

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 (Based on Japanese GAAP)

August 10, 2022

Company name: SOURCENEXT CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 4344 URL <http://www.sourcenext.com>
 Representative: President & COO Tomoaki Kojima
 Inquiries: Director & CFO Fumihiko Aoyama TEL 03-6254-5231
 Scheduled date to file Quarterly Securities Report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 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, 2022 (from April 1, 2022 to June 30, 2022)

(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, 2022	2,033	(6.8)	(909)	–	(783)	–	(750)	–
Three months ended June 30, 2021	2,183	(14.1)	(613)	–	(623)	–	(468)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2022	(5.54)		–	
Three months ended June 30, 2021	(3.44)		–	

(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, 2022	18,035	9,291	49.5	65.93
As of March 31, 2022	19,981	9,959	48.0	70.72

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, 2022	–	0.00	–	0.00	0.00
Year ending March 31, 2023	–	–	–	–	–
Year ending March 31, 2023 (Forecast)	–	0.00	–	0.00	0.00

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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, 2022	5,015	0.4	(1,225)	–	(1,275)	–	(1,225)	–	(9.04)
Full year	12,795	24.1	(850)	–	(945)	–	(995)	–	(7.34)

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022
 (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, 2022	136,297,600 shares	As of March 31, 2022	136,297,600 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	800,024 shares	As of March 31, 2022	800,024 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, 2022	135,497,576 shares	Three months ended June 30, 2021	136,256,776 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	5,451,092	3,973,055
Accounts receivable - trade	1,449,992	1,246,370
Merchandise and finished goods	4,246,913	4,025,091
Raw materials and supplies	114,632	99,945
Advance payments to suppliers	1,090,203	1,048,539
Income taxes refund receivable	28,155	28,155
Other	465,457	389,653
Total current assets	12,846,446	10,810,811
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	391,941	390,990
Accumulated depreciation	(292,423)	(302,029)
Total property, plant and equipment	99,517	88,961
Intangible assets		
Software	1,293,786	1,452,384
Goodwill	14,425	–
Contract based intangible assets	1,156,093	1,136,718
Other	551,570	501,547
Total intangible assets	3,015,876	3,090,650
Investments and other assets		
Investment securities	3,306,741	3,431,094
Deferred tax assets	535,605	513,513
Other	177,218	100,337
Total investments and other assets	4,019,565	4,044,945
Total non-current assets	7,134,959	7,224,556
Total assets	19,981,406	18,035,368
Liabilities		
Current liabilities		
Accounts payable - trade	430,515	315,538
Short-term borrowings	5,600,000	4,600,000
Current portion of long-term borrowings	691,080	585,580
Accounts payable - other	774,939	766,044
Income taxes payable	23,418	16,247
Unearned revenue	389,972	380,092
Provision for bonuses	82,587	22,496
Other	263,688	395,411
Total current liabilities	8,256,202	7,081,410
Non-current liabilities		
Long-term borrowings	1,649,900	1,519,880
Long-term unearned revenue	116,043	142,872
Total non-current liabilities	1,765,943	1,662,752
Total liabilities	10,022,145	8,744,162

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	3,695,284	3,695,284
Capital surplus	5,509,249	5,509,249
Retained earnings	413,880	(336,126)
Treasury shares	(163,122)	(163,122)
Total shareholders' equity	9,455,292	8,705,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,232	113,772
Foreign currency translation adjustment	66,515	114,112
Total accumulated other comprehensive income	127,747	227,884
Share acquisition rights	200,159	209,681
Non-controlling interests	176,061	148,354
Total net assets	9,959,260	9,291,206
Total liabilities and net assets	19,981,406	18,035,368

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, 2021	Three months ended June 30, 2022
Net sales	2,183,051	2,033,900
Cost of sales	1,137,044	1,240,995
Gross profit	1,046,007	792,904
Selling, general and administrative expenses	1,659,131	1,701,964
Operating loss	(613,124)	(909,060)
Non-operating income		
Interest income	6,024	4,843
Dividend income	1,345	2,088
Foreign exchange gains	10,344	189,285
Other	6,246	352
Total non-operating income	23,959	196,569
Non-operating expenses		
Interest expenses	3,553	11,388
Share of loss of entities accounted for using equity method	30,841	58,080
Other	1	1,141
Total non-operating expenses	34,396	70,610
Ordinary loss	(623,560)	(783,101)
Extraordinary income		
Gain on reversal of share acquisition rights	–	3,773
Total extraordinary income	–	3,773
Loss before income taxes	(623,560)	(779,328)
Income taxes - current	(872)	1,819
Income taxes - deferred	(153,898)	(1,095)
Total income taxes	(154,771)	723
Loss	(468,789)	(780,051)
Loss attributable to non-controlling interests	–	(30,044)
Loss attributable to owners of parent	(468,789)	(750,007)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Loss	(468,789)	(780,051)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,552)	52,540
Foreign currency translation adjustment	7,136	47,597
Deferred gains or losses on hedges	(4,465)	–
Total other comprehensive income	117	100,137
Comprehensive income	(468,671)	(679,914)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(468,671)	(652,206)
Comprehensive income attributable to non-controlling interests	–	(27,707)