BrainPad | 3655 (TSE Prime)

Company Report

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Strategy Advisors Inc.
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FY06/2025 Results: Despite Fluctuations in Q4, Record High Net Sales & Profits were Achieved

BrainPad's FY06/2025 financial results showed that net sales increased for the 21st consecutive year and profits at each stage reached record highs, driven by Product Services Business (hereinafter, the PF business) and the steady increase in sales in the product business from Q2 onwards. However, both net sales and profits fell short of the upwardly revised plans announced at the time of the Q3 financial results announcement.

The PF business, which is the driving force behind the company's overall performance, saw sales exceed the initial plan through Q3, but saw a downturn in Q4. The two factors that led to the overall performance not achieving the company's plan were a temporary decrease in the number of employees and the discontinuation of some relatively large existing projects.

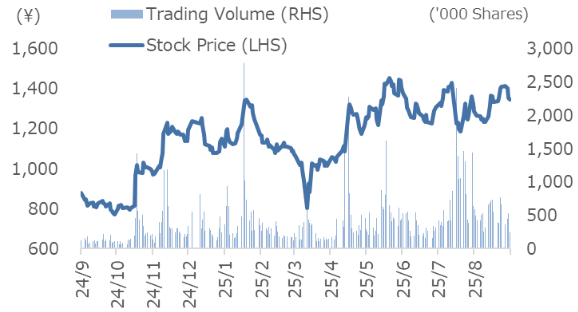
The Product business had been experiencing a decline in revenue due to the impact of the discontinuation of low-profit margin products implemented in FY06/2024. However, the impact of this has now subsided, with individual products seeing an increase in revenue and sales of products from consolidated subsidiaries continuing to increase and business performance bottoming out in Q2.

FY06/2026 is the final year of the current medium-term management plan, with the company's planned net sales for FY06/2026 are below the level expected in the plan. The company is taking a cautious approach since new orders in Q4 of FY06/2025 for the Power Platform business were lower than expected and that competition for employee recruitment is expected to continue to intensify.

The company's stock price tends to fluctuate strongly depending on business performance. Following widespread speculation that net sales would not reach the initial plan for FY06/2024, the stock price has been below TOPIX since May 2024. Afterward, once it was confirmed that the company's Q1 profits were progressing well against its FY06/2025 plan, the relative stock price recovered to the same level as TOPIX, remaining in this state until the announcement of its FY06/2025 financial results.

However, FY06/2025 financial results fell short of the revised plan and the FY06/2026 plan's net sales were below the level of the

Stock Price and Trading Volume (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (9/26/25)	1,345
52-Week High (6/16/25)	1,452
52-Week Low (10/25/24)	771
All-Time High (5/22/19)	3,073
All-Time Low (11/18/11)	140
Shares on Issue (mn)	20.9
Market Capitalization	28.1
EV (¥bn)	24.7
Equity Ratio (FY06/25 Actual, %)	76.7
ROE (FY06/25 Actual, %)	18.8
PER (FY06/26 CoE , x)	24.6
PBR (FY06/25 Actual, x)	4.9
Dividend Yield (FY06/26 CoE , %)	0.59

CoE: Company Estimates
Source: Strategy Advisors

medium-term management plan. The stock price fell and it has yet to fully recover to its pre-annual earnings announcement price.

In terms of valuation, the company's stock price is not at a level that seems cheap compared to other companies operating in similar businesses. For the stock price to rise in the future, the slowdown in the pace of sales growth, which was the cause of the stock price drop in August 2025, must be resolved, or measures to resolve this must be implemented.

From this perspective, the focus will likely shift to whether the company can achieve its targets for FY06/2026, the final year of the medium-term management plan, as well as the contents of the new medium-term management plan for FY06/2027 and beyond, which is scheduled to be disclosed in the future.

Japanese GAAP - Consolidated

FY	Net Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
FY06/22	8,561	20.6	1,144	34.5	1,166	32.0	803	33.6	36.5	8.0
FY06/23	9,797	14.4	680	-40.6	752	-35.5	515	-35.9	23.7	8.0
FY06/24	10,561	7.8	1,348	98.2	1,357	80.5	909	76.6	42.3	8.0
FY06/25	11,772	11.5	1,575	16.8	1,625	19.7	1,063	17.0	49.8	8.0
FY06/26 CoE	13,500	14.7	1,750	11.1	1,750	7.6	1,150	8.1	54.6	8.0

Note: The figures for FY06/2022 are non-consolidated, and therefore YoY for FY06/2022 is compared with consolidated results for FY06/2021. YoY for FY06/2023 is compared with non-consolidated results for FY06/2022. FY06/2025 EPS does not take into account the impact of share buybacks. Source: Company Data, Compiled by Strategy Advisors.

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1. FY06/2025 Financial Results: Record High Net Sales & Profits

FY06/2025 Net Sales & Profits Reached Record Highs

For FY06/2025 financial results, net sales increased to ¥11.772 billion (+11.5% YoY), operating profit increased to ¥1.575 billion (+16.8% YoY) and profit attributable to parent company of subsidiaries increased to ¥1.063 billion (+17.0% YoY). Net sales increased for the 21st consecutive year and both operating profit and profit attributable to parent company of subsidiaries reached record highs.

Net Sales & Profits Fell Short of the Company's Plans

However, the achievement rate for the company's full-year FY06/2025 plan, which was revised upward at the time of the announcement of the Q3, was only 99.8% for net sales, 90.0% for operating profit and 88.6% for Profit Attributable to Owners of Parent. As will be discussed later, this is thought to be due to a decline in sales growth rate in professional services, which did not achieve full growth in Q4.

Figure 1. BrainPad: FY06/2025 Financial Results Summary

(¥mn)	**FY06/25 (A)**	YoY	FY06/26 CoE
Net Sales	**11,772**	11.5%	13,500
Operating Profit	**1,575**	16.8%	1,750
Ordinary Income	**1,625**	19.7%	1,750
Profit Attributable to Owners of Parent	**1,063**	17.0%	1,150

Source: Company Data, Compiled by Strategy Advisors.

Professional Services Business Continues to Grow

In terms of the results by segment for FY06/2025, the PF Business saw net sales increase by 13.0% YoY and segment profits increase by 22.5%, while the Product Business (hereinafter referred to as the PD Business) saw net sales increase by 7.9% YoY and segment profits increase by 13.2% YoY. The increase in sales in the PF business continues to drive overall growth, but what is also notable is that the PD business started to see an increase in sales in Q2.

Project Scale Continues to Expand

The increase in sales and profits in the PF Business is largely because of the company's ongoing "transition to a matrix organization". As a result, the company is also expanding the scale of projects, which is one of its policies. In FY06/2025, the proportion of projects with sales of over ¥100 million rose to 7.8% on a client basis and 62.4% on a net sales basis. According to the company, projects in the PF business that were already large-scale in FY06/2024 are becoming even larger.

Figure 2. Changes in Number of Customers by Sales Size (Non-Consolidated Company)

Sales Scale	06/21	06/22	06/23	06/24	06/25
Over ¥100 Million	11	14	16	25	28
¥10 million to ¥100 Million	106	124	128	117	103
Of which, ¥50 to ¥100 Million	-	-	25	17	21
Of which, ¥10 to ¥50 Million	-	-	103	100	82
Less than ¥10 Million	341	327	263	251	226
Total	458	465	407	393	357

% of Customers Worth Over ¥100 million	**06/21**	**06/22**	**06/23**	**06/24**	**06/25**
Percentage of Customers	2.4%	3.0%	3.9%	6.4%	7.8%
Percentage of Sales	45.6%	45.5%	49.5%	57.0%	62.4%

Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Operating Profit Improved Due to Higher Gross Profit Margin

Gross profit increased to ¥5.645 billion (+20.0% YoY) and gross profit margin increased to 48.0% (+3.5%). This was due to an increase in paid utilization rates in the PF business, the end of the impact of the termination of low-profit margin products in the PD business and the effect of increased revenue. It appears that paid utilization rates in the PF business have reached a high level.

Selling, general and administrative expenses (SG&A expenses) increased to ¥4.07 billion (+21.3% YoY), exceeding the increase in net sales, with the SG&A expense ratio to net sales rising to 34.6% (+2.8% YoY). As profits had progressed above the initial plan up until Q2, expenses increased from Q3 onwards, mainly due to increases in recruitment and sales promotion expenses.

Although the net sales to SG&A ratio increased, this was offset by an increase in the gross profit margin, resulting in a net sales operating profit ratio for FY06/2025 increasing to 13.4% (+0.6% YoY).

Net Sales & Net Profit Margins Also Improved

Regarding non-operating income and expenses, non-operating income included ¥28 million in subsidies for research and development activities, ¥26 million in investment income from Dentsu Cross Brain, an equity method affiliate, and ¥11 million in sales promotion premium fee, while non-operating expenses included ¥13 million in loss on investments in investment partnerships. Additionally, no extraordinary income or loss was recorded. As a result, the profit attributable to parent company of subsidiaries rate for FY06/2025 increased to 9.0% (+0.4% YoY).

Q4 Experienced Temporary Disruption

Looking at the full fiscal year, both overall and by segment, sales and profits increased; but looking at it by quarter, it appears that the PF business is in a state where it could be considered to be experiencing some kind of disruption, albeit temporarily. Details of this will be explained in "2. Recent Trends by Business 1) Professional Services (PF Business)".

2. Recent Trends by Business

1) Professional Services Business (PF Business)

The PF Business is the core business of the company, which prides itself on being a leading data/AI application company. In addition to supporting clients' use of data/AI through data analysis, AI development, consulting including system development, and other human resource support services, the company also provides data/AI human resource development services to companies and others.

The PF Business Saw an Increase in Sales & Profit Margins. But Sales Did Not Reach the Level Expected in the Initial Plan

In FY06/2025, net sales for the PF business +13.0% YoY, segment profit +22.5% YoY and the segment profit margin improved to 42.8% (+3.3% YoY). However, considering that at the beginning of the fiscal year, the company had planned to increase sales in the PF business by approximately 15% YoY on FY06/2025, it can be said that the increase in sales was not as large as initially expected. Furthermore, since the cumulative Q3 period saw a YoY increase of 16.6%, it can be said that the growth of the PF business slowed down in Q4.

Net Sales Per Employee in the PF Business Declined in Q4

The performance of the PF business is largely due to changes in the paid utilization rate. The trend from FY06/2024 has taken hold, with the paid utilization rate recovering because of an increase in orders received through the implementation of measures such as a review of project management methods and an increase in the scale of existing projects leading to an improvement in segment profit margins.

The details of paid utilization rates have not been disclosed, net sales per employee, which are closely related to trends in paid utilization rates, were ¥6.4 million in the Q1, ¥6.8 million in the second quarter Q2, ¥7.2 million in Q3 and ¥6.7 million in Q4. Net sales per employee continued to rise through Q3, reaching a higher level than any other quarter since FY06/2021, but then fell QoQ to ¥6.7 million in Q4.

Changes Q4

The factors behind the change in Q4 include a temporary decrease in the number of employees working in the PF business and the discontinuation of some relatively large existing projects.

The Number of Employees in the PF Business has Decreased for Two Consecutive Quarters

The number of employees engaged in the PF business increased from 292 at the end of the previous fiscal year to 316 at the end of Q1 and 320 at the end of Q2, but then decreased to 301 at the end of Q3 and 299 at the end of Q4, an increase of only 7 people compared to FY06/2024.

According to the company, the company-wide turnover rate remains at a normal level. The decrease at the end of Q3 compared to the end of the previous quarter was mainly due to transfers from the PF business to the PD business and secondments to group companies, while the decrease at the end of Q4 compared to the end of the previous quarter was due to the company not being able to hire enough people in time to make up for the decrease due to resignations.

Furthermore, because the company's paid utilization rates are already at a high level, there is limited room for further increases in paid utilization rates beyond the current level, i.e., limited room for short-term revenue growth through increases in paid utilization rates. In the short term, the pace of short-term revenue growth in the PF business will depend on whether the number of employees in the PF business increases, so we will need to pay a certain amount of attention to trends in employee numbers.

The Q4 Fluctuations Were Indirectly Due to President Trump's Reciprocal Tariffs

In addition to the decrease in the number of employees in the PF Business, in Q4, some relatively large existing projects were discontinued due to client circumstances, which disrupted the allocation plans of project staff, including outsourcing partners. This appears to be due to the impact of the mutual tariffs announced by President Trump in April 2025, which has suddenly increased uncertainty about clients' business outlooks and led to them temporarily halting orders for services from the company.

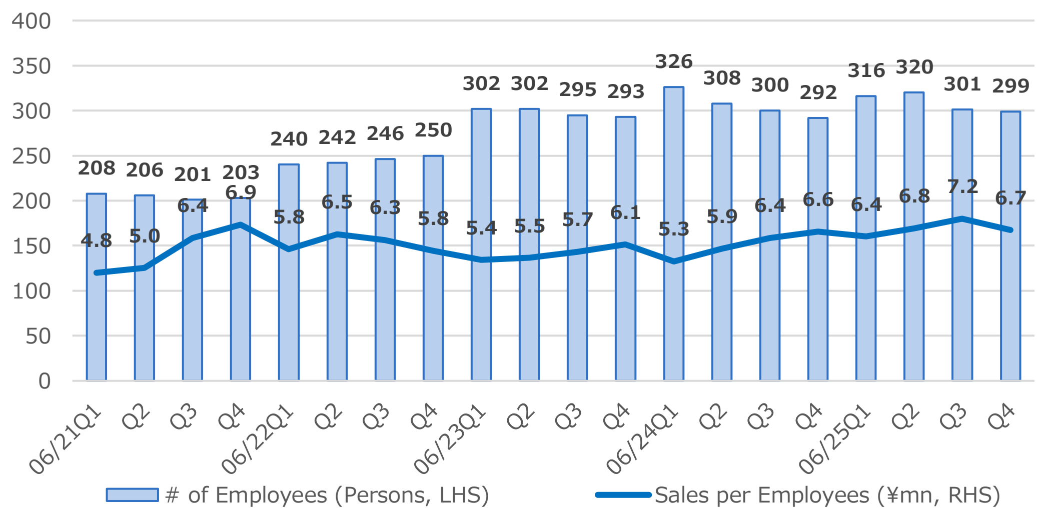
Net Sales Per Company in the PF Business Also Fluctuated from the Q3 Onwards

Net sales per company fluctuated between ¥17.3 million in Q1, ¥19.9 million in Q2, ¥16.6 million in Q3 and ¥17.5 million in Q4. The decline in Q3 was largely due to an increase in the number of companies taking part in human resource development services (open courses), which have relatively low net sales. In Q4, the provision of these human resource development services ended, resulting in an increase from Q3. However, as mentioned above, the failure to decide on the continuation of relatively large projects also had an impact and sales have only recovered to a level slightly above Q1.

The Trend of Larger-Scale PF Business Projects Continues

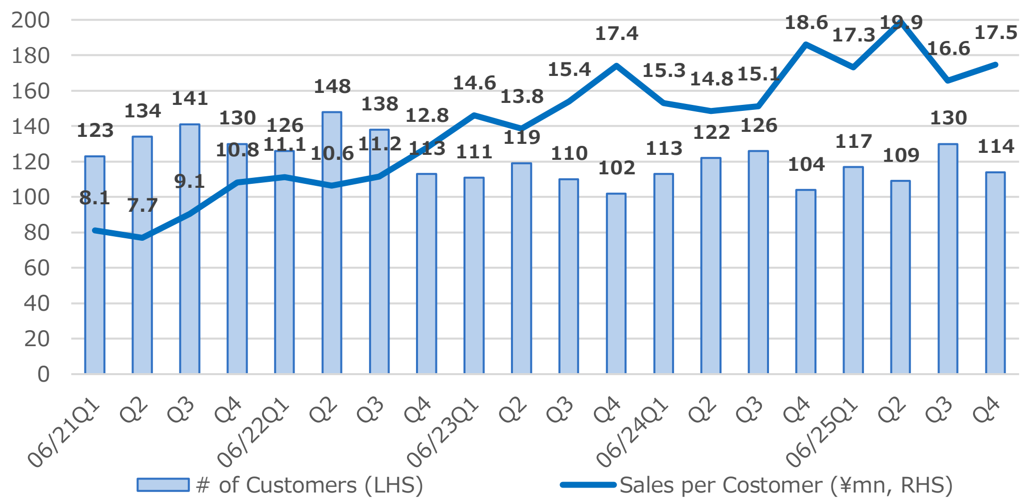
Projects in the company's PF business tend to become larger when engineering services are added. The proportion of engineering sales in the PF business rose to 39.2% in FY06/2025, compared to 37.1% in FY06/2024. Due to an increase in the number of companies using their human resource development services, net sales per company on a quarterly basis fell in Q3; but rose in Q4 compared to Q3, suggesting that the trend of expanding project scale, which became apparent from FY06/2024, has not changed significantly.

Figure 3. Professional Services Business: Sales Per Employee



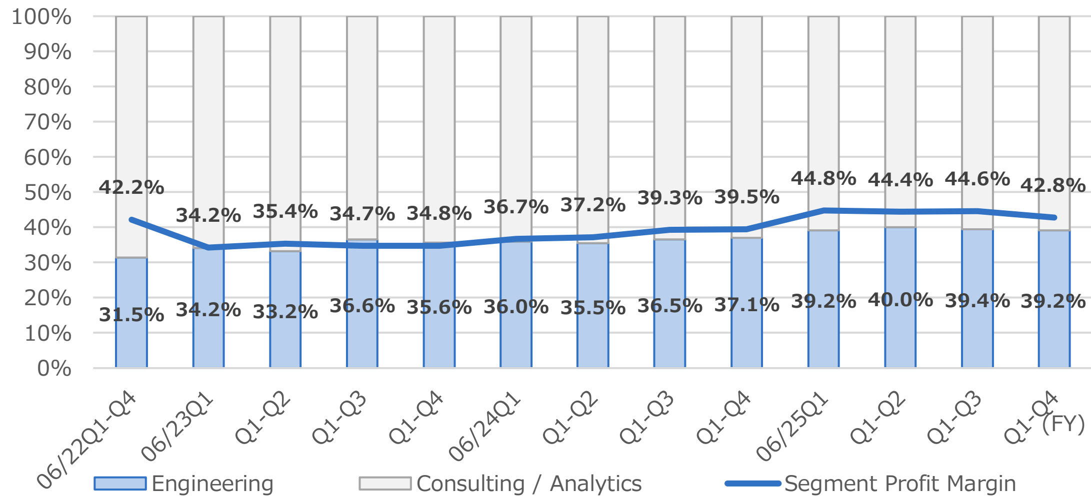
Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Figure 4. Professional Services Business: Sales Per Customer



Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Figure 5. Trends in Engineering Sales and Segment Profit Margins



Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

2) Product Business (PD Business)

The Product (PD) Business supports the use of data/AI by client companies through the provision of its own and third-party products. Among these products, " Rtoaster" which was launched in 2006, boasts a high market share.

The LINE-specific marketing automation "Ligla" is a product of Time Technologies, which became a consolidated subsidiary through M&A. The M&A has had a positive effect in terms of sales collaboration with the parent company and the transfer of product development and operation know-how, and the number of customers has been increasing since FY06/2023 Q2, when the company joined the consolidated results.

The PD Business Has Seen a Steady Increase in Revenue Since Q2

In the PD business for FY06/2025 +7.9% YoY and segment profit +13.2%. Net sales +5.1% YoY for the parent company and finally +27.5% for consolidated subsidiary TimeTechnologies. In addition to the increase in sales at TimeTechnologies, the increase in net sales for the parent company from Q2 onwards also contributed to the overall increase.

The Impact of the Termination of Some Products in the PD Business Has Completely Subsided

The recent decrease in parent company’s net sales is due to the discontinuation of some products with declining profit margins in Q2 FY06/2024 as part of structural reforms. On a quarterly basis, parent company’s sales growth rates were -9.1% in Q1, +5.4% in Q2, +8.0% in Q3 and +17.1% in Q4. This shows that sales have been increasing YoY since Q2 and it can be said that the impact of the discontinuation of some products has completely subsided.

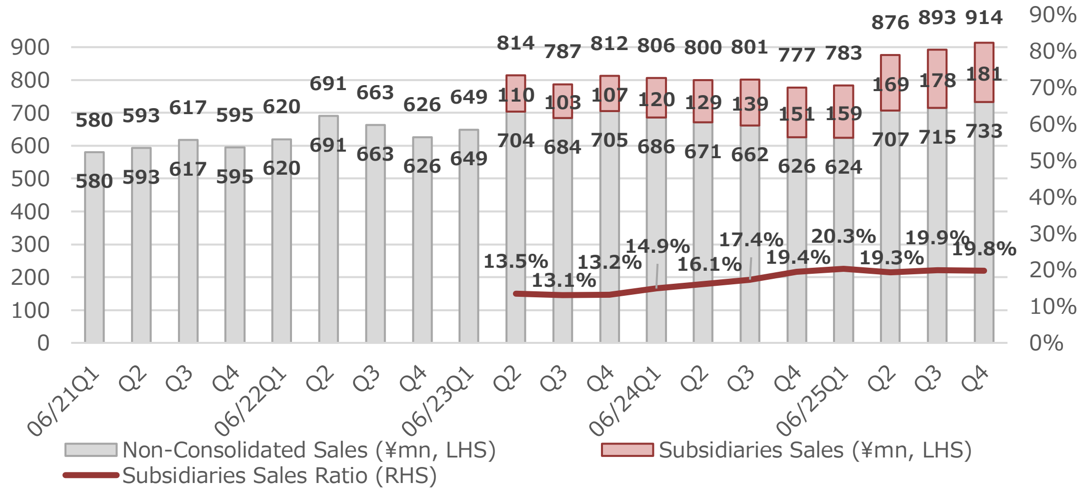
The company is shifting its focus to strengthening sales of its flagship product, “Rtoaster", through measures such as organizational restructuring (implemented early in FY06/2025) to enhance integration between production and sales and resuming development of new functions that had been suspended until mid-FY06/2024.

Regarding the development of new features, "Rtoaster GenAI" was released in Q3. This is a service that uses generative AI to provide the experience of "having a conversation with a store clerk", something that was previously difficult to achieve online. It has been introduced as a trial alpha version to 20 companies (including three overseas companies. As it is still in the trial period, it is not included in the number of customers in Figure 8). As such, it can be said that the resumption of new feature development has increased the possibility of making it easier to cross-sell new function products and acquire new customers.

The Increase in Profits from the PD Business is on a Consolidated Basis

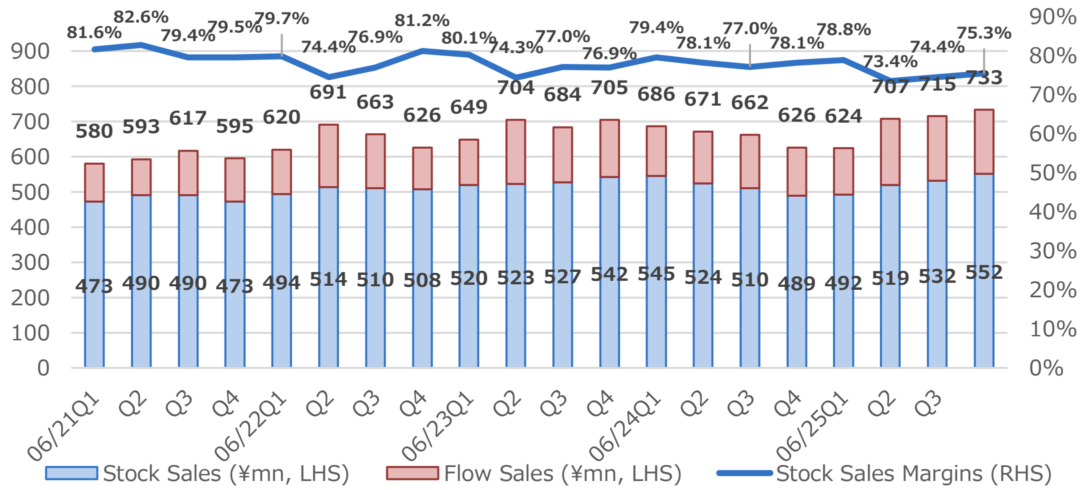
The increase in profits in the PD business was due to increased sales of “Ligla", which resulted in profits exceeding the costs incurred from the acquisition of TimeTechnologies (amortization of goodwill and amortization of customer-related assets), as well as the discontinuation of the provision of low-profit margin products on a standalone basis.

Figure 6. Changes in Consolidated Sales of Product Business



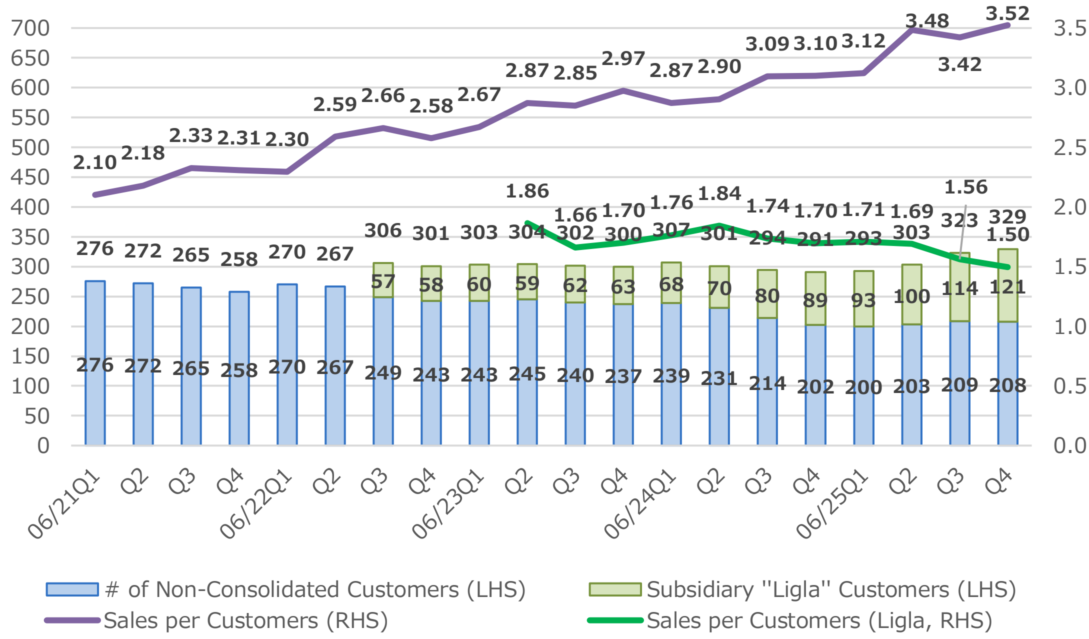
Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Figure 7. Breakdown of Product Business (Stock Sales & Flow Sales)



Note: The figures for FY06/2022 are non-consolidated basis. Consolidated subsidiaries are not included in the calculation of the stock sales ratio on a non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Figure 8. Breakdown of Product Business (Non-Consolidated Stock Sales, Non-Consolidated Flow Sales, Sales of Consolidated Subsidiaries)



Note: The figures for FY06/2022 are on a non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

3. Outlook for Business Performance

1) Outlook for FY06/2026

Net Sales for FY06/2026, the Final Year of the Medium-Term Management Plan, Will Be Lower Than Expected

For FY06/2026, the company announced plans for net sales of ¥13.5 billion (+14.7% YoY), operating profit of ¥1.75 billion (+11.1% YoY) and profit attributable to parent company of subsidiaries of ¥1.15 billion (+8.1% YoY).

FY06/2026 is the final year of the medium-term management plan covering FY06/2024 to FY06/2026, but net sales for FY06/2026 are expected to be ¥0.5 billion below the range of ¥14 to ¥15 billion set out in the medium-term management plan.

Figure 9. Sales and Profit Trends (¥mn)

FY	06/21	06/22	06/23	06/24	06/25	06/26 CoE
Net sales	7,101	8,561	9,797	10,561	11,772	13,500
YoY	7.2%	20.6%	14.4%	7.8%	11.5%	14.7%
Operating Profit	851	1,144	680	1,348	1,575	1,750
YoY	-19.8%	34.5%	-40.6%	98.2%	16.8%	11.1%
OP Margin	12.0%	13.4%	6.9%	12.8%	13.4%	13.0%
Profit Attributable to Owners of Parent	601	803	515	909	1,063	1,150
YoY	-29.9%	33.6%	-35.9%	76.6%	17.0%	8.1%
Net Profit Margin	8.5%	9.4%	5.3%	8.6%	9.0%	8.5%

Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Two Reasons Why We Are Cautious About Sales Growth on FY06/2026

FY06/2026 for two reasons: (1) in the PF business in Q4 FY06/2025, new orders from manufacturing customers who have become cautious about the future due to the impact of Trump's tariffs were lower than expected and (2) the aforementioned delays in hiring employees for the PF business that occurred in FY06/2025 Q4 are expected to continue due to an even more severe hiring environment.

2) Medium-Term Management Plan (FY06/2024 – FY06/2026)

Mid-Term Management Plan Until FY06/2026 Positioned as a Period of Structural Reform

The company has positioned the mid-term management plan (FY06/2024 - FY06/2026) period as a period of structural reform and a period of preparation for a re-growth period from FY06/2027 to FY06/2030.

The main theme of the mid-term management plan for FY06/2024 to FY06/2026 was "structural reform" with emphasis on "profit-oriented management". However, based on the judgment that the company was able to achieve a more profitable structure than expected in FY06/2024, it has decided to bring forward the initial structural reform plan for FY06/2025 and to accelerate investment in sales growth.

For FY06/2025, the company shifted its focus to net sales growth with sales continuing to increase at a pace that exceeded its plan until Q3. However, as mentioned above, the pace of sales growth slowed in Q4. As a result, the company's planned net sales for FY06/2026, the final year of the medium-term management plan, are set at a level lower than the net sales indicated in the plan.

Figure 10. Medium-Term Management Plan (¥bn)

Financial Items	FY06/23 Actual	FY06/24 Actual	FY06/25 Actual	FY06/26 CoE	FY06/26 Mid-Term Plan	FY06/30 Long-Term Target
Net Sales	9.79	10.56	11.77	13.50	14 to 15	28 to 30
Operating Profit	0.68	1.35	1.58	1.75	-	-
EBITDA Margin	11.0%	16.7%	16.7%	Over 16.0%	Over 16.0%	Over 17.0%
ROE	10.6%	17.4%	18.8%	-	20.0%	20.0%

Source: Company Data, Compiled by Strategy Advisors.

4 Growth Strategies in This Structural Reform Period

During the structural reform period from FY06/2024 to FY06/2026, the company plans to pursue the following growth strategies.

① Structural transformation to a high-profit structure and a shift to LTV (lifetime value of customers) oriented management to achieve this. Specifically, they will improve the profit margin of the SaaS business, increase the paid utilization rate and select and focus on sales and marketing investments

② Restructuring of value offering and service structure

③ Industry Portfolio Review. Expanding the manufacturing and distribution industry and the financial industry to move away from the current retail and consumer service industry bias

④ Expand service portfolio. Expand educational and human resource services and take on the challenge of overseas markets

4. Recent Topics

1) Acquisition of Activecore shares

Acquires Activecore, a Digital Marketing SaaS Provider, as a Subsidiary

In August 2025, the company resolved to acquire all shares of Activecore and make it a subsidiary.

Activecore is a company that provides the "Activecore marketing cloud", a SaaS that provides all-in-one digital marketing solutions (data analysis, recommendations, marketing automation). It also offers a BPaaS called "Marutto 1-to-1" (described below), which handles all aspects of 1-to-1 marketing, from planning and execution support to analysis and improvement proposals.

The Reasoning Behind Making Activecore a Subsidiary (1): Expanded Product Lineup

Activecore's services are primarily targeted at companies that operate B2C businesses. Meanwhile, the company's main service in its product business, "Rtoaster" is also a software solution that supports the marketing activities of companies that provide services to B2C customers. For this reason, by making Activecore a subsidiary, the company will be able to add a product called "Activecore marketing cloud" to its lineup.

(2): Entering the BPaaS Market

The Company will now be able to offer BPaaS, which it has not offered until now. BPaaS stands for "Business Process as a Service" and refers to an outsourcing service that uses SaaS and IT tools to streamline operations and then outsources the entire business process.

One of the company's growth strategies is to strengthen its provision of software products that enable business expansion without relying on human labor. The company positions BPaaS as a solution that can simultaneously solve the speed and cost issues that arise with traditional outsourcing, which relies on human labor, through the automation of business processes using AI. The company believes that by entering the BPaaS market, it has gained a foothold for business expansion that does not rely on human labor. Furthermore, the company believes that the average annual growth rate of the BPaaS market is 8-12%.

Activecore Becoming a Subsidiary is Not Included in the FY06/2026 Company Plan

Activecore is scheduled to become a consolidated subsidiary on October 1, 2025. The impact on the company's business performance is currently being examined, and as of September 26, 2025, the impact of Activecore's business performance is not included in the FY06/2026 company plan.

5. Stock Price Trends

Comparison with 4 Similar Companies

To see how the company's stock price changed since the start of 2024, Figure 11 compares the stock prices of similar listed companies and TOPIX when the stock price at the end of 2023 is set at 100. The comparable listed companies were TDSE (7046 TSE Growth), Data Section (3905 TSE Growth), Laboro.AI (5586 TSE Growth) and Exa Wizards (4259 TSE Growth), all of which provide solutions to corporate management issues through data analysis and AI.

The Stock Market Experienced Volatility in August 2024 & April 2025, But Remained at High Levels

The Japanese stock market remained on an upward trend from early 2024 onward, driven by large-cap stocks, reaching an all-time high in July 2024. It then began a downward trend, experiencing a sharp drop and rebound in August 2024 due to the sudden depreciation of the yen, before stagnating. Then, in April 2025, U.S. President Trump announced reciprocal tariffs, rapidly increasing uncertainty over the policy's content and its impact on global trade, leading to volatile stock prices worldwide. These external factors, combined with forecasts of declining earnings for domestic companies, weighed on the downside. Nevertheless, the market avoided a full-scale decline, remaining at high levels as of early September 2025, with the Nikkei Stock Average reaching the ¥44,000 mark for the first time in history.

Stock Prices After 2024 Fluctuated In-Line with Business Performance Trends

Under these circumstances, the view that net sales for FY06/2024 would not reach the initial plan became widespread and the company's stock price began to fluctuate below TOPIX from May 2024. After that, even after the announcement of FY06/2024 results, the company's stock price continued to decline until October 2024 and the relative stock price fell further below TOPIX. After that, in November 2024, when it was confirmed that Q1 profits were progressing well against the FY06/2025 company plan, the company's stock price began to rise, with the relative stock price recovered to levels in line with TOPIX, remaining at that level until just before the announcement of the full-year FY06/2025 results.

Stock Prices Fell After FY06/2025 Financial Results Were Announced

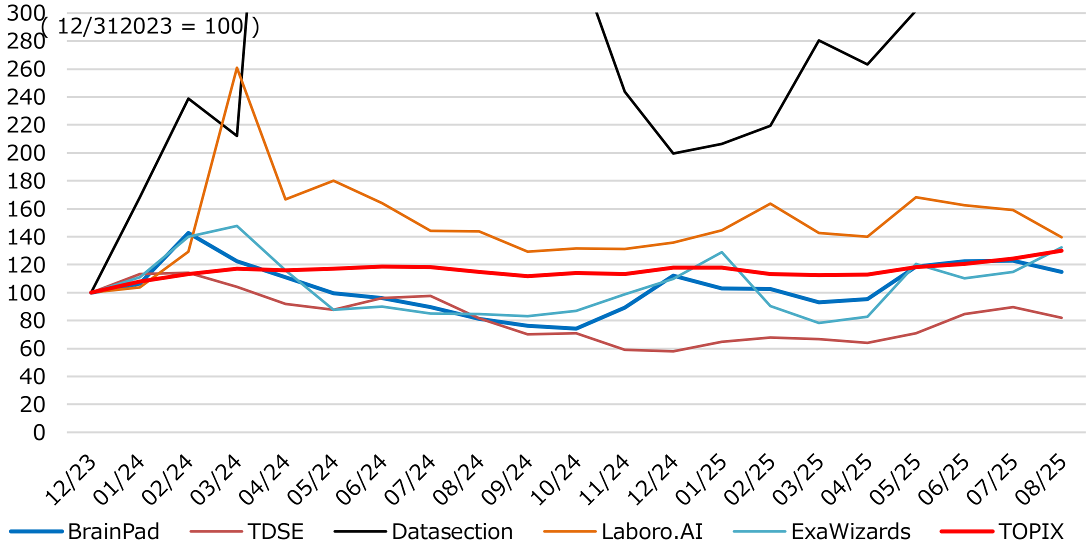
However, in August 2025, when the company announced its FY06/2025 financial results, net sales and profits did not reach the levels of the company's revised plan, and the company's FY06/2026 net sales plan was lower than the level indicated in the medium-term management plan; this caused the stock price to fall sharply and the relative stock price to fall below TOPIX. Although the company's stock price has since recovered, it has not recovered to the level before the financial results announcement.

The sudden rise in the stock price of Datasection, one of the companies used for comparison, in 2024 is largely due to individual factors, such as expectations of a return to profitability in FY3/25 following a change in management due to poor performance and increased expectations of increased revenue due to the establishment of Advanced AI Data Innovation.

The Key to Future Stock Price Increases Will Be Whether the Company Achieves its FY06/2026 Plan

The company's current valuation is 24.6x PER (Based on the company FY06/2026 plan) and 4.9x PBR. While the PER is lower than Datasection, whose performance fluctuates greatly depending on the progress of new business plans, it is at the same level as TDSE, which is burdened with excessive labor costs and therefore cannot be said to be undervalued. For the stock price to rise from here, in terms of short-term performance, the slowdown in sales growth that caused the stock price to fall in August 2025 will need to be resolved, or measures to resolve this will be implemented. From this perspective, the focus will likely shift to whether the company can achieve the FY06/2026 company plan, the final year of the medium-term management plan, as well as the contents of the new medium-term management plan for FY06/2027 and beyond, which is scheduled to be disclosed in the future.

Figure 11. Stock Price Trends of Listed Companies that Solve Business Issues through Data Analysis and AI (Since 2024)



Note: The figures for Jun. 25 are as of June 23, 2025. The chart for Datasection is omitted from February 2024 onwards because it exceeds 300 and cannot be displayed.
Source: Speeda & Strategy Advisors.

Figure 12. Comparison of Valuations with Peer Companies

Company Name	Code	FY	Stock Price (Sep. 26) (¥)	Market Cap. (¥mn)	PER Actual (x)	PBR Actual (x)	Dividend Yield CoE (%)	ROE Actual (%)
BrainPad	**3655**	06/25	**1,345**	**28,099**	**24.6**	**4.9**	**0.6**	**18.8**
TDSE	7046	03/25	1,653	3,448	24.0	1.6	0.6	6.4
Data section	3905	03/25	2,747	57,548	29.6	21.0	-	-
Laboro.AI	5586	09/25	992	15,780	137.4	6.6	-	5.8
ExaWizards	4259	03/25	551	46,601	-	18.9	-	-

Note: ROE is not applicable to companies that posted a loss in their most recent fiscal period. The figures for ExaWizards' company forecasts are only for sales and operating profit, and do not include forecasts for net income or EPS. Therefore, it is not possible to calculate a PER based on company forecasts.
Source: Speeda & Strategy Advisors.

Figure 13. Half-Year/Quarterly Performance Trends (¥mn)

FY	06/24		06/25	
	H1	H2	H1	H2
Income Statement				
Net Sales	**5,145**	**5,417**	**5,851**	**5,921**
Cost of Sales	2,955	2,902	3,005	3,120
Gross Profit	2,189	2,515	2,845	2,801
Gross Profit Margin	42.6%	46.4%	48.6%	47.3%
SG&A	1,572	1,783	1,860	2,210
Sales to SG&A Ratio	30.6%	32.9%	31.8%	37.3%
Operating Profit	**617**	**732**	**985**	**591**
OP Margin	12.0%	13.5%	16.8%	10.0%
Non-Operating Balance	40	-31	47	3
Ordinary Profit	**657**	**701**	**1,032**	**594**
Ordinary Profit Margin	12.8%	12.9%	17.6%	10.0%
Extraordinary Income / Losses	-19	54	0	0
Profit Before Income Taxes	**638**	**755**	**1,032**	**594**
Total Corporate Tax, etc.	227	257	341	221
(Corporate Tax Rate)	35.6%	34.0%	33.0%	37.2%
Profit Attributable to Owners of Parent	**411**	**499**	**691**	**373**
Net Profit Margin	8.0%	9.2%	11.8%	6.3%

FY	06/24				06/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income Statement								
Net Sales	**2,534**	**2,611**	**2,706**	**2,710**	**2,808**	**3,043**	**3,046**	**2,875**
Cost of Sales	1,503	1,452	1,390	1,512	1,458	1,548	1,515	1,606
Gross Profit	1,030	1,159	1,317	1,198	1,350	1,495	1,531	1,269
Gross Profit Margin	40.7%	44.4%	48.7%	44.2%	48.1%	49.1%	50.3%	44.2%
SG&A	748	824	787	996	881	979	1,003	1,207
Sales to SG&A Ratio	29.5%	31.6%	29.1%	36.7%	31.4%	32.2%	32.9%	42.0%
Operating Profit	**282**	**335**	**530**	**202**	**469**	**516**	**528**	**62**
OP Margin	11.1%	12.8%	19.6%	7.5%	16.7%	17.0%	17.3%	2.2%
Non-Operating Balance	31	9	-34	3	42	5	20	-17
Ordinary Profit	**313**	**344**	**496**	**205**	**511**	**521**	**549**	**45**
Ordinary Profit Margin	12.4%	13.2%	18.3%	7.6%	18.2%	17.1%	18.0%	1.6%
Extraordinary Income/Losses	-2	-18	55	-1	0	0	0	0
Profit Before Income Taxes	**311**	**326**	**551**	**204**	**511**	**521**	**549**	**45**
Total Corporate Tax, etc.	113	114	189	68	174	166	181	40
(Corporate Tax Rate)	36.4%	34.9%	34.2%	33.4%	34.1%	32.0%	33.0%	89.6%
Profit Attributable to Owners of Parent	**198**	**213**	**363**	**136**	**337**	**354**	**368**	**5**
Net Profit Margin	7.8%	8.1%	13.4%	5.0%	12.0%	11.6%	12.1%	0.2%

Source: Company Data, Compiled by Strategy Advisors.

Figure 14. Income Statement (¥mn)

FY	06/19	06/20	06/21	06/22	06/23	06/24	06/25	06/26 CoE
Net Sales	**5,676**	**6,621**	**7,101**	**8,561**	**9,797**	**10,561**	**11,772**	**13,500**
Cost of Sales	2,854	3,604	3,922	4,679	5,867	5,857	6,126	-
Gross Profit	2,822	3,016	3,178	3,881	3,930	4,703	5,645	-
Gross Profit Margin	49.7%	45.6%	44.8%	45.3%	40.1%	44.5%	48.0%	-
SG&A Expenses	1,637	1,955	2,327	2,736	3,250	3,354	4,070	-
Operating Profit	**1,184**	**1,061**	**851**	**1,144**	**680**	**1,348**	**1,575**	**1,750**
OP Margin	20.9%	16.0%	12.0%	13.4%	6.9%	12.8%	13.4%	13.0%
Non-Operating Income	29	22	45	41	88	57	73	-
Non-Operating Expenses	0	5	13	20	16	48	23	-
Ordinary Profit	**1,213**	**1,078**	**883**	**1,166**	**752**	**1,357**	**1,625**	**1,750**
Ordinary Profit Margin	21.4%	16.3%	12.4%	13.6%	7.7%	12.9%	13.8%	13.0%
Extraordinary Income	0	97	0	0	41	55	-	-
Extraordinary Losses	14	0	26	109	7	19	0	-
Profit before Income Taxes	1,200	1,176	857	1,057	785	1,393	1,625	-
Total Income Taxes	319	318	255	254	270	483	561	-
(Corporate Tax Rate)	26.6%	27.0%	29.8%	24.0%	34.4%	34.7%	34.5%	-
Profit Attributable to Owners of Parent	**880**	**857**	**601**	**803**	**515**	**909**	**1,063**	**1,150**
Net Profit Margin	15.5%	13.0%	8.5%	9.4%	5.3%	8.6%	9.0%	8.5%
EPS (¥)	**43.43**	**40.15**	**27.00**	**36.53**	**23.72**	**42.25**	**49.81**	**54.57**
ROE	39.2%	25.5%	13.8%	-	-	17.4%	18.8%	-
ROIC (Invested Capital)	38.5%	22.1%	13.7%	-	-	16.6%	17.9%	-
ROIC (Business Assets)	82.7%	64.6%	46.1%	-	-	31.6%	40.2%	-
Dividend (¥)	-	-	-	-	8.0	8.0	8.0	8.0
Average # of Shares During the Period (mn Shares)	6.0	7.0	7.0	21.0	21.0	21.0	21.0	-
End of Period Shares (mn Shares)	6.7	7.3	7.4	22.3	22.3	22.3	22.3	-

Note: The figures for FY06/2022 are non-consolidated. FY06/2025 EPS does not take into account the impact of share buybacks.
Source: Company Data, Compiled by Strategy Advisors.

Figure 15. Balance Sheet (¥mn)

FY	06/19	06/20	06/21	06/22	06/23	06/24	06/25
Current Assets	**3,231**	**4,108**	**4,938**	**4,437**	**4,141**	**5,039**	**5,251**
Cash and Deposits	2,076	2,984	3,430	2,908	2,506	3,355	3,395
Accounts Receivable	885	867	1,033	952	1,285	1,239	1,357
Inventory	65	25	39	91	29	15	16
Others	205	232	436	486	321	430	483
Fixed Assets	**635**	**875**	**840**	**1,710**	**2,374**	**2,217**	**2,267**
Tangible Fixed Assets	82	133	86	608	535	476	406
Intangible Fixed Assets	203	236	296	253	1,019	768	603
Investments and Other Assets	349	504	457	848	819	973	1,257
Investment Securities	16	74	203	247	278	443	746
Deferred Tax Assets	172	157	213	187	220	196	202
Others	161	273	41	414	321	334	309
Total Assets	**3,867**	**4,983**	**5,778**	**6,148**	**6,516**	**7,257**	**7,518**
Current Liabilities	**1,111**	**872**	**1,104**	**1,151**	**1,382**	**1,505**	**1,556**
Trade Payables	82	92	98	117	130	116	131
Accounts Payable and Accrued Expenses	208	236	245	450	398	549	431
Interest-Bearing Debt	-	-	-	-	-	-	-
Short-Term Borrowings	-	-	-	-	-	-	-
Current Portion of Long-Term Borrowings	-	-	-	-	-	-	-
Others	821	544	761	584	854	840	994
Fixed Liabilities	**67**	**82**	**0**	**149**	**238**	**217**	**196**
Interest-Bearing Debt	-	-	-	-	-	-	-
Long-Term Borrowings	-	-	-	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	90	69	47
Others	67	82	0	149	148	148	148
Net Assets	**2,689**	**4,028**	**4,674**	**4,847**	**4,895**	**5,534**	**5,765**
Capital Stock	2,684	4,028	4,674	4,834	4,894	5,531	5,758
Capital Surplus	641	1,127	1,172	1,176	1,172	1,172	1,172
Retained Earnings	2,042	2,900	3,502	4,313	4,801	5,487	6,362
Treasury Stock	0	0	0	-655	-1,078	-1,127	-1,776
Accumulated Other Comprehensive Income	-	-	-	13	0	2	7
Stock Acquisition Rights	4	0	-	-	-	-	-
Non-Controlling Interests	-	-	-	-	-	-	-
Total Liabilities & Net Assets	**3,867**	**4,983**	**5,778**	**6,148**	**6,516**	**7,257**	**7,518**
Interest-Bearing Debt	-	-	-	-	-	-	-
Capital Adequacy Ratio	69.5%	80.8%	80.9%	78.8%	75.1%	76.3%	76.7%
D/E Ratio	0.44	0.24	0.24	0.27	0.33	0.31	0.30

Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

Figure 16. Cash Flow Statement (¥mn)

FY	06/19	06/20	06/21	06/22	06/23	06/24	06/25
Cash Flows from Operating Activities							
Income before income taxes	1,200	1,176	857	1,057	785	1,393	1,625
Depreciation and Amortization	161	182	207	233	301	281	256
Working Capital	-163	64	-175	54	-196	43	-103
Others	-160	-661	-110	-219	-1	-179	-428
Total	1,038	761	779	1,125	889	1,538	1,350
Cash Flows from Investing Activities							
Payments for Acquisition of Property, Plant and Equipment	-40	-94	-29	-407	-104	-55	-29
Payments for Acquisition of Intangible Fixed Assets	-129	-132	-208	-110	-56	-44	-109
Others	-59	-16	-141	-431	-628	-218	-301
Total	-228	-242	-378	-948	-788	-317	-439
Cash Flows from Financing Activities							
Net Increase/Decrease in Short-Term Borrowings	-	-	-	-	-	-	-
Net Increase/Decrease in Long-Term Borrowings	-	-	-	-	-	-	-
Issuance of Shares	-	389	44	-	-	-	-
Purchase of Treasury Stock	-	0	-	-698	-503	-201	-700
Dividend Payment	-	-	-	-	-	-170	-170
Others	-	-	-	-	0	0	0
Total	-	389	44	-698	-503	-372	-870
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-	-	-	-	-	-	-
Cash Increase/Decrease	809	908	446	-482	-401	848	40
Cash Beginning Balance	1,266	2,076	2,984	3,390	2,908	2,506	3,355
Ending Cash Balance	2,076	2,984	3,430	2,908	2,506	3,355	3,395

Note: The figures for FY06/2022 are non-consolidated basis.
Source: Company Data, Compiled by Strategy Advisors.

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