

Translation

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

November 14, 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: November 14, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended September 30, 2022	4,608	(7.8)	(1,304)	–	(1,120)	–	(1,063)	–
Six months ended September 30, 2021	4,996	(13.7)	(569)	–	(512)	–	(413)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	(7.85)		–	
Six months ended September 30, 2021	(3.04)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	17,570	8,986	49.2	63.77
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				
Year ended March 31, 2022	–	0.00	–	0.00	0.00
Year ending March 31, 2023	–	0.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	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
Full year	12,795	24.1	(850)	–	(945)	–	(995)	–	(7.34)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 30, 2022	136,322,400 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 September 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)

Six months ended September 30, 2022	135,497,712 shares	Six months ended September 30, 2021	136,259,351 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	5,451,092	3,564,113
Accounts receivable - trade	1,449,992	1,662,904
Merchandise and finished goods	4,246,913	3,822,160
Raw materials and supplies	114,632	102,937
Advance payments to suppliers	1,090,203	875,525
Income taxes refund receivable	28,155	–
Other	465,457	298,732
Total current assets	12,846,446	10,326,375
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	391,941	393,448
Accumulated depreciation	(292,423)	(306,493)
Total property, plant and equipment	99,517	86,955
Intangible assets		
Software	1,293,786	1,440,978
Goodwill	14,425	–
Contract based intangible assets	1,156,093	1,117,342
Other	551,570	570,193
Total intangible assets	3,015,876	3,128,513
Investments and other assets		
Investment securities	3,306,741	3,430,672
Deferred tax assets	535,605	499,216
Other	177,218	98,539
Total investments and other assets	4,019,565	4,028,428
Total non-current assets	7,134,959	7,243,897
Total assets	19,981,406	17,570,272
Liabilities		
Current liabilities		
Accounts payable - trade	430,515	313,630
Short-term borrowings	5,600,000	4,600,000
Current portion of long-term borrowings	691,080	520,080
Accounts payable - other	774,939	759,514
Income taxes payable	23,418	34,901
Unearned revenue	389,972	393,061
Provision for bonuses	82,587	42,540
Other	263,688	372,460
Total current liabilities	8,256,202	7,036,189
Non-current liabilities		
Long-term borrowings	1,649,900	1,389,860
Long-term unearned revenue	116,043	157,269
Total non-current liabilities	1,765,943	1,547,129
Total liabilities	10,022,145	8,583,318

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	3,695,284	3,698,542
Capital surplus	5,509,249	5,512,507
Retained earnings	413,880	(649,226)
Treasury shares	(163,122)	(163,122)
Total shareholders' equity	9,455,292	8,398,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,232	140,312
Foreign currency translation adjustment	66,515	102,811
Total accumulated other comprehensive income	127,747	243,123
Share acquisition rights	200,159	226,647
Non-controlling interests	176,061	118,481
Total net assets	9,959,260	8,986,953
Total liabilities and net assets	19,981,406	17,570,272

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	4,996,643	4,608,697
Cost of sales	2,288,403	2,482,212
Gross profit	2,708,239	2,126,485
Selling, general and administrative expenses	3,277,726	3,431,091
Operating loss	(569,486)	(1,304,606)
Non-operating income		
Interest income	11,598	4,877
Dividend income	87,690	2,088
Foreign exchange gains	13,434	298,152
Other	7,138	1,270
Total non-operating income	119,861	306,389
Non-operating expenses		
Interest expenses	7,753	22,870
Share of loss of entities accounted for using equity method	55,047	99,430
Other	297	399
Total non-operating expenses	63,098	122,699
Ordinary loss	(512,723)	(1,120,916)
Extraordinary income		
Gain on reversal of share acquisition rights	1,005	3,773
Total extraordinary income	1,005	3,773
Loss before income taxes	(511,717)	(1,117,143)
Income taxes - current	747	3,417
Income taxes - deferred	(98,781)	1,488
Total income taxes	(98,034)	4,905
Loss	(413,683)	(1,122,049)
Loss attributable to non-controlling interests	–	(58,941)
Loss attributable to owners of parent	(413,683)	(1,063,107)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Loss	(413,683)	(1,122,049)
Other comprehensive income		
Valuation difference on available-for-sale securities	9,744	79,080
Foreign currency translation adjustment	8,617	37,657
Deferred gains or losses on hedges	2,067	–
Total other comprehensive income	20,429	116,737
Comprehensive income	(393,253)	(1,005,311)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(393,253)	(947,730)
Comprehensive income attributable to non-controlling interests	–	(57,580)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Loss before income taxes	(511,717)	(1,117,143)
Depreciation	206,481	194,756
Amortization of software	307,080	329,576
Amortization of goodwill	69,818	14,425
Share-based payment expenses	23,371	32,443
Amortization of trademark right	3,253	1,642
Increase (decrease) in provision for bonuses	(15,404)	(45,744)
Interest and dividend income	(99,288)	(6,965)
Interest expenses	7,753	22,870
Share of loss (profit) of entities accounted for using equity method	55,047	99,430
Gain on reversal of share acquisition rights	(1,005)	(3,773)
Decrease (increase) in trade receivables	204,291	(202,427)
Decrease (increase) in inventories	(1,074,030)	492,127
Decrease (increase) in advance payments to suppliers	174,947	214,677
Increase (decrease) in trade payables	(318,878)	(118,624)
Increase (decrease) in accounts payable - other	(55,251)	(172,286)
Increase (decrease) in unearned revenue	(67,891)	3,089
Increase (decrease) in long-term unearned revenue	8,965	41,226
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	206,197	130,134
Other, net	(320,666)	(192,845)
Subtotal	(1,196,927)	(283,411)
Interest and dividends received	87,867	7,039
Interest paid	(7,933)	(22,886)
Income taxes paid	(3,340)	(4,820)
Income taxes refund	299,007	28,155
Net cash provided by (used in) operating activities	(821,326)	(275,924)
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,946)	(1,853)
Purchase of software	(630,720)	(481,572)
Purchase of investment securities	(1,146,268)	–
Proceeds from sale of investment securities	25,628	–
Payments from collection of lease and guarantee deposits	–	75,522
Net cash provided by (used in) investing activities	(1,765,307)	(407,903)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,100,000	(1,000,000)
Repayments of long-term borrowings	(361,000)	(431,040)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,654	4,334
Dividends paid	(28,694)	(67)
Net cash provided by (used in) financing activities	712,959	(1,426,773)
Effect of exchange rate change on cash and cash equivalents	33,094	223,623
Net increase (decrease) in cash and cash equivalents	(1,840,580)	(1,886,978)
Cash and cash equivalents at beginning of period	4,779,954	5,451,092
Cash and cash equivalents at end of period	2,939,374	3,564,113