

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on Japanese GAAP)

August 6, 2020

Company name: SOURCENEXT CORPORATION  
 Stock exchange listing: Tokyo  
 Stock code: 4344 URL <http://www.sourcenext.com>  
 Representative: President and CEO Noriyuki Matsuda  
 Inquiries: Managing Director Fumihiko Aoyama TEL 03-6254-5231  
 Scheduled date to file Quarterly Securities Report: August 6, 2020  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	2,540	(45.2)	74	(19.3)	53	(37.7)	6	(88.0)
Three months ended June 30, 2019	4,638	90.5	91	7.8	85	0.1	55	13.1

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	0.05		0.05	
Three months ended June 30, 2019	0.41		0.41	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2020	17,507	12,085	68.3	87.77
As of March 31, 2020	17,029	12,091	70.3	87.88

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, 2020	–	0.00	–	0.25	0.25
Year ending March 31, 2021	–	–	–	–	–
Year ending March 31, 2021 (Forecast)	–	0.00	–	0.46	0.46

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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, 2020	6,174	(28.9)	100	(72.4)	100	(71.7)	69	(64.8)	0.51
Full year	16,000	(7.4)	600	26.4	600	11.6	416	85.1	3.06

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020  
 (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 June 30, 2020	136,244,800 shares	As of March 31, 2020	136,241,200 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	24 shares	As of March 31, 2020	24 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2020	136,241,216 shares	Three months ended June 30, 2019	136,162,798 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,898,678	3,165,755
Accounts receivable - trade	2,362,790	1,566,011
Merchandise and finished goods	3,092,616	3,424,276
Raw materials and supplies	123,189	115,874
Advance payments - trade	1,556,730	1,711,027
Other	484,374	389,298
<b>Total current assets</b>	<b>11,518,380</b>	<b>10,372,244</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Property, plant and equipment	437,227	437,370
Accumulated depreciation	(280,105)	(295,532)
<b>Total property, plant and equipment</b>	<b>157,121</b>	<b>141,838</b>
<b>Intangible assets</b>		
Software	1,146,007	1,210,931
Goodwill	293,700	258,790
Contract based intangible assets	1,311,100	1,291,725
Other	176,514	219,415
<b>Total intangible assets</b>	<b>2,927,322</b>	<b>2,980,863</b>
<b>Investments and other assets</b>		
Investment securities	1,382,432	3,013,649
Deferred tax assets	860,035	815,213
Other	184,428	183,786
<b>Total investments and other assets</b>	<b>2,426,896</b>	<b>4,012,649</b>
<b>Total non-current assets</b>	<b>5,511,341</b>	<b>7,135,350</b>
<b>Total assets</b>	<b>17,029,721</b>	<b>17,507,595</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	420,982	496,310
Short-term borrowings	—	1,500,000
Current portion of long-term borrowings	422,000	422,000
Accounts payable - other	739,018	651,129
Income taxes payable	377,248	12,202
Unearned revenue	1,159,398	1,024,824
Provision for bonuses	24,472	4,294
Provision for sales returns	314,416	58,246
Provision for point card certificates	165,004	174,910
Provision for after service cost	18,799	14,332
Other	344,187	337,732
<b>Total current liabilities</b>	<b>3,985,529</b>	<b>4,695,983</b>
<b>Non-current liabilities</b>		
Long-term borrowings	593,000	487,500
Long-term unearned revenue	359,403	238,635
<b>Total non-current liabilities</b>	<b>952,403</b>	<b>726,135</b>
<b>Total liabilities</b>	<b>4,937,933</b>	<b>5,422,119</b>

(Thousands of yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	3,688,593	3,688,951
Capital surplus	4,268,620	4,268,978
Retained earnings	4,034,956	4,007,562
Treasury shares	(3)	(3)
Total shareholders' equity	11,992,168	11,965,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,329)	8,837
Foreign currency translation adjustment	(14,789)	(16,347)
Total accumulated other comprehensive income	(19,118)	(7,510)
Share acquisition rights	118,739	127,496
Total net assets	12,091,788	12,085,475
Total liabilities and net assets	17,029,721	17,507,595

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

**Consolidated statements of income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	4,638,664	2,540,154
Cost of sales	1,823,660	1,062,551
Gross profit	2,815,003	1,477,602
Provision for sales returns	34,787	58,246
Reversal of provision for sales returns	120,858	314,416
Gross profit - net	2,901,074	1,733,773
Selling, general and administrative expenses	2,809,139	1,659,596
Operating profit	91,934	74,176
Non-operating income		
Interest income	33	4,652
Dividend income	277	740
Other	89	361
Total non-operating income	401	5,755
Non-operating expenses		
Interest expenses	1,111	1,814
Foreign exchange losses	6,070	6,530
Share of loss of entities accounted for using equity method	–	18,441
Other	32	94
Total non-operating expenses	7,214	26,880
Ordinary profit	85,121	53,051
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	28,273	–
Total extraordinary income	28,273	–
Profit before income taxes	113,394	53,051
Income taxes - current	102,836	7,339
Income taxes - deferred	(45,193)	39,045
Total income taxes	57,643	46,385
Profit	55,750	6,666
Profit attributable to owners of parent	55,750	6,666

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

(Thousands of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	55,750	6,666
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,024)	13,166
Foreign currency translation adjustment	(12,822)	(1,558)
Total other comprehensive income	(15,846)	11,608
Comprehensive income	39,903	18,274
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	39,903	18,274
Comprehensive income attributable to non-controlling interests	—	—