

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on Japanese GAAP)

February 14, 2023

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 to file Quarterly Securities Report: February 14, 2023
 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, 2022 (from April 1, 2022 to December 31, 2022)

(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, 2022	7,770	(0.4)	(1,416)	–	(1,414)	–	(1,332)	–
Nine months ended December 31, 2021	7,800	(18.0)	(920)	–	(853)	–	(759)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	(9.83)		–	
Nine months ended December 31, 2021	(5.58)		–	

(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, 2022	20,999	11,039	48.7	75.43
As of March 31, 2022	19,981	9,959	48.0	70.72

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, 2022	–	0.00	–	0.00	0.00
Year ending March 31, 2023	–	0.00	–		
Year ending March 31, 2023 (Forecast)				0.00	0.00

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
Full year	10,959	6.3	(2,058)	–	(2,124)	–	(2,089)	–	(15.42)

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022
(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: No
- 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, 2022	136,349,600 shares	As of March 31, 2022	136,297,600 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	800,024 shares	As of March 31, 2022	800,024 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, 2022	135,511,703 shares	Nine months ended December 31, 2021	136,094,517 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	5,451,092	6,253,633
Accounts receivable - trade	1,449,992	2,159,346
Merchandise and finished goods	4,246,913	3,777,790
Raw materials and supplies	114,632	81,489
Advance payments to suppliers	1,090,203	968,625
Income taxes refund receivable	28,155	–
Other	465,457	523,663
Total current assets	12,846,446	13,764,549
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	391,941	393,627
Accumulated depreciation	(292,423)	(311,154)
Total property, plant and equipment	99,517	82,473
Intangible assets		
Software	1,293,786	1,345,828
Goodwill	14,425	–
Contract based intangible assets	1,156,093	1,097,966
Other	551,570	699,914
Total intangible assets	3,015,876	3,143,709
Investments and other assets		
Investment securities	3,306,741	3,430,637
Deferred tax assets	535,605	481,470
Other	177,218	97,021
Total investments and other assets	4,019,565	4,009,130
Total non-current assets	7,134,959	7,235,312
Total assets	19,981,406	20,999,862
Liabilities		
Current liabilities		
Accounts payable - trade	430,515	573,533
Short-term borrowings	5,600,000	4,600,000
Current portion of long-term borrowings	691,080	520,080
Accounts payable - other	774,939	784,195
Income taxes payable	23,418	44,626
Unearned revenue	389,972	438,344
Provision for bonuses	82,587	60,077
Other	263,688	498,566
Total current liabilities	8,256,202	7,519,423
Non-current liabilities		
Long-term borrowings	1,649,900	2,259,840
Long-term unearned revenue	116,043	181,153
Total non-current liabilities	1,765,943	2,440,993
Total liabilities	10,022,145	9,960,416

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	3,695,284	3,701,935
Capital surplus	5,509,249	7,332,327
Retained earnings	413,880	(918,402)
Treasury shares	(163,122)	(163,122)
Total shareholders' equity	9,455,292	9,952,738
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,232	178,786
Foreign currency translation adjustment	66,515	92,462
Total accumulated other comprehensive income	127,747	271,249
Share acquisition rights	200,159	242,294
Non-controlling interests	176,061	573,163
Total net assets	9,959,260	11,039,446
Total liabilities and net assets	19,981,406	20,999,862

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, 2021	Nine months ended December 31, 2022
Net sales	7,800,976	7,770,007
Cost of sales	3,584,199	3,774,284
Gross profit	4,216,776	3,995,722
Selling, general and administrative expenses	5,137,608	5,412,237
Operating loss	(920,831)	(1,416,514)
Non-operating income		
Interest income	17,339	5,065
Dividend income	87,690	2,088
Foreign exchange gains	56,477	161,219
Other	8,375	2,812
Total non-operating income	169,882	171,185
Non-operating expenses		
Interest expenses	12,027	35,899
Share of loss of entities accounted for using equity method	88,005	125,346
Share issuance costs	-	8,364
Other	2,559	-
Total non-operating expenses	102,591	169,611
Ordinary loss	(853,540)	(1,414,940)
Extraordinary income		
Gain on reversal of share acquisition rights	1,005	5,552
Total extraordinary income	1,005	5,552
Loss before income taxes	(852,534)	(1,409,388)
Income taxes - current	1,931	8,941
Income taxes - deferred	(95,059)	2,253
Total income taxes	(93,128)	11,195
Loss	(759,406)	(1,420,583)
Loss attributable to non-controlling interests	-	(88,299)
Loss attributable to owners of parent	(759,406)	(1,332,283)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Loss	(759,406)	(1,420,583)
Other comprehensive income		
Valuation difference on available-for-sale securities	39,255	117,554
Foreign currency translation adjustment	15,808	27,976
Deferred gains or losses on hedges	5,206	–
Total other comprehensive income	60,270	145,531
Comprehensive income	(699,136)	(1,275,052)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(699,136)	(1,188,781)
Comprehensive income attributable to non-controlling interests	–	(86,270)