

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

August 9, 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: August 9, 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 three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2017	1,578	(20.6)	62	(87.1)	65	(86.9)	86	(74.5)
Three months ended June 30, 2016	1,988	29.1	485	74.2	497	76.5	338	81.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2017	2.78		–	
Three months ended June 30, 2016	10.65		–	

(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, 2017	9,214	5,312	57.0	169.55
As of March 31, 2017	9,873	5,409	54.2	172.81

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, 2017	–	0.00	–	6.19	6.19
Year ending March 31, 2018	–	–	–	–	–
Year ending March 31, 2018 (Forecast)	–	0.00	–	5.79	5.79

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		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, 2017	3,819	(9.5)	358	(58.6)	360	(59.0)	255	(57.1)	8.25
Full year	9,444	1.1	1,717	9.1	1,720	8.0	1,195	11.7	38.63

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2017  
 (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, 2017	31,732,000 shares	As of March 31, 2017	31,732,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	772,006 shares	As of March 31, 2017	772,006 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, 2017	30,959,994 shares	Three months ended June 30, 2016	31,731,994 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	3,699,654	2,982,143
Notes and accounts receivable - trade	1,648,116	1,159,953
Merchandise and finished goods	152,134	160,591
Raw materials and supplies	28,256	27,247
Advance payments - trade	602,297	285,495
Deferred tax assets	179,068	184,405
Other	89,160	173,906
Total current assets	6,398,688	4,973,744
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	384,103	411,582
Accumulated depreciation	(97,370)	(131,389)
Total property, plant and equipment	286,733	280,192
Intangible assets		
Software	899,970	974,732
Goodwill	41,919	632,149
Contract based intangible assets	1,546,242	1,526,208
Other	208,883	180,153
Total intangible assets	2,697,016	3,313,244
Investments and other assets		
Investment securities	238,699	315,239
Deferred tax assets	47,465	84,357
Other	206,203	249,323
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	490,568	647,120
Total non-current assets	3,474,318	4,240,557
Total assets	9,873,006	9,214,302
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	414,210	257,208
Short-term loans payable	1,940,000	1,570,000
Current portion of long-term loans payable	–	212,404
Accounts payable - other	919,025	648,203
Income taxes payable	517,912	4,813
Provision for bonuses	15,464	14,258
Provision for sales returns	271,951	25,645
Provision for after service cost	18,802	19,861
Other	346,366	336,592
Total current liabilities	4,443,734	3,088,987
Non-current liabilities		
Long-term loans payable	–	786,724
Other	19,797	25,929
Total non-current liabilities	19,797	812,653
Total liabilities	4,463,531	3,901,641

(Thousands of yen)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	1,771,226	1,771,226
Capital surplus	1,611,226	1,611,226
Retained earnings	2,401,478	2,295,951
Treasury shares	(438,355)	(438,355)
Total shareholders' equity	5,345,576	5,240,049
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,373	5,539
Foreign currency translation adjustment	3,364	3,814
Total accumulated other comprehensive income	4,737	9,354
Subscription rights to shares	59,159	63,257
Total net assets	5,409,474	5,312,661
Total liabilities and net assets	9,873,006	9,214,302

**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, 2016	Three months ended June 30, 2017
Net sales	1,988,218	1,578,805
Cost of sales	536,085	589,951
Gross profit	1,452,133	988,854
Provision for sales returns	30,892	25,645
Reversal of provision for sales returns	72,745	271,951
Gross profit - net	1,493,986	1,235,160
Selling, general and administrative expenses	1,008,058	1,172,368
Operating profit	485,928	62,791
Non-operating income		
Interest income	223	0
Dividend income	160	231
Foreign exchange gains	9,181	2,319
Contribution for development	1,458	1,458
Other	540	675
Total non-operating income	11,563	4,684
Non-operating expenses		
Interest expenses	-	2,321
Other	-	62
Total non-operating expenses	-	2,384
Ordinary profit	497,492	65,092
Extraordinary income		
Gain on reversal of subscription rights to shares	-	398
Total extraordinary income	-	398
Extraordinary losses		
Loss on valuation of advance payments	9,725	2,065
Total extraordinary losses	9,725	2,065
Profit before income taxes	487,766	63,425
Income taxes - current	123,421	(29,880)
Income taxes - deferred	26,324	7,191
Total income taxes	149,745	(22,689)
Profit	338,021	86,115
Profit attributable to owners of parent	338,021	86,115

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

(Thousands of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	338,021	86,115
Other comprehensive income		
Valuation difference on available-for-sale securities	(34)	4,166
Foreign currency translation adjustment	(2,652)	450
Total other comprehensive income	(2,687)	4,616
Comprehensive income	335,334	90,731
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	335,334	90,731
Comprehensive income attributable to non-controlling interests	—	—