

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 15, 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 of ordinary general meeting of shareholders: June 19, 2023  
 Scheduled date to file Securities Report: June 20, 2023  
 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, 2023 (from April 1, 2022 to March 31, 2023)

#### (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, 2023	10,347	0.4	(2,574)	–	(2,537)	–	(2,303)	–
Year ended March 31, 2022	10,307	(19.8)	(2,259)	–	(2,128)	–	(3,502)	–

	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, 2023	(17.00)	–	(24.5)	(12.8)	(24.9)
Year ended March 31, 2022	(25.77)	–	(32.1)	(10.6)	(21.9)

#### (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, 2023	19,639	9,903	46.9	67.92
As of March 31, 2022	19,981	9,959	48.0	70.72

#### (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, 2023	170	(999)	1,609	6,484
Year ended March 31, 2022	(330)	(2,938)	3,820	5,451

### 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, 2022	–	0.00	–	0.00	0.00	0	0.0	0.0
Year ended March 31, 2023	–	0.00	–	0.00	0.00	0	0.0	0.0
Year ending March 31, 2024 (Forecast)	–	0.00	–	0.00	0.00		0.0	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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, 2023	6,431	39.6	(969)	–	(954)	–	(790)	–	(5.83)
Full year	16,649	60.9	110	–	106	–	63	–	0.47

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(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, 2023	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 March 31, 2023	800,024 shares	As of March 31, 2022	800,024 shares
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Average number of shares during the period

Year ended March 31, 2023	135,521,041 shares	Year ended March 31, 2022	135,943,327 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	5,451,092	6,484,572
Accounts receivable - trade	1,449,992	1,264,988
Merchandise and finished goods	4,246,913	3,345,704
Raw materials and supplies	114,632	65,426
Advance payments to suppliers	1,090,203	860,637
Income taxes refund receivable	28,155	–
Other	465,457	485,574
Total current assets	12,846,446	12,506,905
Non-current assets		
Property, plant and equipment		
Buildings	163,323	160,630
Accumulated depreciation	(133,345)	(140,564)
Buildings, net	29,977	20,065
Vehicles	8,060	8,794
Accumulated depreciation	(7,698)	(8,794)
Vehicles, net	362	0
Tools, furniture and fixtures	220,557	225,016
Accumulated depreciation	(151,379)	(167,628)
Tools, furniture and fixtures, net	69,177	57,388
Total property, plant and equipment	99,517	77,453
Intangible assets		
Software	1,293,786	1,183,049
Goodwill	14,425	–
Contract based intangible assets	1,156,093	1,078,590
Other	551,570	813,793
Total intangible assets	3,015,876	3,075,433
Investments and other assets		
Investment securities	3,306,741	3,372,612
Deferred tax assets	535,605	506,055
Other	177,218	100,878
Total investments and other assets	4,019,565	3,979,545
Total non-current assets	7,134,959	7,132,432
Total assets	19,981,406	19,639,337

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	430,515	259,289
Short-term borrowings	5,600,000	4,600,000
Current portion of long-term borrowings	691,080	520,080
Accounts payable - other	774,939	913,133
Income taxes payable	23,418	36,712
Unearned revenue	389,972	439,529
Provision for bonuses	82,587	26,115
Other	263,688	609,696
<b>Total current liabilities</b>	<b>8,256,202</b>	<b>7,404,557</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,649,900	2,129,820
Long-term unearned revenue	116,043	201,928
<b>Total non-current liabilities</b>	<b>1,765,943</b>	<b>2,331,748</b>
<b>Total liabilities</b>	<b>10,022,145</b>	<b>9,736,305</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,695,284	3,701,935
Capital surplus	5,509,249	7,332,327
Retained earnings	413,880	(1,889,953)
Treasury shares	(163,122)	(163,122)
<b>Total shareholders' equity</b>	<b>9,455,292</b>	<b>8,981,187</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	61,232	125,156
Foreign currency translation adjustment	66,515	99,631
<b>Total accumulated other comprehensive income</b>	<b>127,747</b>	<b>224,788</b>
Share acquisition rights	200,159	258,724
Non-controlling interests	176,061	438,332
<b>Total net assets</b>	<b>9,959,260</b>	<b>9,903,032</b>
<b>Total liabilities and net assets</b>	<b>19,981,406</b>	<b>19,639,337</b>

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

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	10,307,741	10,347,679
Cost of sales	5,677,287	5,373,766
Gross profit	4,630,453	4,973,913
Selling, general and administrative expenses		
Promotion expenses	403,379	403,364
Salaries	987,464	1,127,349
Provision for bonuses	82,587	26,115
Outsourcing expenses	2,107,271	1,818,523
Advertising expenses	1,104,240	1,702,652
Other	2,205,175	2,470,739
Total selling, general and administrative expenses	6,890,118	7,548,745
Operating loss	(2,259,664)	(2,574,832)
Non-operating income		
Interest income	23,207	5,104
Dividend income	87,690	2,088
Foreign exchange gains	155,569	162,838
Gain on investments in silent partnerships	29,149	24,681
Other	8,610	4,845
Total non-operating income	304,227	199,558
Non-operating expenses		
Interest expenses	21,060	52,515
Share of loss of entities accounted for using equity method	111,234	101,747
Share issuance costs	27,360	8,182
Other	12,970	88
Total non-operating expenses	172,624	162,533
Ordinary loss	(2,128,061)	(2,537,807)
Extraordinary income		
Gain on sale of investment securities	–	20,094
Gain on reversal of share acquisition rights	1,005	8,293
Total extraordinary income	1,005	28,387
Extraordinary losses		
Loss on valuation of investment securities	1,203,866	6,348
Total extraordinary losses	1,203,866	6,348
Loss before income taxes	(3,330,921)	(2,515,768)
Income taxes - current	2,785	10,190
Income taxes - deferred	169,131	1,337
Total income taxes	171,916	11,528
Loss	(3,502,838)	(2,527,297)
Loss attributable to non-controlling interests	–	(223,462)
Loss attributable to owners of parent	(3,502,838)	(2,303,834)

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Loss	(3,502,838)	(2,527,297)
Other comprehensive income		
Valuation difference on available-for-sale securities	19,828	63,924
Foreign currency translation adjustment	47,945	35,476
Total other comprehensive income	67,774	99,401
Comprehensive income	(3,435,064)	(2,427,895)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,435,064)	(2,206,793)
Comprehensive income attributable to non-controlling interests	–	(221,101)

## Consolidated statements of changes in equity

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 (loss) 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 (loss) 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

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



## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Loss before income taxes	(3,330,921)	(2,515,768)
Depreciation	409,091	444,125
Amortization of software	695,983	672,046
Amortization of goodwill	139,637	14,425
Share-based payment expenses	52,505	71,273
Amortization of trademark right	4,803	3,298
Increase (decrease) in provision for bonuses	28,621	(75,008)
Interest and dividend income	(110,897)	(7,192)
Interest expenses	21,060	52,515
Share of loss (profit) of entities accounted for using equity method	111,234	101,747
Share issuance costs	27,360	8,182
Loss (gain) on sale of investment securities	–	(20,094)
Gain on reversal of share acquisition rights	(1,005)	(8,293)
Loss (gain) on valuation of investment securities	1,203,866	6,348
Decrease (increase) in trade receivables	578,726	155,812
Decrease (increase) in inventories	156,180	997,420
Decrease (increase) in advance payments to suppliers	(3,864)	229,565
Increase (decrease) in trade payables	(353,858)	(177,009)
Increase (decrease) in accounts payable - other	135,015	44,674
Increase (decrease) in unearned revenue	(223,066)	49,557
Increase (decrease) in long-term unearned revenue	(16,030)	85,885
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	230,718	270,495
Other, net	(427,693)	(205,485)
Subtotal	(672,535)	198,521
Interest and dividends received	84,100	7,182
Interest paid	(23,363)	(52,866)
Income taxes paid	(18,083)	(10,049)
Income taxes refund	299,007	28,155
Net cash provided by (used in) operating activities	(330,875)	170,943
Cash flows from investing activities		
Purchase of property, plant and equipment	(60,933)	(6,739)
Purchase of software	(1,383,951)	(1,073,983)
Purchase of investment securities	(1,493,181)	(37,500)
Proceeds from sale of investment securities	–	43,358
Payments from collection of lease and guarantee deposits	–	75,522
Net cash provided by (used in) investing activities	(2,938,066)	(999,341)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,300,000	(1,000,000)
Proceeds from long-term borrowings	1,100,000	1,000,000
Repayments of long-term borrowings	(777,020)	(691,080)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	6,558	8,887
Purchase of treasury shares	(163,118)	–
Proceeds from share issuance to non-controlling shareholders	1,382,640	2,291,617
Dividends paid	(28,746)	(74)
Net cash provided by (used in) financing activities	3,820,313	1,609,350
Effect of exchange rate change on cash and cash equivalents	119,766	252,527
Net increase (decrease) in cash and cash equivalents	671,137	1,033,480
Cash and cash equivalents at beginning of period	4,779,954	5,451,092
Cash and cash equivalents at end of period	5,451,092	6,484,572