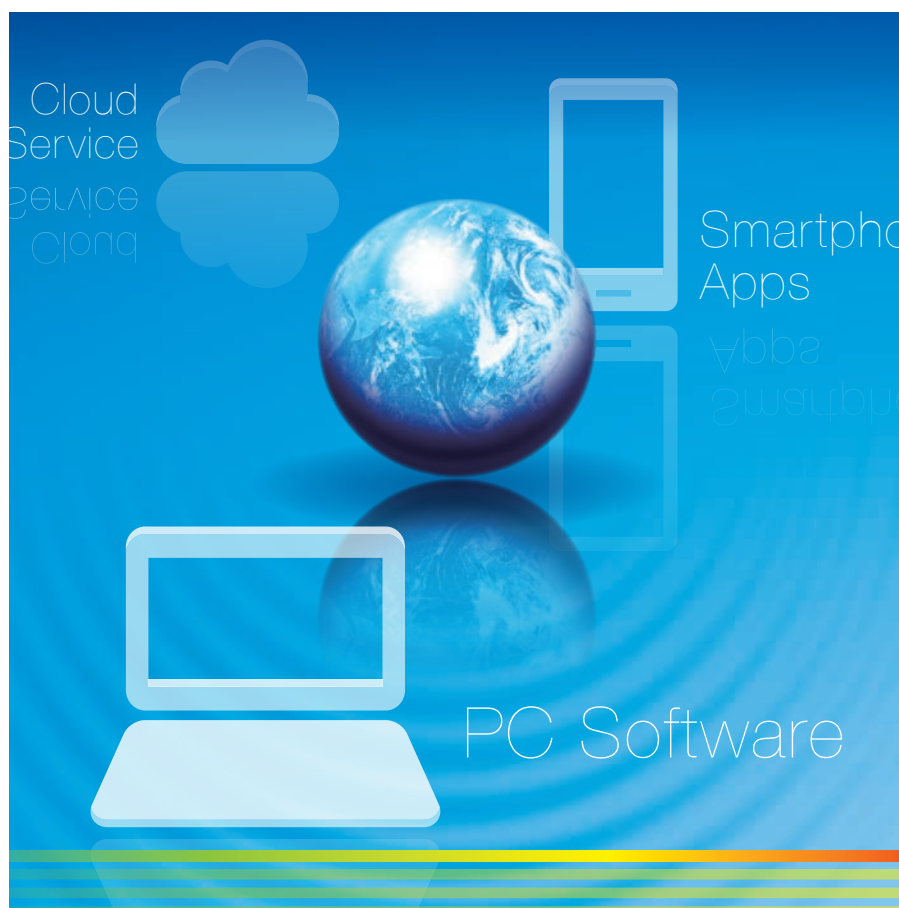


To Our Shareholders and Investors

Business Report for Fiscal Year ended March 2015

April 1, 2014 - September 30, 2014



Greetings

To all our valued shareholders and investors, I would like to express my warmest gratitude for your continued loyal patronage and hope that this letter finds you well.

I would like to start off by informing you that our financial reports for this consolidated cumulative second quarter, ended in the black with positive results. By focusing our development on new products which are tailored to meet the needs of customers and working to bring our end-users closer to developers, our ordinary income, operating income and net income for this consolidated cumulative quarter marked an all-time high for the second year in a row. I would like to send my gratitude to all our valued shareholders and investors - for without your encouragement and support, this extraordinary feat would not have been possible.

Although we have been supported very strongly by our shareholders in the past, we have been unable to pay out dividends due to performances not meeting expectations. But with the recent rise in performance and also with improvements made in our financial standings, we expect that from the end of this quarter, we will be able to resume again with our dividends payout. I would like to convey my gratitude to our shareholders for their unending support and also their kind patience and understanding. I believe strongly that it is our responsibility to meet up to our shareholder's expectations by continuing to deliver consistent results and growth, and to respond to these expectations through stable dividend payouts.

Starting October this year, we adopted our new slogan "We Source What's Next" - derived from our company name - and now more than ever, we are committed to creating products which inspire joy and move the world.

I would like to express my warmest gratitude to all our shareholders and investors, for your kind understanding and encouragement, and look forward to your continued support in the coming future. Thank you very much.



SOURCENEXT Corporation
President and CEO
Noriyuki Matsuda

SOURCENEXT Products and Services

"New Business Developments for the Changing Times"

PC Software

Increasing the Market Share for Security Software

It's a widely known fact that the genre of PC software with the largest number of users is the security software market. Since November 2013, we unified the three security software in our product line-up under a single "ZERO" brand in order to better spread our "no annual renewal fee" concept, and to increase overall market share.



Simply the BEST

"Bitdefender Internet Security" which uses the same engine to power our top of the line security product, "Super Security ZERO", dominated AV-Test's 2013 Awards for the home security products category by placing No.1 in both "Protection" and "Performance".



AV-TEST is an independent third-party testing institution based in Germany, which tests and evaluates security products from around the world. The tests which they run are based on a score of 6 (with 6 being highest) and the product which achieves the highest average score for the year, is presented this prestigious award.

No annual renewal fees = no expiration dates

The "ZERO" brand allows users to take advantage of the world's finest antivirus solutions at no annual renewal fees. Developed "from a customer's perspective" and with various products to choose from, it allows users to select the perfect security solution which fit their specific needs.

| Other security solutions | renewal fees | ZERO security products | renewal fees |
|---|--------------|---|------------------------|
| 2023 | - | - | NO annual renewal fees |
| 2022 | | | |
| 2021 | | | |
| 2020 | | | |
| 2019 | | | |
| 2018 | | | |
| 2017 | | | |
| 2016 | | | |
| 2015 | | | |
| 2014 | | | |
| - Expires within 1 year or 3 years | | - Doesn't expire until the end of official Microsoft Support Period of the OS in use. | |
| - Update stopped unless renewal fees paid. PC left in danger. | | | |

FUDEOH Ver.19

In August, we released our latest version of our flagship title, "FUDEOH", and one of the biggest additions to the program this time was the introduction of the new "Web FUDEOH" service. The service allows users to create postcards from any web browser and can be used on tablet PC's, Macs and can also be used as a completely separate service, apart from the FUDEOH software.



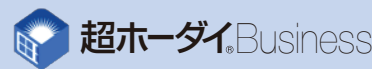
FUDEOH Ver.19



"Web FUDEOH" - a browser based version of the popular FUDEOH software

"Subscription-Based PC Software"

Starting from 2013, SOURCENEXT began providing contents to an "All you can grab PC Software" service for ISP's in Japan, and recently from June 2014, this service took new shape in a product called, "CHOU HODAI". In the software industry, most software vendors only focus on one specific software category, whereas with SOURCENEXT, our competitive edge lies in the fact that we have the capability to provide over 120 software from various categories. This is what makes it possible for us to offer our software in a new monthly / annual subscription-based business model, in packaged software for retail stores, and also as OEM services for ISP's.



The "CHOU HODAI Business" is a new "All you can use PC Software" service which allows enterprise users to use all the business software they want for a fixed fee. The service is also offered as OEM and is expected to be launched as a service with NTT East Japan coming November.



Smartphone Apps

Providing Apps to the 3 Main Smartphone Carriers

The rapidly growing Smartphone App related businesses which has become one of the major businesses.



KDDI au "Smart Pass"

We currently provide 15 titles to KDDI's popular monthly subscription-based service, "au Smart Pass"

NTT DOCOMO "SUGO-TOKU Contents"

For NTT Docomo's monthly subscription-based service, "SugoToku Contents", 4 sites (categories) and 10 titles from SOURCENEXT are currently being featured.

SoftBank Mobile "App Pass"

For SoftBank Mobile's monthly subscription-based service, "App Pass", we currently provide 13 titles for this service.

Pioneering into the MVNO Smartphone Market

With the increase in the number of companies dealing MVNO Smartphones, the number of users who make the switch from feature phones to smartphones is expected to rise in the coming future. At SOURCENEXT, we offer our "Apps CHOU HODAI" as a service so that these MVNO smartphone users can also take advantage of selected popular apps at a monthly fee, similar to other carrier services. The has been well-received and has already been adopted by big-name companies such as AEON and Biglobe.



アプリ超ホーダイ

"Apps CHOU HODAI" logotype



And More to Come...

Cross-Border Collaborations

From the Silicon Valley, to the World

For overseas IT venture companies, Japan is considered an extremely attractive market, being No.2 in the world in terms of "least number of illegal software copying". Our U.S. subsidiary, SOURCENEXT, Inc. - based in the Silicon Valley, continues to seek out new potential overseas partners, in aim to form partnerships that promote synergy through these cross-border collaborations.



EVERNOTE



splashtop

Packaging Unique Cloud Services

To many Japanese users, using foreign payment systems or making payments by credit card to take advantage of overseas services is a rather bothersome obstacle to overcome. At SOURCENEXT, we take away this hassle by allowing users to purchase these services as packaged products, straight over the counter.

Providing Apps to the U.S. Smartphone Market

Starting August, SOURCENEXT joined in providing apps to SoftBank's "App Pass" service and also to the U.S. "App Pass" service run by SoftBank's U.S. subsidiary, Sprint Corporation. The apps provided to these services have also been extremely well-received by users of overseas markets.



Super Battery



Speed Sweeper



Super Tools



Happy Eyes

User Services

New Services to Our 10 Million Subscribers

At SOURCENEXT, we feel it is very important to build a strong relationship with our customers, and in order to provide the best possible services to our registered users, we continue to invest in making new enhancements to our user services.



Frequently Asked Questions

Q. What is your most popular product or service?

A. The "ZERO" security software series.

In 2013, "Virus Security ZERO" was the No.1 selling PC software in Japan, and now has a total of over 8.9 million users*.

(* as of September 2014)

Q. What are the most popular Smartphone apps in your line-up?

A. "Super Battery", "Speed Sweeper", "Super Tools" and "Happy Eyes" are among the most popular.

The most popular app in the "au Smart Pass" service is "Super Battery (previous name: Super Power Saver)" which has recorded over 2.3 million total downloads - followed by "Speed Sweeper", "Super Tools" and "Happy Eyes". All 4 of these titles are ranked within the monthly top 50 apps in the "au Smart-Pass" rankings. In docomo's "SugoToku Contents" service, "Super Tools" and "Banno Camera" are amongst the most popular, and "Happy Eyes" has made a place for itself by having an individual site (category) named all for itself.

Q. What is your main objective in partnering with foreign companies?

A. To find potential hit products from around the world, and to provide it to the market with new values added.

In order to carry out this objective, we have partners based in the U.S., China, India, Romania, Bangladesh, (to name a few) and also have our U.S. subsidiary based in the Silicon Valley.

Q. What are the reasons behind your strong performances?

A. Mainly due to our highly profitable products performing well

In the PC software category, the end of Windows XP support period created high demands for new PC's and as result, helped boost the sales of our security products "Virus Security ZERO" and "Super Security ZERO". In addition, the steady growth in app sales through KDDI and Docomo's monthly subscription-based services proved to be a strong source of income and helped drive up our profits.

Q. What are your thoughts on premium redemptions to shareholders?

A. We look upon it from a long-term perspective.

We, at SOURCENEXT, believe that our long-term rise in business performances will lead to higher corporate values and as a result, meet the expectations of our shareholders. Keeping this in mind, our fundamental policies for profit-sharing are based on the overall business performance, dividend ratio, and investments which will be necessary for mid to long-term growth for the corporation.

Q. What are your future business strategies?

A. To further expand on our three "CHOU HODAI" services and to build a basis for a solid source of income for the future.

Currently, our "HODAI" business model reaches out to various markets, beginning with "CHOU HODAI", which allows PC users to use all the software they want for a fixed annual fee, the "Apps CHOU HODAI", which provides a new subscription-based platform for MVNO Smartphone markets, and the "CHOU HODAI Business", which provides a similar all-you-can-use downloading service to enterprise users. By continuing increase the number of subscribers for each of these "CHOU HODAI" business models, we plan to create a basis for a new solid source of income.

Q. Does SOURCENEXT have a regulatory compliance program which they abide by?

A. Our company as a whole has a strong sense of abiding by and upholding compliance regulations.

At SOURCENEXT, our ultimate goal is "to become the most EXCITING company in the world" and we define this term "EXCITING" to mean "being genuinely good", "creating happiness", and "having fun". We take pride in our company's cultural values which emphasizes on being good and truthful. Regardless of our employees' employment status, everyone at the company is required to first take a training course to learn about the importance of upholding compliance, and a designated committee (formed by employees) lectures the entire staff upon compliance regulations and corporate policies. Corporate obligations set forth by law, are also strictly abided and we also have a "Corporate Ethics Hotline" (run by an independent third party that has no stakes in our company) set up where all employees are able to anonymously report any unethical acts they find within the company.

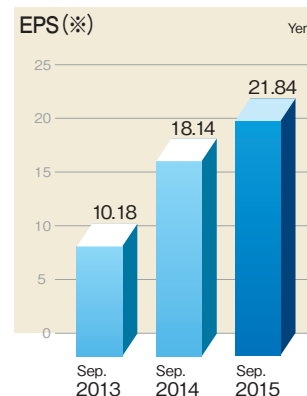
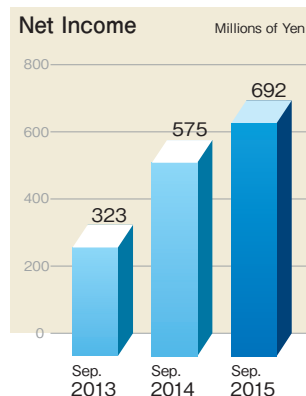
Financial Highlights

Quarter Summary

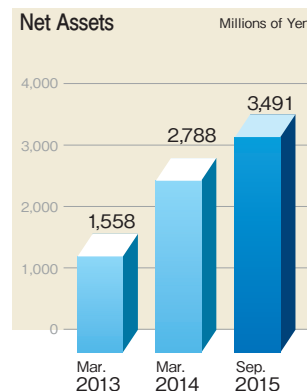
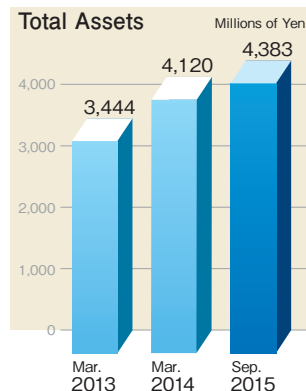
In this consolidated cumulative second quarter, we focused on the development and sales of PC software - mainly in the security software category, and also on the development of apps for the rapidly growing smartphone app market.

Key events which took place this quarter include: the total number of registered users for "Virus Security ZERO" surpassed the 9.1 million mark. And on June, our new service "CHOU HODAI" was launched, which allowed users to freely download and use software from among 120 titles for a fixed annual fee. On July, a new accounting / tax return software, "Money Forward" was released, and on August, the latest version of our flagship postcard creation software, "FUDEOH" went on sale.

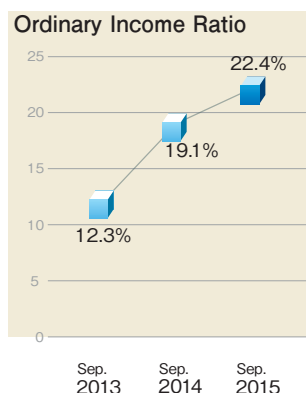
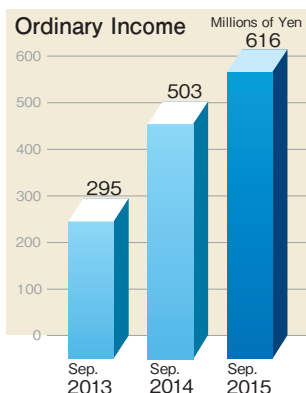
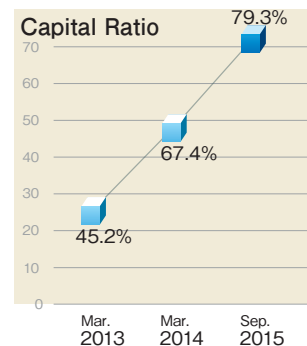
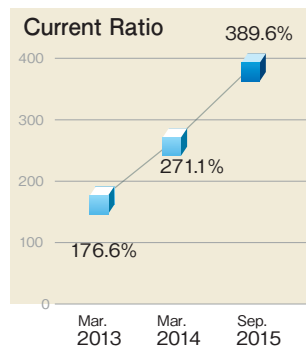
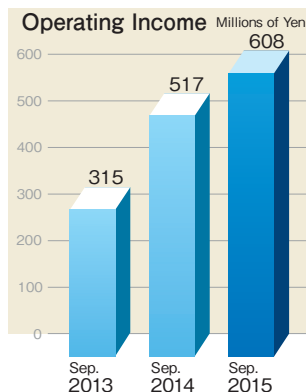
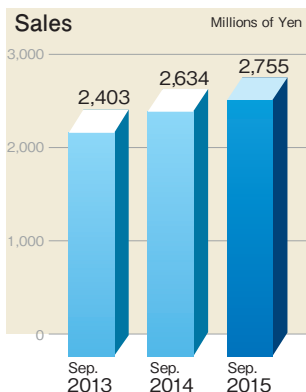
In the Smartphone apps market, we began providing 13 apps, including our ever-popular "Super Battery" and "Happy Eyes" to the newly launched SoftBank Mobile "App Pass" service. In addition, we made our first venture into overseas app downloading services by providing 8 apps to the "App Pass" services operated by Sprint Corporation in the U.S. By September end, we had 15 total apps provided to KDDI's "au SmartPass" and 10 total apps (and 4 "sites") to NTT docomo's "SugoToku Contents", working to not only introduce new apps to the service but also to deliver updates to achieve even higher customer satisfaction from current users. As a result of these marketing efforts, our operating income marked 608 million yen (17.6% increase from previous quarter), our ordinary income at 616 million yen (22.5% increase from previous quarter) and our net income for the semester at 692 million yen (20.4% increase from previous quarter), making this the most profitable quarter for 2 years in a row. In addition, as result of the 692 million yen net income earned this semester, the company's total losses carried forward have now been all paid off, resulting in an accumulated earnings of 88 million yen.



(*) NOTE: On October 1, 2012, SOURCENEXT carried out a stock split in which our stocks were split 100-for-1, and on September 1, 2013, we carried out a stock split in which stocks were split 2-for-1. In accordance to this stock split, we have calculated the net income for a single share for this quarter semester under the supposition that the stock split was carried out at the beginning of fiscal year 2012, on March.



Consolidated Business Performances



Consolidated Financial Statements

Consolidated Balance Sheets

(As of Sept. 30, 2014)

Thousands of Yen

| < Assets > | | < Liabilities > | |
|-------------------------------|-----------|--|-----------|
| Current assets | 3,321,629 | Current liabilities | 852,574 |
| Noncurrent assets | 1,061,921 | Noncurrent liabilities | 39,221 |
| Property, plant and equipment | 20,303 | Total liabilities | 891,795 |
| Intangible assets | 937,915 | < Net Assets > | |
| Investments and other assets | 103,702 | Shareholders' equity | 3,470,847 |
| | | Accumulated other comprehensive income | 3,608 |
| | | Share warrant | 17,298 |
| | | Total net assets | 3,491,755 |
| Total assets | 4,383,550 | Total liabilities and net assets | 4,383,550 |

Consolidated Statements of Income

(From April 1, 2014 to Sept. 30, 2014)

Thousands of Yen

| | |
|--|-----------|
| Net sales | 2,755,520 |
| Cost of sales | 669,681 |
| Gross profit | 2,085,838 |
| Selling, general and administrative expenses | 1,477,559 |
| Operating income | 608,279 |
| Ordinary income | 616,801 |
| Income before income taxes and minority interest | 615,099 |
| Income taxes | ▲77,900 |
| Net income | 692,999 |

Consolidated Statements of Cash Flows

(From April 1, 2014 to Sept. 30, 2014)

Thousands of Yen

| | |
|--|-----------|
| Cash flows from operating activities | 606,632 |
| Cash flows from investing activities | ▲257,727 |
| Cash flows from financing activities | ▲539,808 |
| Cash and cash equivalents at end of period | 1,619,519 |

Forecasts for the Full Business Year

In regards to the consolidated earnings estimates for fiscal year ending March 2015, we estimate a net sales of 6.153 billion yen (7.3% increase from previous year), an operating income of 1.303 billion yen (4.6% increase from previous year), an ordinary income of 1.302 billion yen (6.3% increase from previous year), and a net income of 1.140 billion yen (6.6% increase from the previous year).

Dividends were resumed again for the first time since March 2008, making this the first time in 7 years that dividends were paid out. The expected dividend rate is 10% with the year-end dividend expected at 3.59 yen per share.

In regards to the latter half of this fiscal year, we plan to focus mainly on marketing our flagship "ZERO" brand security software and "FUDEOH", as well as further expanding on the "CHOU HODAI" and "Apps CHOU HODAI" titles while continuing to develop and introduce new apps to the Smartphone market. In addition, we plan to further strengthen our ability to search out new prospective products from overseas markets with our U.S. subsidiary acting as the base for these operations.

Corporate Profile

Overview of Corporation (as of September 30, 2014)

Company Name

SOURCENEXT Corporation

Founded

August 2, 1996

Headquarter

Toranomon 33 Mori Building 6F, 3-8-21
Toranomon Minato-ku, Tokyo 105-0001

Capital

1,771 million yen

Number of Employees

75 (temporary staffs/employees: 4)

Description of Business

Planning, development and distribution
of software and hardware products

Members of the Board

(as of September 30, 2014)

President and CEO
Noriyuki Matsuda

Executive Vice President
Satomi Matsuda

Managing Director
Tomoaki Kojima

Managing Director
Fumihiko Aoyama

Outside Director
Masaharu Ikuta

Outside Director
Hiroshi Takasawa

Outside Auditor
Hideaki Kubori

Standing Auditor
Shozaburo Takano

Outside Auditor
Tetsuya Kobayashi

Outside Auditor
Kakushi Takano

Present Shares (as of September 30, 2014)

Total Number of Authorized Shares
90,280,000 shares

Total Number of Issued Shares
31,732,000 shares

Number of Shareholders
2,764

Subsidiaries

SOURCENEXT INC. (wholly-owned subsidiary)

Corporate Philosophy

Origin of company name:

"We Source What's Next"

SOURCENEXT's Ultimate Strategy

Our Mission

Creating products that inspire joy and move the world

Our Vision

To become the most exciting company in the world

The three conditions of "Exciting"
Being genuinely good
Creating happiness
Having fun

Our Principles

Work diligently.

Think positively.

Keep your senses sharp.

Shareholders' Memo

Fiscal Year

From April 1 to March 31 of the following year

Annual Meeting of Shareholders

June of every year

Record Date

For Annual Shareholders' Meeting: March 31, every year

For Year-end Dividend: March 31, every year

If others are deemed necessary, the dates will be as notified in advance

Shareholder Registry Administrator and Transfer Account Management Institution for Special Accounts

1-4-4 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Group

Shareholder Registry Administrator Office

1-4-4 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Group Transfer Agent Dept.

(Mailing Address) 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063

Sumitomo Mitsui Trust Group Transfer Agent Dept.

(Telephone Number) 0120-782-031

(Internet Homepage URL) <http://www.smtb.jp/personal/agency/index.html>

(Regarding changes in registered address and referencing information regarding shares)

Shareholders who have an account opened with a securities company, who need to make changes to their registered address or need to reference any records, please contact the securities companies for which the account is opened for. For shareholders who do not have an account at any securities company, please make inquiries to the telephone number noted above.

(Regarding Special Accounts)

For shareholders who are not using Japan Securities Depository Center for their electronic stock certificates, we have prepared an account (special account) at the above Tokyo Sumitomo Mitsui Trust Group. For address changes and referrals regarding these special accounts, please contact the above telephone number.

Method of Notification

Notification will be made public electronically (<http://sourcnext.co.jp/>), but in any cases where notification via electronic publication is not possible, the information will be made public through the Nihon Keizai (Nikkei) Shimbun.

Securities Code

4344

Traded

Tokyo Stock Exchange (First Section)

SOURCENEXT CORPORATION

Toranomon 33 Mori Building 6F, 3-8-21 Toranomon Minato-ku, Tokyo 105-0001

TEL: 81-3-6430-6406

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