

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Based on Japanese GAAP)

May 11, 2015

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 of ordinary general meeting of shareholders: June 25, 2015
 Scheduled date to file Securities Report: June 26, 2015
 Scheduled date to commence dividend payments: June 26, 2015
 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, 2015 (from April 1, 2014 to March 31, 2015)

(1) Consolidated operating results

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	%
Year ended March 31, 2015	6,088	6.1	1,302	4.6	1,312	7.1	1,214	(0.5)
Year ended March 31, 2014	5,736	11.2	1,245	61.2	1,225	68.2	1,220	51.6

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2015	38.27	—	35.8	28.6	21.4
Year ended March 31, 2014	38.47	—	56.3	32.4	21.7

(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, 2015	5,044	4,022	79.2	126.77
As of March 31, 2014	4,120	2,788	67.4	87.87

(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, 2015	1,649	(645)	(539)	2,278
Year ended March 31, 2014	1,410	(151)	(412)	1,807

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, 2014	—	0.00	—	0.00	0.00	—	—	—
Year ended March 31, 2015	—	0.00	—	3.83	3.83	121	10.0	3.6
Year ending March 31, 2016 (Forecast)	—	0.00	—	4.28	4.28		15.0	

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

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, 2015	3,176	15.3	590	(2.9)	594	(3.7)	382	(44.8)	12.05
Full year	6,889	13.1	1,399	7.4	1,406	7.2	905	(25.5)	28.52

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2015

(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: No

Changes in accounting estimates: No

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, 2015	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 March 31, 2015	6 shares	As of March 31, 2014	6 shares
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Average number of shares during the period

Year ended March 31, 2015	31,731,994 shares	Year ended March 31, 2014	31,731,995 shares
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Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	1,507,418	1,778,758
Accounts receivable - trade	764,396	919,199
Securities	300,000	499,931
Merchandise and finished goods	80,724	82,904
Raw materials and supplies	16,340	32,791
Advance payments - trade	89,002	115,484
Deferred tax assets	347,399	288,897
Other	51,614	87,190
Total current assets	3,156,896	3,805,157
Non-current assets		
Property, plant and equipment		
Buildings	79,417	79,417
Accumulated depreciation	(71,013)	(75,215)
Buildings, net	8,404	4,202
Vehicles	5,253	6,134
Accumulated depreciation	(1,401)	(2,862)
Vehicles, net	3,852	3,271
Tools, furniture and fixtures	101,393	108,811
Accumulated depreciation	(89,525)	(94,084)
Tools, furniture and fixtures, net	11,867	14,727
Total property, plant and equipment	24,124	22,200
Intangible assets		
Software	677,522	848,065
Other	158,655	118,920
Total intangible assets	836,177	966,985
Investments and other assets		
Investment securities	8,250	109,530
Deferred tax assets	41,310	92,372
Other	62,104	50,319
Allowance for doubtful accounts	(8,556)	(1,800)
Total investments and other assets	103,108	250,422
Total non-current assets	963,410	1,239,608
Total assets	4,120,306	5,044,766

(Thousands of yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	206,345	259,290
Short-term loans payable	20,000	—
Current portion of long-term loans payable	352,128	—
Accounts payable - other	269,749	341,326
Income taxes payable	73,506	59,464
Provision for bonuses	14,731	14,044
Provision for sales returns	55,306	55,026
Provision for after service cost	26,206	20,362
Other	146,316	225,288
Total current liabilities	1,164,290	974,803
Non-current liabilities		
Long-term loans payable	167,680	—
Other	—	47,302
Total non-current liabilities	167,680	47,302
Total liabilities	1,331,970	1,022,106
Net assets		
Shareholders' equity		
Capital stock	1,771,226	1,771,226
Capital surplus	1,611,226	1,611,226
Retained earnings	(604,603)	609,822
Treasury shares	(1)	(1)
Total shareholders' equity	2,777,847	3,992,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,106)	116
Foreign currency translation adjustment	2,207	5,337
Total accumulated other comprehensive income	1,101	5,453
Subscription rights to shares	9,386	24,932
Total net assets	2,788,335	4,022,659
Total liabilities and net assets	4,120,306	5,044,766

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

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	5,736,406	6,088,755
Cost of sales	1,506,785	1,631,567
Gross profit	4,229,621	4,457,188
Provision for sales returns	55,306	55,026
Reversal of provision for sales returns	62,024	55,306
Gross profit - net	4,236,339	4,457,468
Selling, general and administrative expenses		
Promotion expenses	439,246	449,517
Salaries	397,099	453,450
Provision of allowance for doubtful accounts	8,556	(5,195)
Provision for bonuses	14,731	14,044
Business consignment expenses	827,306	899,904
Other	1,303,685	1,343,004
Total selling, general and administrative expenses	2,990,626	3,154,725
Operating income	1,245,713	1,302,742
Non-operating income		
Interest income	958	394
Dividend income	160	160
Refunded consumption taxes	—	3,719
Gain on adjustment of account payable	1,361	5,098
Contribution for development	—	5,833
Other	578	677
Total non-operating income	3,058	15,882
Non-operating expenses		
Interest expenses	16,223	872
Foreign exchange losses	5,803	5,295
Other	1,208	324
Total non-operating expenses	23,235	6,491
Ordinary income	1,225,535	1,312,133
Extraordinary income		
Gain on sales of patent right	—	18,000
Gain on liquidation of subsidiaries and associates	928	—
Contribution for development	20,730	—
Total extraordinary income	21,658	18,000
Extraordinary losses		
Loss on valuation of advance payments	4,339	3,476
Total extraordinary losses	4,339	3,476
Income before income taxes and minority interests	1,242,854	1,326,656
Income taxes - current	88,822	104,847
Income taxes - deferred	(66,647)	7,382
Total income taxes	22,175	112,230
Income before minority interests	1,220,678	1,214,426
Net income	1,220,678	1,214,426

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	1,220,678	1,214,426
Other comprehensive income		
Valuation difference on available-for-sale securities	(730)	1,222
Foreign currency translation adjustment	919	3,129
Total other comprehensive income	189	4,352
Comprehensive income	1,220,868	1,218,778
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,220,868	1,218,778
Comprehensive income attributable to minority interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2014

(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	(1,825,282)	–	1,557,170
Changes of items during period					
Net income			1,220,678		1,220,678
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,220,678	(1)	1,220,677
Balance at end of current period	1,771,226	1,611,226	(604,603)	(1)	2,777,847

	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	(376)	1,288	912	–	1,558,082
Changes of items during period					
Net income					1,220,678
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	(730)	919	189	9,386	9,575
Total changes of items during period	(730)	919	189	9,386	1,230,252
Balance at end of current period	(1,106)	2,207	1,101	9,386	2,788,335

Fiscal year ended March 31, 2015

(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	(604,603)	(1)	2,777,847
Changes of items during period					
Net income			1,214,426		1,214,426
Purchase of treasury shares				—	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,214,426	—	1,214,426
Balance at end of current period	1,771,226	1,611,226	609,822	(1)	3,992,274

	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	(1,106)	2,207	1,101	9,386	2,788,335
Changes of items during period					
Net income					1,214,426
Purchase of treasury shares					—
Net changes of items other than shareholders' equity	1,222	3,129	4,352	15,545	19,897
Total changes of items during period	1,222	3,129	4,352	15,545	1,234,324
Balance at end of current period	116	5,337	5,453	24,932	4,022,659

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,242,854	1,326,656
Depreciation	172,014	185,470
Amortization of software	221,147	210,757
Share-based compensation expenses	9,386	15,545
Amortization of trademark right	31,858	5,026
Increase (decrease) in allowance for doubtful accounts	8,556	(6,756)
Increase (decrease) in provision for bonuses	6,418	(687)
Increase (decrease) in provision for sales returns	(6,718)	(279)
Provision for after cost periods adjustment	(49,249)	(5,844)
Interest and dividend income	(1,118)	(554)
Interest expenses	16,223	872
Loss (gain) on liquidation of subsidiaries and associates	(928)	—
Decrease (increase) in notes and accounts receivable - trade	(107,331)	(154,803)
Decrease (increase) in inventories	(20,966)	(18,630)
Decrease (increase) in advance payments	(6,058)	(26,481)
Increase (decrease) in notes and accounts payable - trade	(740)	52,944
Increase (decrease) in accounts payable - other	(51,796)	87,331
Other, net	37,765	99,102
Subtotal	1,501,317	1,769,671
Interest and dividend income received	1,183	657
Interest expenses paid	(17,596)	(2,512)
Income taxes paid	(74,778)	(118,437)
Net cash provided by (used in) operating activities	1,410,125	1,649,378
Cash flows from investing activities		
Payments into time deposits	(200,000)	—
Proceeds from withdrawal of time deposits	500,000	—
Purchase of property, plant and equipment	(8,484)	(9,807)
Purchase of software	(439,328)	(535,421)
Purchase of trademark right	(51,800)	—
Purchase of investment securities	—	(100,000)
Payments from collection of lease and guarantee deposits	48,335	—
Net cash provided by (used in) investing activities	(151,278)	(645,228)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(57,000)	(20,000)
Repayments of long-term loans payable	(352,128)	(519,808)
Repayments of lease obligations	(3,224)	—
Purchase of treasury shares	(1)	—
Net cash provided by (used in) financing activities	(412,354)	(539,808)
Effect of exchange rate change on cash and cash equivalents	4,089	6,929
Net increase (decrease) in cash and cash equivalents	850,582	471,271
Cash and cash equivalents at beginning of period	956,836	1,807,418
Cash and cash equivalents at end of period	1,807,418	2,278,689