

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 12, 2022

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 20, 2022
 Scheduled date to file Securities Report: June 21, 2022
 Scheduled date to commence dividend payments: June 21, 2022
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	10,307	(19.8)	(2,259)	–	(2,128)	–	(3,502)	–
Year ended March 31, 2021	12,851	(25.6)	540	13.8	452	(15.8)	191	(15.0)

	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, 2022	(25.77)	–	(32.1)	(10.6)	(21.9)
Year ended March 31, 2021	1.40	1.40	1.6	2.4	4.2

(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, 2022	19,981	9,959	48.0	70.72
As of March 31, 2021	20,331	12,364	60.1	89.63

(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, 2022	(330)	(2,938)	3,820	5,451
Year ended March 31, 2021	(639)	(2,755)	4,271	4,779

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, 2021	–	0.00	–	0.21	0.21	28	15.0	0.2
Year ended March 31, 2022	–	0.00	–	0.00	0.00	0	0.0	0.0
Year ending March 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		0.0	

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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, 2022	5,015	0.4	(1,225)	–	(1,275)	–	(1,225)	–	(9.04)
Full year	12,795	24.1	(850)	–	(945)	–	(995)	–	(7.34)

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Yes

(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:

Yes

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, 2022	136,297,600 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 March 31, 2022	800,024 shares	As of March 31, 2021	24 shares
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Average number of shares during the period

Year ended March 31, 2022	135,943,327 shares	Year ended March 31, 2021	136,246,539 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	4,779,954	5,451,092
Accounts receivable - trade	2,023,666	1,449,992
Merchandise and finished goods	4,330,530	4,246,913
Raw materials and supplies	162,184	114,632
Advance payments to suppliers	1,086,338	1,090,203
Income taxes refund receivable	295,454	28,155
Other	787,674	465,457
Total current assets	13,465,804	12,846,446
Non-current assets		
Property, plant and equipment		
Buildings	179,751	163,323
Accumulated depreciation	(142,747)	(133,345)
Buildings, net	37,004	29,977
Vehicles	7,291	8,060
Accumulated depreciation	(6,635)	(7,698)
Vehicles, net	655	362
Tools, furniture and fixtures	209,285	220,557
Accumulated depreciation	(141,851)	(151,379)
Tools, furniture and fixtures, net	67,434	69,177
Total property, plant and equipment	105,094	99,517
Intangible assets		
Software	1,427,821	1,293,786
Goodwill	154,062	14,425
Contract based intangible assets	1,233,597	1,156,093
Other	115,311	551,570
Total intangible assets	2,930,793	3,015,876
Investments and other assets		
Investment securities	3,047,842	3,306,741
Deferred tax assets	604,625	535,605
Other	177,356	177,218
Total investments and other assets	3,829,824	4,019,565
Total non-current assets	6,865,712	7,134,959
Total assets	20,331,517	19,981,406

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	784,398	430,515
Short-term borrowings	3,300,000	5,600,000
Current portion of long-term borrowings	722,000	691,080
Accounts payable - other	741,953	774,939
Income taxes payable	625	23,418
Unearned revenue	613,039	389,972
Provision for bonuses	48,064	82,587
Provision for sales returns	91,889	–
Provision for point card certificates	43,160	–
Other	193,647	263,688
Total current liabilities	6,538,779	8,256,202
Non-current liabilities		
Long-term borrowings	1,296,000	1,649,900
Long-term unearned revenue	132,073	116,043
Total non-current liabilities	1,428,073	1,765,943
Total liabilities	7,966,852	10,022,145
Net assets		
Shareholders' equity		
Share capital	3,690,436	3,695,284
Capital surplus	4,270,463	5,509,249
Retained earnings	4,191,998	413,880
Treasury shares	(3)	(163,122)
Total shareholders' equity	12,152,894	9,455,292
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,403	61,232
Foreign currency translation adjustment	18,569	66,515
Total accumulated other comprehensive income	59,972	127,747
Share acquisition rights	151,797	200,159
Non-controlling interests	–	176,061
Total net assets	12,364,664	9,959,260
Total liabilities and net assets	20,331,517	19,981,406

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

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	12,851,060	10,307,741
Cost of sales	5,479,211	5,677,287
Gross profit	7,371,848	4,630,453
Provision for sales returns	91,889	–
Reversal of provision for sales returns	314,416	–
Gross profit - net	7,594,375	4,630,453
Selling, general and administrative expenses		
Promotion expenses	722,692	403,379
Salaries	905,530	987,464
Provision for bonuses	48,064	82,587
Outsourcing expenses	2,058,806	2,107,271
Advertising expenses	1,077,224	1,104,240
Other	2,241,795	2,205,175
Total selling, general and administrative expenses	7,054,114	6,890,118
Operating profit (loss)	540,260	(2,259,664)
Non-operating income		
Interest income	20,685	23,207
Dividend income	740	87,690
Foreign exchange gains	2,079	155,569
Gain on investments in silent partnerships	–	29,149
Other	2,788	8,610
Total non-operating income	26,293	304,227
Non-operating expenses		
Interest expenses	8,817	21,060
Share of loss of entities accounted for using equity method	86,908	111,234
Share issuance costs	–	27,360
Loss on investments in silent partnerships	17,818	–
Other	199	12,970
Total non-operating expenses	113,743	172,624
Ordinary profit (loss)	452,810	(2,128,061)
Extraordinary income		
Gain on reversal of share acquisition rights	625	1,005
Total extraordinary income	625	1,005
Extraordinary losses		
Loss on valuation of investment securities	–	1,203,866
Business restructuring expenses	35,274	–
Total extraordinary losses	35,274	1,203,866
Profit (loss) before income taxes	418,161	(3,330,921)
Income taxes - current	8,820	2,785
Income taxes - refund	(16,987)	–
Income taxes - deferred	235,226	169,131
Total income taxes	227,059	171,916
Profit (loss)	191,101	(3,502,838)
Profit (loss) attributable to owners of parent	191,101	(3,502,838)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	191,101	(3,502,838)
Other comprehensive income		
Valuation difference on available-for-sale securities	45,732	19,828
Foreign currency translation adjustment	33,359	47,945
Total other comprehensive income	79,091	67,774
Comprehensive income	270,193	(3,435,064)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	270,193	(3,435,064)
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,690,436	4,270,463	4,191,998	(3)	12,152,894
Cumulative effects of changes in accounting policies			(246,664)		(246,664)
Restated balance	3,690,436	4,270,463	3,945,333	(3)	11,906,229
Changes during period					
Issuance of new shares - exercise of share acquisition rights	4,848	4,848			9,696
Dividends of surplus			(28,613)		(28,613)
Profit attributable to owners of parent			(3,502,838)		(3,502,838)
Purchase of treasury shares				(163,118)	(163,118)
Change in ownership interest of parent due to transactions with non-controlling interests		1,233,938			1,233,938
Net changes in items other than shareholders' equity					-
Total changes during period	4,848	1,238,786	(3,531,452)	(163,118)	(2,450,937)
Balance at end of period	3,695,284	5,509,249	413,880	(163,122)	9,455,292

	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	41,403	18,569	59,972	151,797	-	12,364,664
Cumulative effects of changes in accounting policies						(246,664)
Restated balance	41,403	18,569	59,972	151,797	-	12,117,999
Changes during period						
Issuance of new shares - exercise of share acquisition rights						9,696
Dividends of surplus						(28,613)
Profit attributable to owners of parent						(3,502,838)
Purchase of treasury shares						(163,118)
Change in ownership interest of parent due to transactions with non-controlling interests						1,233,938
Net changes in items other than shareholders' equity	19,828	47,945	67,774	48,362	176,061	292,198
Total changes during period	19,828	47,945	67,774	48,362	176,061	(2,158,738)
Balance at end of period	61,232	66,515	127,747	200,159	176,061	9,959,260

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	418,161	(3,330,921)
Depreciation	412,975	409,091
Amortization of software	517,429	695,983
Amortization of goodwill	139,637	139,637
Share-based payment expenses	34,877	52,505
Amortization of trademark right	24,320	4,803
Increase (decrease) in provision for bonuses	22,472	28,621
Interest and dividend income	(21,425)	(110,897)
Interest expenses	8,817	21,060
Share of loss (profit) of entities accounted for using equity method	86,908	111,234
Share issuance costs	–	27,360
Gain on reversal of share acquisition rights	(625)	(1,005)
Loss (gain) on valuation of investment securities	–	1,203,866
Business restructuring expenses	35,274	–
Decrease (increase) in trade receivables	339,311	578,726
Decrease (increase) in inventories	(1,270,963)	156,180
Decrease (increase) in advance payments to suppliers	470,392	(3,864)
Increase (decrease) in trade payables	363,427	(353,858)
Increase (decrease) in accounts payable - other	(2,413)	135,015
Increase (decrease) in unearned revenue	(546,359)	(223,066)
Increase (decrease) in long-term unearned revenue	(227,329)	(16,030)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(497,904)	230,718
Other, net	(333,282)	(427,693)
Subtotal	(26,298)	(672,535)
Interest and dividends received	26,176	84,100
Interest paid	(10,383)	(23,363)
Income taxes paid	(628,911)	(18,083)
Income taxes refund	–	299,007
Net cash provided by (used in) operating activities	(639,416)	(330,875)
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,347)	(60,933)
Purchase of software	(1,046,552)	(1,383,951)
Purchase of other intangible assets	(12,220)	–
Purchase of investment securities	(1,680,090)	(1,493,181)
Net cash provided by (used in) investing activities	(2,755,211)	(2,938,066)

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,300,000	2,300,000
Proceeds from long-term borrowings	1,500,000	1,100,000
Repayments of long-term borrowings	(497,000)	(777,020)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,490	6,558
Purchase of treasury shares	–	(163,118)
Proceeds from share issuance to non-controlling shareholders	–	1,382,640
Dividends paid	(34,390)	(28,746)
Net cash provided by (used in) financing activities	4,271,099	3,820,313
Effect of exchange rate change on cash and cash equivalents	4,804	119,766
Net increase (decrease) in cash and cash equivalents	881,275	671,137
Cash and cash equivalents at beginning of period	3,898,678	4,779,954
Cash and cash equivalents at end of period	4,779,954	5,451,092