

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

February 14, 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: February 14, 2019
 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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	10,240	52.1	845	1.1	868	2.8	624	6.5
Nine months ended December 31, 2017	6,733	(4.0)	836	(37.7)	844	(37.5)	586	(35.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	4.75		4.72	
Nine months ended December 31, 2017	4.73		–	

(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, 2018	16,544	11,924	71.5	86.94
As of March 31, 2018	10,250	6,504	62.7	51.92

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	–	0.00	–		
Year ending March 31, 2019 (Forecast)				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
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 nine months ended December 31, 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 December 31, 2018	136,136,400 shares	As of March 31, 2018	126,962,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	24 shares	As of March 31, 2018	3,088,024 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, 2018	131,577,042 shares	Nine months ended December 31, 2017	123,840,198 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	1,906,252	6,357,280
Accounts receivable - trade	2,031,188	3,178,038
Merchandise and finished goods	300,849	1,267,229
Raw materials and supplies	42,122	138,434
Advance payments - trade	1,031,642	1,008,263
Accounts receivable - other	679,510	34,297
Other	127,909	433,058
Total current assets	6,119,477	12,416,603
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	421,963	438,950
Accumulated depreciation	(174,365)	(220,089)
Total property, plant and equipment	247,597	218,860
Intangible assets		
Software	1,061,937	1,099,343
Goodwill	599,651	483,490
Contract based intangible assets	1,466,107	1,407,980
Other	96,644	61,166
Total intangible assets	3,224,340	3,051,980
Investments and other assets		
Investment securities	179,826	199,735
Deferred tax assets	266,802	455,862
Other	214,170	202,836
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	658,999	856,633
Total non-current assets	4,130,936	4,127,475
Total assets	10,250,413	16,544,078
Liabilities		
Current liabilities		
Accounts payable - trade	396,830	550,277
Current portion of long-term loans payable	422,000	422,000
Accounts payable - other	541,977	1,039,215
Income taxes payable	305,597	280,559
Provision for bonuses	30,962	15,254
Provision for sales returns	200,704	232,739
Provision for after service cost	20,393	16,867
Other	331,239	648,263
Total current liabilities	2,249,705	3,205,176
Non-current liabilities		
Long-term loans payable	1,437,000	1,120,500
Other	59,606	293,452
Total non-current liabilities	1,496,606	1,413,952
Total liabilities	3,746,311	4,619,128

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	1,776,817	3,675,357
Capital surplus	1,616,817	4,255,385
Retained earnings	3,471,031	3,906,562
Treasury shares	(438,355)	(3)
Total shareholders' equity	6,426,311	11,837,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,345	118
Foreign currency translation adjustment	841	(1,776)
Total accumulated other comprehensive income	5,186	(1,657)
Share acquisition rights	72,603	89,305
Total net assets	6,504,101	11,924,950
Total liabilities and net assets	10,250,413	16,544,078

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, 2017	Nine months ended December 31, 2018
Net sales	6,733,177	10,240,694
Cost of sales	2,232,030	3,863,211
Gross profit	4,501,147	6,377,483
Provision for sales returns	118,578	232,739
Reversal of provision for sales returns	271,951	200,704
Gross profit - net	4,654,520	6,345,448
Selling, general and administrative expenses	3,818,077	5,499,894
Operating profit	836,442	845,553
Non-operating income		
Interest income	185	50
Dividend income	231	249
Foreign exchange gains	6,130	21,942
Contribution for development	4,374	4,375
Gain on redemption of investment securities	2,745	-
Other	1,801	1,033
Total non-operating income	15,469	27,651
Non-operating expenses		
Interest expenses	6,648	4,091
Other	297	495
Total non-operating expenses	6,945	4,586
Ordinary profit	844,966	868,617
Extraordinary income		
Gain on reversal of share acquisition rights	985	-
Gain on sales of investment securities	-	110,742
Total extraordinary income	985	110,742
Extraordinary losses		
Loss on valuation of advance payments	7,399	-
Total extraordinary losses	7,399	-
Profit before income taxes	838,552	979,360
Income taxes - current	164,730	542,114
Income taxes - deferred	87,570	(187,193)
Total income taxes	252,300	354,920
Profit	586,251	624,439
Profit attributable to owners of parent	586,251	624,439

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	586,251	624,439
Other comprehensive income		
Valuation difference on available-for-sale securities	286,770	(4,226)
Foreign currency translation adjustment	616	(2,618)
Total other comprehensive income	287,387	(6,844)
Comprehensive income	873,638	617,595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	873,638	617,595
Comprehensive income attributable to non-controlling interests	—	—