

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 30, 2020

**SOFTBRAIN Co., Ltd.**  
**Consolidated Financial Report for the First Quarter of the Fiscal Year**  
**Ending December 31, 2020**  
**(Three Months Ended March 31, 2020)**  
**【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, 2020  
 (January 1, 2020 - March 31, 2020)

(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, 2020	2,402	2.9	228	-12.8	228	-13.2	142	-16.0
Three months ended March 31, 2019	2,334	9.3	261	-6.5	263	-5.6	170	-6.2

Note: Comprehensive income Three months ended March 31, 2020: 143 million yen (down 15.6%)

Three months ended March 31, 2019: 170 million yen (down 9.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2020	4.89	—
Three months ended March 31, 2019	5.80	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	6,996	5,111	69.6	166.53
As of December 31, 2019	7,278	5,223	68.4	170.09

Reference: Shareholders' equity

As of March 31, 2020: 4,872 million yen

As of December 31, 2019: 4,975 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 2019	—	0.00	—	8.50	8.50
Fiscal year ending Dec 2020	—				
Fiscal year ending Dec 2020 (forecast)		—	—	—	—

Note: Revisions to the most recently announced dividend forecast: Yes

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 (Jan. 1, 2020 - Dec. 31, 2020)

(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	—	—	—	—	—	—	—	—	—
Full year	—	—	—	—	—	—	—	—	—

Note: Revisions to the most recently announced consolidated financial forecast: Yes

The impact from the Novel Coronavirus to business activities are expected. At the moment, it's difficult to calculate the Consolidated Financial Results Forecast. Therefore, we withdraw the Consolidated Financial Results Forecast announced on January 30, 2020, and the forecast is to be determined later. We will announce it when it's possible to calculate the Consolidated Financial Results Forecast.

\* 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, 2020:	30,955,000 shares
As of December 31, 2019:	30,955,000 shares
  - ii. Number of treasury shares at the end of the period

As of March 31, 2020:	1,696,500 shares
As of December 31, 2019:	1,704,000 shares
  - iii. Average number of shares outstanding during the period

Three months ended March 31, 2020:	29,253,583 shares
Three months ended March 31, 2019:	29,335,928 shares

Note: The number of treasury shares deducted when calculating ii. and iii. 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, 2020: 146,500 shares  
As of December 31, 2019: 154,000 shares  
As of March 31, 2019: 67,300 shares

\*This document is not applicable of quarterly review procedures by a certified public accountant or an audit corporation.

\*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	2,402 million yen (up 2.9% YOY)
Operating income	228 million yen (down 12.8% YOY)
Ordinary income	228 million yen (down 13.2% YOY)
Profit attributable to owners of parent	142 million yen (down 16.0% YOY)

In the First Quarter YTD Fiscal Period, Japanese economy was further unpredictable due to the Novel Coronavirus disease pandemic as well as the uncertainty over the global economy such as the U.S.-China trade friction, the Brexit problem, and the confusion in the Middle East, and a slump in consumer sentiment caused by the consumption tax increase.

In the First Quarter YTD Fiscal Period, as Sales Innovation business which is our flagship business and Field Marketing business performed well, the revenue increased. Regarding profits, though income from System Development business and Publication business increased, income from Sales Innovation business and Field Marketing business decreased. As a whole, the income decreased.

Financial results for each segment are as follows:

**Sales Innovation business**

The sales of the “e-Sales Manager” CRM/SFA software which is our flagship product performed well, centering on the income from the subscription-based business. On the other hand, regarding our educational/consulting services, our seminars were postponed or cancelled due to the impact from the Novel Coronavirus.

As a result, in this fiscal period, net sales were 1,271 million yen (up 1.9% YOY). Regarding profits, segment profits were 174 million yen (down 10.0% YOY) due to the increase in overhead expenses such as development costs for growth and personnel expenses.

**Field Marketing business**

For this business, we worked on exploring new markets under the concept of “Field Crowdsourcing” that expanded business fields and types, as well as actively worked on grasping business needs through continuous sales activities, focusing on consumer goods manufacturers, finding new projects, and making new proposals.

In this fiscal period, the main services such as regular businesses for field activities and temporary staffing were trending steadily, which made contributions to the sales increase. As a result, net sales were 985 million yen (up 3.4% YOY). On the other hand, segment profits were 59 million yen (down 38.5% YOY) due to the increase in personnel expenses, etc. for business expansion.

**System Development business**

In the First Quarter YTD Fiscal Period, order receipts of package projects were trending steadily through focusing on cultivating existing customers and acquiring new customers, which resulted in increased revenue. Regarding expenses, we continuously made efforts to improve the profitability through thorough project management.

As a result, net sales were 106 million yen (up 12.2% YOY) and segment profits were 5 million yen (up 20.9% YOY).

**Publication business**

In the First Quarter YTD Fiscal Period, sales were almost the same as the same period last year. Costs in this business were improved through thorough cost management.

As a result, net sales were 38 million yen (up 1.1% YOY), and segment loss was 11 million yen (32 million yen in the same period last year).

(2) Explanation Regarding Financial Conditions

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

Assets	6,996 million yen (down 3.9% YOY)
Liabilities	1,885 million yen (down 8.2% YOY)
Net assets	5,111 million yen (down 2.2% 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 281 million yen YOY to 6,996 million yen. The primary cause was that cash and deposits decreased by 357 million yen.

<Liabilities>

Liabilities at the end of the First Quarter YTD Fiscal Period decreased by 168 million yen YOY to 1,885 million yen. The primary cause was that the amount of unpaid corporate tax decreased by 116 million yen.

<Net assets>

Net assets at the end of the First Quarter YTD Fiscal Period decreased by 112 million yen YOY to 5,111 million yen. The primary cause was that surplus dividends of 249 million yen were distributed. As a result, shareholders' equity ratio was 69.6%.

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

Economic activities of corporations have been continuously stagnant due to the Novel Coronavirus disease pandemic.

At the moment, the prospect for the timing of restoration is unpredictable, and the reasonable calculation of the Consolidated Financial Results Forecast is difficult. Therefore, we withdraw the Consolidated Financial Results Forecast announced on January 30, 2020, and it is to be determined later. We will announce it when it's possible to announce the Consolidated Financial Results Forecast.

Also, dividend forecast is to be determined later because the Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 is to be determined as mentioned above. We will announce it as soon as we can calculate the Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020.

## 2. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of Dec. 31, 2019	As of Mar. 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,010,923	3,653,141
Notes and accounts receivable	1,799,399	1,915,132
Merchandise	56,081	49,526
Work in process	110,871	105,974
Other	250,989	177,756
Allowance for doubtful accounts	-20,211	-16,563
Total current assets	6,208,053	5,884,968
Non-current assets		
Property, plant and equipment		
Buildings and structure	107,716	110,264
Accumulated depreciation	-15,404	-17,546
Buildings and structure (net)	92,312	92,718
Tools, appliance and fixtures	357,563	368,500
Accumulated depreciation	-278,238	-286,115
Tools, appliance and fixture (net)	79,324	82,384
Total property, plant and equipment	171,637	175,102
Intangible assets		
Software	450,944	404,789
Temporary account	173,621	272,618
Other	915	915
Total intangible assets	625,480	678,323
Investments and other assets		
Investment securities	2,500	2,500
Guarantee deposits	187,635	194,252
Long-term delinquent loans	40,840	40,840
Deferred tax assets	79,941	56,412
Other	3,000	5,381
Allowance for doubtful accounts	-40,840	-40,840
Total investments and other assets	273,076	258,545
Total non-current assets	1,070,195	1,111,972
<b>Total assets</b>	<b>7,278,248</b>	<b>6,996,940</b>

(Unit: thousand yen)

	As of Dec. 31, 2019	As of Mar. 31, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable trade	384,695	364,035
Account payable other	465,418	476,920
Directors' bonuses payable	32,727	—
Short-term debt	100,000	100,000
Current portion of long-term debt	28,000	14,000
Income taxes payable	175,955	59,155
Advances received	547,616	518,790
Provision for bonuses	57,653	39,342
Provision for directors' bonuses	—	6,922
Provision for sales returns	8,017	7,945
Other	222,739	272,980
Total current liabilities	2,022,823	1,860,092
Non-current liabilities		
Provisions for stock distribution	18,317	16,483
Other	13,353	8,960
Total non-current liabilities	31,671	25,443
<b>Total liabilities</b>	<b>2,054,494</b>	<b>1,885,535</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	826,064	826,064
Capital surplus	367,795	367,795
Retained earnings	4,071,426	3,964,440
Treasury shares	-290,104	-285,851
Total shareholders' equity	4,975,182	4,872,448
Non-controlling interests	248,572	238,956
<b>Total net assets</b>	<b>5,223,754</b>	<b>5,111,405</b>
<b>Total liabilities and net assets</b>	<b>7,278,248</b>	<b>6,996,940</b>



(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, 2019	Three months ended March 31, 2020
Net sales	2,334,149	2,402,889
Cost of sales	1,514,113	1,601,922
Gross profit	820,036	800,966
Selling, general and administrative expenses	558,414	572,874
Operating income	261,621	228,092
Non-operating income		
Interest income	93	120
Return of insurance cancellation	1,050	—
Subsidy income	330	376
Foreign exchange profits	—	488
Other	1,395	49
Total non-operating income	2,869	1,035
Non-operating expenses		
Interest expenses	325	288
Foreign exchange losses	635	—
Loss on cancellation of leases	—	340
Miscellaneous losses	436	3
Total non-operating income	1,397	632
Ordinary income	263,093	228,496
Profit before income taxes	263,093	228,496
Income taxes current	74,068	61,232
Income taxes deferred	18,704	23,529
Total income taxes	92,772	84,761
Net income	170,320	143,734
Net income attributable to:		
Non-controlling interests	96	777
Owners of the parent	170,223	142,956

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

(Unit: thousand yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net income	170,320	143,734
Comprehensive income	170,320	143,734
Comprehensive income attributable to:		
Owners of the parent	170,223	142,956
Non-controlling interests	96	777

## (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, 2019 to March 31, 2019)

## 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	1,247,528	953,044	95,041	38,534	2,334,149	—	2,334,149
Internal sales or transfers between segments	8,104	488	8,826	381	17,800	-17,800	—
Total	1,255,633	953,532	103,867	38,916	2,351,949	-17,800	2,334,149
Segment profits or losses	194,149	96,634	4,164	-32,983	261,965	-343	261,621

Note 1. The adjusted amount in segment profits or losses is caused by elimination of unrealized profits between segments.

2. Segment profits or losses are adjusted with the operating income on the consolidated quarterly profit and loss statement.

## II. The Three-month consolidated cumulative period (from January 1, 2020 to March 31, 2020)

## 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 development business	System development business	Publication business			
Sales amount							
Sales to external customers	1,271,825	985,419	106,668	38,976	2,402,889	—	2,402,889
Internal sales or transfers between segments	5,589	493	—	—	6,082	-6,082	—
Total	1,277,415	985,912	106,668	38,976	2,408,972	-6,082	2,402,889
Segment profits or losses	174,664	59,465	5,035	-11,138	228,026	65	228,092

Note 1. The adjusted amount in segment profits or losses is caused by elimination of unrealized profits between segments.

2. Segment profits or losses are adjusted with the operating income on the consolidated quarterly profit and loss statement.