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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 30, 2020

SOFTBRAIN Co., Ltd.
Consolidated Financial Report for the Second Quarter of the Fiscal Year
Ending December 31, 2020
(Six Months Ended June 30, 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 filing of Quarterly Report: August 13, 2020

Scheduled date of dividend payment: —

Supplementary materials for quarterly financial results: Yes

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 Six Months Ended June 30, 2020

(January 1, 2020 - June 30, 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	%
Six months ended June 30, 2020	4,511	-7.0	211	-63.6	212	-63.6	112	-70.2
Six months ended June 30, 2019	4,852	12.1	581	26.1	585	25.9	377	31.0

Note: Comprehensive income Six months ended June 30, 2020: 114 million yen (down 70.5%)

Six months ended June 30, 2019: 387 million yen (up 27.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2020	3.84	—
Six months ended June 30, 2019	12.86	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2020	7,060	5,081	68.6
As of December 31, 2019	7,278	5,223	68.4

Reference: Shareholders' equity

As of June 30, 2020: 4,841 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 December 2019	—	0.00	—	8.50	8.50
Fiscal year ending December 2020	—	0.00			
Fiscal year ending December 2020 (forecast)			—	—	—

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

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
Full year	—	—	—	—	—	—	—	—	—

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

As the impact of the novel coronavirus to our business activities is expected, the Consolidated Financial Results Forecast has not been determined since it's difficult to assess at this time. We will announce it when it becomes possible to make a reasonable calculation.

* 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, 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 June 30, 2020: 1,696,500 shares
 - As of December 31, 2019: 1,704,000 shares
 - iii. Average number of shares outstanding during the period
 - Six months ended June 30, 2020: 29,256,055 shares
 - Six months ended June 30, 2019: 29,336,266 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 June 30, 2020: 146,500 shares
 - As of December 31, 2019: 154,000 shares
 - As of June 30, 2019: 167,300 shares

*This document is not applicable to 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 a 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 Quarter

(1) Explanation Regarding Business Results

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

Net sales	4,511 million yen (down 7.0% YOY)
Operating income	211 million yen (down 63.6% YOY)
Ordinary income	212 million yen (down 63.6% YOY)
Profit attributable to owners of parent	112 million yen (down 70.2% YOY)

In the Second Quarter YTD Fiscal Period, though gradual recovery continued in corporate earnings and the employment conditions, Japanese economy remained extremely unpredictable due to rapidly stalled social and economic activities after a State of Emergency issued over the novel coronavirus pandemic in April 2020.

Under these circumstances, our core businesses, Sales Innovation and Field Marketing businesses, and other businesses have been affected by self-restraint request along with the State of Emergency and stagnation of customers' business activities since then. On the other hand, looking into after the State of Emergency lifted, we have reviewed our sales activities and focused on securing profits by attracting more customers by holding webinars while establishing a "new sales scheme" in which we introduced web business meetings.

As a result, in this period, by reason of the declined revenue in Sales Innovation business and Field Marketing business which are our core businesses, the overall revenue decreased. Regarding profits, though it rose in System Development business and Publication business, Sales Innovation business and Field Marketing business recorded profit declined. As a whole, both operating income and ordinary income decreased.

Financial results for each segment are as follows:

1. Sales Innovation business

In the Second Quarter YTD Fiscal Period, while CRM/SFA software continued to experience a high demand for the purpose of improving corporate productivity and efficiency of sales activities on the back of work style reform, sales of our flagship product, the "e-Sales Manager" CRM/SFA software, remained slow, especially after declaration of the State of Emergency, affected by increased cautiousness in the investment decisions against uncertain economic outlook. Regarding our educational/consulting services, our seminars were postponed or cancelled.

As a result, net sales were 2,378 million yen (down 7.1% YOY). Regarding profits, segment profits were 126 million yen (down 69.0% YOY).

2. Field Marketing business

In the Second Quarter YTD Fiscal Period, the sales of the main services such as regular field business and human resources dispatching business did not increase much as many customers refrained from their activities over the period of the State of Emergency. After it was lifted, our sales recovered to a certain degree as customers gradually resumed their operation. However, end result was a decrease in sales.

Consequently, net sales were 1,831 million yen (down 8.3% YOY), and segment profits were 89 million yen (down 54.7% YOY).

3. System Development business

In the Second Quarter YTD Fiscal Period, in spite of shifting to teleworking affected by the State of Emergency, there was no significant impact and sales increased. Regarding expenses, we continuously made efforts to improve the profitability through thorough project management.

As a result, net sales were 237 million yen (up 22.2% YOY), and segment profits were 9 million yen (up 97.6 % YOY).

4. Publication business

In the Second Quarter YTD Fiscal Period, sales did not increase much as many customers refrained from their activities over the period of the State of Emergency. Regarding expenses, we made further improvement through thorough cost management.

As a result, net sales were 64 million yen (down 35.0% YOY), and segment loss was 14 million yen (30 million yen of loss in the same period last year).

(2) Explanation Regarding Financial Conditions

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

Assets	7,060 million yen (down 3.0% YOY)
Liabilities	1,978 million yen (down 3.7% YOY)
Net assets	5,081 million yen (down 2.7% YOY)

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

<Assets>

Total assets at the end of the Second Quarter YTD Fiscal Period decreased by 217 million yen YOY to 7,060 million yen. The primary cause was that cash and deposits decreased by 249 million yen.

<Liabilities>

Liabilities at the end of the Second Quarter YTD Fiscal Period decreased by 76 million yen YOY to 1,978 million yen. The primary cause was that the amount of unpaid corporate tax decreased by 110 million yen.

<Net assets>

Net assets at the end of the Second Quarter YTD Fiscal Period decreased by 141 million yen YOY to 5,081 million yen. The primary cause was that surplus dividends of 260 million yen were distributed. As a result, shareholders' equity ratio was 68.6%.

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

With regard to forecasts of Consolidated Financial Results and Dividends, as announced with “業績予想及び配当予想の修正に関するお知らせ (Notice concerning revision of earnings and dividend forecasts)” on April 30, 2020, as we cannot see clearly when the novel coronavirus will be contained, it's difficult to reasonably estimate the financial results. Therefore, we withdraw the Consolidated Financial Results Forecast announced on January 30, 2020 for now, and it will be determined later. We will promptly announce as soon as such disclosure becomes possible.

In addition, because the Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 has not been determined yet as mentioned above, dividend forecast is also to be determined later and will be announced as soon as possible once the financial results forecasts are available.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of Dec. 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	4,010,923	3,761,688
Notes and accounts receivable	1,799,399	1,790,053
Merchandise	56,081	50,179
Work in process	110,871	112,614
Other	250,989	192,234
Allowance for doubtful accounts	-20,211	-16,479
Total current assets	6,208,053	5,890,289
Non-current assets		
Property, plant and equipment		
Buildings and structure	107,716	110,264
Accumulated depreciation	-15,404	-19,710
Buildings and structure (net)	92,312	90,553
Tools, appliance and fixtures	357,563	371,969
Accumulated depreciation	-278,238	-295,054
Tools, appliance and fixture (net)	79,324	76,915
Other	—	2,081
Total property, plant and equipment	171,637	169,550
Intangible assets		
Software	450,944	390,139
Software in progress	173,621	367,574
Other	915	915
Total intangible assets	625,480	758,628
Investments and other assets		
Investment securities	2,500	2,500
Guarantee deposits	187,635	191,290
Long-term delinquent loans	40,840	40,937
Deferred tax assets	79,941	43,149
Other	3,000	5,025
Allowance for doubtful accounts	-40,840	-40,937
Total investments and other assets	273,076	241,966
Total non-current assets	1,070,195	1,170,145
Total assets	7,278,248	7,060,435

(Unit: thousand yen)

	As of Dec. 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Accounts payable trade	384,695	408,060
Account payable other	465,418	409,627
Directors' bonuses payable	32,727	—
Short-term debt	100,000	100,000
Current portion of long-term debt	28,000	—
Income taxes payable	175,955	65,274
Advances received	547,616	774,571
Provision for bonuses	57,653	14,329
Provision for sales returns	8,017	6,657
Other	222,739	172,503
Total current liabilities	2,022,823	1,951,024
Non-current liabilities		
Provisions for stock distribution	18,317	18,006
Other	13,353	9,421
Total non-current liabilities	31,671	27,428
Total liabilities	2,054,494	1,978,452
Net assets		
Shareholders' equity		
Capital stock	826,064	826,064
Capital surplus	367,795	367,795
Retained earnings	4,071,426	3,933,950
Treasury shares	-290,104	-285,851
Total shareholders' equity	4,975,182	4,841,959
Non-controlling interests	248,572	240,023
Total net assets	5,223,754	5,081,982
Total liabilities and net assets	7,278,248	7,060,435

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

(Unit: thousand yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	4,852,302	4,511,577
Cost of sales	3,117,943	3,188,048
Gross profit	1,734,358	1,323,529
Selling, general and administrative expenses	1,152,592	1,111,733
Operating income	581,766	211,796
Non-operating income		
Interest income	189	120
Return of cancellation	1,050	—
Foreign exchange profits	719	223
Subsidy income	670	4,376
Other	1,434	71
Total non-operating income	4,063	4,792
Non-operating expenses		
Interest expenses	651	445
Loss on cancellation of leases	70	—
Cancellation penalties	—	3,257
Other	39	—
Total non-operating income	760	3,703
Ordinary income	585,069	212,885
Profit before income taxes	585,069	212,885
Income taxes current	180,380	61,617
Income taxes deferred	17,096	36,792
Total income taxes	197,476	98,409
Net income	387,592	114,475
Net income attributable to:		
Non-controlling interests	10,204	2,009
Owners of parent	377,387	112,466

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

(Unit: thousand yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net income	387,592	114,475
Comprehensive income	387,592	114,475
Comprehensive income attributable to:		
Owners of parent	377,387	112,466
Non-controlling interests	10,204	2,009

(3) Quarterly Consolidated Cash Flow Statement
(For the Six-month Period)

(Unit: thousand yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	585,069	212,885
Depreciation	153,278	169,474
Change in the amount reserved for possible loan losses	-6,667	-3,635
Change in the amount reserved for employee bonuses	-22,452	-43,324
Change in the amount provided for sales returns	1,705	-1,359
Interest and dividends receivable	-189	-120
Interest payable	651	445
Subsidy income	-670	-4,376
Amount of increase or decrease in advances received	167,057	226,954
Amount of increase or decrease in account receivables	-31,239	9,346
Amount of increase or decrease in inventory assets	19,613	4,159
Change in amount of trade payable	2,809	23,364
Change in amount of accounts payable	-10,577	-42,898
Other	-45,185	-90,348
Subtotal	813,201	460,568
Amounts of interest and dividends received	189	120
Amount of subsidy received	670	4,376
Amount of interest paid	-670	-421
Amount of income taxes paid	-280,194	-168,181
Amount of income taxes returned	8,634	6
Cash flows from operating activities	541,830	296,469
Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	-3,406	-21,433
Payment for acquisition of intangible fixed assets	-112,540	-292,370
Payment from supplying guarantee deposits	-137,823	-9,642
Income from collecting guarantee deposits	8,408	70,219
Cash flows from investing activities	-245,361	-253,227
Cash flows from financing activities		
Income by borrowing short-term debts	70,000	100,000
Expenditures from the repayment of short-term debts	-70,000	-100,000
Expenditures from the repayment of long-term debts	-28,000	-28,000
Payments on Dividends	-230,152	-248,160
Payments on dividends to non-controlling-interest shareholders	-9,656	-10,557
Purchase of treasury stock	-43,530	—
Other	-1,378	-5,241
Cash flows from financing activities	-312,717	-291,959
Exchange differences related to cash and equivalents	-901	-517
Increase/decrease of cash and equivalents	-17,150	-249,235
Cash and equivalents balance at the beginning	4,010,159	4,010,923
Cash and cash equivalents balance at the end of the term	3,993,008	3,761,688

(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-month consolidated cumulative period (from January 1, 2019 to June 30, 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	2,560,981	1,997,736	194,288	99,296	4,852,302	—	4,852,302
Internal sales or transfers between segments	16,036	1,632	-17,585	381	35,635	-35,635	—
Total	2,577,018	1,999,368	211,873	99,678	4,887,938	-35,635	4,852,302
Segment profits or losses	409,260	197,844	4,818	-30,016	581,906	-140	581,766

Note 1. The adjusted amount in segment profits or losses of (140) thousand yen includes adjustment amounts with respect to non-current assets of (96) thousand yen and inventories of (44) thousand yen.

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

II. The Six -month consolidated cumulative period (from January 1, 2020 to June 30, 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	2,378,064	1,831,615	237,345	64,552	4,511,577	—	4,511,577
Internal sales or transfers between segments	10,204	493	—	—	10,697	-10,697	—
Total	2,388,268	1,832,108	237,345	64,552	4,522,275	-10,697	4,511,577
Segment profits or losses	126,726	89,695	9,520	-14,224	211,717	78	211,796

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

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