

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2019 (Based on Japanese GAAP)

August 8, 2019

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 8, 2019  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 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, 2019 (from April 1, 2019 to June 30, 2019)

(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, 2019	4,638	90.5	91	7.8	85	0.1	55	13.1
Three months ended June 30, 2018	2,435	54.3	85	35.8	85	30.6	49	(42.8)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2019	0.41		0.41	
Three months ended June 30, 2018	0.40		0.39	

(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, 2019	16,717	11,881	70.5	86.54
As of March 31, 2019	17,398	11,923	68.0	86.89

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, 2019	–	0.00	–	0.68	0.68
Year ending March 31, 2020	–	–	–	–	–
Year ending March 31, 2020 (Forecast)	–	0.00	–	1.23	1.23

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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, 2019	9,321	62.3	202	(60.0)	200	(61.1)	140	(64.8)	1.03
Full year	20,021	36.1	1,605	86.7	1,601	76.8	1,120	82.0	8.23

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2019  
 (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, 2019	136,164,800 shares	As of March 31, 2019	136,162,800 shares
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Number of treasury shares at the end of the period

As of June 30, 2019	24 shares	As of March 31, 2019	24 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, 2019	136,162,798 shares	Three months ended June 30, 2018	124,270,152 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,562,192	6,305,905
Accounts receivable - trade	2,918,567	2,786,198
Merchandise and finished goods	1,328,078	1,674,160
Raw materials and supplies	155,905	179,729
Advance payments - trade	855,189	1,294,757
Other	264,513	245,887
<b>Total current assets</b>	<b>13,084,446</b>	<b>12,486,638</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Property, plant and equipment	437,604	438,690
Accumulated depreciation	(233,678)	(248,757)
<b>Total property, plant and equipment</b>	<b>203,926</b>	<b>189,932</b>
<b>Intangible assets</b>		
Software	1,096,757	1,013,796
Goodwill	444,770	406,050
Contract based intangible assets	1,388,604	1,369,228
Other	93,142	85,858
<b>Total intangible assets</b>	<b>3,023,274</b>	<b>2,874,934</b>
<b>Investments and other assets</b>		
Investment securities	328,101	358,741
Deferred tax assets	546,570	593,098
Other	214,479	215,750
Allowance for doubtful accounts	(1,800)	(1,800)
<b>Total investments and other assets</b>	<b>1,087,350</b>	<b>1,165,790</b>
<b>Total non-current assets</b>	<b>4,314,550</b>	<b>4,230,656</b>
<b>Total assets</b>	<b>17,398,997</b>	<b>16,717,295</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	567,660	464,867
Short-term borrowings	100,000	—
Current portion of long-term borrowings	422,000	422,000
Accounts payable - other	1,504,917	1,275,597
Income taxes payable	438,380	121,292
Unearned revenue	699,934	897,621
Provision for bonuses	23,318	9,375
Provision for sales returns	120,858	34,787
Provision for after service cost	14,402	19,138
Other	195,956	259,926
<b>Total current liabilities</b>	<b>4,087,428</b>	<b>3,504,607</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,015,000	909,500
Long-term unearned revenue	373,131	421,384
<b>Total non-current liabilities</b>	<b>1,388,131</b>	<b>1,330,884</b>
<b>Total liabilities</b>	<b>5,475,559</b>	<b>4,835,492</b>

(Thousands of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	3,679,656	3,679,944
Capital surplus	4,259,683	4,259,972
Retained earnings	3,898,004	3,865,766
Treasury shares	(3)	(3)
Total shareholders' equity	11,837,340	11,805,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(778)	(3,802)
Foreign currency translation adjustment	(5,211)	(18,034)
Total accumulated other comprehensive income	(5,989)	(21,836)
Share acquisition rights	92,087	97,959
Total net assets	11,923,437	11,881,803
Total liabilities and net assets	17,398,997	16,717,295

**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, 2018	Three months ended June 30, 2019
Net sales	2,435,503	4,638,664
Cost of sales	1,080,282	1,823,660
Gross profit	1,355,220	2,815,003
Provision for sales returns	62,456	34,787
Reversal of provision for sales returns	200,704	120,858
Gross profit - net	1,493,469	2,901,074
Selling, general and administrative expenses	1,408,167	2,809,139
Operating profit	85,301	91,934
Non-operating income		
Interest income	0	33
Dividend income	249	277
Contribution for development	1,458	–
Other	289	89
Total non-operating income	1,997	401
Non-operating expenses		
Interest expenses	1,442	1,111
Foreign exchange losses	391	6,070
Other	433	32
Total non-operating expenses	2,267	7,214
Ordinary profit	85,032	85,121
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	–	28,273
Total extraordinary income	–	28,273
Profit before income taxes	85,032	113,394
Income taxes - current	25,035	102,836
Income taxes - deferred	10,717	(45,193)
Total income taxes	35,753	57,643
Profit	49,278	55,750
Profit attributable to owners of parent	49,278	55,750

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	49,278	55,750
Other comprehensive income		
Valuation difference on available-for-sale securities	(605)	(3,024)
Foreign currency translation adjustment	3,282	(12,822)
Total other comprehensive income	2,676	(15,846)
Comprehensive income	51,955	39,903
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	51,955	39,903
Comprehensive income attributable to non-controlling interests	—	—