

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Based on Japanese GAAP)

February 14, 2022

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 14, 2022
 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, 2021 (from April 1, 2021 to December 31, 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	%
Nine months ended December 31, 2021	7,800	(18.0)	(920)	–	(853)	–	(759)	–
Nine months ended December 31, 2020	9,514	(27.3)	446	(3.9)	369	(27.2)	196	(25.7)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	(5.58)		–	
Nine months ended December 31, 2020	1.44		1.44	

(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, 2021	21,960	11,269	50.5	81.80
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	–	–	–		
Year ending March 31, 2022 (Forecast)				0.00	0.00

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	10,492	(18.4)	(1,769)	–	(1,736)	–	(1,741)	–	(12.86)

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2021	136,281,200 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 December 31, 2021	800,024 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)

Nine months ended December 31, 2021	136,094,517 shares	Nine months ended December 31, 2020	136,244,033 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	4,779,954	5,085,888
Accounts receivable - trade	2,023,666	1,863,572
Merchandise and finished goods	4,330,530	5,060,095
Raw materials and supplies	162,184	151,757
Advance payments to suppliers	1,086,338	1,026,594
Accounts receivable - other	96,948	26,899
Income taxes receivable	295,454	–
Other	690,726	539,169
Total current assets	13,465,804	13,753,978
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	396,328	411,888
Accumulated depreciation	(291,234)	(331,469)
Total property, plant and equipment	105,094	80,419
Intangible assets		
Software	1,427,821	1,336,690
Goodwill	154,062	49,334
Contract based intangible assets	1,233,597	1,175,469
Other	115,311	476,932
Total intangible assets	2,930,793	3,038,426
Investments and other assets		
Investment securities	3,047,842	4,134,259
Deferred tax assets	604,625	788,924
Other	177,356	164,935
Total investments and other assets	3,829,824	5,088,119
Total non-current assets	6,865,712	8,206,965
Total assets	20,331,517	21,960,944
Liabilities		
Current liabilities		
Accounts payable - trade	784,398	358,135
Short-term borrowings	3,300,000	6,000,000
Current portion of long-term borrowings	722,000	796,580
Accounts payable - other	741,953	741,943
Income taxes payable	625	8,936
Unearned revenue	613,039	406,446
Provision for bonuses	48,064	54,583
Provision for sales returns	91,889	–
Provision for point card certificates	43,160	–
Other	193,647	435,239
Total current liabilities	6,538,779	8,801,866
Non-current liabilities		
Long-term borrowings	1,296,000	1,779,920
Long-term unearned revenue	132,073	109,806
Total non-current liabilities	1,428,073	1,889,726
Total liabilities	7,966,852	10,691,592

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Share capital	3,690,436	3,693,654
Capital surplus	4,270,463	4,273,681
Retained earnings	4,191,998	3,157,313
Treasury shares	(3)	(163,122)
Total shareholders' equity	12,152,894	10,961,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,403	80,658
Foreign currency translation adjustment	18,569	34,377
Deferred gains or losses on hedges	–	5,206
Total accumulated other comprehensive income	59,972	120,242
Share acquisition rights	151,797	187,582
Total net assets	12,364,664	11,269,351
Total liabilities and net assets	20,331,517	21,960,944

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, 2020	Nine months ended December 31, 2021
Net sales	9,514,631	7,800,976
Cost of sales	3,924,794	3,584,199
Gross profit	5,589,837	4,216,776
Provision for sales returns	140,635	–
Reversal of provision for sales returns	314,416	–
Gross profit - net	5,763,618	4,216,776
Selling, general and administrative expenses	5,317,567	5,137,608
Operating profit (loss)	446,050	(920,831)
Non-operating income		
Interest income	17,526	17,339
Dividend income	740	87,690
Foreign exchange gains	–	56,477
Other	2,147	8,375
Total non-operating income	20,415	169,882
Non-operating expenses		
Interest expenses	7,301	12,027
Foreign exchange losses	54,707	–
Share of loss of entities accounted for using equity method	34,835	88,005
Other	96	2,559
Total non-operating expenses	96,939	102,591
Ordinary profit (loss)	369,526	(853,540)
Extraordinary income		
Gain on reversal of share acquisition rights	398	1,005
Total extraordinary income	398	1,005
Profit (loss) before income taxes	369,924	(852,534)
Income taxes - current	(9,745)	1,931
Income taxes - deferred	183,075	(95,059)
Total income taxes	173,329	(93,128)
Profit (loss)	196,594	(759,406)
Profit (loss) attributable to owners of parent	196,594	(759,406)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit (loss)	196,594	(759,406)
Other comprehensive income		
Valuation difference on available-for-sale securities	(34,053)	39,255
Foreign currency translation adjustment	585	15,808
Deferred gains or losses on hedges	–	5,206
Total other comprehensive income	(33,468)	60,270
Comprehensive income	163,126	(699,136)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	163,126	(699,136)
Comprehensive income attributable to non-controlling interests	–	–