

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 (Based on Japanese GAAP)

August 9, 2016

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 9, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2016	1,988	29.1	485	74.2	497	76.5	338	81.2
Three months ended June 30, 2015	1,540	10.7	279	(21.3)	281	(21.1)	186	(49.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2016	10.65		–	
Three months ended June 30, 2015	5.88		–	

(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, 2016	6,266	5,096	80.6	159.18
As of March 31, 2016	6,047	4,905	80.4	153.29

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, 2016	–	0.00	–	4.68	4.68
Year ending March 31, 2017	–	–	–	–	–
Year ending March 31, 2017 (Forecast)	–	0.00	–	6.09	6.09

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		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, 2016	3,897	18.3	757	2.7	763	2.7	525	4.0	16.56
Full year	8,090	15.2	1,552	7.4	1,562	6.7	1,077	8.7	33.96

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2016
 (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: Yes
- Changes in accounting estimates: Yes
- 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, 2016	31,732,000 shares	As of March 31, 2016	31,732,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	6 shares	As of March 31, 2016	6 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, 2016	31,731,994 shares	Three months ended June 30, 2015	31,731,994 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	2,677,004	2,473,440
Accounts receivable - trade	1,052,248	1,205,221
Securities	499,951	499,952
Merchandise and finished goods	129,683	182,695
Raw materials and supplies	25,945	23,263
Advance payments - trade	166,998	150,019
Deferred tax assets	75,436	53,996
Other	89,423	94,295
Total current assets	4,716,692	4,682,885
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	195,054	207,238
Accumulated depreciation	(167,449)	(155,451)
Total property, plant and equipment	27,605	51,787
Intangible assets		
Software	820,216	943,090
Other	61,522	171,462
Total intangible assets	881,738	1,114,552
Investments and other assets		
Investment securities	108,658	108,608
Deferred tax assets	67,325	62,456
Other	247,709	247,709
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	421,892	416,973
Total non-current assets	1,331,236	1,583,313
Total assets	6,047,929	6,266,199
Liabilities		
Current liabilities		
Accounts payable - trade	274,070	243,646
Accounts payable - other	328,005	421,577
Income taxes payable	205,282	137,308
Provision for bonuses	14,807	9,883
Provision for sales returns	72,745	30,892
Provision for after service cost	19,952	17,873
Other	191,765	279,388
Total current liabilities	1,106,630	1,140,570
Non-current liabilities		
Other	35,320	29,354
Total non-current liabilities	35,320	29,354
Total liabilities	1,141,950	1,169,924

(Thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	1,771,226	1,771,226
Capital surplus	1,611,226	1,611,226
Retained earnings	1,479,156	1,668,671
Treasury shares	(1)	(1)
Total shareholders' equity	4,861,607	5,051,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(488)	(522)
Foreign currency translation adjustment	3,136	483
Total accumulated other comprehensive income	2,648	(39)
Subscription rights to shares	41,722	45,190
Total net assets	4,905,978	5,096,274
Total liabilities and net assets	6,047,929	6,266,199

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, 2015	Three months ended June 30, 2016
Net sales	1,540,563	1,988,218
Cost of sales	471,296	536,085
Gross profit	1,069,267	1,452,133
Provision for sales returns	25,121	30,892
Reversal of provision for sales returns	55,026	72,745
Gross profit - net	1,099,172	1,493,986
Selling, general and administrative expenses	820,154	1,008,058
Operating income	279,017	485,928
Non-operating income		
Interest income	311	223
Dividend income	160	160
Foreign exchange gains	811	9,181
Contribution for development	1,458	1,458
Other	94	540
Total non-operating income	2,836	11,563
Ordinary income	281,854	497,492
Extraordinary losses		
Loss on valuation of advance payments	197	9,725
Total extraordinary losses	197	9,725
Profit before income taxes	281,656	487,766
Income taxes - current	25,962	123,421
Income taxes - deferred	69,198	26,324
Total income taxes	95,160	149,745
Profit	186,496	338,021
Profit attributable to owners of parent	186,496	338,021

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	186,496	338,021
Other comprehensive income		
Valuation difference on available-for-sale securities	(66)	(34)
Foreign currency translation adjustment	439	(2,652)
Total other comprehensive income	372	(2,687)
Comprehensive income	186,868	335,334
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	186,868	335,334
Comprehensive income attributable to non-controlling interests	—	—