

Disclaimer:

This financial report is solely a translation of the "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

April, 27, 2017

**Consolidated Financial Report for the First Quarter of the Fiscal Year Ending
December 31, 2017
(Three Months Ended March 31, 2017)
【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 filing of Quarterly Report: May 15, 2017

Scheduled date of dividend payment: —

Supplementary materials for quarterly financial results: None

Quarterly financial results briefing: None

(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, 2017
(January 1, 2017 – March 31, 2017)**

(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, 2017	2,042	16.0	232	29.2	231	28.5	160	52.7
Three months ended March 31, 2016	1,760	36.4	180	75.9	512	73.8	105	148.0

Note: Comprehensive income Three months ended March 31, 2017: 166 million yen (up 43.4%)
Three months ended March 31, 2016: 115 million yen (up 114.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2017	5.48	—
Three months ended March 31, 2016	3.59	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	5,349	3,588	63.9	116.56
As of December 31, 2016	5,355	3,568	63.5	116.09

Reference: Shareholders' equity

As of March 31, 2017: 3,416 million yen As of December 31, 2016: 3,401 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 2016	—	0.00	—	5.00	5.00
Fiscal year ending Dec 2017	—				
Fiscal year ending Dec 2017 (forecast)		0.00	—	7.00	7.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (Jan 1, 2017 – Dec 31, 2017)

(Percentages represent year-over-year changes)

	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	3,800	4.3	420	2.8	420	3.6	250	3.2	8.53
Full year	8,200	6.2	1,060	4.5	1,060	4.5	670	1.9	22.87

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, 2017: 30,955,000 shares

As of December 31, 2016: 30,955,000 shares

ii. Number of treasury shares at the end of the period

As of March 31, 2017: 1,646,400 shares

As of December 31, 2016: 1,654,600 shares

iii. Average number of shares outstanding during the period

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

Three months ended March 31, 2016: 29,255,000 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 is follows.

As of March 31, 2017: 96,400 shares

As of December 31, 2016: 104,600 shares

As of March 31, 2016: 150,000 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 and on certain assumptions considered reasonable. The actual performances are subject to a significant change for a variety of reasons.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of Dec, 2016	As of Mar, 2017
Assets		
Current assets		
Cash and deposits	3,177,101	3,007,264
Notes and accounts receivable	1,329,305	1,459,558
Merchandise	44,694	46,237
Works In Process	132,069	119,673
Deferred tax assets	46,281	35,355
Others	136,985	152,071
Allowance for doubtful accounts	-8,036	-11,084
Total current assets	4,858,401	4,809,077
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,092	63,356
Accumulated depreciation	-46,366	-47,643
Buildings and structures (net price)	17,725	15,713
Tools, appliances and fixtures	265,547	270,917
Accumulated depreciation	-208,468	-214,382
Tools, appliances and fixtures (net)	57,078	56,535
Others	2,916	1,084
Total property, plant and equipment	77,720	73,322
Intangible fixed assets		
Software	322,527	365,433
Others	915	915
Total Intangible fixed assets	323,442	366,348
Investments and other assets		
Investment securities	2,500	2,500
Guarantee deposit	84,075	87,439
Long-term delinquent loans	45,193	43,848
Deferred tax assets	6,009	8,213
Others	3,000	3,000
Reserve for possible loan losses	-45,193	-43,848
Total investments and other assets	95,584	101,152
Total non-current assets	496,746	540,833
Total assets	5,355,148	5,349,911

(Unit: thousand yen)

	As of Dec, 2016	As of Mar, 2017
Liabilities		
Current liabilities		
Accounts payable-trade	285,707	320,857
Account payable-other	349,969	486,368
Directors' bonuses payable	30,082	—
Short-term debt	100,000	101,000
Current portion of long-term debt	56,000	56,000
Income taxes payable	152,713	51,793
Advance received	354,184	363,251
Provision for bonuses	47,052	38,586
Provision for directors' bonuses	—	7,175
Provision for sales returns	12,489	9,095
Provisions for stock distribution	6,131	—
Others	245,883	189,265
Total current liabilities	1,640,213	1,623,393
Non-current liabilities		
Long-term debt	140,000	126,000
Provisions for stock distribution	—	6,016
Others	6,136	5,522
Total non-current liabilities	146,136	137,538
Total liabilities	1,786,349	1,760,932
Net assets		
Shareholders' equity		
Capital stock	826,064	826,064
Capital surplus	367,795	367,795
Retained earnings	2,461,302	2,474,887
Treasury shares	-253,574	-252,524
Total shareholders' equity	3,401,588	3,416,222
Minority shareholders interest	167,210	172,755
Total net assets	3,568,798	3,588,978
Total liabilities and net assets	5,355,148	5,349,911

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

(Thousands yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017
Net sales	1,760,289	2,042,790
Cost of sales	1,163,757	1,259,986
Gross profit	596,531	782,804
Selling, general and administrative expenses	416,294	549,907
Operating income	180,237	232,896
Non-operating income		
Interest income	266	58
Penalty income	—	105
Return of insurance cancellation	—	181
Revenue from subsidized projects	2,365	—
Other	127	14
Total non-operating income	2,718	359
Non-operating expenses		
Interest expenses	495	1,313
Foreign exchange losses	2,222	5,498
Total non-operating expenses	2,718	1,575
Ordinary income	180,279	231,680
Extraordinary losses		
Loss on disposal of non-current assets	—	1,238
Total extraordinary losses	—	1,238
Profit before income taxes	180,279	230,442
Income taxes-current	47,829	55,565
Income taxes-deferred	16,540	8,721
Total income taxes	64,369	64,286
Net income	115,909	166,155
Comprehensive income attributable to:		
Owners of the parent	10,753	5,545
Non-controlling interests	105,155	160,610

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

(Segment information)

[Segment information]

I. Previous first three months consolidated cumulative period (from January 1, 2016 to March 31, 2016)

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

(Unit: thousand yen)

	Reported segment				Total	Adjustment amount Note 1	Amounts accounted for on the consolidated quarterly profit and loss statement Note 2
	e-Sales Manager related business	Field Marketing business	System development business	Publication business			
Sales amount							
Sales to external customers	756,547	829,074	101,782	72,885	1,760,289	-	1,760,289
Internal sales or transfers between segments	4,765	3,397	20,716	1,605	30,485	(30,485)	-
Total	761,313	832,471	122,499	74,490	1,790,774	(30,485)	1,760,289
Segment profits	62,922	111,321	1,990	4,080	180,315	(78)	180,237

Note 1. The adjusted amount of (78) thousand yen in segment profit contains an adjustment for non-current assets of 47 thousand yen, and an adjusted amount for inventories of -125 thousand yen.

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

II. This first 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	Adjustment amount Note 1:	Amounts accounted for on the consolidated quarterly profit and loss statement, Note 2
	e-Sales Manager related 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	182,515	55,138	(393)	(4,253)	233,006	(109)	232,896

Note 1. The adjusted amount of (109) thousand yen in segment profit 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.

