

## Company Report

March 17, 2025

## 1H Results Show Strong Profit & Progress towards the Full-Year Plan

BrainPad reported higher sales and a large increase in profits in 1H FY06/2025, compared to the previous year, driven by both the Professional Services and the Product Businesses seeing an increase in sales. Sales and operating profits were at historical highs for the first half of the year. Progress against the full-year plan was 48.8%-49.6% for sales and 65.7%-70.4% for operating profit, with particularly strong progress being made on the profit side.

The professional services business, which is the driving force behind the company's overall performance, has achieved a faster revenue growth rate than initially planned; with the recovery in paid utilization rates from FY06/2024 and the expansion of the scale of existing projects leading to an improvement in this segment's profit margin.

The product business has 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 the termination of these products has run its course, with non-consolidated product sales returning to growth territory; and sales of products by consolidated subsidiaries continuing to increase, indicating that performance has bottomed out.

The medium-term management plan for FY06/2024 to FY06/2026, which calls for structural reform, set out "profit-oriented management", but judging that the company was able to achieve a better-than-expected shift to a profitable structure in FY06/2024, it has adopted a policy of accelerating investment in sales growth in FY06/2025. The profits that exceeded the company's expectations in Q1 and Q2 will be used for sales promotion and human resource investments that will lead to future sales; and an increase in expenses is expected, so although 1H profits have progressed well against the full-year plan, the initial plan has been left unchanged.

In the first half of 2024, the stock price exceeded TOPIX in terms of relative stock price due to expectations of a recovery in business performance. However, as the view that sales in FY06/2024 period would not reach the initial plan spread, the range below TOPIX widened from May to October 2024. After that, when it was confirmed in November that the progress of profits in the Q1 performance against FY06/2025 company plan was high, the company's stock price started to rise and recovered to a level slightly below that of TOPIX in terms of relative stock price.

Strategy Advisors Inc.  
Keita Fujino



### Stock Price and Volumes



Source: Strategy Advisors

### Key Indicators

Stock Price (3/14/2025)	1,098
Year-to-Date High (3/19/2024)	1,479
Year-to-Date Low (8/5/2024)	743
52-Week High (5/22/2019)	3,073
52-Week Low (11/18/2011)	139.5
Shares on Issue (mn)	21.4
Market Capitalization (¥ bn)	23.5
EV (¥ bn)	19.7
Equity Ratio (FY06/24 Actual, %)	76.3
ROE (FY06/24 Actual, %)	17.4
PER (FY06/25 CoE, Times)	25.9
PBR (FY06/24 Actual, Times)	4.2
Dividend Yield (FY06/25 CoE, %)	0.73

Source: Strategy Advisors

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In terms of valuation, excluding some companies that have revised their performance downward, the stock price is lower than other companies that do similar businesses, but it is by no means at a level that makes it seem cheap. Regarding future stock price trends, in terms of short-term performance, we would like to pay attention to whether the company's planned sales can be achieved, whether the profit margin level can be maintained despite additional expenses and finally, whether the sales target of the medium-term management plan, the final year of which is FY06/2026 period, can be achieved.

## Japanese GAAP - Consolidated

FY	Net Sales	YoY	Operating Income	YoY	Ordinary Income	YoY	Net Income	YoY	EPS	DPS
	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥)	(¥)
06/2024 1H	5,144	8.7	616	45.9	656	38.7	410	27.2	19.1	0.0
06/2025 1H	5,851	13.7	984	59.7	1,031	57.2	691	68.3	32.3	0.0
06/2022	8,561	20.6	1,145	34.5	1,167	32.0	803	33.6	36.5	0.0
06/2023	9,798	14.4	681	-40.5	752	-35.6	515	-35.9	23.7	8.0
06/2024	10,561	7.8	1,349	98.1	1,358	80.6	909	76.5	42.3	8.0
06/2025 CoE	11,800 to 12,000	11.7% to 13.6%	1,400 to 1,500	3.8 to 11.2	1,400 to 1,500	3.1 to 10.5	910 to 970	0.1 to 6.7	42.44 to 45.24	8.0

Note: Non-consolidated results are disclosed for FY06/2022. YoY for FY06/2022 are comparisons with consolidated results for FY06/2021. YoY for FY06/2023 are comparisons with non-consolidated results for FY06/2022

Source: Strategy Advisors. Based on Company Data

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## 1. 1H FY06/2025: High Profit Progress Rate Relative to the Full-Year Plan

### 1H FY06/25: Record High Sales & Operating Income

In 1H FY06/2025, sales increased 13.7% YoY to ¥5.85 billion, operating profit increased 59.7% YoY to ¥984 million and net profit attributable to owners of parent increased 68.3% YoY to ¥691 million. Sales and operating profit were the highest ever for 1H. In addition, the progress rate against the company's full-year plan for FY06/2025 was actually 48.8% versus 49.6% for sales, 65.7% to 70.4% for operating profit and 71.3% to 76.0% for net profit attributable to owners of parent, with particularly high progress being made in terms of profits.

**Figure 1. BrainPad's 1H Financial Results Summary (¥ mn)**

	FY06/2025 1H (A)	YoY Change	Progress Rate (A)÷(B)	FY06/2025 Full Year CoE (B)
Net Sales	<b>5,851</b>	13.7%	48.8% to 49.6%	11,800 to 12,000
Operating Income	<b>984</b>	59.7%	65.7% to 70.4%	1,400 to 1,500
Ordinary Income	<b>1,032</b>	57.1%	68.8% to 73.7%	1,400 to 1,500
Net Income to Owners of the Parent	<b>691</b>	68.3%	71.3% to 76.0%	910 to 970

Source: Company Data. Compiled by Strategy Advisors

### Professional Services is the Business Continues to Drive Growth. The Product Business is Seeing an Increase in Sales

By segment, the Professional Services Business (the PF Business) saw sales increase by 18.5 % YoY and segment profits increased by 41.5 %, while the Product Business (the PD Business) saw sales increase by 3.3 % YoY and segment profits increased by 36.1 % YoY. The increase in sales in the PF Business continues to drive overall growth, but the PD Business also saw a turnaround to increased sales, which was a major factor.

### 1H Sales Exceeded Initial Internal Plans

According to the company, sales exceeded the internal 1H plan set at the beginning of the fiscal year. The main factors behind this were that there were no major changes in the external environment, the effects of the "transition to a matrix organization" in the PF Business were realized and the PD Business showed a strong QoQ increase in sales.

**Figure 2. Sales and Operating Profit by Segment (¥ mn)**

FY	Sales	By Segment			
		Professional Service	Sales Composition	Product Service	Sales Composition
06/20	6,621	4,347	65.7%	2,274	34.3%
06/21	7,101	4,868	68.6%	2,234	31.5%
06/22	8,561	6,075	71.0%	2,486	29.0%
06/23	9,798	6,736	68.7%	3,062	31.3%
06/24	10,561	7,378	69.9%	3,183	30.1%
06/25 1H	5,851	4,193	71.7%	1,659	28.4%

FY	Operating Profit	By Segment				Adjustment Amount
		Professional Service	Profit Margin	Product Service	Profit Margin	
06/20	1,061	1,717	39.5%	697	30.6%	-1,353
06/21	851	1,841	37.8%	672	30.1%	-1,661
06/22	1,145	2,543	41.9%	611	24.6%	-2,009
06/23	681	2,347	34.8%	444	14.5%	-2,110
06/24	1,349	2,911	39.5%	769	24.2%	-2,331
06/25 1H	984	1,863	44.4%	491	29.6%	-1,370

Note: Only non-consolidated results are disclosed for FY06/22

Source: Strategy Advisors. Based on Company Data

## Project Scale Continues to Expand

One of the company's policies is to expand the scale of projects, with the proportion of projects with sales worth ¥100 million or more in FY06/2024 rising 6.4% on a client basis and 57.0% on a sales basis. This momentum appears to have strengthened in 1H. According to the company, in the PF Business, projects that were already large-scale in FY06/2024 are becoming even larger.

**Figure 3. Changes in Number of Customers by Sales Size**

(Non-Consolidated, Company)

Sales Scale	06/20	06/21	06/22	06/23	06/24
Over ¥100 Million	8	11	14	16	25
¥10 million to ¥100 Million	111	106	124	128	117
Of which, ¥50 to ¥100 Million	-	-	-	25	17
Of which, ¥10 to ¥50 Million	-	-	-	103	100
Less than ¥10 Million	361	341	327	263	251
Total	480	458	465	407	393

% of Customers Worth Over ¥100 million	06/20	06/21	06/22	06/23	06/24
Percentage of Customers	1.7%	2.4%	3.0%	3.9%	6.4%
Percentage of Sales	42.2%	45.6%	45.5%	49.5%	57.0%

Note: Only non-consolidated results are disclosed for FY06/22

Source: Strategy Advisors. Based on Company Data

## **Operating Profit Margin Improved Due to an Increase in Gross Profit Margin**

Gross profit increased 30.0 % YoY to ¥2.84 billion and gross profit margin increased 6.0 % YoY to 48.6 %. As described below, this was due to the increase in the paid utilization rate in the PF business, the end of the impact of the termination of the provision of low-profit margin products in the PD business and the effect of increased revenues.

Selling, general and administrative expenses (SG&A expenses) increased 18.3 % YoY to ¥1.86 billion, exceeding the increase in sales, with the SG&A expenses ratio rising 1.2 % YoY to 31.8 %. Expenses increased mainly due to the increase in hiring expenses and sales promotion expenses, as profits in Q1 exceeded the initial plan.

Although the selling and administrative expenses ratio increased, this was offset by the increase in gross profit margin, resulting in the operating profit ratio for 1H of FY06/2025 rising 4.8 % YoY to 16.8%.

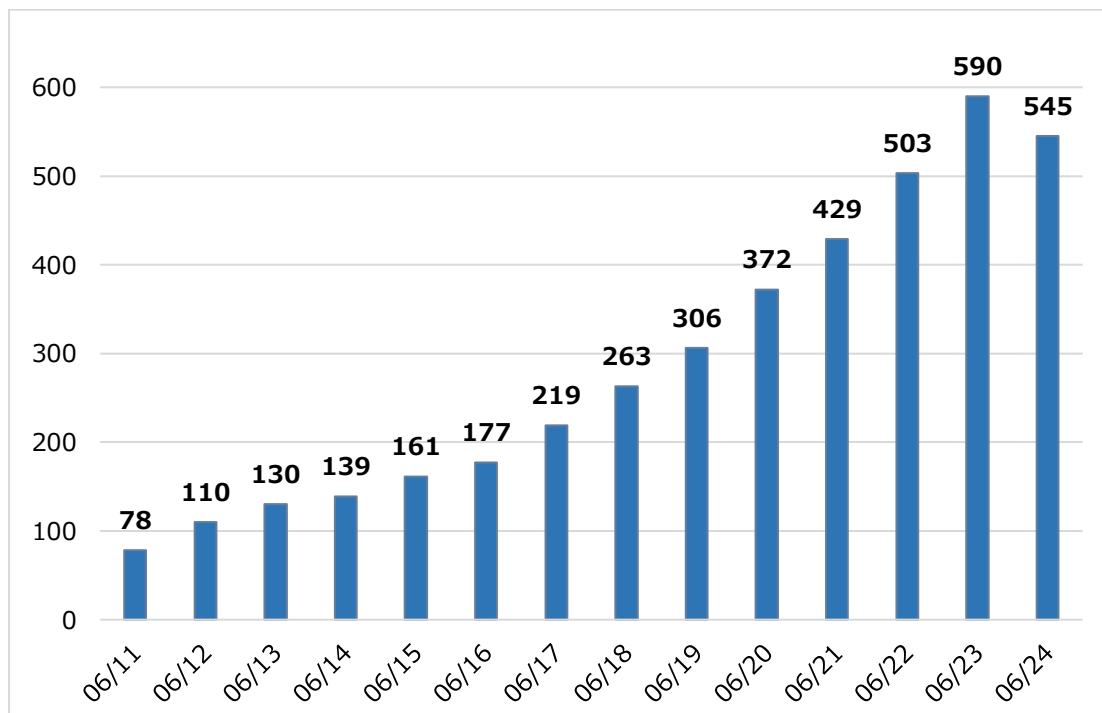
## **Net Profit Margin Also Improved**

Regarding non-operating income and expenses, the company recorded subsidy income for research and development activities of ¥28 million, investment profits from Dentsu Cross Brain, an equity method affiliate, of ¥14 million, and sales incentives received from partner companies of ¥50 million as non-operating income. Investment partnership management losses of ¥60 million as non-operating expenses. In addition, no extraordinary income or loss was recorded. As a result, the quarterly net profit margin attributable to parent for 1H FY06/2025 increased 3.8 % YoY to 11.8%.

## **The High Turnover Rate in the Previous Period Has Fallen to Normal Trend Levels**

In addition, in our previous report we cited as one of the concerns that there was an increase in resignations due to structural changes starting from FY06/2024 and the resultant decrease in the number of employees in FY06/2024. According to the company, the increase in resignations has settled down and the recent resignation trend rate has returned to the same level as in previous years at around 10%.

**Figure 4. Number Of Employees at the End of Each Period (Persons)**



Note: Only non-consolidated results are disclosed for FY06/22

Source: Company Data

## 2. Recent Trends by Business Segment

### 1) The Professional Services Business (The PF Business)

The PF Business is the core business of the company, which prides itself on being a leading company in data/AI utilization. In addition to supporting client companies in utilizing data/AI through human support such as consulting, including data analysis, AI development and system development, the PF Business also provides services for training human resources to utilize data/AI for companies.

**The PF Business Saw Revenue Growth Exceeding the Initial Plan. Profit Margins Improved Significantly**

In the PF business in 1H, sales increased 18.5 % YoY and segment profit increased 41.5 % YoY. As the PF business is planning to increase sales by about 15% YoY in FY06/2025, the pace of sales growth has exceeded the initial plan. Segment profit margin improved by 7.2 % YoY and improved 4.9 % to 44.4% compared to 39.5% for FY06/2024.

## Sales Per Employee are Also at a High Level

The performance of the PF business is largely dependent on fluctuations in the paid operation rate. In FY06/2024, the company implemented measures such as reviewing project management methods, which led to a recovery in the paid operation rate due to an increase in orders and an expansion in the scale of existing projects, which resulted in an improvement in the segment profit margin, and this trend appears to have taken hold in 1H.

Although the company did not disclose details on paid utilization rate, sales per employee, which is closely related to the trend in paid utilization rate, was ¥6.8 million in Q2, a higher level than any other second quarter since FY06/2021.

## It Appears that Revenue Increased in All 3 Industries in the PF Business

The PF business is divided into 3 categories based on the customer's industry: Financial (financial services), Enterprise (manufacturing, distribution, etc.) and Consumer (consumer services, etc.). All 3 industries saw revenue growth in 1H, with the growth rates being particularly high in the Financial and Enterprise industries.

In the Financial segment, an increase in support projects for regional financial institutions through a partnership with Resona Holdings (8308 TSE Prime) was seen, and the expansion was noticeable from Q1 onwards. In the Enterprise segment, the expansion was also noticeable from Q2 onwards due to an increase in logistics and supply chain-related projects.

On the other hand, the growth rate of the Consumer industry is lower than other industries due to its large scale to begin with. Nevertheless, sales growth seems to have taken hold. In addition, since many Consumer customers have a BtoC business model, many of them use the company's marketing support products. From this perspective, there is a correlation between sales of the Consumer PF business and sales of the PD business; and the expansion of the Consumer PF business tends to lead to the expansion of the PD business.

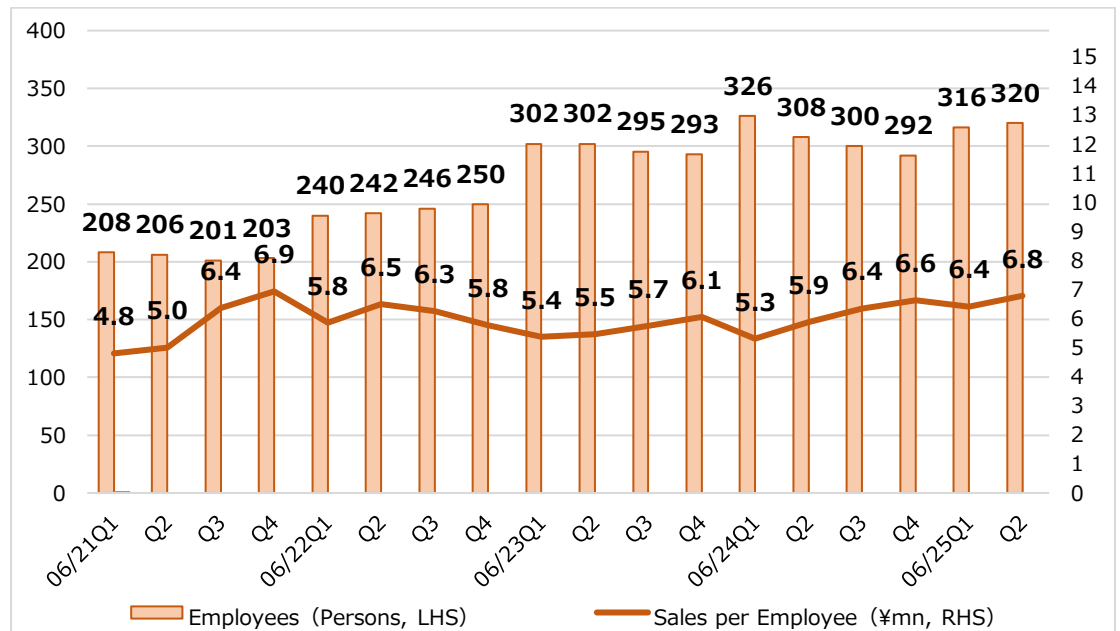
## The Trend of Increasing Sales Per Company Continues

In addition, the scale of projects, which became evident in FY06/2024, is also expanding. Sales per company in Q2 increased 33.8% YoY to ¥19.8 million, the second highest since Q4 of FY06/2021.

The projects of the company's PF business tend to become larger when engineering services are added. The ratio of engineering sales in the PF business was 37.1% in the full of FY06/2024 but rose further to 40.0 % in 1H of FY06/2025, which is one of the reasons for the increase in the revenue growth rate of the PF business.



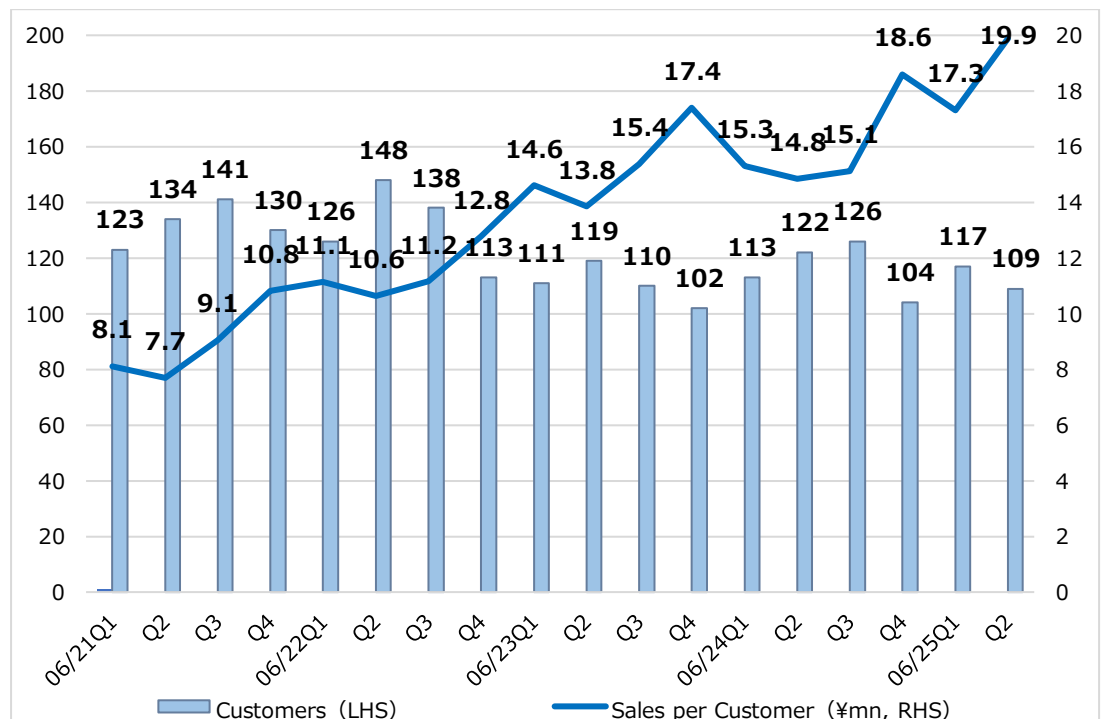
**Figure 5. The PF Business: Sales Per Employee**



Note: Only non-consolidated results are disclosed for FY06/22

Source: Company Data

**Figure 6. The PF Business: Sales Per Customer**

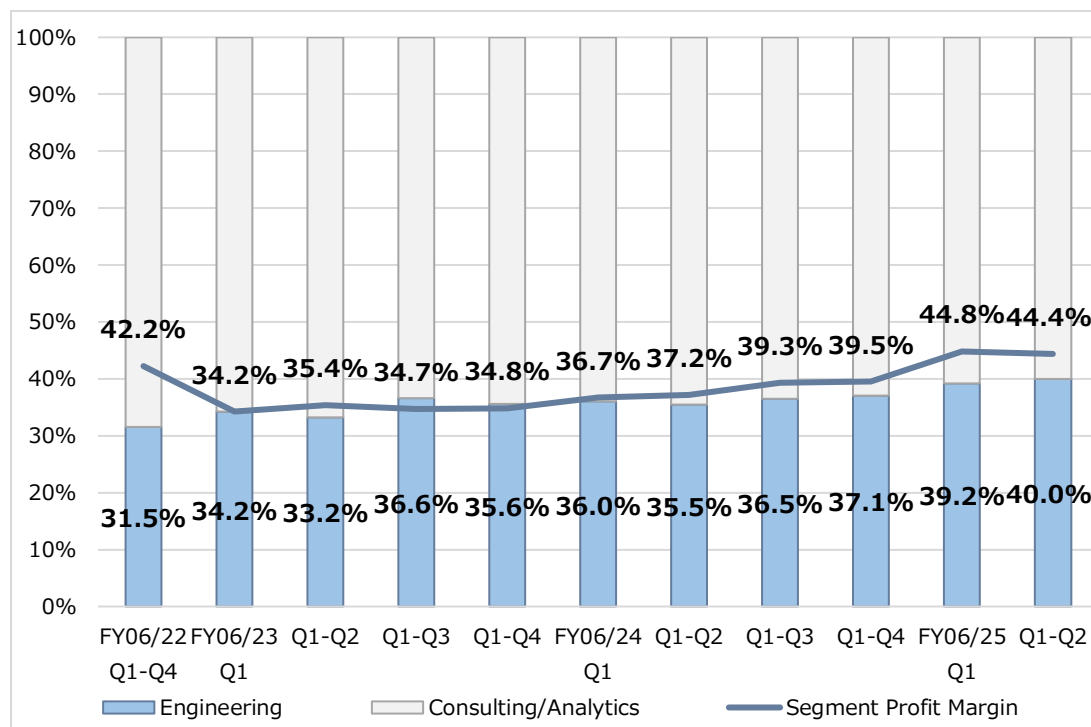


Note: Only non-consolidated results are disclosed for FY06/22

Source: Company Data



**Figure 7. Trends in Engineering Sales and Segment Profit Margins in the PF Business**



Note: Only non-consolidated results are disclosed for FY06/22

Source: Company Data

## 2) The Product Business (The PD Business)

The Product Business (PD Business) is a business that supports client companies in utilizing data/AI by providing its own products and those of other companies. Among them, "Rtoaster", which was launched in 2006 and is a product that boasts a high market share.

In addition, LINE-specific marketing automation "Ligla" is a product of Time Technologies, which became a consolidated subsidiary through M&A. The effects of the M&A, such as sales collaboration with the parent company and the transfer of product development and operation know-how, have been apparent; and the number of customers has been increasing since it was included in the consolidated financial results in Q2 of FY06/2023.

In the PD business in 1H, sales increased 3.3% YoY and segment profit increased 36.1%. Sales for the parent company decreased by 1.9% YoY, while consolidated subsidiary Time Technologies increased by 31.7%. In addition to the increase in Time Technologies' sales, the reduction in the decrease in parent sales also contributed to the overall result.

**The PD Business  
Saw an Increase in  
Sales YoY**

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## The Impact of the Termination of Some PD Business Products May Have Run its Course

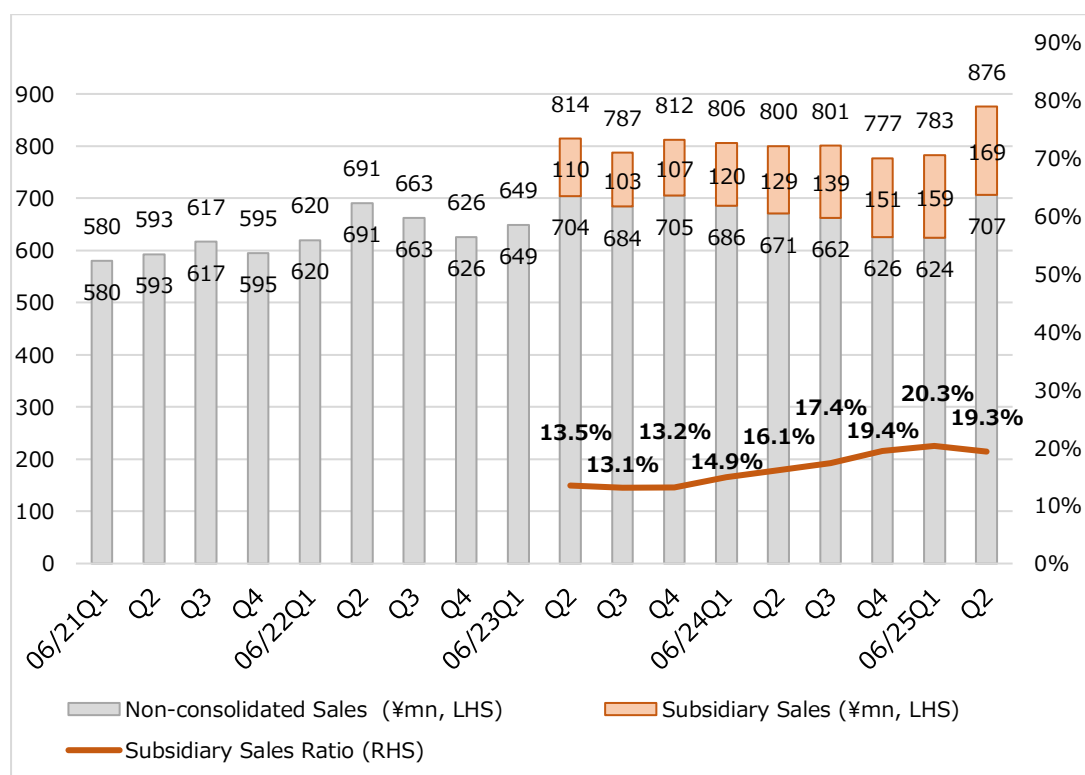
The recent decrease in parent sales is due to the fact that, as part of restructuring, the company has discontinued the provision of some products, which had been showing a declining profit margin, since Q2 of FY06/2024. On a quarterly basis, parent sales growth rate was down 9.1% in Q1 and up 5.4% in Q2, which means that sales increased compared to the previous quarter and the impact of the discontinuation of some products is thought to have run its course.

The company has shifted its focus to strengthening sales of its flagship product, "Rtoaster", through measures such as organizational restructuring (implemented at the beginning of FY06/2025) to enhance integration between production and sales, plus the resumption of the development of new functions that had been suspended until the middle of FY06/2024. It is believed that the effects of these efforts have led to an increase in sales on a standalone basis.

## Increased Revenue from Consolidated Subsidiaries & End of Service of Low-Profit Margin Products is the Reason for the Increase in Profits

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

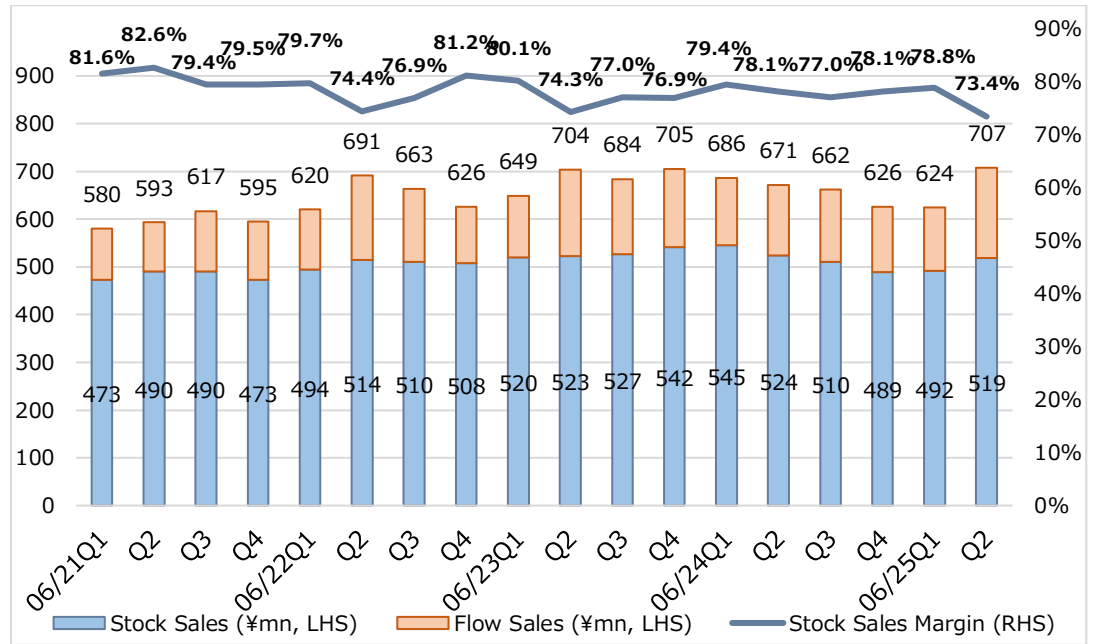
**Figure 8. Changes In Consolidated Sales of The PD Business**



Note: Only non-consolidated results are disclosed for FY06/22

Source: Strategy Advisors. Based on Company Data

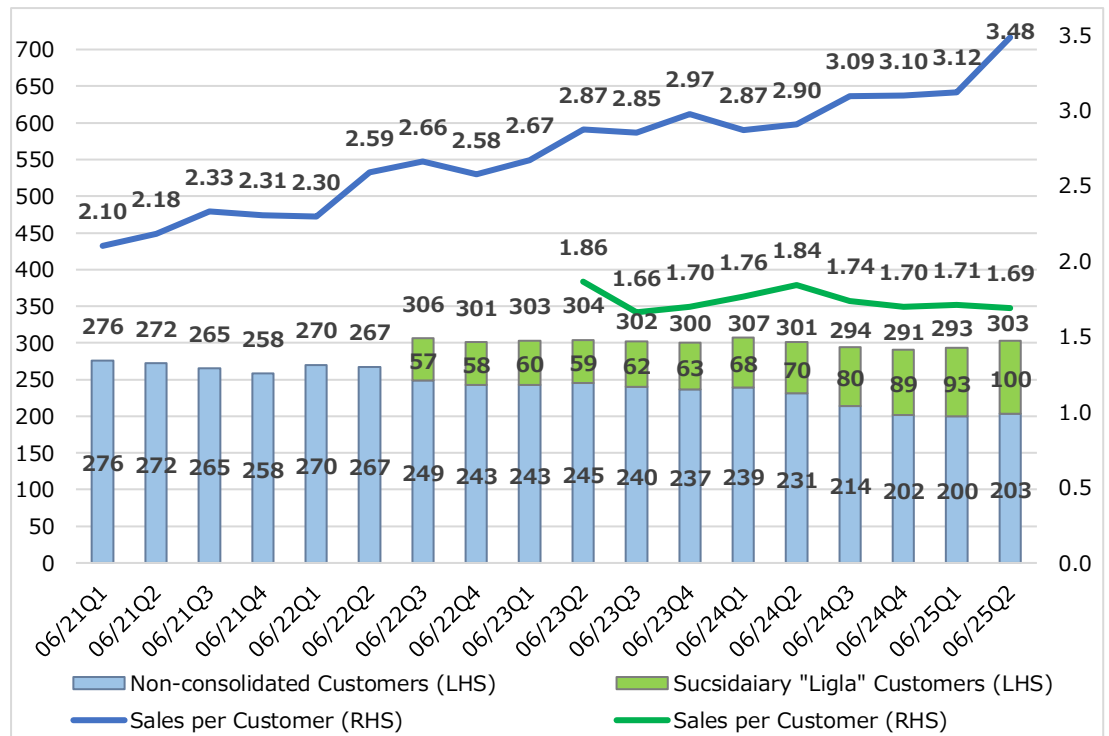
**Figure 9. Breakdown of the PD Business (Stock Sales & Flow Sales)**



Note: Only non-consolidated results are disclosed for FY06/22

Source: Strategy Advisors. Based on Company Data

**Figure 10. Number of Customers & Sales per Company in the PD Business**



Note: Only non-consolidated results are disclosed for FY06/22

Source: Strategy Advisors. Based on Company Data

## 3. Business Outlook

### 1) Outlook for FY06/2025

**Profits are Progressing Well in 1H, but the Company Plan for FY06/2025 Remains Unchanged**

Regarding FY06/2025, the company plans to achieve sales of 11.8 to ¥12 billion (up 11.7 % to 13.6 % from the previous fiscal year) and operating profit of 1.4 to ¥1.5 billion (up 3.8% to 11.2% from the previous fiscal year).

Progress rates against the company's full-year plan for 1H results were 48.8%-49.6% for sales, 65.7%-70.4% for operating profit and 71.3%-76.0% for net profit attributable to owners of parent, with particularly strong progress being made in the profits are. Nevertheless, the full-year plan remained unchanged at the time of the announcement of the 1H financial results.

**Figure 11. Sales and Profit Trends (¥ mn)**

FY	06/20	06/21	06/22	06/23	06/24	06/25 CoE
Sales	6,621	7,101	8,561	9,798	10,561	11,800 to 12,000
YoY change	16.6%	7.2%	20.6%	14.4%	7.8%	11.7% to 13.6%
Operating Income	1,061	851	1,145	681	1,349	1,400 to 1,500
YoY change	-10.5%	-19.8%	34.5%	-40.5%	98.1%	3.8% to 11.2%
Operating Income Margin	20.9%	16.0%	12.0%	13.4%	7.0%	11.7% to 12.7%
Net Income to Owners of the Parent	858	601	803	515	909	910 to 970
YoY change	-2.6%	-30.0%	33.6%	-35.9%	76.5%	0.1% to 6.7%
Net Income Margin	13.0%	8.5%	9.4%	5.3%	8.6%	7.6% to 8.2%

Note: Only non-consolidated results are disclosed for FY06/22.

Source: Strategy Advisors. Based on Company Data.

**Accelerating Investment for Sales Growth in FY06/2025**

The main theme of the medium-term management plan for FY06/2024 to FY06/2026 is "structural reform", with emphasis on "profit-oriented management". Having determined that the company was able to achieve a greater-than-expected shift to a profitable structure in the FY06/2024 period, the company has decided to bring forward the initial structural reform plan for FY06/2025 period while accelerating investment in sales growth.

Therefore, for FY06/2025, the company has set targets achieving a sales growth rate of 10% or more and maintaining profit margins at the same level as FY06/2024, aiming for the 21st consecutive period of increased sales and a new record high in profits.

As the results for Q1 of FY06/2025 exceeded the company's expectations, the company has adopted a policy of using the excess profits for sales promotion expenses and human resource investments, including recruitment, in anticipation of future sales growth. The situation is similar for Q2 and an increase in expenses is expected to lead to future sales growth. This is the reason why the company's initial plan remains unchanged, even though 1H profits progressed well against the full-year plan.

## 2) Medium-Term Management Plan

The company is positioning the period covered by its medium-term management plan from FY06/2024 to FY06/2026 as a period of structural reform and a preparation period for a renewed growth period from FY06/2027 to FY06/2030.

**Medium-Term Management Plan until FY06/2026 is Set against a Period of Structural Reform**

**Figure 12. Medium-Term Management Plan (¥ bn)**

Financial Item	FY06/23 (Actual)	FY06/24 (Actual)	FY06/25 (CoE)	FY06/26 (Mid-MP)	FY06/30 (Long-MP)
Net Sales	9.79	10.56	11.8 to 12.0	14 to 15	28 to 30
Operating Income	0.68	1.35	1.4 to 1.5	-	-
EBITDA Margin	11.0%	16.7%	15.1% to 15.6%	Over 16.0%	Over 17.0%
ROE	10.6%	17.4%	-	20.0%	20.0%

Source: Company Data. Compiled by Strategy Advisors

## 4 Growth Strategies During this Structural Reform Period

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

- ① Transformation of the business structure to a higher profitable one and shift to management that emphasizes LTV (customer lifetime value). Specifically, improvement of the profit margins of the SaaS business, increase of the paid utilization rate and selection and concentration on sales and marketing investments.
- ② Re-structure of value proposition and service structure.
- ③ Review of the company's portfolio by industry. Expansion into manufacturing and distribution and finance industries to move away from the current situation of being overly focused on retail and consumer services.

- ④ Expansion of the company's service portfolio. Expansion of the company's education and human resources services and challenge of entering overseas markets for that purpose.

## 4. Recent Topics

### Establishment of BrainPad AAA, a Wholly Owned Subsidiary Specializing in Autonomous AI Agents

The establishment of BrainPad AAA, a wholly owned subsidiary specializing in autonomous AI agents, was announced on January 28, 2025 (established on March 10). The concept of BrainPad AAA is to "agentize new jobs that will eliminate barriers to the widespread use of autonomous AI agents, which are expected to grow rapidly in the future".

### Bottlenecks that Hinder the Widespread Adoption of Autonomous AI Agents

An autonomous AI agent is defined as "an AI system that collects and analyzes information and performs tasks on its own without waiting for human instructions". There are high expectations that AI will replace human work and significantly improve labor productivity and this market is expected to grow rapidly. Therefore, it is expected that efforts and services to build autonomous AI agents will be launched one after another, but there are also bottlenecks that hinder their widespread use.

Specifically, the company cites two bottlenecks: (1) a shortage of data that can be used for AI development and training and a shortage of the human resources required to make the data usable and (2) the necessity to rely on analog (manual) methods for maintaining and managing the quality of AI.

### "New Jobs done by Humans" Born to Eliminate Bottlenecks

The company predicts that "new jobs for people" will be created to resolve these bottlenecks. The "new jobs" it lists include themes such as "digitization" and "task quality control".

"Digitization" can be said to be a theme related to the input of autonomous AI agents. The quality of AI is determined by the quantity and quality of the data input, and high-quality data is often complex and related to tacit knowledge (business know-how, etc.). In order to ensure the quality of the data, data scientists often do it manually. In other words, if things stay as they are, in order to increase the number of AI agents, the number of people who "digitize" data will also increase.

"Task quality control" is a theme related to the output of autonomous AI agents. It is based on the idea that humans are responsible for the quality of work performed by autonomous AI agents, and humans are inevitably responsible for preventing critical mistakes by AI and making decisions regarding exceptional events.

### The First Service Planned will be "Annotation Agent"

BrainPad AAA will provide a service that turns these "new jobs that are normally done by hand" into agents and simplifies the process. The first service will be related to "digitization", and is planned to be an "annotation agent" that uses AI agents to automate the task of digitizing the "artisan's wisdom" specific to an industry or company.



The impact of BrainPad AAA on overall performance is expected to be minor for the time being but since data annotation for AI is recognized as a rapidly growing business field in the United States, it is likely to attract attention in the future.

## 5. Stock Price Trends

### Comparison with 4 Similar Companies

To see the company's stock price trends to date, Figure 13 shows the stock price trends of similar listed companies and TOPIX (Tokyo Stock Price Index) when the stock price at the end of December 2023 is set to 100. The similar companies compared are listed companies that provide solutions to corporate management issues through data analysis and AI and are four companies: TDSE (7046 TSE Growth), Datasection (3905 TSE Growth), Laboro.AI (5586 TSE Growth) and ExaWizards (4259 TSE Growth).

### BrainPad Remained Significantly Lower than TOPIX Until October 2024

The Japanese stock market as a whole has been rising mainly in large-cap stocks from 2023 to mid-2024, driven by purchases by foreign investors, as exemplified by the Nikkei Stock Average reaching the ¥40,000 level for the first time in history in February 2024. Under these circumstances, the company's stock price exceeded the TOPIX in relative terms from the latter half of 2023 to 2024 due to expectations of a recovery in business performance. However, as the view that sales in FY06/2024 would not meet the initial plan spread, the stock price began to fall below TOPIX from May 2024.

### Recently, Due to Strong Profit Progress, the Stock Price Has Recovered to a Level Slightly below TOPIX

In the second half of 2024, the TOPIX continued to fluctuate within a narrow range. Meanwhile, the company's stock price continued to decline until October 2024, even after the release of its financial results for FY06/2024 and the range in which the stock price fell below the TOPIX in terms of relative stock price expanded. After that, in November, when it was confirmed that the progress of profits in the Q1 results against the company's plan for FY06/2025 was high, the company's stock price began to rise and the relative stock price also recovered to a level slightly below TOPIX.

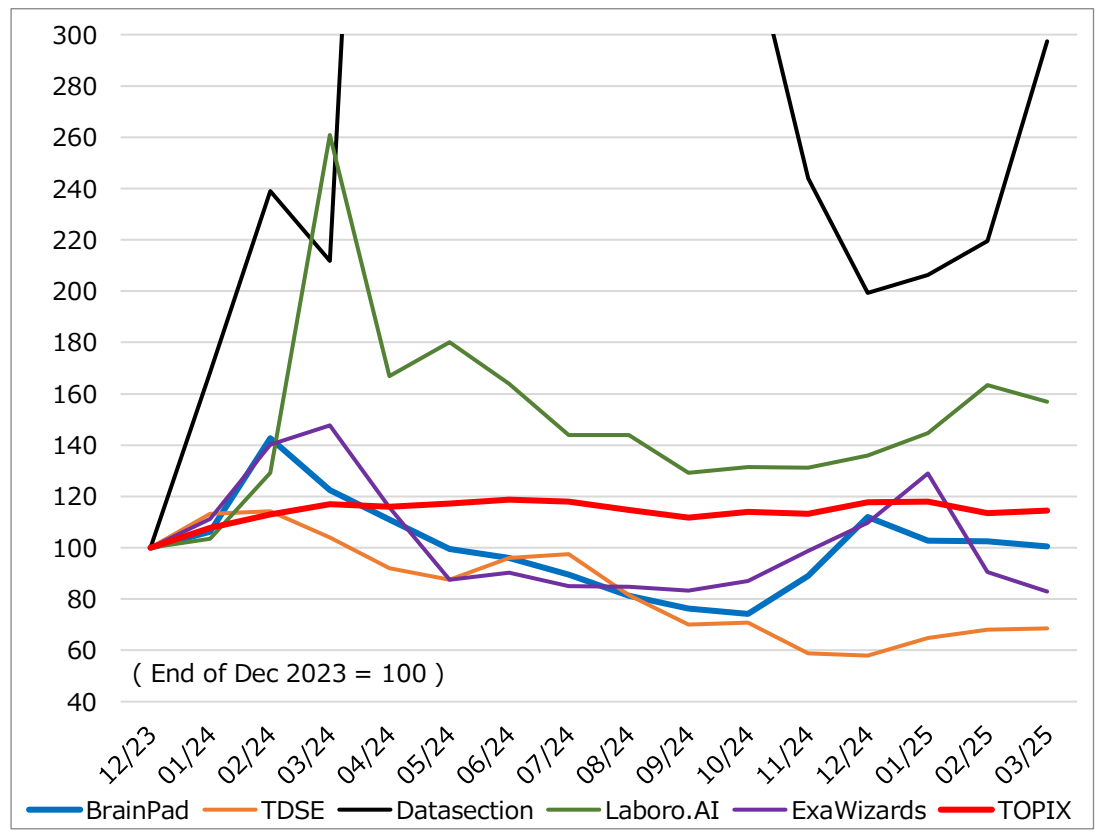
The sudden rise in the stock price of Datasection, one of the companies used for comparison, in 2024 is largely due to individual factors, such as expectations of a return to profitability in FY03/2025 following a change in management due to poor performance and rising expectations of increased revenue due to the establishment of Advanced AI Data Innovation.

The company's current valuation is 25.9 times PER (based on the company's plan for FY06/2025) and 4.2 times PBR. Although the valuation level is lower than other companies, except for TDSE, whose stock price fell sharply due to slow progress in business performance against the company's plan for FY03/2025, it cannot be said to be undervalued. As mentioned above, the stock price rose as the progress in profit performance was confirmed as of Q1, and the company plans to use the profit, which shows an upward trend, as expenses increase sales.



Therefore, in terms of short-term performance, the main focus for the rise in the stock price from here on will be whether the company's planned sales can be achieved and whether the profit margin level can be maintained despite the possibility of increased expenses. In addition, we would like to pay attention to whether the company can achieve the sales target for FY06/2026, which is the final year of the medium-term management plan.

**Figure 13. Stock Price Trends of Listed Companies that Solve Business Issues through Data Analysis and AI (Since 2023)**



Note: 03/25 is the stock price on March 7, 2025. The chart for the Datasection is omitted from February 2024 onwards because it exceeds 300 and cannot be displayed on the chart  
 Source: Strategy Advisors

**Figure 14. Comparison of Valuations with Peers**

Company Name	Code	FY	Stock Price (3/14)	Market Cap (¥ mn)	PER CoE (Times)	PBR Actual (Times)	Dividend Yield CoE (%)	ROE Actual (%)
<b>Brain Pad</b>	<b>3655</b>	<b>24/06</b>	<b>1,098</b>	<b>23,543</b>	<b>25.9</b>	<b>4.2</b>	<b>0.7</b>	<b>17.4</b>
TDSE	7046	24/03	1,388	2,895	23.2	1.4	0.7	10.1
Datasection	3905	24/03	1,030	18,168	84.0	9.2	0.0	-
Laboro.AI	5586	24/09	1,134	18,029	105.1	7.5	0.0	5.8
ExaWizards	4259	24/03	316	26,135	-	5.3	0.0	-

Note: ROE is not applicable to companies that posted a loss in their most recent fiscal period. 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: Strategy Advisors

**Figure 15. Half-Year/Quarterly Performance Trends (¥ mn)**

FY	06/24		06/25	06/24				06/25	
	1H	2H	1H	Q1	Q2	Q3	Q4	Q1	Q2
<b>Income Statement</b>									
Sales	5,145	5,416	5,851	2,534	2,611	2,706	2,710	2,808	3,043
Cost of Sales	2,956	2,901	3,006	1,503	1,453	1,389	1,512	1,458	1,548
Gross Profit	2,189	2,515	2,845	1,030	1,159	1,317	1,198	1,350	1,495
Gross Profit Margin	42.5%	46.4%	48.6%	40.6%	44.4%	48.7%	44.2%	48.1%	49.1%
SG&A	1,572	1,783	1,860	748	824	787	996	881	979
Sales to SG&A Ratio	30.6%	32.9%	31.8%	29.5%	31.6%	29.1%	36.8%	31.4%	32.2%
Operating Profit	617	732	985	282	335	530	202	469	516
Operating Profit Margin	12.0%	13.5%	16.8%	11.1%	12.8%	19.6%	7.5%	16.7%	17.0%
Non-Operating Balance	-40	31	-47	31	9	-34	3	42	5
Ordinary Profit	657	701	1,032	313	344	496	205	511	521
Ordinary Profit Margin	12.8%	12.9%	17.6%	12.4%	13.2%	18.3%	7.6%	18.2%	17.1%
Extraordinary Profit and Loss	-19	-1	0	-2	-17	0	-1	0	0
Profit Before Tax	638	755	1,032	311	327	551	204	511	521
Total Corporate Tax, etc. (Corporate Tax Rate)	227 35.6%	257 34.0%	341 33.0%	113 36.3%	114 34.9%	189 34.3%	68 33.3%	174 34.1%	167 32.1%
Net Income to Owners of the Parent	411	498	691	198	213	362	136	337	354
Net Profit Margin	8.0%	9.2%	11.8%	7.8%	8.2%	13.4%	5.0%	12.0%	11.6%

Source: Company Data. Compiled by Strategy Advisors

**Figure 16. Consolidated Statement of Income (¥ mn)**

FY	06/18	06/19	06/20	06/21	06/22	06/23	06/24	06/25 CoE
Sales	4,332	5,677	6,621	7,101	8,561	9,798	10,561	11,800 to 12,000
Cost of Sales	2,318	2,855	3,605	3,922	4,680	5,867	5,857	
Gross Profit	2,014	2,822	3,017	3,179	3,881	3,931	4,704	
Gross Profit Margin	46.5%	49.7%	45.6%	44.8%	45.3%	40.1%	44.5%	
SG&A	1,429	1,637	1,956	2,328	2,736	3,250	3,355	
Operating Profit	585	1,185	1,061	851	1,145	681	1,349	1,400 to 1,500
Operating Profit Margin	13.5%	20.9%	16.0%	12.0%	13.4%	7.0%	12.8%	11.9% to 12.5%
Non-Operating Income	13	30	23	45	42	88	57	
Non-Operating Expenses	1	1	6	13	20	17	48	
Ordinary Profit	596	1,214	1,079	884	1,167	752	1,358	1,400 to 1,500
Ordinary Profit Margin	13.8%	21.4%	16.3%	12.4%	13.6%	7.7%	12.9%	11.9% to 12.5%
Extraordinary Income	1	0	98	0	1	41	55	
Extraordinary Loss	0	14	0	26	109	8	20	
Pretax Profit	597	1,200	1,176	857	1,058	786	1,393	
Corporate Tax, Resident Tax, Business Tax	190	319	319	256	255	271	484	
Corporate Tax Adjustments	245	365	303	312	231	314	481	
Total Corporate Tax, etc.	-54	-45	15	-56	24	-43	2	
(Corporate Tax Rate)	-9.0%	-3.8%	1.3%	-6.5%	2.3%	-5.5%	0.1%	
Net Income to Owners of the Parent	407	881	858	601	803	515	909	910 to 970
Net Profit Margin	9.4%	15.5%	13.0%	8.5%	9.4%	5.3%	8.6%	7.6% to 8.1%
EPS (¥)	20.06	43.43	40.15	27.00	36.53	23.72	42.25	42.44 to 4 5.24
Tangible And Intangible Fixed Asset Investments	151	169	228	237	519	161	99	
Depreciation And Goodwill Amortization	184	191	208	234	399	413	0	
Cash Flow	610	1,065	1,049	809	1,037	914	1,322	
CFPS (¥)	30.1	52.5	47.5	36.3	46.5	41.0	59.3	
ROE	25.4%	39.2%	25.5%	13.8%	16.9%	10.6%	17.4%	
ROIC (Invested Capital)	24.3%	38.5%	22.1%	13.7%	-	-	16.6%	
ROIC (Business Assets)	45.5%	82.7%	64.6%	46.1%	-	-	31.6%	
Dividend (¥)	-	-	-	-	-	8.00	8.00	8.00
Average Number of Shares During the Period (mn Shares)	6.0	6.0	7.0	7.0	21.0	21.0	21.0	
End Of Period Shares (mn Shares)	6.7	6.7	7.3	7.4	22.3	22.3	22.3	

Note: Only non-consolidated results are disclosed for FY06/22

Source: Strategy Advisors. Based on Company Data.

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