

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2021 (Based on Japanese GAAP)

August 13, 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: August 13, 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 three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(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, 2021	2,183	(14.1)	(613)	–	(623)	–	(468)	–
Three months ended June 30, 2020	2,540	(45.2)	74	(19.3)	53	(37.7)	6	(88.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2021	(3.44)		–	
Three months ended June 30, 2020	0.05		0.05	

(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, 2021	20,368	11,629	56.3	84.17
As of March 31, 2021	20,331	12,364	60.1	89.63

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, 2021	–	0.00	–	0.21	0.21
Year ending March 31, 2022	–	–	–	–	–
Year ending March 31, 2022 (Forecast)	–	0.00	–	0.04	0.04

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	5,364	(7.3)	(550)	–	(572)	–	(429)	–	(3.15)
Full year	15,050	17.1	104	(80.7)	100	(77.7)	36	(80.8)	0.27

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2021
 (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: Yes
- 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, 2021	136,256,800 shares	As of March 31, 2021	136,256,800 shares
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Number of treasury shares at the end of the period

As of June 30, 2021	24 shares	As of March 31, 2021	24 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, 2021	136,256,776 shares	Three months ended June 30, 2020	136,241,216 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	4,779,954	4,403,098
Accounts receivable - trade	2,023,666	1,133,945
Merchandise and finished goods	4,330,530	4,726,125
Raw materials and supplies	162,184	154,361
Advance payments to suppliers	1,086,338	1,106,834
Accounts receivable - other	96,948	90,874
Income taxes receivable	295,454	–
Other	690,726	469,432
Total current assets	13,465,804	12,084,672
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	396,328	397,017
Accumulated depreciation	(291,234)	(306,218)
Total property, plant and equipment	105,094	90,798
Intangible assets		
Software	1,427,821	1,432,646
Goodwill	154,062	119,153
Contract based intangible assets	1,233,597	1,214,221
Other	115,311	218,585
Total intangible assets	2,930,793	2,984,606
Investments and other assets		
Investment securities	3,047,842	4,158,170
Deferred tax assets	604,625	870,484
Other	177,356	180,151
Total investments and other assets	3,829,824	5,208,805
Total non-current assets	6,865,712	8,284,210
Total assets	20,331,517	20,368,882
Liabilities		
Current liabilities		
Accounts payable - trade	784,398	461,254
Short-term borrowings	3,300,000	4,400,000
Current portion of long-term borrowings	722,000	722,000
Accounts payable - other	741,953	819,737
Income taxes payable	625	11,917
Unearned revenue	613,039	640,750
Provision for bonuses	48,064	14,433
Provision for sales returns	91,889	–
Provision for point card certificates	43,160	–
Other	193,647	314,946
Total current liabilities	6,538,779	7,385,039
Non-current liabilities		
Long-term borrowings	1,296,000	1,115,500
Long-term unearned revenue	132,073	238,954
Total non-current liabilities	1,428,073	1,354,454
Total liabilities	7,966,852	8,739,494

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	3,690,436	3,690,436
Capital surplus	4,270,463	4,270,463
Retained earnings	4,191,998	3,447,929
Treasury shares	(3)	(3)
Total shareholders' equity	12,152,894	11,408,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,403	38,850
Foreign currency translation adjustment	18,569	25,706
Deferred gains or losses on hedges	–	(4,465)
Total accumulated other comprehensive income	59,972	60,090
Share acquisition rights	151,797	160,471
Total net assets	12,364,664	11,629,387
Total liabilities and net assets	20,331,517	20,368,882

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, 2020	Three months ended June 30, 2021
Net sales	2,540,154	2,183,051
Cost of sales	1,062,551	1,137,044
Gross profit	1,477,602	1,046,007
Provision for sales returns	58,246	–
Reversal of provision for sales returns	314,416	–
Gross profit - net	1,733,773	1,046,007
Selling, general and administrative expenses	1,659,596	1,659,131
Operating profit (loss)	74,176	(613,124)
Non-operating income		
Interest income	4,652	6,024
Dividend income	740	1,345
Foreign exchange gains	–	10,344
Other	361	6,246
Total non-operating income	5,755	23,959
Non-operating expenses		
Interest expenses	1,814	3,553
Foreign exchange losses	6,530	–
Share of loss of entities accounted for using equity method	18,441	30,841
Other	94	1
Total non-operating expenses	26,880	34,396
Ordinary profit (loss)	53,051	(623,560)
Profit (loss) before income taxes	53,051	(623,560)
Income taxes - current	7,339	(872)
Income taxes - deferred	39,045	(153,898)
Total income taxes	46,385	(154,771)
Profit (loss)	6,666	(468,789)
Profit (loss) attributable to owners of parent	6,666	(468,789)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit (loss)	6,666	(468,789)
Other comprehensive income		
Valuation difference on available-for-sale securities	13,166	(2,552)
Foreign currency translation adjustment	(1,558)	7,136
Deferred gains or losses on hedges	–	(4,465)
Total other comprehensive income	11,608	117
Comprehensive income	18,274	(468,671)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,274	(468,671)
Comprehensive income attributable to non-controlling interests	–	–