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Notice of Non-Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 in Accordance with the Transition to Non-Consolidated Financial Results

January 25, 2022

Company name: BrainPad Inc.
Stock exchange listing: Tokyo
Code number: 3655
URL: <https://www.brainpad.co.jp/english/>
Representative: Takafumi Kusano CEO/Representative Director/Co-Founder
Contact: Ko Ishikawa Director/CFO
Phone: 03-6721-7701

We will shift to a non-consolidated accounting method due to the following reasons. Therefore, based on the resolution of the Board of Directors meeting held on January 25, 2022, the Company will announce the new non-consolidated earnings forecast as follows.

1. Reason for the shift to non-consolidated financial statements

As announced in the "Notice of Absorption-Type Merger (Simplified and Short Form) of Consolidated Subsidiary and Waiver of Claims" dated August 12, 2021, the Company merged Mynd Corporation, a wholly owned subsidiary of the Company, on December 1, 2021. As a result of this merger, there are no longer any subsidiaries to be consolidated, and the Company will shift to non-consolidated financial statements from the second quarter of the fiscal year ending June 30, 2022.

2. Forecast of Non-Consolidated Financial Results for the Fiscal Year Ending June 30, 2022 (July 1, 2021 - June 30, 2022)

	Net Sales	Operating Income	Ordinary Income	Net profit	Net profit per share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Second quarter (cumulative)	4,289	674	678	497	22.66
Full year	8,600	1,210	1,250	800	36.48

(Note) We conducted a stock split on January 1, 2022, whereby one share of common stock was divided into three shares, but the above net income per share figures take into account the effect of this stock split.

(Reference)

Amount and rate of change from the most recently announced consolidated financial forecast for the fiscal year ending June 30, 2022

		Net Sales	Operating Income	Ordinary Income	Net profit
Second quarter (cumulative)	Difference	Million Yen 289	Million Yen 154	Million Yen 168	Million Yen 137
	Percentage of Increase/Decrease (%)	7.2	29.6	32.9	38.1
Full year	Difference	Million Yen 100	Million Yen 190	Million Yen 170	Million Yen 100
	Percentage of Increase/Decrease (%)	1.2	18.6	15.7	14.3

Most recently announced consolidated financial forecast for the year ending June 30, 2021 (July 1, 2021 - June 30, 2022)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income per share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Second quarter (cumulative)	4,000	520	510	360	16.43
Full year	8,500	1,020	1,080	700	31.95

(Note) The Company conducted a stock split on January 1, 2022, whereby one share of common stock was divided into three shares, but the above net income per share figures take into account the effect of this stock split.

3. Reasons for the difference between the most recently announced consolidated earnings forecast and the non-consolidated earnings forecast announced today

The impact of the merger and the transition to non-consolidated financial statements on our business forecast will be minimal, as the impact of Mynd Corporation, a wholly owned subsidiary, on our consolidated business performance was minimal.

On that basis, the main reasons for the difference between the consolidated earnings forecast most recently announced (hereinafter referred to as "the latest forecast") and the non-consolidated earnings forecast announced today are as follows.

In terms of sales for the first half of the fiscal year, in addition to the strong performance of the professional services business, the timing of sales recognition for some projects was quickened from the third quarter to the second quarter, and as a result, sales exceeded the latest forecast.

As for profits for the first half of the fiscal year, the Company expects them to be significantly higher than the latest forecast, including losses expected from certain large projects in the professional services business (losses expected to be posted in the first half of the fiscal year, including losses expected from the third quarter onward), due to strong sales and lower-than-expected expenditures for certain expenses.

In terms of sales for the full year, the professional services business is expected to continue to perform well amid strong demand for digital transformation and data utilization. On the other hand, it is necessary to increase the number of staff allocated to the aforementioned specific large-scale projects from the assumption at the time of order receipt, and the increase in the number of staff for some positions in this business is slightly later than expected. In addition, there is a possibility that sales growth in the product business will be limited, so the forecast figures are as shown above.

As for the profit for the full year, in the third quarter and beyond, the contribution to profit from the aforementioned specific large-scale projects is expected to be limited, and in addition, we expect an increase in human resource-related expenses for recruiting and securing human resources, as well as the expenditure of expenses that have not yet been digested by the first half of the fiscal year. As a result, although the upward revision from the latest forecast is expected to be smaller than that for the first half of the current fiscal year, the full-year profit is expected to be the highest ever.

(Note: Earnings forecasts are based on information available at the time of preparation and include uncertain factors. As such, actual results may differ from these forecasts due to changes in various factors, including the economic environment.)