

Translation

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

November 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: November 10, 2021
 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, 2021 (from April 1, 2021 to September 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	%
Six months ended September 30, 2021	4,996	(13.7)	(569)	–	(512)	–	(413)	–
Six months ended September 30, 2020	5,788	(33.3)	284	(21.5)	242	(31.4)	124	(36.6)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	(3.04)		–	
Six months ended September 30, 2020	0.92		0.91	

(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, 2021	19,866	11,721	58.1	84.74
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				
Year ended March 31, 2021	–	0.00	–	0.21	0.21
Year ending March 31, 2022	–	0.00			
Year ending March 31, 2022 (Forecast)			–	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
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 six months ended September 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 September 30, 2021	136,272,000 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 September 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)

Six months ended September 30, 2021	136,259,351 shares	Six months ended September 30, 2020	136,243,006 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	4,779,954	2,939,374
Accounts receivable - trade	2,023,666	1,820,718
Merchandise and finished goods	4,330,530	5,402,989
Raw materials and supplies	162,184	186,295
Advance payments to suppliers	1,086,338	911,391
Accounts receivable - other	96,948	78,516
Income taxes receivable	295,454	–
Other	690,726	367,862
Total current assets	13,465,804	11,707,147
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	396,328	409,886
Accumulated depreciation	(291,234)	(318,459)
Total property, plant and equipment	105,094	91,426
Intangible assets		
Software	1,427,821	1,411,313
Goodwill	154,062	84,243
Contract based intangible assets	1,233,597	1,194,845
Other	115,311	274,529
Total intangible assets	2,930,793	2,964,933
Investments and other assets		
Investment securities	3,047,842	4,126,010
Deferred tax assets	604,625	807,056
Other	177,356	170,187
Total investments and other assets	3,829,824	5,103,254
Total non-current assets	6,865,712	8,159,614
Total assets	20,331,517	19,866,762
Liabilities		
Current liabilities		
Accounts payable - trade	784,398	466,697
Short-term borrowings	3,300,000	4,400,000
Current portion of long-term borrowings	722,000	682,000
Accounts payable - other	741,953	649,681
Income taxes payable	625	22,712
Unearned revenue	613,039	545,147
Provision for bonuses	48,064	32,680
Provision for sales returns	91,889	–
Provision for point card certificates	43,160	–
Other	193,647	230,652
Total current liabilities	6,538,779	7,029,571
Non-current liabilities		
Long-term borrowings	1,296,000	975,000
Long-term unearned revenue	132,073	141,038
Total non-current liabilities	1,428,073	1,116,038
Total liabilities	7,966,852	8,145,610

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	3,690,436	3,692,430
Capital surplus	4,270,463	4,272,457
Retained earnings	4,191,998	3,503,035
Treasury shares	(3)	(3)
Total shareholders' equity	12,152,894	11,467,919
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,403	51,147
Foreign currency translation adjustment	18,569	27,186
Deferred gains or losses on hedges	–	2,067
Total accumulated other comprehensive income	59,972	80,402
Share acquisition rights	151,797	172,829
Total net assets	12,364,664	11,721,151
Total liabilities and net assets	20,331,517	19,866,762

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, 2020	Six months ended September 30, 2021
Net sales	5,788,263	4,996,643
Cost of sales	2,327,214	2,288,403
Gross profit	3,461,048	2,708,239
Provision for sales returns	78,809	–
Reversal of provision for sales returns	314,416	–
Gross profit - net	3,696,656	2,708,239
Selling, general and administrative expenses	3,412,354	3,277,726
Operating profit (loss)	284,301	(569,486)
Non-operating income		
Interest income	10,914	11,598
Dividend income	740	87,690
Foreign exchange gains	–	13,434
Other	1,723	7,138
Total non-operating income	13,379	119,861
Non-operating expenses		
Interest expenses	4,018	7,753
Foreign exchange losses	35,775	–
Share of loss of entities accounted for using equity method	15,044	55,047
Other	95	297
Total non-operating expenses	54,934	63,098
Ordinary profit (loss)	242,747	(512,723)
Extraordinary income		
Gain on reversal of share acquisition rights	398	1,005
Total extraordinary income	398	1,005
Profit (loss) before income taxes	243,145	(511,717)
Income taxes - current	8,793	747
Income taxes - deferred	109,424	(98,781)
Total income taxes	118,218	(98,034)
Profit (loss)	124,927	(413,683)
Profit (loss) attributable to owners of parent	124,927	(413,683)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit (loss)	124,927	(413,683)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,704)	9,744
Foreign currency translation adjustment	(4,237)	8,617
Deferred gains or losses on hedges	–	2,067
Total other comprehensive income	(7,941)	20,429
Comprehensive income	116,985	(393,253)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	116,985	(393,253)
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	243,145	(511,717)
Depreciation	203,532	206,481
Amortization of software	259,481	307,080
Amortization of goodwill	69,818	69,818
Share-based payment expenses	17,967	23,371
Amortization of trademark right	11,537	3,253
Increase (decrease) in provision for bonuses	(14,086)	(15,404)
Interest and dividend income	(11,655)	(99,288)
Interest expenses	4,018	7,753
Share of loss (profit) of entities accounted for using equity method	15,044	55,047
Gain on reversal of share acquisition rights	(398)	(1,005)
Decrease (increase) in trade receivables	323,131	204,291
Decrease (increase) in inventories	(780,049)	(1,074,030)
Decrease (increase) in advance payments to suppliers	246,596	174,947
Increase (decrease) in trade payables	17,465	(318,878)
Increase (decrease) in accounts payable - other	94,323	(55,251)
Increase (decrease) in unearned revenue	(313,316)	(67,891)
Increase (decrease) in long-term unearned revenue	(213,317)	8,965
Decrease/increase in consumption taxes receivable/payable	(331,652)	206,197
Other, net	98,334	(320,666)
Subtotal	(60,077)	(1,196,927)
Interest and dividends received	27,880	87,867
Interest paid	(4,856)	(7,933)
Income taxes paid	(340,833)	(3,340)
Income taxes refund	–	299,007
Net cash provided by (used in) operating activities	(377,887)	(821,326)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,385)	(13,946)
Purchase of software	(562,351)	(630,720)
Purchase of investment securities	(1,650,090)	(1,146,268)
Proceeds from sale of investment securities	–	25,628
Net cash provided by (used in) investing activities	(2,219,827)	(1,765,307)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,500,000	1,100,000
Repayments of long-term borrowings	(211,000)	(361,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	500	2,654
Dividends paid	(34,068)	(28,694)
Net cash provided by (used in) financing activities	2,255,431	712,959
Effect of exchange rate change on cash and cash equivalents	(7,262)	33,094
Net increase (decrease) in cash and cash equivalents	(349,544)	(1,840,580)
Cash and cash equivalents at beginning of period	3,898,678	4,779,954
Cash and cash equivalents at end of period	3,549,134	2,939,374