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## 1Q FY24 Consolidated Financial Results [JGAAP]

January 27, 2025

Company Name: Insource Co., Ltd.

Stock Exchange Listing: Tokyo

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 Financial Results Briefing: Not scheduled

(Amounts are rounded down to the nearest million yen)

### 1. 1Q FY24 Consolidated Financial Results (October 1, 2024 – December 31, 2024)

#### (1) Consolidated Financial Results

(% 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	%
1Q FY24	3,510	22.3	1,459	37.5	1,461	37.6	933	28.5
1Q FY23	2,870	11.0	1,061	18.8	1,061	19.2	726	19.0

(Note) Comprehensive income: 1Q FY24 932 million yen (28.0%) 1Q FY23 728 million yen (19.3%)

	Earnings per share	Fully diluted earnings per share
	yen sen	yen sen
1Q FY24	11.12	—
1Q FY23	8.64	8.63

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	mil yen	mil yen	%
1Q FY24	11,774	9,189	78.0
FY23 Full-year	13,177	9,935	75.4

(Reference) Shareholders' equity: 1Q FY24 9,189 million yen FY23 Full-year 9,935 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
FY23 Full-year	—	0.00	—	20.00	20.00
FY24 Full-year	—				
FY24 (forecast)		0.00	—	23.50	23.50

(Note) Revisions of dividend forecast from recently announced figures: None

### 3. Consolidated Financial Forecast for FY24 (October 1, 2024 – September 30, 2025)

(% 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
2Q FY24 (Cumulative)	6,890	14.5	2,590	7.9	2,590	7.7	1,760	0.4	20.98
FY24 Full-year	14,500	16.2	5,520	11.8	5,520	11.7	3,750	11.7	44.69

(Note) Revisions of forecast of financial results from recently announced figures: None

\* Notes

(1) Significant changes in the scope of consolidation during 1Q FY24: 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)	1Q FY24	85,243,000 shares	FY23	85,243,000 shares
(ii) Total number of treasury stocks at the end of the period	1Q FY24	1,334,369 shares	FY23	1,332,369 shares
(iii) Average number of shares during the period (cumulative)	1Q FY24	83,909,777 shares	1Q FY23	84,092,909 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants and audit corporations

\* Explanation for the appropriate use of financial forecasts and other special notes:  
(Cautionary note on forward-looking statement)

The statements regarding 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.

URL: [https://www.insource.co.jp/en/ir/ir\\_ir\\_library.html](https://www.insource.co.jp/en/ir/ir_ir_library.html)

(Regarding the review by certified public accountants or audit corporations)

The Company is scheduled to undergo a review by an audit corporation, and after the review is completed (scheduled for February 5, 2025), the Company will disclose the quarterly financial results report with the review report attached.

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# 1. Overview of Business Performance and Other Key Indicators

## (1) Overview of Consolidated Business Results for the Cumulative Quarterly Period

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 first quarter of the current fiscal year (From October 1, 2024 to December 31, 2024).

Amid this situation, the Group expanded new services in areas such as digital education by job level, training and e-Learning content for preventing customer harassment, and “Leaf” (LMS (\*1) / HR support system ) in order to help clients solve various management issues. The Company also began sales activities based on a five-department system, and each department worked on its own initiatives.

Regarding On-Site Training Business, the number of face-to-face trainings conducted increased for both the private and public sectors. In addition, DX-related training and training for managers and mid-level employees increased. As a result, the total number of trainings conducted increased by 20.8% YoY.

In Open Seminars Business, as the number of trainings conducted increased by 49.1% YoY, the total number of attendees increased by 22.4% YoY.

About IT Services, the number of paid subscribers of “Leaf” (LMS / HR support system) increased to 778 organizations (+116, +17.5% YoY) and total active users exceed 4.34 million as of the end of December 2024. Leaf’s monthly subscription fees (MRR (\*2)) increased steadily, and ARR (\*3) grew 38.5% YoY to 1,216 million yen. Customization sales increased 13.3% YoY.

In Other Businesses, the number of bulk purchases of multiple videos increased, and the number of video sales (outright purchase) increased by 18.8% YoY. In addition, the number of consulting and assessment projects increased by 30.7% YoY.

The SG&A-to-sales ratio was 35.9% (- 4.6 pt YoY), increasing operating profit.

As a result of the above, consolidated financial results for this first quarter are as follows; net sales were 3,510,182 thousand yen (+22.3% YoY), operating profit was 1,459,322 thousand yen (+37.5% YoY), ordinary profit was 1,461,497 thousand yen (+37.6% YoY), profit attributable to owners of parent was 933,659 thousand yen (+28.5% 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 for the first quarter of FY23

(Unit: thousand yen)

Business	1Q FY24 (Oct. 1, 2024 – Dec. 31, 2024)	YoY(%)	1Q FY23 (Oct. 1, 2023 – Dec. 31, 2023)
On-Site Training	1,831,832	116.5	1,571,737
Open Seminars	862,745	123.9	696,212
IT Services	400,455	140.0	286,083
Other Businesses	415,149	131.2	316,347
Total	3,510,182	122.3	2,870,380

**(2) Overview of Consolidated Financial Position for the Cumulative Quarterly Period**

(Assets)

Total assets at the end of the first quarter of the current fiscal year decreased by 1,403,466 thousand yen compared to the end of the previous fiscal year to 11,774,382 thousand yen, mainly due to a decrease of 1,431,714 thousand yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the first quarter of the current fiscal year decreased by 657,626 thousand yen compared to the end of the previous fiscal year to 2,584,741 thousand yen, mainly due to a decrease of 479,073 thousand yen in income taxes payable.

(Net Assets)

Net assets at the end of the first quarter of the current fiscal year decreased by 745,839 thousand yen compared to the end of the previous fiscal year to 9,189,640 thousand yen. This was mainly due to a decrease of 744,553 thousand yen in retained earnings.

**(3) Consolidated Financial Forecasts**

There is no change to the full-year consolidated financial forecast for FY24 from the forecast announced on November 5, 2024. 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)

	FY23 (As of Sep.30, 2024)	1Q FY24 (As of Dec.31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	5,705,369	4,273,654
Notes receivable - trade	2,461	—
Accounts receivable - trade	1,540,922	1,640,160
Inventories	57,297	89,973
Other	100,925	106,091
Allowance for doubtful accounts	(1,333)	(1,285)
<b>Total current assets</b>	<b>7,405,642</b>	<b>6,108,594</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	1,577,183	1,560,594
Land	1,974,413	1,974,413
Other, net	53,226	47,804
<b>Total property, plant and equipment</b>	<b>3,604,822</b>	<b>3,582,812</b>
Intangible assets		
Leasehold interests in land	769,778	769,778
Goodwill	13,631	11,683
Software	149,228	153,533
Other	346	346
<b>Total intangible assets</b>	<b>932,984</b>	<b>935,343</b>
Investments and other assets	1,234,398	1,147,631
<b>Total non-current assets</b>	<b>5,772,205</b>	<b>5,665,787</b>
<b>Total assets</b>	<b>13,177,848</b>	<b>11,774,382</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	206,445	194,792
Accounts payable - other	660,444	317,215
Income taxes payable	935,222	456,148
Advances received	948,134	885,679
Provision for bonuses	—	234,163
Provision for bonuses for directors (and other officers)	—	13,386
Other	449,083	440,318
<b>Total current liabilities</b>	<b>3,199,330</b>	<b>2,541,703</b>
Non-current liabilities		
Asset retirement obligations	43,037	43,037
<b>Total non-current liabilities</b>	<b>43,037</b>	<b>43,037</b>
<b>Total liabilities</b>	<b>3,242,368</b>	<b>2,584,741</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	800,623	800,623
Capital surplus	904,576	904,576
Retained earnings	8,927,868	8,183,314
Treasury shares	(708,300)	(708,300)
<b>Total shareholders' equity</b>	<b>9,924,767</b>	<b>9,180,214</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,712	9,425
<b>Total accumulated other comprehensive income</b>	<b>10,712</b>	<b>9,425</b>
<b>Total net assets</b>	<b>9,935,479</b>	<b>9,189,640</b>
<b>Total liabilities and net assets</b>	<b>13,177,848</b>	<b>11,774,382</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**

(Quarterly Consolidated Statements of Income)

(Cumulative Consolidated Period for the 1Q)

(Unit: thousand yen)

	1Q FY23 (Oct. 1, 2023- Dec. 31, 2023)	1Q FY24 (Oct. 1, 2024- Dec. 31, 2024)
Net sales	2,870,380	3,510,182
Cost of sales	645,833	789,992
Gross profit	2,224,547	2,720,189
Selling, general and administrative expenses	1,163,208	1,260,866
Operating profit	1,061,338	1,459,322
Non-operating income		
Interest income	1	109
Dividend income	173	303
Foreign exchange gains	—	450
Subsidies for employment adjustment	1,449	1,218
Income from base station installation	451	451
Surrender value of insurance policies	—	545
Other	77	92
Total non-operating income	2,153	3,171
Non-operating expenses		
Foreign exchange losses	343	—
Loss on extinguishment of stock-based compensation expenses	268	997
Commission for purchase of treasury shares	899	—
Total non-operating expenses	1,511	997
Ordinary profit	1,061,980	1,461,497
Extraordinary losses		
Loss on valuation of investment securities	—	108,591
Total extraordinary losses	—	108,591
Profit before income taxes	1,061,980	1,352,905
Income taxes	335,226	419,246
Profit	726,753	933,659
Profit attributable to owners of parent	726,753	933,659

(Quarterly Consolidated Statements of Comprehensive Income)  
(Cumulative Consolidated Period for the 1Q)

(Unit: thousand yen)

	1Q FY23 (Oct. 1, 2023- Dec. 31, 2023)	1Q FY24 (Oct. 1, 2024- Dec. 31, 2024)
Profit	726,753	933,659
Other comprehensive income		
Valuation difference on available-for-sale securities	1,381	(1,286)
Total other comprehensive income	1,381	(1,286)
Comprehensive income	728,135	932,373
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	728,135	932,373
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 first quarter under review, and multiplying quarterly income before income taxes by the effective tax rate.

(Notes to the 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)

Not applicable

(Notes related to the Going Concern Assumption)

Not applicable

(Notes to the Cash Flow Statement)

The quarterly consolidated statement of cash flows for the first quarter of the current fiscal year has not been prepared. The depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the first quarter of the consolidated fiscal year are as follows:

	1Q FY23 (Oct. 1, 2023 – Dec. 31, 2023)	1Q FY24 (Oct. 1, 2024 – Dec. 31, 2024)
Depreciation	40,364thousand yen	41,172thousand yen
Amortization of goodwill	1,947thousand yen	1,947thousand yen

(Significant Subsequent Events)

(Disposal of Treasury Stock for Restricted Stock Compensation)

The Company, at a meeting of its Board of Directors held on January 10, 2025, resolved to dispose of its treasury stock (hereinafter the “Disposal of Treasury Stock” or the “Disposal”) for the restricted stock compensation.

#### 1. Overview of the Disposal

(1) Disposal date	February 1, 2025
(2) Class and number of stock to be disposed of	Common stock of the Company: 33,500 shares
(3) Disposal Price	1,104 yen per share
(4) Total Disposal Price	36,984,000yen
(5) Allottees and Number thereof, Number of Stocks to be Disposed of	5 Directors (excluding External Directors) : 20,400 shares 11 Executive Officers (excluding concurrent posts as a director) : 7,500 shares 12 Directors of its Subsidiaries: 5,600 shares

#### 2. Purposes and Reasons for Disposal

The Company decided, at the Board of Directors meeting held on November 25, 2021, to provide a restricted stock compensation plan (hereinafter the “plan”) for its directors (excluding external directors. Hereinafter the “eligible directors”) to provide them with incentives to continuously improve the value of the Company and to further promote shared value with shareholders.

Subsequently, at the Ordinary General Meeting of Shareholders held on December 17, 2021, approval was obtained to revise the annual remuneration limit for directors to 200 million yen or less (including 20 million yen or less for external directors) in conjunction with the introduction of the Plan, to set the total amount of monetary compensation claims to be paid as remuneration related to restricted stock for eligible directors at a maximum of 40 million yen per year within this limit, and to establish the restricted period for such stock as three years from the date of allocation.

The details of the Plan are summarized as follows:

### 【Outline of the Plan】

The eligible directors will pay all of the monetary compensation claims paid by the Company under the compensation plan as contribution in kind and receive the issuance or disposal of the Company's common stock.

The total number of shares of the Company's common stock to be issued or disposed of under the plan shall be within 17,500 shares per year (On January 1, 2023, the Company conducted a 2-for-1 stock split of its common stock, and currently the Company may issue up to 35,000 shares of common stock annually). The price to be paid in for restricted stock to be issued or disposed of under the compensation plan shall be determined by the Board of Directors of the Company based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the day of the resolution of the Board of Directors of the Company (or the closing price of the most recent business day if no trading on the day above), to the extent that the amount is not particularly advantageous to the eligible directors.

In the event that the Company issues or disposes of shares of the Company's common stock under this compensation plan, the Company and the eligible directors shall enter into an allotment agreement of restricted stock (hereinafter the "Allotment Agreement"), which shall include the following matters:

- (1) The eligible directors may not transfer, grant security interests in, or otherwise dispose of the common stock of the Company allotted to them under the Allotment Agreement for a predetermined period.
- (2) In the event that certain events occur, the Company may acquire the relevant common stock without consideration.

Following the resolution of the General Meeting of Shareholders to approve the plan for eligible directors, the Company has decided to introduce the same restricted stock compensation plan for the Company's executive officers and directors of the Company's subsidiaries. (hereinafter the "plan"). And the company's directors, executive officers, and directors and executive officers of subsidiaries are referred to as "eligible directors etc."

Under the resolution of the Board of Directors meeting held today, the Company has decided to provide the total sum of the monetary compensation claims of 30,801,600 yen for 5 directors (excluding external directors) and 11 executive officers, and 6,182,400 yen for 12 directors and executive officers of its subsidiaries. (hereinafter the "Total Monetary Compensation Claims"). The eligible directors, etc. will receive 33,500 shares of the Company's common stock as all the monetary compensation claims by contribution in kind under the compensation plan. The amount of the monetary compensation claim is determined by the Board of Directors of the Company and consultation with directors of subsidiaries, after upon the receipt of the report by the Nomination and Compensation Committee response to the consultation, considering various factors such as the business performance of the Company and the responsibilities of each eligible director, etc. and others. In addition, the monetary compensation claims will be paid according to the terms of the below allotment agreement concluded between the eligible directors, etc., and the Company.

### 3. Overview of the Allotment Agreement

- (1) Transfer restriction period: From February 1, 2025 to January 31, 2028

During the above period of transfer restriction (hereinafter the "restriction period"), the eligible directors, etc. shall not be able to assign, pledge, grant a security interest in, give a living will to, bequeath, or otherwise dispose of any allotted shares (hereinafter the "allotted shares"), to any third party. (Hereinafter the "Transfer Restriction")

- (2) Conditions for removing transfer restriction

The Company will remove the restriction on transfer of the allotted shares upon expiration of the restriction period, provided that the eligible directors, etc. have continuously served as any of the positions of director, executive officer of the Company, and director and executive officer of the subsidiaries during the restriction period.

However, if the eligible directors, etc. retire from the above-mentioned position before the expiration of the restriction period with the justifiable reason that is deemed by the Board of Directors of the Company, the number of the allotted shares and the time to remove the transfer restriction shall be reasonably adjusted as necessary.

- (3) Acquisition of restricted stock without consideration

In the event that the eligible directors, etc. resign from his or her position as director, executive officer of the Company, and director and executive officers of the subsidiaries before the expiration of the restriction period except there is a justifiable reason that is deemed by the Board of Directors of the Company, the Company shall acquire all or part of the allotted shares without consideration.

In addition, the Company will naturally acquire without consideration such the allotted shares of which the transfer restrictions have not been removed regardless of the expiration of the period of (1), with conditions stipulated in the overview of the allotment agreement (2).

- (4) Treatment in the event of organizational restructuring, etc.

If a matter concerning the organizational restructuring, etc. of the Company, such as a merger agreement whereby the Company will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby the Company will become a wholly-owned subsidiary of another entity, is approved at the Company's General Meeting of Shareholders (or by the Company's Board of Directors if such organizational restructuring, etc. does not require approval at a Company's General Meeting of Shareholders) during the transfer restriction period, the Company will remove the transfer restriction on the allotted shares on a date prior to the effective date of such organizational restructuring, etc. In the case stipulated above, the Company will naturally acquire the allotted shares without consideration at the time immediately after the transfer restriction is removed, where the transfer restriction has not yet been removed.

(5) Management of the allotted shares

To prevent the allotted shares from being transferred, collateralized, or otherwise being disposed of during the transfer restriction period, the allotted shares shall be managed by a specified securities firm during the transfer restriction period in a dedicated account opened by each eligible director, etc. at Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

4. Basis for Calculating the Amount to be Paid and its Specific Details

To avoid arbitrary pricing, the disposal price for the disposal of treasury stock shall be set at 1,104 yen, which is the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on January 9, 2025 (the business day immediately preceding the day of the resolution of the Board of Directors of the Company). This is the market share price immediately prior to the date of the resolution, and the Company believes that it is a reasonable and not particularly advantageous price.