

Note:

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Financial results for the fiscal year ending June 2022

BrainPad Inc.

August 10, 2022

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We have shifted to non-consolidated financial results from the second quarter of the current fiscal year, although we had consolidated financial results until the first quarter of the current fiscal year due to the merger with our wholly owned subsidiary Mynd Corporation on December 1, 2021.

Due to the fact that the impact of Mynd Corporation on the consolidated business results was minimal, the comparison with the previous fiscal year is made in this document as a reference only.

The absorption of Mynd Corporation has only affected the results of the Products business (non-consolidated), and the Professional Services business (non-consolidated) has not been affected by the merger.

Introduction

Unchanged mission since the foundation

"Create a sustainable future by advanced data utilization"

Since its establishment in 2004, BrainPad has been supporting client companies to improve their business management by utilizing data.

Big data, AI, IoT, etc., although the keywords are different for each era, the basis of this is to analyze and utilize data and turn it into value to bring about change and improvement in corporate activities.

Data is just a cost when you just accumulate it. We need to turn data into value by Analytical capabilities (the largest number of data scientists in Japan)

Engineering capability (technological capability to develop and provide the No.1 product in the market)

Business capabilities (we have supported over 1,000 companies in all industries in the use of data)

We are one of the few companies in the world that possesses all three of these strengths.

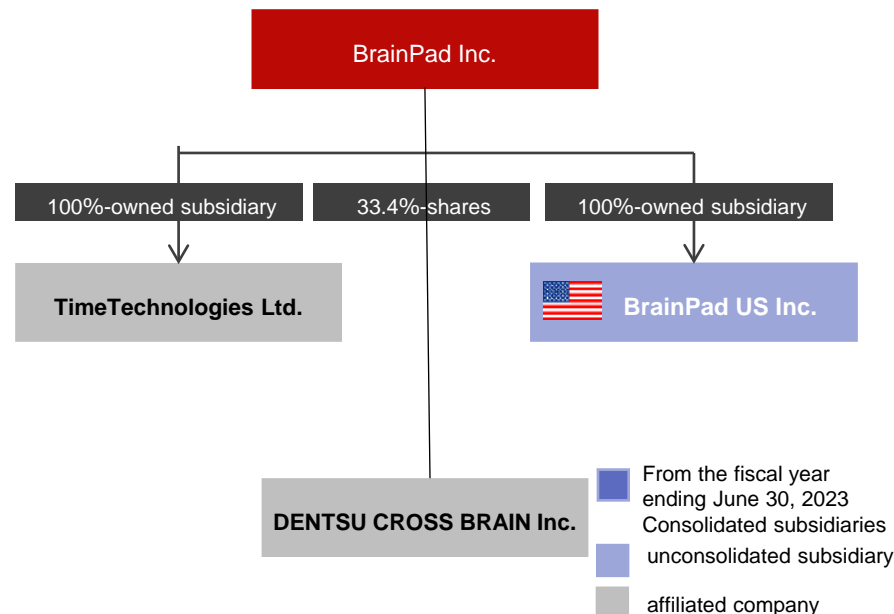
With the world's ever-increasing population (and Japan's ever-decreasing population), limited resources, and accelerating environmental changes, we are committed to give businesses the data-driven sophistication and innovation as "Data Professionals". We will contribute to the improvement of sustainability in the world.

BrainPad Inc. Profile

Trading name	BrainPad Inc.
Address	Roppongi T-Cube Bldg. 3-1-1 Roppongi Minato-ku, Tokyo 106-0032, Japan
Phone	+81-3-6721-7001
Established	3/18/2004
Listed Section	Prime market segment of the Tokyo Stock Exchange (Code: 3655)
Capital	¥ 597M (as of 6/30'22)
Employees	503 (as of 6/30'22)

Management Team	Seinosuke Sato	Chairman/Representative Director /Co-Founder
	Takafumi Kusano	CEO/Representative Director /Co-Founder
	Ko Ishikawa	Director/CFO
	Tomohiro Sekiguchi	Director
	Tetsuya Sano	Director (External/Independent Director)
	Makiko Ushijima	Director (External/Independent Director)
	Haruo Suzuki	Director (External/Full-time member of the Audit and Supervisory Committee/Independent Director)
	Katsuyuki Yamaguchi	Director (External/Member of the Audit and Supervisory Committee)
Kazutaka Okubo	Director (External/Member of the Audit and Supervisory Committee/Independent Director)	

Group Organization (already reflects the acquisition of Time Technologies, Inc. as of July 29, 2022)



certification



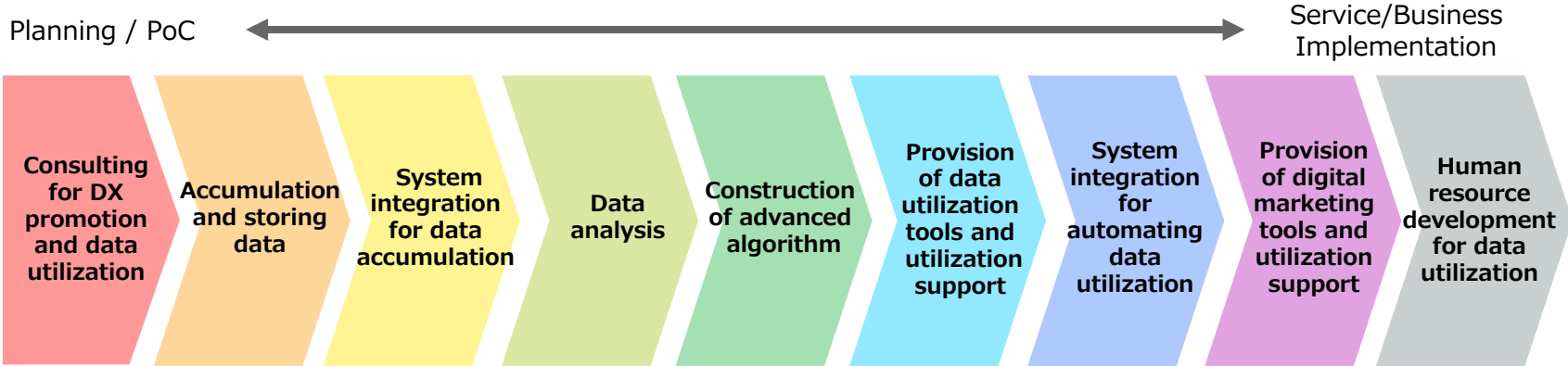
JIS Q 15001
Auth.No: 10822646
PrivacyMark for enterprise is approved as taking appropriate measures to protect personal information.



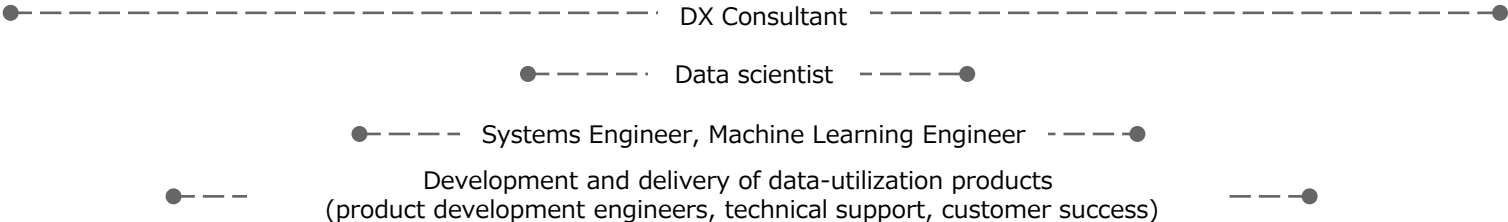
Certification・System
ISO(JIS Q) 27001

Web recommendation・advertisement distribution technology・SaaS service used data analysis technology are certified and registered to Japan Quality assurance organization

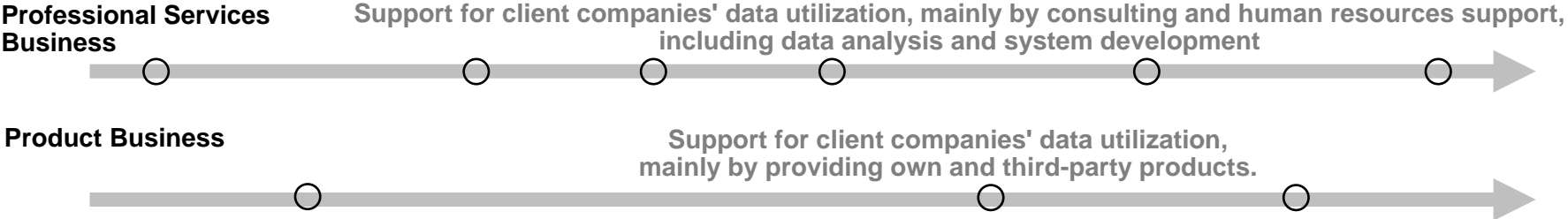
Our Strengths: Data analytics at the core, covering the value chain of value creation through data



Key areas where our Data Professionals play an active role



Main Business Areas



Professional Services Business

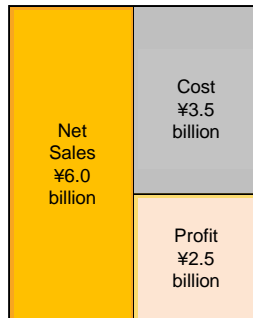
We support our clients' data utilization through consulting, data analysis, system development. The majority of sales are generated through a flow-type business model based on outsourcing.

Latest Earnings Structure (Fiscal Year Ending June 30, 2022)

Receive orders and tackle projects according to the business challenges of each customer

Project periods varies from several months to multiple years, team structures varies from a few people to around 10 people

Totals are calculated as flow-type sales, but many customers re-contracting us every few months whom we support over long terms



Approximately 60% of costs are employee labor costs.

Resources of system development projects are outsourced to control profit ratio.

Other includes fees for cloud services and software, etc.

Segment profitability 41.9%

Characteristics/strengths

- Our data scientist organization, which boasts the industry's largest scale combining a variety of analytical techniques to address the unique challenges of each client
- Organizational strength that allows us to start hiring new graduates quicker than other companies in the industry, and to continue training around 30 to 40 new graduates each year
- Experience in supporting broad range of businesses, without specializing in specific field
- Ability to select cloud computing and AI other services to meet the challenges from a vendor-free perspective.

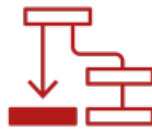
Primary Services

Improve marketing and CRM based on real time data



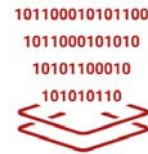
Apprehension of customer business structure through analysis;
Establishment of customer growth strategies;
Optimal distribution of resources (time, costs);
Construction of marketing systems;
Measurement of effects of policies ...and more.

Reorganize and innovate businesses processes through the use of AI and machine learning

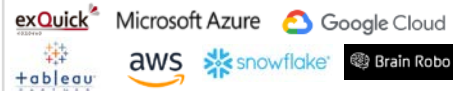


Optimization of supply chains (Distribution, dispatch, staffing, demand prediction, etc.);
Optimization of production processes (Fault detection, yield improvements, etc.);
Detection of unauthorized transactions;
Logic development utilizing AI;
Image analysis by using deep learning ...and more.

System integration for data accumulation and utilization



Integration of Data Ware House through choosing optimal hardware/software;
Build an AI system incorporating algorithms ...and more.



Training data utilization personnel / structuring organizations and systems



Structuring and start-up support of organizations and systems for data utilization;
Training data utilization personnel and providing customized programs incorporating data scientist training methods ...and more.

Product Business

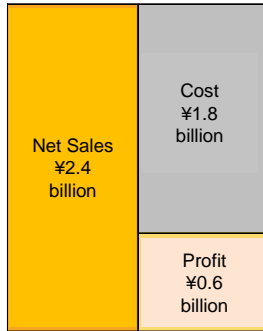
We support our clients' data utilization through the provision of our own and third-party products. The majority of sales are generated through a stock-type business model based on monthly licensing fees.

Latest Earnings Structure (Fiscal Year Ending June 30, 2022)

The three main products account for more than 90% of sales. Of these, "Rtoaster"-related sales account for just under 60%.

More than 75% of our sales are stock-type sales.

Personnel services to maintain and expand customized development and license revenue are not included in stock-type sales.



Approximately 40% of costs are employee labor costs.

Other expenses include data center costs for product development and maintenance, and subcontracting costs for product development and maintenance, purchase of products from other companies, etc.








Segment profitability 24.6%

Characteristics/strengths

- Our products are equipped with high-precision, in-house developed algorithms
- For other companies' products, we look for and select overseas tools with strong originality.
- Personalized action using "Rtoaster", which boasts a top-class market share in the industry, and third-party products in a vendor-free manner. It is possible to cover all customer contact points by utilizing various data.

Products

primary product

CDP Private DMP	Marketing Automation	Digital Consumer Intelligence	Natural Language Processing	Recommend engine	Augmented Analytics	SAS-compatible system
						
Rtoaster	Probance	Brandwatch	Mynd plus	Conomi	VizTact	WPS Analytics
<p>A total solution that integrates and analyzes customer data to achieve highly accurate personalization.</p>	<p>Marketing automation for B2C market. Web visitors preference prediction by machine learning, get highest ROI.</p>	<p>Discover the underlying perceptions of consumers with social media data insights using AI.</p>	<p>Natural language processing engine. Analyze context, abridge, etc.</p>	<p>An algorithm find the most effective combination of an individual and a product from various combinations by utilizing collected and accumulated data source.</p>	<p>Support business decisions with visual analytics enhanced by Machine Learning and Natural Language Processing.</p>	<p>An Integrated Modular System perform statistical and graphing functionality, and makes it possible to run many applications written in the SAS language.</p>

- In-house developed product
- In-house product
- BrainPad is the exclusive reseller in Japan
- The others

Our Clients & Portfolios

These listed clients have conducted business with us and permitted the use and publication of their name, or have already had their name published alongside our own in press releases or other publications.

(as of August 10, 2022; titles omitted; in no particular order)

Retail, Wholesale	ITOCHU Corporation, Culture Convenience Club Co.,Ltd., ANA TRADING CO. LTD., Takashimaya Company,Limited, I-ne CO.,LTD, ENOTECA CO.,LTD., OAK LAWN MARKETING, INC., KOKUBU GROUP CORP., KONAKA CO.,LTD., SANYO SHOKAI LTD., Sogo & Seibu Co., Ltd., (株)DINOS CORPORATION, (株)DoCLASSE,DORAMA INC., Baroque Japan Limited., FELISSIMO CORPORATION, Lawson,Inc., ASKUL Corporation, AUTOBACS SEVEN CO.,LTD, Hankyu Hanshin Department Stores,Inc., Palsystem Consumers' Co-operative Union
Manufacturing	TOYOTA MOTOR CORPORATION, Asahi Group Japan, Ltd., Kewpie Corporation Limited, COCA-COLA(JAPAN)COMPANY,LIMITED., Ltd,ONWARD HOLDINGS, KOSÉ PROVISION CO., LTD., SABON Japan Inc., SHIMADZU CORPORATION, NISHIKAWA Co., Ltd., Nissan Motor Co., Ltd., JAPAN TOBACCO INC., PEACH JOHN CO.,LTD., FANCL CORPORATION, Kirin Holdings Company, Limited., Shiseido Japan Co., Ltd., Mitsubishi Electric Corporation, Meiji Co., KIKKOMAN CORPORATION, DIESEL JAPAN CO.,LTD, FUJIFILM Healthcare Laboratory Co., Ltd., UCC HOLDINGS CO.,LTD., Lion Corporation, Wacoal Corp.
Financial Business	Resona Bank, Limited, MUFG Bank, Ltd., Yamaguchi Financial Group, Inc., The Bank of Yokohama, Ltd., The Iyo Bank,Ltd., MATSUI SECURITIES CO.,LTD., JAPAN POST BANK Co., Ltd.,AEON BANK, LTD., Shinsei Bank,Limited, The Hyakujushi Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, SMBC Nikko Securities Inc., Daiwa Securities Co. Ltd., Orient Corporation, JCB Co., Ltd., MONEY SQUARE, INC.
Travel, Aviation, Transportation	Japan Airlines Co.,Ltd., Kyushu Railway Company, YAMATO TRANSPORT CO., LTD, Nippon Travel Agency Co.,Ltd., Yuko Yuko Holdings Inc., Hilton WorldWide,Yomiuri Travel Service Co.,Ltd.
Information & Communication	Google Cloud Japan G.K., Yahoo Japan Corporation, SoftBank Corp., NTT COMWARE CORPORATION,OTSUKA CORPORATION, JR East Net Station Co.,Ltd., GMO Research, Inc., NIFTY Corporation, Aerosense Inc, OM Network Co., Ltd., CrowdWorks Inc., Medical Data Vision Co.,Ltd., istyle Inc., DAIWABO INFORMATION SYSTEM CO., LTD., Trend Micro Incorporated, FUJITSU CLOUD TECHNOLOGIES LIMITED, UNIMEDIA INC.
Construction	DAITO TRUST CONSTRUCTION CO.,LTD., Kintetsu Real Estate Co.,Ltd., Nomura Real Estate Solutions Co., Ltd., MISAWA HOMES CO.,LTD., Yachiyo Engineering Co., Ltd., Sekisui House,Ltd., Mitsui Fudosan Residential Lease Co.,Ltd.
Media, Advertising, Entertainment, and Others	NIKKEI STYLE, The Asahi Shimbun Company, Ministry of Agriculture, Forestry and Fisheries, OSAKA UNIVERSITY, ITmedia Inc., JTB Publishing,Inc., Starts Publishing Corporation, Japan Business Press Co., Ltd., WOWOW INC., Interspace Co.,Ltd., Beacon Communications K.K., Ltd., SEGA Corporation, PIA Corporation, Matching Service Japan Co., Ltd., en-japan inc., DISCO CORPORATION, TechnoPro Holdings,Inc., BeNEXT Technologies Inc., Profiles Japan, Inc., Mynavi Corporation,Recruit Staffing Co.,Ltd., Kakaku.com, Inc., Satofull Co., Ltd., mixi, Inc. ADK Marketing Solutions Inc., BizReach, Inc., Dai Nippon Printing Co., Ltd., Delphys inc., HAKUHODO PRODUCT'S INC., EXPERT STAFF INC., Nikkei HR,Inc., Pasona Tech, Inc., Benesse Corporation, Itamiarts.Inc.

Financial highlights for the fiscal year ending June 30, 2022

End of the fiscal year ending June 30, 2022

Although the current medium-term management plan (FY6/2020 - FY6/2023) is delayed by 6 months to 1 year due to the Corona disaster, as explained in this document, in the third year of the plan, FY6/2022, sales increased by more than 20% over the previous year, and the scale of the organization reached more than 500 employees at the end of the period. As explained in this document, the company's sales increased by more than 20% year-on-year in the fiscal year ended June 30, 2022.

In the Professional Services business, in addition to the growth in business performance, we have steadily improved our recruiting capabilities in the face of intensifying competition for human resources in the industry. In the product business, which is striving for earnings recovery, we were able to realize strategic M&As to strengthen our product portfolio, and we are getting ready for renewed growth.

Given the wide range of inquiries we receive from a wide range of industries, we believe that the need for data utilization will continue to increase.

We will continue to expand our organization to 1,000 or 2,000 employees to meet this strong demand and achieve growth commensurate with the size of the company and contribute to society by leveraging our strong expertise and experience in data utilization, the best in Japan.

On the other hand, as the size of our organization has grown to over 500 employees, we have begun to see issues in business and organizational management. In light of this, in the fiscal year ending June 30, 2023, we will continue to aim for annual sales growth of more than 20%, while strengthening our management structure to adapt to future business growth and organizational expansion.

The next medium-term management plan will be developed with the aim of announcing it to the public during the fiscal year ending June 30, 2023.

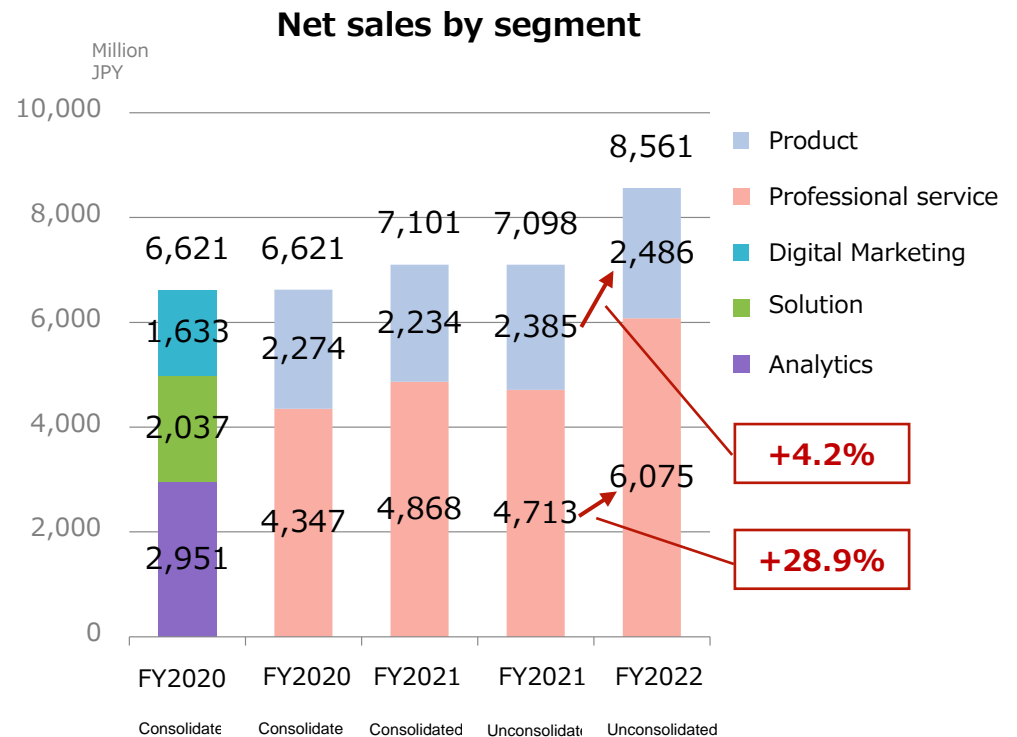
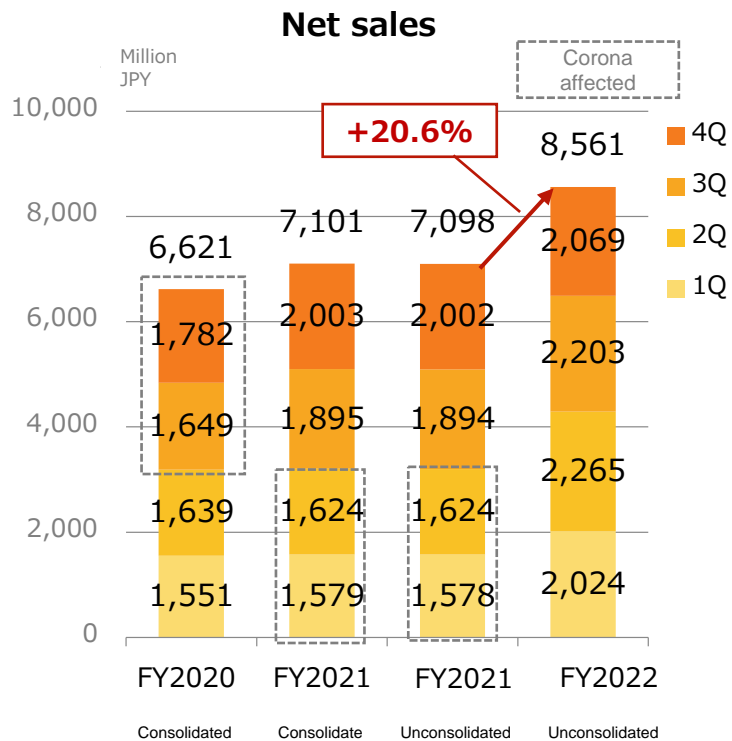
August 10, 2022

Takashi Takahashi, President and Representative Director, BrainPad Inc.

Three-Year Comparison (Sales by Quarter/Segment)

Net sales grew 20.6% y-o-y, driven by the professional services business.

Record sales were achieved, and revenue increased for the 19th consecutive fiscal year since the company's founding.



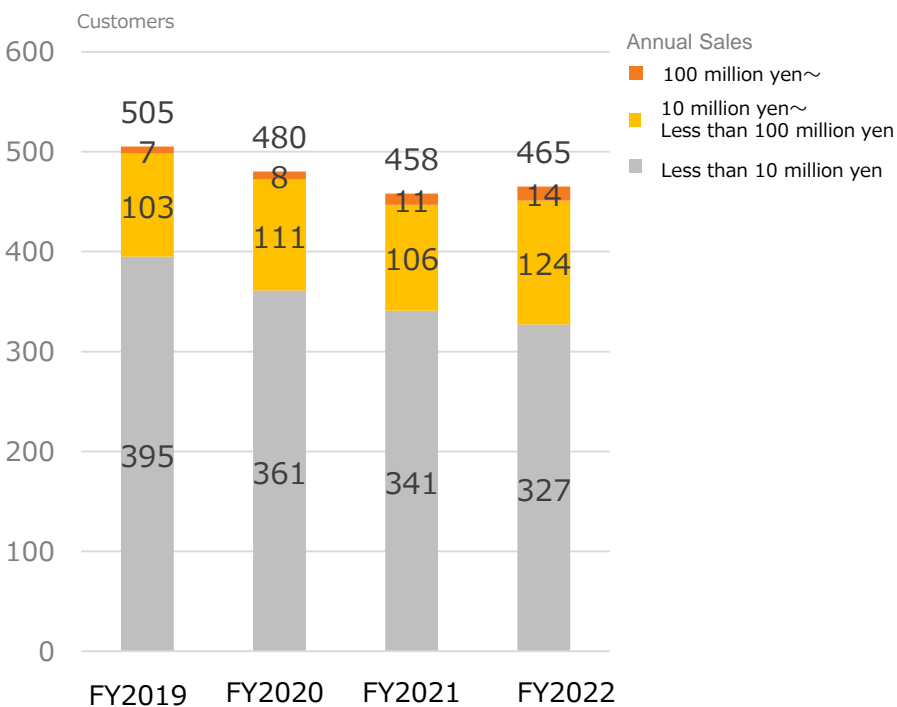
Sales composition by project size

(updated only at the end of the fiscal year)

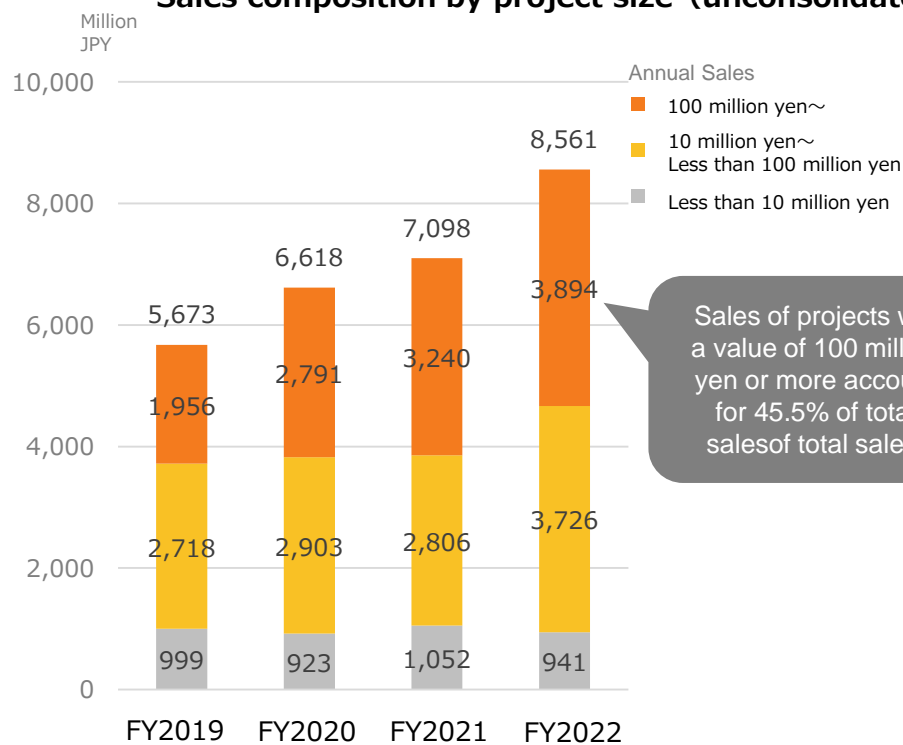
Number of clients with annual sales of 100 million yen or more and sales increased for three consecutive fiscal years.

The company has been able to develop large-scale projects, a key indicator in the current medium-term management plan (from FY6/2020).

Number of customers by project size (unconsolidated)



Sales composition by project size (unconsolidated)



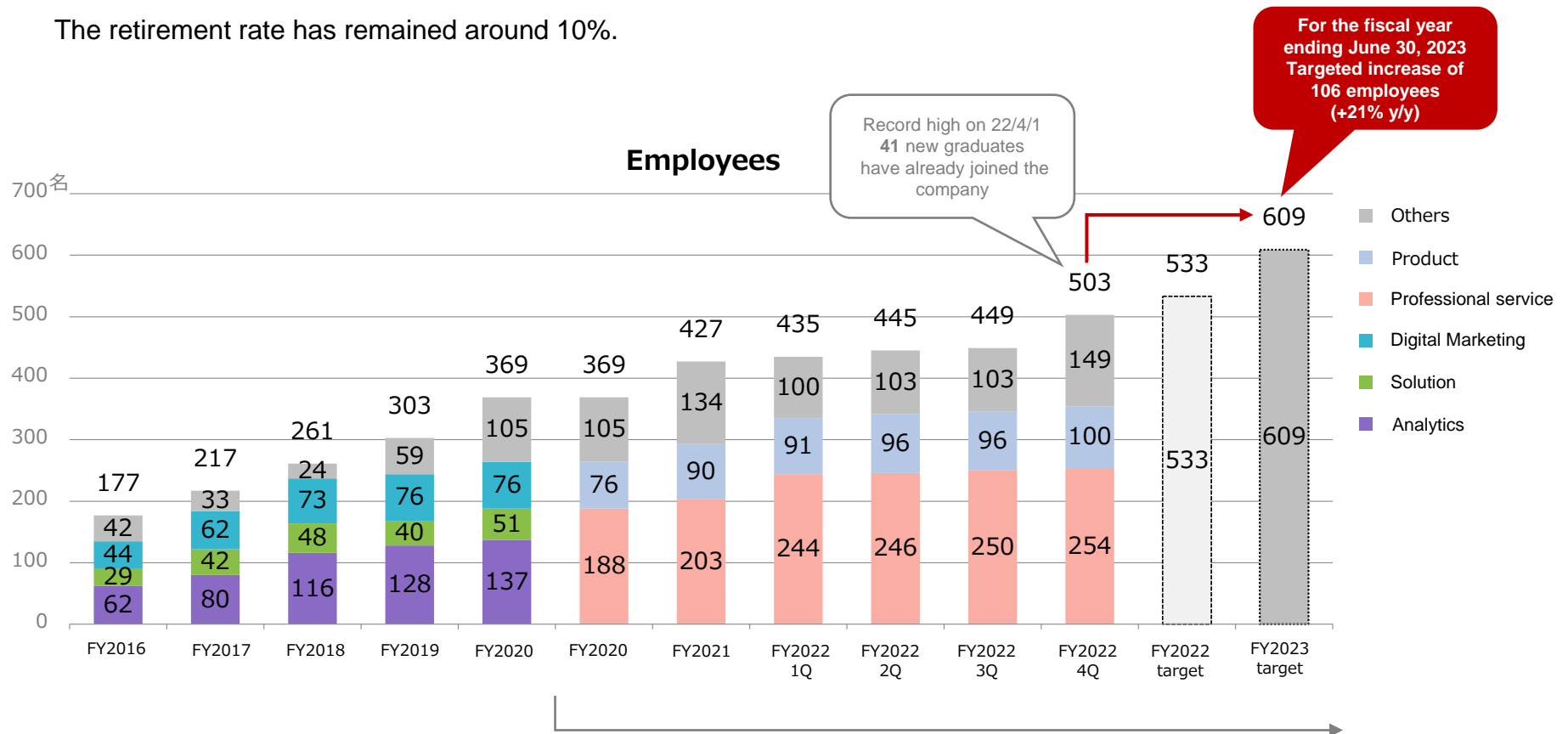
The number of employees

Recruitment capability has improved as the effects of strengthening the human resources department and cooperation with various departments have been evident.

The number of new hires since July 2022 has been steady. The number of employees as of today (August 10, 2022) is **509**. (526 if employees on secondment to TimeTechnologies, ITOCHU, Dentsu Cross Brain, etc. are included.)

For the fiscal year ending June 30, 2023, the company aims to increase both new graduates and mid-career workers by more than 20%.

The retirement rate has remained around 10%.



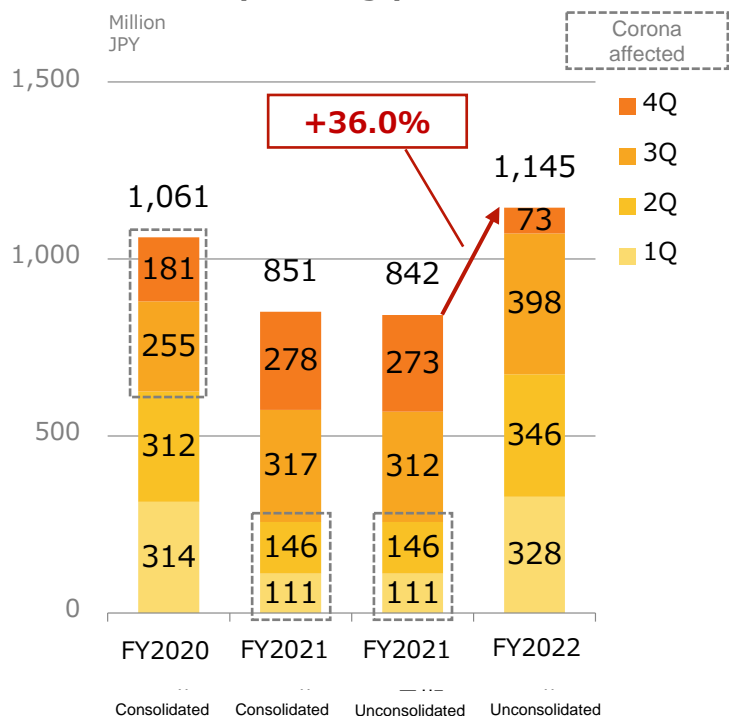
Three-Year Comparison

(Operating Profit by Quarter/Segment)

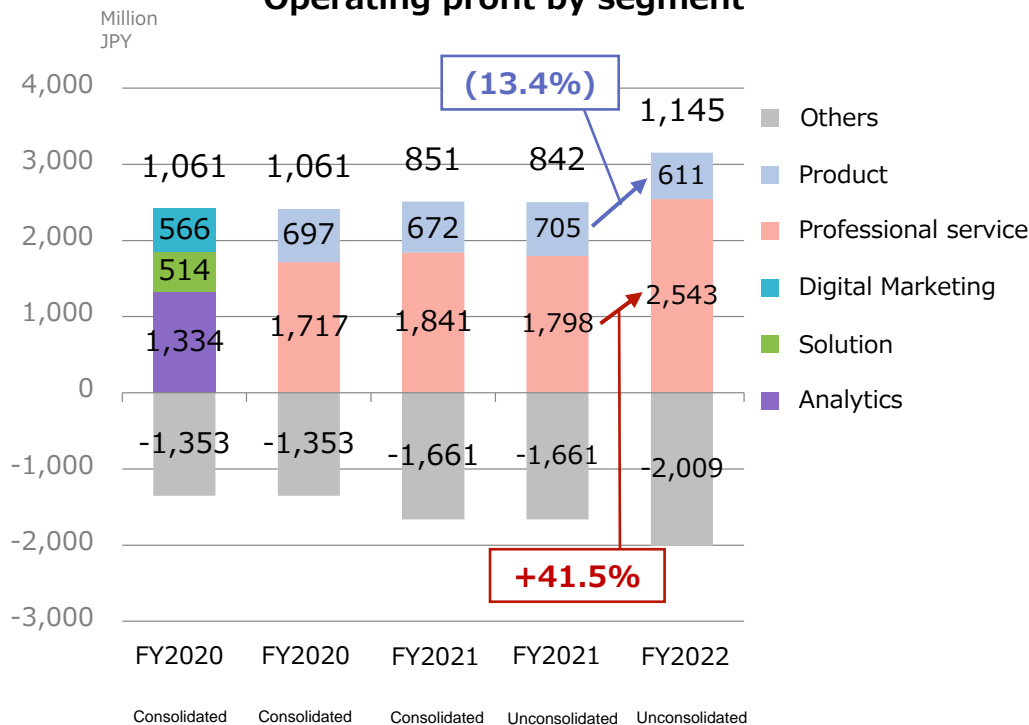
Operating profit grew by 36.0%(YoY), despite special factors such as office relocation expenses, due to sales growth in the high-margin professional services business.

(Factors for the decrease in profits in the current 4Q are discussed below.)

Operating profit



Operating profit by segment



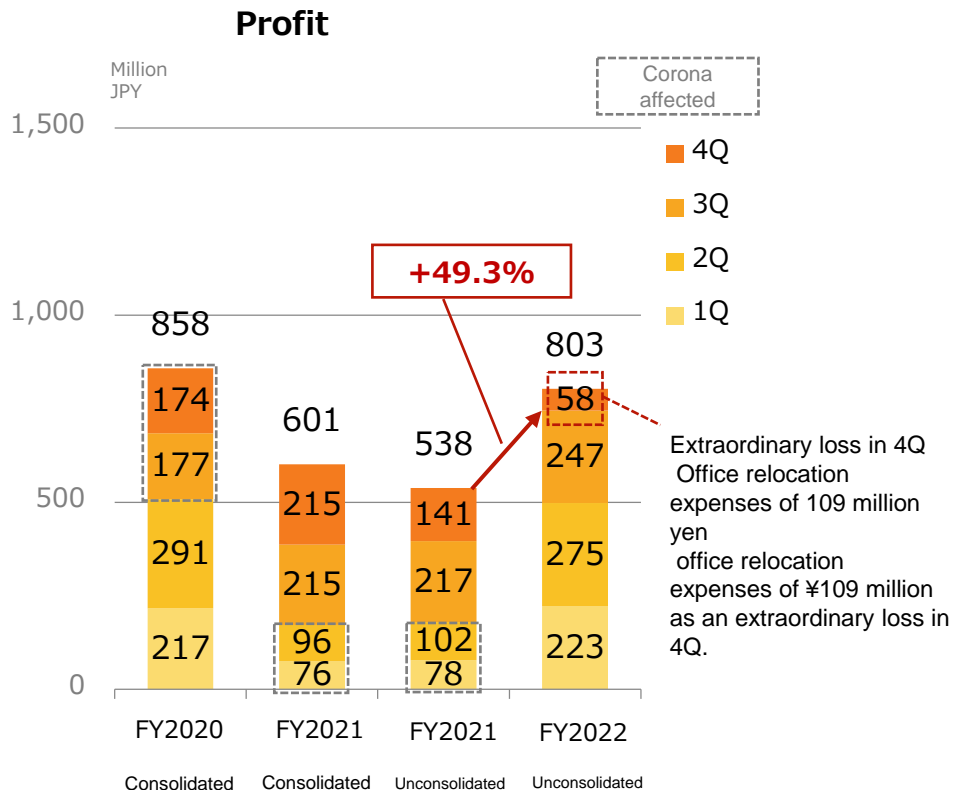
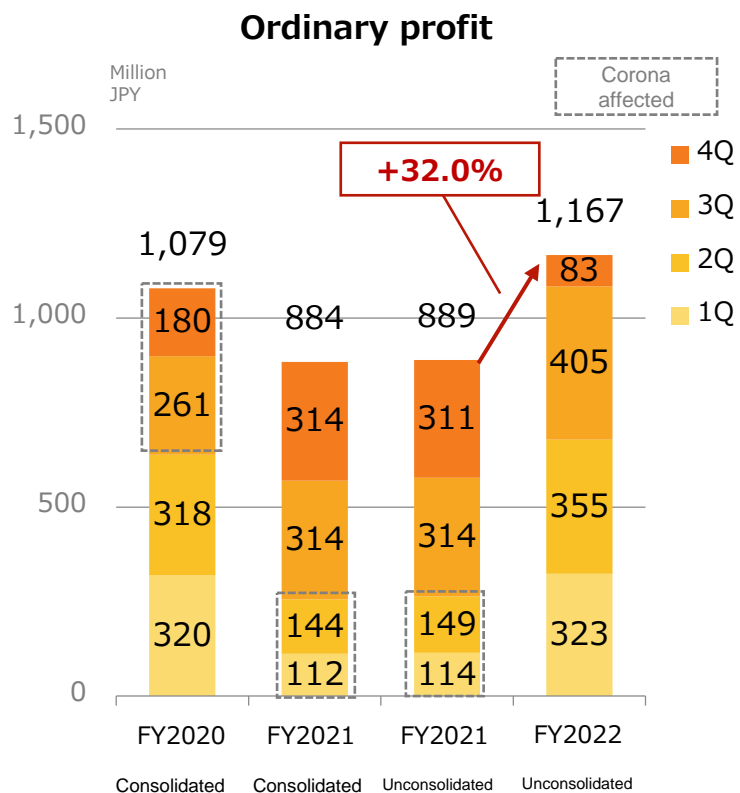
→ Displayed in new segment

Three-Year Comparison

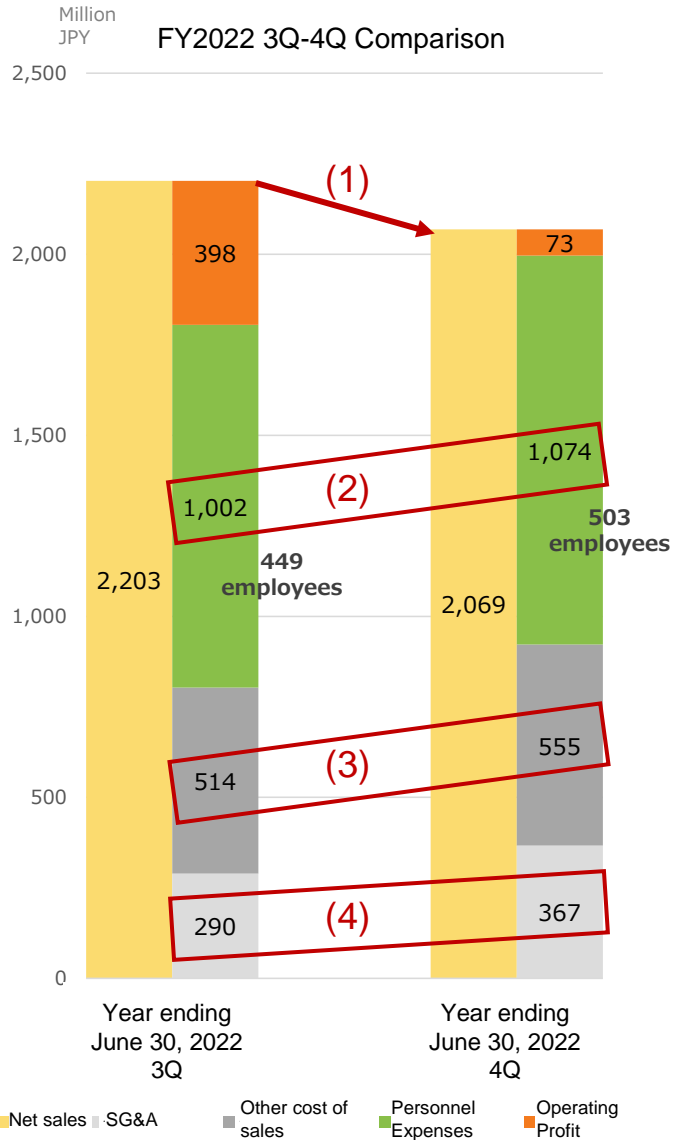
(Ordinary profit and profit by Quarter)

Ordinary profit followed the same trend as the aforementioned operating profit.

An extraordinary loss of 109 million yen was recorded for office relocation expenses.



(Supplement) Factors for the decrease in profit in the fourth quarter of the current fiscal year



(Classification)	(QoQ) Millions of yen	(Main reasons for difference)
(1) Net sales	-134	<ul style="list-style-type: none"> • Difference from 3Q Sales <ul style="list-style-type: none"> └ Professional services business -97 : Several projects were postponed └ Product business -37
(2) Employee Personnel Expenses	+72	<ul style="list-style-type: none"> • Net increase of 54 employees (including 41 new graduates) in 4Q (3 months) <p style="text-align: right;">Contribution to next year's sales</p>
(3) Other cost of sales	+42	<ul style="list-style-type: none"> • In the products business, cost of sales increased approximately 25 million yen due to the depreciation of the yen. <p style="text-align: right;">Continued impact in next fiscal year</p> <ul style="list-style-type: none"> • In the professional business, inventory write-downs of approximately 10 million yen on certain large projects. <p style="text-align: right;">Not occurring in the next period.</p>
(4) Other SG&A expenses	+77	<ul style="list-style-type: none"> • Office relocation expenses approximately 62 million yen <p style="text-align: right;">Not occurring in the next period.</p>

Profit and Loss

Million JPY

	FY2021	FY2022	Amount of change	Ratio of change
	unconsolidated	unconsolidated		
Net Sales	7,098	8,561	1,463	20.6%
Cost of sales	3,952	4,680	728	18.4%
Gross profit	3,146	3,881	735	23.4%
SG & A	2,304	2,736	432	18.8%
Operating profit	842	1,145	303	36.0%
Non-operating income	48	42	-6	-13.4%
Non-operating expenses	1	20	19	1275.6%
Ordinary profit	889	1,167	278	31.2%
Extraordinary income	0	1	1	828.7%
Extraordinary loss	98	109	-	11%
Profit before income taxes	790	1,058	267	33.8%
Total income taxes	253	255	2	0.8%
Profit	538	803	265	49.3%

Compared to the previous fiscal year, when sales were stagnant due to the impact of covid-19, the utilization rate of employees has also increased.

The rate of increase in sales is higher than the rate of increase in cost of sales.

Even with special factors such as office relocation expenses (purchase of new fixtures, etc.), the rate of increase in SG&A expenses has been less than the rate of increase in sales, and the balance between income and expenses is becoming more normalized.

Non-operating income primarily consisted of Subsidy income: 17.4 million yen
Sales incentive income of 8.3 million yen, etc.

Non-operating expenses were mainly a 14.5 million yen commission paid for the acquisition of treasury stock, etc.

Extraordinary losses amounted
Office relocation expenses of 109.4 million yen.
(including rent for old and new offices duplicated before and after the relocation).

Balance Sheet

Million JPY

	FY2021 unconsolidated	FY2022 unconsolidated	Amount of change	Ratio of change	Major breakdown
Assets	5,787	6,149	362	6.3%	
Current assets	4,920	4,438	-482	-9.8%	• Cash and deposits -482
Non-current assets	867	1,711	844	97.4%	• Property, plant and equipment 522 • Software -53 • Other 376
Liabilities	1,104	1,301	197	17.8%	
Current liabilities	1,104	1,151	47	4.3%	• Provision for bonuses 104 • Income taxes payable 98 • Accrued expenses -109 • Accounts payable - other -57
Non-current liabilities	0	149	149	105337.7%	• Other 148
Net assets	4,682	4,848	165	3.5%	• Retained earnings 803 • Valuation and translation adjustments 13 • Treasury shares -655
capital ratio	80.9%	78.8%			

Purchase of treasury stock, and payment of security deposit for new office, etc.

Building and accompanying facilities increased due to relocation to a new office.

Payment of the deposit for the new office, and the acquisition of investment securities, etc.

We acquired 130,000 shares of treasury stock.

Cash Flows

Million JPY

	FY2021	FY2022	FY2022 Major breakdown	
	unconsolidated	unconsolidated		
Cash flows from operating activities	780	1,125	• Profit before income taxes	1,058
			• Depreciation	234
			• Increase (decrease) in accounts payable - others	107
			• Increase (decrease) in trade payables	80
			• Increase (decrease) in contract liability	55
			• Increase (decrease) in inventories	-52
			• Income taxes paid	-356
Cash flows from investing activities	-378	-949	• Acquisition of property, plant and equipment	-408
			• Payments of leasehold and guarantee deposits	-263
			• Purchase of investment securities	-120
			• Purchase of intangible assets	-111
			• Payments for asset retirement obligations	-47
Cash flows from financing activities	44	-699	• Purchase of treasury shares	-699
				0
Net increase (decrease) in cash and cash equivalents	446	-522		0
Cash and cash equivalents at end of period	3,431	2,908		0

The consolidated statements of cash flows are prepared only for the fiscal year ended June 30, 2021.

Due to office relocation Acquisition of property, plant and equipment, net Security Deposit.

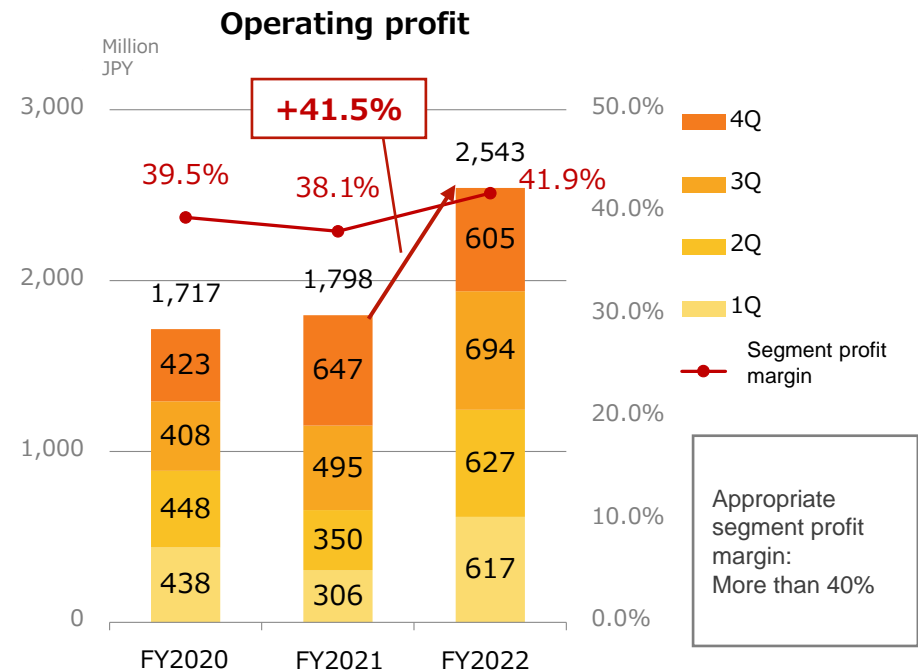
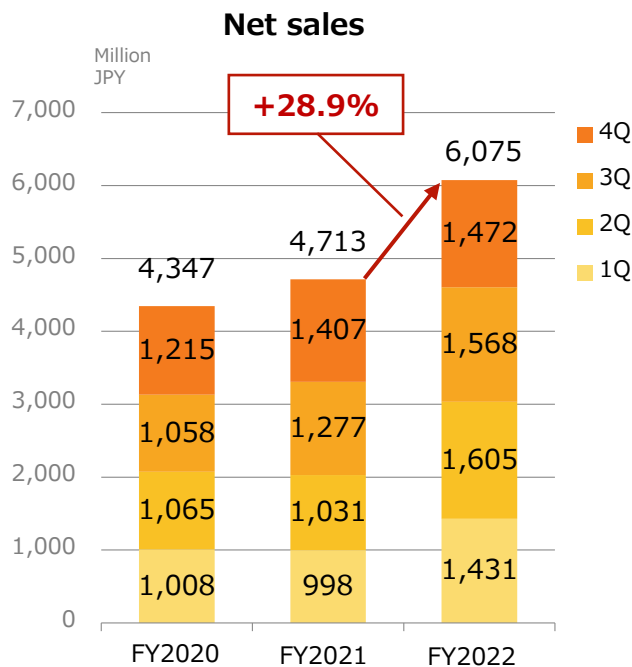
Professional Services Business Comparison of three fiscal years

Compared to the previous year, **sales grew by 28.9% and segment profit by 41.5%.**

- ⌊ Up to 3Q, the pace of business remained strong, exceeding the forecast made at the beginning of the period, as projects became longer and larger in scale.
- ⌊ In the 4Q, several projects were postponed and several medium-sized projects reached the end of their respective terms at the end of the 3Q, and the company was unable to secure new sales to offset the decline in sales.

As a result, net sales were down 97 million yen (-6.2%) from the 3Q.

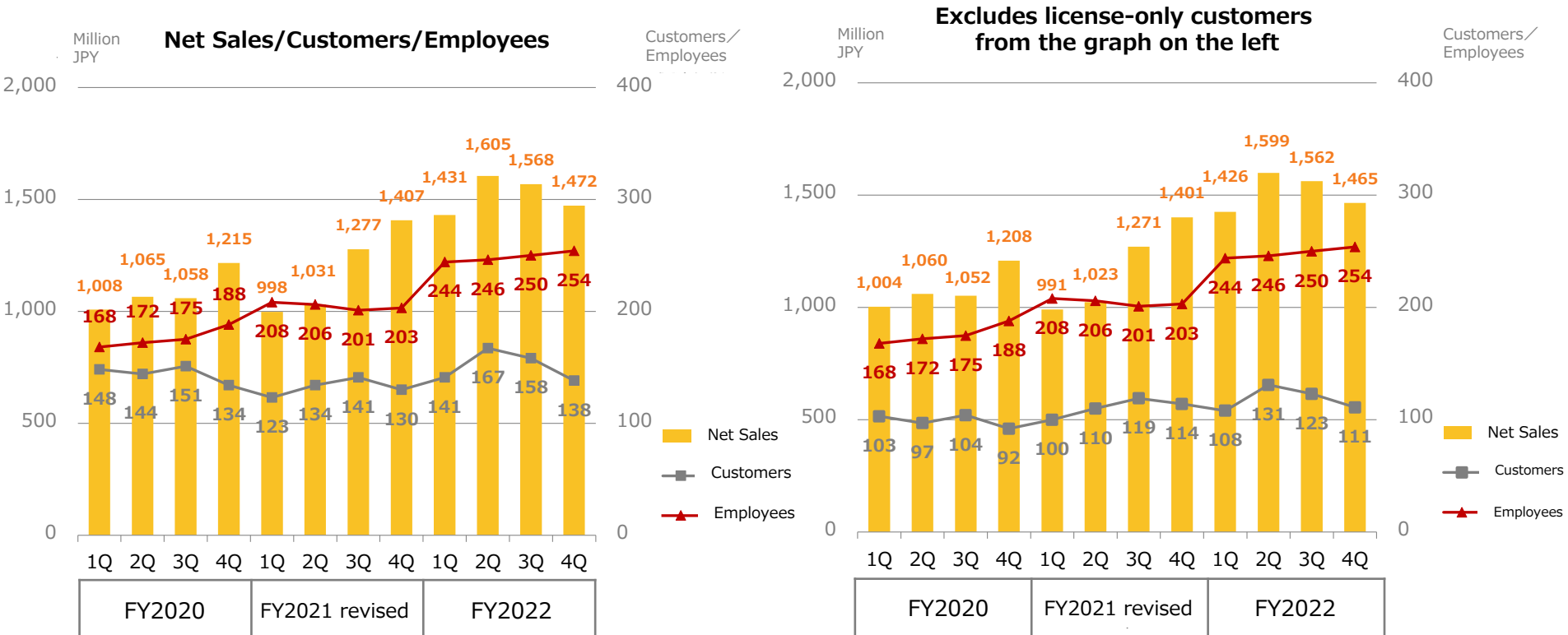
Since this business has a high ratio of fixed costs, the decline in sales is directly related to the decline in profit, and segment profit was down 89 million yen (-12.8%) from the 3Q.



Professional Services Business

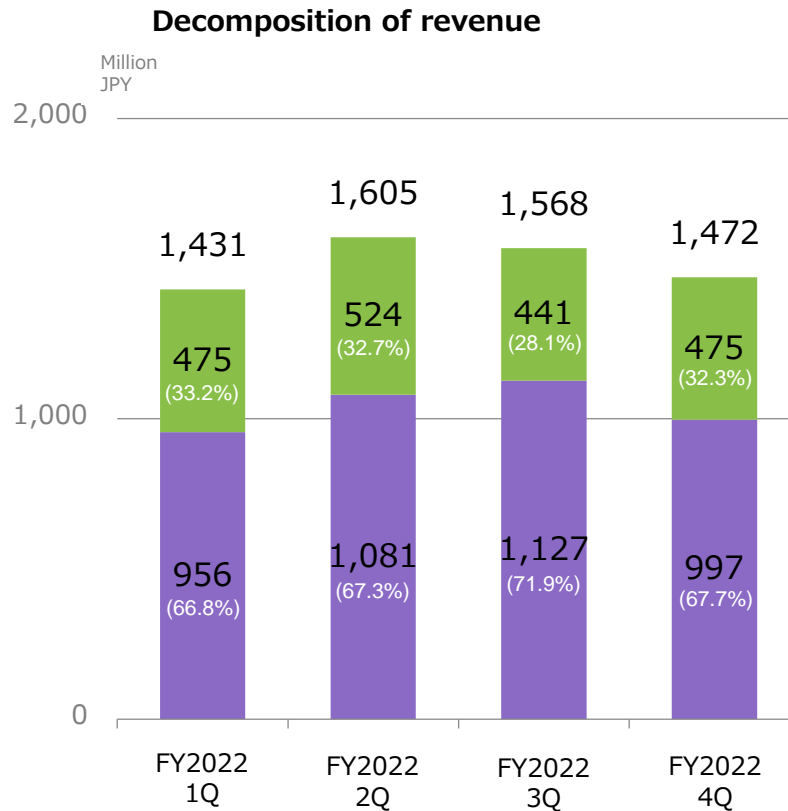
Net Sales, Number of Clients, Number of Employees

Quarterly sales per customer have been stable in the range of 90-110 million yen since the 3Q of the previous fiscal year.



Professional Services Revenue Breakdown

Effective from the current period, the Company adopted the revenue recognition accounting standard. Breaking down the revenue arising from contracts with customers, the revenue of this business is broken down into two main categories.



■ Engineering

■ Consulting/Analytics

(Engineering)

System development work by our system engineers for data utilization environment, etc., is

Sales are mainly recorded based on the delivery of deliverables in accordance with contractual agreements.

(Consulting / Analytics)

Our consultants provide data utilization consulting and Data analysis by our data scientists, etc.

Sales are mainly recorded based on the percentage of performance in accordance with quasi-contractual agreements.

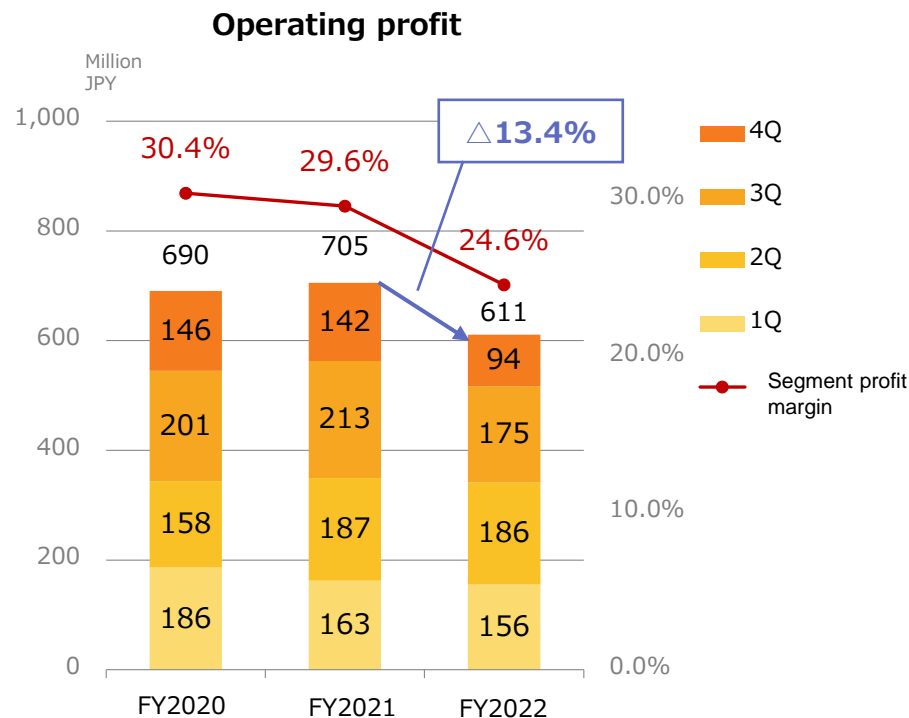
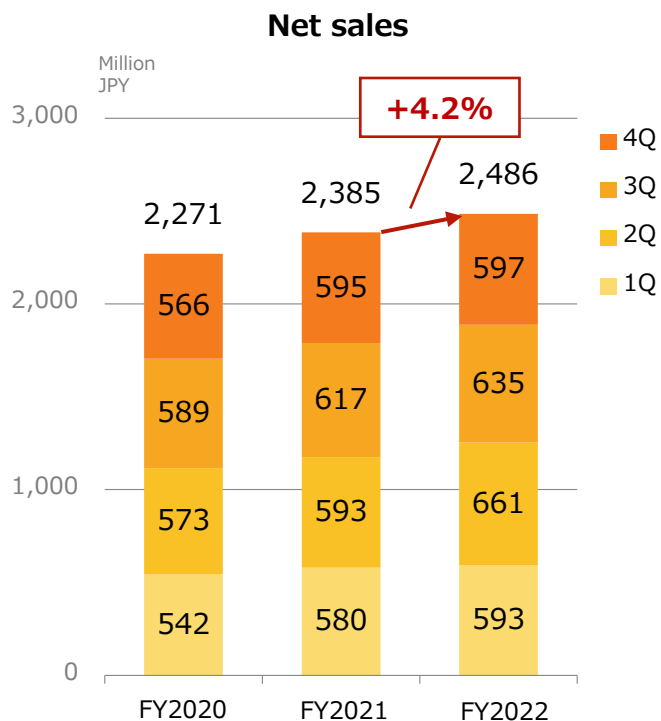
Product Business Comparison of Three Fiscal Years

In FY6/2022, sales and profits increased and declined due to lower profits in the 4Q.

└ 4Q sales were down 37 million yen (-5.9%) from 3Q due to a decrease in flow sales (human support services).

└ Due to the depreciation of the yen, cost of sales other than employee personnel expenses increased by approximately 25 million yen, mainly due to the purchase of overseas products and cloud computing usage fees.

As a result, segment profit declined 81 million yen (-46.4%) from the 3Q

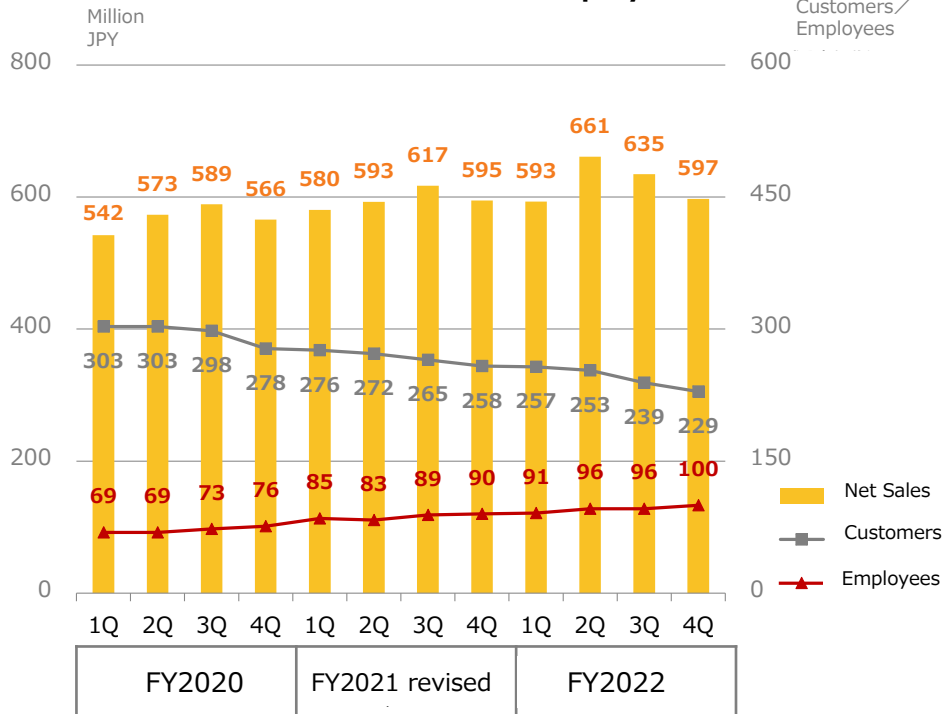


Product Business Number of Customers, Number of Employees, Stock-based Sales

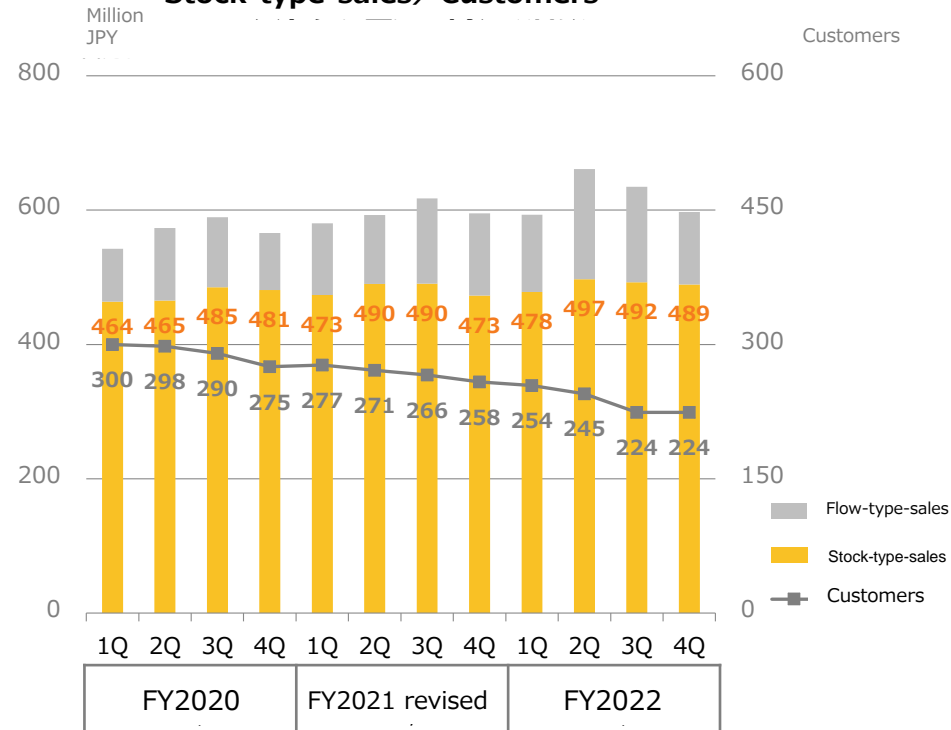
In the 4Q, stock-type sales declined due to the termination of contracts for large projects that had already been decided and the termination of sales of products that are not our mainstay products, which was compensated for by the acquisition of new projects. On the other hand, flow-type sales (from human resource support services) declined.

Going forward, we will aim for sales growth by leveraging our recovering ability to win new orders and focusing on the balance between consistently building up stock-type sales and acquiring strategic large projects with flow sales.

Net Sales/Customers/Employees



Stock-type-sales/Customers



Capital and Business Alliance

Completed on July
29, 2022

NEW

Acquisition of all shares of TimeTechnologies, Inc. (made into a subsidiary)



- Acquired TimeTechnologies, Inc., a developer and provider of the LINE-specific MA "Ligla" (formerly AutoLine), as a wholly owned subsidiary.
- The number of LINE messages sent by "Ligla" per year has reached 220 million. Ligla is one of the highest market shares in Japan as an enterprise-specific MA for LINE.
- In addition to expanding support for LINE (Strong marketing channels in Japan), we will also expanding the product lineup to cover the full range of activities from customer recognition and acquisition and retention of customers.

Announced on
Feb. 22, 2022

reprint

Capital and business alliance with Resona Holdings, Inc.



- Resona Holdings, Inc. made a 2.5% investment in BrainPad Inc.
- Since 2019, BrainPad Inc. and Resona Holdings, Inc. have been taking on the challenge of transforming their business models by adding value to financial and non-financial data.
- The capital and business alliance is intended to enable both companies to analyze high-frequency and wide-ranging digital data to quickly grasp changes in consumer values and behavior, and to provide new solutions and services that offer high convenience and new value-added experiences.
- In addition, through the financial digital platform provided by the Resona Group, BrainPad Inc. aims to provide data analysis and utilization services that enable regional financial institutions and general business corporations to solve problems and verify hypotheses.

Capital and Business Alliance

Announcement on
11/20/2020

Capital and business alliance with ITOCHU Corporation



- ITOCHU Corporation made a 3% investment in BrainPad Inc.
- In 2018, we began working to create examples of data use to promote DX and to build the infrastructure and systems for this purpose.
- We're already making progress in the practical use of data to optimize ordering, inventory, and logistics and to enhance contact with consumers, such as in stores, by using supply chain-related data at each of its sites.
- Through this alliance, we'll also collaborate with other ITOCHU Group companies to promote the expansion of existing businesses and the creation of new businesses through the use of data.

Established on
7/20/2020

Established a joint venture with Dentsu Group Inc.



- Name of joint venture: Dentsu Crossbrain Inc.
(Investment ratio: Dentsu Group Inc. 66.6%, BrainPad Inc. 33.4%)
- Combining the marketing strategy planning and execution capabilities of Dentsu Group companies with the data analysis capabilities of BrainPad Inc.
- Dentsu Crossbrain Inc. provide powerful support for corporate marketing through the collection, accumulation, and analysis data and planning and execution of measures based on the analysis results required in the DX era.
- It will start operation in October 2020.

(4) Current Approach to Achieving the Medium-Term Management Plan

The following approach, announced on August 13, 2021, remains unchanged at this time, and organic growth in sales from existing operations for the fiscal year ending June 30, 2023, is expected to be about 20% per year.

- Initial sales forecast for the next fiscal year (ending June 30, 2022) is 8.5 billion yen.
→ If sales grow at an annual rate of 20% from 8.5 billion yen, sales will reach 10.2 billion yen.
- Therefore, the key to achieving the Medium-Term Management Plan is to achieve sales growth of more than 20%.

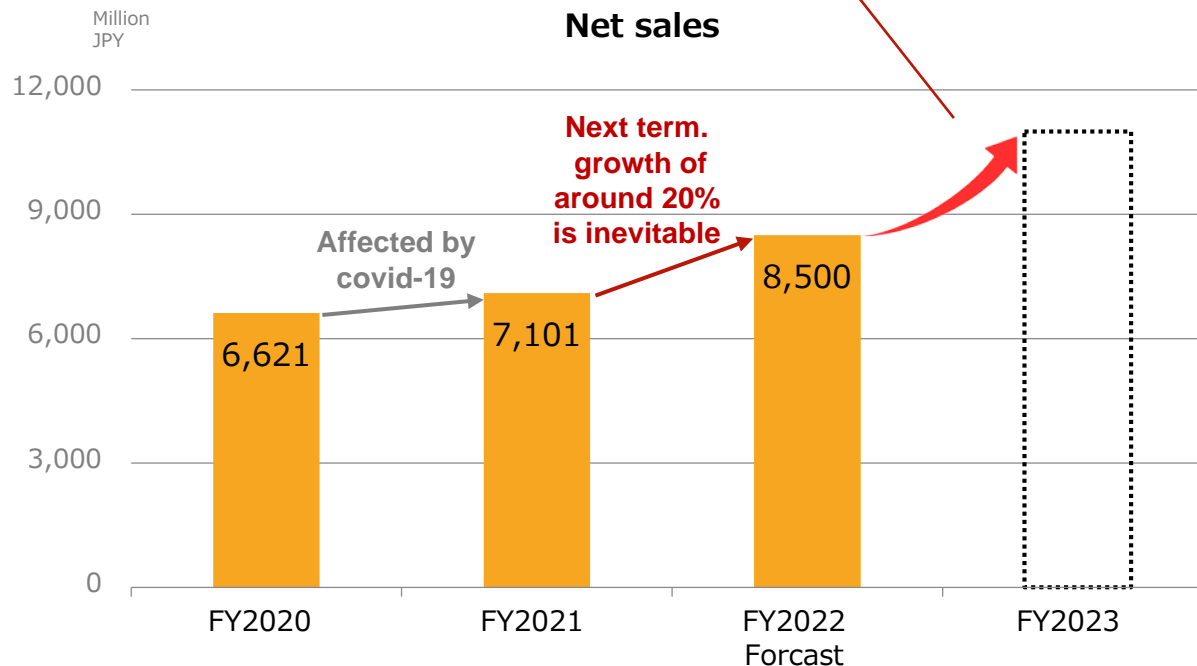
<Requirements for sales growth exceeding 20%>

- Securing uninterrupted sales (Maintaining paid operating rates)
- Strengthen human resources through early personnel expansion and flexible use of outsourcing
- Re-growth of Product Business

Organic growth of existing business



M&A



Achievement of the profit level will depend on the scale of investment (hiring of personnel, etc.) in the final year.

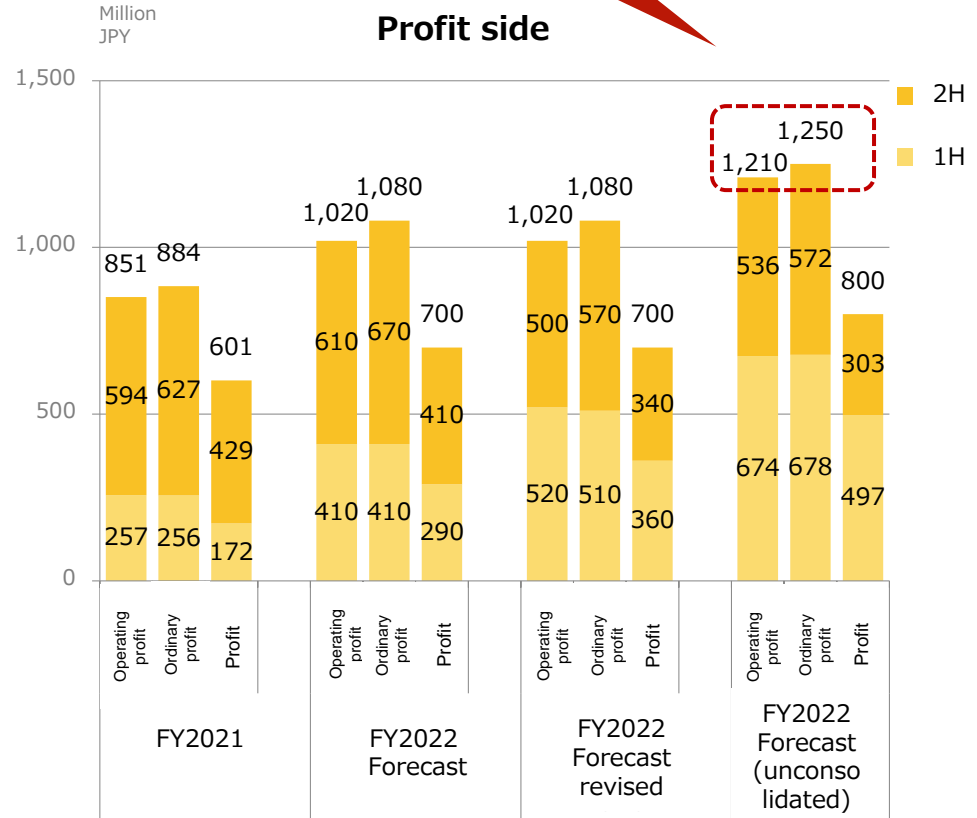
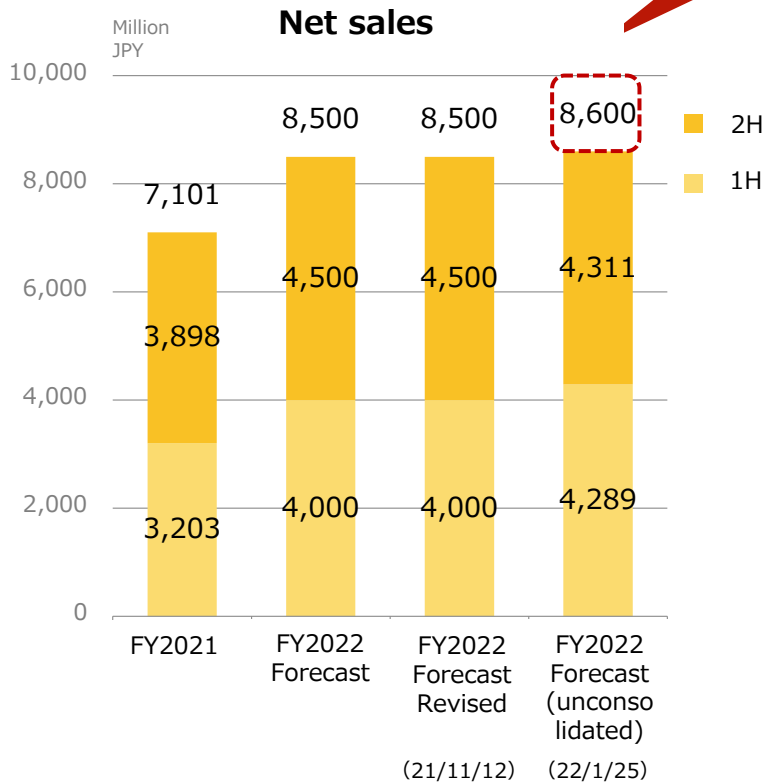
As we accelerate sales growth, we want to ensure that our profit margins increase as well.

Earnings Forecast and Capital Policy

(1-1) Full-year earnings forecast based on progress in the first half

In the second half of the current fiscal year, although the growth rate is expected to be lower than that of the first half, net sales, operating profit and ordinary profit are expected to reach record highs.

Sales and profits are expected to reach record highs.



(1-2) Sales Forecast

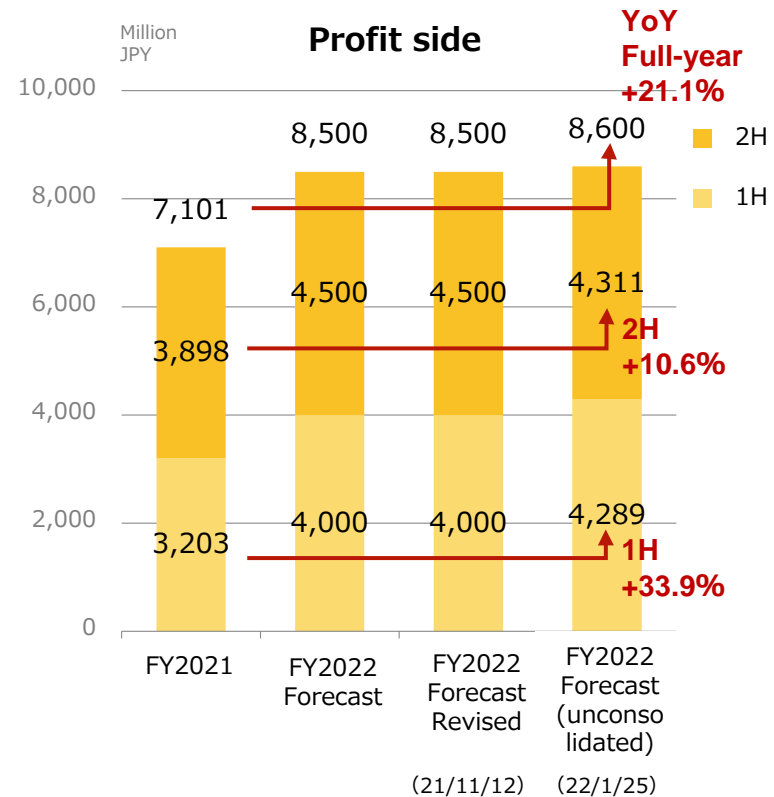
【 Reasons why **sales growth in the second half** is expected to be limited 】

【Professional Services Business】

- Because it is necessary to allocate personnel to specific large projects with limited revenue contribution, the number of personnel allocated to new projects is limited.
- In this business, the increase in the number of employees for some positions has been slightly slower than expected.

【 Product Business】

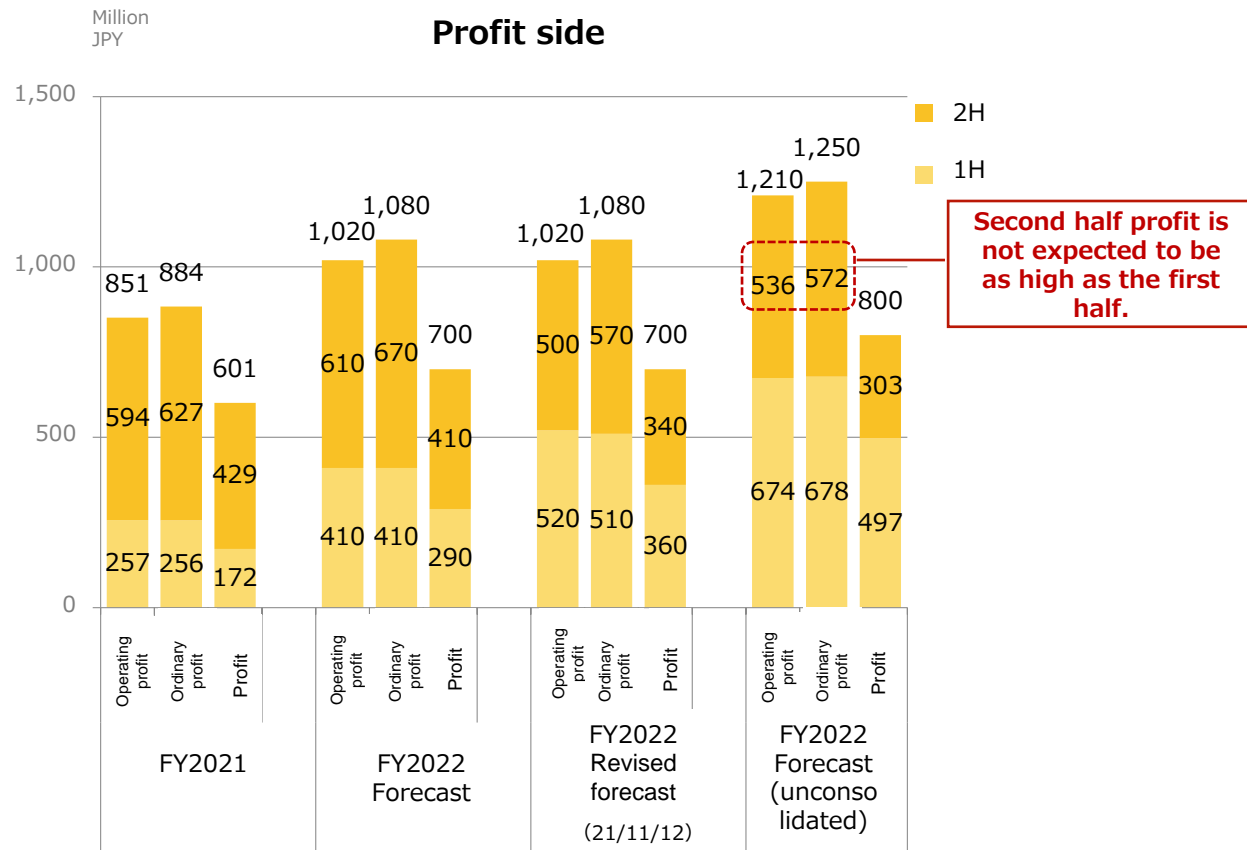
- There is a possibility that growth will be limited.



(1-3) Profit Forecast

【 Reasons why **profit growth in the second half** is expected to be limited】

- In the professional services business, profit contribution from specific large-scale projects will be limited.
- The three priority actions involving investments (see next page) will continue in the second half. We expect an increase in human resource-related expenses to recruit and secure human resources, as well as expenditures for expenses that were uncompleted by 2Q.



(2) Three key actions involving investment



Aggressive recruitment

We plan to increase the number of employees to 106.

(up 24.8% from the end of the current fiscal year)

Cost increase
: about 500 million yen



Re-growth of Product Business

In addition to implementing organizational changes to consolidate divisions related to this business, and we plan to concentrate management resources into primary products

Strengthen inter-organizational collaboration to improve sales promotion functions and processes



Relocation of offices

We have two offices in Shirogane-dai, Minato-ku, and Meguro, Shinagawa-ku.

By May 2022, we consolidate to one new office location.

Cost increase
: about 100 million yen to 150 million yen

(Of which, about 90 million yen will be recorded as an extraordinary loss.)

The new location is Roppongi, Minato-ku, Tokyo

(3-1) Capital Policy

In the mid-term plan assumption

Our top priorities for capital utilization are investment in business growth, including M&A, that will accelerate the growth of existing businesses.
If the use of capital does not progress, we will consider the possibility of returning capital to shareholders.

Forecast for the next fiscal year

Although we have made small investments, we have not made large-scale investments such as M&A for the purpose of acquiring human resources.

As the negative impact of covid-19 has been less than devastating, our cash reserves continue to accumulate.

However we plan to relocate its head office in the next fiscal year, we does not expect its cash reserves to decline significantly.

August 2021-
Execution of share
buyback

After securing a certain level of funds to prepare for M&A, we will use a portion of the surplus funds to repurchase treasury stock from August of this year.

In addition to returning profits to shareholders and improving capital efficiency, the Company aims to use treasury stock for stock-based compensation for directors and employees, as well as for the execution of M&A and capital alliances.

Thereafter, we plan to continue to consider the payment of dividends, share buybacks, and other measures.

(3-2) Results of Repurchase of Treasury Stock and Stock Split

Results of repurchase of treasury stock

1. Acquisition Period August 13, 2021 to September 14, 2021 (based on the execution date)
2. Total number of shares repurchased 130,000 shares
→ Of these, 8,150 shares were disposed of as restricted stock on October 29, 2021.
3. Total amount of acquisition price of shares 698,297,491 yen

Implementation of stock split

1. The record date December 31, 2021
2. Split ratio 1:3 (each share of common stock will be split at a ratio of 3 shares)
3. Effective date January 1, 2022

Re-posted:

Medium-Term Management Plan

(Four-year period from the fiscal year ending June 30, 2020 to the fiscal year ending June 30, 2023)

Basic Policies of the Medium-Term Management Plan

Business Environment

- ❑ The market surrounding data utilization-related businesses (AI, data analytics, digital marketing, etc.) is expected to continue growing at an annual rate of more than 20% while involving peripheral domains.
- ❑ As the market is expected to expand, and with the entry of new companies and adjacent industries expected, the demand for human resources and human services to support data utilization will continue to grow.

Basic Policies

1

Strengthen the system (inter-business collaboration) to provide and demonstrate the comprehensive capabilities necessary for data utilization in order to increase the number of advanced and practical data utilization results that have an impact on business.

2

Expand the scale of the organization, including the hiring and training of diverse human resources, in order to meet the demand for human services and solutions that are indispensable for data utilization.

3

To accelerate the use of data using advanced technologies, we will strengthen our collaboration with domestic and overseas Tech companies through business alliances and investments, as well as our own R&D.

Targets of the Medium-Term Management Plan (Consolidated)

reprint

(Amounts less than one million yen are rounded down.)

	Results for FY2019	Final year of mid-term plan (FY2023)	growth rate
Net sales	5,676	11,500	CAGR 19.3%
Ordinary income	1,213	2,000	CAGR 13.3%
Ordinary income ratio	21.4%	17.4%	—
ROE	Average ROE for the previous four years of the previous mid-term plan 21.2%	Average ROE over the four years of the new medium-term management plan About 20%.	—
Number of employees	306	580-650	Almost doubled in four years

The above figures do not factor in the impact of M&A and other investments described below.

In order to achieve the numerical targets in excess, we will proceed with various studies, including M&A and business alliances.

APPENDIX

CORPORATE VISION

Analytics Innovation Company

ビジネス・顧客体験・オペレーションにおいて
先進的で実践的なデータ活用の実績を生み出し続け、
世の中にインパクトを与えるデータ資本社会のリーディングカンパニー

Our values: The best way to create valuable data

A variety of IT related vocabulary has nowadays become popular and commonplace.

“It is however necessary to utilize this vocabulary in order to obtain efficiency and innovation.”

Big Data	Machine Learning	IoT/IoE Internet of Things Internet of Everything	AI Artificial Intelligence	Prediction • Optimization
Data Scientist	Deep Learning	Data Analytics Data Utilization	FinTech	MA (Marketing Automation)

- BrainPad is a leading company of data utilization. We have been engaged with Business Creation& Management Improvement since our establishment in 2004.
- Business Creation& Management Improvement are driven by the use of data derived from Analytics and Engineering.

3 competences BrainPad can add unique value

Data utilization for more than **1,000** companies

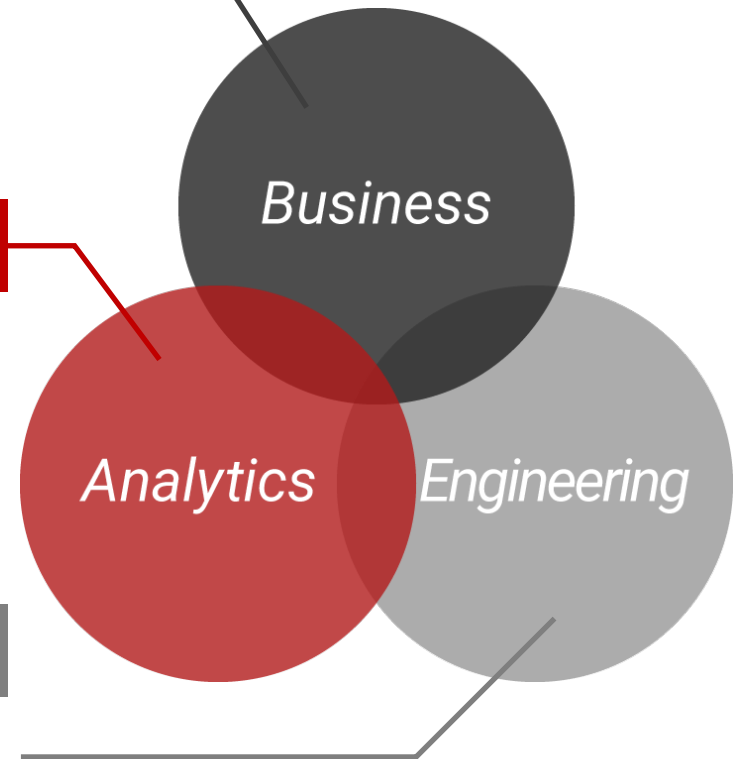
Since its founding in 2004, BrainPad have supported utilizing data for more than 1,000 companies. By utilizing an abundance of accumulated knowledge, we can solve management issues for a wide range of industries.

150 Data scientists

BrainPad employs more data scientists than the any other company in Japan - 150 in-house specialists in total. Our Data scientists specialize in various disciplines, and technical expertise across all industries, with a wealth of analytical experience. We organize teams according to our customer's needs at the highest analytical level.

Top-class product in DMP Area

Through technical experience and cutting-edge technology, BrainPad boasts the ability to effectively "shape" systems and software. The high level of technology and expertise has been effectively proven with the creation of top-class product "Rtoaster" in the digital marketing domain



Our USP & Cutting Edge Capabilities









Our services can be applied to whole stages where big data analysis is necessary for solving business challenges.

The stages include concept design through to actual operations.



Our Service① : Big Data Utilization Service

BrainPad provides services that solve the following problems by utilizing the knowledge of many professionals who specialize in managing big data.

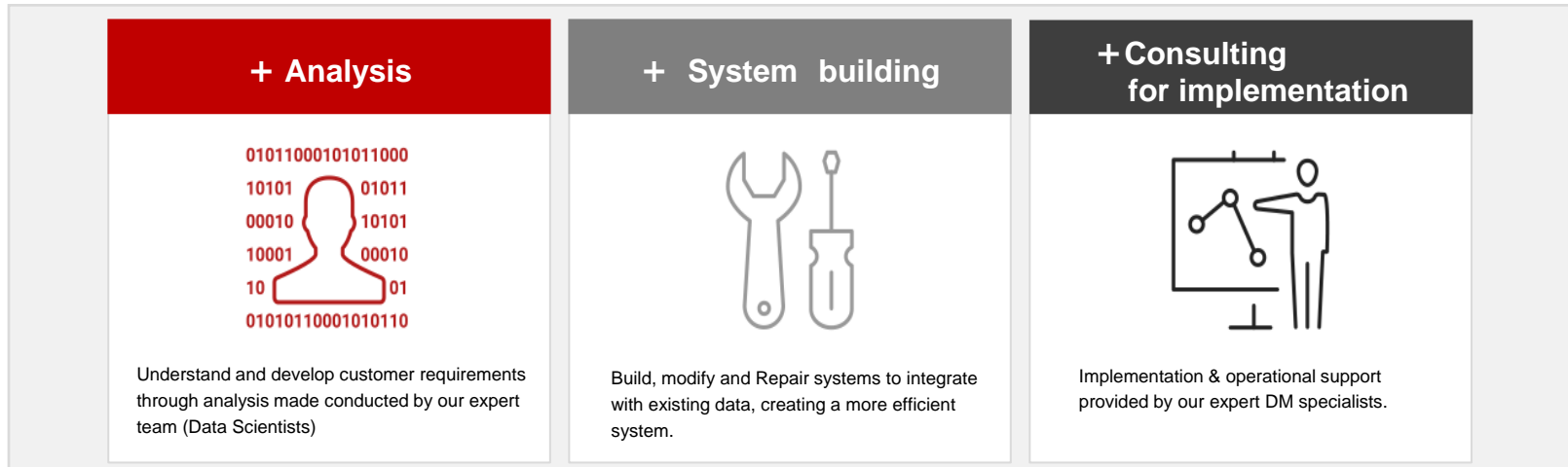
<p>Improve marketing and CRM based on real time data</p>	<p>Reorganize and innovate businesses processes through the use of AI and machine learning</p>	<p>Build platform for big data analysis</p>	<p>• Develop human resources to manage and utilize data professionally and accurately • Built Organization/ structure</p>
<p>Improve overall of PDCA (in terms of marketing)</p>  <ul style="list-style-type: none"> • Understand customer behavior • Lead nurturing • Measure effectiveness • Optimization 	<p>Optimize business processes using analytics</p>  <ul style="list-style-type: none"> • Sales • Manufacturing • Supply chain management • New business 	<p>Build the entire infrastructure for data utilization</p>  <ul style="list-style-type: none"> • Plan data utilization • Build analysis infrastructure • Operations support 	<p>Develop human resource, Build specialized structure</p>  <ul style="list-style-type: none"> • A roadmap for autonomous data utilization • Train human resources to be able to utilize data • Develop specialized organization and structure
 <p>Marketing Analytics Specialists (Consultant/advisor • Data Scientist)</p>	 <p>Machine Learning /Deep Learning, IoT, AI Specialist (Data Scientist · Engineer)</p>	 <p>Analysis Environment & Software Production Specialist (Product consultant · System engineer)</p>	 <p>Corporate Training & HR Development Specialist (Consultant/advisor • Instructor)</p>

Specialists provide these services

Our Service② : Digital Marketing Service


BrainPad provides expert digital marketing services.

These service includes; data analysis, system builds and implementation, and expert consultancy, with the option of our Top-class digital marketing product:"Rtoaster" .



High Value Products & Services

CDP Private DMP



Rtoaster

A total solution that integrates and analyzes customer data to achieve highly accurate personalization

Marketing Automation




Probance

Marketing automation for B2C market.

Web visitors preference prediction by machine learning, get highest ROI.


Digital Consumer Intelligence



Brandwatch

Discover the underlying perceptions of consumers with social media data insights using AI. Share your new insights easily with informative graphics. Enable your team to from long term strategies, and act on real time tactics.

Recommend engine



Conomi

An algorithm find the most effective combination of an individual and a product from various combinations by utilizing collected and accumulated data source.

Natural Language Processing



Mynd plus

Natural language processing engine.

Analyze context, abridge, etc.

Our Product : Specialist of utilizing data

Marketing

CDP
Private DMP



Rtoaster

A total solution that integrates and analyzes customer data to achieve highly accurate personalization.

Marketing
Automation



PROBANCE

Probance

Marketing automation for B2C market.

Web visitors preference prediction by machine learning, get highest ROI.

Digital Consumer
Intelligence



Brandwatch

Discover the underlying perceptions of consumers with social media data insights using AI.

Data mining & Machine learning

SAS-compatible
system



WPS Analytics

An Integrated Modular System perform statistical and graphing functionality, and makes it possible to run many applications written in the SAS language.

Recommend engine



Conomi

Conomi

An algorithm find the most effective combination of an individual and a product from various combinations by utilizing collected and accumulated data source.

Natural Language
Processing



Mynd plus

Natural language processing engine.

Analyze context, abridge, etc.

Analytical Infrastructure

Cloud
platform

Microsoft Azure

Microsoft Azure

Provide necessary functions for utilization of Big Data on Cloud Platform.

Cloud
Data Ware House



Google Cloud™

A cloud-based platform that features advanced technologies including big data analysis and machine learning

Cloud
platform



Amazon Web Service

A cloud-based platform with high availability that facilitates flexible resource adjustment

Cloud
Data Ware House



Snowflake

Data warehouse and data sharing solutions having completely new cloud-native architectures that are completely different from the existing data warehouses

Visualization & Business Intelligence · Augmented Analytics

Intuitive
data extraction



exQuick

Without using SQL, marketer, business person can obtain necessary data intuitively.

Visualization



Tableau

Interactive data visualizations.

Augmented
Analytics



VizTact

Support business decisions with visual analytics enhanced by Machine Learning and Natural Language Processing.

Optimization & RPA applications

Optimization
engine



UltiPad

Optimization tool, satisfying large number of constraints working with predictive scores.

Robot process
automation



BrainRobo

RPA (Robot Process Automation) software. Improve efficiency of enterprises' business process.

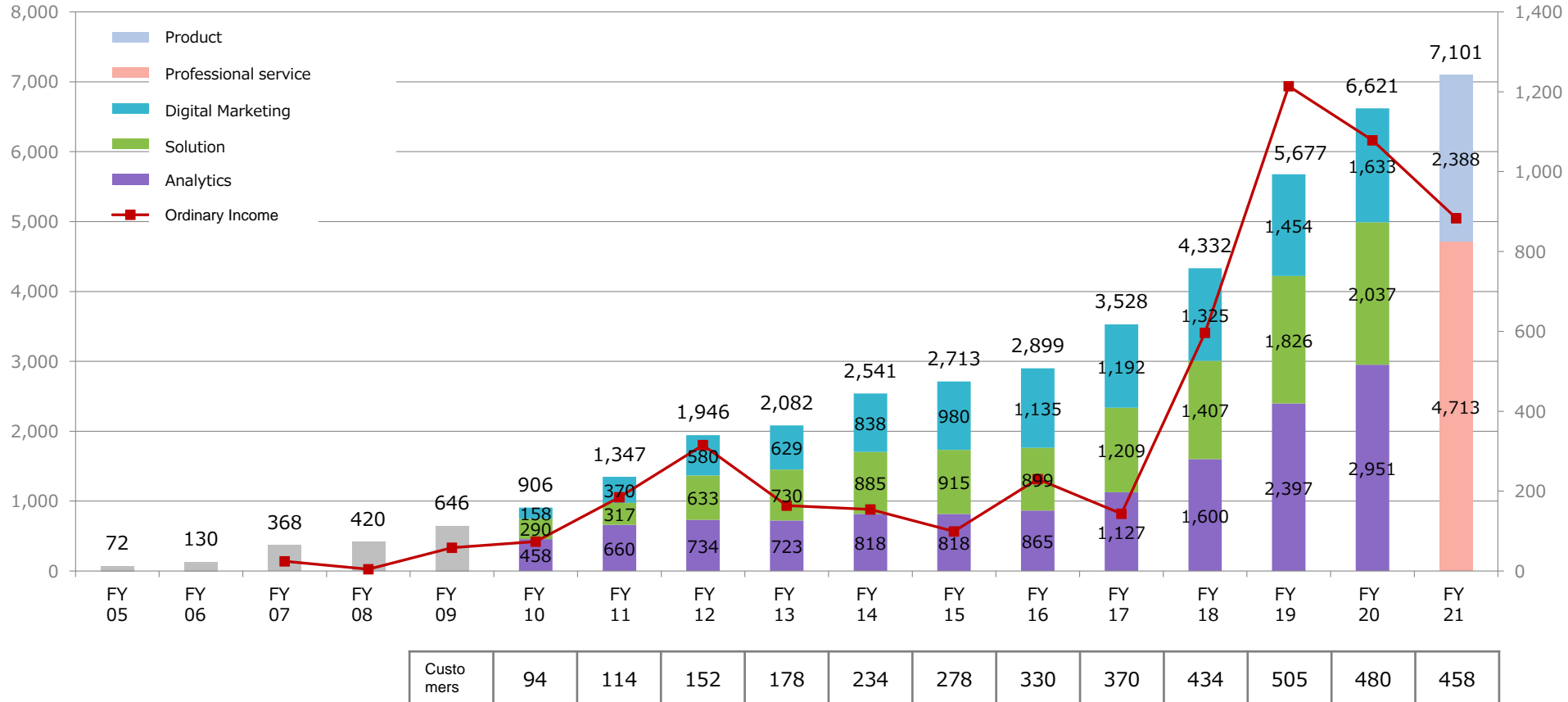
■ In-house developed product ■ In-house product ■ BrainPad is the exclusive reseller in Japan

Financial Results

Net Sales
(Million JPY)

Net Sales / Ordinary Income / Number of Customers

Ordinary Income
(Million JPY)





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