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■ Two main businesses and new businesses lead company to a new growth stage

Softbrain is a leading Japanese producer of software for sales force automation and customer relationship management. The company claims a 20-30% share of the Japanese market for sales force automation software. Through a subsidiary, it also engages in field marketing, such as conducting surveys of stores and promoting store sales, and it is promoting this business as its second main source of profits.

In the first half of the fiscal year through December 2013, i.e., in H1 FY12/13, Softbrain's consolidated sales grew by 1.7% year-on-year (y-o-y) to ¥2,036mn but its consolidated operating profit fell by 42.3% to ¥163mn. The e-Sales Manager business and the field marketing business grew briskly, but the systems development business and other businesses faltered and suffered operating losses.

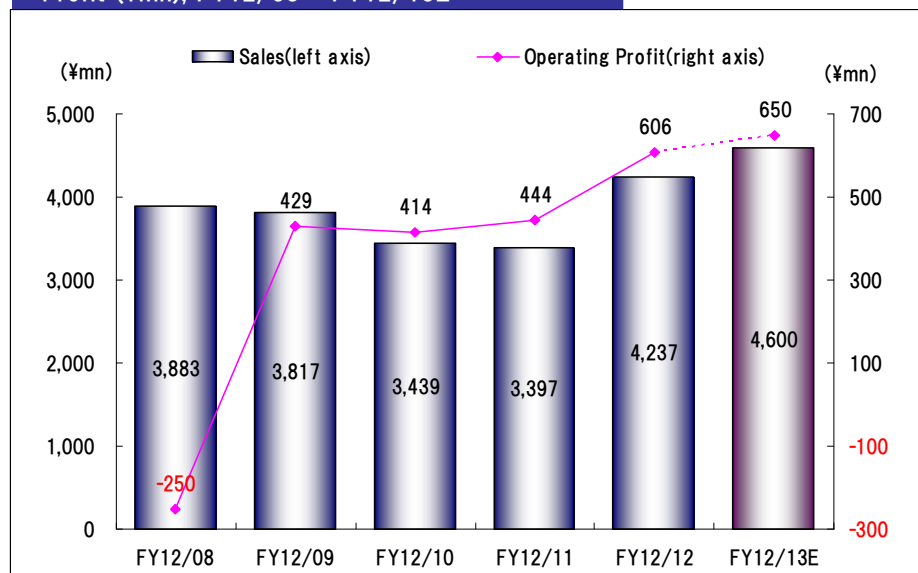
For FY12/13, Softbrain maintained its original forecasts, of an 8.6% y-o-y rise in consolidated sales to ¥4,600mn and a 7.2% upturn in operating profit to ¥650mn. The company expects its e-Sales Manager business and field marketing business to continue to grow, and it foresees profitability in its systems development business in H2 FY12/13 because this business is rapidly scrapping unprofitable projects and its orders received are recovering.

Just as accounting software was adopted by most Japanese companies in the 1990's with the diffusion of personal computers, sales force automation software is now being adopted as smart devices proliferate. To date, only about 20,000 Japanese companies are using sales force automation software. This is about 0.5% of all the companies in Japan. The company estimates that 100,000-200,000 Japanese companies are likely to adopt such software eventually. As Japan's leading producer of sales force automation software, Softbrain plans to expand the functions of its software and make it easier to use, thereby generating greater sales. Softbrain has also recently developed a new software program called e-Care Manager, which is a tool for making home medical treatment more efficient by sharing information about such treatment. Sales of this program are now being promoted in earnest, and the company foresees further growth for its field marketing business. Thus, we anticipate a new growth stage for the company.

■ Check Points

- Company maintains its original forecasts for FY12/13, anticipating continued growth in its two main businesses and the disposal of unprofitable projects in its systems development business
- As the use of smart devices spreads in Japan, companies are adopting software for sales force automation on a large scale
- Company projects a recurring profit margin of 14.1% for FY12/13, one of the highest margins in its industry

Softbrain's Consolidated Sales and Operating Profit (¥mn), FY12/08 - FY12/13E



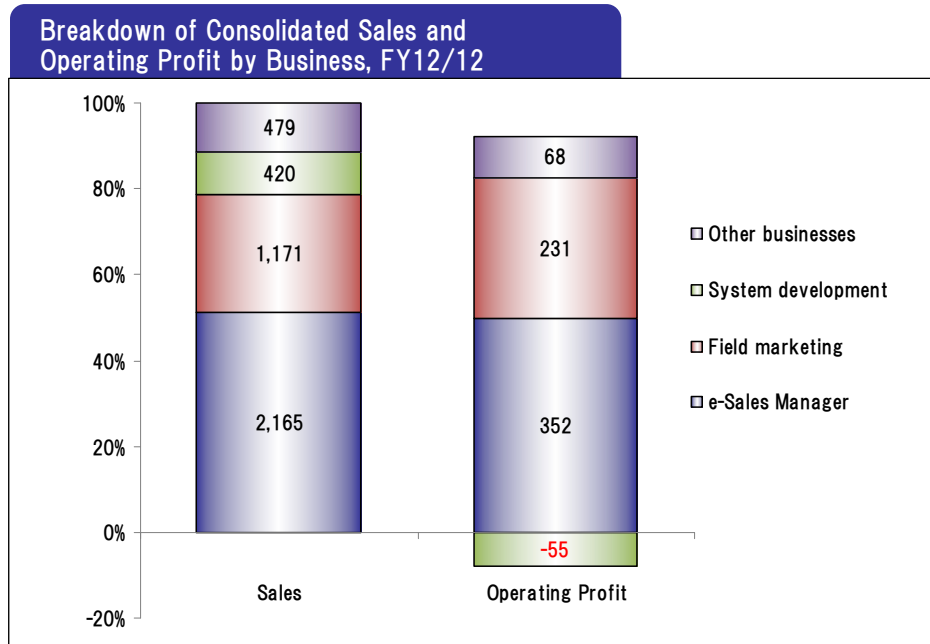
■ Outline of Businesses

Two main businesses supply about 80% of total sales and operating profit

Softbrain operates four divisions: the e-Sales Manager business, the field marketing business, the systems development business, and other businesses. As shown in the following bar chart, the e-Sales Manager and field marketing businesses supply about 80% of total sales and operating profit. The company has six consolidated subsidiaries, described in the table below.

Businesses of Softbrain and Six Consolidated Subsidiaries

Division/Company	Ownership	Businesses
e-Sales Manager		
Softbrain	-	Software licensing, cloud computing, consulting, customized software development, education and training
Softbrain Service Co.	98.7%	
Field marketing		
Softbrain Field Co.	57.5%	Field activity, marketing surveys
Systems development		
Softbrain Offshore Co.	70.4%	Development of software systems and offshore businesses, support business process outsourcing
Softbrain Offshore (Qingdao) Co.	100.0%	
Other businesses		
Softbrain Integration Co.	100.0%	Systems integration, mobile virtual network operator, mobile virtual network enabler
Diamond Business Planning, Inc.	70.0%	Publication and sale of books and magazines



More than 2,000 Japanese companies use Softbrain’s sales force automation software; demand for cloud computing program has grown in recent years

○ e-Sales Manager Business

The e-Sales Manager business licenses software, provides cloud computing services, offers a consulting service, develops customized software, and provides education and training in the use of customized software. The e-Sales Manager sales force automation software manages all sales processes, allowing them to be visualized, quantified, and improved to raise sales efficiency. Process management transforms sales from simply taking orders passively to actively visiting customers with sales potential and approaching them effectively. This enables companies to simultaneously increase their sales and their sales productivity, or profitability. This business also provides education and training in the implementation and use of e-Sales Manager program, optimizing the impact of its use.

Somewhat more than 2,000 Japanese companies currently use e-Sales Manager sales force automation software. This customer base is broad, encompassing manufacturing and service companies, large and small. Some companies who adopted this software and took full advantage of the training service offered by the business increased their operating profit five times within three years of adoption and doubled their sales within five years of adoption.



■ Outline of Businesses

Leading Japanese Companies Which Use e-Sales Manager Sales Force Automation Software



Source: Company

Softbrain sells its software for sales force automation two ways: 1) for a fixed fee, it licenses its e-Sales Manager software program to companies for their use in-house (on premises), and 2) for a monthly fee, it provides its e-Sales Manager Remix Cloud software program to use on Softbrain's cloud computing service. Until a few years ago, the fixed-fee software provided the bulk of sales, but as cloud computing has spread in Japan, sales of the monthly-fee software have grown rapidly.

There are no reliable statistics on the Japanese market for software for sales force automation and customer relationship management. Softbrain estimates this market at ¥10-30bn per year. It estimates the market for sales force automation software alone at ¥5-8bn per year, giving it a 20-30% market share. Its main competitors in sales force automation software are NI Consulting, an unlisted Japanese company, and Salesforce.com (CRM US), which sells only such software for use on cloud computing services. By promoting sales of its low-price software, Salesforce.com has amassed a more than 40% share of the Japanese market for sales force automation software accessed through cloud computing, the largest share of this market. Leading Japanese IT companies, such as NEC (6701) and Fujitsu (6702), do not develop software for sales force automation and customer relationship management but provide such software developed by third parties as part of their software packages.

Comprises in-store sales support activities and marketing research; new “point of buy” service being marketed commercially

○ Field marketing

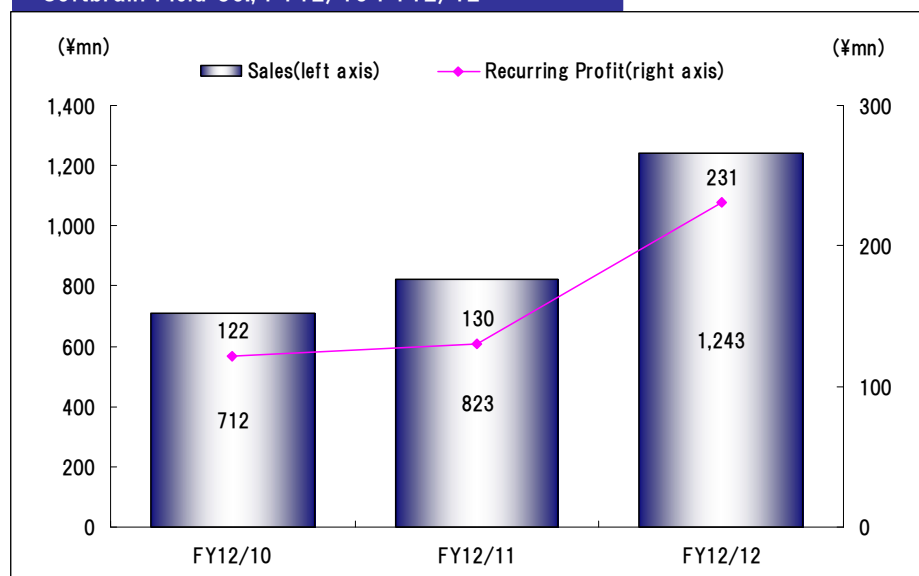
Subsidiary Softbrain Field conducts the field marketing business, which consists mainly of in-store sales support activities and marketing research. The registered staff for this business is made up primarily of housewives. In-store sales support includes the presentation of sales talks, the structuring of sales areas, and the positioning of point-of-purchase advertisements for new products. These activities used to be carried out by representatives of manufacturers, but a growing number of retailers in Japan has turned to outsourcing the activities to improve their sales promotion efficiency. As a specialist in such activities, Softbrain Field has benefited from this trend. This business has more than 320 corporate customers, many involved in the food and beverage industry or the healthcare industry. It has about 47,000 employees who work at more than 100,000 stores throughout Japan. The following table shows a breakdown of the number of stores covered, by type, as of October 2012.

Number of Stores Covered by Softbrain Field's Field Marketing Service

Type of Store	Number of Stores
Drugstore	16,789
General merchandise store, shopping mall	15,703
Convenience store	15,636
Book store	8,274
Home center	3,524
Discount store	1,965
Mass retailer of electrical/electronic products	1,543
Specialty store	20,971
Other kind of store	16,194
Total	100,599

Note: as of end of October 2012, Source: Company's website

Sales and Recurring Profit (¥mn) Recorded by Softbrain Field Co., FY12/10-FY12/12



■ Outline of Businesses

The marketing research conducted by Softbrain Field consists of investigating the prices of products competing with the products of its customers, compiling the results of these investigations, and presenting the findings in reports. Some of this research is undertaken jointly with Intage, Inc. (4326), Japan's largest company specializing in such research. In February 2013, Softbrain Field began the trial marketing of a new marketing support service developed with Credit Saison (8253), one of Japan's largest credit card companies. This service, which Softbrain Field calls a "point of buy" service, provides data on reasons for consumer purchases to makers of consumer goods. Through the Internet, the partners collect reasons for purchases and receipts to confirm the purchases, making their analysis more credible than previous such analyses. The consumers who provide this information receive Eikyufumetsu ("never expire") points that can be used to buy goods or services through Credit Saison's on-line shopping mall, Eikyufumetsu.com. In July 2013, Softbrain Field started marketing its "point of buy" service on a full commercial basis.

Systems development, developing MVNO and MVNE services are undertaken by subsidiaries

○ Systems development

The systems development business is conducted by subsidiaries Softbrain Offshore Co. and Softbrain Offshore (Qingdao) Co. Because of yen depreciation against the Chinese yuan and an increase in labor costs in China this year, this business has recently shifted more of its work to Japan or Vietnam.

○ Other businesses

Softbrain's other businesses are conducted by two subsidiaries. Softbrain Integration is involved in systems integration and serves as a mobile virtual network operator (MVNO) and mobile virtual network enabler (MVNE)*. Diamond Business Planning, Inc. publishes and sells books about sales promotion.

Note: Mobile virtual network operation is a Category 2 telecommunications service provided over mobile communications networks leased from Category 1 telecommunications companies, such as NTT DoCoMo (9437). Mobile virtual network enabling is work to support mobile virtual network operation. A growing number of Japanese companies is introducing smart devices, such as smartphones and tablet devices, to assist their sales. These companies require advice on the introduction of systems to handle such devices.

■ Business Trends

Weak systems development and other businesses led to profit declines

(1) Results in H1 FY12/13

On July 30, 2013, Softbrain announced its business performance in H1 FY12/13. Consolidated sales increased by 1.7% y-o-y to ¥2,036mn, operating profit fell by 42.3% to ¥163mn, recurring profit dropped by 41.9% to 167mn, and net profit decreased by 52.6% to ¥80mn. These results were significantly worse than the company's initial forecasts, as detailed in the table below.

Consolidated Results (¥mn, ¥) in H1 FY12/13 Compared with its Initial Forecasts

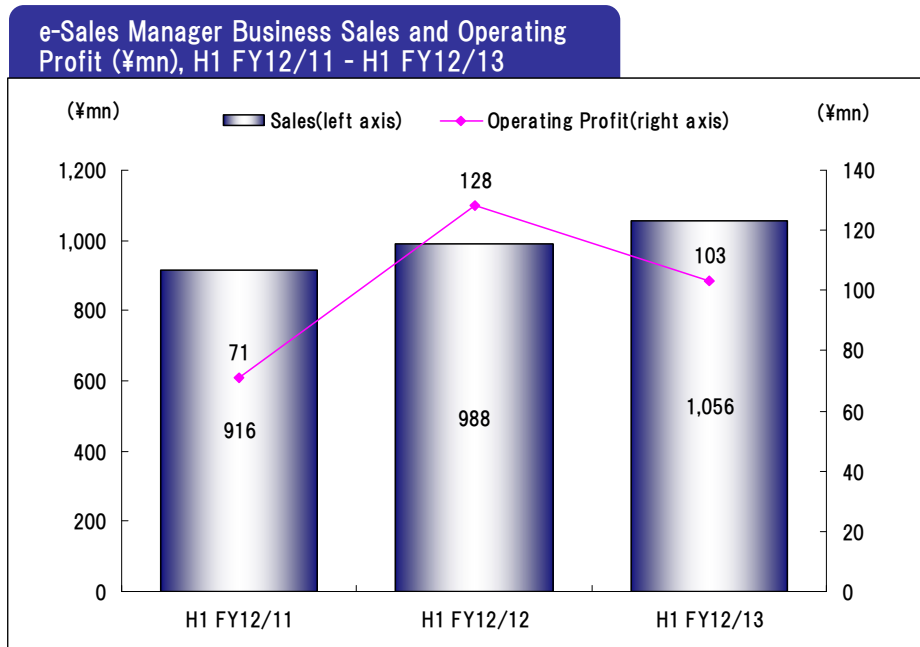
		Initial forecasts for H1 FY12/13	H1 FY12/13 results
Sales	Amount	2,200	2,036
	y-o-y	9.9%	1.7%
Operating Profit	Amount	290	163
	y-o-y	2.0%	-42.3%
Recurring Profit	Amount	290	167
	y-o-y	0.8%	-41.9%
Net Profit	Amount	175	80
	y-o-y	3.5%	-52.6%
EPS	(¥)	5.98	2.74

In H1 FY12/13, sales in the two main divisions, the e-Sales Manager business and field marketing business, remained brisk, but profit weakened y-o-y in the e-Sales Manager business, and sales and profits in the systems development business and in other businesses declined. A review of results by division follows.

○ e-Sales Manager business

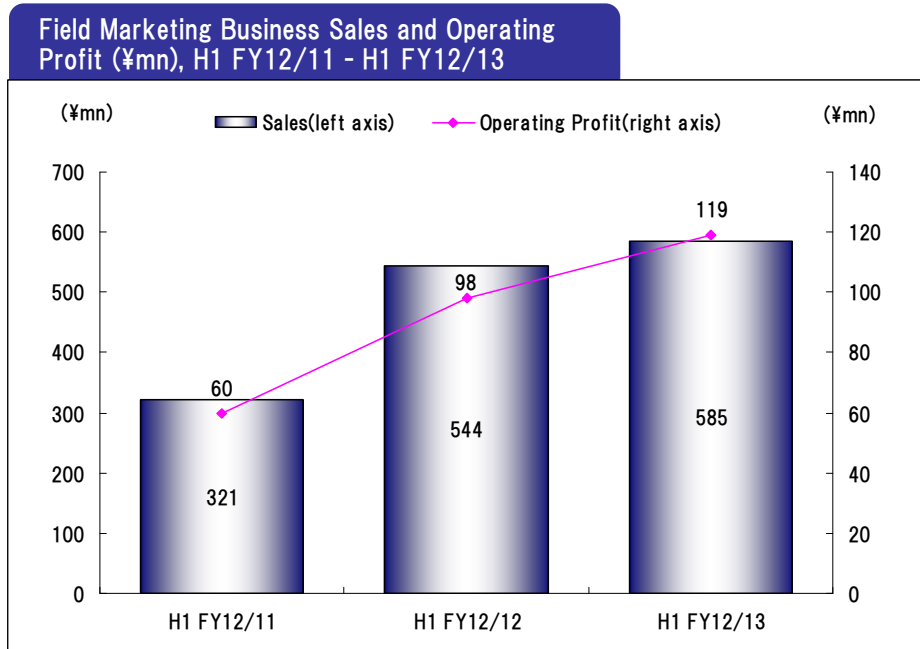
In H1 FY12/13, sales in the e-Sales Manager business grew by 6.9% y-o-y to ¥1,056mn while division operating profit fell by 19.6% to ¥103mn. Sales grew because the business added functions to improve sales efficiency to its software programs, including the Google calendar function and voice recognition capability. It also improved the design of its software, increasing its response speed and ease of use, with the aim of becoming the top sales force automation software in terms of ease of use. Due to these improvements, existing customers expanded their use of software produced by this business, and many new customers bought it. Sales of services, such as consulting service in the training of sales people and the business's process management college, increased. Operating profit in the e-Sales Manager business declined because the costs of R&D, personnel and sales promotion increased.

Business Trends



Field marketing

In H1 FY12/13, total sales generated by Softbrain Field increased by 7.3% y-o-y to ¥585mn and the company’s operating profit rose by 21.6% to ¥119mn. In response to customer needs, the subsidiary continued to improve the quality of its sales support services, which provide most of its sales. Thus, periodic orders from existing customers increased, leading to sales and profit growth.

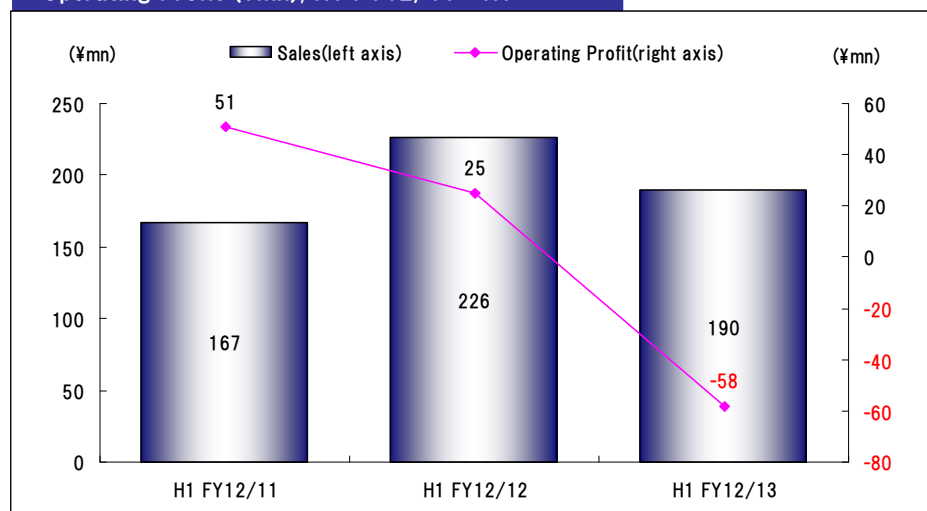


■ Business Trends

○ Systems development

In H1 FY12/13, sales in the systems development business generated dropped by 15.9% y-o-y to ¥190mn, and the business suffered an operating loss of ¥58mn, reversing an operating profit of ¥25mn in H1 FY12/12. From Q4 FY12/12, a number of special projects became unprofitable because they took much longer to complete than originally planned. This was the main reason for the poor business results in H1 FY12/13. However, all of the problematic projects were completed in H1 FY12/13, so the business should return to normal operations from H2 FY12/13.

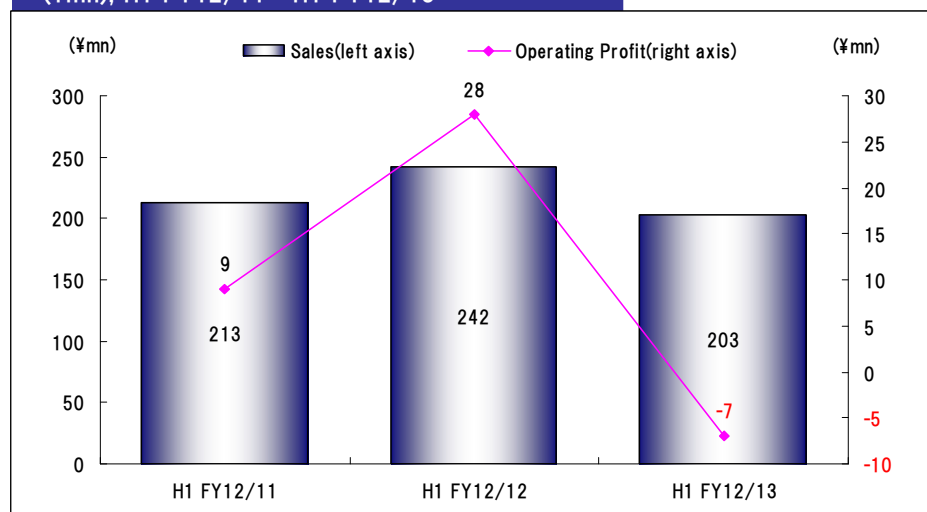
Systems Development Business Sales and Operating Profit (¥mn), H1 FY12/11 - H1



○ Other businesses

In H1 FY12/13, the other businesses segment saw a sales decline of 15.8% y-o-y to ¥203mn and suffered an operating loss of ¥7mn, after earning an operating profit of ¥28mn in H1 FY12/12. Sales and profit deteriorated in both the mobile virtual network operator (MVNO) business and the book publishing and sales business. Sales in the mobile virtual network operator business decreased because of restructuring and consolidation in Japan's telecommunications industry, while sales in the book publishing and sales business declined, despite strong orders, because of a delay in book production.

Other Businesses Sales and Operating Profit (¥mn), H1 FY12/11 - H1 FY12/13



Maintains its original forecasts for FY12/13, continued growth in its two main businesses and the disposal of unprofitable projects in its systems development business

(2) Company Forecasts for FY12/13

Company maintains its original forecasts for FY12/13, anticipating continued growth in its two main businesses and the disposal of unprofitable projects in its systems development business

Although results in H1 FY12/13 were lower than the company had projected, the company maintained its original forecasts for the full fiscal year, foreseeing an 8.6% y-o-y rise in consolidated sales to ¥4.6bn and a 7.2% increase in consolidated operating profit to ¥650mn, as detailed in the table below.

Consolidated Results (¥mn, ¥) in H1 FY12/13 and Company Forecasts for FY12/13

		H1 FY12/13 results	FY12/13 forecasts
Sales	Amount	2,036	4,600
	y-o-y	1.7%	8.6%
Operating Profit	Amount	163	650
	y-o-y	-42.3%	7.2%
Recurring Profit	Amount	167	650
	y-o-y	-41.9%	4.4%
Net Profit	Amount	80	400
	y-o-y	-52.6%	-12.7%
EPS	(¥)	2.74	13.67

In recent months, Japan's economy has shown signs of increasing growth, motivating Japanese companies to resume or increase their capital investment. Thus, Softbrain's e-Sales Manager business has been obtaining a growing number of orders for its sales force automation software programs, both on-premises programs and programs run on cloud computing. Softbrain projects this order growth will continue in H2 FY12/13, enabling the e-Sales Manager business to recoup its order shortfall in H1.

By continuing to offer high-quality services, the field marketing business aims to accumulate more repeat, periodic jobs in H2 FY12/13. Thus, it projects larger sales and profits in H2 FY12/13 than in H1.

The systems development business will concentrate on achieving profitability in H2 FY12/13. It disposed of its unprofitable projects in H1, and its order intake is recovering. This business used to be concentrated in China, but because of yen depreciation against the Chinese yuan and an increase in labor cost in China, the business is outsourcing to subcontractors in Japan, Vietnam, and other Southeast Asian countries. With these changes, the business foresees profits for H2 FY12/13, although it expects to remain slightly unprofitable for the full fiscal year.

Both of Softbrain's other businesses project higher sales and profits in H2 FY12/13 than in H1. Softbrain Integration has concluded new agreements with Category 1 telecommunications companies for its mobile virtual network operator business, enabling it to offer more services. It also plans to sell more smart devices and consulting services. Diamond Business Planning plans to expedite its book production in H2 FY12/13 and expects to receive many new orders in the second half.

■ Business Trends

Divisional Breakdown of Consolidated Sales, Operating Profit (¥mn), and Operating Profit Margin (%), FY12/10 - FY12/13E

Sales	FY12/10	FY12/11	FY12/12	FY12/13E	y-o-y
e-Sales Manager business	2,250	2,253	2,165	2,400	10.8%
Field marketing	679	758	1,171	1,350	15.3%
Systems development	-	-	420	390	-7.3%
Other businesses	509	385	479	460	-4.1%
Total	3,439	3,397	4,237	4,600	8.5%

Operating Profit	FY12/10	FY12/11	FY12/12	FY12/13E	y-o-y
e-Sales Manager business	276	304	352	358	1.7%
Field marketing	122	129	231	283	22.4%
Systems development	-	-	-55	-35	-
Other businesses	32	7	68	30	-56.3%
Inter-business profit	-16	2	9	14	47.9%
Total	414	444	606	650	7.2%

Operating Profit Margin	FY12/10	FY12/11	FY12/12	FY12/13E	y-o-y
e-Sales Manager business	12.3%	13.5%	16.3%	14.9%	-1.3ppt
Field marketing	18.0%	17.1%	19.8%	21.0%	1.2ppt
Systems development	-	-	-	-	-
Other businesses	6.4%	2.1%	14.3%	6.5%	-7.8ppt
Total	12.1%	13.1%	14.3%	14.1%	-0.2ppt

Note: Systems development, previously part of the e-Sales Manager business, became an independent division in FY12/12.

As the use of smart devices spreads in Japan, companies are adopting software for sales force analysis on a large scale

(3) Expansion of e-Sales Manager business

From about 1990, Japanese companies rapidly adopted personal computers for business use. At the same time, their accounting departments adopted accounting software programs. Now, sales departments of Japanese companies are adopting smart devices, such as smartphones and tablet devices, to assist their business. Thus, they are likely to purchase more sales force automation software programs hereafter.

Every year, the Japan Management Association conducts a Survey on Imminent Corporate Management Challenges. The findings of its FY2012 survey of 548 leading Japanese companies are summarized in the tables below. As shown, the largest proportion of companies surveyed, 54.9%, cited the raising of sales and market share as a management challenge and 60.1% of the companies surveyed cited sales and marketing as a strategic area for improving their business structures. These companies should therefore be anxious to use sales force automation software programs, such as the e-Sales Manager program.



Management Challenges

Rank	Objective	% of companies citing this objective
1	Raising sales / market share	54.9%
2	Raising profitability	48.0%
3	Strengthening workforce (hiring / training / diversification)	40.0%
4	Developing new products, services, businesses	23.7%
5	Globalization (global management)	19.7%
6	Strengthening financial condition	17.0%
7	Strengthening technology	15.5%
8	Improving customer satisfaction	15.0%
9	Improving work site conditions (safety, use of technology, etc.)	14.2%
10	Improving quality of goods, services	12.2%

Strategic Areas for Improving Business Structure

Rank	Objective	% of companies citing this objective
1	Sales / marketing	60.1%
2	Organization / personnel	43.9%
3	R&D	36.9%
4	Production, supply chain management	29.7%
5	Improved administration	29.3%
6	Sales offices	23.2%
7	M&A / alliances	21.0%
8	Investment	9.2%
9	Finance	7.6%
10	Intellectual property	2.2%

Source: FY2012 Survey on Imminent Corporate Management Challenges by the Japan Management Association

Of the approximately four million companies in Japan, only about 20,000 have adopted sales force automation software programs. Softbrain estimates that 100,000-200,000 more Japanese companies could adopt such software. As mentioned earlier, Softbrain sells its software for sales force automation two ways: 1) for a fixed fee, it licenses its e-Sales Manager software program to companies for their use in-house (on premises), and 2) for a monthly fee, it provides its e-Sales Manager Remix Cloud software program to use on Softbrain's cloud computing service. The fixed fee is relatively large, but buyers have the freedom to modify the design of the software to match their requirements. The monthly fee is low. In FY12/12, the e-Sales Manager business started selling a new product targeted towards smaller companies, the e-Sales Manager nano software program, for only ¥500 per month. Thus, the business can service companies of all types and sizes.

In August 2013, Softbrain announced that it had established a business tie with GRANDIT Corp., which operates the GRANDIT, a consortium of Japanese companies involved in the production or sale of enterprise resource planning software. And the enterprise resource planning software GRANDIT has introduced to 630 companies in Japan. Working with GRANDIT Corp., the e-Sales Manager business will modify its e-Sales Manager Remix Cloud software program to make it easier for companies to use. Currently, some companies that try to use this program find it difficult to integrate with their existing enterprise resource planning software. From FY12/14, the e-Sales Manager business will start selling a version of its e-Sales Manager Remix Cloud software program that is compatible with the enterprise resource planning software developed and sold by the GRANDIT consortium. This program should appeal to both the prime partners of the consortium and the business partners, of which, there were 56 at the end of July 2013. Through these partners, the e-Sales Manager business should be able to increase its sales significantly.



■ New Businesses

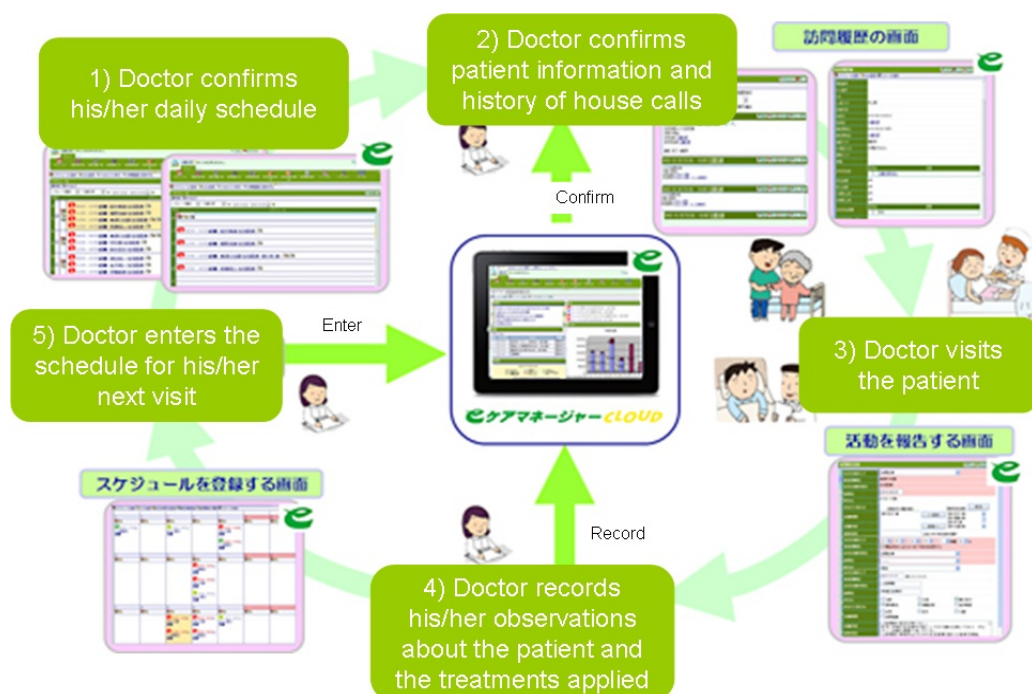
Offers great growth potential, given expansion of the market for home medical care

(1) e-Care Manager program

In December 2012, Softbrain announced the development of its e-Care Manager software program, a modification of its e-Sales Manager software program applied to medical treatment. The e-Care Manager program allows doctors, nurses and other healthcare providers to share information about patients and to simplify the scheduling of diagnostic procedures and treatments using tablet devices, greatly reducing their administrative chores. Softbrain sells the e-Care Manager software program and the tablet devices for its use, as well as providing consulting service on the introduction of the program.

Working jointly with systems integration companies, Softbrain has been marketing its e-Care Manager software program with the aim of obtaining five orders for this program in FY12/13. It may receive orders for several hundred tablet devices for the program by autumn 2013.

Flow Diagram of the Daily Schedule of a Doctor's House Calls Using the e-Care Manager Program



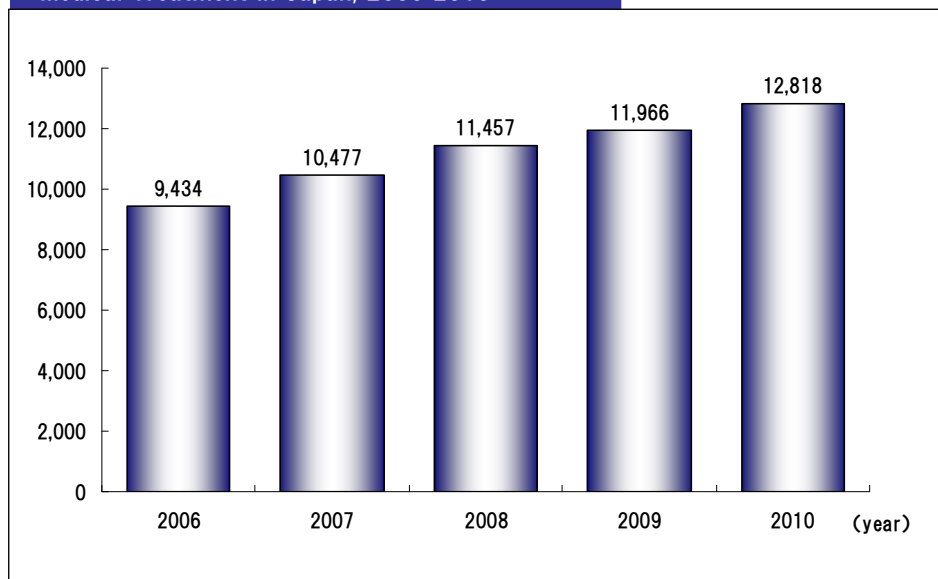
Source: Company's website

■ New Businesses

Due to such factors as a shortage of hospital beds, Japan's Ministry of Health, Labor and Welfare is encouraging more medical treatment at home, and in fiscal 2014, the year through March 2015, the ministry intends to adjust the current regulations on government insurance payments for medical care to further promote medical treatment at home. The ministry has projected that 290,000 Japanese will require medical care at home by 2025, about 120,000 more than currently require such care.

To serve a growing number of patients at home, a network of medical facilities will have to be established, and healthcare providers will benefit from sharing patient information through the e-Care Manager program. The program will be targeted to hospitals and clinics for home medical treatment. As of 2010, there were 12,818 such facilities in Japan, indicating the growth possible for the e-Care Manager program. Softbrain aims to make its e-Care Manager program business profitable in four or five years.

Number of Hospitals and Clinics for Home Medical Treatment in Japan, 2006-2010



Merits of the e-Care Manager Program

(1) Softbrain possesses top-class knowledge of functions

Having built sales force automation software programs for more than 2,000 companies, Softbrain was able to construct a simple, patient-centered program administered over mobile devices.

(2) Information is shared making full use of tablet devices

Using any smart device, the following information can be entered or confirmed easily wherever a patient is treated:

- patient's medical history and appointments for further diagnoses and treatments,
- schedules of doctors, nurses and other care managers,
- registry of, and applications for, diagnostic or therapeutic procedures.

All this information is shared in real time.

(3) Program includes function to insure high-quality medical service

When a health service provider registers a procedure or an appointment for a procedure, he or she can use the scenario engine function of the e-Care Manager program to automatically call up a report of a pre-set scenario for each site of treatment. By checking that the patient's care is proceeding according to this scenario, the provider can insure that needed steps, such as inquiries, treatments, and appointments, have not been overlooked, thereby improving the quality of care and patient satisfaction.

Source: Company's website,



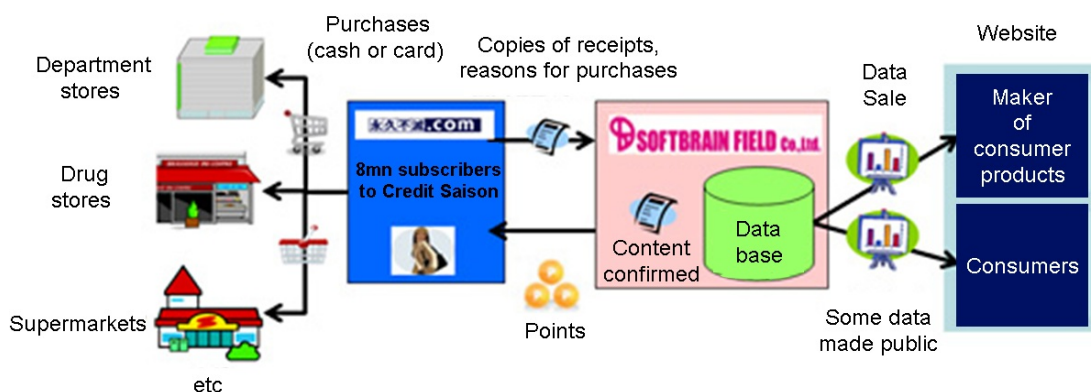
Highly reliable service that could ultimately provide reasons for purchases by 8mn consumers

(2) Point of Buy Service

In February 2013, Softbrain Field and Credit Saison (8253), one of the largest credit card companies in Japan, concluded a business agreement to establish a new service of providing data on reasons for consumer purchases to makers of consumer goods. The partners began marketing this service, which Softbrain calls its Point of Buy Service, in February 2013 on a trial basis. The trial marketing was a success, so in July 2013, they started marketing the service on a full commercial basis. Consumers subscribing to Credit Saison's Internet service are encouraged to register for the Save with Receipts service offered through Credit Saison's on-line shopping mall, Eikyufumetsu.com. For many product categories, the consumers send a copy of their receipts for purchases and enter their reasons for the purchases into the Save with Receipts service. After doing so, the consumers receive Eikyufumetsu ("never expire") points that can be used to buy goods or services through Eikyufumetsu.com. This reward system has produced a high rate of accumulation of useful data. Softbrain Field then organizes and analyzes the responses and transmits the results of its analyses to customer companies through a designated website. This service is more detailed and credible than other customer survey services.

To date, more than 37,000 consumers have registered for the Save with Receipts service, and 44 companies engaged in businesses from manufacturing to restaurant operation have served as service monitors. Approximately 8 million consumers subscribe to Credit Saison's Internet service, so the number of registrants for the Save with Receipts service is likely to grow. The number of monitoring companies and the number of surveys conducted are also increasing monthly. Thus, this new service is likely to be profitable in its first year of operation. As this service has no competitor in Japan, it is likely to grow strongly.

Flow Diagram of New Service Offering Data on Reasons for Purchases



Source: Company's website

■ Peer Comparison and Shareholder Return Policy

Company projects a recurring profit margin of 14.1% for FY12/13, one of the highest margins in its industry

(1) Peer Comparison

No listed Japanese company is identical to Softbrain in business composition. In the table below, however, we compare Softbrain with other listed companies engaged in the development of software for commercial use and in field marketing. Some of these peers project double-digit growth of their sales and profits for the current fiscal year, while Softbrain projects single-digit growth of its sales and profits. However, as explained previously, this disparity is mainly due to the fact that Softbrain's systems development business floundered in H1 FY12/13, adversely affecting full-year results. Softbrain forecasts a recurring profit margin of 14.1% for FY12/13, one of the highest margins in the group. In the business of field marketing, Softbrain maintains an operating profit margin of about 20%, while competitors in this business forecast recurring profit margins of less than 10% for their current fiscal years. Excluding Cybozu, whose data are affected by a change in fiscal year, the PER range for Softbrain's peers is 8-16x. Softbrain's PER is at the lower end of this range.

Peer Comparison

Company	Softbrain	Azia	Cybozu	Miroku Joho Service	Media Flag	AJIS
Stock Code	4779	2352	4776	9928	6067	4659
Fiscal year	12/13	3/14	12/13	3/14	12/13	3/14
Sales (¥)	4,600	900	4,870	21,760	3,262	19,877
y-o-y	8.6%	15.5%	-	4%	16.1%	5.4%
Rec. profit (¥)	650	170	70	2,370	231	1,350
y-o-y	4.4%	21.1%	-	3.7%	28.6%	36.7%
Rec. profit margin	14.1%	18.9%	1.4%	10.9%	7.1%	6.8%
EPS (¥)	13.67	53.73	79.47	43.04	30.19	153.67
DPS (¥)	0.00	9.00	40.00	12.00	0.00	45.00
PER (x)	10.2	26.4	440.4	9.1	20.4	9.1
Div. payout ratio	-	16.8%	50.3%	27.9%	-	29.3%
Share price (¥)	139	1,419	35,000	390	615	1,394

Notes: All forecasts are by the companies. Share prices are closing prices on Dec. 10, 2013. No y-o-y rates of change are shown for Cybozu because the company changed its accounting year in the previous fiscal year.

May resume dividend payment in FY12/13

(2) Shareholder Return Policy

Softbrain's basic policy is to pay dividends during periods of growth based on its profits while accumulating enough funds internally to strengthen the company and develop new businesses. The company has not paid a dividend since FY12/05, but based on its past dividend policy and its earnings prospects, it may resume dividend payments in FY12/13. The company continues to assert that it will review its shareholder return policy.

Following Softbrain's downward revision of its forecasts for H1 FY12/13, the company's share price has weakened. However, the company projects sales and profit growth for FY12/13 as it foresees continued growth from its two main businesses and a return to profitability in its systems development business in H2 FY12/13. Its new businesses are also off to a good start. Therefore, the company appears to be entering a new stage of growth.



Consolidated Income Statement (¥mn), FY12/08-FY12/13E

	FY12/08	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13E
Sales	3,883	3,817	3,439	3,397	4,237	4,600
y-o-y	-14.6%	-1.7%	-9.9%	-1.2%	24.7%	8.6%
Cost of goods sold	2,168	1,838	1,715	1,710	2,163	-
Cost of goods sold ratio	55.8%	48.2%	49.9%	50.4%	51.0%	-
SGA cost	1,966	1,513	1,307	1,234	1,460	-
SGA cost ratio	50.6%	39.7%	38.0%	36.4%	34.5%	-
Operating profit	-250	429	414	444	606	650
y-o-y	-	-	-3.4%	7.3%	36.3%	7.2%
Operating profit margin	-6.5%	11.2%	12.1%	13.1%	14.3%	14.1%
Recurring profit	-243	417	415	454	622	650
y-o-y	-	-	-0.5%	9.5%	37.0%	4.4%
Recurring profit margin	-	10.9%	12.1%	13.4%	14.7%	14.1%
Extraordinary profit	23	54	-	2	-	-
Extraordinary loss	641	215	9	9	8	-
Pretax profit	-861	256	406	447	614	-
y-o-y	-	-	58.2%	10.3%	37.2%	-
Pretax profit margin	-	6.7%	11.8%	13.2%	14.5%	-
Corporate income taxes	393	-116	39	21	103	-
Effective tax rate	-45.7%	-45.4%	9.8%	4.7%	16.8%	-
Minority interest	-7	61	34	80	52	-
Net profit	-1,247	311	331	346	458	400
y-o-y	-	-	6.2%	4.5%	32.4%	-12.7%
Net profit margin	-	8.2%	9.6%	10.2%	10.8%	8.7%
EPS (¥)	-42.65	10.66	11.33	11.83	15.67	13.67
DPS (¥)	0.00	0.00	0.00	0.00	0.00	0.00
BPS (¥)	16.13	28.24	39.40	51.23	67.11	-

Notes: FY12/13 forecasts are by Softbrain.

On July 1, 2013, the company made a 100-for-1 share split. Per-share figures for earlier fiscal years have been adjusted to reflect this split.

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