

Financial results of the fiscal year ending June 2019

August 08, 2019

BrainPad Inc.

(Securities Code 3655)



Introduction

Our Mission

**“Create a sustainable future
by advanced data utilization”**

Our Vision

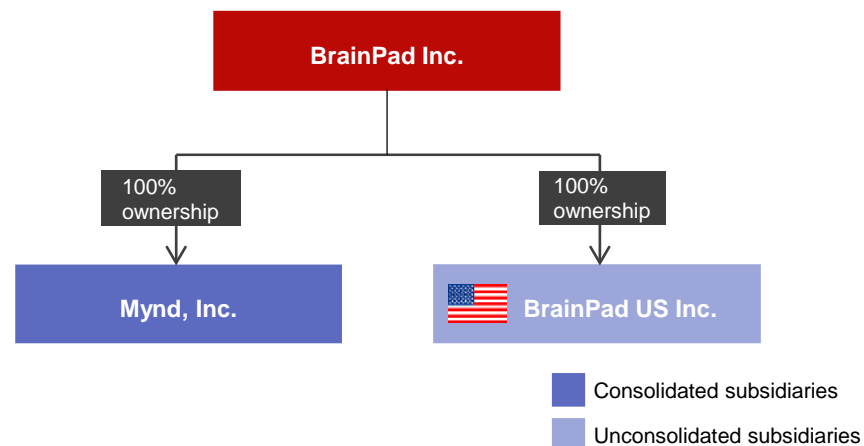
“Analytics Innovation Company”

Bringing benefits of analytics / AI
to enterprises

Corporate Overview

Trading name	BrainPad Inc.	
Address	Shirokanedai Bldg. 3-2-10 Shirokanedai Minato-ku, Tokyo 108-0071, Japan	
Phone	+81-3-6721-7001	
Established	3/18/2004	
Listed Section	First section of the Tokyo Stock Exchange (Code: 3655)	
Capital	¥ 332M (as of 6/30/'19)	
Employees	306 (as of 6/30/'19, Consolidated)	
Management Team	Takafumi Kusano	Representative Director/ Co-Founder
	Seinosuke Sato	CEO/Co-Founder
	Makoto Yasuda	Director
	Ko Ishikawa	Director/CFO
	Yoichiro Shiozawa	Director
	Tetsuya Sano	Outside Director
	Haruo Suzuki	Statutory Auditor
	Keiichi Kato	Auditor
	Katsuyuki Yamaguchi	Outside Auditor
Membership	<ul style="list-style-type: none"> • The Japan DataScientist Society • Japan Deep Learning Association 	

Group Structure



Certifications



JIS Q 15001
Auth.No: 10822646

PrivacyMark for enterprise is approved as taking appropriate measures to protect personal information.

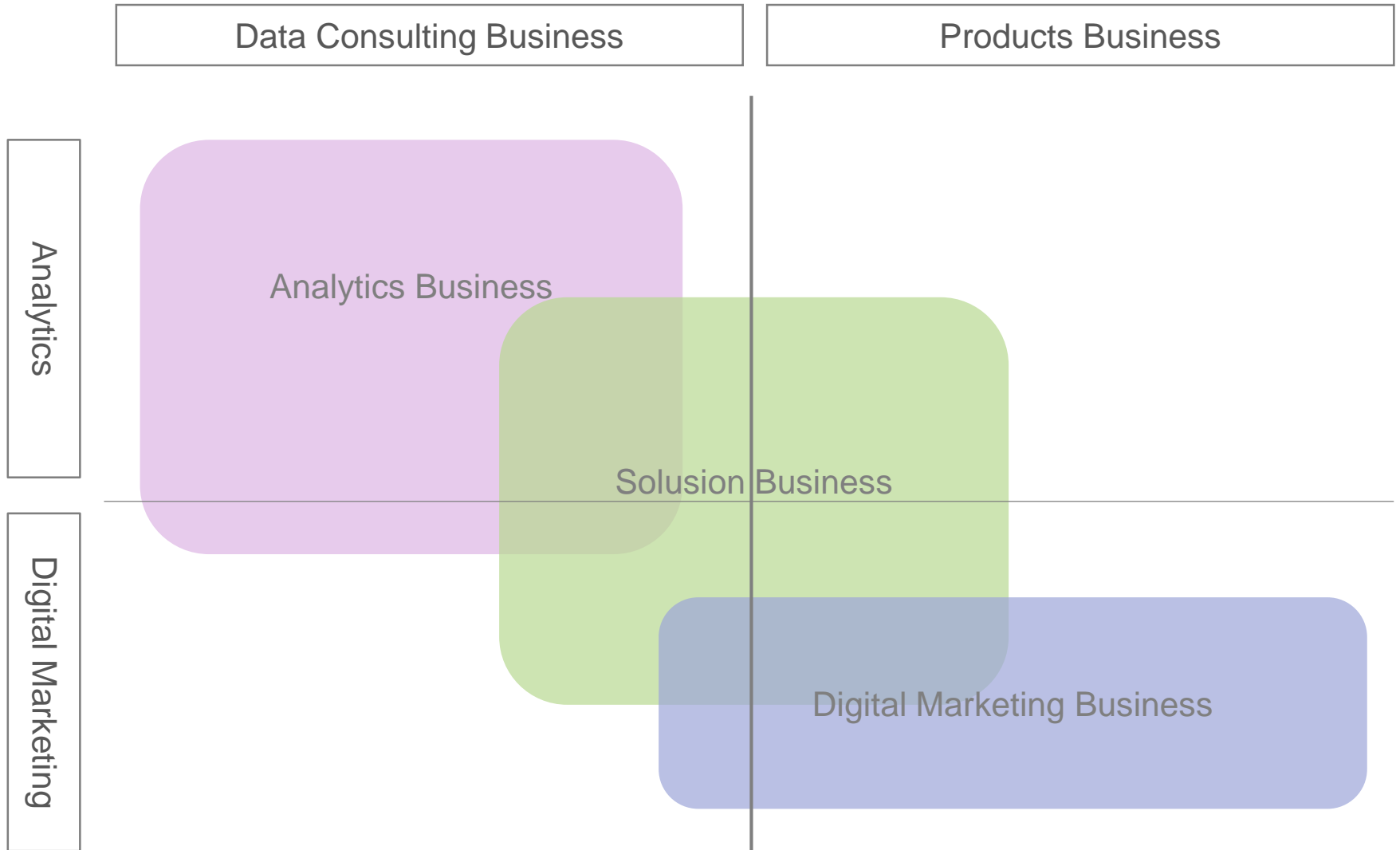


Certification • System
ISO(JIS Q) 27001

IS 600956 / ISO 27001

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

Our business fields to create valuable data

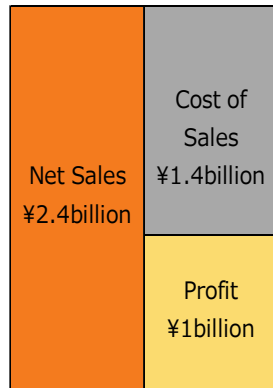


Analytics Business

Support enterprises to improve their business performance by Data analytics. Analytics consultant and specialized data scientists provide high value to their business. BrainPad holds 80+ data scientists which is biggest in domestically in Japan.

Profit structure of previous fiscal year (Consolidated results of fiscal year ended June 2019)

- 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



- Personnel expenses accounts for most part of the cost of sales
 - Other costs include server expenses and software expenses
- Segment profitability: 42.6%

Characteristics/strengths

- Organization boasting the largest number of data scientists in the industry
- Experience in supporting broad range of businesses, without specializing in specific field
- Knowhow that allows us to apply cutting-edge technologies such as AI, statistical sciences and mathematical engineering to actual businesses
- Organizational strength that allows us to start hiring new graduates quicker than other companies in the industry, and to continue training around 10 to 20 new graduates each year

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.

Training data utilization personnel / structuring organizations and systems



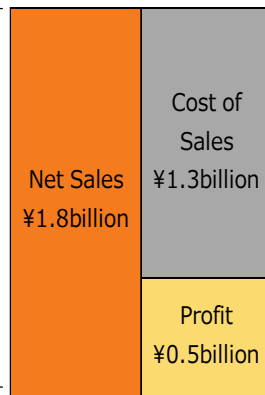
Structuring and start-up support of organizations and systems for data utilization;
Training data utilization personnel and providing customized programs incorporating data scientist training methods ...and more.

Solution Business

Business of developing data analytics platform and licensing of foreign-produced machine learning based packages and integrate them into enterprises' systems. Licensing business domain is marketing automation/CRM, including social listening systems.

Profit structure of previous fiscal year (Consolidated results of fiscal year ended June 2019)

- Approximately half is stock-type sales consisting of monthly usage fees and maintenance fees, and the other half is flow-type sales consisting of batched license sales, development sales, and human support sales
- Flow-type sales instantly increase where there are large license sales or orders for development or human support projects











- License purchase, subcontract expenses for contracted development, etc., accounts for most part of the cost of sales
- Subcontracting is used mostly for development work to control profitability
- Percentage of purchase and subcontracting expense is highest among our three lines of business

Segment profitability: 27.1%

Characteristics/strengths

- From standpoint that is not dependent on vendors, customers can choose from flexible systems that suit their needs
- Find and select unique foreign tools. Numerous tools are available in Japan only through us
- Based on abundance of experience, we are able to provide optimal analysis environments and tools for data utilization

Primary products handled

Marketing Automation	Social listening platform	Intuitive data extraction	Augmented Analytics	Machine learning	SAS-compatible system	Cloud platform	Robotics process automation
 Probanse Marketing automation for B2C market. Web visitors preference prediction by machine learning, get highest ROI.	 Crimson Hexagon ForSight™ Platform Analysis of worldwide customer engagement through social media.	 exQuick Without using SQL, marketer, business person can obtain necessary data intuitively.	 VizTact Support business decisions with visual analytics enhanced by Machine Learning and Natural Language Processing.	 SAP® Predictive Analytics Predict target with score (%), cluster, project demand by machine learning. Automate whole process.	 WPS Analytics An Integrated Modular System perform statistical and graphing functionality, and makes it possible to run many applications written in the SAS language.	 Microsoft Azure Provide necessary functions for utilization of Big Data on Cloud Platform.	 BrainRobo RPA (Robot Process Automation) software. Improve efficiency of enterprises' business process.

■ In-house product

■ BrainPad is the exclusive reseller in Japan

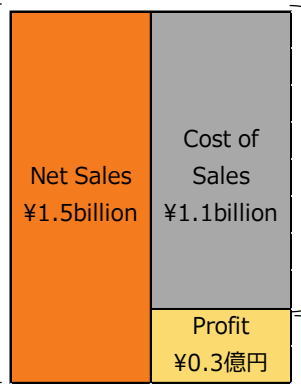
■ The others

Digital Marketing Business

Support to enhance enterprises' digital marketing businesses. Our home grown Rtoaster, provides DMP and recommendation services to enterprises. Rtoaster and Ad products are integrated by natural language processing developed by our wholly owned subsidiary Mynd, and our own analytics technologies.

Profit structure of previous fiscal year (Consolidated results of fiscal year ended June 2019)

- Products developed by our company are used on a monthly subscription basis (Majority of sales are related to "Rtoaster")
- A stock-type business model in which sales increase as long as customers do not cancel their subscriptions
- Some flow-type sales from customized development and deployment consulting expenses



A majority of the costs of sales is for server expenses for operating products developed by our company and personnel expenses for developing products

Segment profitability: 22.4%

Characteristics/strengths

- Develop and provide "Rtoaster" which is the top-class share in the DMP market (3.0 billion cases of tracking, and 200 million items)
- Productization of sophisticated algorithms developed in-house, characteristic of an analysis company
- Can be incorporated with products of other companies, regardless of the vendor, and can perform digital marketing by employing "Rtoaster," a private DMP, at the center

Primary products handled (all developed in-house)

<p>Private DMP recommendation</p> <p>Rtoaster</p> <p>Various marketing tactics are applied using DMP. Top-class product in the private DMP domain.</p>	<p>Ads operation Support</p> <p>AdPencil</p> <p>Submission supporting tool for web advertising. An easy operation and automation by AI.</p>	<p>Ads operation Support</p> <p>AdNote</p> <p>Operation supporting tool for Ads. The two features are auto reporting (20 report types) and a simulation for advertising budget allocation.</p>	<p>Ads operation Automation</p> <p>FUSE LIGHT</p> <p>Automate internet Ads by utilizing AI. Without using human operation, internet Ads is delivered to customer.</p>	<p>Natural Language Processing</p> <p>Mynd plus</p> <p>Natural language processing engine. Analyze context, abridge, etc.</p>	<p>Recommend engine</p> <p>Conomi</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>
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Our Clients & Portfolios

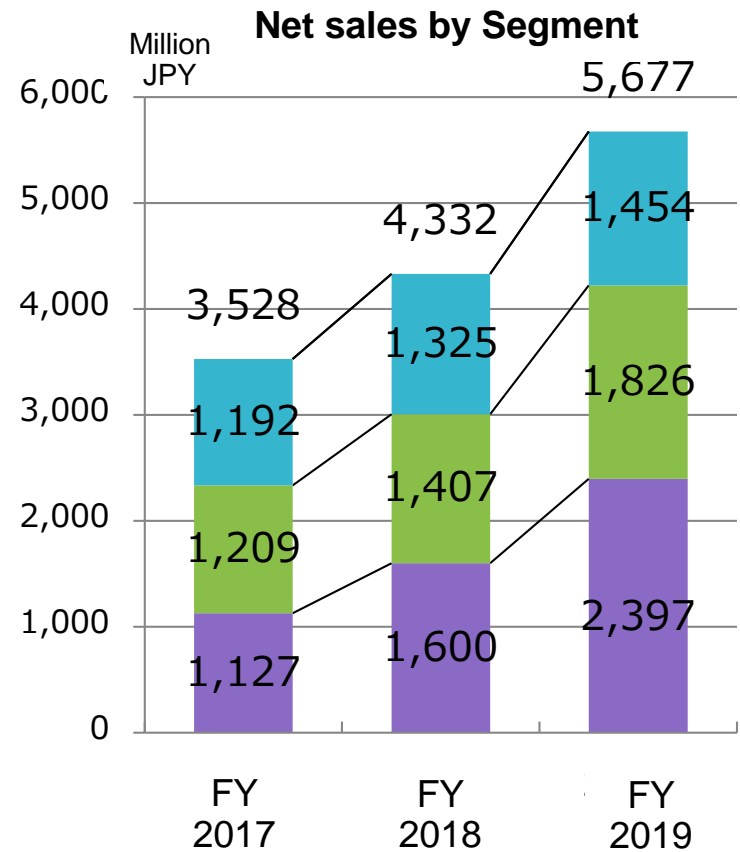
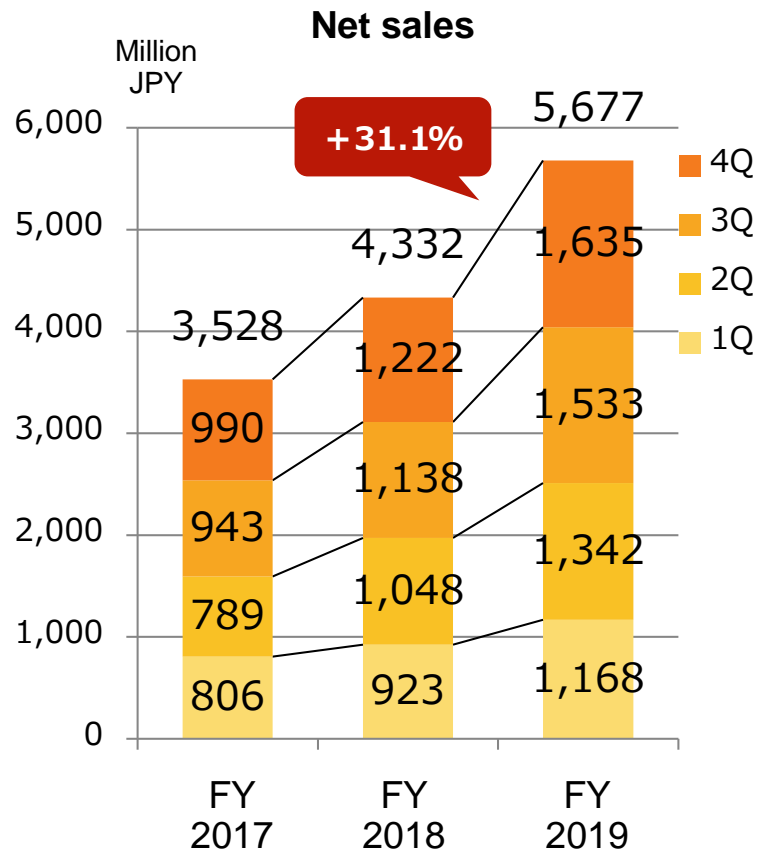
These listed clients have conducted business with us and permitted the use and publication of their name, or have already had their name published alongside our own in press releases or other publications. published in the media.

(as of August 8, 2019; titles omitted; in no particular order)

Information technology and communications	Google Cloud Japan G.K., Yahoo Japan Corporation, NIFTY Corporation, GMO Research, Inc., OTSUKA CORPORATION, CCC Marketing Co.,Ltd., istry Inc., Interspace Co.,Ltd., Aerosense Inc, ATLED CORP. , OM Network Co., Ltd., CrowdWorks Inc., JR East Net Station Co.,Ltd., STAR FESTIVAL INC., DAIWABO INFORMATION SYSTEM CO., LTD., Trend Micro Incorporated
Electronics	Mitsubishi Electric Corporation
Chemical (include consumer product)	Lion Corporation, KOSÉ PROVISION CO., LTD., FANCL CORPORATION, FUJIFILM Healthcare Laboratory Co., Ltd.
Medical・Pharmaceutical	Bayer Yakuhin, Ltd., Medical Data Vision Co.,Ltd.
Retail・Distribution	Lawson,Inc., Takashimaya Company,Limited, TSUTAYA Co., Ltd, GEO CORPORATION, PEACH JOHN CO.,LTD, I-ne CO.,LTD, ASKUL Corporation, ENOTECA CO.,LTD., OAK LAWN MARKETING, INC., AUTOBACS SEVEN CO.,LTD., kai industries co., ltd., KONAKA CO.,LTD., Golf Digest Online Inc., ANA TRADING CO., LTD., Dinos Cecile Co., Ltd., DORAMA INC., Nishikawa Sangyo Co.,Ltd., K.K.B4F, Petit Bateau Japan, FELISSIMO CORPORATION, Wacoal Corp.
Food provisions・Food service	SKYLARK HOLDINGS CO.,LTD., Ajinomoto Co.,Inc., Kirin Company, Limited, Kewpie Corporation, COCA-COLA(JAPAN)COMPANY,LIMITED, Meiji Co., Ltd., ASAHI BREWERIES, LTD., UCC HOLDINGS CO.,LTD, MORINAGA MILK INDUSTRY CO.,LTD., KIKKOMAN CORPORATION, SHIDAX CORPORATION, JAPAN TOBACCO INC.
Banking・Securities・Card	SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., The Bank of Yokohama,Ltd., JCB Co., Ltd., Daiwa Securities Co. Ltd., MATSUI SECURITIES CO.,LTD., Shinsei Bank,Limited, Sumitomo Mitsui Trust Bank, Limited, The Iyo Bank,Ltd., Orient Corporation, POCKET CARD CO., LTD.
Education・Human resource・Consulting service	Persol Career Co., Ltd., Mynavi Corporation, Recruit Staffing Co.,Ltd., Matching Service Japan Co., Ltd., TechnoPro Holdings,Inc., DISCO CORPORATION, Nikkei HR,Inc., Kawaijuku Educational Institution, Z-kai Inc., Pasona Tech, Inc., EXPERT STAFF INC.
Air transportation・Travel・Hotel	Japan Airlines Co.,Ltd., ALL NIPPON AIRWAYS CO., LTD., Kyushu Railway Company, JTB Corp., Nippon Travel Agency Co.,Ltd., YAMATO TRANSPORT CO., LTD., Yuko Yuko Holdings Inc., TABIKOBO Co. Ltd., Hilton WorldWide
Construction・Housing	Yachiyo Engineering Co., Ltd., MISAWA HOMES CO.,LTD., DAITO TRUST CONSTRUCTION CO.,LTD., Sekisui House,Ltd., Nomura Real Estate Urban Net Co., Ltd., Mitsui Fudosan Residential Lease Co.,Ltd.
Media・Advertisement・Entertainment	NIKKEI STYLE, The Asahi Shimbun Company, WOWOW INC., SEGA Holdings Co., Ltd., SEGA Games Co., Ltd., Fuji Television Network, Inc., THE YOMIURI SHIMBUN(Tokyo head office), JTB Publishing,Inc., HAKUHODO PRODUCT'S INC., Starts Publishing Corporation, Beacon Communications K.K., J-WAVE i Inc.
The others	Satofull Co., Ltd., Itamiarts.Inc.

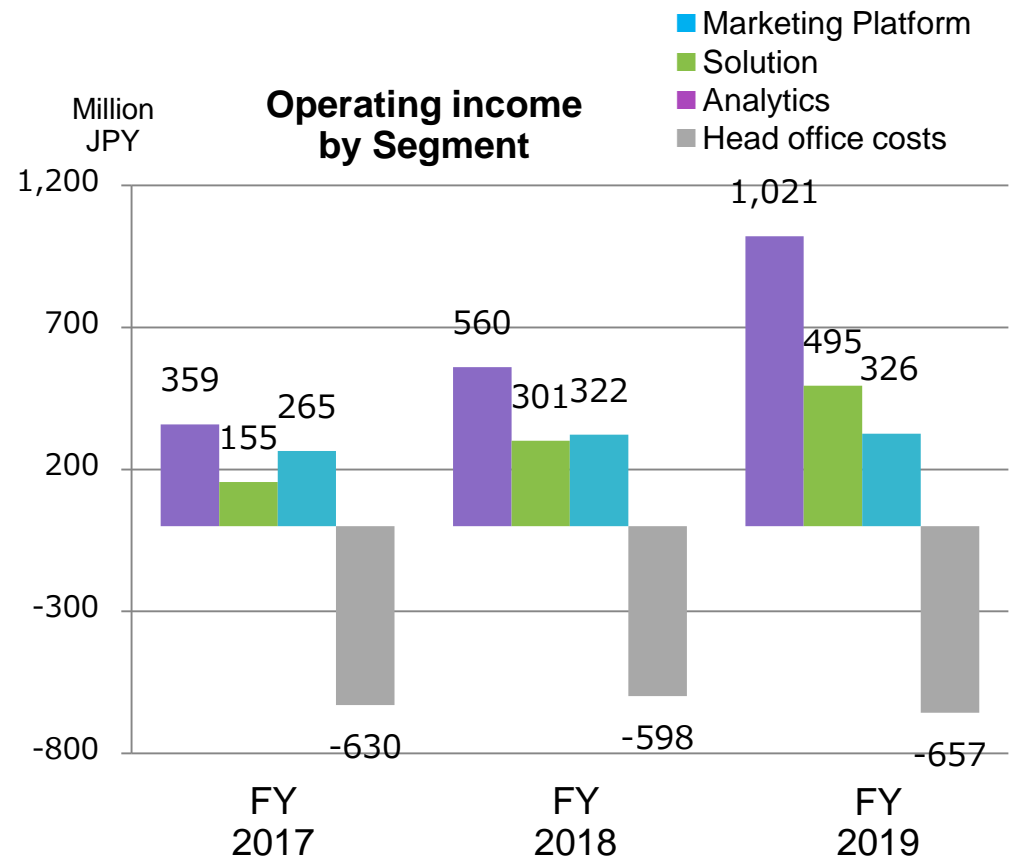
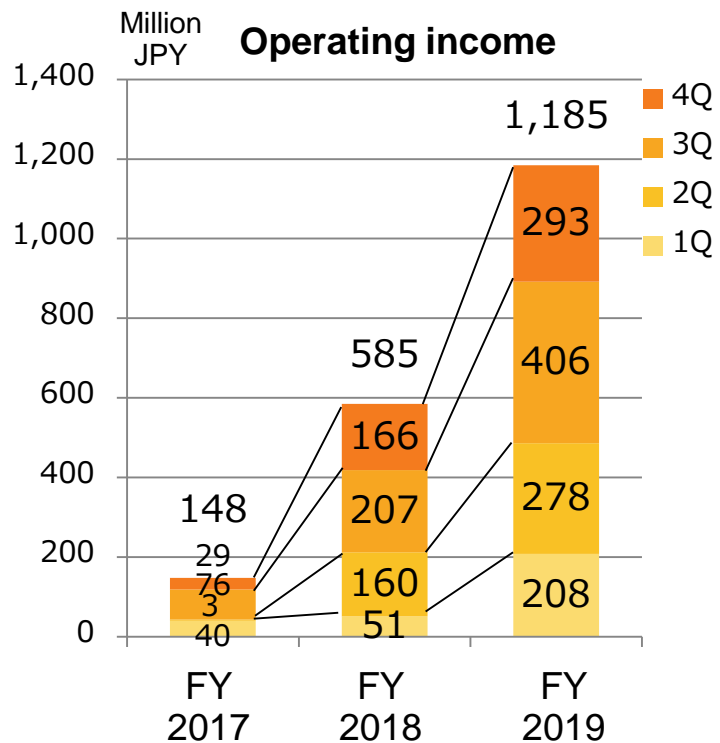
Consolidated financial highlights of the fiscal year ending June 2019

Consolidated net sales

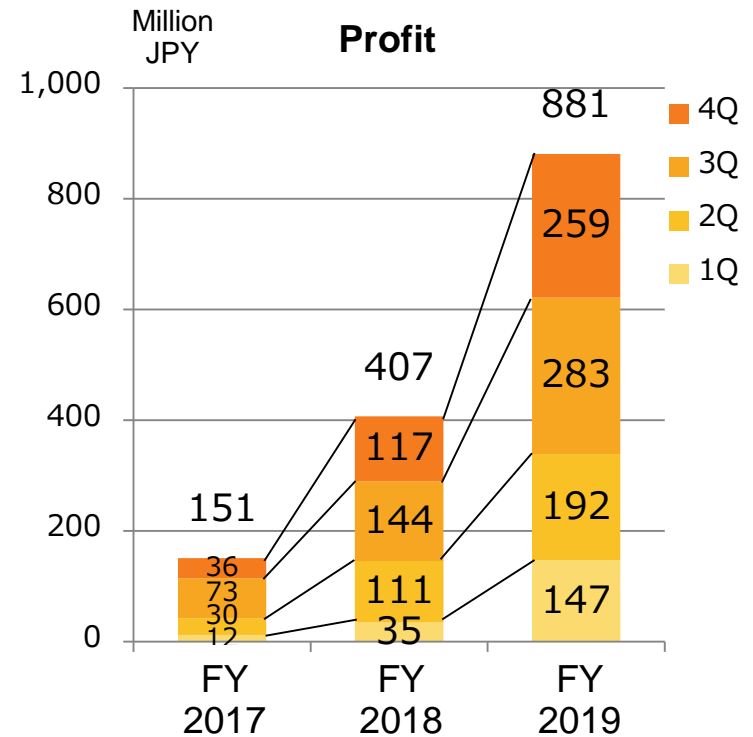
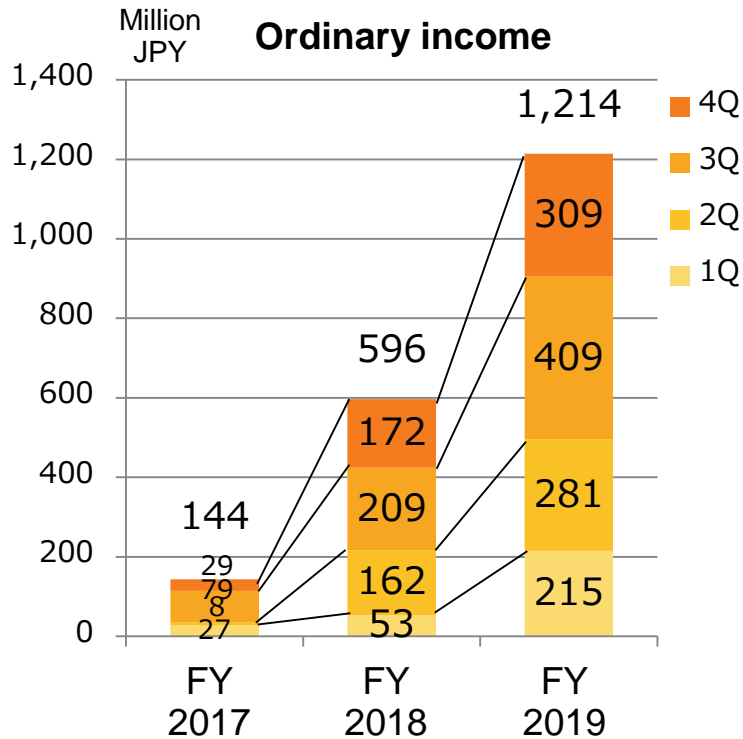


■ Marketing Platform ■ Solution ■ Analytics

Consolidated operating income

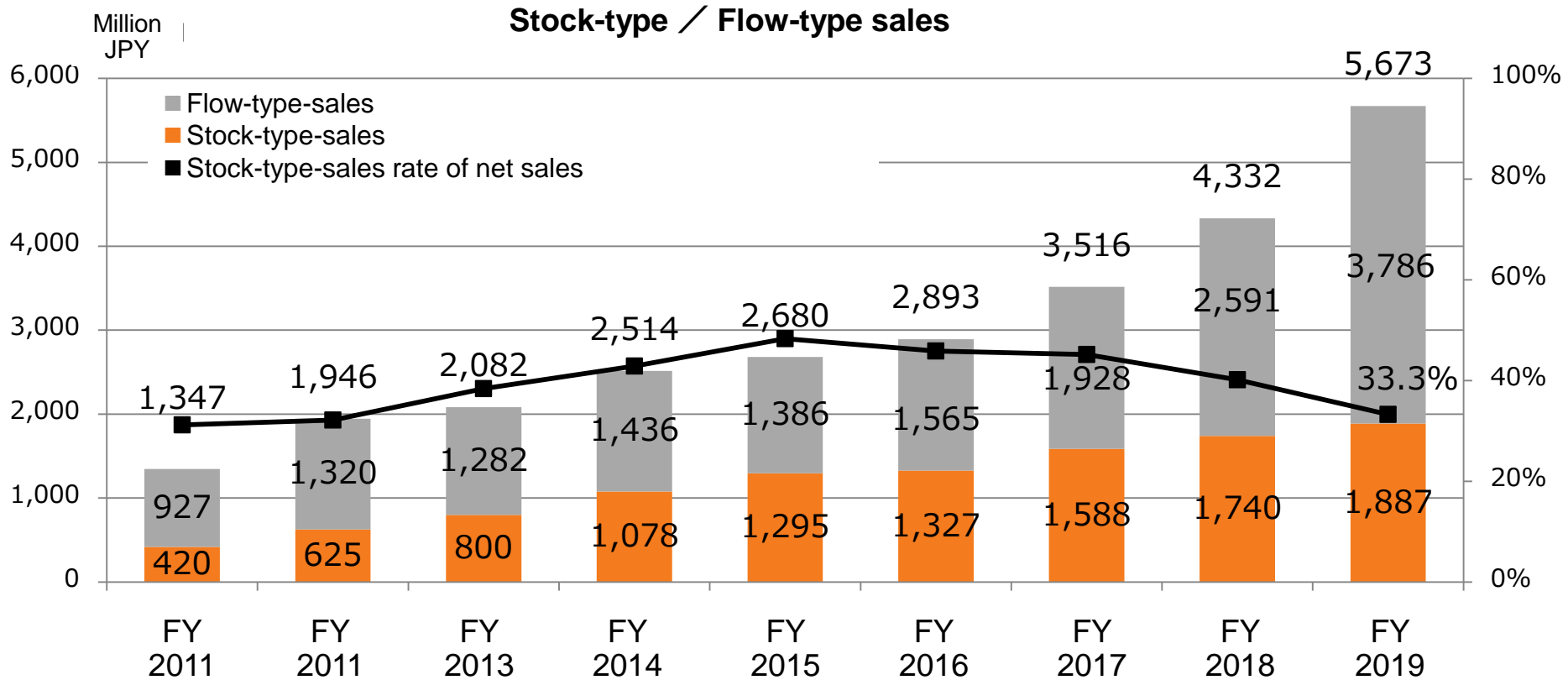


Consolidated ordinary income / profit

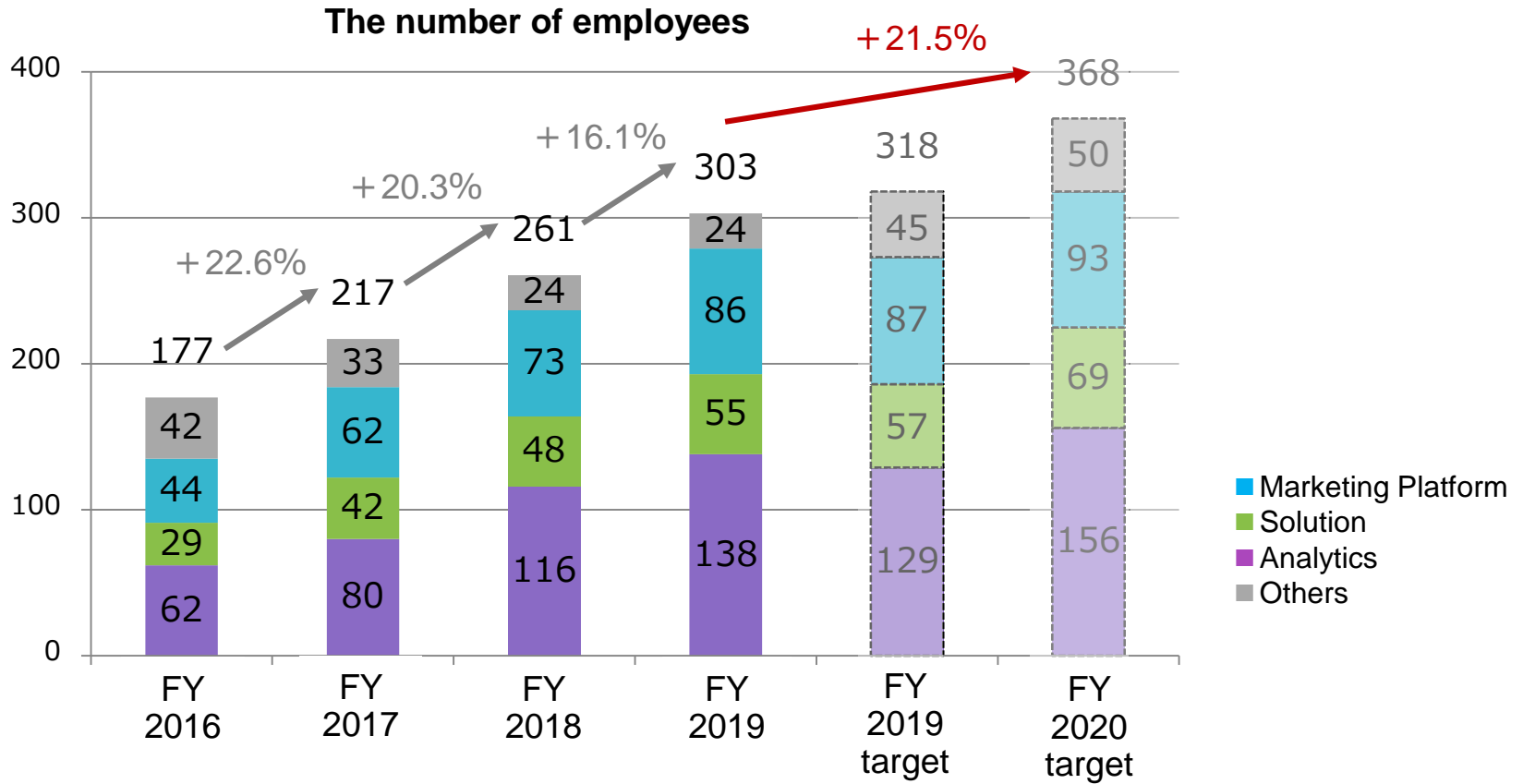


Unconsolidated financial highlights of the fiscal year ending June 2019

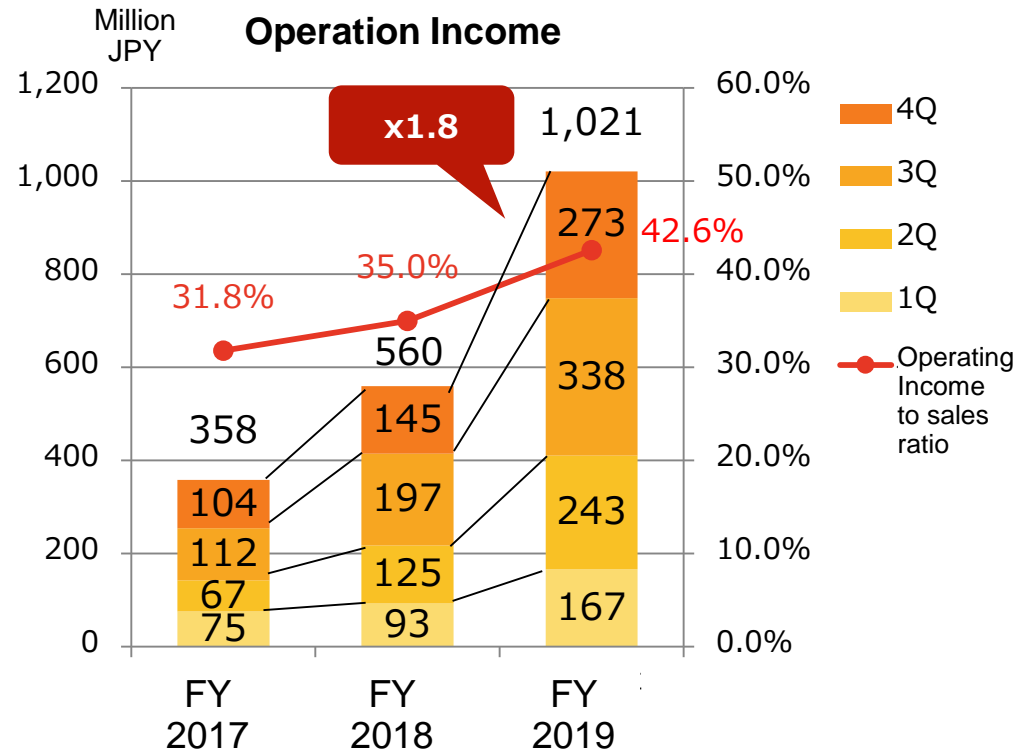
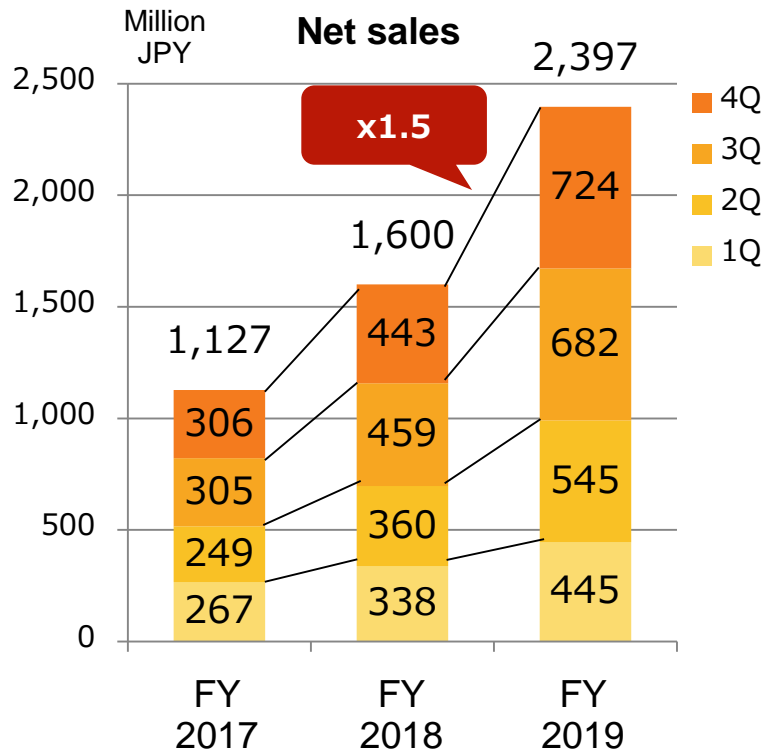
Stock-type / Flow-type-sales



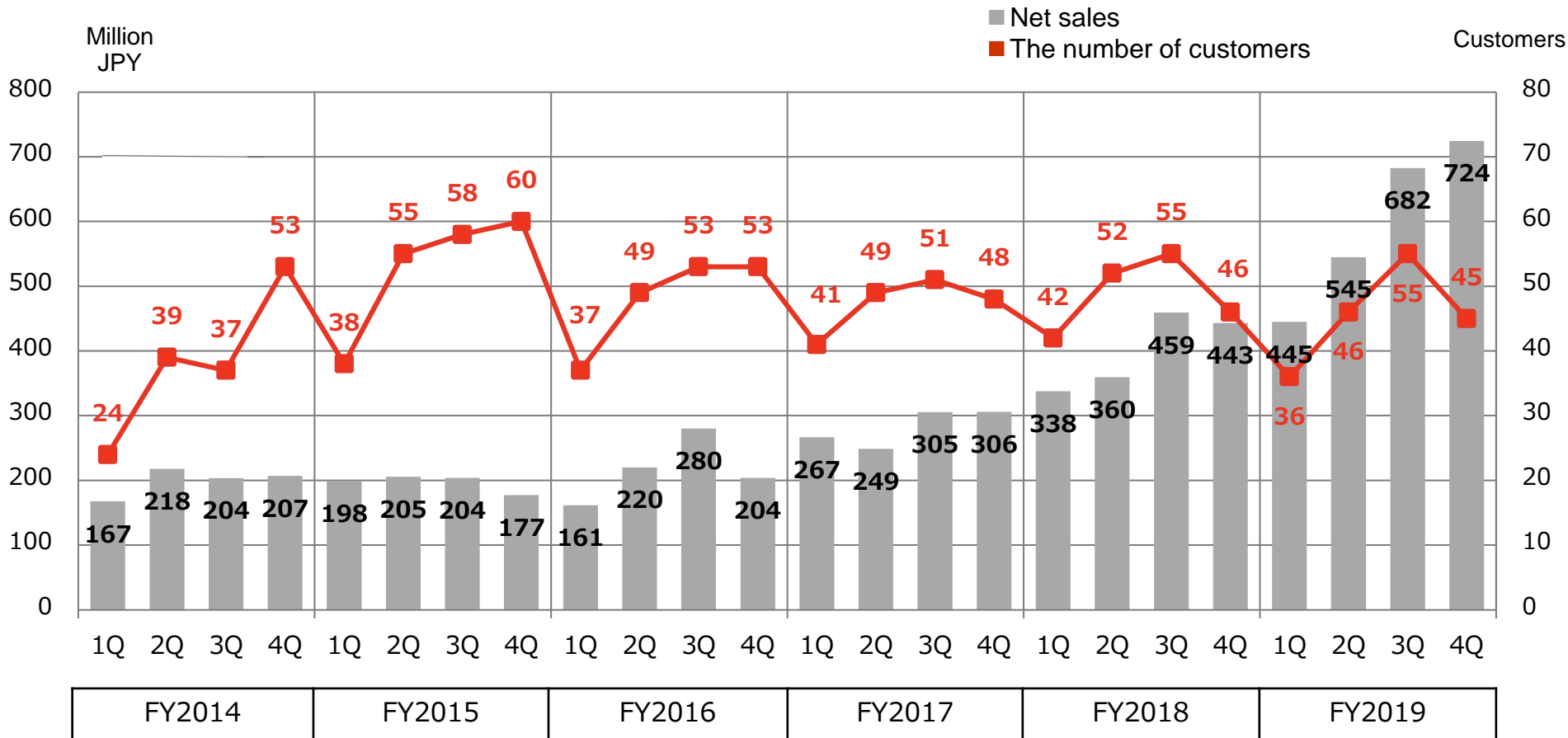
The number of employees



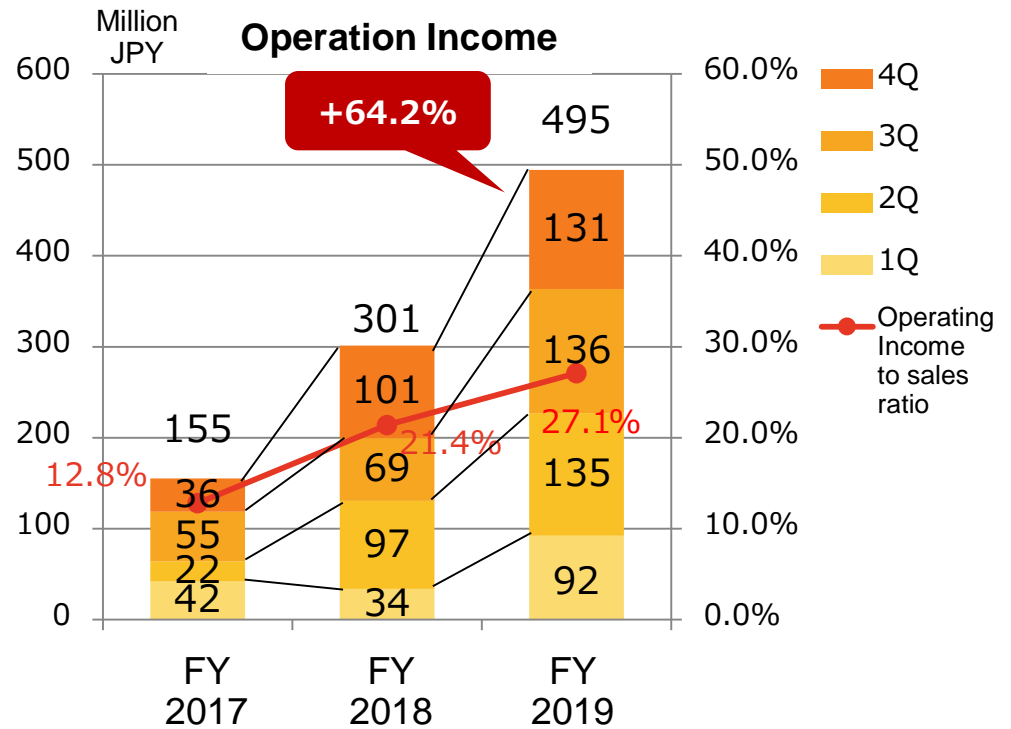
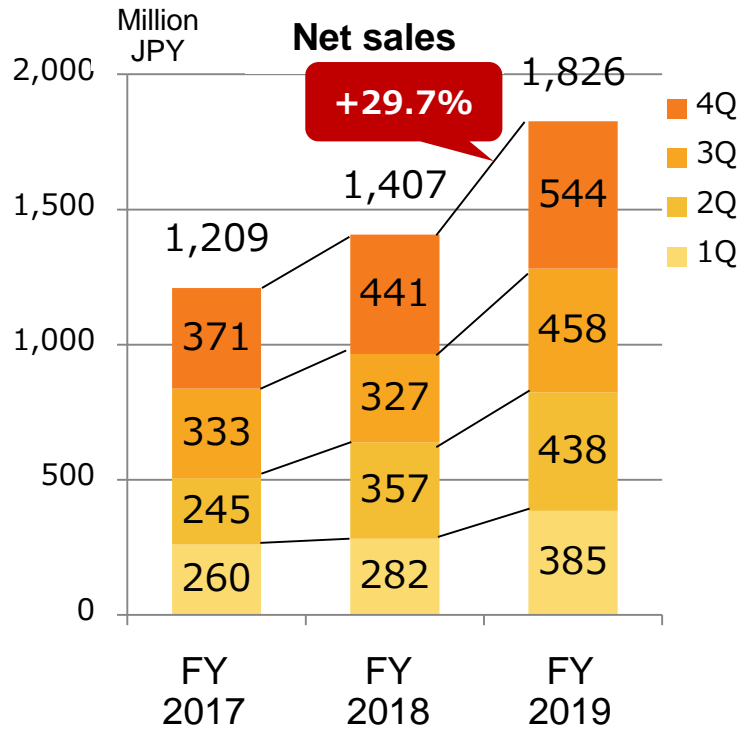
Analytics Business (1)



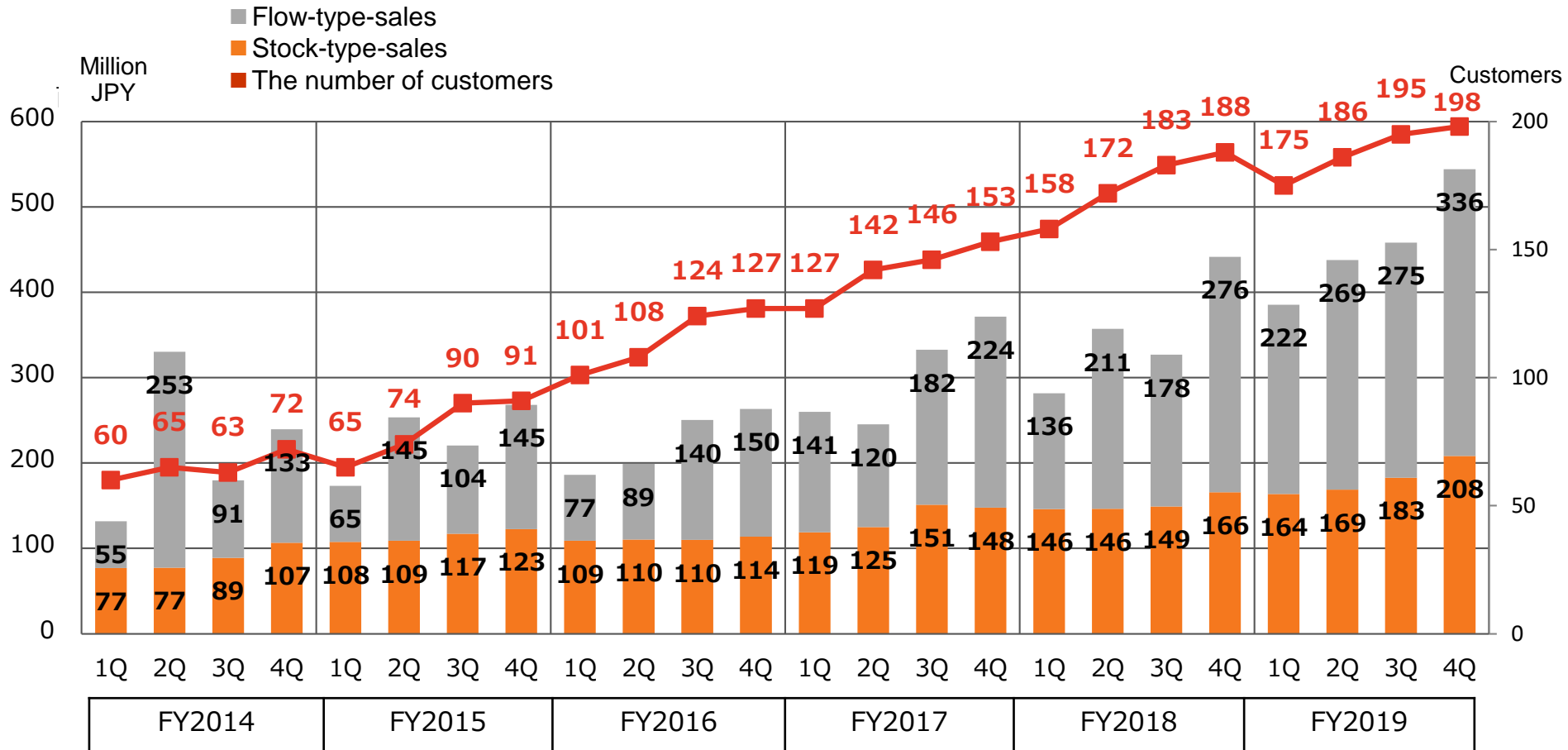
Analytics Business (2)



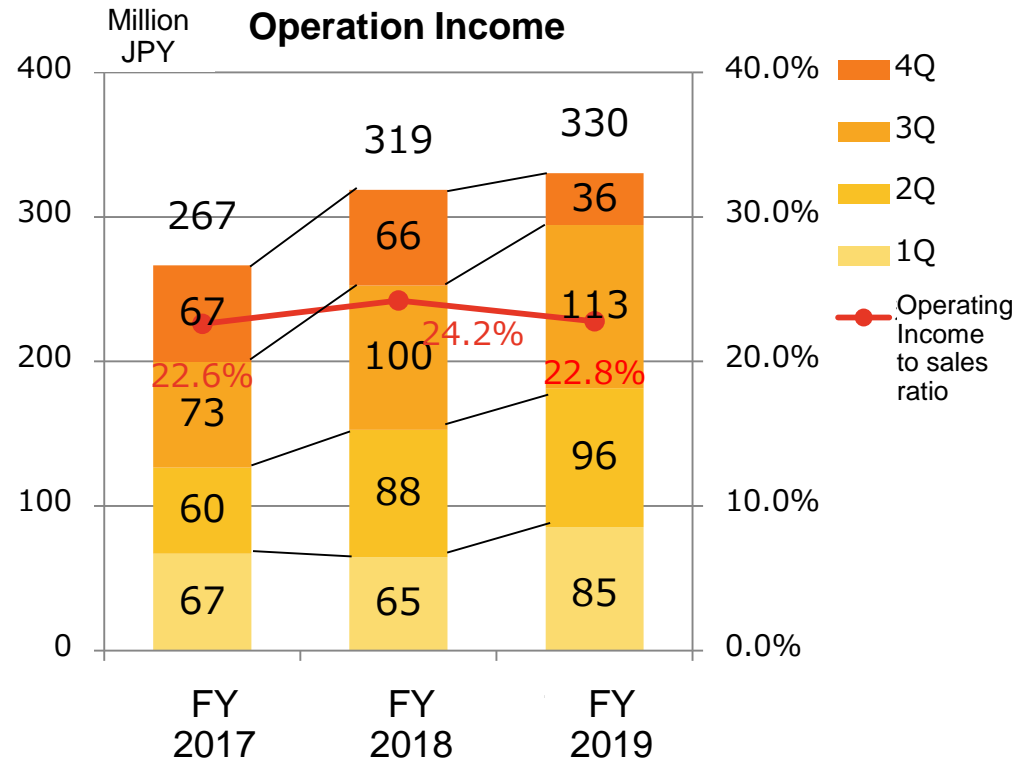
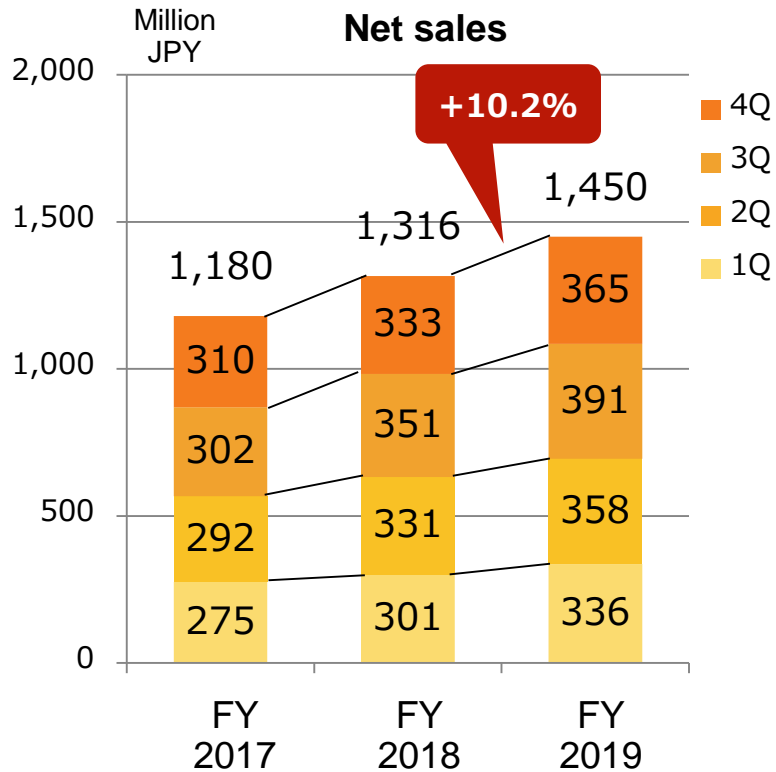
Solution Business (1)



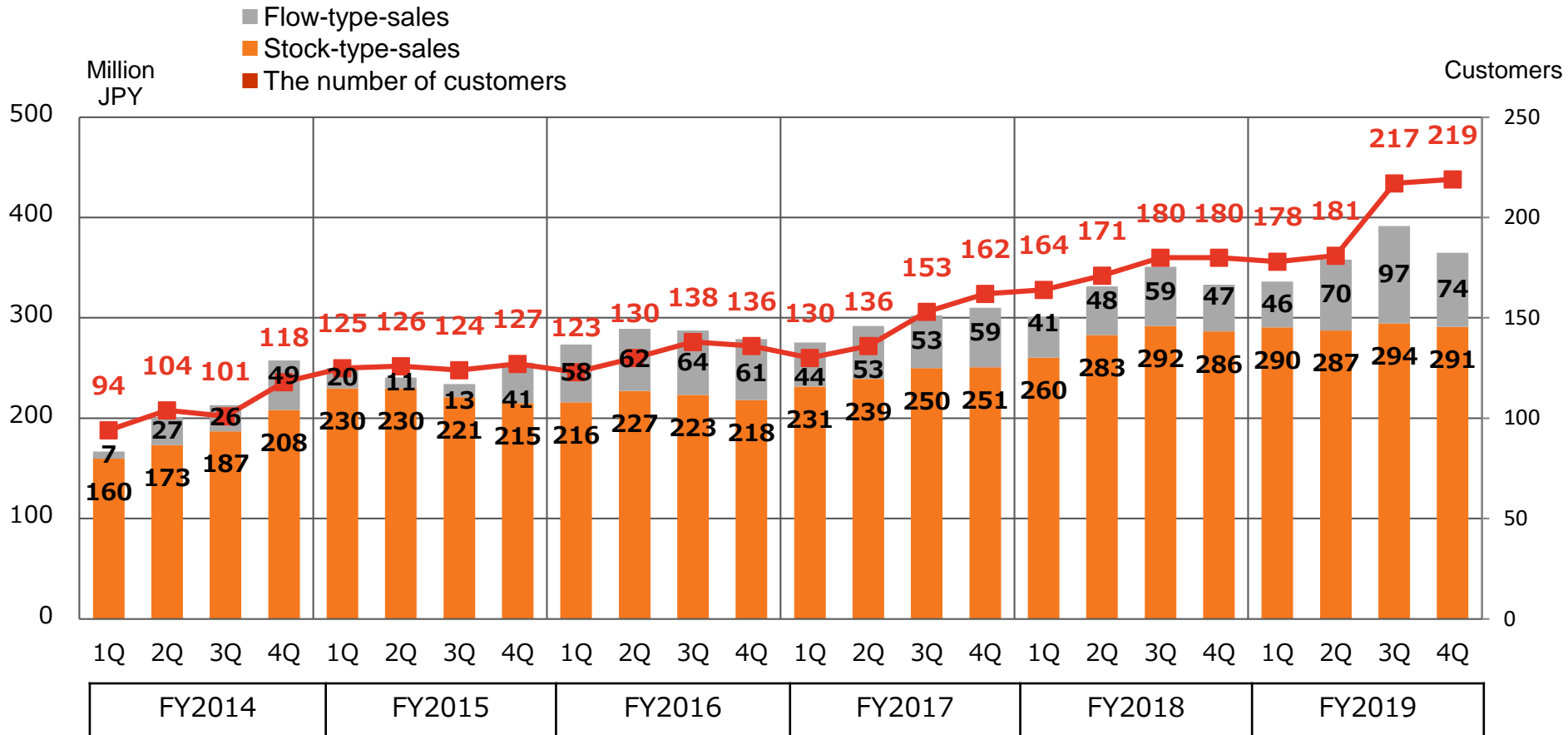
Solution Business (2)



Digital Marketing Business (1)



Digital Marketing Business (2)



The Next Medium-term Management Plan (FY2020~FY2023)

BrainPad's Mission and Medium-term Corporate Vision

MISSION Unwavering mission since our foundation

Create a sustainable future by advancing data utilization

Corporate Vision Vision for the next medium-term management plan

Analytics Innovation Company

Continue to produce advanced and practical data utilization results in business, customer experience, and operations to become the leading company of the data capital society which has an impact on the world

Basic Policies of the Next Medium-term Management Plan

Business environment assumptions in the next medium-term management plan

- ❑ We recognize that the market surrounding the data utilization related business (AI, data analytics, digital marketing, etc.) will continue to grow by more than 20% per year while enveloping peripheral areas. (*1)
- ❑ Due to the anticipated market expansion and the expected entry from start-up companies and adjacent industries, the demand for talent and personal services to support data utilization will continue to increase going forward.

Basic policies of the next medium-term management plan

- 1** Enhance the systems for providing and demonstrating the comprehensive strengths required for data utilization in order to increase the advanced and practical data utilization results which have an impact on business
- 2** Expand the organizational scale including the hiring and training of diverse personnel to meet the demand to provide the personal services and solutions which are essential to data utilization
*The diverse talent required by our company will be described later
- 3** Strengthen cooperation with domestic and foreign technology firms through business alliances and investment in addition to our own R&D to accelerate data utilization using advanced technology

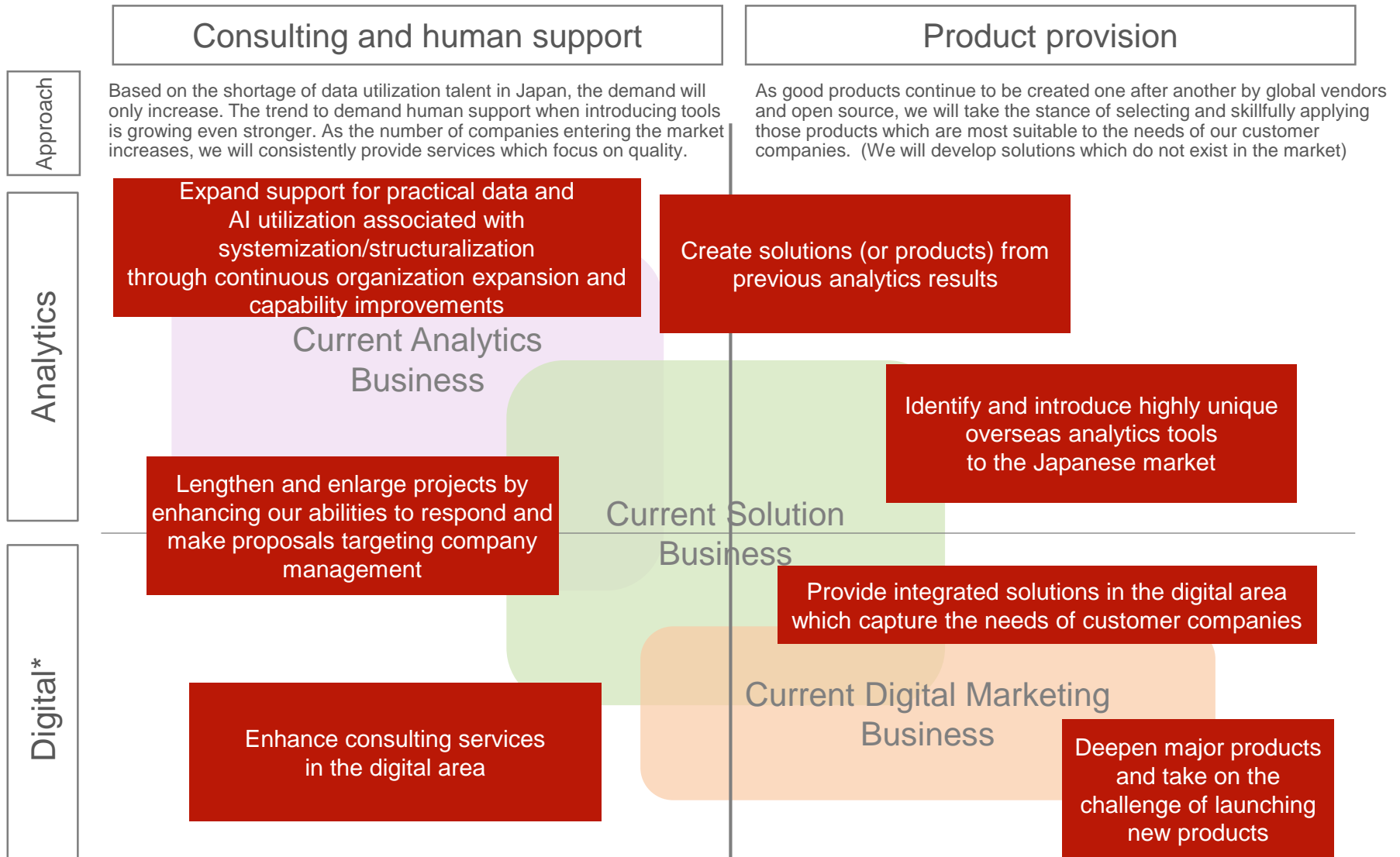
(*1) Reference documents: March 2019 Fuji Chimera Research Institute, Inc. "2019 Overall Survey of AI Business";
December 2018 MIC Research Institute Ltd. "Business Analytics Market Outlook 2019 Edition";
February 2019 "ITR Market View: E-mail/Web Marketing Market 2019," "ITR Market View: SFA/Integrated Marketing Support Market 2019"

Target Value of the Next Medium-term Management Plan

単位：百万円

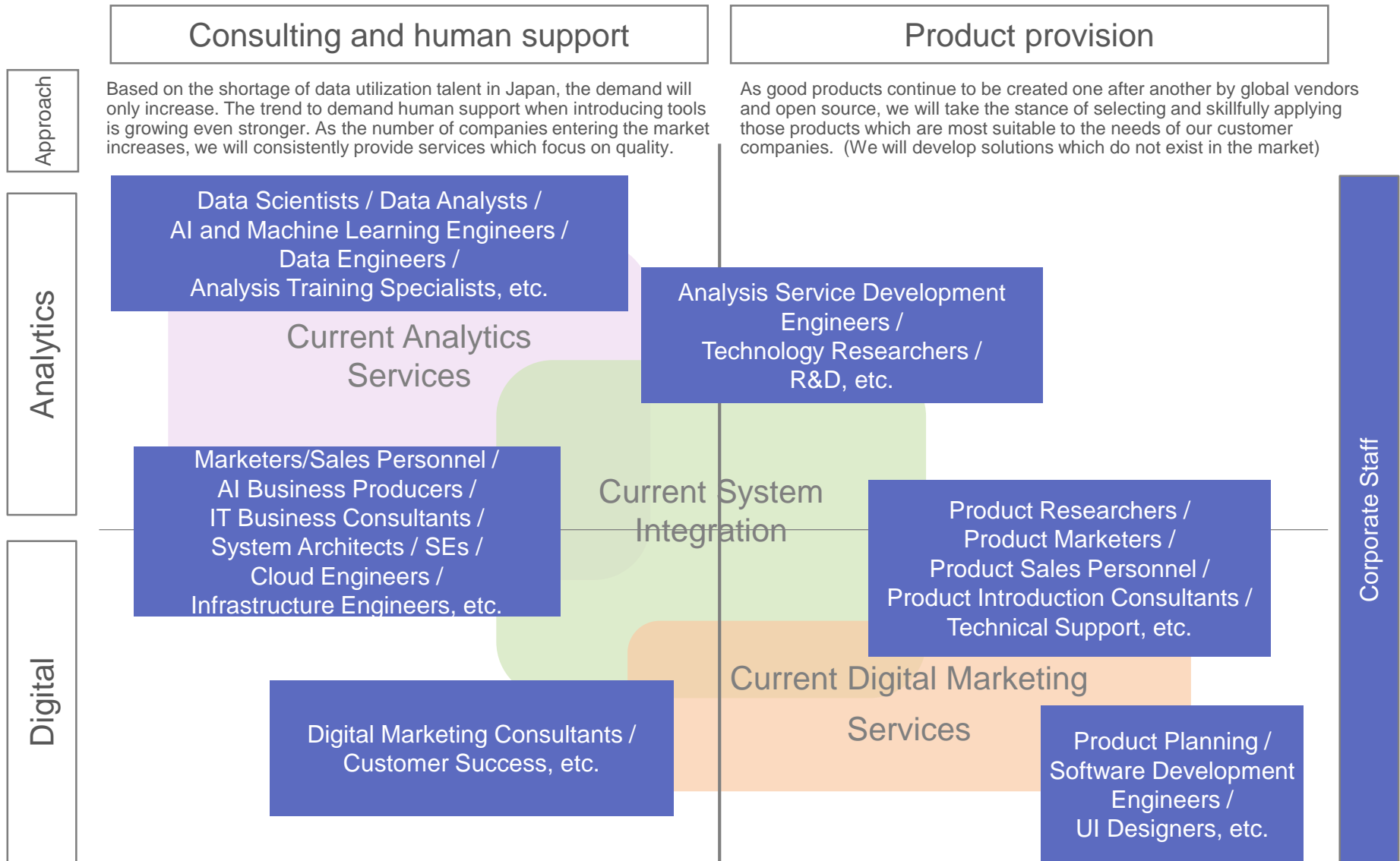
	FY2019 (Result)	FY2023 (Target)	Growth rate
Net sales	5,676	11,500	CAGR 19.3%
Ordinary income	1,213	2,000	CAGR 13.3%
Operating income to sales ratio	21.4%	17.4%	—
ROE	4years average (FY2016-FY2019) 21.2%	4years average (FY2020-FY2023) About 20%	—
Employees	306	580~650	—

Business Strategy: Cultivate the Comprehensive Data Utilization Strengths Which Create an Impact



*Digital: Area centered on the reform and support of digital marketing, which used to be called web marketing, within the area called digital transformation (DX)

Talent Strategy: Expand the Diverse Professional Talent Which Supports Our Comprehensive Data Utilization Strengths



Capital Policy: Investment (Including M&A) and the Direction of Shareholder Returns

1 Investment approach (including M&A)

- ❑ Consider M&A for the purpose of acquiring talent that can accelerate the organic growth of existing businesses
- ❑ Consider investment and M&A for the purpose of investigating and implementing advanced technologies as contributions to medium- to long-term growth
*In addition to external investments, also consider and carry out new product development and the practical application of advanced technologies internally within reasonable limits
- ❑ Initially focus on research and examination with an eye toward establishing expert personnel to promote investment and M&A

2 Direction of shareholder returns

- ❑ We recognize that the effective utilization of capital for business growth, including the investments described above, is the highest priority issue for improving the enterprise value as expected by all shareholders
- ❑ However, in the event that the effective utilization of capital makes no progress, consider share buybacks, dividends, and other shareholder returns from the perspective of avoiding imprudent decreases in ROE

Earnings Forecast for the Next Term (First Fiscal Year of the Next Medium-term Management Plan)

The earnings forecast figures for the next term (fiscal year ending June 2020, the first fiscal year of the next medium-term management plan) are scheduled to be released together with the announcement of financial statements in August of this year.

However, while sales growth is being maintained, profit growth is forecast to be limited for the following reasons.

(While we are aiming for sales growth of over 10%, because there are possibilities that growth may not reach 20% and the amount of profit may be at roughly the same level as the current term, we are currently investigating)

【Factors behind the slowing sales growth and the limited profit growth】

1

Increase in resource allocation to recruiting and training

Due to the intensifying competition to acquire talent in the data utilization field, our company is behind in some areas in securing the necessary personnel during the current medium-term plan period. To make up for this delay, we are drafting a plan to increase the allocation of human and financial resources to recruiting and training.

2

Reevaluation of the pay system and restructuring

The employee turnover rate is decreasing, but the pay system including the incentive plan needs to be reevaluated in terms of both retaining existing employees and improving hiring efficiency. Moreover, we will also start restructuring to better demonstrate our comprehensive strengths.

3

Investment in the office environment

In anticipation of a headcount increase during the next medium-term plan, facility related costs including office floor space expansion are expected to increase.

APPENDIX

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/loE 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

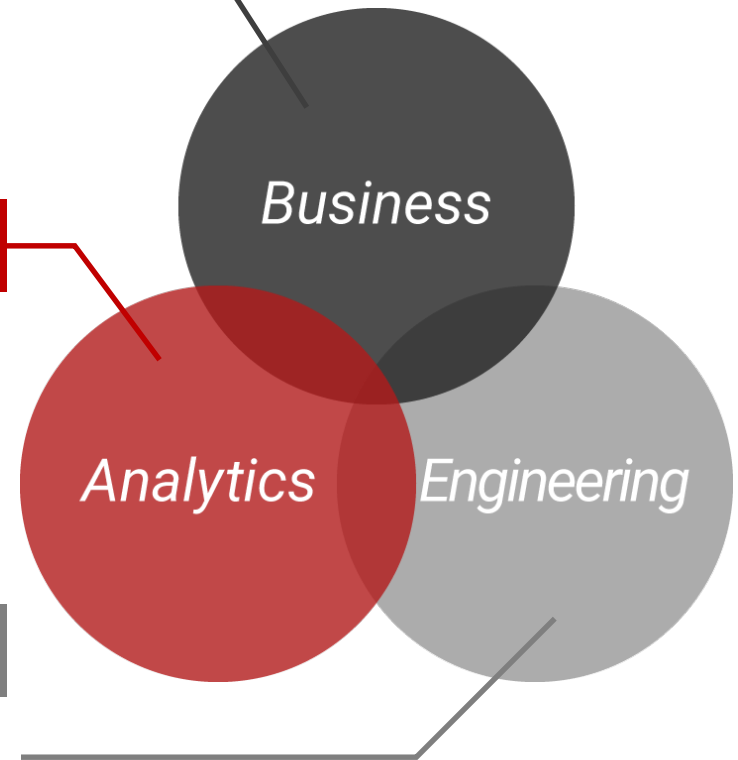
Since its founding in 2004, BrainPad have supported utilizing data for more than 1,000 companies. By utilizing an abundance of accumulated knowledge, we can solve management issues for a wide range of industries.

100+ Data scientists

BrainPad employs more data scientists than the any other company in Japan - 100 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.

No.1 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 our No. 1 product "Rtoaster" in the digital marketing domain

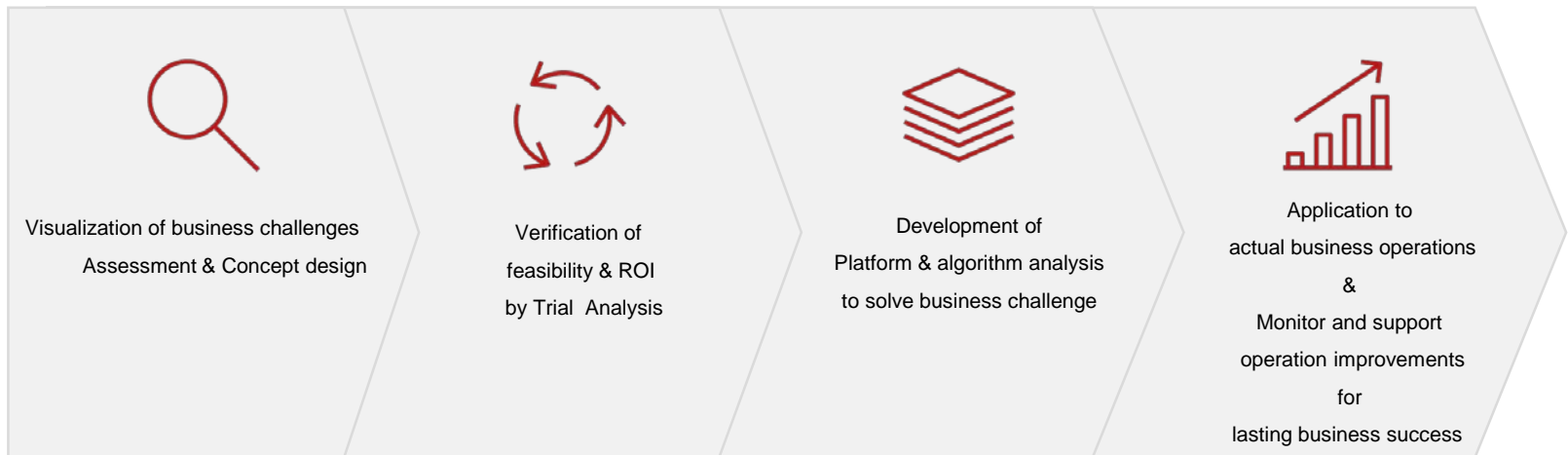


Our USP & Cutting Edge Capabilities

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 services



The other company's
Business domain

Strategic consulting firm









Related product vendors specialize in digital marketing and analysis

Major systems integrated company (Current condition: lack of Analysis specialists)

Major consulting firm (Strategy, organization, technology Outsourcing)
(Current condition: pool of specialists analysis is small, and still accumulating knowledge of IT)

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.

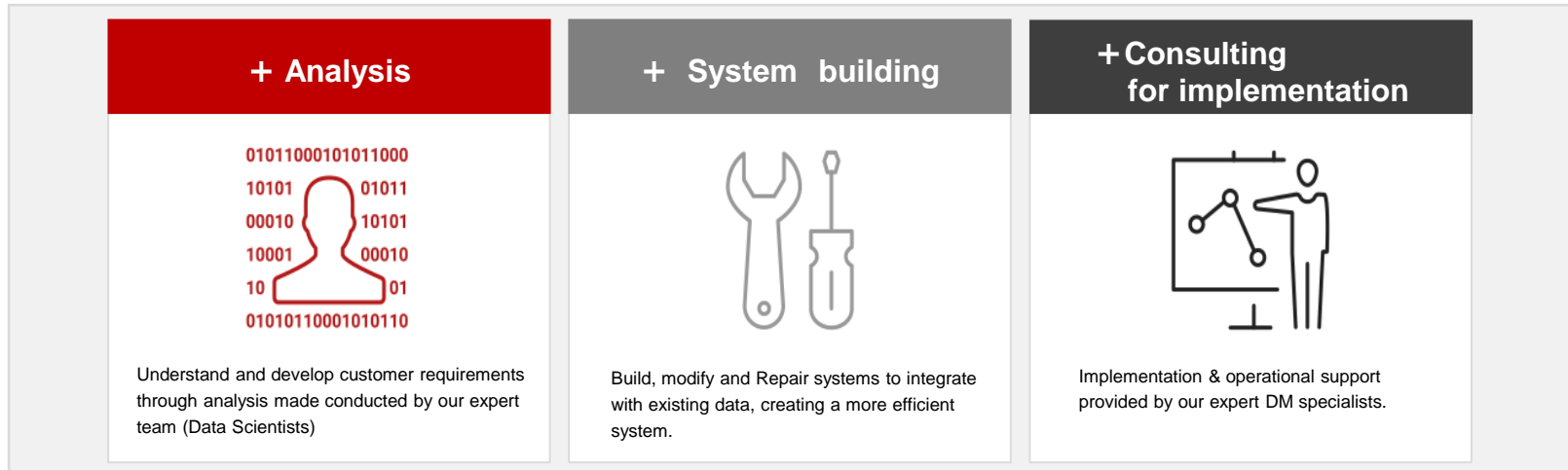
<p>Improve marketing and CRM based on real time data</p>	<p>Reorganize and innovate businesses processes through the use of AI and machine learning</p>	<p>Build platform for big data analysis</p>	<p>Develop human resources to manage and utilize data professionally and accurately • Built Organization/ 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

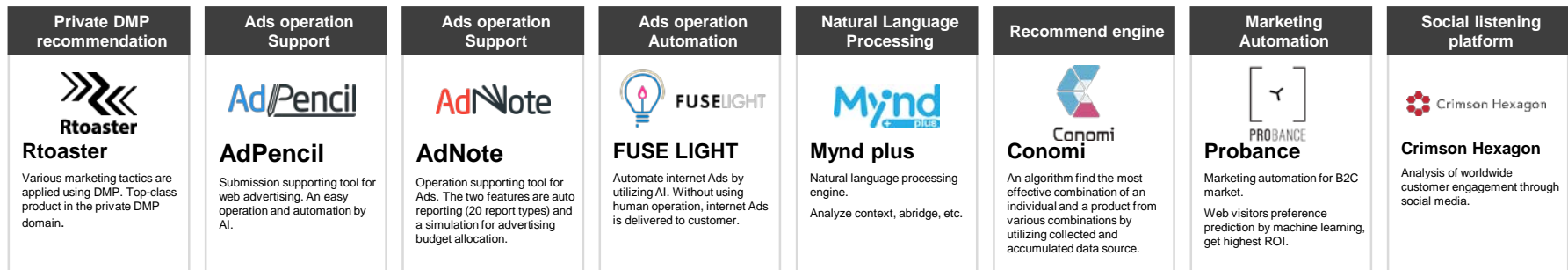
Our Service② : Digital Marketing Service

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



Our Product : Specialist of utilizing data

Marketing	Private DMP recommendation	Ads operation Support	Ads operation Support	Ads operation Automation	Natural Language Processing	Marketing Automation	Social listening platform
							
	Rtoaster	AdPencil	AdNote	FUSE LIGHT	Mynd plus	ProBance	Crimson Hexagon ForSight™ Platform
	Various marketing tactics are applied using DMP. Top-class product in the private DMP domain.	Submission supporting tool for web advertising. An easy operation and automation by AI.	Operation supporting tool for Ads. The two features are auto reporting (20 report types) and a simulation for advertising budget allocation.	Automate internet Ads by utilizing AI. Without using human operation, internet Ads is delivered to customer.	Natural language processing engine. Analyze context, abridge, etc.	Marketing automation for B2C market. Web visitors preference prediction by machine learning, get highest ROI.	Analysis of worldwide customer engagement through social media.
Visualization & Business Intelligence Augmented Analytics	Intuitive data extraction	Visualization	Augmented Analytics	Data mining & Machine learning	Machine learning	SAS-compatible system	Recommend engine
							
	exQuick	Tableau	VizTact		SAP® Predictive Analytics	WPS Analytics	Conomi
	Without using SQL, marketer, business person can obtain necessary data intuitively.	Interactive data visualizations.	Support business decisions with visual analytics enhanced by Machine Learning and Natural Language Processing.		Predict target with score (%), cluster, project demand by machine learning. Automate whole process.	An Integrated Modular System perform statistical and graphing functionality, and makes it possible to run many applications written in the SAS language.	An algorithm find the most effective combination of an individual and a product from various combinations by utilizing collected and accumulated data source.
Analytical Infrastructure	Cloud platform	In-memory database	Big data data warehouse	Optimization engine	Robot process automation		
							
	Microsoft Azure	SAP HANA®	SAP® IQ	UltiPad	BrainRobo		
Provide necessary functions for utilization of Big Data on Cloud Platform.	In-memory database developed for high speed analysis of numerous data.	High performance column based Database Software.	Optimization tool, satisfying large number of constraints working with predictive scores.	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 ■ The others



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