

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

August 10, 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: August 10, 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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	%
Three months ended June 30, 2023	2,277	12.0	(962)	–	(873)	–	(770)	–
Three months ended June 30, 2022	2,033	(6.8)	(909)	–	(783)	–	(750)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2023	(5.69)		–	
Three months ended June 30, 2022	(5.54)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	18,298	9,075	46.2	62.41
As of March 31, 2023	19,639	9,903	46.9	67.92

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	0.00	–	0.00	0.00
Year ending March 31, 2024	–	–	–	–	–
Year ending March 31, 2024 (Forecast)	–	0.00	–	0.00	0.00

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 three months ended June 30, 2023  
(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 June 30, 2023	136,349,600 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 June 30, 2023	800,024 shares	As of March 31, 2023	800,024 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	135,549,576 shares	Three months ended June 30, 2022	135,497,576 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,484,572	5,583,184
Accounts receivable - trade	1,264,988	1,168,198
Merchandise and finished goods	3,345,704	3,023,457
Raw materials and supplies	65,426	68,007
Advance payments to suppliers	860,637	880,862
Other	485,574	457,670
Total current assets	12,506,905	11,181,380
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	394,441	397,447
Accumulated depreciation	(316,987)	(323,740)
Total property, plant and equipment	77,453	73,706
Intangible assets		
Software	1,183,049	1,165,260
Contract based intangible assets	1,078,590	1,059,214
Other	813,793	896,636
Total intangible assets	3,075,433	3,121,111
Investments and other assets		
Investment securities	3,372,612	3,349,323
Deferred tax assets	506,055	475,461
Other	100,878	97,104
Total investments and other assets	3,979,545	3,921,888
Total non-current assets	7,132,432	7,116,706
Total assets	19,639,337	18,298,087
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	259,289	197,591
Short-term borrowings	4,600,000	4,600,000
Current portion of long-term borrowings	520,080	520,080
Accounts payable - other	913,133	854,781
Income taxes payable	36,712	24,152
Unearned revenue	439,529	462,839
Provision for bonuses	26,115	58,234
Other	609,696	327,135
Total current liabilities	7,404,557	7,044,816
Non-current liabilities		
Long-term borrowings	2,129,820	1,999,800
Long-term unearned revenue	201,928	177,567
Total non-current liabilities	2,331,748	2,177,367
Total liabilities	9,736,305	9,222,183

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,701,935	3,701,935
Capital surplus	7,332,327	7,332,327
Retained earnings	(1,889,953)	(2,660,636)
Treasury shares	(163,122)	(163,122)
Total shareholders' equity	8,981,187	8,210,504
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125,156	159,491
Foreign currency translation adjustment	99,631	89,050
Total accumulated other comprehensive income	224,788	248,541
Share acquisition rights	258,724	275,026
Non-controlling interests	438,332	341,831
Total net assets	9,903,032	9,075,903
Total liabilities and net assets	19,639,337	18,298,087

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	2,033,900	2,277,444
Cost of sales	1,240,995	1,178,446
Gross profit	792,904	1,098,998
Selling, general and administrative expenses	1,701,964	2,061,890
Operating loss	(909,060)	(962,892)
Non-operating income		
Interest income	4,843	37
Dividend income	2,088	2,271
Foreign exchange gains	189,285	136,299
Other	352	2,179
Total non-operating income	196,569	140,787
Non-operating expenses		
Interest expenses	11,388	17,315
Share of loss of entities accounted for using equity method	58,080	33,830
Other	1,141	-
Total non-operating expenses	70,610	51,145
Ordinary loss	(783,101)	(873,250)
Extraordinary income		
Gain on sale of investment securities	-	21,384
Gain on reversal of share acquisition rights	3,773	1,762
Total extraordinary income	3,773	23,146
Loss before income taxes	(779,328)	(850,104)
Income taxes - current	1,819	1,725
Income taxes - deferred	(1,095)	15,441
Total income taxes	723	17,166
Loss	(780,051)	(867,271)
Loss attributable to non-controlling interests	(30,044)	(96,588)
Loss attributable to owners of parent	(750,007)	(770,682)

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Loss	(780,051)	(867,271)
Other comprehensive income		
Valuation difference on available-for-sale securities	52,540	34,334
Foreign currency translation adjustment	47,597	(10,493)
Total other comprehensive income	100,137	23,840
Comprehensive income	(679,914)	(843,430)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(652,206)	(743,740)
Comprehensive income attributable to non-controlling interests	(27,707)	(99,690)