



February 19, 2026

To All Concerned Parties

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 Name of Representative Representative Director, President and Chief Executive Officer
 T a k a y u k i F u n a h a s h i
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To Our Investors from Takayuki Funahashi, Representative Director, President and Chief Executive Officer
— Explanation on the Current Status of Our Business and Performance for 1Q FY25

Insource Co., Ltd. (hereinafter “the Company”), which supports organizations to resolve issues through the power of Training and IT, hereby announces the message of Takayuki Funahashi, Representative Director, President and Chief Executive Officer, in response to questions received from investors following the announcement of 1Q FY25 financial results on January 26, 2026 (Monday), regarding the current status of the Company’s business and performance.

■ Regarding 1Q FY25 Results

1. Was the weaker YoY growth of 7% in 1Q due to changes in the external environment?

The external environment has not changed. I personally visited 100 companies in November and December, and I believe that client needs have not changed but rather have increased. It became clear that our efforts to uncover opportunities were insufficient. While DX needs remain strong, many clients showed no interest in digital solutions. Personnel evaluation, evaluation systems, mentoring, and enhanced communication are in strong demand precisely because we are in the AI era. We feel strong demand for our existing services.

The weak performance was due to internal factors, or more specifically, a misjudgment on my part. The first internal factor was that we focused too much on digital-related needs of large enterprises and failed to leverage our industry-leading breadth of educational content in our proposals. If we had carefully identified client needs and increased proposal amounts in 3Q and 4Q FY24, we could have secured more sales. Therefore, we are thoroughly increasing proposal amounts from this fiscal year.

The second internal factor was the poor performance of Open Seminars. Our attempt to increase gross profit from Open Seminars by reducing the number of training conducted worked against us, and overall attendee numbers did not increase. As a result of increasing the number of training conducted by 20% from 2Q, the number of Open Seminars attendees in January recovered to an 11% increase. In addition, price revisions were implemented for some programs, resulting in sales growth exceeding the increase in attendees.

In addition to the above, across all businesses, we spent considerable time on OJT for new Sales Representatives hired in the previous fiscal year.

However, overall, sales fell short of the plan by 200 million yen.

2. Why did 1Q operating profit decrease by 4% YoY?

The main reason for the shortfall in operating profit was the increase in personnel expenses due to higher hiring in the previous fiscal year. To strengthen new businesses including Generative AI, and because we expect more than 10 experienced female employees to temporarily leave each year due to life stage changes, we significantly increased hiring of new graduates and mid-career employees from the previous fiscal year, with increased hiring in the second half of the previous fiscal year.

One reason operating profit was strong in recent years was that personnel expenses did not grow due to hiring difficulties. If the Company had been able to hire consistently from two to three years ago, we could have smoothed out the increase in personnel expenses, but the impact hit us in FY25. However, we believe personnel expenses can be absorbed over time.

In Other Businesses, mainly video and e-Learning, gross profit increased by 14 million yen (5% YoY increase), showing the effect of price revisions. However, overall, operating profit fell short by 220 million yen.

■ Policies for Expanding Sales Overall

1. What are the specific activities of the emergency sales task force?

We formed “Emergency Sales Strategy Team” (23 members) consisting of experienced employees from headquarters and new/younger ones. While learning training sales, they are vigorously pursuing new business development, first focusing on acquiring new employee training contracts for April 2026. We expect results to appear in 3Q (April 2026).

2. Why was proposal amount added as a KPI this time?

Proposal volume and proposal amounts were insufficient in recent years, weakening our cross-selling capabilities. Since November 2025, we have been implementing measures to have clients discuss their challenges broadly and increase the proposal amount per business negotiation. As a result, proposal activities became more active in 1Q, and proposal amounts reached 1.8 times the previous fiscal year.

We have designated proposal amount as an important indicator and disclosed it as a monthly KPI from January in 2Q, setting this fiscal year’s target at 50 billion yen (See page 15 of the 1Q presentation). Through this, we aim to solidify sales for this fiscal year and the next. We also expect results to appear from 3Q (April 2026) onwards.

3. What is the status of internal utilization of Generative AI?

Since late January 2026, we have integrated a Generative AI agent into our in-house developed sales system “Plants” to strengthen our proposal capabilities. It is now possible to create proposals tailored to each company’s challenges in an extremely short time. We aim to increase proposal amounts by utilizing this.

■ Segment Information by Business

1. What are the strategies for expanding On-Site Training Business performance?

① Large Enterprise sales measures - Expanding representatives while creating internal competition

Large Enterprise (large corporate market) clients often have education budgets in each department, but until now, we had only one representative assigned from our side. While working on large projects for a specific department, our representative was fully occupied and unable to make additional proposals to other departments. Therefore, we changed our structure. The Emergency Sales Strategy Team (23 members) and the Large Enterprise New Business Development Team, composed of members skilled in Large Enterprise strategies, will strengthen proposals, increase the number of departments acquiring projects, and aim to recover Large Enterprise sales. We expect results to appear from 3Q (April 2026) onwards.

② DX growth measures - Addressing departmental challenges of mid-sized and large enterprises with Generative AI at the core

Sales in the DX Service domain continue to grow at 17% YoY, but the growth rate is lower than planned. The main reason is that projects are becoming smaller. Needs have shifted from large enterprises to mid-sized companies, from company-wide to department-specific, and the content has also shifted from acquiring basic knowledge of DX and Generative AI to more complex applications of Generative AI in business operations. Our policy is to accelerate the development of educational content that meets these needs and restore the growth rate.

2. What are the strategies for expanding Open Seminars performance?

Our policy is to expand Open Seminars performance by thoroughly addressing the customers' needs. We will increase the number of training conducted, primarily in-person training, and enhance the convenience of being able to attend immediately when desired. We also plan to respond to needs for attending on specific desired dates and rare training needs by changing to prices that are profitable for the Company and holding training even with small numbers of attendees. We have previously introduced dynamic pricing, similar to those of airline companies, only for some programs such as new employee training, but we intend to expand its scope and implement flexible pricing according to supply and demand. In addition, we will implement measures to improve attendee satisfaction and educational effectiveness, such as upgrading seminar classrooms and implementing pre-assignments equivalent to On-Site Training, aiming for overall sales and profit increases.

3. What is the status of the IT Services Business? How is Insource addressing rising communication costs?

Recurring revenue is growing steadily, but sales from customization projects are struggling. Large-scale implementation projects have decreased as LMS adoption has spread in the market. However, since “Leaf” is equipped with many attractive features, we believe there is still demand if we change our selling points. Since “Leaf” is selling well because it is valued for its affordability, we are cautious about price increases. Instead, we aim to increase sales by implementing AI-related functions in “Leaf.”

4. What are your plans for Other Businesses going forward?

1Q sales decreased slightly YoY, but gross profit increased by 14 million yen (+5% YoY), due to the effect of price revisions for video and e-Learning. Going forward, we plan to expand video, e-Learning, and consulting. As demand for Online Seminar Support Service is declining, our policy is to strengthen operational support for face-to-face training.

5. Status and progress of public sector projects

In FY24, we won large bulk contract training projects in Hokkaido, Chiba, and Kanagawa prefectures, significantly increasing sales. These public sector projects are multi-year contracts and continue beyond April. On the other hand, the challenge is that we are not securing enough small projects, and we intend to actively propose services to government agencies that are not purely educational, such as turnover prevention and recruitment support for small and medium enterprises.

■ This Fiscal Year's and Medium-Term Plan Performance and Competitive Environment, etc.

1. Is this fiscal year's full-year performance achievable? What is the outlook for achieving 1H performance?

We are promoting various measures aimed at achieving operating profit of 6.8 billion yen this fiscal year.

As for 1H, it depends on the last-minute demand for video and e-Learning in March and “Leaf” customization projects, and there is no change in forecasts at this time.

2. Will 1Q performance affect the medium-term plan?

Regarding the medium-term plan, we aim to exceed the current plan and believe we are positive in three respects.

① Video and e-Learning increased profit margins by 5% despite price increases. As a result, the entire company is becoming more proactive about price increases.

② The number of Generative AI engineers has increased to over 50, and not only AI-related training but also the company's new product “AI-OJT” is also highly rated by clients. At the same time, business improvements through AI are progressing smoothly. Opportunities are increasing thanks to AI.

③ People's concerns remain unchanged even in the AI era, and we have reconfirmed the high competitiveness of our existing training services. We aim to actively sell at appropriate prices and increase sales in non-digital areas as well.

3. There is a market view that generative AI will disrupt or replace education and training. What are your thoughts?

There is a view that the emergence of Generative AI may reduce education and training, and with the perception that the Company's future performance will be challenging, the current situation is that the stock price has been affected by this profits decline.

The areas where AI will substitute in the education field are knowledge-imparting education like school education, and we believe the impact on our company, which mainly provides education that promotes behavioral change for working adults, will be minimal. Rather, there is increasing demand for education that teaches how to use generative AI and helps organizations adopt generative AI utilization. In addition, we believe there is room to enter the knowledge-based education field with our AI technological capabilities, and we intend to grow by riding the wave of environmental changes. That said, the entire Group understands that we can only prove AI is on our side by increasing sales, so we will focus first and foremost on improving our current business performance.

4. Regarding the competitive environment - Is the growth of competitors preventing Insource from achieving significant growth?

We view the emergence of new training companies and their active operations positively, as it means more companies are sharing the cost of market development and the market is expanding. However, we are losing some market share in areas such as affordable training, so we will respond carefully and thoroughly for each theme and product.

■Shareholder Returns and Management Policy

1. There was a personal share buyback by President Funahashi himself

On January 28, we announced a 100 million yen share buyback by President Funahashi personally. The reasons were to demonstrate a strong commitment to our business growth and to share our sentiments with stakeholders who wish for the Company's growth. We will accelerate our initiatives and achieve steady business growth.

2. What does going public mean for the CEO, and is a management buyout (MBO) being considered?

We believe that being listed enables us to grow. Without being listed, our drive for growth would weaken. We intend to continue using the voices of our investors as an engine for growth. However, if an MBO could position us to capture the top market share in the industry, we would not rule out considering it.

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