

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2014 (Based on Japanese GAAP)

August 7, 2014

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 03-6430-6406
 Scheduled date to file Quarterly Securities Report: August 7, 2014
 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, 2014 (from April 1, 2014 to June 30, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2014	1,392	10.3	354	28.5	357	36.4	368	25.2
Three months ended June 30, 2013	1,262	2.8	275	104.4	261	92.7	293	87.8

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2014	11.60	–
Three months ended June 30, 2013	9.26	–

(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, 2014	3,973	3,161	79.2	99.63
As of March 31, 2014	4,120	2,788	67.4	87.87

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	–	0.00	–	0.00	0.00
Year ending March 31, 2015	–	–	–	–	–
Year ending March 31, 2015 (Forecast)	–	0.00	–	3.59	3.59

3. Forecast of consolidated financial results for the year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2014	2,899	10.0	566	9.5	565	12.4	514	(10.5)	16.23
Full year	6,153	7.3	1,303	4.6	1,302	6.3	1,140	(6.6)	35.93

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2014
(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, 2014	31,732,000 shares	As of March 31, 2014	31,732,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2014	6 shares	As of March 31, 2014	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, 2014	31,731,994 shares	Three months ended June 30, 2013	31,732,000 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	1,507,418	1,614,715
Accounts receivable - trade	764,396	692,948
Securities	300,000	—
Merchandise and finished goods	80,724	75,682
Raw materials and supplies	16,340	17,265
Advance payments - trade	89,002	127,444
Deferred tax assets	347,399	383,186
Other	51,614	84,769
Total current assets	3,156,896	2,996,012
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	186,064	186,511
Accumulated depreciation	(161,940)	(164,907)
Total property, plant and equipment	24,124	21,603
Intangible assets		
Software	677,522	638,403
Other	158,655	213,469
Total intangible assets	836,177	851,873
Investments and other assets		
Deferred tax assets	41,310	42,558
Other	70,354	63,360
Allowance for doubtful accounts	(8,556)	(1,800)
Total investments and other assets	103,108	104,119
Total non-current assets	963,410	977,595
Total assets	4,120,306	3,973,608
Liabilities		
Current liabilities		
Accounts payable - trade	206,345	196,865
Short-term loans payable	20,000	—
Current portion of long-term loans payable	352,128	—
Accounts payable - other	269,749	324,529
Income taxes payable	73,506	25,403
Provision for bonuses	14,731	7,181
Provision for sales returns	55,306	19,382
Provision for after service cost	26,206	32,076
Other	146,316	180,996
Total current liabilities	1,164,290	786,435
Non-current liabilities		
Long-term loans payable	167,680	—
Other	—	25,862
Total non-current liabilities	167,680	25,862
Total liabilities	1,331,970	812,297

	(Thousands of yen)	
	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	1,771,226	1,771,226
Capital surplus	1,611,226	1,611,226
Retained earnings	(604,603)	(236,413)
Treasury shares	(1)	(1)
Total shareholders' equity	2,777,847	3,146,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,106)	(276)
Foreign currency translation adjustment	2,207	1,987
Total accumulated other comprehensive income	1,101	1,710
Subscription rights to shares	9,386	13,561
Total net assets	2,788,335	3,161,310
Total liabilities and net assets	4,120,306	3,973,608

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, 2013	Three months ended June 30, 2014
Net sales	1,262,076	1,392,130
Cost of sales	323,281	344,729
Gross profit	938,794	1,047,400
Provision for sales returns	34,520	19,382
Reversal of provision for sales returns	62,024	55,306
Gross profit - net	966,298	1,083,324
Selling, general and administrative expenses	690,513	728,812
Operating income	275,785	354,511
Non-operating income		
Interest income	176	28
Dividend income	—	160
Refunded consumption taxes	—	1,921
Contribution for development	—	1,458
Other	7	410
Total non-operating income	183	3,978
Non-operating expenses		
Interest expenses	5,117	872
Commission fee	250	324
Foreign exchange losses	8,753	55
Total non-operating expenses	14,120	1,251
Ordinary income	261,847	357,238
Extraordinary losses		
Loss on valuation of advance payments	—	1,588
Total extraordinary losses	—	1,588
Income before income taxes and minority interests	261,847	355,649
Income taxes - current	12,229	24,495
Income taxes - deferred	(44,355)	(37,035)
Total income taxes	(32,126)	(12,540)
Income before minority interests	293,974	368,190
Net income	293,974	368,190

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	293,974	368,190
Other comprehensive income		
Valuation difference on available-for-sale securities	(690)	830
Foreign currency translation adjustment	544	(220)
Total other comprehensive income	(145)	609
Comprehensive income	293,828	368,799
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	293,828	368,799
Comprehensive income attributable to minority interests	—	—