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To Whom It May Concern

|                |                                                                                                                                 |
|----------------|---------------------------------------------------------------------------------------------------------------------------------|
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## **Message to Investors from Takayuki Funahashi, Representative Director, President and CEO** **- Review of FY25 and Management Policy for FY26**

We hereby announce the following summary of the views of Takayuki Funahashi, Representative Director, President and CEO, regarding the current state of the Company's business and performance.

I would like to express my sincere gratitude to our investors for their continued support of the Insource Group. On September 24, 2026, the Company revised its full-year consolidated financial forecasts for FY25, lowering net sales from 16.0 billion yen to 15.6 billion yen and operating profit from 6.38 billion yen to 6.15 billion yen. Although we expect both net sales and operating profit to increase compared with the previous fiscal year, growth is now expected to fall short of our initial assumptions.

Following this revision, some investors may be concerned that there is a problem with Insource's growth model itself, or that demand from large enterprises is disappearing.

We do not believe that our business model or the training market for working professionals itself has been impaired. At the same time, we recognize clear areas for improvement in the allocation of management resources, customer targeting, and sales methods in FY25. In FY26, we will clarify our strategy for each customer market and shift to management that places greater emphasis on profit growth than on sales growth.

### **FY25: What Happened**

#### **1. Adoption of Basic Generative AI Education at Large Enterprises Ran Its Course - We Moved Slightly Ahead of Market Development**

In recent years, demand for DX- and generative AI-related education has expanded rapidly, particularly among large enterprises. We viewed this market as an important growth area and allocated personnel and development resources to sales for large enterprises and advanced AI education.

In generative AI in particular, strong demand emerged for basic education for all employees, and we also benefited from this trend.

However, in FY25, while the adoption of basic generative AI education at large enterprises largely ran its course, the next stage - advanced AI utilization, AI agents, and transformation of business processes themselves - did not spread across the overall market as quickly as we had expected.

Although we have developed a wide range of advanced AI content, demand among clients remains strong for fundamental business skills such as Excel. In other words, we believe there were areas where we moved slightly ahead of the market's pace of development.

## **2. Services for Large Enterprises Slowed in 4Q**

The main reasons we fell short of our FY25 plan were weak acquisition of On-Site Training projects from large enterprises, slower growth in DX services and level-specific education, which generate substantial sales, and slower acquisition and usage of HR Smart Pack, particularly among large enterprises.

## **3. Demand Continued to Grow, Particularly among Mid-sized and Small Businesses**

Demand continued to grow, particularly among mid-sized and small businesses. We therefore analyze FY25 not as a year in which demand itself disappeared, but as a year in which a mismatch emerged between the customer segments that were growing and the customer segments to which we allocated management resources.

### **■ Looking Ahead to FY26**

#### **1. Review the Excessive Allocation of Sales Resources to Large Enterprises**

Large-enterprise projects are attractive because each project can generate substantial sales, but winning them requires not only high-quality content but also an exceptionally high level of individualized support. Some projects require sales representatives to work closely with customers, understand detailed needs, and devote substantial time to planning, operation, and reporting. Naturally, this requires a large number of personnel.

We increased our sales headcount in FY25, but we were unable to generate a sufficient increase in profit commensurate with that increase in personnel.

This does not mean that there is no demand from large enterprises. The issue is that trying to win every large-enterprise project by increasing sales headcount was not always consistent with our profit margins and productivity. Accordingly, from FY26 onward, we will clearly differentiate our approach by customer market.

#### **2. Growth Strategies by Market**

Internally, we have also assessed FY25 as a year in which MM and SMB grew while the acquisition of large LE projects slowed, and we have concluded that we need to strengthen HR Smart Pack and packaged services and deepen relationships with existing clients.

We will clearly differentiate how we leverage our strengths and organize our sales and development structures according to customer size. We are not reducing our focus on the large-enterprise market; rather, we are changing our approach to maximize profitability and competitiveness.

| Market                                | Positioning                                          | Basic Strategy for FY26                                                                                                              | Core Services / Sales Approach                                                                      | Service Delivery Structure                                                                                                                                                                                                                                           |
|---------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LE: Large and quasi-large enterprises | High-value-added market for advanced problem-solving | Shift away from assigning large numbers of sales representatives to chase projects. Selectively address advanced and complex issues. | AI BOAT, Leaf, AI/DX, advanced training, education systems, original content                        | Put specialists from the content development department at the forefront rather than centering the approach on sales representatives. This department has been strengthened with the goal of achieving one of the highest levels of development capability in Japan. |
| MM: Mid-sized enterprises             | Largest growth market going forward                  | Prioritize management resources. Deepen relationships with existing clients while expanding new client acquisition.                  | HR Smart Pack, Open Seminars, On-Site Training, video content, assessments, consulting, AI services | Sales representatives make cross-service proposals. Use HR Smart Pack to broaden transactions across each client account.                                                                                                                                            |
| SMB: Small and growing businesses     | High-growth, low-penetration market                  | Provide standardized products at lower cost and high volume. Maximize the use of the web and advertising.                            | Open Seminars, lower-priced training, video content, packaged products, WEBinsource                 | Use the web, advertising, and a centralized sales team to minimize sales effort.                                                                                                                                                                                     |

\* For sales activity purposes, LE refers to private-sector companies with 2,000 or more employees, MM to those with 300-1,999 employees, and SMB to those with 299 or fewer employees.

Government agencies and local governments are expected to be addressed in a similar manner according to their size.

The key point of this strategy is not that we are shifting our target from large enterprises to mid-sized and small businesses. Rather than focusing exclusively on large enterprises, we will change how we apply our strengths according to customer size.

### **1) Large Enterprises: Win through Development Capabilities, Not Sales Force - Shift to a Model Chosen for Development Capabilities**

In the large-enterprise market, we will make our strengths even more explicit.

Insourc has a content development department that develops new training programs and services every day across a wide range of training areas for working professionals. Our ability to develop content across diverse areas - including level-specific education, management, human resources, sales, business improvement, DX, and generative AI - is one of our greatest competitive strengths.

Going forward, for advanced and complex projects at large enterprises, we will strengthen a structure in which specialists from our content development department engage directly with clients' issues, rather than relying solely on the conventional model in which sales representatives hear client requests and bring them back internally.

We will understand clients' management issues, business operations, and human resource requirements, and design the entire process as one integrated solution:

**Issue identification -> Education design -> Content development -> AI/IT utilization -> Delivery -> Reinforcement**

In other words, in the large-enterprise market, we will shift from a model of "winning projects by increasing sales headcount" to a model in which "we are selected for our top-tier content development capabilities in Japan and IT/AI development capabilities."

Our policy at the start of the fiscal year likewise makes clear that we will address large enterprises through the "diversity of our content and depth of our IT capabilities," drawing on the strengths of our training content development teams for working professionals and IT engineers.

This is not a contraction of our large-enterprise business, but a reconstruction into a form that is more distinctly Insourc and more profitable.

### **2) Make MM and SMB the Center of Growth Again - Emphasize a Model in Which Each Client Uses Multiple Products**

At the same time, we will clearly position MM and SMB as the growth engine of our business. These are not new markets for us; rather, they are the core markets in which Insourc has grown over many years.

MM and SMB clients require less individualized support than large enterprises and can make direct use of the large volume of attractive standardized content we already possess. As a result, these are markets in which it is easier to maintain high profit margins while increasing sales.

In addition, penetration of our services remains low, leaving significant room for many clients to use additional services. We will therefore make "having each client use multiple products" an important growth strategy, rather than focusing only on increasing the number of new clients.

### **3. Sales Policies for Each Service**

#### **1) Place HR Smart Pack at the Center of the MM and SMB Strategy**

HR Smart Pack will be at the center of this strategy. Until now, we have emphasized large-scale use of HR Smart Pack by large enterprises. Going forward, however, we will actively promote it to MM and SMB clients.

HR Smart Pack is more than just a discounted package for Open Seminars. We will position it as a gateway through which clients can use the Insource Group's broad range of services, including Open Seminars, On-Site Training, video content, assessments, and AI services.

For example, a client may begin with Open Seminars and then expand into management training, video content, assessments, and AI BOAT. By increasing transactions of this kind, we will shift to a model that continuously raises sales and profit per client without relying solely on new client acquisition. Our policy at the start of the fiscal year also calls for existing MM and SMB clients to use multiple services centered on HR Smart Pack.

## **2) Shift from a “Company That Sells On-Site Training” to a “Company That Sells the Optimal Education Solution”**

We will also change our thinking about the products we sell. Traditionally, when clients consulted us about training, we tended to propose On-Site Training.

For training with a small number of attendees, however, Open Seminars may be less expensive for the clients and more profitable for us. When attendees are added to an Open Seminar that is already scheduled, the incremental cost is limited.

By contrast, On-Site Training entails project-specific costs for trainers, training material preparation, operations, sales administration, and other activities.

Going forward, we will therefore propose the most effective and reasonable option for each client: Open Seminars for small groups; group use of Open Seminars or On-Site Training for large groups; video and on-demand learning for knowledge acquisition; AI BOAT for knowledge retention and internal education; and consulting for advanced organizational issues.

Our policy at the start of the fiscal year likewise calls for directing lower-priced On-Site Training projects toward Open Seminars and combining Open Seminars, video content, AI BOAT, and other services to increase both client benefits and profitability.

## **3) We Will Not Retreat from AI - Broaden Our Scope from Leading-edge AI to AI That Can Be Used in Day-to-Day Work**

This change in strategy does not mean that Insource is retreating from AI. Quite the opposite.

We believe AI will significantly transform how society and companies work over the next 10 years. At the same time, we will align our initiatives with the pace of market adoption.

In addition to education on cutting-edge AI agents, we will expand practical AI education that many clients can use immediately, including Excel + AI, writing, presentation material creation, business improvement, and AI utilization by managers.

At the same time, we will continue developing advanced AI content. We will also develop high-level training programs that enable non-engineering leaders to undertake system development and develop new services using AI.

In other words, our strategy is to broaden the base of AI education from fundamentals through the cutting edge. Within our own company, we are also using generative AI to transform operations, including initiatives for AI-assisted proposal creation, training material development, automation of education, and system development.

Our policy at the start of the fiscal year also assumes a “major transformation of work and organizations through AI” and calls for continued efforts in AI utilization education, with an evolution from AI fundamentals to AI agents and ultimately to AI-driven execution of business tasks.

## **4) AI BOAT Will Create a New Market for “In-house Education”**

We have particularly high expectations for AI BOAT. AI BOAT can be used to educate employees based on clients' own internal manuals, sales manuals, operational documents, training materials, and other proprietary information.

This is a market that differs from conventional training for working professionals. AI can support the teaching of company-specific work that has traditionally been handled by experienced employees and supervisors within each

organization.

Employees can learn general skills and behavioral change through training, while company-specific operational knowledge can be learned through AI BOAT. By combining the two, we can expand our business domain to encompass in-house education as a whole.

For large enterprises as well, rather than aiming only to sell large volumes of training, we will support in-house education itself with AI BOAT and Leaf as platforms, thereby building long-term client relationships.

#### **4. In FY26, Place Greater Emphasis on Profit than on Sales**

##### **1) Increase Productivity per Employee**

One of our greatest lessons from FY25 was the assumption that increasing headcount would lead to a proportional increase in profit. In practice, it did not. In FY26, we will therefore apply greater discipline to hiring. Rather than simply increasing the number of sales representatives, we will raise productivity per employee through AI utilization, standardization, packaging, web-based sales, and personnel reallocation.

##### **2) Shift from One-off Sales to Subscriptions and Multi-year Contracts**

Increasing stable revenue will also be an important theme in FY26. We will strengthen subscription products such as Leaf and AI BOAT. We will also increase multi-year contracts for stress checks, assessments, education systems, and training. For HR Smart Pack, we will establish mechanisms that make long-term use easier. Rather than relying only on sales that must be generated from scratch every year, we will increase businesses for which a certain level of revenue is already expected at the beginning of the fiscal year. This will contribute not only to greater revenue stability but also to higher sales productivity.

Our policy at the start of the fiscal year likewise calls for strengthening subscriptions for Leaf, AI BOAT, and other services, as well as expanding multi-year contracts for assessments, stress checks, education systems, and training.

##### **3) Optimize the Organization - Scale Down or Exit Low-profit Businesses and Reallocate Resources**

We are also moving to scale down or exit businesses with low profitability. In addition, we will rapidly reallocate sales, content development, system development, and other resources to support renewed growth in the MM and SMB markets.

##### **4) Refine Evaluation, Compensation, and Management with a Focus on Operating Profit Growth**

We will also place greater emphasis on operating profit, rather than simply net sales, in the evaluation and management of our sales organization. Our internal policy also calls for a review of evaluation criteria linked to growth in operating profit. Accordingly, in FY26, we do not plan to make investments solely for the purpose of short-term top-line growth.

Even if there are periods when our sales growth rate is more restrained than in the past, we aim to become a company in which “when sales increase, profit increases even faster.”

#### **5. Summary - Our Approach toward FY26**

We recognize that this revision to our financial forecast has caused concern among investors. However, I believe that many of the issues revealed this time can be corrected. Demand for education has not disappeared. The strength of our offerings has not diminished. Nor has the AI market disappeared.

The issue was resource allocation: which clients to sell to, which products to sell, and how much personnel and cost to devote to those sales. We will make major changes in this area in FY26.

In MM and SMB, we will efficiently provide standardized, high-quality products such as HR Smart Pack, Open Seminars, and video content, while increasing both the number of clients and the amount of business per client.

For large enterprises, rather than increasing sales headcount to chase projects, we will deploy specialists from the content development department - one of our greatest strengths - and focus on advanced problem-solving that combines AI, IT, education, and consulting.

As for AI, we will significantly expand practical AI education that can be used immediately, not only cutting-edge offerings. We will expand subscription and multi-year contracts centered on AI BOAT and Leaf. And across all of our businesses, we will focus not only on sales but also on profit.

**■ FY26 Policy - Steady Execution of Our Strategic Transformation**

**“Make FY26 a Year of Steadily Executing the Strategic Transformation and Restoring Double-digit Profit Growth”**

In FY26, we will steadily execute this strategic transformation and aim to build a corporate structure capable of sustainable profit growth and, once again, continued double-digit profit growth. We also aim to return to growth as an innovator in training for working professionals.

We sincerely ask for the continued understanding and support of our investors for the Insource Group.

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