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April 27, 2018

SOFTBRAIN Co., Ltd.
Consolidated Financial Report for the First Quarter of the Fiscal Year Ending
December 31, 2018
(Three Months Ended March 31, 2018)
【Japanese GAAP】

Company name: SOFTBRAIN Co., Ltd. (Tokyo Stock Exchange/Code No. 4779)

(URL <http://www.softbrain.co.jp/>)

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Scheduled date of dividend payment: —

Supplementary materials for quarterly financial results: No

Quarterly financial results briefing: No

(Amounts of less than one million yen are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2018

(January 1, 2018 - March 31, 2018)

(1) Consolidated Operating Results (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2018	2,136	4.6	279	20.1	278	20.3	181	13.0
Three months ended March 31, 2017	2,042	16.0	232	29.2	231	28.5	160	52.7

Note: Comprehensive income Three months ended March 31, 2018: 188 million yen (up 13.7%)

Three months ended March 31, 2017: 166 million yen (up 43.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2018	6.19	—
Three months ended March 31, 2017	5.48	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	5,825	4,061	66.4	131.96
As of December 31, 2017	5,836	4,084	66.7	132.79

Reference: Shareholders' equity

As of March 31, 2018: 3,869 million yen

As of December 31, 2017: 3,892 million yen

2. Dividends

	Dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec 2017	—	0.00	—	7.00	7.00
Fiscal year ending Dec 2018	—				
Fiscal year ending Dec 2018 (forecast)		0.00	—	8.00	8.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2018

(Jan. 1, 2018 - Dec. 31, 2018)

(Percentages represent year-over-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months	4,300	9.1	480	9.7	480	10.1	310	6.7	10.58
Full year	8,900	10.0	1,150	21.1	1,150	20.7	750	17.8	25.58

Note: Revisions to the most recently announced consolidated financial forecast: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of special accounting method for presenting quarterly consolidated financial statements: None
- (3) Changes in accounting policies and changes or restatements of accounting estimates
 - i. Changes in accounting policies in accordance with revisions of accounting standards, etc.: None
 - ii. Changes in accounting policies other than i. above: None
 - iii. Changes in accounting estimates: None
 - iv. Restatements: None
- (4) Number of outstanding shares (Common stock)
 - i. Number of shares outstanding at the end of the period (including treasury shares)

As of March 31, 2018:	30,955,000 shares
As of December 31, 2017:	30,955,000 shares
 - ii. Number of treasury shares at the end of the period

As of March 31, 2018:	1,633,100 shares
As of December 31, 2017:	1,640,900 shares
 - iii. Average number of shares outstanding during the period

Three months ended March 31, 2018:	29,319,473 shares
Three months ended March 31, 2017:	29,306,231 shares

Note: The number of treasury shares deducted when calculating i. and ii. includes shares held by the Master Trust Bank of Japan, Ltd. as trust assets on the Employee Stock Ownership Plan (ESOP).
The number of shares is as follows.
As of March 31, 2018: 83,100 shares
As of December 31, 2017: 90,900 shares
As of March 31, 2017: 96,400 shares

*This document is not applicable of quarterly review procedures.

*Explanation for the appropriate use of financial forecasts, and other special remarks

Those forecasts regarding future performance in this report are based on the information available to the Company at the time when this report was created on certain assumptions considered reasonable. The actual performances are subject to a significant change for a variety of reasons. Regarding usage of the premises of the financial results forecasts as well as the financial results forecasts themselves, please see “1. (3) Explanation Regarding Forecast Information such as Consolidated Financial Results Forecasts” on page 3 of the Quarterly Financial Report (attached materials).

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1 . Qualitative Information Regarding the Financial Report for this Period

(1) Explanation Regarding Business Results

Consolidated financial results for the First Quarter YTD Fiscal Period were:

Net sales	2,136 million yen (up 4.6% YOY)
Operating income	279 million yen (up 20.1% YOY)
Ordinary income	278 million yen (up 20.3% YOY)
Profit attributable to owners of parent	181 million yen (up 13.0% YOY)

In the First Quarter YTD Fiscal Period, though revenue from the Publication business decreased, the Sales Innovation business and Field Marketing business compensated, resulting in increased revenue. Regarding profits, since income from the Sales Innovation business and Field Marketing business increased, operating income, ordinary income, and quarterly profit attributable to owners of parent increased.

Additionally, starting in the First Quarter YTD Fiscal Period, the name of the reported segment previously known as the “e-Sales Manager-related business” has been changed to the “Sales Innovation business”.

The name change to this segment will not have any effect on segment information.

Financial results for each segment are as follows:

Sales Innovation business

Net sales were 1,135 million yen (up 4.3% YOY) and segment profits were 206 million yen (up 13.2% YOY).

Regarding sales, our flagship product—the “e-Sales Manager” CRM/SFA software—has trended strongly, with the increased revenue due primarily to sales of the cloud version. Segment profits also increased due to higher revenue.

Field Marketing business

Net sales were 860 million yen (up 13.0% YOY) and segment profits were 75 million yen (up 36.2% YOY).

Regarding sales and stock businesses such as one-stop field activity contract receipt, not only have project expansions and new orders trended well, but sales systems for spot projects such as store surveys have been strengthened, resulting in increased revenue through the capture of far more orders compared to last year.

Segment profits also increased due to higher revenue.

System Development business

This First Quarter YTD Fiscal Period, net sales were 81 million yen (down 29.2% YOY) and segment profits were 1 million yen (it was a loss of 0.3 million yen in the same period last year).

Regarding sales, effects of scale shrinkage in a portion of large projects resulted in decreased revenue. Segment profits were in the black due to profitability improvements resulting from thorough project management.

Publication business

Net sales were 58 million yen (down 24.3% YOY), and segment profits were 3 million yen loss (it was a loss of 4 million yen in the same period last year).

Regarding sales, revenue decreased with a backdrop of decreased publication sales. Regarding segment profits, adjustments to publication production costs reduced the extent to which they were in the red.

(2) Explanation Regarding Financial Conditions

Assets, liabilities, and net assets at the end of the First Quarter YTD Fiscal Period were:

Assets	5,825 million yen (down 0.2% YOY)
Liabilities	1,763 million yen (up 0.7% YOY)
Net assets	4,061 million yen (down 0.6% YOY)

Analysis of the financial situation at the end of the First Quarter YTD Fiscal Period is as follows:

<Assets>

Total assets at the end of the First Quarter YTD Fiscal Period decreased by 10 million yen YOY to 5,825 million yen. The primary cause was that although notes and accounts receivable increased by 53 million yen, other current assets decreased by 65 million yen, and cash and deposits decreased by 29 million yen.

<Liabilities>

Liabilities at the end of the First Quarter YTD Fiscal Period increased by 12 million yen YOY to 1,763 million yen. The primary cause was that although the amount of unpaid corporate tax decreased by 120 million yen, accounts payable trade increased by 92 million yen and other current liabilities increased by 87 million yen.

<Net assets>

Net assets at the end of the First Quarter YTD Fiscal Period decreased by 22 million yen YOY to 4,061 million yen. The primary cause was that although quarterly profit attributable to owners of the parent reached 181 million yen, 203 million yen of surplus dividends were distributed. As a result, shareholders' equity ratio was 66.4%.

(3) Explanation Regarding Forecast Information such as Consolidated Financial Results Forecasts

Financial results forecasts for the full fiscal year have not been revised since the consolidated financial results forecast for the fiscal year ending December 31, 2018, released on January 30, 2018.

The forecast above was made based on information obtainable at the time, and it does not account for potential risks or inaccuracies. Consequently, please be aware that actual results may differ greatly from the forecast due to various changes from initial factors.

2. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of Dec. 31, 2017	As of Mar. 31 2018
Assets		
Current assets		
Cash and deposits	3,135,773	3,106,509
Notes and accounts receivable	1,592,257	1,645,736
Merchandise	52,404	60,433
Work in process	53,341	72,839
Deferred tax assets	45,927	32,506
Other	203,479	138,214
Allowance for doubtful accounts	-12,606	-12,600
Total current assets	5,070,578	5,043,639
Non-current assets		
Property, plant and equipment		
Buildings and structure	82,419	82,948
Accumulated depreciation	-13,301	-20,584
Buildings and structure (net)	69,117	62,364
Tools, appliance and fixtures	284,930	291,255
Accumulated depreciation	-216,063	-223,738
Tools, appliance and fixture (net)	68,867	67,516
Total property, plant and equipment	137,985	129,880
Intangible assets		
Software	461,018	487,158
Other	915	915
Total intangible assets	461,933	488,073
Investments and other assets		
Investment securities	2,500	2,500
Guarantee deposits	143,726	141,354
Long-term delinquent loans	45,606	44,199
Deferred tax assets	16,600	17,061
Other	3,000	3,000
Allowance for doubtful accounts	-45,606	-44,199
Total investments and other assets	165,826	163,915
Total non-current assets	765,745	781,870
Total assets	5,836,324	5,825,509

(Unit: thousand yen)

	As of Dec.31, 2017	As of Mar.31, 2018
Liabilities		
Current liabilities		
Accounts payable trade	283,280	375,487
Account payable other	342,314	387,705
Directors' bonuses payable	28,290	—
Short-term debt	100,000	100,000
Current portion of long-term debt	56,000	56,000
Income taxes payable	198,716	78,070
Advances received	414,908	374,377
Provision for bonuses	54,734	42,026
Provision for directors' bonuses	—	5,611
Provision for sales returns	12,865	12,174
Other	164,852	252,458
Total current liabilities	1,655,962	1,683,911
Non-current liabilities		
Long-term debt	84,000	70,000
Provisions for stock distribution	7,334	6,643
Other	4,204	3,068
Total non-current liabilities	95,539	79,711
Total liabilities	1,751,501	1,763,622
Net assets		
Shareholders' equity		
Capital stock	826,064	826,064
Capital surplus	367,795	367,795
Retained earnings	2,950,680	2,926,272
Treasury shares	-251,820	-250,822
Total shareholders' equity	3,892,719	3,869,309
Non-controlling interests	192,103	192,577
Total net assets	4,084,822	4,061,886
Total liabilities and net assets	5,836,324	5,825,509

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Three-month Period)

(Unit: thousand yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net sales	2,042,790	2,136,390
Cost of sales	1,259,986	1,344,254
Gross profit	782,804	792,135
Selling, general and administrative expenses	549,907	512,365
Operating income	232,896	279,770
Non-operating income		
Interest income	58	67
Penalty income	105	—
Return of insurance cancellation	181	—
Subsidy income	—	330
Other	14	102
Total non-operating income	359	499
Non-operating expenses		
Interest expenses	348	248
Foreign exchange losses	1,227	763
Loss on cancellation of leases	—	550
Total non-operating income	1,575	1,561
Ordinary income	231,680	278,707
Extraordinary loss		
Loss on retirement on non-current asset	1,238	—
Total extraordinary loss	1,238	—
Profit before income taxes	230,442	278,707
Income taxes current	55,565	76,773
Income taxes deferred	8,721	12,959
Total income taxes	64,286	89,732
Net income	166,155	188,974
Net income attributable to:		
Non-controlling interests	5,545	7,547
Owners of the parent	160,610	181,427

(Quarterly Consolidated Statements of Comprehensive Income)
(For the Three-month Period)

(Unit: thousand yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net income	166,155	188,974
Comprehensive income	166,155	188,974
Comprehensive income attributable to:		
Owners of the parent	160,610	181,427
Non-controlling interests	5,545	7,547

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Segment information)

[Segment information]

I Previous Three months consolidated cumulative period (from January 1, 2017 to March 31, 2017)

1. Information about the sales and profits of each reported segment

(Unit: thousand yen)

	Reported segment				Total	Adjusted amount (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	Sales Innovation business	Field Marketing business	System Development business	Publication business			
Sales amount							
Sales to external customers	1,088,807	761,210	115,122	77,650	2,042,790	—	2,042,790
Internal sales or transfers between segments	6,760	1,156	29,745	—	37,662	-37,662	—
Total	1,095,567	762,366	144,867	77,650	2,080,452	-37,662	2,042,790
Segment profits or losses	182,515	55,138	-393	-4,253	233,006	-109	232,896

Note 1. The adjusted amount of -109 thousand yen in segment profits contains an adjustment for non-current assets of -18 thousand yen, and an adjusted amount for inventories of -90 thousand yen.

2. Segment profits are adjusted with the business profits on the consolidated quarterly profit and loss statement.

II. This Three months consolidated cumulative period (from January 1, 2018 to March 31, 2018)

1. Information about the sales and profits of each reported segment

(Unit: thousand yen)

	Reported segment				Total	Adjusted amount (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	Sales Innovation business	Field Marketing business	System Development business	Publication business			
Sales amount							
Sales to external customers	1,135,803	860,312	81,514	58,759	2,136,390	—	2,136,390
Internal sales or transfers between segments	7,315	484	8,249	2,879	18,928	-18,928	—
Total	1,143,119	860,796	89,764	61,638	2,155,318	-18,928	2,136,390
Segment profits or losses	206,591	75,103	1,347	-3,205	279,837	-66	279,770

Note 1. The adjusted amount of -66 thousand yen in segment profits contains an adjustment for non-current assets of 9 thousand yen, and an adjusted amount for inventories of -76 thousand yen.

2. Segment profits are adjusted with the business profits on the consolidated quarterly profit and loss statement.

2. Matters related to changes in reported segments etc.

(Name change to a reported segment)

Starting in the First Quarter YTD Fiscal Period, the name of the reported segment previously known as the “e-Sales Manager-related business” has been changed to the “Sales Innovation business”.

The name change to this segment will not have any effect on segment information.

Additionally, the segment information shown here for the previous First Quarter YTD Fiscal Period was created based on the name for the reported segment after the change.