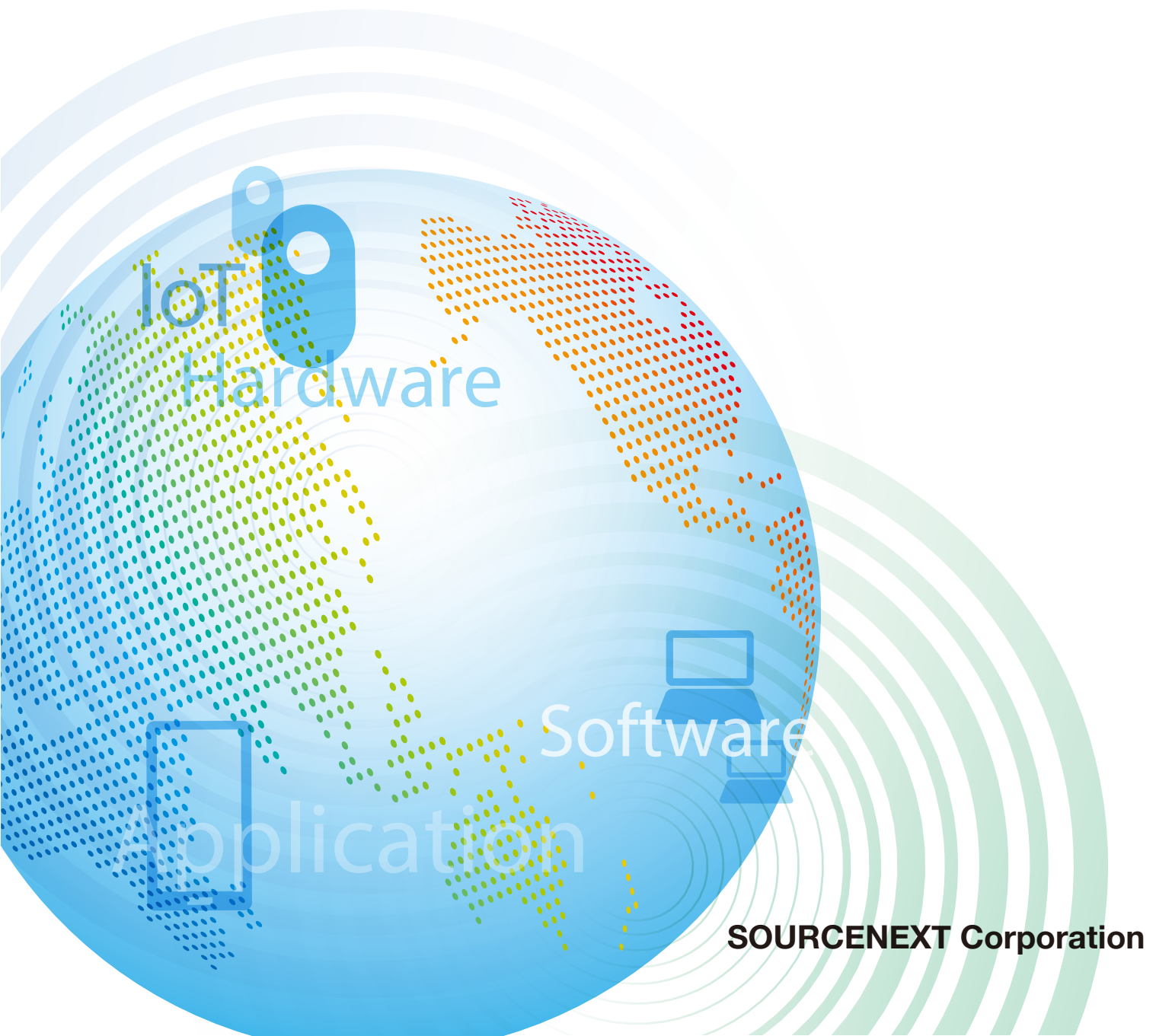


# To Our Shareholders and Investors

Business Report for Fiscal Year ended March 2018  
April 1, 2017 - March 31, 2018



## Greetings

# Expanding Business from Software to Hardware

To all our valued shareholders and investors, I would like to express my warmest gratitude for your continued loyal patronage and hope that this letter finds you well.

Since our founding in 1996, we have upheld our corporate mission of “Creating products that inspire joy and move the world” and have striven to plan and develop new products that would exceed customer expectations. Especially in the recent years, we have actively planned and developed apps for the rapidly growing smartphone app market while also continuing to keep our place in the PC software markets in order to create new businesses which meet the changing times and fulfil the ever-changing needs of our customers. This fiscal year, we finalized acquisitions for making FUDEMAME Co., Ltd. and Rosetta Stone Japan Ltd. our subsidiaries, and as such newly added the “FUDEMAME” postcard creation software and “Rosetta Stone” language learning software to our portfolio of flagship products. In December 2017, we released the “POCKETALK” translation device, our first IoT product. More than 500 companies have made inquiries about POCKETALK following its positive reception, illustrated by the fact that the initial production run sold out a mere eleven days after launch, and by the attention it attracted after being covered by various mass media sources. Backed by growing inbound travel demand running up to the Tokyo Olympics to be held in 2020, major companies across all industries have decided to put POCKETALK to use, demonstrating its widespread appeal. As a result, net sales for the current fiscal year were 9.494 billion yen (1.6% increase from the previous fiscal year). Meanwhile, profit attributable to owners of parent reached a record-level high of 1.261 billion yen (17.8% increase from the previous fiscal year).

I would like to express my deepest gratitude to all our shareholders for your continued support, while providing our assurance that we will persist with our aim of expanding into global markets from a customer perspective in a manner that inspires joy and moves people of the world through our products, under our slogan and origin of our company name, “We Source What’s Next.”

I thank all of you again, from the bottom of my heart, for your kind understanding and encouragement, and look forward to your continued support in the coming future.

SOURCENEXT Corporation  
President and CEO  
**Noriyuki Matsuda**



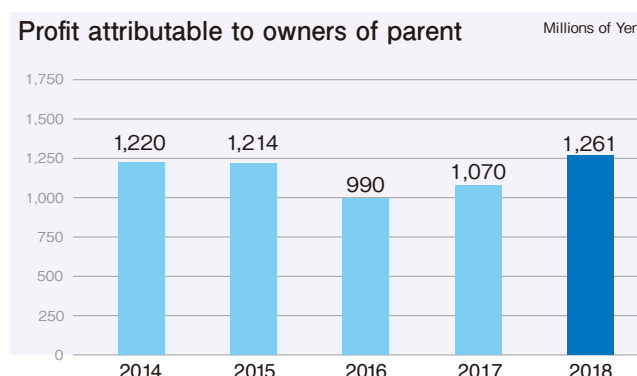
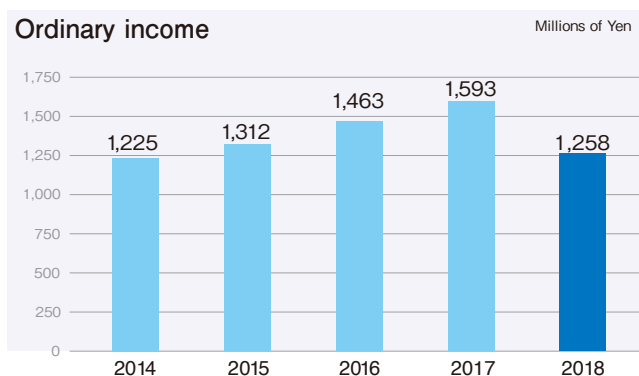
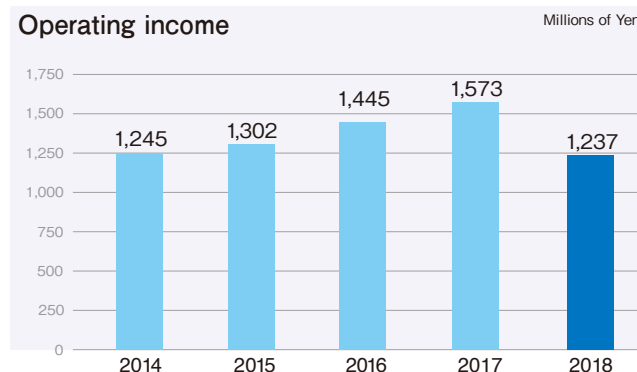
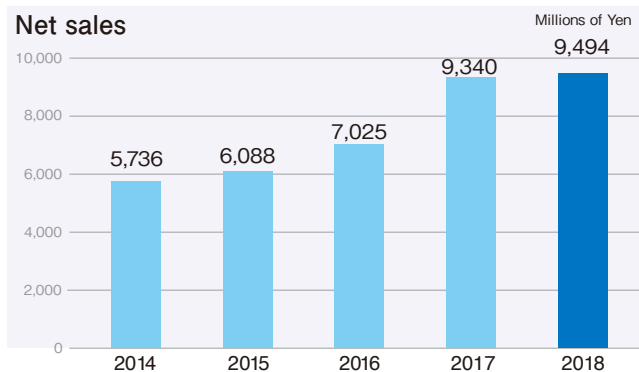
# Consolidated Business Highlights

## Main Highlights

Profit increased year on year despite decreases in operating profit and ordinary profit.

Dividend Payout of 3.05 Yen

(Maintained Dividend Payout Ratio of 15%)



## Forecasts for Next Fiscal Year

	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen	Yen
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share	Annual dividends per share
Six months ending September 30, 2018	6,418	478	480	345	5.57	—
Full year	16,807	2,499	2,502	1,818	29.37	4.4

# Launch of the Innovative “POCKETALK” Translation Device

## SOURCENEXT's First Hardware Product



Released in December 2017, “POCKETALK” is SOURCENEXT's first hardware product. POCKETALK is a compact IoT translation device that enables on-the-spot communication among people who speak different languages. Its ability to provide highly accurate translation across 63 different languages has attracted substantial mass media attention. This new product enables us to move our business in a different direction from that of language learning products with respect to “breaking down language barriers,” which is cited as one of SOURCENEXT's missions.

# POCKETALK



## Many Use Scenarios

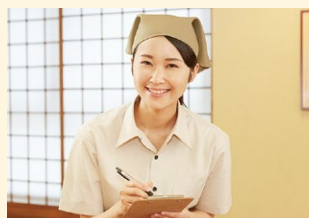
POCKETALK readily enables voice interpretation, at the tap of a button. It can be used for a wide range of purposes given its capability of translating even long passages.



Overseas travel



Business



Serving customers from abroad



Foreign language study

## Functions and Features



### Handles 63 different languages

Select among 63 different languages including English as well as Chinese, Korean, Thai and Vietnamese.



### Usable in 79 different countries/regions worldwide

The device's global SIM card enables accessibility in 79 different countries and regions worldwide, even in locations where Wi-Fi connections are unavailable. (As of April 2018)



### Highly accurate translation

The device draws on the latest in optimal cloud-based translation engines, specific to each language, thereby enabling it to render translations more naturally.



### Approx. 6 hours continuous use

The device features a battery life extending for approximately 6 hours of continuous use, so travelers need not worry about recharging it even on trips lasting several days.

## Products and Services / Hardware

### Looking to the Future in Tapping the Corporate Market

#### From B2C to B2B

As the number of tourists and workers from overseas grows, corporations and other organizations have increasingly been making use of POCKETALK as it comes to generate interest among a wide range of industries as an innovative product that makes it possible to economically overcome communication barriers. Whereas previously SOURCENEXT had been mainly serving the market for general consumers, with POCKETALK the company is now substantially expanding its target market to the corporate realm.

#### Case Studies

##### PEEK-A-BOO, beauty salon

*"POCKETALK helps improve levels of customer satisfaction given that the device conveys nuances of language, which consequently eliminates stress caused by miscommunication."*



We've received many positive comments from our foreign customers, who have praised POCKETALK saying they were "so delighted that they could finally communicate their preferences in hair styles and colorings". Prior to using POCKETALK, we would have to get customers to point to photos and color samples as a means of telling us what they did and didn't want. With POCKETALK, we are now able to smoothly communicate and consequently reduce time spent engaging in customer consultation.

##### Odakyu Planet, large retail facilities

*"Big advantage is that our employees no longer have to deal with anxieties of communicating in a foreign language."*



Not being able to speak a foreign language has always caused our workers to unconsciously build an "unseen wall" between customers but POCKETALK has really helped to break down this barrier. I get the sense that our employees no longer have anxieties against foreigners and foreign languages, now that POCKETALK helps them feel at ease – knowing that they will be able to respond to even the toughest questions, in languages that they are not familiar with. Thanks to the device, I am seeing more smiling faces among our staff members.

#### Companies Using POCKETALK

##### Public transportation



##### Wi-Fi rental & other rental businesses



##### Mail order sales agency



##### Education



##### Hotels and guesthouses



##### Others

Retail stores, restaurants, service industries, factories and construction sites, travel agencies, schools, local governments, tourist spots, etc.



Shiseido Japan Co., Ltd.



株式会社 静鉄リテイリング



Isetan Mitsukoshi Ltd., etc.



# Providing Various Products and Services with Focus on Smartphone Apps

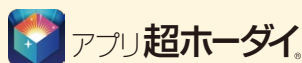
## Software — the Foundation of SOURCENEXT's Business

SOURCENEXT has developed a seamless framework of business extending from software planning and development to sales and support, along with various sales channels, built up over its 21 years in business thus far. This constitutes the foundations of SOURCENEXT's business, and the source from which POCKETALK emerged. Our business has expanded from software geared to personal computers to that used with smartphones. Indeed, the realm of applications for software continues to grow.

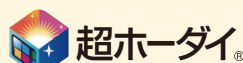
## All-You-Can-Use Services

Taking advantage of our product lineup, we have been focusing on our flat-rate, "all-you-can-use" services. Meanwhile, our sales channels have been expanding to wide-ranging business sectors as a result of providing apps on an OEM basis.

Service Name	Platform	Provided To
CHOU HODAI	For PC Users	Internet service providers, Cable TV service providers, MVNO Smartphone dealers, PC schools, Smartphone / PC shops, etc.
Apps CHOU HODAI	For Smartphone Users	



An "all-you-can-use" monthly app subscription service with over 100 apps to choose from.



This service enables users to download and use all the software they want from a select lineup of 120 applications – which includes popular titles such as "Super Security" top-performing antivirus software.



## Smartphone Apps

### A New Way of Providing Apps

SOURCENEXT provides apps to the monthly subscription services of all 3 major carriers in Japan, and have 99 titles accepted to these services.



Providing Apps Since	Carrier	Service Name	Number of Apps Provided
March 2012	KDDI	"au SmartPass"	42
June 2013	NTT DoCoMo	"SugoToku Contents"	25
August 2014	Softbank Mobile	"App Pass"	32

(As of May 2018)

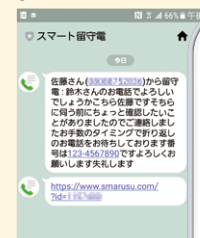
### World's First Voice Messaging Service with LINE Integration

The number of service contracts has been increasing with respect to the "Smart RUSUDEN" voice message to text service that enables users to read their voice messages either on the spot, or through Email or LINE (messaging service).

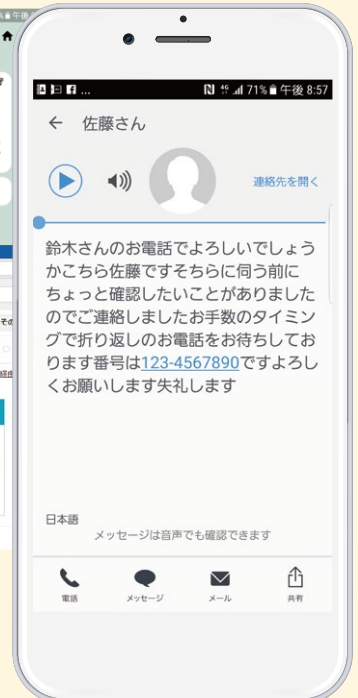
Smart RUSUDEN



on LINE



on Email



## Products and Services / Hardware

### PC Software

#### The World Famous, Language Learning Software “Rosetta Stone”

We obtained the rights to sell the world renowned language learning software, “Rosetta Stone” which covers 24 different languages and also acquired the Japanese subsidiary of Rosetta Stone in June 2017. We have been actively promoting development of new products as well as the capability to offer software on multiple platforms including personal computers, smartphones and tablet devices.



#### “ZERO” Remains the Top Choice in Antivirus Software

The “ZERO” series of antivirus software with no renewal fee has earned top ranking two years in a row for security software products that customers consistently turn to, according to a survey of individual manufacturers conducted by BCN. “ZERO” has been very well received.



##### ZERO Virus Security

A cumulative total of 10 million users, and being used in over 3,000 companies.



##### ZERO Super Security

This product is equipped with the Bitdefender engine, which won the “Product of The Year” award from AV-Comparatives upon having achieved top scores four years in a row.



AV-Comparatives (Austria) is an independent testing institute which conducts tests and evaluates security products from around the world.

#### Increased Shares in the Postcard Creation Software Category

SOURCENEXT aims to capture no less than 70% market share on a Group-wide basis, with its ownership of exclusive marketing rights to SOURCENEXT product “FUDEOH,” the top-selling “FUDEMAME” product of subsidiary FUDEMAME Co., Ltd., and “ATENA SHOKUNIN” which has the top share of the Mac postcard creation category.



### User Services

#### Over 15 Million Registered Users

Since year 2000, SOURCENEXT have been running an EC site and marketing various software and hardware products. The total number of registered users now exceed 15 million, and we believe that these registered users are our most valuable assets, and by providing better services to each individual registered users on a personal level, we will be able to increase repeat users and continue to build a strong relationship with our customers.



1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

# The History of SOURCENEXT

SOURCENEXT has always striven to challenge the norms and redefining standards. This philosophy will continue to remain at the heart of our products and services.

## Redefining "Usability"

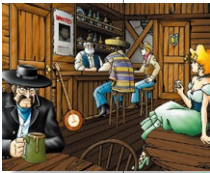
"KYOU SOKU 95" requires no operations other than installing the program

"KYOU SOKU 95" on sale



SOURCE Corporation Founded

"TOKU-UCHI" - designed with a menu without "words"



A typing software based on illustrations instead of a "key board on the screen"

"TOKU-UCHI" on sale



"KEIKAI DENWA" on sale



Company Name changed from SOURCE Corporation to SOURCENEXT Corporation

First in software industry to adopt "Mileage Services"



E-commerce site opened



"Reassurance Policies" started

TV Commercial "Muay Thai" wins the Silver Award at the "40th ACC CM FESTIVAL"

## Revolutionizing "Price"



"KYOU SOKU ADSL" on sale



"Virus Security" on sale



"IKINARI PDF" on sale

Introduction of "Packages with unfolding cover page"



Partnership with KOEI Corporation



Amazed the industry by setting the Price of software to 1,980 Yen

"Software Priced at 1980 Yen" wins the "Prize of Excellence" from the Nikkei Products / Services Award and also the "Nikkei MJ Award"

Listed on Mothers



"Virus Security ZERO" on sale

## Revolutionizing Security

Broke away from old security industry standards and set annual renewal fees to 0 Yen. Selected as the "2006 Hit Products Awards" presented by SMBC Consulting.

Internet  
Windows

Broadband

Security



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017



"FUDEOH" on sale



"B's Recorder" on sale

Listed on the First Section of the Tokyo Stock Exchange

"U-Memo" series on sale



"CHOUJIMAKU" on sale



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Partnership with Evernote



Began providing iPhone apps



"Super Security ZERO" on sale



"Android GENSEN Apps" series launched. Began development / sales of Android based applications "Android GENSEN Apps" series launched.



iPhone version of "CHOUJIMAKU" on sale

Number of registered users surpasses 10 million

SOURCENEXT Inc. founded



Android App  
Started Providing Apps to "au Smart Pass"



Started Providing Apps to "SugoToku Contents"



Partnership with Dropbox

Revolutionizing the Methods for Providing Software



"CHOU HODAI" and "Apps CHOU HODAI" series launched

"CHOU HODAI" (all you can use PC software) service started with over 120 software. "Apps CHOU HODAI" (all you can use Android apps) service started with over 100 apps.

Revolutionizing "Translation Devices"



Launched "POCKETALK" translation device

Smartphone

IoT AI

What's Next

# Consolidated Financial Statements (Summary)

## Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets	6,398	6,303
Cash and deposits	3,699	1,906
Non-current assets	3,474	3,947
Property, plant and equipment	286	247
Intangible assets	2,697	3,224
Investments and other assets	490	475
<b>1 Total assets</b>	<b>9,873</b>	<b>10,250</b>
<b>Liabilities</b>		
Current liabilities	4,443	2,249
Non-current liabilities	19	1,496
Total liabilities	4,463	3,746
<b>Net Assets</b>		
Shareholders' equity	5,345	6,426
Accumulated other comprehensive income	4	5
Share warrant	59	72
<b>Total net assets</b>	<b>5,409</b>	<b>6,504</b>
<b>Total liabilities and net assets</b>	<b>9,873</b>	<b>10,250</b>

Current Ratio	144.0%	280.2%
Quick Ratio	120.3%	175.0%
Equity Ratio	54.2%	62.7%

## Consolidated Statements of Income

Millions of Yen

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
<b>2 Net sales</b>	<b>9,340</b>	<b>9,494</b>
Cost of sales	3,231	3,143
<b>Gross profit</b>	<b>6,109</b>	<b>6,351</b>
Selling, general and administrative expenses	4,536	5,113
<b>Operating income</b>	<b>1,573</b>	<b>1,237</b>
<b>3 Ordinary income</b>	<b>1,593</b>	<b>1,258</b>
<b>Profit before income taxes</b>	<b>1,577</b>	<b>1,817</b>
<b>Total income taxes</b>	<b>507</b>	<b>556</b>
<b>4 Profit attributable to owners of parent</b>	<b>1,070</b>	<b>1,261</b>

## Consolidated Statements of Cash Flows

Millions of Yen

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
<b>5 Cash flows from operating activities</b>	<b>1,402</b>	<b>△181</b>
<b>6 Cash flows from investing activities</b>	<b>△2,235</b>	<b>△1,000</b>
<b>7 Cash flows from financing activities</b>	<b>1,353</b>	<b>△607</b>
Effect of exchange rate change on cash and cash equivalents	1	△4
Net increase in cash and cash equivalents	522	△1,793
Cash and cash equivalents at beginning of period	3,176	3,699
Cash and cash equivalents at end of period	3,699	1,906

# Consolidated Financial Statements (Summary)

## 1 Total assets

Current assets decreased by 95 million yen in comparison with the previous fiscal year despite POCKETALK purchases and increases particularly in software assets. The decrease is attributable to a decline in cash and deposits due to payments for contract based intangible assets of Rosetta Stone acquired in the previous fiscal year.

## 2 Net sales

In the first half we added our subsidiary's "FUDEMAME" and "Rosetta Stone" to our portfolio of flagship products, and started selling products such as "Corel" software which is popular overseas. In the latter half of the fiscal year, we launched our "POCKETALK" automatic translation device as our first IOT product, which contributed greatly to sales. As a result, net sales increased by 1.6% from the previous fiscal year, to 9.494 billion yen.

## 3 Ordinary profit

Selling, general and administrative expenses increased largely due to amounts incurred for personnel expenses of FUDEMAME Co., Ltd. which became a subsidiary in the current fiscal year, amortization of goodwill pertaining to subsidiary acquisition, and advertising and promotional expenses partially incurred with respect to "Rosetta Stone" and "POCKETALK" press releases. As a result, our ordinary profit ended at 1.258 billion yen, with the ordinary profit ratio at 13.3%.

## 4 Profit attributable to owners of parent

Extraordinary income was generated through a gain on sales of investment securities.  
As a result, profit attributable to owners of parent increased by 17.8% from the previous fiscal year, to 1.261 billion yen.

## 5 Cash flows from operating activities

Net cash used in operating activities amounted to 181 million yen as of the end of the current fiscal year, in comparison with net cash provided by operating activities of 1,402 million yen as of the end of the previous fiscal year. This was mainly attributable to increased outflows of 270 million yen due to a decrease in provision for sales returns, increased outflows of 334 million yen due to an increase in advance payments and an increase of 450 million yen in income taxes paid.

## 6 Cash flows from investing activities

Net cash used in investing activities amounted to 1.0 billion yen, which is a decrease in outflows of 1.234 billion yen in comparison with the end of the previous fiscal year. This was mainly attributable to a decrease of 638 million yen in purchase of contract based intangible assets, a decrease of 291 million yen in purchase of property, plant and equipment, and a decrease of 115 million yen in purchase of trademark rights.

## 7 Cash flows from financing activities

Net cash used in financing activities amounted to 607 million yen as of the end of the current fiscal year, in comparison with net cash provided by financing activities of 1.353 billion yen as of the end of the previous fiscal year. This was mainly attributable to 2.070 billion yen in repayment of short-term loans payable and 2.110 billion yen in proceeds from long-term loans payable during the current fiscal year.

## Sales based on Different Channels

### SOURCENEXT eSHOP (EC site)

#### Successful Trade Fair Showcasing Five Core Brands, Including “POCKETALK” and “Rosetta Stone”

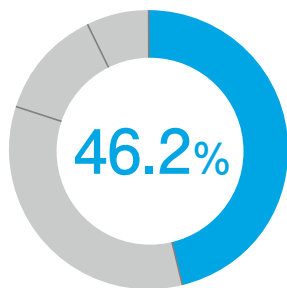
In this sales channel, we mainly focused on selling our software products and PC-related hardware products through our “SOURCENEXT eSHOP” (online store) and due to the strong sales of the below listed products, net sales resulted in 4.39 billion yen (9.6% increase from the previous fiscal year).

- “POCKETALK”
- Language learning program “Rosetta Stone”
- Postcard creation software “FUDEOH,” “FUDEMAME” and “ATENA SHOKUNIN”
- “VEGAS” video editing software
- “PaintShop” image editing software
- Software compatible with Office 2016
- “ThinkFree office NEO”
- New versions launched for popular lineups “PITARI SHIKAKU,” etc.

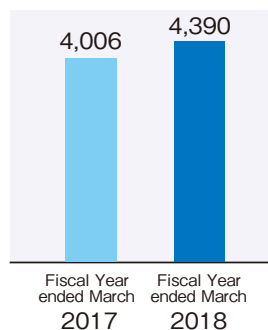


**Net Sales** 4.39 billion yen  
(9.6% increase from the previous fiscal year)

#### Sales distribution ratio



#### Sales (units: million yen)



### Smartphone Businesses (Mobile Carriers)

#### Sales Lower Despite Increase in Content Offerings, Largely as a Result of Having Overhauled Ad Distribution

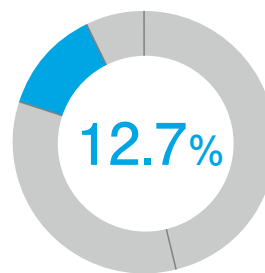
In this sales channel, we have been giving focus to providing content to the “all-you-can-use” application subscription services of Japan’s 3 major mobile carriers, and to inter-product connectivity and resident functions. However, we have taken further steps to partially overhaul our advertising distribution amid a scenario where revenues to be distributed have been limited due to a slower pace of increase in subscribers of the flat-rate, “all-you-can-use” application subscription services provided by the respective carriers. As a result, net sales have decreased to 1.206 billion yen (22.8% decrease from the previous fiscal year).

- au Smart Pass (KDDI): 42 apps provided (previous fiscal year: 35 apps)
- App Pass (SoftBank): 32 apps provided (previous fiscal year: 27 apps)
- SugoToku Contents (NTT DoCoMo): 6 sites / 25 apps (previous fiscal year: 5 sites / 23 apps)

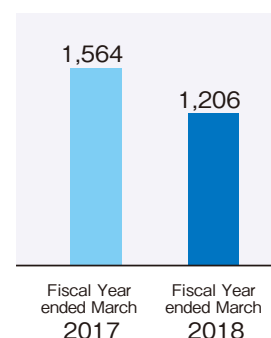


**Net Sales** 1.206 billion yen  
(22.8% decrease from the previous fiscal year)

#### Sales distribution ratio



#### Sales (units: million yen)





## Sales based on Different Channels

### Electronic Retail Stores and Other EC Sites

#### “POCKETALK” Sales Demonstrations and Commemorative Promotional Campaign to Mark 10 Million Security Software Registrations

In this sales channel, we focus on selling our consumer products to electronic retail stores and also to other (non-SOURCENEXT) EC sites. The below are the activities carried out in this fiscal year and net sales resulted in 3.206 billion yen (6.5% decrease from the previous fiscal year)

- Language learning program “Rosetta Stone”
- Postcard creation software “FUDEOH,” “FUDEMAME” and “ATENA SHOKUNIN”

Revised sales promotion materials and redoubled product development efforts in conjunction with release of new software titles

- “Virus Security”

Carried out commemorative promotional campaign to mark 10 million product registrations

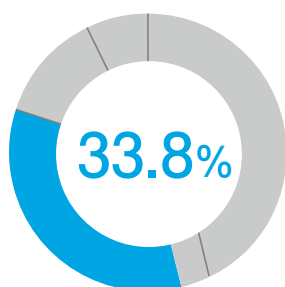
- “POCKETALK”

Arranged product displays and sales demonstrations particularly in large retail stores, geared to heightening product recognition among shoppers

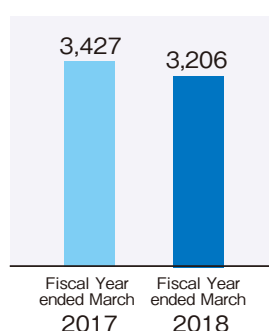


**Net Sales** 3.206 billion yen  
(6.5% decrease from the previous fiscal year)

#### Sales distribution ratio



#### Sales (units: million yen)

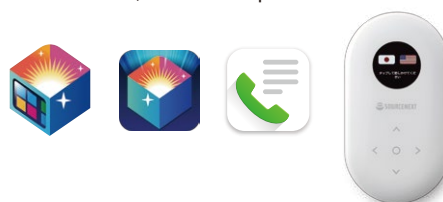


### Others

#### Launch of Rental Service of New Product “POCKETALK” for Corporate Users

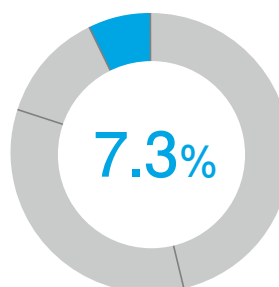
In this sales channel, we have been offering our “CHOU HODAI” and “Apps CHOU HODAI” flat-rate, “all-you-can-use” application service for personal computers and Android devices focused on major cellphone stores. We have also been offering our “Smart RUSUDEN” application for reading voice messages, and began offering our “POCKETALK” rental service to corporate users in December 2017. As a result, with the addition of sales in subsidiaries, net sales increased to 691 million yen (101.5% increase from the previous fiscal year).

- “CHOU HODAI” and “Apps CHOU HODAI”
- “Smart RUSUDEN,” an app which transcribes and allows users to READ their voice messages
- Offering “POCKETALK” rental service for corporate users  
Now offering the service to airlines, railways, large retail facilities and other corporate users who generate high demand from inbound travel, as well as department stores and drug stores

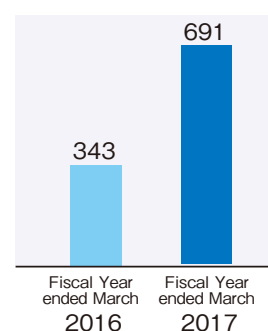


**Net Sales** 691 million yen  
(101.5% increase from the previous fiscal year)

#### Sales distribution ratio



#### Sales (units: million yen)



## TOPICS

### Ranked 10th in "Great Place to Work®"



The "Great Place to Work®" is one of the largest institutions in the world which runs surveys and awards companies that are determined to be great workplaces by their workers. In the "Great Place to Work" Ranking (for companies with 100-999 workers) in the Japanese region, SOURCENEXT was ranked 10th in 2018.

### Ranked 2nd in "Great Place to Work® For Women"



In addition to ranking 10th in the "Great Place to Work" Ranking, SOURCENEXT was also ranked 2nd in the "Great Place to Work for Women" Ranking (for companies with 100-999 workers) in the Japanese region in 2018.

### Equity Financing in Preparation for Investment in In-house Product Development and M&A

At its meeting held on May 15, 2018, SOURCENEXT's Board of Directors resolved to issue 9th and 10th series subscription rights to shares by means of third-party allotment. As an IoT device manufacturer, we will use these funds to focus on carrying out in-house development of POCKETALK and other products, promoting our products, and expanding our sales channels worldwide.

#### Aims of financing

- Redoubling efforts to develop new products equipped with proprietary functions, particularly IoT products
- Stepping up advertising and promotion geared to further expanding our user demographic
- Acquiring large brands through M&As, acquisitions of intellectual property, etc.

### No.1 in the Number of Units Sold in 8 Categories



No. 1 in number of units sold for 2017, based on software vendors. Extracted "PDF/OCR, Translation" from "Business" category, "Hobbies/Mobile/Typing" extracted from "Practical Use," "Video Editing/DVD-Related" extracted from "Graphics," "Language Study & Testing / PC Software Training" extracted from "Educational" category. According to GfK Japan research on sales data of major domestic electronics retailers

## Frequently Asked Questions

**Q. What is your most popular product / service?**

**A. The “ZERO” security software series and the “POCKETALK” bidirectional translation device which we released last year.**

“ZERO Virus Security” has a cumulative total of 10 million users. (as of October 31, 2017) Moreover, the “POCKETALK” bidirectional translation device has been so wildly popular since its launch in December 2017, that supply could hardly keep up with demand. In addition to this, POCKETALK was ranked No.1 in the Nikkei Sangyo Shimbun’s new product ranking for October – December 2017.

**Q. What are your thoughts on premium redemptions to shareholders?**

**A. We are committed to firmly maintaining a policy of paying stable dividends.**

The basic dividend policy is to implement the distribution of profits with comprehensive consideration of performance, the dividend payout ratio and the amount of investment required for medium- and long-term corporate growth. For the fiscal year ended March 31, 2018, the Company has paid out dividends on the basis of a 15% dividend payout ratio. For the fiscal year ending March 31, 2019, the Company also plans to pay dividends on the basis of a 15% dividend payout ratio upon considering business conditions. Going forward, we are committed to firmly maintaining a policy of paying stable dividends while taking business conditions into account.

**Q. What are your future business strategies?**

**A. We will rapidly expand our “POCKETALK” business.**

We will place further focus on sales of our “POCKETALK” bidirectional translation device which was released in December 2017. This will involve actively promoting expansion of channels that include sales to corporate and overseas users, in addition to our existing market geared to consumers in Japan. Moreover, in the overall IoT field we will work to broaden our product lineup by actively forming partnerships with leading companies worldwide.

**Q. Does SOURCENEXT have an established regulatory compliance program?**

**A. Yes, we have established a culture of treating compliance with utmost importance.**

In our corporate philosophy of “becoming the most exciting company in the world,” we define “exciting” to mean “being genuinely good,” “creating happiness,” and “having fun,” and we are fostering a culture that expects our people to do the right thing. Moreover, in addition to requiring our employees to undergo training and do a test at the time of entering the company and once a year thereafter, regardless of the form of their employment with the company, we also teach via other methods such as through the activities of committees composed of employees. Furthermore, as a response for actions that arouse suspicions as to whether they are within laws and regulations, we have established the “Corporate Ethics Hotline” that provides the means for all employees to make an anonymous report to the company via an independent organization with no relationship of interest with our company.

# Shareholders' Notes

## Fiscal Year

From April 1 to March 31 of the following year

## Annual Meeting of Shareholders

June of every year

## Record Date

For Annual Shareholders' Meeting: March 31, every year

For Year-end Dividend: March 31, every year

If others are deemed necessary, the dates will be as notified in advance

## Shareholder Registry Administrator and Transfer Account Management Institution for Special Accounts

1-4-4 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Group

## Shareholder Registry Administrator Office

1-4-4 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Group Transfer Agent Dept.

(Mailing Address) 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063

Sumitomo Mitsui Trust Group Transfer Agent Dept.

(Telephone Number) 0120-782-031

(Internet Homepage URL) <http://www.smtb.jp/personal/agency/index.html>

(Regarding changes in registered address and referencing information regarding shares)

Shareholders who have an account opened with a securities company, who need to make changes to their registered address or need to reference any records, please contact the securities companies for which the account is opened for. For shareholders who do not have an account at any securities company, please make inquiries to the telephone number noted above.

(Regarding Special Accounts)

For shareholders who are not using Japan Securities Depository Center for their electronic stock certificates, we have prepared an account (special account) at the above Tokyo Sumitomo Mitsui Trust Group. For address changes and referrals regarding these special accounts, please contact the above telephone number.

## Method of Notification

Notification will be made public electronically (<http://sourcenext.co.jp/>), but in any cases where notification via electronic publication is not possible, the information will be made public through the Nihon Keizai (Nikkei) Shimbun.

## Securities Code

4344

## Traded

Tokyo Stock Exchange (First Section)

## SOURCENEXT CORPORATION

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