

**Translation**

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024 (Based on Japanese GAAP)

November 13, 2024

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 03-5797-7165  
 Scheduled date to file Semi-annual Securities Report: November 13, 2024  
 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 six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

## (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	%
Six months ended September 30, 2024	5,184	(0.8)	(1,609)	–	(1,825)	–	(1,681)	–
Six months ended September 30, 2023	5,226	13.4	(1,424)	–	(1,320)	–	(1,150)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	(12.40)	–
Six months ended September 30, 2023	(8.49)	–

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2024	16,641	7,674	43.3	53.16
As of March 31, 2024	16,811	8,389	48.0	59.56

## 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, 2024	–	0.00	–	0.00	0.00
Year ending March 31, 2025	–	0.00	–	–	–
Year ending March 31, 2025 (Forecast)	–	–	–	–	–

3. Notes

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: No

(2) Application of special accounting methods for preparing semi-annual 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 September 30, 2024	136,358,300 shares	As of March 31, 2024	136,358,300 shares
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Number of treasury shares at the end of the period

As of September 30, 2024	800,112 shares	As of March 31, 2024	800,024 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	135,558,242 shares	Six months ended September 30, 2023	135,549,624 shares
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**Semi-annual consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	3,282,046	3,541,941
Accounts receivable - trade	1,980,324	1,669,877
Merchandise and finished goods	2,494,996	2,803,928
Raw materials and supplies	76,622	87,043
Advance payments to suppliers	681,883	884,225
Income taxes refund receivable	13,528	–
Other	233,219	419,835
Allowance for doubtful accounts	–	(238)
Total current assets	8,762,622	9,406,613
Non-current assets		
Property, plant and equipment		
Property, plant and equipment	458,942	247,032
Accumulated depreciation	(318,516)	(136,588)
Total property, plant and equipment	140,426	110,444
Intangible assets		
Software	2,333,141	2,212,765
Contract based intangible assets	1,001,086	962,335
Other	208,010	522,609
Total intangible assets	3,542,238	3,697,710
Investments and other assets		
Investment securities	4,275,658	3,344,597
Deferred tax assets	2,251	2,251
Other	88,302	79,709
Total investments and other assets	4,366,212	3,426,558
Total non-current assets	8,048,876	7,234,712
Total assets	16,811,498	16,641,326
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	312,072	686,226
Short-term borrowings	3,825,000	3,920,000
Current portion of long-term borrowings	520,080	588,126
Accounts payable - other	768,911	766,599
Income taxes payable	39,466	34,299
Unearned revenue	529,274	575,695
Provision for bonuses	42,263	132,267
Other	292,021	586,296
Total current liabilities	6,329,090	7,289,510
Non-current liabilities		
Long-term borrowings	1,609,740	1,281,654
Long-term unearned revenue	272,140	275,807
Deferred tax liabilities	164,114	96,684
Other	46,849	22,943
Total non-current liabilities	2,092,845	1,677,090
Total liabilities	8,421,935	8,966,600

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	3,703,401	3,703,401
Capital surplus	7,545,969	8,918,015
Retained earnings	(4,059,938)	(5,741,234)
Treasury shares	(163,122)	(163,142)
Total shareholders' equity	7,026,310	6,717,040
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	829,149	219,071
Foreign currency translation adjustment	218,343	270,271
Total accumulated other comprehensive income	1,047,492	489,342
Share acquisition rights	315,759	355,800
Non-controlling interests	–	112,542
Total net assets	8,389,563	7,674,725
Total liabilities and net assets	16,811,498	16,641,326

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

### Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	5,226,709	5,184,735
Cost of sales	2,498,846	2,561,284
Gross profit	2,727,863	2,623,450
Selling, general and administrative expenses	4,152,843	4,233,235
Operating loss	(1,424,979)	(1,609,784)
Non-operating income		
Interest income	117	6,103
Dividend income	2,271	500
Foreign exchange gains	187,765	–
Interest Subsidy	3,985	4,136
Other	1,777	1,088
Total non-operating income	195,917	11,828
Non-operating expenses		
Interest expenses	34,578	36,479
Share of loss of entities accounted for using equity method	42,293	40,167
Foreign exchange losses	–	144,884
Share issuance costs	–	6,225
Other	15,000	38
Total non-operating expenses	91,872	227,795
Ordinary loss	(1,320,934)	(1,825,751)
Extraordinary income		
Gain on sale of investment securities	21,384	135,700
Gain on reversal of share acquisition rights	24,550	4,980
Total extraordinary income	45,934	140,680
Extraordinary losses		
Loss on retirement of non-current assets	–	22,014
Total extraordinary losses	–	22,014
Loss before income taxes	(1,275,000)	(1,707,084)
Income taxes - current	3,399	3,505
Income taxes - deferred	50,857	201,819
Total income taxes	54,257	205,325
Loss	(1,329,257)	(1,912,409)
Loss attributable to non-controlling interests	(179,069)	(231,114)
Loss attributable to owners of parent	(1,150,188)	(1,681,295)

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

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Loss	(1,329,257)	(1,912,409)
Other comprehensive income		
Valuation difference on available-for-sale securities	40,617	(610,078)
Foreign currency translation adjustment	(17,180)	67,630
Total other comprehensive income	23,437	(542,447)
Comprehensive income	(1,305,820)	(2,454,857)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,121,075)	(2,239,446)
Comprehensive income attributable to non-controlling interests	(184,745)	(215,411)

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Loss before income taxes	(1,275,000)	(1,707,084)
Depreciation	201,535	211,157
Amortization of software	317,772	370,326
Share-based payment expenses	38,986	45,021
Amortization of trademark right	1,716	1,858
Increase (decrease) in allowance for doubtful accounts	–	240
Increase (decrease) in provision for bonuses	64,319	97,565
Interest and dividend income	(2,388)	(6,603)
Interest expenses	34,578	36,479
Share of loss (profit) of entities accounted for using equity method	42,293	40,167
Share issuance costs	–	6,225
Loss (gain) on sale of investment securities	(21,384)	(135,700)
Gain on reversal of share acquisition rights	(24,550)	(4,980)
Loss on retirement of non-current assets	–	22,014
Decrease (increase) in trade receivables	(507,038)	296,230
Decrease (increase) in inventories	489,913	(341,763)
Decrease (increase) in advance payments to suppliers	73,830	(202,342)
Increase (decrease) in trade payables	152,346	383,086
Increase (decrease) in accounts payable - other	(39,509)	34,141
Increase (decrease) in unearned revenue	14,697	46,420
Increase (decrease) in long-term unearned revenue	(40,411)	3,666
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(347,759)	(67,631)
Other, net	(256,041)	372,894
Subtotal	(1,082,093)	(498,609)
Interest and dividends received	2,463	3,583
Interest paid	(34,029)	(40,273)
Income taxes paid	(4,568)	(4,921)
Income taxes refund	–	13,528
Net cash provided by (used in) operating activities	(1,118,227)	(526,690)
Cash flows from investing activities		
Payments into time deposits	(70,485)	–
Purchase of property, plant and equipment	(2,802)	(58,759)
Purchase of software	(576,425)	(776,405)
Purchase of investment securities	–	(2,760)
Proceeds from sale of investment securities	98,815	152,662
Payments of leasehold and guarantee deposits	–	(13,549)
Net cash provided by (used in) investing activities	(550,897)	(698,811)

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	95,000
Repayments of long-term borrowings	(260,040)	(260,040)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,071	–
Purchase of treasury shares	–	(20)
Proceeds from share issuance to non-controlling shareholders	–	1,693,775
Dividends paid	(5)	0
Net cash provided by (used in) financing activities	(257,974)	1,528,713
Effect of exchange rate change on cash and cash equivalents	70,265	(34,636)
Net increase (decrease) in cash and cash equivalents	(1,856,833)	268,574
Cash and cash equivalents at beginning of period	6,484,572	3,130,636
Cash and cash equivalents at end of period	4,627,739	3,399,211