

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2017  
(Based on Japanese GAAP)**

May 12, 2017

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 28, 2017  
 Scheduled date to file Securities Report: June 29, 2017  
 Scheduled date to commence dividend payments: June 29, 2017  
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	9,340	33.0	1,573	8.8	1,593	8.8	1,070	8.1
Year ended March 31, 2016	7,025	15.4	1,445	11.0	1,463	11.5	990	(18.4)

	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, 2017	34.31	–	21.0	20.0	16.8
Year ended March 31, 2016	31.23	–	22.4	26.4	20.6

(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, 2017	9,873	5,409	54.2	172.81
As of March 31, 2016	6,047	4,905	80.4	153.29

(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, 2017	1,918	(2,751)	1,353	3,699
Year ended March 31, 2016	1,623	(600)	(121)	3,176

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, 2016	–	0.00	–	4.68	4.68	148	15.0	3.3
Year ended March 31, 2017	–	0.00	–	6.19	6.19	191	17.9	3.8
Year ending March 31, 2018 (Forecast)	–	0.00	–	5.79	5.79		15.0	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 2017	3,819	(9.5)	358	(58.6)	360	(59.0)	255	(57.1)	8.25
Full year	9,444	1.1	1,717	9.1	1,720	8.0	1,195	11.7	38.63

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(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: Yes

Changes in accounting estimates: Yes

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, 2017	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 March 31, 2017	772,006 shares	As of March 31, 2016	6 shares
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Average number of shares during the period

Year ended March 31, 2017	31,211,828 shares	Year ended March 31, 2016	31,731,994 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	2,677,004	3,699,654
Accounts receivable - trade	1,052,248	1,648,116
Securities	499,951	–
Merchandise and finished goods	129,683	152,134
Raw materials and supplies	25,945	28,256
Advance payments - trade	166,998	602,297
Deferred tax assets	75,436	179,068
Other	89,423	89,160
Total current assets	4,716,692	6,398,688
Non-current assets		
Property, plant and equipment		
Buildings	81,820	193,877
Accumulated depreciation	(79,445)	(38,495)
Buildings, net	2,374	155,382
Vehicles	5,752	5,727
Accumulated depreciation	(3,834)	(4,963)
Vehicles, net	1,917	763
Tools, furniture and fixtures	107,482	184,498
Accumulated depreciation	(84,169)	(53,911)
Tools, furniture and fixtures, net	23,313	130,587
Total property, plant and equipment	27,605	286,733
Intangible assets		
Software	820,216	899,970
Goodwill	–	41,919
Contract based intangible assets	–	1,546,242
Other	61,522	208,883
Total intangible assets	881,738	2,697,016
Investments and other assets		
Investment securities	108,658	238,699
Deferred tax assets	67,325	47,465
Other	247,709	206,203
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	421,892	490,568
Total non-current assets	1,331,236	3,474,318
Total assets	6,047,929	9,873,006

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	274,070	414,210
Short-term loans payable	–	1,940,000
Accounts payable - other	328,005	919,025
Income taxes payable	205,282	517,912
Provision for bonuses	14,807	15,464
Provision for sales returns	72,745	271,951
Provision for after service cost	19,952	18,802
Other	191,765	346,366
<b>Total current liabilities</b>	<b>1,106,630</b>	<b>4,443,734</b>
<b>Non-current liabilities</b>		
Other	35,320	19,797
<b>Total non-current liabilities</b>	<b>35,320</b>	<b>19,797</b>
<b>Total liabilities</b>	<b>1,141,950</b>	<b>4,463,531</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,771,226	1,771,226
Capital surplus	1,611,226	1,611,226
Retained earnings	1,479,156	2,401,478
Treasury shares	(1)	(438,355)
<b>Total shareholders' equity</b>	<b>4,861,607</b>	<b>5,345,576</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(488)	1,373
Foreign currency translation adjustment	3,136	3,364
<b>Total accumulated other comprehensive income</b>	<b>2,648</b>	<b>4,737</b>
Subscription rights to shares	41,722	59,159
<b>Total net assets</b>	<b>4,905,978</b>	<b>5,409,474</b>
<b>Total liabilities and net assets</b>	<b>6,047,929</b>	<b>9,873,006</b>

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

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	7,025,334	9,340,988
Cost of sales	1,969,558	3,031,849
Gross profit	5,055,775	6,309,138
Provision for sales returns	72,745	271,951
Reversal of provision for sales returns	55,026	72,745
Gross profit - net	5,038,056	6,109,932
Selling, general and administrative expenses		
Promotion expenses	408,703	543,450
Salaries	571,615	628,430
Provision for bonuses	14,807	15,464
Business consignment expenses	1,008,955	1,144,819
Advertising expenses	322,497	553,927
Other	1,266,004	1,650,670
Total selling, general and administrative expenses	3,592,584	4,536,763
Operating profit	1,445,471	1,573,169
Non-operating income		
Interest income	1,744	628
Dividend income	160	160
Foreign exchange gains	8,729	20,762
Contribution for development	7,362	5,833
Other	190	1,354
Total non-operating income	18,186	28,738
Non-operating expenses		
Interest expenses	–	134
Commission fee	–	2,269
Loss on investments in silent partnership	–	6,469
Total non-operating expenses	–	8,874
Ordinary profit	1,463,657	1,593,034
Extraordinary income		
Gain on reversal of subscription rights to shares	341	796
Total extraordinary income	341	796
Extraordinary losses		
Loss on valuation of advance payments	197	15,963
Total extraordinary losses	197	15,963
Profit before income taxes	1,463,802	1,577,867
Income taxes - current	234,152	591,647
Income taxes - deferred	238,782	(84,608)
Total income taxes	472,935	507,039
Profit	990,867	1,070,828
Profit attributable to owners of parent	990,867	1,070,828

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	990,867	1,070,828
Other comprehensive income		
Valuation difference on available-for-sale securities	(604)	1,861
Foreign currency translation adjustment	(2,200)	227
Total other comprehensive income	(2,805)	2,089
Comprehensive income	988,061	1,072,918
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	988,061	1,072,918
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(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	609,822	(1)	3,992,274
Changes of items during period					
Dividends of surplus			(121,533)		(121,533)
Profit attributable to owners of parent			990,867		990,867
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	869,333	–	869,333
Balance at end of current period	1,771,226	1,611,226	1,479,156	(1)	4,861,607

	Accumulated other comprehensive income			Subscription rights to shares	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	116	5,337	5,453	24,932	4,022,659
Changes of items during period					
Dividends of surplus					(121,533)
Profit attributable to owners of parent					990,867
Purchase of treasury shares					
Net changes of items other than shareholders' equity	(604)	(2,200)	(2,805)	16,790	13,985
Total changes of items during period	(604)	(2,200)	(2,805)	16,790	883,318
Balance at end of current period	(488)	3,136	2,648	41,722	4,905,978

Fiscal year ended March 31, 2017

(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	1,479,156	(1)	4,861,607
Changes of items during period					
Dividends of surplus			(148,505)		(148,505)
Profit attributable to owners of parent			1,070,828		1,070,828
Purchase of treasury shares				(438,353)	(438,353)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	922,322	(438,353)	483,969
Balance at end of current period	1,771,226	1,611,226	2,401,478	(438,355)	5,345,576

	Accumulated other comprehensive income			Subscription rights to shares	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	(488)	3,136	2,648	41,722	4,905,978
Changes of items during period					
Dividends of surplus			-		(148,505)
Profit attributable to owners of parent			-		1,070,828
Purchase of treasury shares			-		(438,353)
Net changes of items other than shareholders' equity	1,861	227	2,089	17,437	19,526
Total changes of items during period	1,861	227	2,089	17,437	503,496
Balance at end of current period	1,373	3,364	4,737	59,159	5,409,474

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,463,802	1,577,867
Depreciation	212,050	250,625
Amortization of software	222,309	303,394
Share-based compensation expenses	17,131	18,233
Amortization of trademark right	5,026	26,110
Increase (decrease) in allowance for doubtful accounts	–	(28)
Increase (decrease) in provision for bonuses	763	656
Increase (decrease) in provision for sales returns	17,718	199,205
Provison for after cost periods adustment	(409)	(1,150)
Gain on reversal of subscription rights to shares	(341)	(796)
Interest and dividend income	(1,904)	(788)
Interest expenses	–	134
Decrease (increase) in notes and accounts receivable - trade	(133,049)	(591,079)
Decrease (increase) in inventories	(39,932)	(16,445)
Decrease (increase) in advance payments	(51,514)	(435,299)
Increase (decrease) in notes and accounts payable - trade	14,780	136,563
Increase (decrease) in accounts payable - other	27,381	572,674
Other, net	(38,024)	183,904
Subtotal	1,715,789	2,223,782
Interest and dividend income received	1,899	793
Interest expenses paid	–	(333)
Income taxes paid	(93,751)	(305,385)
Net cash provided by (used in) operating activities	1,623,937	1,918,856
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,226)	(305,722)
Purchase of software	(378,963)	(618,066)
Purchase of contract based intangible assets-InvCF	–	(1,550,070)
Amortization of trademark right	–	(115,000)
Purchase of investment securities	(8)	(133,813)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(63,033)
Payments for lease and guarantee deposits	(211,350)	–
Payments from collection of lease and guarantee deposits	11,044	34,258
Net cash provided by (used in) investing activities	(600,503)	(2,751,447)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	1,940,000
Purchase of treasury shares	–	(438,353)
Cash dividends paid	(121,137)	(148,101)
Net cash provided by (used in) financing activities	(121,137)	1,353,545
Effect of exchange rate change on cash and cash equivalents	(4,029)	1,743
Net increase (decrease) in cash and cash equivalents	898,266	522,698
Cash and cash equivalents at beginning of period	2,278,689	3,176,956
Cash and cash equivalents at end of period	3,176,956	3,699,654