

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2024 (Based on Japanese GAAP)

May 15, 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 of ordinary general meeting of shareholders: June 19, 2024
 Scheduled date to file Securities Report: June 20, 2024
 Scheduled date to commence dividend payments: –
 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, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	11,334	9.5	(2,271)	–	(2,239)	–	(2,169)	–
Year ended March 31, 2023	10,347	0.4	(2,574)	–	(2,537)	–	(2,303)	–

	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, 2024	(16.01)	–	(25.1)	(12.3)	(20.0)
Year ended March 31, 2023	(17.00)	–	(24.5)	(12.8)	(24.9)

(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, 2024	16,811	8,389	48.0	59.56
As of March 31, 2023	19,639	9,903	46.9	67.92

(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, 2024	(765)	(1,501)	(1,163)	3,130
Year ended March 31, 2023	170	(999)	1,609	6,484

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, 2023	–	0.00	–	0.00	0.00	0	0.0	0.0
Year ended March 31, 2024	–	0.00	–	0.00	0.00	0	0.0	0.0
Year ending March 31, 2025 (Forecast)	–	–	–	–	–	–	–	–

3. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2024
 (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, 2024	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 March 31, 2024	800,024 shares	As of March 31, 2023	800,024 shares
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Average number of shares during the period

Year ended March 31, 2024	135,553,950 shares	Year ended March 31, 2023	135,521,041 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	6,484,572	3,282,046
Accounts receivable - trade	1,264,988	1,980,324
Merchandise and finished goods	3,345,704	2,494,996
Raw materials and supplies	65,426	76,622
Advance payments to suppliers	860,637	681,883
Income taxes refund receivable	–	13,528
Other	485,574	233,219
Total current assets	12,506,905	8,762,622
Non-current assets		
Property, plant and equipment		
Buildings	160,630	225,842
Accumulated depreciation	(140,564)	(144,993)
Buildings, net	20,065	80,848
Vehicles	8,794	–
Accumulated depreciation	(8,794)	–
Vehicles, net	0	–
Tools, furniture and fixtures	225,016	233,100
Accumulated depreciation	(167,628)	(173,523)
Tools, furniture and fixtures, net	57,388	59,577
Total property, plant and equipment	77,453	140,426
Intangible assets		
Software	1,183,049	2,333,141
Contract based intangible assets	1,078,590	1,001,086
Other	813,793	208,010
Total intangible assets	3,075,433	3,542,238
Investments and other assets		
Investment securities	3,372,612	4,275,658
Deferred tax assets	506,055	2,251
Other	100,878	88,302
Total investments and other assets	3,979,545	4,366,212
Total non-current assets	7,132,432	8,048,876
Total assets	19,639,337	16,811,498

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	259,289	312,072
Short-term borrowings	4,600,000	3,825,000
Current portion of long-term borrowings	520,080	520,080
Accounts payable - other	913,133	768,911
Income taxes payable	36,712	39,466
Unearned revenue	439,529	529,274
Provision for bonuses	26,115	42,263
Other	609,696	292,021
Total current liabilities	7,404,557	6,329,090
Non-current liabilities		
Long-term borrowings	2,129,820	1,609,740
Long-term unearned revenue	201,928	272,140
Deferred tax liabilities	–	164,114
Other	–	46,849
Total non-current liabilities	2,331,748	2,092,845
Total liabilities	9,736,305	8,421,935
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)	(4,059,938)
Treasury shares	(163,122)	(163,122)
Total shareholders' equity	8,981,187	7,026,310
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125,156	829,149
Foreign currency translation adjustment	99,631	218,343
Total accumulated other comprehensive income	224,788	1,047,492
Share acquisition rights	258,724	315,759
Non-controlling interests	438,332	–
Total net assets	9,903,032	8,389,563
Total liabilities and net assets	19,639,337	16,811,498

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

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	10,347,679	11,334,366
Cost of sales	5,373,766	5,230,803
Gross profit	4,973,913	6,103,562
Selling, general and administrative expenses		
Promotion expenses	403,364	517,165
Salaries	1,127,349	1,306,508
Provision for bonuses	26,115	42,263
Outsourcing expenses	1,818,523	2,413,726
Advertising expenses	1,702,652	1,505,431
Other	2,470,739	2,589,921
Total selling, general and administrative expenses	7,548,745	8,375,017
Operating loss	(2,574,832)	(2,271,454)
Non-operating income		
Interest income	5,104	3,909
Dividend income	2,088	2,271
Foreign exchange gains	162,838	249,056
Gain on investments in silent partnerships	24,681	26,327
Other	4,845	13,356
Total non-operating income	199,558	294,921
Non-operating expenses		
Interest expenses	52,515	70,189
Share of loss of entities accounted for using equity method	101,747	155,614
Share issuance costs	8,182	514
Litigation expenses	–	36,000
Other	88	659
Total non-operating expenses	162,533	262,977
Ordinary loss	(2,537,807)	(2,239,511)
Extraordinary income		
Gain on sale of investment securities	20,094	54,703
Gain on reversal of share acquisition rights	8,293	26,786
Total extraordinary income	28,387	81,489
Extraordinary losses		
Loss on valuation of investment securities	6,348	–
Total extraordinary losses	6,348	–
Loss before income taxes	(2,515,768)	(2,158,021)
Income taxes - current	10,190	6,219
Income taxes - deferred	1,337	357,220
Total income taxes	11,528	363,440
Loss	(2,527,297)	(2,521,461)
Loss attributable to non-controlling interests	(223,462)	(351,477)
Loss attributable to owners of parent	(2,303,834)	(2,169,984)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Loss	(2,527,297)	(2,521,461)
Other comprehensive income		
Valuation difference on available-for-sale securities	63,924	703,992
Foreign currency translation adjustment	35,476	114,032
Total other comprehensive income	99,401	818,025
Comprehensive income	(2,427,895)	(1,703,436)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,206,793)	(1,347,279)
Comprehensive income attributable to non-controlling interests	(221,101)	(356,157)

Consolidated statements of changes in equity

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,695,284	5,509,249	413,880	(163,122)	9,455,292
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6,651	6,651			13,302
Profit (loss) attributable to owners of parent			(2,303,834)		(2,303,834)
Change in ownership interest of parent due to transactions with non-controlling interests		1,816,427			1,816,427
Net changes in items other than shareholders' equity					-
Total changes during period	6,651	1,823,078	(2,303,834)	-	(474,105)
Balance at end of period	3,701,935	7,332,327	(1,889,953)	(163,122)	8,981,187

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	61,232	66,515	127,747	200,159	176,061	9,959,260
Changes during period						
Issuance of new shares - exercise of share acquisition rights						13,302
Profit (loss) attributable to owners of parent						(2,303,834)
Change in ownership interest of parent due to transactions with non-controlling interests						1,816,427
Net changes in items other than shareholders' equity	63,924	33,116	97,040	58,565	262,270	417,877
Total changes during period	63,924	33,116	97,040	58,565	262,270	(56,228)
Balance at end of period	125,156	99,631	224,788	258,724	438,332	9,903,032

Fiscal year ended March 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,701,935	7,332,327	(1,889,953)	(163,122)	8,981,187
Changes during period					
Issuance of new shares - exercise of share acquisition rights	1,466	1,466			2,932
Profit (loss) attributable to owners of parent			(2,169,984)		(2,169,984)
Change in ownership interest of parent due to transactions with non-controlling interests		212,175			212,175
Net changes in items other than shareholders' equity					-
Total changes during period	1,466	213,642	(2,169,984)	-	(1,954,876)
Balance at end of period	3,703,401	7,545,969	(4,059,938)	(163,122)	7,026,310

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	125,156	99,631	224,788	258,724	438,332	9,903,032
Changes during period						
Issuance of new shares - exercise of share acquisition rights						2,932
Profit (loss) attributable to owners of parent						(2,169,984)
Change in ownership interest of parent due to transactions with non-controlling interests						212,175
Net changes in items other than shareholders' equity	703,992	118,712	822,704	57,034	(438,332)	441,407
Total changes during period	703,992	118,712	822,704	57,034	(438,332)	(1,513,469)
Balance at end of period	829,149	218,343	1,047,492	315,759	-	8,389,563

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Loss before income taxes	(2,515,768)	(2,158,021)
Depreciation	444,125	406,588
Amortization of software	672,046	679,402
Amortization of goodwill	14,425	–
Share-based payment expenses	71,273	84,682
Amortization of trademark right	3,298	2,598
Increase (decrease) in provision for bonuses	(75,008)	11,488
Interest and dividend income	(7,192)	(6,180)
Interest expenses	52,515	70,189
Share of loss (profit) of entities accounted for using equity method	101,747	155,614
Share issuance costs	8,182	514
Loss (gain) on sale of investment securities	(20,094)	(54,703)
Gain on reversal of share acquisition rights	(8,293)	(26,786)
Loss (gain) on valuation of investment securities	6,348	–
Decrease (increase) in trade receivables	155,812	(697,429)
Decrease (increase) in inventories	997,420	896,863
Decrease (increase) in advance payments to suppliers	229,565	178,754
Increase (decrease) in trade payables	(177,009)	29,938
Increase (decrease) in accounts payable - other	44,674	(123,144)
Increase (decrease) in unearned revenue	49,557	89,745
Increase (decrease) in long-term unearned revenue	85,885	70,212
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	270,495	(202,900)
Other, net	(205,485)	(91,191)
Subtotal	198,521	(683,766)
Interest and dividends received	7,182	3,876
Interest paid	(52,866)	(65,538)
Income taxes paid	(10,049)	(19,603)
Income taxes refund	28,155	–
Net cash provided by (used in) operating activities	170,943	(765,031)
Cash flows from investing activities		
Payments into time deposits	–	(217,555)
Proceeds from withdrawal of time deposits	–	73,535
Purchase of property, plant and equipment	(6,739)	(20,479)
Purchase of software	(1,073,983)	(1,562,465)
Purchase of investment securities	(37,500)	–
Proceeds from sale of investment securities	43,358	225,102
Payments from collection of lease and guarantee deposits	75,522	–
Net cash provided by (used in) investing activities	(999,341)	(1,501,862)

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,000,000)	(775,000)
Proceeds from long-term borrowings	1,000,000	–
Repayments of long-term borrowings	(691,080)	(520,080)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	8,887	2,071
Proceeds from share issuance to non-controlling shareholders	2,291,617	129,486
Dividends paid	(74)	(8)
Net cash provided by (used in) financing activities	1,609,350	(1,163,530)
Effect of exchange rate change on cash and cash equivalents	252,527	76,488
Net increase (decrease) in cash and cash equivalents	1,033,480	(3,353,936)
Cash and cash equivalents at beginning of period	5,451,092	6,484,572
Cash and cash equivalents at end of period	6,484,572	3,130,636