

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2020 (Based on Japanese GAAP)

February 10, 2021

Company name: SOURCENEXT CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 4344 URL <http://www.sourcenext.com>
 Representative: President & COO Tomoaki Kojima
 Inquiries: Managing Director & CFO Fumihiko Aoyama TEL 03-6254-5231
 Scheduled date to file Quarterly Securities Report: February 10, 2021
 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, 2020 (from April 1, 2020 to December 31, 2020)

(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, 2020	9,514	(27.3)	446	(3.9)	369	(27.2)	196	(25.7)
Nine months ended December 31, 2019	13,089	27.8	464	(45.1)	507	(41.5)	264	(57.6)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2020	1.44		1.44	
Nine months ended December 31, 2019	1.94		1.93	

(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, 2020	20,460	12,248	59.2	88.84
As of March 31, 2020	17,029	12,091	70.3	87.88

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, 2020	–	0.00	–	0.25	0.25
Year ending March 31, 2021	–	0.00	–		
Year ending March 31, 2021 (Forecast)				0.46	0.46

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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	13,000	(24.8)	600	26.4	600	11.6	416	85.1	3.06

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2020
(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, 2020	136,252,800 shares	As of March 31, 2020	136,241,200 shares
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Number of treasury shares at the end of the period

As of December 31, 2020	24 shares	As of March 31, 2020	24 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, 2020	136,244,033 shares	Nine months ended December 31, 2019	136,171,496 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	3,898,678	4,572,974
Accounts receivable - trade	2,362,790	2,400,215
Merchandise and finished goods	3,092,616	4,201,673
Raw materials and supplies	123,189	137,673
Advance payments - trade	1,556,730	1,168,677
Income taxes receivable	–	307,660
Other	484,374	816,230
Total current assets	11,518,380	13,605,106
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	437,227	434,913
Accumulated depreciation	(280,105)	(317,547)
Total property, plant and equipment	157,121	117,365
Intangible assets		
Software	1,146,007	1,323,022
Goodwill	293,700	188,972
Contract based intangible assets	1,311,100	1,252,973
Other	176,514	139,951
Total intangible assets	2,927,322	2,904,919
Investments and other assets		
Investment securities	1,382,432	2,937,811
Deferred tax assets	860,035	691,989
Other	184,428	203,691
Total investments and other assets	2,426,896	3,833,492
Total non-current assets	5,511,341	6,855,778
Total assets	17,029,721	20,460,885
Liabilities		
Current liabilities		
Accounts payable - trade	420,982	550,755
Short-term borrowings	–	3,000,000
Current portion of long-term borrowings	422,000	722,000
Accounts payable - other	739,018	1,042,712
Income taxes payable	377,248	2,293
Provision for bonuses	24,472	20,073
Provision for sales returns	314,416	140,635
Unearned revenue	1,159,398	692,800
Provision for after service cost	18,799	7,773
Provision for point card certificates	165,004	198,062
Other	344,187	255,033
Total current liabilities	3,985,529	6,632,140
Non-current liabilities		
Long-term borrowings	593,000	1,476,500
Long-term unearned revenue	359,403	103,981
Total non-current liabilities	952,403	1,580,481
Total liabilities	4,937,933	8,212,622

(Thousands of yen)

	As of March 31, 2020	As of December 31, 2020
Net assets		
Shareholders' equity		
Share capital	3,688,593	3,690,038
Capital surplus	4,268,620	4,270,065
Retained earnings	4,034,956	4,197,491
Treasury shares	(3)	(3)
Total shareholders' equity	11,992,168	12,157,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,329)	(38,383)
Foreign currency translation adjustment	(14,789)	(14,204)
Total accumulated other comprehensive income	(19,118)	(52,587)
Share acquisition rights	118,739	143,258
Total net assets	12,091,788	12,248,263
Total liabilities and net assets	17,029,721	20,460,885

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, 2019	Nine months ended December 31, 2020
Net sales	13,089,232	9,514,631
Cost of sales	5,048,223	3,924,794
Gross profit	8,041,009	5,589,837
Provision for sales returns	127,083	140,635
Reversal of provision for sales returns	120,858	314,416
Gross profit - net	8,034,784	5,763,618
Selling, general and administrative expenses	7,570,581	5,317,567
Operating profit	464,203	446,050
Non-operating income		
Interest income	240	17,526
Dividend income	277	740
Share of profit of entities accounted for using equity method	46,310	–
Other	1,756	2,147
Total non-operating income	48,584	20,415
Non-operating expenses		
Interest expenses	2,952	7,301
Foreign exchange losses	1,746	54,707
Share of loss of entities accounted for using equity method	–	34,835
Other	227	96
Total non-operating expenses	4,925	96,939
Ordinary profit	507,862	369,526
Extraordinary income		
Gain on reversal of share acquisition rights	–	398
Gain on sales of shares of subsidiaries and associates	28,273	–
Total extraordinary income	28,273	398
Profit before income taxes	536,135	369,924
Income taxes - current	454,693	(9,745)
Income taxes - deferred	(183,028)	183,075
Total income taxes	271,664	173,329
Profit	264,471	196,594
Profit attributable to owners of parent	264,471	196,594

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	264,471	196,594
Other comprehensive income		
Valuation difference on available-for-sale securities	(807)	(34,053)
Foreign currency translation adjustment	4,034	585
Total other comprehensive income	3,226	(33,468)
Comprehensive income	267,697	163,126
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	267,697	163,126
Comprehensive income attributable to non-controlling interests	—	—