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3Q FY23 Consolidated Financial Results [JGAAP]

July 22, 2024

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 Code number: 6200 URL: <https://www.insource.co.jp/index.html>
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 Scheduled date to commence dividend payments: -
 Availability of supplementary briefing material on quarterly results: Yes
 Scheduled date of Quarterly Results Briefing Session: Not scheduled

(Amounts are rounded down to the nearest million yen)

1. 3Q FY23 Consolidated Financial Results (October 1, 2023 – June 30, 2024)

(1) Consolidated Financial Results(cumulative) (% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	mil yen	%	mil yen	%	mil yen	%	mil yen	%
3Q FY23	9,174	16.1	3,540	26.1	3,544	26.4	2,429	27.6
3Q FY22	7,899	14.9	2,807	15.2	2,804	16.1	1,903	15.1

(Note) Comprehensive income: 3Q FY23 2,429 million yen (27.2%) 3Q FY22 1,910 million yen (15.6%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
3Q FY23	28.94	28.93
3Q FY22	22.60	22.60

(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares. In the above, "Earnings per share" and "Fully diluted earnings per share" are calculated on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	mil yen	mil yen	%
3Q FY23	11,623	9,010	77.5
FY23 Full-year	10,795	7,929	73.5

(Reference) Shareholders' equity: 3Q FY23 9,010 million yen FY23 Full-year 7,929 million yen

2. Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	yen sen	yen sen	yen sen	yen sen	yen sen
FY22 Full-year	—	0.00	—	13.00	13.00
FY23 Full-year	—	0.00	—	—	—
FY23 (forecast)	—	—	—	19.50	19.50

(Note) Revisions of dividend forecast from recently announced figures: Yes

3. Consolidated Financial Forecast for FY23 (October 1, 2023 – September 30, 2024)

(% indicates changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	mil yen	%	mil yen	%	mil yen	%	mil yen	%	yen sen
FY23 Full-year	12,470	15.6	4,850	23.1	4,770	21.1	3,250	21.4	38.71

(Note) Revisions of forecast of financial results from recently announced figures: Yes

* Notes

(1) Significant changes in subsidiaries during 3Q FY23

(changes in specific subsidiaries involving changes in the scope of consolidation) : None

(2) Specific accounting methods for quarterly consolidated financial statements : Yes

(3) Changes in accounting policies, estimates and restatements

(i) Changes in accounting policies due to the revision of accounting standards : None

(ii) Changes in accounting policies other than (3)-(i) : None

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(4) Total number of issued shares (common stocks)

(i) Total number of issued shares at the end of the period (including treasury stocks)

3Q FY23	85,243,000 shares	FY22	85,243,000 shares
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(ii) Total number of treasury stocks at the end of the period

3Q FY23	1,341,569 shares	FY22	1,055,089 shares
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(iii) Average number of shares during the period (cumulative)

3Q FY23	83,950,251 shares	3Q FY22	84,192,164 shares
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(Note) The Company conducted a stock split on January 1, 2023, whereby each share of common stock was split into two shares, and the above calculations are based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statement certified public accountants or an audit firm: None

* Explanation for the appropriate use of financial forecasts and other special notes:

(Cautionary note on forward-looking statement)

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast figures due to various factors.

For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Consolidated Financial Forecasts” on page 3 of this report.

(How to obtain supplementary explanatory materials for financial results)

Supplementary materials for quarterly financial results are disclosed on the Company's website along with this financial report.

(Review from the certified public accountants or an audit firm)

The Company will undergo a review by an auditing firm, and will disclose the quarterly financial results with the review report attached after the completion of the review (scheduled on August 5, 2024).

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1 . Overview of Business Results

(1) Overview of Business Results for the 3Q FY23

The needs of career training market are strong because of growing concerns for improving labor productivity and reskilling efforts, as well as for human capital management that leads to higher corporate value. The market is growing during the third quarter of the current fiscal year (From October 1, 2023 to June 30, 2024), as face-to-face trainings have been increasing.

Amid this situation, in order to help clients solve various management issues, the Group developed new services in the areas of training and e-Learning content for DX, reskilling, health and productivity management, strengthened alliances with other companies for the HR support system and LMS (*1) "Leaf", and reinforced its sales structure including opening new offices.

Regarding On-Site Training Business, the number of trainings conducted increased by 8.9% YoY due to increased training needs during the training period for new employees.

In Open Seminars Business, total number of attendees increased 13.2% YoY due to an increase in the number of trainings held for new employees and for new training programs such as generative AI.

About IT Services, the total active "Leaf" users exceeded 3.82 million as of the end of June 2024, with the start of operation of large-scale customized projects for the Ministry of Education, Culture, Sports, Science and Technology. As a result, the number of paid subscribers increased to 710 organizations (+98, +16.0% YoY). Leaf's monthly subscription fees (MRR (*2) increased steadily, and ARR (*3) grew 51.3% YoY to 1,079 million yen. The number of customization projects increased 9.5% YoY.

In Other Businesses, sales increased due to 13.3% YoY in the total number of units sold mainly for the highly profitable new e-Learning and videos. In addition, the number of Consulting and Assessment projects increased 51.9% YoY.

Operating profit margin increased due to lower SG&A expenses ratio compared to the same period last year.

As a result of the above, consolidated financial results for this third quarter is as follows; net sales were 9,174,505 thousand yen (+16.1% YoY), operating profit was 3,540,505 thousand yen (+26.1% YoY), ordinary profit was 3,544,374 thousand yen (+26.4% YoY), profit attributable to owners of parent was 2,429,559 thousand yen (+27.6% YoY).

*1:LMS (Learning Management System): A system necessary for implementing e-Learning.

*2:MRR: Monthly Recurring Revenue

*3:ARR: Annual Recurring Revenue. Calculated by multiplying the MRR of the last month of each term by 12.

■Net sales by business (cumulative)

(Unit: thousand yen)

Business	3Q FY23 (Oct.1, 2023 – Jun.30, 2024)	YoY(%)	3Q FY22 (Oct.1, 2022 – Jun.30, 2023)
On-Site Training	4,333,797	112.0	3,868,407
Open Seminars	2,197,842	116.1	1,893,390
IT Services	1,381,886	141.5	976,670
Other Businesses	1,260,978	108.6	1,160,600
Total	9,174,505	116.1	7,899,069

(2) Overview of Financial Position for the 3Q FY23

(Assets)

Total assets at the end of the third quarter of the current fiscal year increased by 828,552 thousand yen compared to the end of the previous fiscal year to 11,623,788 thousand yen, mainly due to an increase of 1,251,595 thousand yen in cash and deposits.

(Liabilities)

Total liabilities decreased by 252,055 thousand yen compared to the end of the previous fiscal year to 2,613,679 thousand yen. This was mainly due to a decrease of 379,672 thousand yen in accounts payable - other.

(Net Assets)

Net assets increased by 1,080,608 thousand yen compared to the end of the previous fiscal year to 9,010,109 thousand yen. This was mainly due to an increase in retained earnings of 1,335,088 thousand yen.

(3) Consolidated Financial Forecasts

The Company has revised its full-year consolidated earnings forecast for FY23 downward for net sales and upward for profits from the previously announced forecast. Details are as described in the “Notice of Revision of Consolidated Financial Forecasts for FY23” released today. The forecasts are based on information available at the time of preparation and actual results may differ from these forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	3Q FY23 (As of Jun.30, 2024)
Assets		
Current assets		
Cash and deposits	3,515,516	4,767,112
Notes receivable - trade	3,862	—
Accounts receivable - trade	1,385,239	1,105,497
Inventories	74,932	36,526
Other	157,773	153,364
Allowance for doubtful accounts	(1,602)	(256)
Total current assets	5,135,722	6,062,244
Non-current assets		
Property, plant and equipment		
Buildings, net	1,640,828	1,585,121
Land	1,734,192	1,735,908
Other, net	34,949	69,828
Total property, plant and equipment	3,409,970	3,390,857
Intangible assets		
Leasehold interests in land	769,778	769,778
Goodwill	21,420	15,578
Software	148,724	152,681
Other	346	346
Total intangible assets	940,270	938,385
Investments and other assets	1,309,271	1,232,302
Total non-current assets	5,659,513	5,561,544
Total assets	10,795,236	11,623,788
Liabilities		
Current liabilities		
Accounts payable - trade	193,432	198,911
Accounts payable - other	645,148	265,476
Income taxes payable	784,461	547,922
Advances received	850,350	983,498
Provision for bonuses	—	237,591
Provision for bonuses for directors (and other officers)	—	16,563
Other	348,944	322,806
Total current liabilities	2,822,337	2,572,769
Non-current liabilities		
Asset retirement obligations	43,397	40,909
Total non-current liabilities	43,397	40,909
Total liabilities	2,865,735	2,613,679

(Unit: thousand yen)

	FY22 (As of Sep.30, 2023)	3Q FY23 (As of Jun.30, 2024)
Net assets		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	893,072	909,574
Retained earnings	6,666,433	8,001,521
Treasury shares	(442,399)	(713,618)
Total shareholders' equity	7,917,728	8,998,100
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,772	12,008
Total accumulated other comprehensive income	11,772	12,008
Total net assets	7,929,500	9,010,109
Total liabilities and net assets	10,795,236	11,623,788

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For nine months ended June 30, 2024)

(Unit: thousand yen)

	3Q FY22 (Oct. 1, 2022- Jun.30, 2023)	3Q FY23 (Oct. 1, 2023- Jun. 30, 2024)
Net sales	7,899,069	9,174,505
Cost of sales	1,893,335	2,134,178
Gross profit	6,005,733	7,040,327
Selling, general and administrative expenses	3,197,912	3,499,821
Operating profit	2,807,821	3,540,505
Non-operating income		
Interest income	20	36
Dividend income	504	693
Foreign exchange gains	14	530
Subsidies for employment adjustment	2,167	1,449
Income from base station installation	1,557	1,557
Surrender value of insurance policies	23	1,447
Other	710	1,679
Total non-operating income	4,997	7,394
Non-operating expenses		
Interest expenses	469	—
Loss on extinguishment of stock-based compensation expenses	8,330	2,624
Commission for purchase of treasury shares	—	899
Total non-operating expenses	8,800	3,524
Ordinary profit	2,804,018	3,544,374
Extraordinary losses		
Loss on valuation of investment securities	20,005	153,554
Total extraordinary losses	20,005	153,554
Profit before income taxes	2,784,012	3,390,820
Income taxes	880,557	961,261
Profit	1,903,454	2,429,559
Profit attributable to owners of parent	1,903,454	2,429,559

(Quarterly Consolidated Statements of Comprehensive Income)

(For nine months ended June 30, 2024)

(Unit: thousand yen)

	3Q FY22 (Oct. 1,2022- Jun.30, 2023)	3Q FY23 (Oct. 1,2023- Jun. 30, 2024)
Profit	1,903,454	2,429,559
Other comprehensive income		
Valuation difference on available-for-sale securities	7,025	236
Total other comprehensive income	7,025	236
Comprehensive income	1,910,480	2,429,795
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,910,480	2,429,795
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statement)

(Calculating Tax Expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year, including the third quarter(cumulative) under review, and multiplying quarterly income before income taxes by the effective tax rate.

(Segment Information)

This information is omitted because the Group operates in a single segment of the education service business.

(Notes to Significant Change in the Amount of Shareholders' Equity)

The Company acquired 331,500 shares of treasury stock for 299,952 thousand yen based on a resolution of the Board of Directors meeting held on November 6, 2023. Due to this acquisition, treasury stock totaled 1,341,569 shares and 713,618 thousand yen at the end of the third quarter(cumulative) of the current fiscal year.

(Notes related to the Going Concern Assumption)

Not applicable

(Notes to Statements of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the third quarter(cumulative) of the current fiscal year. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for this third quarter(cumulative) are as follows.

	(Unit: thousand yen)	
	3Q FY22 (Oct.1, 2022 - Jun.30, 2023)	3Q FY23 (Oct.1, 2023 - Jun.30, 2024)
Depreciation	120,060	128,702
Amortization of goodwill	12,751	5,841