

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 26, 2019

**SOFTBRAIN Co., Ltd.**  
**Consolidated Financial Report for the First Quarter of the Fiscal Year**  
**Ending December 31, 2019**  
**(Three Months Ended March 31, 2019)**  
**【Japanese GAAP】**

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

(URL <https://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, 2019

(January 1, 2019 - March 31, 2019)

(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, 2019	2,334	9.3	261	-6.5	263	-5.6	170	-6.2
Three months ended March 31, 2018	2,136	4.6	279	20.1	278	20.3	181	13.0

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

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2019	5.80	—
Three months ended March 31, 2018	6.19	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	6,478	4,632	68.2	150.53
As of December 31, 2018	6,861	4,712	65.4	152.94

Reference: Shareholders' equity

As of March 31, 2019: 4,416 million yen

As of December 31, 2018: 4,486 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 2018	—	0.00	—	8.00	8.00
Fiscal year ending Dec 2019	—				
Fiscal year ending Dec 2019 (forecast)		0.00	—	8.50	8.50

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

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2019 (Jan. 1, 2019 - Dec. 31, 2019)

(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	4,700	8.6	470	1.9	470	1.2	300	4.2	10.23
Full year	9,930	8.1	1,320	7.0	1,320	6.4	840	5.4	28.64

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, 2019: 30,955,000 shares
    - As of December 31, 2018: 30,955,000 shares
  - ii. Number of treasury shares at the end of the period
    - As of March 31, 2019: 1,617,300 shares
    - As of December 31, 2018: 1,622,800 shares
  - iii. Average number of shares outstanding during the period
    - Three months ended March 31, 2018: 29,335,928 shares
    - Three months ended March 31, 2017: 29,319,473 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, 2019: 67,300 shares  
As of December 31, 2018: 72,800 shares  
As of March 31, 2018: 83,100 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).

(Changes in date display)

The date display has changed from that on the Japanese calendar to that on the Western calendar since this first quarter consolidated fiscal period.

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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	2,334 million yen (up 9.3% YOY)
Operating income	261 million yen (down 6.5% YOY)
Ordinary income	263 million yen (down 5.6% YOY)
Profit attributable to owners of parent	170 million yen (down 6.2% YOY)

In the First Quarter YTD Fiscal Period, Japanese economy continuously showed a recovery trend such as increase in consumer spending with continuous improvements in corporate earnings, employment situation and income environment. On the other hand, uncertainty over the economy still remains due to the uncertainty over foreign political and economic trends such as the impact from the trade friction caused by the US trade policy and the Brexit Problem, and chronic labor shortage.

With this economic situation, we formulated “SOFTBRAIN Medium-to-Long-Term Management Plan 2018-2020” in January 2018, and positioned this term as the preparatory phase of basic construction for stable and continuous high growth, aiming to switch our earnings model from a fluid one to a stable one.

In the First Quarter YTD Fiscal Period, though revenue from Publication business decreased, Sales Innovation business, Field Marketing business and System Development business compensated, resulting in increased revenue. Regarding profits, though income from Field Marketing business and System Development business increased, income from Sales Innovation business and Publication business decreased. As a whole, operating income and ordinary income decreased.

Financial results for each segment are as follows:

## Sales Innovation business

For this business, regarding sales activities, we strengthened group training for users and the existing utilization support services to promote further usage by existing customers, as well as promoted new customer acquisition through holding seminars. As for development, we’ve continuously worked on development of the “e-Sales Manager” CRM/SFA software, pursuing the usability of our flagship product, and development of our self-serve-type product, “e-Sales Manager Remix MS.”

In this fiscal period, sales of our flagship product, the “e-Sales Manager” CRM/SFA software steadily increased, centering on the cloud type. As a result, net sales were 1,247 million yen (up 9.8% YOY). Regarding profits, segment profits were 194 million yen (down 6.0% 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, 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 953 million yen (up 10.8% YOY) and segment profits were 96 million yen (up 28.7% YOY).

## System Development business

In the First Quarter YTD Fiscal Period, order receipts of package projects and SES 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 95 million yen (up 16.6% YOY) and segment profits were 4 million yen (up 209.0% YOY).

## Publication business

In the First Quarter YTD Fiscal Period, revenue decreased with a backdrop of decreased publication sales. Regarding profits, the degree of deficit increased due to the decreased revenue.

As a result, net sales were 38 million yen (down 34.4% YOY), and segment loss was 32 million yen (3 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	6,478 million yen (down 5.6% YOY)
Liabilities	1,846 million yen (down 14.1% YOY)
Net assets	4,632 million yen (down 1.7% YOY)

Analysis of the financial situation at the end of the First Quarter YTD Fiscal Period is shown below.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied to our consolidated financial report since the beginning of the First Quarter YTD Fiscal Period. Therefore, regarding the financial conditions, the figures in this fiscal period were compared and analyzed with those in the previous consolidated fiscal year, applied to the said Accounting Standard, etc.

<Assets>

Total assets at the end of the First Quarter YTD Fiscal Period decreased by 383 million yen YOY to 6,478 million yen. The primary cause was that cash and deposits decreased by 276 million yen.

<Liabilities>

Liabilities at the end of the First Quarter YTD Fiscal Period increased by 303 million yen YOY to 1,846 million yen. The primary cause was that the amount of unpaid corporate tax decreased by 210 million yen and advances received decreased by 106 million yen.

<Net assets>

Net assets at the end of the First Quarter YTD Fiscal Period decreased by 79 million yen YOY to 4,632 million yen. The primary cause was that surplus dividends of 235 million yen were distributed. As a result, shareholders' equity ratio was 68.2%.

(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, 2019, released on January 30, 2019.

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, 2018	As of Mar. 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	4,010,159	3,733,940
Notes and accounts receivable	1,702,662	1,669,694
Merchandise	65,728	48,581
Work in process	65,917	91,152
Other	161,270	130,956
Allowance for doubtful accounts	-17,776	-13,386
<b>Total current assets</b>	<b>5,987,962</b>	<b>5,660,938</b>
Non-current assets		
Property, plant and equipment		
Buildings and structure	94,064	94,064
Accumulated depreciation	-42,664	-50,416
Buildings and structure (net)	51,400	43,648
Tools, appliance and fixtures	316,181	322,028
Accumulated depreciation	-243,244	-249,365
Tools, appliance and fixture (net)	72,937	72,663
<b>Total property, plant and equipment</b>	<b>124,338</b>	<b>116,311</b>
Intangible assets		
Software	525,608	512,078
Other	915	915
<b>Total intangible assets</b>	<b>526,523</b>	<b>512,993</b>
Investments and other assets		
Investment securities	2,500	2,500
Guarantee deposits	134,853	124,517
Long-term delinquent loans	40,840	45,061
Deferred tax assets	82,798	58,515
Other	3,000	3,000
Allowance for doubtful accounts	-40,840	-45,061
<b>Total investments and other assets</b>	<b>223,152</b>	<b>188,533</b>
<b>Total non-current assets</b>	<b>874,014</b>	<b>817,838</b>
<b>Total assets</b>	<b>6,861,977</b>	<b>6,478,776</b>

(Unit: thousand yen)

	As of Dec. 31, 2018	As of Mar. 31, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable trade	324,113	370,449
Account payable other	419,592	401,648
Directors' bonuses payable	49,505	—
Short-term debt	100,000	100,000
Current portion of long-term debt	56,000	56,000
Income taxes payable	284,064	73,155
Advances received	548,758	441,949
Provision for bonuses	64,267	42,472
Provision for directors' bonuses	—	8,116
Provision for sales returns	11,461	13,515
Other	243,584	305,530
Total current liabilities	2,101,347	1,812,837
Non-current liabilities		
Long-term debt	28,000	14,000
Provisions for stock distribution	7,360	7,334
Other	12,935	11,914
Total non-current liabilities	48,295	33,248
Total liabilities	2,149,642	1,846,085
<b>Net assets</b>		
Shareholders' equity		
Capital stock	826,064	826,064
Capital surplus	367,795	367,795
Retained earnings	3,541,844	3,471,056
Treasury shares	-249,503	-248,799
Total shareholders' equity	4,486,200	4,416,116
Non-controlling interests	226,134	216,574
Total net assets	4,712,334	4,632,690
Total liabilities and net assets	6,861,977	6,478,776



(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, 2018	Three months ended March 31, 2019
Net sales	2,136,390	2,334,149
Cost of sales	1,344,254	1,514,113
Gross profit	792,135	820,036
Selling, general and administrative expenses	512,365	558,414
Operating income	279,770	261,621
Non-operating income		
Interest income	67	93
Return of insurance cancellation	-	1,050
Subsidy income	330	330
Other	102	1,395
Total non-operating income	499	2,869
Non-operating expenses		
Interest expenses	248	325
Foreign exchange losses	763	635
Loss on cancellation of leases	550	-
Miscellaneous losses	-	436
Total non-operating income	1,561	1,397
Ordinary income	278,707	263,093
Profit before income taxes	278,707	263,093
Income taxes current	76,773	74,068
Income taxes deferred	12,959	18,704
Total income taxes	89,732	92,772
Net income	188,974	170,320
Net income attributable to:		
Non-controlling interests	7,547	96
Owners of the parent	181,427	170,223

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

(Unit: thousand yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net income	188,974	170,320
Comprehensive income	188,974	170,320
Comprehensive income attributable to:		
Owners of the parent	181,427	170,223
Non-controlling interests	7,547	96

## (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, 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 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, 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 development 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.