

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2019  
(Based on Japanese GAAP)**

May 15, 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 of ordinary general meeting of shareholders: June 26, 2019  
 Scheduled date to file Securities Report: June 27, 2019  
 Scheduled date to commence dividend payments: June 27, 2019  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

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	%
Year ended March 31, 2019	14,710	54.9	859	(30.5)	905	(28.1)	615	(51.2)
Year ended March 31, 2018	9,494	1.6	1,237	(21.3)	1,258	(21.0)	1,261	17.8

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	4.64	4.61	6.7	6.6	5.8
Year ended March 31, 2018	10.18	10.18	21.4	12.5	13.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	17,398	11,923	68.0	86.89
As of March 31, 2018	10,250	6,504	62.7	51.92

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	1,346	(160)	4,467	7,562
Year ended March 31, 2018	(181)	(1,000)	(607)	1,906

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	—	0.00	—	3.05	3.05	188	15.0	3.2
Year ended March 31, 2019	—	0.00	—	0.68	0.68	92	15.0	1.0
Year ending March 31, 2020 (Forecast)	—	0.00	—	1.23	1.23		15.0	

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 year ended March 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2019	136,162,776 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 March 31, 2019	24 shares	As of March 31, 2018	3,088,024 shares
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Average number of shares during the period

Year ended March 31, 2019	132,702,964 shares	Year ended March 31, 2018	123,847,408 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	1,906,252	7,562,192
Accounts receivable - trade	2,031,188	2,918,567
Merchandise and finished goods	300,849	1,328,078
Raw materials and supplies	42,122	155,905
Advance payments - trade	1,031,642	855,189
Accounts receivable - other	679,510	6,677
Other	127,909	257,835
Total current assets	6,119,477	13,084,446
Non-current assets		
Property, plant and equipment		
Buildings	209,127	220,919
Accumulated depreciation	(79,301)	(111,636)
Buildings, net	129,826	109,282
Vehicles	6,997	7,309
Accumulated depreciation	(5,423)	(5,994)
Vehicles, net	1,573	1,315
Tools, furniture and fixtures	205,838	209,375
Accumulated depreciation	(89,641)	(116,047)
Tools, furniture and fixtures, net	116,197	93,327
Total property, plant and equipment	247,597	203,926
Intangible assets		
Software	1,061,937	1,096,757
Goodwill	599,651	444,770
Contract based intangible assets	1,466,107	1,388,604
Other	96,644	93,142
Total intangible assets	3,224,340	3,023,274
Investments and other assets		
Investment securities	179,826	328,101
Deferred tax assets	266,802	546,570
Other	214,170	214,479
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	658,999	1,087,350
Total non-current assets	4,130,936	4,314,550
Total assets	10,250,413	17,398,997

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	396,830	567,660
Short-term loans payable	–	100,000
Current portion of long-term loans payable	422,000	422,000
Accounts payable - other	541,977	1,504,917
Income taxes payable	305,597	438,380
Unearned revenue	139,988	699,934
Provision for bonuses	30,962	23,318
Provision for sales returns	200,704	120,858
Provision for after service cost	20,393	14,402
Other	191,251	195,956
<b>Total current liabilities</b>	<b>2,249,705</b>	<b>4,087,428</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,437,000	1,015,000
Long-term unearned revenue	59,606	373,131
<b>Total non-current liabilities</b>	<b>1,496,606</b>	<b>1,388,131</b>
<b>Total liabilities</b>	<b>3,746,311</b>	<b>5,475,559</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,776,817	3,679,656
Capital surplus	1,616,817	4,259,683
Retained earnings	3,471,031	3,898,004
Treasury shares	(438,355)	(3)
<b>Total shareholders' equity</b>	<b>6,426,311</b>	<b>11,837,340</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,345	(778)
Foreign currency translation adjustment	841	(5,211)
<b>Total accumulated other comprehensive income</b>	<b>5,186</b>	<b>(5,989)</b>
Share acquisition rights	72,603	92,087
<b>Total net assets</b>	<b>6,504,101</b>	<b>11,923,437</b>
<b>Total liabilities and net assets</b>	<b>10,250,413</b>	<b>17,398,997</b>

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	9,494,658	14,710,520
Cost of sales	3,214,408	5,608,362
Gross profit	6,280,249	9,102,158
Provision for sales returns	200,704	120,858
Reversal of provision for sales returns	271,951	200,704
Gross profit - net	6,351,496	9,182,004
Selling, general and administrative expenses		
Promotion expenses	498,580	951,951
Salaries	740,505	795,770
Provision for bonuses	20,335	23,318
Business consignment expenses	1,326,003	1,971,724
Advertising expenses	580,464	2,150,473
Other	1,947,664	2,428,981
Total selling, general and administrative expenses	5,113,554	8,322,219
Operating profit	1,237,942	859,784
Non-operating income		
Interest income	266	214
Dividend income	160	249
Foreign exchange gains	18,516	32,024
Contribution for development	5,833	18,347
Gain on redemption of investment securities	2,745	–
Other	1,850	1,463
Total non-operating income	29,372	52,298
Non-operating expenses		
Interest expenses	7,908	5,277
Loss on investments in silent partnership	–	785
Other	676	392
Total non-operating expenses	8,585	6,455
Ordinary profit	1,258,729	905,628
Extraordinary income		
Gain on sales of investment securities	570,292	110,742
Gain on reversal of share acquisition rights	985	–
Total extraordinary income	571,278	110,742
Extraordinary losses		
Loss on valuation of advance payments	12,062	–
Total extraordinary losses	12,062	–
Profit before income taxes	1,817,945	1,016,370
Income taxes - current	547,044	677,990
Income taxes - deferred	9,705	(277,500)
Total income taxes	556,750	400,489
Profit	1,261,194	615,880
Profit attributable to owners of parent	1,261,194	615,880

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	1,261,194	615,880
Other comprehensive income		
Valuation difference on available-for-sale securities	2,971	(5,123)
Foreign currency translation adjustment	(2,522)	(6,053)
Total other comprehensive income	448	(11,176)
Comprehensive income	1,261,643	604,704
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,261,643	604,704
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,771,226	1,611,226	2,401,478	(438,355)	5,345,576
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	5,591	5,591			11,182
Dividends of surplus			(191,642)		(191,642)
Profit attributable to owners of parent			1,261,194		1,261,194
Net changes of items other than shareholders' equity					-
Total changes of items during period	5,591	5,591	1,069,552	-	1,080,734
Balance at end of current period	1,776,817	1,616,817	3,471,031	(438,355)	6,426,311

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,373	3,364	4,737	59,159	5,409,474
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights			-		11,182
Dividends of surplus			-		(191,642)
Profit attributable to owners of parent			-		1,261,194
Net changes of items other than shareholders' equity	2,971	(2,522)	448	13,443	13,892
Total changes of items during period	2,971	(2,522)	448	13,443	1,094,627
Balance at end of current period	4,345	841	5,186	72,603	6,504,101

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,776,817	1,616,817	3,471,031	(438,355)	6,426,311
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	1,902,838	1,902,838			3,805,676
Dividends of surplus			(188,907)		(188,907)
Profit attributable to owners of parent			615,880		615,880
Disposal of treasury shares		740,027		438,351	1,178,379
Net changes of items other than shareholders' equity					-
Total changes of items during period	1,902,838	2,642,865	426,973	438,351	5,411,028
Balance at end of current period	3,679,656	4,259,683	3,898,004	(3)	11,837,340

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	4,345	841	5,186	72,603	6,504,101
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights			-		3,805,676
Dividends of surplus			-		(188,907)
Profit attributable to owners of parent			-		615,880
Disposal of treasury shares			-		1,178,379
Net changes of items other than shareholders' equity	(5,123)	(6,053)	(11,176)	19,483	8,307
Total changes of items during period	(5,123)	(6,053)	(11,176)	19,483	5,419,335
Balance at end of current period	(778)	(5,211)	(5,989)	92,087	11,923,437



## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,817,945	1,016,370
Depreciation	350,510	365,124
Amortization of software	388,732	421,746
Amortization of goodwill	140,455	154,881
Share-based compensation expenses	18,437	24,508
Amortization of trademark right	27,757	23,171
Increase (decrease) in provision for bonuses	(8,978)	(7,643)
Increase (decrease) in provision for sales returns	(71,247)	(79,846)
Provison for after cost periods adustment	1,591	(5,991)
Gain on reversal of share acquisition rights	(985)	–
Interest and dividend income	(426)	(464)
Interest expenses	7,908	5,277
Loss (gain) on sales of investment securities	(570,292)	(110,742)
Loss (gain) on redemption of investment securities	(2,745)	–
Decrease (increase) in notes and accounts receivable - trade	(367,376)	(887,494)
Decrease (increase) in inventories	(150,867)	(1,142,124)
Decrease (increase) in advance payments	(770,096)	176,452
Increase (decrease) in notes and accounts payable - trade	(9,977)	170,827
Increase (decrease) in accounts payable - other	(92,018)	1,008,278
Increase (decrease) in unearned revenue	51,756	559,945
Increase (decrease) in long-term unearned revenue	10,885	313,524
Other, net	(189,317)	(81,693)
Subtotal	581,650	1,924,110
Interest and dividend income received	426	464
Interest expenses paid	(7,519)	(5,326)
Income taxes paid	(755,964)	(573,164)
Net cash provided by (used in) operating activities	(181,406)	1,346,083
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	10,000	–
Purchase of property, plant and equipment	(14,492)	(18,301)
Purchase of software	(493,618)	(750,152)
Purchase of contract based intangible assets-InvCF	(395,640)	–
Purchase of investment securities	(70,513)	(186,451)
Proceeds from sales of investment securities	–	810,027
Proceeds from redemption of investment securities	36,558	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(74,939)	–
Payments for leasehold and guarantee deposits	(457)	(15,600)
Payments from collection of lease and guarantee deposits	2,363	–
Net cash provided by (used in) investing activities	(1,000,739)	(160,478)

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,070,000)	100,000
Proceeds from long-term loans payable	2,110,000	–
Repayments of long-term loans payable	(463,229)	(422,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	7,173	3,785,648
Proceeds from issuance of disposal of treasury stock from exercise of share acquisition rights	–	1,172,203
Proceeds from issuance of share acquisition rights	–	21,180
Cash dividends paid	(191,161)	(189,048)
Net cash provided by (used in) financing activities	(607,217)	4,467,982
Effect of exchange rate change on cash and cash equivalents	(4,038)	2,352
Net increase (decrease) in cash and cash equivalents	(1,793,401)	5,655,939
Cash and cash equivalents at beginning of period	3,699,654	1,906,252
Cash and cash equivalents at end of period	1,906,252	7,562,192