

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

February 14, 2018

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, 2018  
 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, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	6,733	(4.0)	836	(37.7)	844	(37.5)	586	(35.3)
Nine months ended December 31, 2016	7,016	30.4	1,342	9.1	1,350	9.2	906	8.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	9.47		–	
Nine months ended December 31, 2016	14.48		–	

(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, 2017	9,715	6,103	62.1	97.43
As of March 31, 2017	9,873	5,409	54.2	86.41

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	–	0.00	–		
Year ending March 31, 2018 (Forecast)				2.90	2.90

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
Full year	9,444	1.1	1,717	9.1	1,720	8.0	1,195	11.7	19.31

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2017	63,465,000 shares	As of March 31, 2017	63,464,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2017	1,544,012 shares	As of March 31, 2017	1,544,012 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, 2017	61,920,099 shares	Nine months ended December 31, 2016	62,588,493 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	3,699,654	2,064,278
Accounts receivable - trade	1,648,116	2,072,429
Merchandise and finished goods	152,134	208,608
Raw materials and supplies	28,256	41,793
Advance payments - trade	602,297	513,593
Income taxes receivable	–	120,976
Deferred tax assets	179,068	88,050
Other	89,160	135,702
Total current assets	6,398,688	5,245,432
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	384,103	417,588
Accumulated depreciation	(97,370)	(160,043)
Total property, plant and equipment	286,733	257,544
Intangible assets		
Software	899,970	992,028
Goodwill	41,919	638,371
Contract based intangible assets	1,546,242	1,486,141
Other	208,883	154,619
Total intangible assets	2,697,016	3,271,161
Investments and other assets		
Investment securities	238,699	690,168
Deferred tax assets	47,465	35,517
Other	206,203	216,999
Allowance for doubtful accounts	(1,800)	(1,800)
Total investments and other assets	490,568	940,885
Total non-current assets	3,474,318	4,469,591
Total assets	9,873,006	9,715,023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	414,210	386,002
Short-term loans payable	1,940,000	–
Current portion of long-term loans payable	–	422,000
Accounts payable - other	919,025	707,328
Income taxes payable	517,912	34,243
Provision for bonuses	15,464	16,497
Provision for sales returns	271,951	118,578
Provision for after service cost	18,802	21,084
Other	346,366	278,709
Total current liabilities	4,443,734	1,984,444
Non-current liabilities		
Long-term loans payable	–	1,542,500
Deferred tax liabilities	–	61,322
Other	19,797	23,485
Total non-current liabilities	19,797	1,627,307
Total liabilities	4,463,531	3,611,751

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	1,771,226	1,771,515
Capital surplus	1,611,226	1,611,515
Retained earnings	2,401,478	2,796,087
Treasury shares	(438,355)	(438,355)
Total shareholders' equity	5,345,576	5,740,762
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,373	288,143
Foreign currency translation adjustment	3,364	3,981
Total accumulated other comprehensive income	4,737	292,124
Subscription rights to shares	59,159	70,384
Total net assets	5,409,474	6,103,271
Total liabilities and net assets	9,873,006	9,715,023

**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, 2016	Nine months ended December 31, 2017
Net sales	7,016,356	6,733,177
Cost of sales	2,275,032	2,232,030
Gross profit	4,741,324	4,501,147
Provision for sales returns	112,121	118,578
Reversal of provision for sales returns	72,745	271,951
Gross profit - net	4,701,948	4,654,520
Selling, general and administrative expenses	3,359,886	3,818,077
Operating profit	1,342,061	836,442
Non-operating income		
Interest income	578	185
Dividend income	160	231
Foreign exchange gains	5,245	6,130
Contribution for development	4,374	4,374
Gain on redemption of investment securities	-	2,745
Other	776	1,801
Total non-operating income	11,135	15,469
Non-operating expenses		
Interest expenses	-	6,648
Commission fee	2,268	-
Other	-	297
Total non-operating expenses	2,268	6,945
Ordinary profit	1,350,928	844,966
Extraordinary income		
Gain on reversal of subscription rights to shares	-	985
Total extraordinary income	-	985
Extraordinary losses		
Loss on valuation of advance payments	14,016	7,399
Total extraordinary losses	14,016	7,399
Profit before income taxes	1,336,912	838,552
Income taxes - current	439,850	164,730
Income taxes - deferred	(9,083)	87,570
Total income taxes	430,767	252,300
Profit	906,145	586,251
Profit attributable to owners of parent	906,145	586,251

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

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	906,145	586,251
Other comprehensive income		
Valuation difference on available-for-sale securities	865	286,770
Foreign currency translation adjustment	562	616
Total other comprehensive income	1,427	287,387
Comprehensive income	907,572	873,638
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	907,572	873,638
Comprehensive income attributable to non-controlling interests	—	—