

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Based on Japanese GAAP)

February 14, 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 to file Quarterly Securities Report: February 14, 2017
 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 nine months ended December 31, 2016 (from April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	7,016	30.4	1,342	9.1	1,350	9.2	906	8.6
Nine months ended December 31, 2015	5,380	16.9	1,230	20.2	1,237	20.4	834	(14.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2016	28.96		–	
Nine months ended December 31, 2015	26.30		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2016	7,019	5,240	73.9	167.47
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				
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	34.43

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2016	31,294,247 shares	Nine months ended December 31, 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 December 31, 2016
Assets		
Current assets		
Cash and deposits	2,677,004	2,018,720
Notes and accounts receivable - trade	1,052,248	2,021,183
Securities	499,951	–
Merchandise and finished goods	129,683	239,206
Raw materials and supplies	25,945	25,838
Advance payments - trade	166,998	580,742
Deferred tax assets	75,436	98,639
Other	89,423	100,709
Allowance for doubtful accounts	–	(28)
Total current assets	4,716,692	5,085,012
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	195,054	383,624
Accumulated depreciation	(167,449)	(84,235)
Total property, plant and equipment	27,605	299,389
Intangible assets		
Software	820,216	910,953
Goodwill	–	45,730
Other	61,522	172,089
Total intangible assets	881,738	1,128,773
Investments and other assets		
Investment securities	108,658	243,721
Deferred tax assets	67,325	52,820
Other	247,709	211,330
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	421,892	506,072
Total non-current assets	1,331,236	1,934,235
Total assets	6,047,929	7,019,248
Liabilities		
Current liabilities		
Accounts payable - trade	274,070	380,900
Accounts payable - other	328,005	553,149
Income taxes payable	205,282	352,788
Provision for bonuses	14,807	10,474
Provision for sales returns	72,745	112,121
Provision for after service cost	19,952	19,171
Other	191,765	327,137
Total current liabilities	1,106,630	1,755,743
Non-current liabilities		
Other	35,320	23,288
Total non-current liabilities	35,320	23,288
Total liabilities	1,141,950	1,779,031

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
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	2,236,795
Treasury shares	(1)	(438,355)
Total shareholders' equity	4,861,607	5,180,893
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(488)	377
Foreign currency translation adjustment	3,136	3,698
Total accumulated other comprehensive income	2,648	4,075
Subscription rights to shares	41,722	55,246
Total net assets	4,905,978	5,240,216
Total liabilities and net assets	6,047,929	7,019,248

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	5,380,640	7,016,356
Cost of sales	1,483,951	2,275,032
Gross profit	3,896,688	4,741,324
Provision for sales returns	45,738	112,121
Reversal of provision for sales returns	55,026	72,745
Gross profit - net	3,905,977	4,701,948
Selling, general and administrative expenses	2,675,916	3,359,886
Operating income	1,230,060	1,342,061
Non-operating income		
Interest income	1,100	578
Dividend income	160	160
Foreign exchange gains	-	5,245
Contribution for development	5,903	4,374
Other	118	776
Total non-operating income	7,282	11,135
Non-operating expenses		
Commission fee	-	2,268
Foreign exchange losses	109	-
Total non-operating expenses	109	2,268
Ordinary income	1,237,234	1,350,928
Extraordinary income		
Gain on reversal of subscription rights to shares	341	-
Total extraordinary income	341	-
Extraordinary losses		
Loss on valuation of advance payments	197	14,016
Total extraordinary losses	197	14,016
Profit before income taxes	1,237,378	1,336,912
Income taxes - current	177,596	439,850
Income taxes - deferred	225,246	(9,083)
Total income taxes	402,842	430,767
Profit	834,535	906,145
Profit attributable to owners of parent	834,535	906,145

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	834,535	906,145
Other comprehensive income		
Valuation difference on available-for-sale securities	842	865
Foreign currency translation adjustment	(28)	562
Total other comprehensive income	814	1,427
Comprehensive income	835,349	907,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	835,349	907,572
Comprehensive income attributable to non-controlling interests	—	—