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Consolidated Financial Results for the Third Quarter Ended June 30, 2025 (Under Japanese GAAP)

May 9, 2025

Company name: BrainPad Inc.
Listing: Tokyo Stock Exchange
Securities code: 3655
URL: https://www.brainpad.co.jp/english/
Representative: Tomohiro Sekiguchi, Representative Director, President and CEO
Inquiries: Natsuki Shinki, Chief Financilal Officer
Telephone: +81-3-6721-7001
Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Millions of yen, rounded down to the nearest million)

1. Consolidated financial results for the third quarter ended March 31, 2025 (July 1, 2024 - March 31, 2025)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributed to owners of parent	
Third quarter ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	8,897	13.3	1,513	32.0	1,580	37.1	1,059	37.0
March 31, 2024	7,850	8.9	1,146	104.3	1,152	85.7	773	76.3

Note: Comprehensive income For the third quarter ended March 31, 2025: ¥1,064 million [37.2%]
For the third quarter ended March 31, 2024: ¥775 million [82.0%]

	Basic earnings per share	Diluted earnings per share
Third quarter ended	Yen	Yen
March 31, 2025	49.44	―
March 31, 2024	35.90	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	7,964	6,460	81.1
June 30, 2024	7,257	5,534	76.3

Reference: Equity As of March 31, 2025: ¥6,460 million As of June 30, 2024: ¥5,534 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2024	-	0.00	-	8.00	8.00
Fiscal year ending June 30, 2025	-	0.00			
Fiscal year ending June30,2025(forecast)			-	8.00	8.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3.Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2025 (July 1, 2024 - June 30, 2025)

(Percentage figures are changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
full year	11,800	11.7	1,750	29.7	1,800	32.6	1,200	31.9	55.97

Note: Revisions to the forecast of financial results most recently announced: Yes

Regarding the revision of forecast of consolidated financial results for the fiscal year ending June 2025, please refer to the "Notice Regarding the Revision of Forecast of Consolidated Financial Results for the Fiscal Year Ending June 30, 2025" for details.

***** Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: - companies

Excluded: - companies

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares issued shares (common stock)

(i) Total number of issued shares at the end of the period (including Treasury Stocks)

As of March 31, 2025	22,300,596 shares
As of June 30, 2024	22,300,596 shares

(ii) Number of Treasury Stocks at the end of the period

As of March 31, 2025	859,132 shares
As of June 30, 2024	885,384 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended March 31, 2025	21,423,658 shares
Nine months ended March 31, 2024	21,533,856 shares

* Third Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation on the appropriate use of earnings forecasts and other special notes

1. The forward-looking statements such as earnings forecasts stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual performance may significantly differ from these forecasts due to various factors in the future. For the conditions on which financial results forecasts are based and the notes on the use of these forecasts, please refer to “(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Information” on page 3.
2. Supplementary material on quarterly financial results are disclosed on TDnet on the same day.

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1. Qualitative Information for Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2025

(1) Explanation of Operating Results

During the third quarter of the current fiscal year, the Japanese economy continued to recover moderately. This recovery is driven by the upward trend in income and the increase in the minimum wage since last year's Spring Struggle, which have improved the environment surrounding personal consumption. Additionally, the continued increase in inbound demand due to the weak yen has also contributed to this recovery. Supported by strong corporate performance and increased investment in equipment due to labor shortages Meanwhile, concerns have begun to arise regarding the turmoil in the stock market and the impact on Japan's export industries ,which was caused by the U.S. administration's tariff policies, leading to an uncertain outlook.

The domestic ICT services market continues to grow solidly due to the active demand for DX (Digital Transformation) and the generative AI utilization is increasing, also with large-scale IT investments by major companies gradually moving into the implementation phase

Under these circumstances, at the beginning of the previous consolidated fiscal year (July 1, 2023), our group overhauled it's management policy and structure, and began operating based on our new medium-term management plan (for the period ending June 30, 2024 to June 30, 2026). The Group has positioned this three-year period as a "structural reform period", and in the previous consolidated fiscal year, which is the first year of the plan, we were able to make faster-than-expected progress in recovering the profit margin, which had been made the top priority. In light of this, in the current consolidated fiscal year, which is the second year of the plan, the Group has made an expansion of business scale and sales growth its new top priorities, aims to return the sales growth rate of its existing businesses to a level far exceeding 10% whilst maintaining the improved profit margin seen the previous consolidated fiscal year.

During the third quarter of the current consolidated fiscal year, the sales continued to grow solidly, and the sales growth rate remained at a level exceeding 10%.

On the profit front, in addition to increased profit as a result of sales expansion and initiatives to generate profit such as activities to improve the income/expense of individual projects continued to pay off since the beginning of this period. During the third quarter of the current consolidated fiscal year, we have been actively investing the profits generated throughout the current consolidated cumulative interim period into activities that contribute to sales growth, such as sales promotion and talent acquisition, and profits grew at a level exceeding the initial plan.

As a result, the consolidated business results for the third quarter of the fiscal year were as follows: net sales of 8,897,269 thousand yen (up 13.3% year-on-year), operating profit of 1,513,379 thousand yen (up 32.0% year-on-year), ordinary profit of 1,580,876 thousand yen (up 37.1% year-on-year) and quarterly net profit attributable to parent company shareholders of 1,059,271 thousand yen (up 37.0% year-on-year)

The following is a summary of the results by reportable segment for the third quarter of the fiscal year under review.

(Professional Services Business)

The professional service business aids customers in using data through data consulting and human support including data support and system development.

In the current consolidated fiscal year, the target of this business is to increase its sales growth rate to about 15%. In order to achieve this target, the highest priorities for this business were to maintain and improve paid utilization rates, to develop project leaders and more senior managers, and strengthen recruitment.

During the third quarter of the current fiscal year, the sales growth rate reached a level exceeding the initial plan due to the expansion of existing projects and the development of new projects.

On the profit front, in addition to increased profits as a result of sales expansion, project income/expense management and monitoring methods, which have been the focus of steady efforts since the previous fiscal year, proved effective, leading to the stable generation of profits. As a result, the segment profit margin was just above 40%, which is considered reasonable for this business.

As a result, net sales amounted to 6,346,189 thousand yen (up 16.6% year-on-year) and segment profit amounted to 2,827,989 thousand yen (up 32.1% year-on-year).

(Product business)

The product business aids customers in using data from in-house products and products made by other companies.

During the current consolidated fiscal year, the target for this business was to increase the sales growth rate to around 10%, and the key tasks of this business were to start increasing BrainPad's non-consolidated net sales, putting an end to the gradual decline which was seen the previous fiscal year, and to grow sales through Ligla, a product developed and offered by consolidated subsidiary Time Technologies, Inc.

The net sales of the third quarter of the current fiscal year exceeded the plan at the beginning of the period. "Ligla" continued

to drive growth, and also non-consolidated net sales get recovered, mainly due to new orders for large projects.

On the profit front, segment profit and the segment profit margin both improved year on year, reflecting the gradual phasing-out of provision of products that were becoming less profitable from the previous fiscal year and ongoing optimization of the cost structure based on sales.

As a result, net sales amounted to 2,551,529 thousand yen (up 6.0% year-on-year) and segment profit amounted to 725,149 thousand yen (up 16.2% year-on-year).

(2) Explanation of Financial Condition

(i) Analysis of Financial Condition

(Assets)

Current assets at the end of the third quarter consolidated fiscal period totaled 5,862,213 thousand yen, an increase of 822,222 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 648,250 thousand yen in cash and deposits.

Meanwhile, the balance of non-current assets totaled 2,102,094 thousand yen, a decrease of 115,634 thousand yen from the end of the previous fiscal year. This was due to a increase of 58,187 thousand yen in investments and other assets, while there was a decrease of 98,308 thousand yen in goodwill, a decrease of 55,279 thousand yen in property, plant and equipment, a decrease of 22,966 thousand yen in other intangible assets, and an increase of 2,731 thousand yen in software.

As a result, total assets increased 706,588 thousand yen from the end of the previous fiscal year to 7,964,307 thousand yen.

(Liabilities)

Current liabilities at the end of the third quarter consolidated fiscal period totaled 1,305,969 thousand yen, a decrease of 199,849 thousand yen from the end of the previous consolidated fiscal year.

This was mainly due to a decrease of 34,955 thousand yen in provision for bonuses, an occurrence of 4,961 thousand yen in provision for directors' bonuses, and an increase of 20,678 thousand yen in accounts payable - trade, while there was a decrease of 113,393 thousand yen in accounts payable - other.

Additionally, the balance of non-current liabilities was 197,343 thousand yen, a decrease of 19,996 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 20,218 thousand yen in other non-current liabilities.

As a result, total liabilities decreased by 219,845 thousand yen from the end of the previous fiscal year to 1,503,313 thousand yen.

(Net assets)

Total net assets at the end of the third quarter consolidated fiscal period amounted to 6,460,994 thousand yen, an increase of 926,434 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 870,816 thousand yen in retained earnings and an increase of 50,851 thousand yen from the disposal of Treasury Stocks.

As a result, the equity ratio was 81.1%.

(iii) Explanation of consolidated earnings forecasts and other forward-looking information

The Basic Policy for Economic and Fiscal Management and Reform 2024 announced by the Japanese government in June 2024 sets out a policy of "Achieving a Growth-Oriented Economy Driven by Wage Increases and Investment," and incudes measures such as the implementation of digital technologies in society and investment in DX to create a data driven society and the need for priority investment in AI to strengthen Japan's international competitiveness. However, Japan's shortage of IT human resources to drive DX and data and AI utilization is worsening and many Japanese companies are, therefore, still facing a major dilemma: the more they rush to invest in digital technologies, the more dependent they are on external human resources, and the more they try to bring IT in-house, the more difficult it is to recruit human resources.

In light of this market environment, the Group's medium-term management plan (for the period ending June 30, 2024 to June 30, 2026) sets out a growth strategy in which the management challenges faced by companies, specifically, investing in DX and the use of data and AI (demand side) and resolving the shortage of IT human resources to help drive this (supply side) are perceived as business opportunities.

The Group has set sales growth as its top priority for the current fiscal year, which is the second year under its medium-term management plan, and aims to restore the sales growth rate of its existing businesses to a level far exceeding 10% while at the same time maintaining improvement in the profit margin achieved in the first year of the plan. In this context, with the outlook for full-year sales becoming clearer and progress on the profit front exceeding the initial plan, our group has revised the full-year consolidated earnings forecast as announced today in the "Notice Regarding Revision of Consolidated Earnings Forecast for the Fiscal Year Ending June 2025.

(The forecasts are based on information currently available to the Company and include potential risks and uncertainties. Therefore, actual results may differ from these forecasts due to changes in various factors, including the economic environment.)

2. Quarterly consolidated financial statements and major notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	As of June 30, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	3,355,195	4,003,446
Notes and accounts receivable - trade	1,239,166	1,473,620
Work in process	15,189	33,321
Prepaid expenses	425,276	341,588
Other	5,162	10,237
Total current assets	5,039,990	5,862,213
Non-current assets		
Property, plant and equipment	476,391	421,111
Intangible assets		
Software	108,440	111,172
Goodwill	426,002	327,694
Other	233,855	210,889
Total intangible assets	768,298	649,755
Investments and other assets	973,039	1,031,227
Total non-current assets	2,217,728	2,102,094
Total assets	7,257,719	7,964,307

(Unit: thousand yen)

	As of June 30, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	116,430	137,108
Accounts payable - other	318,329	204,936
Accrued expenses	230,904	148,720
Income taxes payable	329,367	278,179
Contract liabilities	196,318	239,591
Provision for bonuses	105,557	70,601
Provision for bonuses for directors (and other officers)	—	4,961
Other	208,910	221,869
Total current liabilities	1,505,818	1,305,969
Non-current liabilities		
Asset retirement obligations	148,261	148,484
Other	69,078	48,859
Total non-current liabilities	217,340	197,343
Total liabilities	1,723,159	1,503,313
Net assets		
Shareholders' equity		
Share capital	597,809	597,809
Capital surplus	574,509	574,509
Retained earnings	5,487,148	6,357,965
Treasury Stocks	△1,127,604	△1,076,753
Total shareholders' equity	5,531,863	6,453,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,696	7,462
Total accumulated other comprehensive income	2,696	7,462
Total net assets	5,534,559	6,460,994
Total liabilities and net assets	7,257,719	7,964,307

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income (Cumulative Consolidated Period for the Third Quarter)

(Unit: thousand yen)

	Nine months ended March 31,2024	Nine months ended March 31,2025
Net sales	7,850,791	8,897,269
Cost of sales	4,345,104	4,520,783
Gross profit	3,505,686	4,376,485
Selling, general and administrative expenses	2,358,957	2,863,105
Operating profit	1,146,729	1,513,379
Non-operating income		
Interest and dividend income	15	1,325
Sales incentives received	8,761	10,959
Subsidy income	32,253	28,181
Share of profit of entities accounted for using equity method	—	22,591
Other	10,257	18,268
Total non-operating income	51,287	81,326
Non-operating expenses		
Foreign exchange losses	310	639
Loss on investments in investment partnerships	41,143	13,140
Commission expenses	9	—
Share of loss of entities accounted for using equity method	3,554	—
Other	0	49
Total non-operating expenses	45,018	13,829
Ordinary profit	1,152,998	1,580,876
Extraordinary income		
Gain on cancellation of debt	35,031	—
Gain on transfer of customer contracts	19,860	—
Gain on sale of non-current assets	26	—
Total extraordinary income	54,918	—
Extraordinary losses		
Loss on valuation of investment securities	19,192	—
Loss on sale of non-current assets	32	—
Loss on retirement of non-current assets	—	0
Total extraordinary losses	19,224	0
Profit before income taxes	1,188,692	1,580,876
Income taxes - current	385,845	516,117
Income taxes - deferred	29,676	5,486
Total income taxes	415,521	521,604
Profit	773,170	1,059,271
Profit attributable to noncontrolling interests	—	—
Profit attributable to owners of parent	773,170	1,059,271

Quarterly Consolidated Statement of Comprehensive Income (Cumulative Consolidated Period for the Third Quarter)

(Unit: thousand yen)

	Nine months ended March 31,2024	Nine months ended March 31,2025
Quarterly net Income	773,170	1,059,271
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities, net of taxes	2,100	4,766
Total other comprehensive income	2,100	4,766
Quarterly comprehensive income	775,271	1,064,037
(Breakdown)		
Comprehensive income attributable to owners of the parent	775,271	1,064,037
Comprehensive income attributable to noncontrolling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Segment Information, etc.)

Segment information

I Third Quarter period ended March 31, 2023 (July 1, 2023 through December 31, 2023)

1. Information on net sales and profit or loss by reportable segment

(Unit: thousand yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Professional Services Business	Product Business	Total		
Net sales					
Sales to external customers	5,444,217	2,406,573	7,850,791	—	7,850,791
Intersegment sales and transfers	—	—	—	—	—
Total	5,444,217	2,406,573	7,850,791	—	7,850,791
Segment profit	2,141,200	624,111	2,765,311	△1,618,582	1,146,729

Notes: 1. The adjustment of segment profit includes corporate expenses of 1, 618, 582 thousand yen that are not allocated to each reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses of the Group's sales and administrative departments, etc., which do not belong to any reportable segment.

2. Segment profit is adjusted with operating profit in the semi-annual consolidated statements of income.

2. Information on impairment loss on fixed assets and goodwill by reportable segment

(Significant impairment losses on non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

II. Third Quarter period ended March 31, 2025 (July 1, 2024 through March 31, 2025)

1. Information on net sales and profit or loss by reportable segment

(Unit: thousand yen)

	Reportable Segment			Adjustment (Note1)	Amount recorded in quarterly Consolidated statement of income (Note 2)
	Professional Services Business	Product Business	Total		
Net sales					
Sales to external customers	6,345,739	2,551,529	8,897,269	—	8,897,269
Intersegment sales and transfers	450	—	450	△450	—
Total	6,346,189	2,551,529	8,897,719	△450	8,897,269
Segment profit	2,827,989	725,149	3,553,139	△2,039,760	1,513,379

Notes: 1. Adjustment of segment profit includes corporate expenses of 2, 039, 760 thousand yen that are not previously allocated to each reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses of the Group's sales and administrative departments, etc., which are not attributable to any reportable segment.

2 . Segment income is adjusted with operating income in the Quarter consolidated statements of income.

2. Information on Impairment Loss on Fixed Assets and Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on Third Quarter Consolidated Statements of Cash Flows)

The consolidated statement of cash flows for the nine months of the fiscal year ending June 30,2025 has not been prepared. The depreciation (including amortization of intangible fixed assets excluding goodwill) and amortization of goodwill for the nine months of the fiscal year ending June 30,2025 are as follows.

(Unit: thousand yen)

	Third Quarter ended March 31,2024	Third quarter ended March 31,2025
Depreciation	212,403	186,525
Amortization of goodwill	98,308	98,308

(Change in presentation method)

Not applicable.

(Significant subsequent events)

At the board of directors meeting held on May 9, 2025, our company resolved matters related to the acquisition of Treasury Stocks based on the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same Act. We hereby inform you as follows

1. Reason for Acquiring Treasury Stocks

Our group, in its current medium-term management plan (fiscal year ending June 2024 to fiscal year ending June 2026), aims to ensure a stable consolidated operating profit margin of 10% or more and has a basic policy of aiming for a consolidated total return ratio of 40% or more to shareholders.

The acquisition of this Treasury Stocks is carried out with the following four main objectives, in addition to the basic policy above, considering the recent economic environment and the business situation of our group.

① Improvement of capital efficiency

② Enhancement of stock price stability in an unstable stock market environment

③ Preparation for agile capital policies such as M&A and capital alliances

④ Expansion of the stock compensation ratio for our officers and employees

2. Details of Matters Related to the Acquisition

① Type of shares to be acquired:	Common share
② Total number of shares to be acquired:	770,000 shares (maximum) (Ratio to the total number of issued shares (excluding Treasury Stocks): 3.59%)
③ Total acquisition price:	700 million yen (maximum)
④ Acquisition period:	May 12, 2025 to July 31, 2025
⑤ Acquisition method:	Market purchase on the Tokyo Stock Exchange (Entrusted transaction by a securities company)