

To Our Shareholders and Investors

Business Report for Fiscal Year ended March 2019
April 1, 2018 - March 31, 2019



Greetings

“POCKETALK” as De Facto Standard for Translating Device

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. Currently we are expanding our business in the IoT products field while also continuing to keep our place in the smartphone app and PC software markets in order to create new businesses which meet the changing times and fulfil the ever-changing needs of our customers. During the fiscal year, our newly launched “POCKETALK® W” AI translation device received a lot of media coverage, and business performance was solid. By improving POCKETALK’s exposure through train and taxi advertisements, TV commercials, infomercials, and other forms of media to enhance product awareness, and by expanding sales channels and entering the U.S. and European markets, cumulative shipments exceeded 400,000 units as of April 2019. As a result, net sales for the current fiscal year were 14.710 billion yen (54.9% increase from the previous fiscal year). A substantial increase in advertising expenses as an investment towards making “POCKETALK” the new standard in translating devices led to an increase in selling, general and administrative expenses. Consequently, operating profit for the current fiscal year was 859 million yen (30.5% decrease from the previous year), and ordinary profit was 905 million yen (28.1% decrease).

I would like to express my deepest gratitude to all our shareholders and investors for their continued support and would like to assure you that we will continue to strive to meet our shareholders' expectations and to stay true to our slogan - "Creating products that inspire joy and move the world".

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.



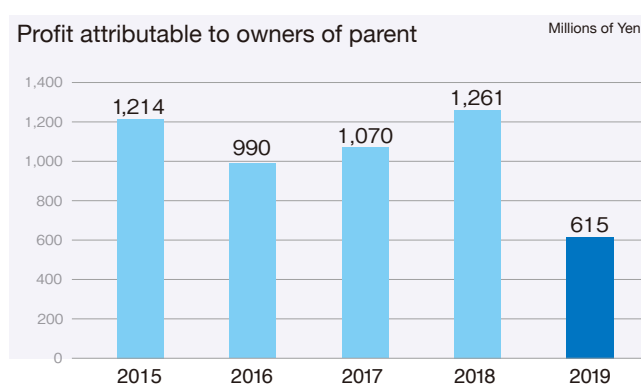
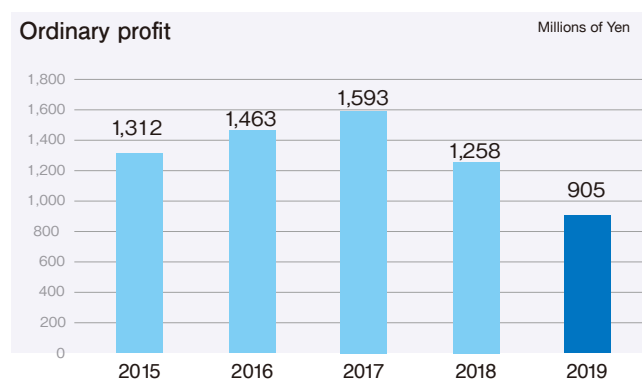
SOURCENEXT Corporation
President and CEO
Noriyuki Matsuda

Consolidated Business Highlights

Main Highlights

Net sales increased substantially due to “POCKETALK”. Profits decreased year on year largely due to increase in selling, general and administrative expenses for promoting product awareness.

Dividend Payout of 0.68 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	202	200	140	1.03	—
Full year	20,021	1,605	1,601	1,120	8.23	1.23

Products and Services

NEWS

Launch of in-house developed “POCKETALK W” AI translation device

In September 2018, SOURCENEXT released the new model AI (artificial intelligence) translation device “POCKETALK W.” Unlike the first model jointly developed with another company, POCKETALK W is a complete in-house creation, from development to production. In addition to reflecting feedbacks and requests from users of the first model, for this product we pursued maximum user-friendliness, in view of our mission of “breaking down language barriers.” The device handles 74 different languages. Conversation is easy, even between people who don’t understand each other’s language. “POCKETALK W” represents our first step as an IoT product manufacturer.



Usable in more than 120 different countries

With a built-in mobile data plan that works in various countries, you can use it right out of the box by simply charging it, no settings necessary.

Highly accurate translations

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

Many Use Scenarios

With POCKETALK, you can translate even some longer passages by simply talking while pressing a button. It can be used for a wide range of purposes.



Overseas travel



Business



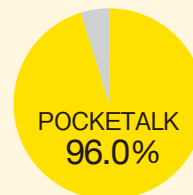
Serving customers
from abroad



Foreign language study

Awards and achievements

Since its release, POCKETALK has received support and praise from various quarters, including our customers as well as the media.



Audio-based
translation device
market shares in
April 2019
Source: BCN Inc.



Won Grand Prize
at the 2018 Nikkei
Superior Products
and Services
Awards - Nikkei
Awards for
Excellence (Nikkei
Inc.)



Won the mobile
computing
category for
Innovation Awards
at ShowStoppers
at the IFA 2018
held in Germany in
August, one of the
largest consumer
electronics shows
in the world.



TV commercial featuring Sanma Akashiya

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

From passive to active customer service Increased purchases per customer, contributed to improved “omotenashi” (hospitalities)

Tower Records



Translations are accurate, making communication with customers easier. Almost no mistranslations like those you get with free translation services online, and the speech-pattern is not overly polite but just like a natural conversation. The device is really small, light around the neck, doesn't get in your way. Even though there's always background music playing in the store, it can pick up conversations perfectly. It's extremely helpful, and now we can hardly imagine working without one. It enables us to engage in actual two-way conversations with customers, which brings so much joy to our staff.

POCKETALK accurately translated matters unique to eyewear retailers that are difficult to explain even to Japanese customers.

JINS



We used the device to explain to a customer that “We'd like to make you a pair of glasses, but for that you need a prescription.” Hearing this, the customer nodded in understanding and answered “Okay, if that's the case, I'll get one and come again.” What's amazing is that, above and beyond conveying a simple yes or no, it seems like our feelings and nuances were correctly interpreted.

Used by more than 500 companies

POCKETALK is currently being used in diverse businesses and industries, including public transportation, WiFi rental, cosmetics and drug stores, retail, restaurants, hospitality, travel, accommodation facilities, and rental services.



Active investment and business collaboration

Business collaboration with Spigen Korea Co., Ltd.

In expanding POCKETALK's presence in South Korea, we teamed up with Spigen in the hope of increasing sales via diverse channels, leveraging its well-known brand and distribution network.

Acquisition of shares of Tabinaka, Inc.

Tabinaka, Inc. runs “Tabinaka,” a website where travelers can book tours and activities for their destinations abroad. Going forward, it aims to offer more than just reservations but provide services that meet the mid-travel needs and overseas consumption trends of travelers. Their business is compatible with our “POCKETALK” AI translation device business, and acquiring shares can lead to enhancing product awareness among travelers going abroad and expanding sales.

Products and Services

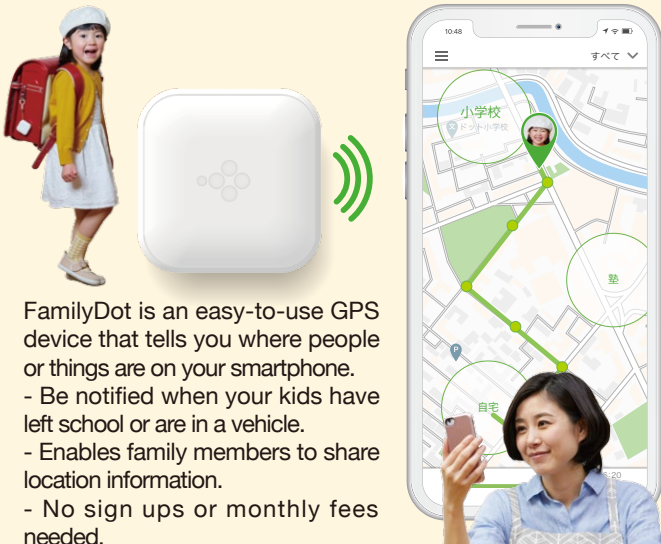
“From Apps to Hardware, We Continue to ‘Source What’s Next’”

IoT Products

From a software company to IoT company

In March 2019, we made a press announcement of the location monitoring device “FamilyDot,” our next IoT product following “POCKETALK.” Leveraging our know-how in software development, we intend to actively promote product development as an IoT device manufacturer.

FamilyDot™

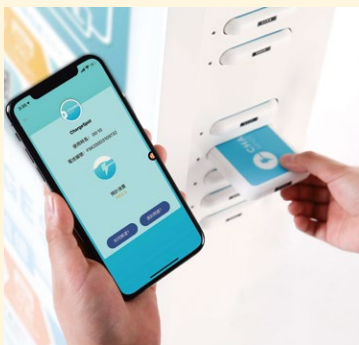


FamilyDot is an easy-to-use GPS device that tells you where people or things are on your smartphone.

- Be notified when your kids have left school or are in a vehicle.
- Enables family members to share location information.
- No sign ups or monthly fees needed.

Sharing Services

Collaboration with Inforich Inc., provider of the portable battery charger sharing service “ChargeSPOT”



When your battery runs out and you need to recharge on the go, this service allows you to easily locate and rent a portable charger using an app, at one of the many battery stands operated by Inforich, Inc.

Smartphone Apps

Providing Apps to the 3 Major Mobile Carriers

SOURCENEXT provides apps to the monthly subscription services of all 3 major carriers in Japan, and have 98 titles accepted to these services.

Providing Apps Since	Carrier	Service Name	Number of Apps Provided
March 2012	KDDI	“au SmartPass”	38
June 2013	NTT DoCoMo	“SugoToku Contents”	26
August 2014	Softbank Mobile	“App Pass”	34

(As of April 2019)

Example of apps provided



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).



Products and Services / Hardware

All-You-Can-Use Services

New Way of Apps

SOURCENEXT is leveraging our unique ability to handle a large number of apps from a wide range of fields to focus on providing flat-rate, “all-you-can-use” services. In addition to selling this as our own product, our sales channels have been expanding to wide-ranging business sectors as a result of actively providing apps on an OEM basis.

Service Name	Platform	Provided To
Apps CHOU HODAI	For Smartphone Users	Internet service providers, Cable TV service providers, mobile virtual network operators (MVNOs), PC schools, smartphone/PC shops, etc.
CHOU HODAI	For PC Users	



アプリ超ホーダイ®



超ホーダイ®



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



Users can download and use all the software they want from a lineup of 120 applications, including the world's top performing antivirus software “Super Security.” One-year, three-year, and monthly versions available.

製品名	
	スーパーセキュリティ 3台用 マルチOS版 組み合わせた自由で3台まで使える、世界最高レベル性能のセキュリティ対策ソフト ソースネクスト株式会社
	超ブルーライト削減 Ver.2 (5台用) 簡単にスマホ/タブレットの画面から出るブルーライトを削減できるソフトです。(Windows 5台用) ソースネクスト株式会社
	いきなりPDF Ver.5 BASIC 最もよく使うPDFの作成、組み替え、編集の機能に絞ったお求めやすい基本版 ソースネクスト株式会社
	筆王Ver.23 NEW 年賀状ソフト ・新元号対応。かんたん。お導。高性能。 ・5枚のパソコンで使える ソースネクスト株式会社
	Paintgraphic 4 Pro 画像編集ソフト ・低価格で本格的な画像編集ソフト ・Photoshop形式も対応 ソースネクスト株式会社
	カンタン 切り抜き写真2 写真からドラッグするだけで人や物を切り抜くことができる。画像加工ソフトです。 ソースネクスト株式会社
	満足素材 ロイヤリティフリーの20,000点以上の写真とイラスト素材 ソースネクスト株式会社
	100万人のための3D麻雀 人間的な思考を迫った、本格的4人打ち麻雀 株式会社アンリックス
	信長の野望-蒼天録 with パワーアップキット 「信長の野望-蒼天録」本体と、新しい楽しみ方を提案するパワーアップキットのセット 株式会社コーエーテクモゲームス

PC Software

The World Famous, Language Learning Software “Rosetta Stone”



We obtained the rights to sell the world renowned language learning software “Rosetta Stone,” available for 24 languages, and also acquired the Japanese subsidiary of Rosetta Stone in 2017. Under our mission of “breaking down language barriers,” we have been actively promoting development of new products as well as making them accessible online to allow use on smartphones and tablets.

Increased Shares in the Postcard Creation Software Category



As a group we gained more than 70% share in the postcard creation software market, with the top-selling “FUDEMAME” of subsidiary FUDEMAME Co., Ltd., our own copyrighted product “FUDEOH,” and “ATENA SHOKUNIN” for Mac which became No. 1 in that category.

“ZERO” became the most recommended antivirus software.



In 2016 and 2017 the “ZERO” series antivirus software with no renewal fee was ranked No. 1 in a survey of individual manufacturers by BCN as the product customers would like to continue using, and in 2018 was ranked as the No. 1 software that customers would like to recommend to others.

No. 1 in the Number of Units Sold in 7 Categories

No. 1 in number of units sold for 2018, by software vendors. Data for “PDF” extracted 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.” According to GfK Japan research on sales data of major domestic electronics retailers

User Services

Over 17 Million Registered Users

We operate our own EC site, mostly focused on sales via downloads. Customers who purchase a product and get registered as users are encouraged to purchase again through after-sale upgrades, discounts, etc. The total number of registered users now exceed 17 million, making it a major source of income for the Company.



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"

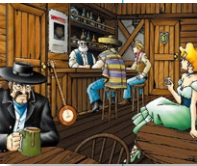
"KYOUSOKU 95" requires no operations other than installing the program

"KYOUSOKU 95" on sale



SOURCE Corporation Founded

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



A typing software based on illustrations instead of a "keyboard 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

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



"Reassurance Policies" started

Revolutionizing "Price"



"KYOUSOKU 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 2018

Listed on the First Section of the Tokyo Stock Exchange

"U-Memo" series on sale



"CHOUJIMAKU" on sale



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"FUDEOH" on sale



"B's Recorder" on sale



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

Smartphone

SOURCENEXT Inc. founded



Started Providing Apps to "SugoToku Contents"



Android App Started Providing Apps to "au Smart Pass"



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.

Started Providing Apps to "App Pass"

Revolutionizing "Translation Devices"



Launched "POCKETALK" translation device



Launched the in-house developed "POCKETALK" translation device

Started in-house development of IoT devices

2019



Announced "FamilyDot" location monitoring device

IoT AI

SOURCENEXT B. V. founded

What's Next

Consolidated Financial Statements (Summary)

Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets	6,303	13,084
Cash and deposits	1,906	7,562
Non-current assets	3,947	4,314
Property, plant and equipment	247	203
Intangible assets	3,224	3,023
Investments and other assets	475	1,087
1 Total assets	10,250	17,398
Liabilities		
Current liabilities	2,249	4,087
Non-current liabilities	1,496	1,388
Total liabilities	3,746	5,475
Net Assets		
Shareholders' equity	6,426	11,837
Accumulated other comprehensive income	5	△5
Share acquisition rights	72	92
Total net assets	6,504	11,923
Total liabilities and net assets	10,250	17,398

Current Ratio	280.2%	320.1%
Quick Ratio	175.0%	256.4%
Equity Ratio	62.7%	68.0%

Consolidated Statements of Income

Millions of Yen

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
2 Net sales	9,494	14,710
Cost of sales	3,143	5,528
Gross profit	6,351	9,182
Selling, general and administrative expenses	5,113	8,322
Operating profit	1,237	859
3 Ordinary profit	1,258	905
Profit before income taxes	1,817	1,016
Total income taxes	556	400
4 Profit attributable to owners of parent	1,261	615

Consolidated Statements of Cash Flows

Millions of Yen

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
5 Cash flows from operating activities	△181	1,346
6 Cash flows from investing activities	△1,000	△160
7 Cash flows from financing activities	△607	4,467
Effect of exchange rate change on cash and cash equivalents	△4	2
Net increase in cash and cash equivalents	△1,793	5,655
Cash and cash equivalents at beginning of period	3,699	1,906
Cash and cash equivalents at end of period	1,906	7,562

Consolidated Financial Statements (Summary)

1 Total assets

Share capital increased 1.902 billion yen and capital surplus increased 2.642 billion yen due to the 9th and 10th issuance of share acquisition rights. This caused an increase in cash and deposits.

2 Net sales

In the first half of the fiscal year, sales were strong for “POCKETALK” launched in the previous fiscal year. In September 2018, new model “POCKETALK W” went on sale, which contributed greatly to sales. We started selling the product in the U.S. and Europe, and net sales increased by 54.9% from the previous fiscal year to 14.71 billion yen.

3 Ordinary profit

For selling, general and administrative expenses, we aggressively increased advertising expenses as an investment towards making the “POCKETALK” brand the de facto standard in the translating device industry. Ordinary profit decreased by 28.1% from the previous fiscal year to 905 million yen, largely due to an increase in sales promotion expenses for expanding sales in domestic electronics retail stores, outsourcing costs incurred in relation to developing and improving internal systems, and personnel expenses owing to project development and additional sales staff.

4 Profit attributable to owners of parent

Although income was generated from sales of investment securities, profit attributable to owners of parent decreased by 51.2% from the previous fiscal year to 615 million yen, as a result of an increase in total income taxes which was mainly attributable to the fact that losses of subsidiaries brought forward were set off in this term.

5 Cash flows from operating activities

Net cash provided by operating activities was 1.346 billion yen. Major inflows included profit before income taxes of 1.016 billion yen, an increase in advertising expenses and other accrued expenses payable of 1.008 billion yen, and an increase in deferred income of 559 million yen, while major outflows included an increase in inventory assets of 1.142 billion yen and income taxes payable of 573 million yen.

6 Cash flows from investing activities

Net cash used in investing activities was 160 million yen. Major inflows included gains from sales of investment securities of 810 million yen, while major outflows included expenses for acquiring software of 750 million yen and expenses for acquiring investment securities of 156 million yen.

7 Cash flows from financing activities

Net cash provided by financing activities was 4.467 billion yen. Major inflows included proceeds from shares issued through the exercise of share acquisition rights of 3.785 billion yen and proceeds from disposal of treasury shares through the exercise of share acquisition rights of 1.172 billion yen, while major outflows included dividend payments of 189 million yen and repayments of long-term borrowings of 422 million yen.

Sales based on Different Channels

SOURCENEXT eSHOP (EC site)

Selling of “POCKETALK W” through direct response TV, and upgrades of postcard creation software and other popular products

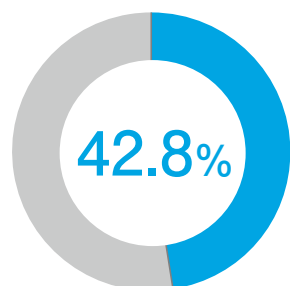
In this sales channel, we mainly focused on selling “POCKETALK” and software, as well as IoT and hardware products, through the online store on our website. Due to the promotion campaigns and other activities listed below, net sales resulted in 6.299 billion yen (43.5% increase from the previous fiscal year).

- Started airing infomercials for “POCKETALK W”
- “Name engraving service” and “Trial campaign” for POCKETALK
- Sold out all 30,000 units of limited edition red model POCKETALK
- Upgrades of postcard creation software “FUDEOH,” “FUDEMAME” and “ATENA SHOKUNIN”
- Upgrades of popular products including “SAYONARA TEGAKI 5,” which neatly adjusts letters for printing on paper-based documents

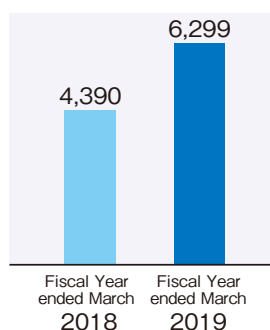


Net Sales 6.299 billion yen
(43.5% increase from the previous fiscal year)

Sales distribution ratio



Sales (units: million yen)



Electronic Retail Stores and Other EC Sites

Expansion of sales network of “POCKETALK W” to electronics retail stores, general discount stores, and duty-free shops

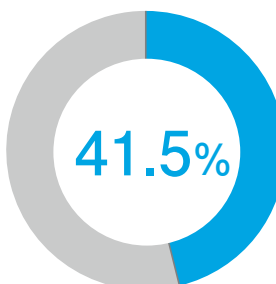
In this sales channel, we mainly focus on selling IoT products, PC software, etc., for individual users at electronics retail stores around Japan and also on E-commerce sites run by other companies. The below are the activities carried out in this fiscal year and net sales resulted in 6.103 billion yen (90.4% increase from the previous fiscal year)

- Along with the launch of TV infomercials for “POCKETALK W,” we further enhanced our presence in electronics retail stores, held sales workshops, and expanded sales network to general discount stores and duty-free shops
- Postcard creation software “FUDEOH,” “FUDEMAME” and “ATENA SHOKUNIN” contributed to increased sales
- Security software contributed to increased sales

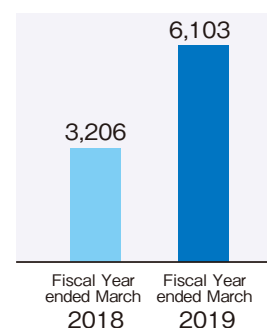


Net Sales 6.103 billion yen
(90.4% increase from the previous fiscal year)

Sales distribution ratio



Sales (units: million yen)



Sales based on Different Channels

Smartphone Businesses (Mobile Carriers)

Sales decreased due to a gradual decline in the number of subscribers

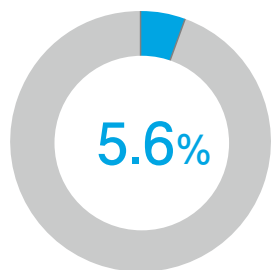
In this sales channel, we focused on providing and selling content intended for the “all-you-can-use” application subscription services offered by Japan’s three major mobile carriers, as well as improving inter-product connectivity and resident functions. However, the reduced number of subscribers to the “all-you-can-use” application subscription services provided by the respective carriers has led to a decline in revenue. As a result, net sales have decreased to 828 million yen (31.4% decrease from the previous fiscal year).

- au Smart Pass (KDDI): 38 apps provided (previous fiscal year: 36 apps)
- App Pass (SoftBank): 34 apps provided (previous fiscal year: 31 apps)
- SugoToku Contents (NTT DoCoMo): 6 sites / 26 apps (previous fiscal year: 5 sites / 25 apps)

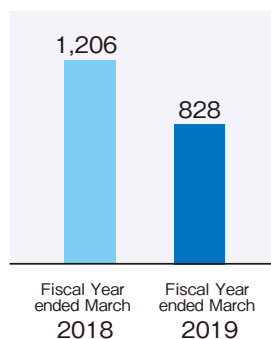


Net Sales 828 million yen
(31.4% decrease from the previous fiscal year)

Sales distribution ratio



Sales (units: million yen)



Others

Rental service of the new product “POCKETALK” for corporate users steadily growing

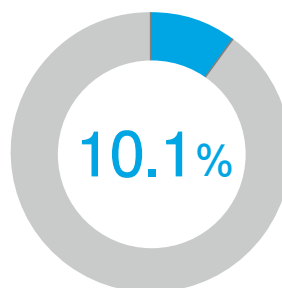
We offer “POCKETALK” to corporate users for purchase and rental, as well as services such as “all-you-can-use” application subscription service for PC software and smartphone apps. As for existing products, monthly subscriptions to “Smart RUSUDEN,” an app which transcribes voice messages and allows users to read them, and other services have continued to grow. As a result, with the addition of sales in subsidiaries, net sales increased to 1,479 million yen (114.0% increase from the previous fiscal year).

- Rental service of “POCKETALK” for corporate users expanding strongly: Substantial increase in service users, ranging from various chambers of commerce and industry and shopping center associations to companies such as airport, railway, and bus operators.
- “Smart RUSUDEN,” an app which transcribes and allows users to READ their voice messages

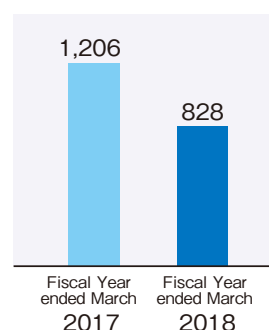


Net Sales 1,479 million yen
(114.0% increase from the previous fiscal year)

Sales distribution ratio



Sales (units: million yen)



Chosen as a Best Company in “Great Place to Work®” ranking for five consecutive years



The Great Place to Work® Institute is one of the largest institutions in the world that conducts and analyzes employee satisfaction surveys. In the 2019 ranking of “Great Place to Work” among Japanese companies with 100-999 workers, SOURCENEXT was ranked 12th, chosen as one of the Best Companies for five consecutive years since 2015.

Launching of various IoT products



In addition to “POCKETALK” AI translation device utilizing the internet, we plan on launching five new IoT products in fiscal 2019, including the location monitoring device “FamilyDot.”

Global distribution of “POCKETALK”



In order to expand the distribution network of “POCKETALK” on a global scale, we started sales in the U.S., and established subsidiary Sourcenext B.V. in the Netherlands in January 2019, as a foothold for operations in Europe. Looking to establish our presence in South Korea, we teamed up with Spigen Co., Ltd., a well-known company in the country.

Providing “POCKETALK” translating functions in our business partnership with JapanTaxi



Conceptual image

We established a business partnership with JapanTaxi Co., Ltd. in March 2019. After making our “POCKETALK” AI translation device available in SDK, we plan to install it as a standard translation function on the in-car tablets of 10,000 JapanTaxi vehicles nationwide. The taxi industry faces a challenge catering to the ever-increasing number of international tourists. The tablet with translation function can speed up response and improve customer service.

Frequently Asked Questions

Q. What is your most popular product / service?

A. The “POCKETALK” AI translation device and the “ZERO” security software series are our most popular products/services.

“POCKETALK” became a huge hit right from its release in December 2017. We then launched “POCKETALK W” in September 2018, which won Grand Prize at the 2018 Nikkei Superior Products and Services Awards - Nikkei Awards for Excellence. We have sold a total of over 400,000 units (as of April 2019). Moreover, “ZERO Virus Security” has a cumulative total of 10 million users.

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, 2019, the Company has paid out dividends on the basis of a 15% dividend payout ratio. For the fiscal year ending March 31, 2020, 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 the new model of “POCKETALK” two-way translation device that we launched in September 2018. 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. We will also actively expand our lineup of IoT products.

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

Shiodome City Center 33F, 1-5-2 Shimbashi Minato-ku, Tokyo 105-7133

TEL: 81-3-6254-5231

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