

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

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: February 14, 2024
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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, 2023	8,208	5.6	(1,870)	–	(1,946)	–	(1,660)	–
Nine months ended December 31, 2022	7,770	(0.4)	(1,416)	–	(1,414)	–	(1,332)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	(12.25)		–	
Nine months ended December 31, 2022	(9.83)		–	

(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, 2023	17,380	8,250	45.4	58.21
As of March 31, 2023	19,639	9,903	46.9	67.92

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, 2023	–	0.00	–	0.00	0.00
Year ending March 31, 2024	–	0.00	–		
Year ending March 31, 2024 (Forecast)				0.00	0.00

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	11,588	12.0	(2,392)	–	(2,302)	–	(1,951)	–	(14.40)

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2023
(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, 2023	136,358,300 shares	As of March 31, 2023	136,349,600 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	800,024 shares	As of March 31, 2023	800,024 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, 2023	135,552,518 shares	Nine months ended December 31, 2022	135,511,703 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	6,484,572	4,057,697
Accounts receivable - trade	1,264,988	1,686,611
Merchandise and finished goods	3,345,704	2,771,558
Raw materials and supplies	65,426	81,818
Advance payments to suppliers	860,637	762,461
Other	485,574	456,779
Total current assets	12,506,905	9,816,926
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	394,441	476,270
Accumulated depreciation	(316,987)	(327,170)
Total property, plant and equipment	77,453	149,099
Intangible assets		
Software	1,183,049	2,357,539
Contract based intangible assets	1,078,590	1,020,462
Other	813,793	182,875
Total intangible assets	3,075,433	3,560,877
Investments and other assets		
Investment securities	3,372,612	3,308,914
Deferred tax assets	506,055	454,116
Other	100,878	90,551
Total investments and other assets	3,979,545	3,853,581
Total non-current assets	7,132,432	7,563,559
Total assets	19,639,337	17,380,485
Liabilities		
Current liabilities		
Accounts payable - trade	259,289	238,214
Short-term borrowings	4,600,000	4,600,000
Current portion of long-term borrowings	520,080	520,080
Accounts payable - other	913,133	883,582
Income taxes payable	36,712	32,324
Unearned revenue	439,529	486,172
Provision for bonuses	26,115	100,168
Other	609,696	302,660
Total current liabilities	7,404,557	7,163,203
Non-current liabilities		
Long-term borrowings	2,129,820	1,739,760
Long-term unearned revenue	201,928	171,403
Other	—	55,447
Total non-current liabilities	2,331,748	1,966,610
Total liabilities	9,736,305	9,129,813

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,701,935	3,703,401
Capital surplus	7,332,327	7,545,969
Retained earnings	(1,889,953)	(3,550,088)
Treasury shares	(163,122)	(163,122)
Total shareholders' equity	8,981,187	7,536,161
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125,156	133,664
Foreign currency translation adjustment	99,631	220,995
Total accumulated other comprehensive income	224,788	354,659
Share acquisition rights	258,724	294,936
Non-controlling interests	438,332	64,915
Total net assets	9,903,032	8,250,672
Total liabilities and net assets	19,639,337	17,380,485

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, 2022	Nine months ended December 31, 2023
Net sales	7,770,007	8,208,685
Cost of sales	3,774,284	3,735,126
Gross profit	3,995,722	4,473,558
Selling, general and administrative expenses	5,412,237	6,343,773
Operating loss	(1,416,514)	(1,870,214)
Non-operating income		
Interest income	5,065	1,117
Dividend income	2,088	2,271
Foreign exchange gains	161,219	127,649
Other	2,812	10,199
Total non-operating income	171,185	141,237
Non-operating expenses		
Interest expenses	35,899	51,578
Share of loss of entities accounted for using equity method	125,346	150,749
Share issuance costs	8,364	455
Other	-	15,102
Total non-operating expenses	169,611	217,885
Ordinary loss	(1,414,940)	(1,946,863)
Extraordinary income		
Gain on sale of investment securities	-	21,384
Gain on reversal of share acquisition rights	5,552	25,217
Total extraordinary income	5,552	46,601
Loss before income taxes	(1,409,388)	(1,900,261)
Income taxes - current	8,941	5,271
Income taxes - deferred	2,253	48,184
Total income taxes	11,195	53,455
Loss	(1,420,583)	(1,953,717)
Loss attributable to non-controlling interests	(88,299)	(293,582)
Loss attributable to owners of parent	(1,332,283)	(1,660,134)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Loss	(1,420,583)	(1,953,717)
Other comprehensive income		
Valuation difference on available-for-sale securities	117,554	8,507
Foreign currency translation adjustment	27,976	123,704
Total other comprehensive income	145,531	132,212
Comprehensive income	(1,275,052)	(1,821,505)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,188,781)	(1,530,263)
Comprehensive income attributable to non-controlling interests	(86,270)	(291,241)