

**Translation**

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**Summary of Consolidated Financial Results  
for the Six Months Ended September 30, 2016  
(Based on Japanese GAAP)**

November 10, 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: November 10, 2016  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 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	%
Six months ended September 30, 2016	4,221	28.1	865	17.3	879	18.2	595	17.8
Six months ended September 30, 2015	3,295	19.6	737	21.3	743	20.6	505	(27.1)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	18.92	–
Six months ended September 30, 2015	15.92	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	6,941	4,919	70.1	157.29
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	Yen	Yen	Yen	Yen
Year ended March 31, 2016	–	0.00	–	4.68	4.68
Year ending March 31, 2017	–	0.00			
Year ending March 31, 2017 (Forecast)			–	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
Full year	8,090	15.2	1,552	7.4	1,562	6.7	1,077	8.7	34.25

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2016	772,006 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)

Six months ended September 30, 2016	31,462,286 shares	Six months ended September 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 September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	2,677,004	1,687,019
Accounts receivable - trade	1,052,248	1,490,563
Securities	499,951	499,971
Merchandise and finished goods	129,683	525,842
Raw materials and supplies	25,945	29,405
Advance payments - trade	166,998	550,360
Deferred tax assets	75,436	95,625
Other	89,423	129,054
Total current assets	4,716,692	5,007,843
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	195,054	377,041
Accumulated depreciation	(167,449)	(66,080)
Total property, plant and equipment	27,605	310,960
Intangible assets		
Software	820,216	948,520
Other	61,522	174,691
Total intangible assets	881,738	1,123,211
Investments and other assets		
Investment securities	108,658	242,481
Deferred tax assets	67,325	48,017
Other	247,709	211,246
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	421,892	499,945
Total non-current assets	1,331,236	1,934,117
Total assets	6,047,929	6,941,960
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	274,070	670,549
Accounts payable - other	328,005	665,740
Income taxes payable	205,282	298,904
Provision for bonuses	14,807	17,941
Provision for sales returns	72,745	125,279
Provision for after service cost	19,952	17,712
Other	191,765	202,853
Total current liabilities	1,106,630	1,998,981

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
Non-current liabilities		
Other	35,320	23,252
Total non-current liabilities	35,320	23,252
Total liabilities	1,141,950	2,022,233
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	1,926,072
Treasury shares	(1)	(438,355)
Total shareholders' equity	4,861,607	4,870,170
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(488)	(483)
Foreign currency translation adjustment	3,136	(57)
Total accumulated other comprehensive income	2,648	(540)
Subscription rights to shares	41,722	50,097
Total net assets	4,905,978	4,919,726
Total liabilities and net assets	6,047,929	6,941,960

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	3,295,584	4,221,405
Cost of sales	914,875	1,237,738
Gross profit	2,380,709	2,983,667
Provision for sales returns	38,844	125,279
Reversal of provision for sales returns	55,026	72,745
Gross profit - net	2,396,891	2,931,134
Selling, general and administrative expenses	1,658,968	2,065,274
Operating income	737,923	865,859
Non-operating income		
Interest income	746	447
Dividend income	160	160
Foreign exchange gains	–	11,516
Contribution for development	4,445	2,916
Other	676	767
Total non-operating income	6,028	15,808
Non-operating expenses		
Commission fee	–	2,268
Total non-operating expenses	–	2,268
Ordinary income	743,951	879,399
Extraordinary losses		
Loss on valuation of Advance payments	197	13,169
Total extraordinary losses	197	13,169
Profit before income taxes	743,754	866,229
Income taxes - current	84,094	271,693
Income taxes - deferred	154,356	(885)
Total income taxes	238,450	270,807
Profit	505,303	595,421
Profit attributable to owners of parent	505,303	595,421

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	505,303	595,421
Other comprehensive income		
Valuation difference on available-for-sale securities	(182)	5
Foreign currency translation adjustment	(153)	(3,193)
Total other comprehensive income	(335)	(3,188)
Comprehensive income	504,968	592,233
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	504,968	592,233
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	743,754	866,229
Depreciation	102,524	115,038
Amortization of software	115,778	143,496
Share-based compensation expenses	9,131	8,374
Amortization of trademark right	2,513	12,096
Increase (decrease) in provision for bonuses	970	3,133
Increase (decrease) in provision for sales returns	(16,182)	52,533
Provison for after cost periods adustment	726	(2,240)
Interest and dividend income	(906)	(607)
Decrease (increase) in notes and accounts receivable - trade	(274,775)	(438,314)
Decrease (increase) in inventories	(39,683)	(399,619)
Decrease (increase) in advance payments	24,143	(383,362)
Increase (decrease) in notes and accounts payable - trade	(37,503)	396,478
Increase (decrease) in accounts payable - other	(20,684)	30,600
Other, net	(52,355)	11,962
Subtotal	557,453	415,799
Interest and dividend income received	906	612
Income taxes paid	(50,797)	(189,686)
Net cash provided by (used in) operating activities	507,562	226,725
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,785)	(7,053)
Purchase of software	(177,083)	(366,929)
Amortization of trademark right	–	(115,000)
Purchase of investment securities	–	(133,813)
Proceeds from collection of lease and guarantee deposits	11,044	–
Net cash provided by (used in) investing activities	(167,824)	(622,795)
Cash flows from financing activities		
Purchase of treasury shares	–	(438,353)
Cash dividends paid	(121,091)	(148,045)
Net cash provided by (used in) financing activities	(121,091)	(586,399)
Effect of exchange rate change on cash and cash equivalents	489	(7,496)
Net increase (decrease) in cash and cash equivalents	219,136	(989,965)
Cash and cash equivalents at beginning of period	2,278,689	3,176,956
Cash and cash equivalents at end of period	2,497,826	2,186,990