

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.

July, 28, 2017

Softbrain Co., Ltd.
Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending
December 31, 2017
(Six Months Ended June 30, 2017)
【Japanese GAAP】

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

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

Representative: Hirofumi Toyoda, President & CEO

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Scheduled date of filing of Quarterly Report: August 14, 2017

Scheduled date of dividend payment: —

Supplementary materials for quarterly financial results: Yes

Quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2017
(January 1, 2017 – June 30, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2017	3,943	8.3	437	7.1	435	7.5	290	19.9
Six months ended June 30, 2016	3,642	27.7	408	10.7	405	9.4	242	19.1

Note: Comprehensive income
 Six months ended June 30, 2017: 300 million yen (up 14.1%)
 Six months ended June 30, 2016: 263 million yen (up 16.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2017	9.91	—
Six months ended June 30, 2016	8.28	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2017	5,425	3,723	65.4	120.99
As of December 31, 2016	5,355	3,568	63.5	116.09

Reference: Shareholders' equity

As of June 30, 2017: 3,546 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
Fiscal year ended Dec 2016	Yen -	Yen 0.00	Yen -	Yen 5.00	Yen 5.00
Fiscal year ending Dec 2017	-	0.00			
Fiscal year ending Dec 2017 (forecast)			-	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-on-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
Full Year	8,200	6.2	1,060	4.5	1,060	4.5	670	1.9	22.86

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 June 30, 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 June 30, 2017: 1,646,400 shares

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

iii. Average number of shares outstanding during the period

Six months ended June 30, 2017: 29,307,422 shares

Six months ended June 30, 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 June 30, 2017: 96,400 shares

As of December 31, 2016: 104,600 shares

As of June 30, 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

(Thousands yen)

	As of Dec, 2016	As of June, 2017
Assets		
Current assets		
Cash and deposits	3,177,101	3,186,325
Notes and accounts receivable	1,329,305	1,290,603
Merchandise	44,694	45,014
Work in process	132,069	137,578
Deferred tax assets	46,281	41,487
Others	136,985	168,186
Allowance for doubtful accounts	(8,036)	(12,031)
Total current assets	4,858,401	4,857,164
Non-current assets		
Property, plant and equipment		
Buildings and structure	64,092	64,399
Accumulated depreciation	(46,366)	(48,366)
Buildings and structure(net)	17,725	16,032
Tools, appliance and fixtures	265,547	287,287
Accumulated depreciation	(208,468)	(222,188)
Tools, appliance and fixtures(net)	57,078	65,099
Other	2,916	—
Total property, plant and equipment	77,720	81,132
Intangible assets		
Software	322,527	390,681
Other	915	915
Total intangible assets	323,442	391,596
Investments and other assets		
Investment securities	2,500	2,500
Guarantee deposits	84,075	82,060
Long-term delinquent loans	45,193	47,727
Deferred tax assets	6,009	8,219
Other	3,000	3,000
Allowance for doubtful accounts	(45,193)	(47,727)
Total investments and other assets	95,584	95,780
Total non-current assets	496,746	568,508
Total assets	5,355,148	5,425,673

(Thousands yen)

	As of Dec, 2016	As of June, 2017
Liabilities		
Current liabilities		
Accounts payable-trade	285,707	268,020
Account payable-other	349,969	302,590
Directors' bonuses payable	30,082	—
Short term debt	100,000	100,000
Current portion of long-term debt	56,000	56,000
Income taxes payable	152,713	147,346
Advances received	354,184	506,355
Provision for bonuses	47,052	30,800
Provision for directors' bonuses	—	13,370
Provision for sales returns	12,489	5,816
Provision for stocks distribution	6,131	—
Other	245,883	147,823
Total current liabilities	1,640,213	1,578,123
Non-current liabilities		
Long-term debt	140,000	112,000
Provisions for stock distribution	—	6,553
Other	6,136	5,432
Total non-current liabilities	146,136	123,985
Total liabilities	1,786,349	1,702,109
Net assets		
Shareholders' equity		
Capital stock	826,064	826,064
Capital surplus	367,795	367,795
Retained earnings	2,461,302	2,604,707
Treasury shares	(253,574)	(252,524)
Total shareholders' equity	3,401,588	3,546,042
Non-controlling interests	167,210	177,521
Total net assets	3,568,798	3,723,564
Total liabilities and net assets	5,355,148	5,425,673

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

(Thousands yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Net sales	3,642,297	3,943,100
Cost of sales	2,357,525	2,446,541
Gross profit	1,284,771	1,496,558
Selling, general and administrative expenses	876,190	1,059,151
Operating income	408,580	437,407
Non-operating income		
Interest income	266	58
Penalty income	—	105
Return of insurance cancellation	—	181
Subsidy income	2,365	—
Other	96	50
Total non-operating income	2,728	395
Non-operating expenses		
Interest expenses	913	683
Foreign exchange losses	4,980	1,284
Total non-operating expenses	5,893	1,968
Ordinary income	405,415	435,834
Extraordinary loss		
Loss on retirement on non-current asset	—	1,238
Total extraordinary loss	—	1,238
Profit before income taxes	405,415	434,596
Income taxes-current	108,012	131,272
Income taxes-deferred	33,898	2,582
Total income taxes	141,911	133,855
Net income	263,504	300,741
Comprehensive income attributable to:		
Non-controlling interests	21,257	10,311
Owners of the parent	242,246	290,430

(3) Quarterly Consolidated cash flow statement
(For the Six-month Period)

(Thousand yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	405,415	434,596
Depreciation	95,872	100,869
The change in the amount reserved for possible loan losses	(10,832)	6,528
Change in the amount reserved for employee bonuses	(3,150)	(16,252)
Change in the amount provided for sales returns	(3,235)	(6,673)
Interest and dividends receivable	(266)	(58)
Interest payable	913	683
Loss on retirement on non-current asset	—	1,238
Amount of increase or decrease in Account receivables	(155,577)	38,702
Amount of increase or decrease in inventory assets	(86,265)	(5,828)
Change in amount of accounts payable	(3,024)	(17,687)
Change in advanced received	88,988	152,171
Others	34,239	(181,282)
Subtotal	363,076	507,008
Amounts of interest and dividends received	266	58
Amount of interest paid	(856)	(678)
Amount of income taxes paid	(111,841)	(152,130)
Amount of income taxes returned	—	10,762
Cash flows from operating activities	250,645	365,020
Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(24,248)	(25,084)
Payment for acquisition of intangible fixed assets	(89,867)	(158,301)
Payment from supplying guarantee deposits	(13,075)	(3,912)
Income from collecting guarantee deposits	2,840	5,377
Cash flows from investing activities	(127,350)	(181,920)
Cash flows from financing activities		
Income by borrowing short-term debts	—	1,000
Expenditures from the repayment of short-term debts	—	(1,000)
Expenditures from the repayment of long-term debts	(28,000)	(28,000)
Payments on Dividends	—	(143,887)
Others	(1,227)	(704)
Cash flows from financing activities	(29,227)	(172,591)
Exchange differences related to cash and equivalents	(4,980)	(1,284)
Increase/decrease of cash and equivalents	89,086	9,224
Beginning balance of cash and equivalents	2,687,665	3,177,101
Cash and cash equivalents balance at the end of the term	2,776,751	3,186,325

(4) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

(Segment information)

[Segment information]

I. Previous Six months consolidated cumulative period (from January 1, 2016 to June 30, 2016)

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

(Unit: thousand yen)

	Reported segment				Total	Adjustment amount (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	e-Sales Manager related business	Field Marketing business	System development business	Publication business			
Sales amount							
Sales to external customers	1,596,184	1,673,277	230,496	142,338	3,642,297	-	3,642,297
Internal sales or transfers between segments	9,303	6,811	28,435	2,055	46,604	(46,604)	-
Total	1,605,488	1,680,088	258,931	144,393	3,688,902	(46,604)	3,642,297
Segment profits or losses	166,777	220,199	8,101	13,609	408,688	(108)	408,580

Note 1. The adjusted amount of (108) thousand yen in segment profit contains an adjustment for non-current assets of 170 thousand yen, and an adjusted amount for inventories of (278) thousand yen.

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

II. This Six months consolidated cumulative period (from January 1, 2017 to June 30, 2017)

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

(Unit: thousand yen)

	Reported segment				Total	Adjustment amount (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	e-Sales Manager related business	Field Marketing business	System development business	Publication business			
Sales amount							
Sales to external customers	2,029,296	1,555,314	232,521	125,968	3,943,100	-	3,943,100
Internal sales or transfers between segments	13,317	1,645	37,649	—	52,612	(52,612)	—
Total	2,042,614	1,556,959	270,170	125,968	3,995,713	(52,612)	3,943,100
Segment profits or losses	351,322	101,242	4,135	(18,986)	437,713	(305)	437,407

Note 1. The adjusted amount of (305) thousand yen in segment profit contains an adjustment for non-current assets of (98) thousand yen, and an adjusted amount for inventories of (207) thousand yen.

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