

# S O U R C E N E X T

September, 2008

<http://www.sourcenext.com>



PC Software is **EXCITING**

# No.1

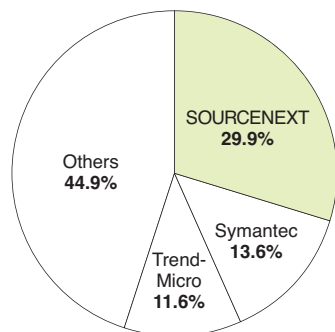
in PC Software Units Sold in Japan  
Five Years in a Row



No.1 in the Domestic Market Share of PC Software Sales in Major Electronics Stores for five Years in a Row.  
(Based on Surveys Conducted by GfK Japan from 2003 to 2007)

Thanks to our valued customers, SOURCENEXT was able to reach No.1 in the market share of PC software units sold for five consecutive years from 2003. Our dream is to spread happiness and excitement to as many people as possible through PC software. That is why we take great pride in being No. 1 in unit sales.

Market Share of Total Units Sold - Year 2007  
Data compiled from sales data of major domestic electronics stores (survey conducted by GfK Japan)



PC Software is EXCITING

# No.1 in Number of Security Software Units Sold

Virus Security ZERO was No. 1 in total number of units sold for all PC software in 2007  
(According to GfK Japan research of sales data for major domestic electronics retailers)



**Update fee : 0 yen**  
Virus Security ZERO was conceived based on the user's perspective.

- 2006**  
Ranked 6th in the "Hit Products Ranking" (SMBC Consulting)  
Ranked 16th in Nikkei Trendy Magazine's "Top 30 Hit Products of 2006"
- 2007**  
Placed in "13th Helpful Products Grand Prix" (Sankei Living)

Security Software



Accredited in the Checkmark global security product certification system



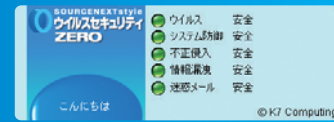
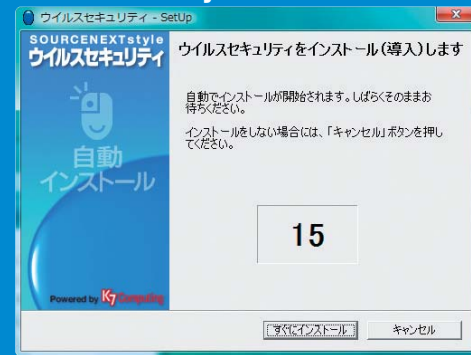
Security software is now seen as essential for using the Internet, and is the software category with the largest market among PC software. Traditional security software requires payment of an annual update fee, but Virus Security ZERO, released by SOURCENEXT in 2006, does away with this fee. Free updates give users continuous access to the latest version of the software, up until the expiration of the official Microsoft support period for each supported OS.

The spread of security software will lead to increased security for society as a whole, and it is for precisely this reason that it must be easy for anyone to use at reasonable cost. Elimination of the need for updating means there is no danger of using the software in an expired state, and less expensive essential software makes the PC experience more enjoyable. As is reflected in SOURCENEXT's slogan of "PC Software is EXCITING" and history since its establishment of facing down challenge after challenge in order to make PC software more accessible, the task of spreading security software and educating users on its use is a mission of utmost importance to SOURCENEXT.

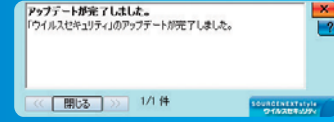


ソースネクスト  
**ZERO**  
シリーズ  
No Update Fee Ever

**Virus Security ZERO**



Startup screen displays a different greeting depending on the time of day.



Virus Security ZERO includes auto-install, auto-update, and auto-run features.

**KEIKAI DENWA ZERO**



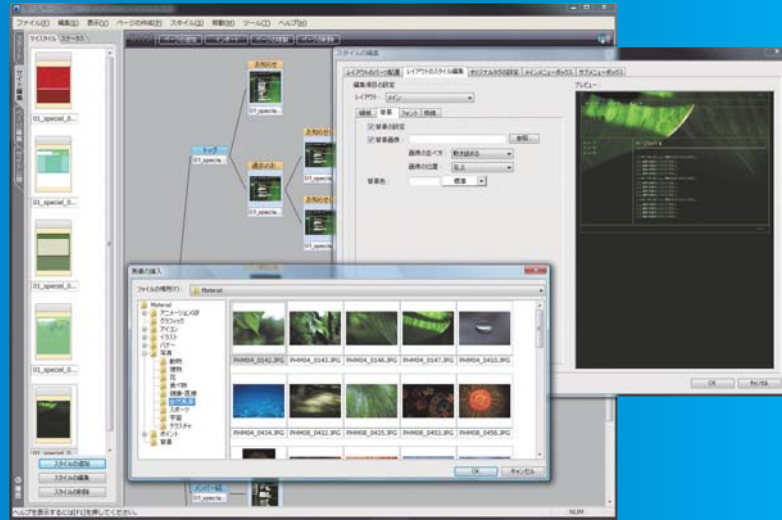
KEIKAI DENWA ZERO lets you save and edit your mobile address book on a PC.

**FUDEOH ZERO**



Voice Guidance that clearly explains operating instructions and status makes FUDEOH ZERO easy to use even for beginners.

**HOMEPAGE ZERO**



HOMEPAGE ZERO is an advanced website creation software that automatically generates links and menus, and lets you change your design with a single touch.

Frequent required version updates that must be paid for each time are not limited to security software. Following the success of Virus Security ZERO, SOURCENEXT has expanded the ZERO series to include KEIKAI DENWA ZERO, which allows you to save mobile phone data on a PC, postcard creation software FUDEOH ZERO, and HOMEPAGE ZERO, website creation software that supports the rapid advance of web trends. Free updates for all of these applications give users continuous access to the latest versions of the software until the expiration of the official Microsoft support period for each supported OS, leading to a long-term relationship with customers. The ZERO series introduces a new concept for PC software.

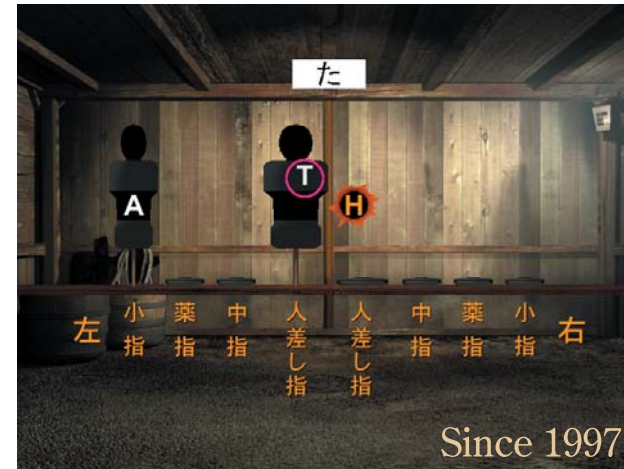


**User-Friendly Product Creation**

Products should be conceived from the point of view of the customer. That is SOURCENEXT's fundamental philosophy regarding product creation. As such, SOURCENEXT has put effort into simple operation, friendly user interfaces, and easy-to-understand wordings and explanation. With TOKU-UCHI, it was the fully voice-guided interface, and with KYOSOKU 95, the elimination of specialized operations by simply installing the software. We remain true to this policy even today as we continue to evolve.

**Voice Guidance**

Presenting the keyboard as target practice, TOKU-UCHI teaches users key layout in a game-like setting, and uses voice guidance to achieve fun, effective lessons.



A planning session in the development division



Testing in a variety of environments

**Auto-Install (Patent pending)**



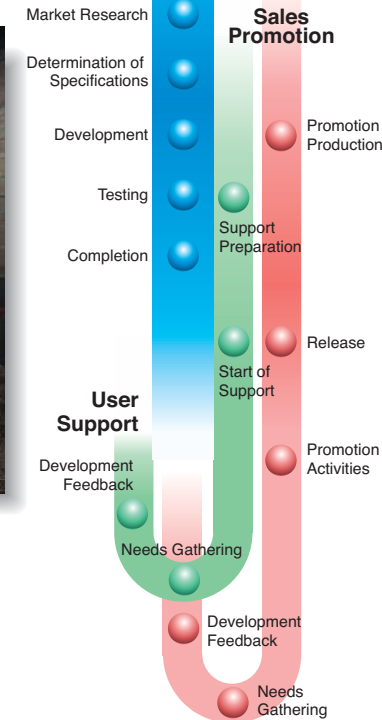
The majority of our products include our popular auto-install feature that automatically begins installation when the CD is inserted, requiring only the press of a "Finish" button when the process completes.

高速化

**One-Click Operation**

The KYOSOKU series is dedicated to consistently simple usability, speeding up a variety of computer operations with a single click. This simplicity is also a basic policy that SOURCENEXT aspires to.

Development



**Full Customer Service**

**Partnership with 5.39 million customers**

Roughly 5.39 million SOURCENEXT customers have purchased our products and completed user registration. Our customers' ideas and opinions are reflected in future products, and help to build the future of SOURCENEXT.

**Product Support**

The most important service for registered users is product support. The ZERO series includes 365-day phone support as well as primary support via email and the Web. Full-fledged Web and email support were introduced in 2004, and users can submit questions any time from the support page on our site. We maintain an average under-24-hour response rate of at least 90%.

**Reassurance Policy**

The Reassurance Policy is an industry-first product return system that was started by SOURCENEXT in 2001. If a product fails to work correctly after installation, the customer will receive a refund. We provide this service to allow customers to make purchases with reassurance.

**mileage service**

**Mileage Service**

Customers receive points each time they purchase a SOURCENEXT product, and can use these points to enter sweepstakes or download software for free. We use this service to make purchasing PC software even more enjoyable.



Telephone support in our customer center

**Broad Sales Channel**

In order to make PC software truly accessible, it is essential that it be made available for purchase at many locations. With this goal in mind, SOURCENEXT has expanded its sales channel beyond traditional electronics retailers to include bookstores, supermarkets, convenience stores, hardware stores, and office supply stores.



Electronics retailer



Bookstore



Hardware store



Convenience store

**Sales Channels** (in no particular order)

- Electronics retailers Approx. 3,000 stores**  
Yamada Denki, Edion, Yodobashi Camera, Kojima, BIC Camera, K's Holdings Corporation, Best Denki, Joshin, PC Depot, Nojima, and others
- Bookstores Approx. 2,500 stores**  
Kinokuniya, Maruzen, Yurindo, Bunkyo, Junkudo, Miraiyashoten, Sanseido, Sanyodo, Cartie Ikeda (Book Store Kumazawa), Bunshindo Shoten, and others
- Hypermarkets Approx. 1,500 stores**  
Aeon, Ito Yokado, Daiei, Uny, Seiyu, Izumi, and others
- Supermarkets Approx. 1,500 stores**  
Life Corporation, Heiwado, Izumiya, Maruetsu, Fuji, York Benimaru, Tokyu Store, Okuwa, Beisia, Olympic, Daimaru Peacock, and others
- Hardware stores Approx. 2,000 stores**  
Cainz, Kohnan, Komeri, Nafco, Keiyo, Homac, Kahma, Daiki, Tostemviva, Shimachu, and others
- Discount stores Approx. 500 stores**  
Don Quijote, Daikuma, Mr. MAX, Direx, PLANT, Japan, Rogers, Takeya, Makiya, Lumiere, Jason, Trial Company, and others
- Office supply stores Approx. 1,000 stores**  
Office Depot, Office Vendor, Fukuya, Nagasawa, Kadoya, Anei, Keio-atman, Yoshida, Shimaya, Stationery Takatsu (Power Bungukan), and others
- Convenience stores Approx. 15,000 to 40,000 stores**  
Seven Eleven Japan, Family Mart, LAWSON, Circle-K Sunkus, MiniStop, Poplar, Daily Yamazaki, Save On, AM/PM Japan, Three-F, and others
- Drug stores**  
Cawachi Yakuhin, Tsuruha Holdings, Fujiyakuhin, SEGAMI MEDICS, Kirindo, Kyorindo, and others
- Online shopping sites**  
Amazon, Vector, BIGLOBE, Rakuten, 7dream, and others
- Other retailers**  
Tokyu Hands, TSUTAYA, Askul, Kaunet, The Apple Store, Japanet Takata, University co-ops, and others





## SOURCENEXT eSHOP®

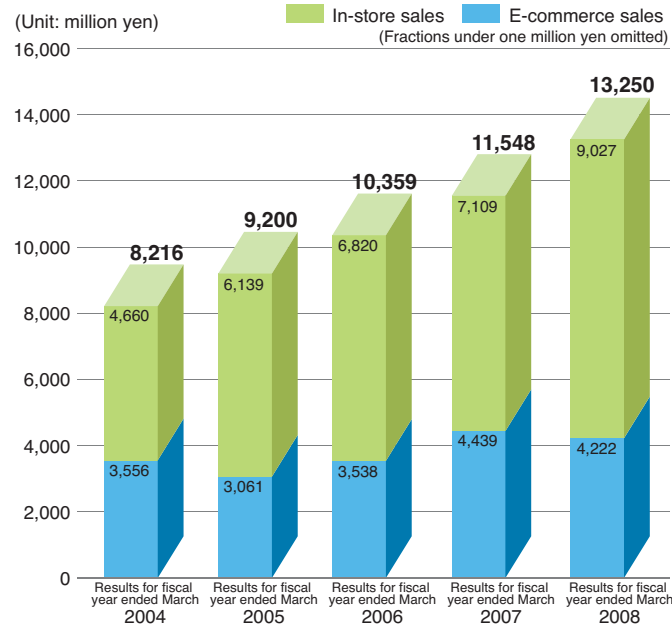
**Annual sales of 4.22 billion yen. Ranked 32nd among all Japanese e-commerce sites. 2.99 million Mail News subscribers** (as of the end of March 2008)

In June 2000, SOURCENEXT opened SOURCENEXT eSHOP on its web site, which allows customers to read about product information and make purchases on the spot. At the same time, we launched our original Mail News, which introduces members to SOURCENEXT products, as well as a variety of products to make the computer-centric digital lifestyle more fun and convenient, and has continued to steadily grow our profits. In November 2006, SOURCENEXT eSHOP

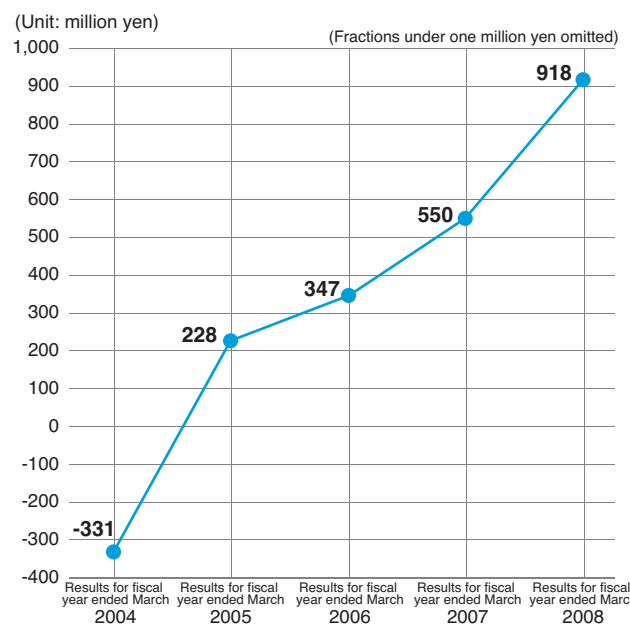
MOBILE was opened as a specialized site for mobile phone users. In 2007, SOURCENEXT launched a special page exclusively for email members, which sells digital products such as PCs, hard disks, and LCD TVs at bargain prices. According to the October 17, 2007 issue of the Nikkei Marketing Journal, SOURCENEXT eSHOP ranked 32nd among all Japanese e-commerce sites, and of course first among sites that specialize in software.



### Trends in Sales per Sales Channel



### Trends in Ordinary Profit



## Download and Install Automatically

In September 2007, SOURCENEXT developed a new "Downstall" (patent pending) feature to automatically download, decompress, and install software purchased via the Web with only a single click, and set it up in a special section of SOURCENEXT eSHOP. This new feature can be used to purchase a variety of other software in addition to SOURCENEXT products. Making downloadable software even simpler and more accessible will contribute to the spread of the software.



## Corporate Profile

Company Name	SOURCENEXT CORPORATION	
Founded	August 1996	
Capital	1,330,685,000 yen	
Number of Employees	107 (as of April 1, 2008)	
Sales Volume	13.25 billion yen (March 2008 term end results)	
Members of the Board	President & CEO	Noriyuki Matsuda
	Executive Managing Director	Satomi Matsuda
	Director	Kiyooki Morimoto
		Kousuke Fujimoto
		Yukio Aotani
		Fumihiko Aoyama
		Tomoaki Kojima
		Masaharu Ikuta
		Shozaburo Takano
		Hideaki Kubori
		Tetsuya Kobayashi
Outside Director		
Standing Auditor		
Outside Auditor		
Description of Business	Planning, development, and distribution of software products	
Business Office	Roppongi Hills Mori Tower 15F, 6-10-1, Roppongi, Minato-ku, Tokyo	
Avg. Employee Age	30.8 (as of April 1, 2008)	
Traded	Tokyo Stock Exchange (First Section) Code : 4344	



## Corporate Philosophy

We at SOURCENEXT CORPORATION uphold the following philosophy, attempt to share our vision with each and every one of our employees, and strive to translate it into reality.

### SOURCENEXT CORPORATION's Supreme Corporate Strategy

- Reason for Being: **As a corporation that offers products,**
  - Action Guideline: **To be faithful to the "SOURCE" in "SOURCENEXT"**
  - Business Goal: **By spreading happiness and excitement to people all around the globe through excellent products**
  - Corporate Goal: **Becoming the most exciting corporation in the world**
- The three conditions for EXCITING for 2006 (established in April 2006)
- To be TRUTHFUL To be ENTERTAINING To provide PLEASURE**

### SOURCE for SOURCENEXT

- To think from the customer's point of view and to look forward to challenges**
- Speed**  
Speedy solutions, speedy performance, speedy reactions, speedy commercialization
  - Originality**  
Original services, uniqueness, assertion
  - Universality**  
Wide acceptance, world-class excellence, global views
  - Reliability**  
Have a win-win approach, accurateness, commitment
  - Challenge**  
Independence, a positive approach, breakthroughs over status quo
  - Efficiency**  
Efficiency in time and cost, goal awareness, flexibility in measures to reach goals

## Main Product Partner Companies

Domestic Companies (in alphabetical order)	AGENDA Co., Ltd. Antenna House, Inc. BANDAI VISUAL CO., LTD. CAPCOM CO., LTD CyberLinkTransDigital CO., LTD. DIAMOND, Inc. Ekitan & Co.,Ltd. JIJI PRESS LTD. JOINVEST SECURITIES Co., Ltd. KOEI Co., Ltd.	NEC Corporation Panasonic Solution Technologies Co., Ltd. Shogakukan Production Co., Ltd. TOYO KEIZAI INC. Turbolinux, Inc. ZENRIN DataCom CO.,LTD.	Overseas Companies (in alphabetical order)	Auralog SA. (France) Disney Interactive Studios (USA) HAANSOFT, INC. (Korea) K7 Computing Private Limited (India) Mindscape Asia Pacific Pty Ltd (France) Nuance Communications, Inc. (USA) O&O Software GmbH (Germany) Sun Microsystems, Inc. (USA) Venture Bridge Co., LTD (Korea) Xemi Computers (Republic of Cyprus)
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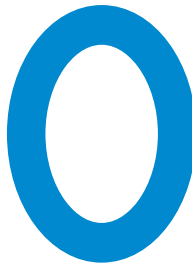
## Corporate History

- 1996** August SOURCE CORPORATION is founded.  
December Released KYOSOKU95 performance-enhancing utility software
- 1997** June Released TOKU-UCHI typing software
- 1998** December Released KEIKAI DENWA mobile phone data editing software
- 1999** October Company name changed to SOURCENEXT CORPORATION
- 2000** March Introduced the first "Mileage Service" in the history of PC software industry  
June Opened SOURCENEXT eSHOP on the SOURCENEXT Web site
- 2001** February Introduced the first "Reassurance Policy" (return policy) in the history of the PC software industry
- 2003** February Began the "Commoditizing Strategy", with flagship products priced in the 1,980 yen price range  
March Began including Auto-Install feature with products  
September Relocated head office to Roppongi, Minato-ku, Tokyo
- 2004** November Introduced the Slim Package (with an unfolding cover containing product information)
- 2006** July Released Virus Security ZERO no-update-fee, no-expiration security software  
November Opened SOURCENEXT eSHOP Mobile e-commerce site for mobile phone users  
December Listed in Tokyo Stock Exchange Mothers
- 2007** June Released KEIKAI DENWA ZERO no-update-fee mobile phone data editing software  
September Released FUDEOH ZERO no-update-fee post-card creation software  
Introduced Downstall feature to eSHOP
- 2008** January Ranked No.1 in units of PC software sold for five consecutive years in "GfK Japan Certified"  
Ranked No. 1 in units sold in 12 categories in "GfK BEST 1"  
The total units of PC software sold for all time reached 25 million copies  
May Released HOMEPAGE ZERO website creation software that supports the latest Web trends  
June Listed on the First Section of the Tokyo Stock Exchange

### Certifications Obtained



# Flagship Products



The ZERO series give users access to the latest software versions until the expiration of the official Microsoft support period for each supported OS.

ソースネクスト  
**ZERO**  
シリーズ



Virus Security ZERO



FUDEOH ZERO



HOMEPAGE ZERO



KEIKAI DENWA ZERO



### TOKU-UCHI Series

A long-selling series that has sold over 6.5 million copies since its release in 1997. Users can learn touch-typing, one of the fundamentals of computer use, in a game-like setting.



### TOKU-UCHI-SHIKI Series

A fun series for learning Word, Excel and PowerPoint through story training featuring the characters from the TOKU-UCHI series.



### KYOSOKU Series

A utility software series that can be used without difficult configuration or special operations.



### IKINARI PDF Series

When SOURCENEXT introduced the affordable IKINARI PDF series into the market of mostly high-priced PDF software, it instantly became the No.1 in market share, and expanded the PDF software market.



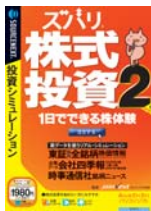
### B's Recorder GOLD

A popular domestically produced CD/DVD writing software product. SOURCENEXT acquired the copyright and trademark rights in 2007, and began selling it in 2008.



### Drive Cleaner

SOURCENEXT's first system utility software series released as the result of in-house development. Securely erases data on discarded hard disks to make it unrecoverable.



### ZUBARI KABU-SHIKI TOUSHI (ZUBARI Stock Investment)

Software that uses movies to teach the basics of stock investment, and supports realistic simulation via actual past stock data.



### ZENRIN DataCom Digital Map of Japan

Map software that uses map data from Zenrin, the No. 1 map maker in Japan.



### HONKAKU HONYAKU (Authentic Translation)

Translation software combining a basic dictionary of 3.38 million entries and a technical dictionary frequently used in business equipped with a world-class translation engine from NEC.



### Acronis Series

SOURCENEXT offers the well-established Acronis hard disk utility series at a reasonable price, which has been well received by customers.



### KOEI Game Series

A game lineup including the "Nobunaga no Yabou" (Nobunaga's Ambition) and "Sangokushi" (Romance of the Three Kingdoms) series.



### Disney Series

A lineup of popular Disney software, 27 titles in all, from intellectual training and educational software to New Year's card software.

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## GfK BEST1: No.1 in Units Sold in 12 Out of 25 Categories

Total for 2007 in the research of GfK Marketing Services Japan, which gathers statistics on sales of major domestic electronics stores



## SOURCENEXT CORPORATION

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