

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Based on Japanese GAAP)

February 13, 2020

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: February 13, 2020  
 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 nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	13,089	27.8	464	(45.1)	507	(41.5)	264	(57.6)
Nine months ended December 31, 2018	10,240	52.1	845	1.1	868	2.8	624	6.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	1.94		1.93	
Nine months ended December 31, 2018	4.75		4.72	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2019	17,428	12,136	69.0	88.28
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	–	0.00	–		
Year ending March 31, 2020 (Forecast)				0.56	0.56

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
Full year	17,000	15.6	958	11.4	1,000	10.5	510	(17.0)	3.75

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2019	136,224,800 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 December 31, 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)

Nine months ended December 31, 2019	136,171,496 shares	Nine months ended December 31, 2018	131,577,042 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,562,192	3,773,650
Accounts receivable - trade	2,918,567	3,522,221
Merchandise and finished goods	1,328,078	3,221,291
Raw materials and supplies	155,905	98,507
Advance payments - trade	855,189	988,087
Other	264,513	481,372
<b>Total current assets</b>	<b>13,084,446</b>	<b>12,085,130</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Property, plant and equipment	437,604	435,133
Accumulated depreciation	(233,678)	(264,743)
<b>Total property, plant and equipment</b>	<b>203,926</b>	<b>170,389</b>
<b>Intangible assets</b>		
Software	1,096,757	1,057,357
Goodwill	444,770	328,609
Contract based intangible assets	1,388,604	1,330,476
Other	93,142	260,487
<b>Total intangible assets</b>	<b>3,023,274</b>	<b>2,976,931</b>
<b>Investments and other assets</b>		
Investment securities	328,101	1,278,099
Deferred tax assets	546,570	729,955
Other	214,479	189,405
Allowance for doubtful accounts	(1,800)	(1,800)
<b>Total investments and other assets</b>	<b>1,087,350</b>	<b>2,195,660</b>
<b>Total non-current assets</b>	<b>4,314,550</b>	<b>5,342,981</b>
<b>Total assets</b>	<b>17,398,997</b>	<b>17,428,111</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	567,660	819,589
Short-term borrowings	100,000	–
Current portion of long-term borrowings	422,000	422,000
Accounts payable - other	1,504,917	1,221,388
Income taxes payable	438,380	157,147
Provision for bonuses	23,318	9,194
Provision for sales returns	120,858	127,083
Unearned revenue	699,934	1,089,542
Provision for after service cost	14,402	19,146
Provision for point card certificates	–	94,642
Other	195,956	270,357
<b>Total current liabilities</b>	<b>4,087,428</b>	<b>4,230,092</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,015,000	698,500
Long-term unearned revenue	373,131	363,207
<b>Total non-current liabilities</b>	<b>1,388,131</b>	<b>1,061,707</b>
<b>Total liabilities</b>	<b>5,475,559</b>	<b>5,291,800</b>

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	3,679,656	3,686,838
Capital surplus	4,259,683	4,266,865
Retained earnings	3,898,004	4,074,487
Treasury shares	(3)	(3)
Total shareholders' equity	11,837,340	12,028,186
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(778)	(1,585)
Foreign currency translation adjustment	(5,211)	(1,177)
Total accumulated other comprehensive income	(5,989)	(2,763)
Share acquisition rights	92,087	110,887
Total net assets	11,923,437	12,136,311
Total liabilities and net assets	17,398,997	17,428,111

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

### Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	10,240,694	13,089,232
Cost of sales	3,863,211	5,048,223
Gross profit	6,377,483	8,041,009
Provision for sales returns	232,739	127,083
Reversal of provision for sales returns	200,704	120,858
Gross profit - net	6,345,448	8,034,784
Selling, general and administrative expenses	5,499,894	7,570,581
Operating profit	845,553	464,203
Non-operating income		
Interest income	50	240
Dividend income	249	277
Foreign exchange gains	21,942	–
Contribution for development	4,375	–
Share of profit of entities accounted for using equity method	–	46,310
Other	1,033	1,756
Total non-operating income	27,651	48,584
Non-operating expenses		
Interest expenses	4,091	2,952
Foreign exchange losses	–	1,746
Other	495	227
Total non-operating expenses	4,586	4,925
Ordinary profit	868,617	507,862
Extraordinary income		
Gain on sales of investment securities	110,742	–
Gain on sales of shares of subsidiaries and associates	–	28,273
Total extraordinary income	110,742	28,273
Profit before income taxes	979,360	536,135
Income taxes - current	542,114	454,693
Income taxes - deferred	(187,193)	(183,028)
Total income taxes	354,920	271,664
Profit	624,439	264,471
Profit attributable to owners of parent	624,439	264,471

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

(Thousands of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	624,439	264,471
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,226)	(807)
Foreign currency translation adjustment	(2,618)	4,034
Total other comprehensive income	(6,844)	3,226
Comprehensive income	617,595	267,697
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	617,595	267,697
Comprehensive income attributable to non-controlling interests	—	—