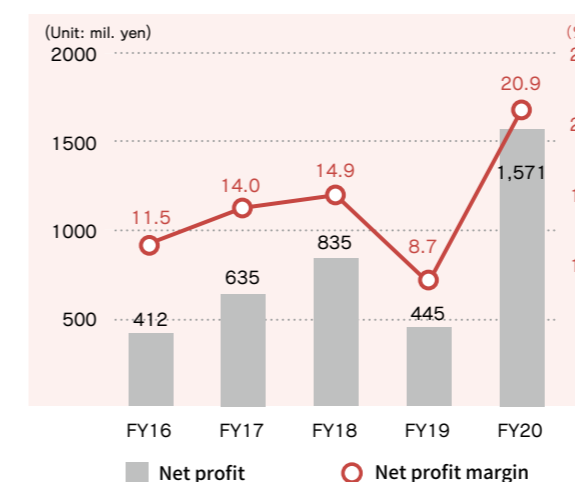
Net sales/Sales ratio by business



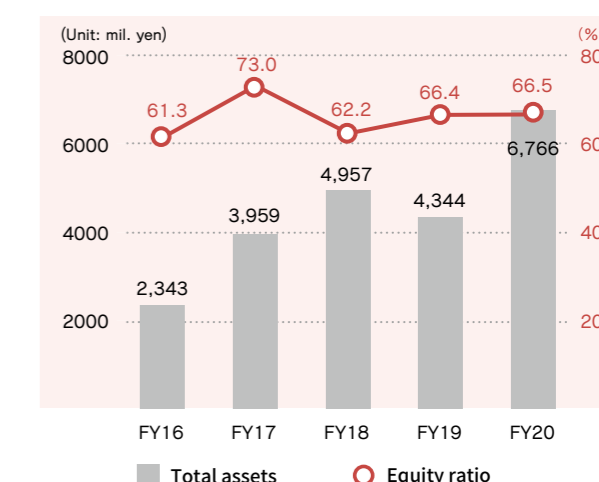
Operating profit/Operating profit margin



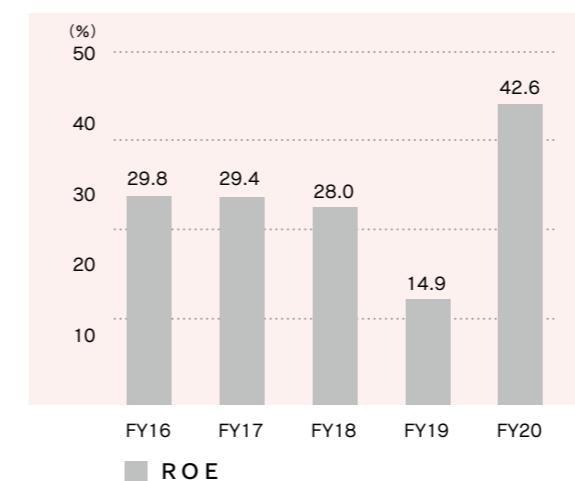
Net profit/Net profit margin



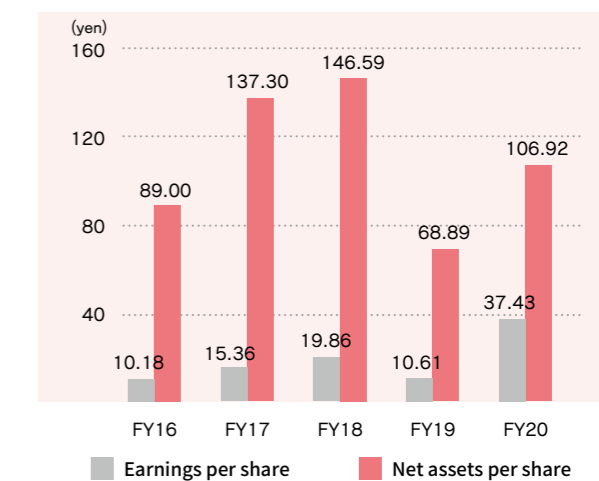
Total assets/Equity ratio



ROE



Earnings per share/Net assets per share



Company's Profile/Stock information(as of Sep.30, 2021)

Company's profile

Company Name	Insource Co., Ltd.
Date of Foundation	November, 2002
Date of Establishment	January, 2003
Headquarter	3-20, Kanda Ogawamachi, Chiyoda-ku, Tokyo 101-0052
Tokyo Office	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	527 (Consolidated)
Group Company	Mitemo Co., Ltd. Rashiku Corporation MIRAISOUZOU & COMPANY, Inc. Insource Digital Academy Corporation Insource Marketing Design Corporation

Stock information

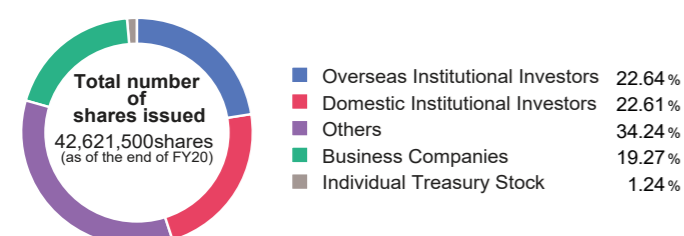
Total number of shares authorized to be issued	150,000,000 shares
Total number of shares issued	42,621,500 shares
Number of shares per unit	100 shares
Number of shareholders	4,872
Fiscal year	From October 1 to September 30 of the following year
Ordinary general meeting of shareholders	December
Record date for dividends	September 30
Date of share offering	July 21, 2016
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

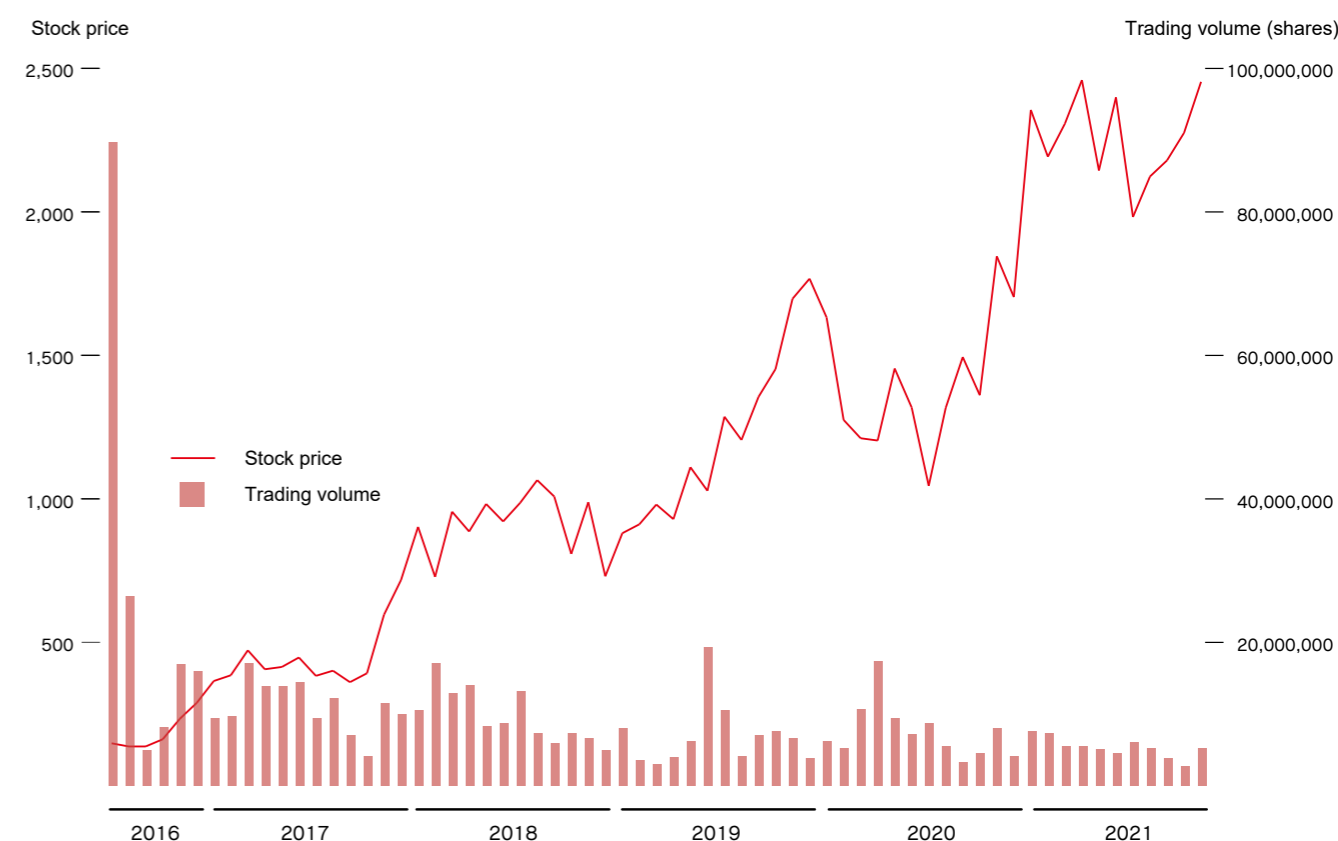
Name of shareholder	Number of stock (thousand shares)	Percentage (%)
Leplus Co.	13,449	31.95
The Master Trust Bank of Japan (Trust Account)	3,328	7.91
Takayuki Funabashi	2,723	6.47
Kumiko Kawabata	1,920	4.56
The Custody Bank of Japan, Ltd. (Trust Account)	1,830	4.35
The Custody Bank of Japan, Ltd. (Trust Account 9)	1,545	3.67
STATE STREET BANK AND TRUST COMPANY 505303	1,081	2.57
CREDIT SUISSE (LUXEMBOURG) S.A./CUSTOMER ASSETS, FUNDS UCITS	850	2.02
Blake Corporation	800	1.90
STATE STREET BANK AND TRUST COMPANY 505019	799	1.90

*Shareholding ratios are calculated excluding treasury shares and rounded down to two decimal places

Shareholders description



Stock price and trading volume (Tokyo Stock Exchange)



About the Integrated Report

The report focuses on the Insource Group's value creation process, management foundation, and future outlook.

The report was made by our in-house staff and we hope it can deepen your understanding of our business activities.

We will keep improving our corporate value and have more communication with all stakeholders. Thank you for all your support.

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

[Inquiries] CEO Office, Insource Co., Ltd.

Insource Co., Ltd.

- TEL +81-(0)3-5577-2283
- Mail info_ir@insource.co.jp

