

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (Based on Japanese GAAP)

August 9, 2018

Company name: SOURCENEXT CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 4344 URL <http://www.sourcenext.com>
 Representative: President and CEO Noriyuki Matsuda
 Inquiries: Managing Director Fumihiko Aoyama TEL 03-6254-5231
 Scheduled date to file Quarterly Securities Report: August 9, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	2,435	54.3	85	35.8	85	30.6	49	(42.8)
Three months ended June 30, 2017	1,578	(20.6)	62	(87.1)	65	(86.9)	86	(74.5)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	0.79		0.79	
Three months ended June 30, 2017	1.39		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2018	11,994	8,561	70.6	130.80
As of March 31, 2018	10,250	6,504	62.7	103.84

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2018	–	0.00	–	3.05	3.05
Year ending March 31, 2019	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	0.00	–	4.40	4.40

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	6,418	63.7	478	9.2	480	7.9	345	5.4	5.57
Full year	16,807	77.0	2,499	101.9	2,502	98.8	1,818	44.2	29.37

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2018
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - Changes in accounting policies due to other reasons: No
 - Changes in accounting estimates: No
 - Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2018	64,781,000 shares	As of March 31, 2018	63,481,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	12 shares	As of March 31, 2018	1,544,012 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2018	62,135,076 shares	Three months ended June 30, 2017	61,919,988 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	1,906,252	4,248,023
Accounts receivable - trade	2,031,188	1,794,867
Merchandise and finished goods	300,849	339,088
Raw materials and supplies	42,122	85,057
Advance payments - trade	1,031,642	1,310,072
Accounts receivable - other	679,510	1,109
Other	127,909	196,681
Total current assets	6,119,477	7,974,901
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	421,963	424,764
Accumulated depreciation	(174,365)	(189,539)
Total property, plant and equipment	247,597	235,225
Intangible assets		
Software	1,061,937	1,009,469
Goodwill	599,651	560,931
Contract based intangible assets	1,466,107	1,446,732
Other	96,644	124,345
Total intangible assets	3,224,340	3,141,478
Investments and other assets		
Investment securities	179,826	178,952
Deferred tax assets	266,802	256,351
Other	214,170	209,161
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	658,999	642,665
Total non-current assets	4,130,936	4,019,369
Total assets	10,250,413	11,994,270
Liabilities		
Current liabilities		
Accounts payable - trade	396,830	382,465
Current portion of long-term loans payable	422,000	422,000
Accounts payable - other	541,977	594,804
Income taxes payable	305,597	35,706
Provision for bonuses	30,962	9,812
Provision for sales returns	200,704	62,456
Provision for after service cost	20,393	19,586
Other	331,239	442,867
Total current liabilities	2,249,705	1,969,698
Non-current liabilities		
Long-term loans payable	1,437,000	1,331,500
Other	59,606	131,730
Total non-current liabilities	1,496,606	1,463,230
Total liabilities	3,746,311	3,432,928

(Thousands of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	1,776,817	2,276,892
Capital surplus	1,616,817	2,856,920
Retained earnings	3,471,031	3,331,402
Treasury shares	(438,355)	(3)
Total shareholders' equity	6,426,311	8,465,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,345	3,739
Foreign currency translation adjustment	841	4,124
Total accumulated other comprehensive income	5,186	7,863
Share acquisition rights	72,603	88,265
Total net assets	6,504,101	8,561,341
Total liabilities and net assets	10,250,413	11,994,270

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	1,578,805	2,435,503
Cost of sales	589,951	1,080,282
Gross profit	988,854	1,355,220
Provision for sales returns	25,645	62,456
Reversal of provision for sales returns	271,951	200,704
Gross profit - net	1,235,160	1,493,469
Selling, general and administrative expenses	1,172,368	1,408,167
Operating profit	62,791	85,301
Non-operating income		
Interest income	0	0
Dividend income	231	249
Foreign exchange gains	2,319	–
Contribution for development	1,458	1,458
Other	675	289
Total non-operating income	4,684	1,997
Non-operating expenses		
Interest expenses	2,321	1,442
Foreign exchange losses	–	391
Other	62	433
Total non-operating expenses	2,384	2,267
Ordinary profit	65,092	85,032
Extraordinary income		
Gain on reversal of share acquisition rights	398	–
Total extraordinary income	398	–
Extraordinary losses		
Loss on valuation of advance payments	2,065	–
Total extraordinary losses	2,065	–
Profit before income taxes	63,425	85,032
Income taxes - current	(29,880)	25,035
Income taxes - deferred	7,191	10,717
Total income taxes	(22,689)	35,753
Profit	86,115	49,278
Profit attributable to owners of parent	86,115	49,278

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	86,115	49,278
Other comprehensive income		
Valuation difference on available-for-sale securities	4,166	(605)
Foreign currency translation adjustment	450	3,282
Total other comprehensive income	4,616	2,676
Comprehensive income	90,731	51,955
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	90,731	51,955
Comprehensive income attributable to non-controlling interests	—	—