

Announcement of the Effect of the Spread of the Covid-19 Coronavirus on the Group and a Revision to the Financial Forecasts

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 Stock exchange listing: Tokyo
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We would like to extend our condolences to the families of those who have passed away of the Covid-19 coronavirus and express our heartfelt sympathy to those who are suffering from the disease.

BrainPad Inc. hereby announces that it has revised its consolidated financial forecasts for the fiscal year ending June 30, 2020 announced on January 31 as shown below, taking the effect of the spread of coronavirus into consideration.

1. Revision to Consolidated Financial Forecasts for Fiscal 2020

(1) Revision to the consolidated financial forecasts for the fiscal year ending June 30, 2020 (July 1, 2019 – June 30, 2020)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income per Share
Previous Forecast (A)	Million Yen 6,800	Million Yen 1,280	Million Yen 1,300	Million Yen 970	Yen 134.53
Revised Forecast (B)	6,600	1,080	1,100	820	111.32
Difference (B-A)	-200	-200	-200	-150	—
Percentage of Increase/Decrease (%)	-2.9	-15.6	-15.4	-15.5	—
(Ref.) Previous Results (FY ended June 2019)	5,676	1,184	1,213	880	130.30

(2) Reason for Revision

Due to the spread of the Covid-19 coronavirus, the Group's sales activities to win orders have been restricted from February this year. Demand from companies whose fiscal year-end is March 31, which usually boost the Group's sales in the third quarter, was weak. In addition, the rebranding of software made by a competitor, which led to a fall in sales in the Solutions Business from the second quarter, is continuing to have an impact on sales. For those reasons, the Group has decided to revise the net sales forecast downward.

Meanwhile, recruitment and a review of the wage system, the priorities in the fiscal year under review, are making progress as scheduled.

Hiring mid-career employees made only limited progress in the first half of the fiscal year, but took an

upturn from the third quarter. The number of employees is increasing. In February this year, the Group raised its wage level after reviewing its pay structure. The Group has decided to give aid (a total of approximately 20 million yen) in the fourth quarter to all employees to help them improve their environment for working from home.

In addition to the decrease in sales, which is expected to result in lower income, personnel expenses and recruiting expenses are anticipated to rise as planned at the beginning of the fiscal year. The Group thus revises income downward.

2. Effects on Results in the Next Fiscal Year

Net sales are expected to continue to see sluggish growth in the next fiscal year (ending June 30, 2021) due to coronavirus. Nevertheless, during and after the coronavirus pandemic, the Group plans to continue to make investments in the next fiscal year for DX (digital transformation) at domestic companies and for fully tapping into demand when investments for use of data recovers (for hiring and cultivating excellent human resources).

The effects of the coronavirus pandemic on net sales in the next fiscal year are expected to include a possible decrease in projects commissioned from industries strongly affected by the pandemic (including existing projects), restrictions on sales activities for winning new projects, and delays in the commencement of new projects if orders for them are won.

Given those effects, net sales in the first half of the next fiscal year may be on a par with the level in the fiscal year under review. Whether net sales will recover from the second half of the next fiscal year will depend on the effects of the coronavirus.

As described above, personnel expenses, a fixed cost, increased significantly due to the progress in hiring and the review of the pay structure in the fiscal year under review. In addition, in the next fiscal year, the Group plans to continue to recruit employees, primarily leaders that can act autonomously amid coronavirus scare, taking advantage of expected lower hiring demand at major companies due to the coronavirus.

Reflecting the situation above, net sales in the next fiscal year may be no more than 6.6 billion yen to 7.0 billion yen. If net sales are at that level, operating income and ordinary income will likely be 0.2 billion yen to 0.4 billion yen.

The Company will consider forecasts for the next fiscal year, monitoring trends in the spread of the coronavirus, and will announce forecasts when it announces the results in the fiscal year under review (the announcement is planned in August).

3. Medium-Term Management Plan

The Company does not change its medium-term management plan (for four years from the fiscal year ending June 30, 2020 to the fiscal year ending June 30, 2023; targets are disclosed only for the fiscal year ending June 30, 2023) while trends in the spread of coronavirus are uncertain. The Company will monitor the trends in the spread of coronavirus and will disclose a revision promptly if it determines that any revision is necessary.

The Company has disclosed that its targets in the final year of the medium-term management plan (ending June 30, 2023) are consolidated net sales of 11.5 billion yen and consolidated ordinary income of 2.0 billion yen.

4. Operations at the Group

- The Group recommended staggered working hours and working from home from February this year. Following the Japanese government's declaration of a state of emergency and the Tokyo government's request, the Group's employees are working from home (telework), in principle, from April.
- The ratio of employees that come to the offices of the Company (the head office in Shirokanedai and

the Meguro office) remains lower than 10%. In principle, visits to customers are prohibited.

- The Group is voluntarily refraining from providing face-to-face services for developing human resources that utilize data (training services) and holding face-to-face marketing events and seminars organized by the Company from April. The Group is going online gradually.
- The Group is providing online new employee training at home to new graduates who joined the Group in April this year.
- The Group is interviewing all job applicants, mid-career employees and new graduates, using an internet conferencing system.
- No employees of the Group or partner staff have been confirmed to be infected by the coronavirus as of today.

5. Effects on Each Segment

(1) Analytics Business

- The paid working rate of data scientists and consultants in contract data analysis and consulting is maintained. However, idle time (a fall in sales) may occur due to lack of orders for new projects, among other factors.
- Services for developing human resources that utilize data were provided mainly in the form of face-to-face training, and sales in the third quarter fell. The Group will increase online services gradually to continue to provide opportunities to learn to use data despite the effects of coronavirus and reduce the decline in sales.

(2) Solutions Business

- The paid working rate in the contract IT system development business is maintained. However, idle time (a fall in sales) may occur due to lack of orders for new projects, among other factors.
- From the second quarter, due to the rebranding of machine learning software made by a competitor, sales of the license for the product and sales from introduction support projects incidental to the license declined. Initiatives to offset the decrease in sales have not made the expected progress due to the spread of the coronavirus. Sales are expected to continue to fall in the third and fourth quarters.

(3) Marketing Platform Business

- Rtoaster, the mainstay product, targets e-commerce businesses, which are not likely to be affected by the coronavirus, as the main customers. However, the amounts of contracts with certain customers that are strongly affected may fall.
- Growth in sales may slow chiefly due to lack of orders for new projects.