

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)

May 12, 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 of ordinary general meeting of shareholders: June 17, 2021
 Scheduled date to file Securities Report: June 18, 2021
 Scheduled date to commence dividend payments: June 18, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Consolidated operating results

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	%
Year ended March 31, 2021	12,851	(25.6)	540	13.8	452	(15.8)	191	(15.0)
Year ended March 31, 2020	17,282	17.5	474	(44.8)	537	(40.6)	224	(63.5)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2021	1.40	1.40	1.6	2.4	4.2
Year ended March 31, 2020	1.65	1.64	1.9	3.1	2.7

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	20,331	12,364	60.1	89.63
As of March 31, 2020	17,029	12,091	70.3	87.88

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2021	(639)	(2,755)	4,271	4,779
Year ended March 31, 2020	(1,329)	(1,715)	(602)	3,898

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2020	—	0.00	—	0.25	0.25	34	15.1	0.3
Year ended March 31, 2021	—	0.00	—	0.21	0.21	28	15.0	0.2
Year ending March 31, 2022 (Forecast)	—	0.00	—	0.41	0.41		15.0	

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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, 2021	6,850	18.4	46	(83.6)	0	(100.0)	0	(100.0)	0.00
Full year	16,817	30.9	578	7.1	550	21.5	376	97.1	2.76

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2021	136,256,800 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 March 31, 2021	24 shares	As of March 31, 2020	24 shares
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Average number of shares during the period

Year ended March 31, 2021	136,246,539 shares	Year ended March 31, 2020	136,186,344 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	3,898,678	4,779,954
Accounts receivable - trade	2,362,790	2,023,666
Merchandise and finished goods	3,092,616	4,330,530
Raw materials and supplies	123,189	162,184
Advance payments to suppliers	1,556,730	1,086,338
Accounts receivable - other	28,033	96,948
Income taxes receivable	–	295,454
Other	456,341	690,726
Total current assets	11,518,380	13,465,804
Non-current assets		
Property, plant and equipment		
Buildings	210,376	179,751
Accumulated depreciation	(136,078)	(142,747)
Buildings, net	74,297	37,004
Vehicles	7,167	7,291
Accumulated depreciation	(6,200)	(6,635)
Vehicles, net	967	655
Tools, furniture and fixtures	219,683	209,285
Accumulated depreciation	(137,826)	(141,851)
Tools, furniture and fixtures, net	81,856	67,434
Total property, plant and equipment	157,121	105,094
Intangible assets		
Software	1,146,007	1,427,821
Goodwill	293,700	154,062
Contract based intangible assets	1,311,100	1,233,597
Other	176,514	115,311
Total intangible assets	2,927,322	2,930,793
Investments and other assets		
Investment securities	1,382,432	3,047,842
Deferred tax assets	860,035	604,625
Other	184,428	177,356
Total investments and other assets	2,426,896	3,829,824
Total non-current assets	5,511,341	6,865,712
Total assets	17,029,721	20,331,517

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	420,982	784,398
Short-term borrowings	–	3,300,000
Current portion of long-term borrowings	422,000	722,000
Accounts payable - other	739,018	741,953
Income taxes payable	377,248	625
Unearned revenue	1,159,398	613,039
Provision for bonuses	24,472	48,064
Provision for sales returns	314,416	91,889
Provision for point card certificates	165,004	43,160
Provision for after service cost	18,799	–
Other	344,187	193,647
Total current liabilities	3,985,529	6,538,779
Non-current liabilities		
Long-term borrowings	593,000	1,296,000
Long-term unearned revenue	359,403	132,073
Total non-current liabilities	952,403	1,428,073
Total liabilities	4,937,933	7,966,852
Net assets		
Shareholders' equity		
Share capital	3,688,593	3,690,436
Capital surplus	4,268,620	4,270,463
Retained earnings	4,034,956	4,191,998
Treasury shares	(3)	(3)
Total shareholders' equity	11,992,168	12,152,894
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,329)	41,403
Foreign currency translation adjustment	(14,789)	18,569
Total accumulated other comprehensive income	(19,118)	59,972
Share acquisition rights	118,739	151,797
Total net assets	12,091,788	12,364,664
Total liabilities and net assets	17,029,721	20,331,517

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	17,282,086	12,851,060
Cost of sales	6,903,187	5,479,211
Gross profit	10,378,898	7,371,848
Provision for sales returns	314,416	91,889
Reversal of provision for sales returns	120,858	314,416
Gross profit - net	10,185,340	7,594,375
Selling, general and administrative expenses		
Promotion expenses	1,577,599	722,692
Salaries	857,487	905,530
Provision for bonuses	24,472	48,064
Outsourcing expenses	2,355,721	2,058,806
Advertising expenses	2,215,798	1,077,224
Other	2,679,653	2,241,795
Total selling, general and administrative expenses	9,710,732	7,054,114
Operating profit	474,608	540,260
Non-operating income		
Interest income	353	20,685
Dividend income	277	740
Share of profit of entities accounted for using equity method	69,709	–
Foreign exchange gains	–	2,079
Other	3,017	2,788
Total non-operating income	73,359	26,293
Non-operating expenses		
Interest expenses	4,225	8,817
Share of loss of entities accounted for using equity method	–	86,908
Loss on investments in silent partnerships	3,533	17,818
Foreign exchange losses	2,382	–
Other	228	199
Total non-operating expenses	10,369	113,743
Ordinary profit	537,598	452,810
Extraordinary income		
Gain on reversal of share acquisition rights	–	625
Gain on sale of shares of subsidiaries and associates	28,273	–
Total extraordinary income	28,273	625
Extraordinary losses		
Business restructuring expenses	–	35,274
Total extraordinary losses	–	35,274
Profit before income taxes	565,871	418,161
Income taxes - current	652,828	8,820
Income taxes - refund	–	(16,987)
Income taxes - deferred	(311,897)	235,226
Total income taxes	340,930	227,059
Profit	224,940	191,101
Profit attributable to owners of parent	224,940	191,101

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	224,940	191,101
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,550)	45,732
Foreign currency translation adjustment	(9,577)	33,359
Total other comprehensive income	(13,128)	79,091
Comprehensive income	211,811	270,193
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	211,811	270,193
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,679,656	4,259,683	3,898,004	(3)	11,837,340
Changes during period					
Issuance of new shares - exercise of share acquisition rights	8,937	8,937			17,875
Dividends of surplus			(92,590)		(92,590)
Profit attributable to owners of parent			224,940		224,940
Change in scope of consolidation			4,602		4,602
Net changes in items other than shareholders' equity					-
Total changes during period	8,937	8,937	136,952	-	154,827
Balance at end of period	3,688,593	4,268,620	4,034,956	(3)	11,992,168

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(778)	(5,211)	(5,989)	92,087	11,923,437
Changes during period					
Issuance of new shares - exercise of share acquisition rights			-		17,875
Dividends of surplus			-		(92,590)
Profit attributable to owners of parent			-		224,940
Change in scope of consolidation			-		4,602
Net changes in items other than shareholders' equity	(3,550)	(9,577)	(13,128)	26,651	13,522
Total changes during period	(3,550)	(9,577)	(13,128)	26,651	168,350
Balance at end of period	(4,329)	(14,789)	(19,118)	118,739	12,091,788

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,688,593	4,268,620	4,034,956	(3)	11,992,168
Changes during period					
Issuance of new shares - exercise of share acquisition rights	1,842	1,842			3,684
Dividends of surplus			(34,060)		(34,060)
Profit attributable to owners of parent			191,101		191,101
Net changes in items other than shareholders' equity					-
Total changes during period	1,842	1,842	157,041	-	160,726
Balance at end of period	3,690,436	4,270,463	4,191,998	(3)	12,152,894

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(4,329)	(14,789)	(19,118)	118,739	12,091,788
Changes during period					
Issuance of new shares - exercise of share acquisition rights			-		3,684
Dividends of surplus			-		(34,060)
Profit attributable to owners of parent			-		191,101
Net changes in items other than shareholders' equity	45,732	33,359	79,091	33,058	112,149
Total changes during period	45,732	33,359	79,091	33,058	272,875
Balance at end of period	41,403	18,569	59,972	151,797	12,364,664

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	565,871	418,161
Depreciation	378,012	412,975
Amortization of software	435,987	517,429
Amortization of goodwill	151,070	139,637
Share-based payment expenses	32,314	34,877
Amortization of trademark right	23,089	24,320
Increase (decrease) in allowance for doubtful accounts	(1,800)	–
Increase (decrease) in provision for bonuses	964	22,472
Increase (decrease) in provision for sales returns	193,558	(222,527)
Increase (decrease) in provision for point card certificates	165,004	(121,844)
Provison for after cost periods adustment	4,397	(18,799)
Interest and dividend income	(631)	(21,425)
Interest expenses	4,225	8,817
Share of loss (profit) of entities accounted for using equity method	(69,709)	86,908
Gain on reversal of share acquisition rights	–	(625)
Loss (gain) on sale of shares of subsidiaries and associates	(28,273)	–
Business restructuring expenses	–	35,274
Decrease (increase) in trade receivables	550,153	339,311
Decrease (increase) in inventories	(1,732,821)	(1,270,963)
Decrease (increase) in advance payments to suppliers	(701,541)	470,392
Increase (decrease) in trade payables	(143,065)	363,427
Increase (decrease) in accounts payable - other	(836,459)	(2,413)
Increase (decrease) in unearned revenue	459,464	(546,359)
Increase (decrease) in long-term unearned revenue	(13,727)	(227,329)
Decrease/increase in consumption taxes receivable/payable	134,462	(497,904)
Other, net	(195,128)	29,889
Subtotal	(624,581)	(26,298)
Interest and dividends received	631	26,176
Interest paid	(4,269)	(10,383)
Income taxes paid	(701,315)	(628,911)
Net cash provided by (used in) operating activities	(1,329,534)	(639,416)
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,330)	(16,347)
Purchase of software	(809,231)	(1,046,552)
Purchase of other intangible assets	–	(12,220)
Purchase of investment securities	(996,269)	(1,680,090)
Proceeds from sale of investment securities	35,000	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	60,841	–
Payments of leasehold and guarantee deposits	(5,552)	–
Payments from collection of lease and guarantee deposits	20,996	–
Net cash provided by (used in) investing activities	(1,715,545)	(2,755,211)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(100,000)	3,300,000
Proceeds from long-term borrowings	–	1,500,000
Repayments of long-term borrowings	(422,000)	(497,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	12,212	2,490
Dividends paid	(92,251)	(34,390)
Net cash provided by (used in) financing activities	(602,038)	4,271,099
Effect of exchange rate change on cash and cash equivalents	(16,395)	4,804
Net increase (decrease) in cash and cash equivalents	(3,663,513)	881,275
Cash and cash equivalents at beginning of period	7,562,192	3,898,678
Cash and cash equivalents at end of period	3,898,678	4,779,954