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May 15, 2025

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Notice Regarding Impairment Loss on Investment Securities (Consolidated and Non-Consolidated), Equity in Losses of Affiliates (Consolidated), and Impairment Loss on Shares of Affiliated Companies (Non-Consolidated), as well as Differences from the Previous Fiscal Year's Consolidated Financial Results

SOURCENEXT CORPORATION (Headquarters: Minato-ku, Tokyo; President and COO: Tomoaki Kojima) hereby announces that it will record the following losses in its financial results for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025): an impairment loss on investment securities (non-consolidated and consolidated basis), an impairment loss on shares of affiliated companies (non-consolidated basis), and equity in losses of affiliates (consolidated basis), as detailed below.

1. Recognition of Extraordinary Losses

(1) Impairment Loss on Investment Securities (Consolidated and Non-Consolidated)

Upon reviewing the business plans and recent performance trends of certain investee companies as of the end of March 2025, we determined that their excess earning power has declined compared to the time of acquisition. Accordingly, we recorded an impairment loss on investment securities of ¥391 million as an extraordinary loss in the consolidated financial statements for the fiscal year ending March 31, 2025.

(2) Impairment Loss on Shares of Affiliated Companies (Non-Consolidated)

Similarly, based on a review of the business plans and recent performance of certain equity-method affiliates as of the end of March 2025, we determined that their excess earning power has declined compared to the time of acquisition. As a result, we recorded an impairment loss on shares of affiliated companies of ¥340 million as an extraordinary loss in the non-consolidated financial statements for the same fiscal year.

2. Recognition of Non-Operating Expenses

Equity in Losses of Affiliates (Consolidated)

For the fiscal year ending March 31, 2025, we recorded equity in losses of affiliates totaling ¥325 million as non-operating expenses. This was primarily due to a significant decline in the performance of certain equity-method affiliates compared to their acquisition cost.

3. Impact on Financial Results

All of the above items have been reflected in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (Japanese GAAP)" disclosed today.

4. Differences from the Previous Fiscal Year's Consolidated Financial Results

(1) Comparison of Consolidated Financial Results for the Fiscal Year Ended March 31, 2025, and the Results for the Previous Fiscal Year

	Net Sales (Million Yen)	Operating Income (Million Yen)	Ordinary Income (Million Yen)	Profit attributable to owners of parent (Million Yen)	Basic earnings per share (Yen)
Previous Fiscal Year Results (A)	11,334	△2,271	△2,239	△2,169	△16.01
Current Fiscal Year Results (B)	11,455	△3,480	△3,925	△3,896	△28.65
Change Amount (B–A)	121	△1,209	△1,686	△1,726	-
Change Rate (%)	1.1	53.2	75.3	79.6	-

(2) Reasons for the Difference

Net sales for the current consolidated fiscal year amounted to ¥11,455 million, representing a 1.1% increase year-on-year. This increase of ¥121 million was primarily due to strong sales of "POCKETALK" in the U.S. market.

However, due to the recognition of impairment losses on older returned devices that required refurbishment following the launch of the new "POCKETALK S2," gross profit decreased by ¥767 million year-on-year, resulting in a gross profit of ¥5,336 million (a 12.6% decrease).

Selling, general and administrative expenses increased to ¥8,816 million (a 5.3% increase year-on-year), mainly due to higher personnel and outsourcing costs associated with the expansion of the POCKETALK business.

As a result, the operating loss for the current consolidated fiscal year was ¥3,480 million (a 53.2% increase year-on-year).

Non-operating expenses totaled ¥470 million (a 78.9% increase year-on-year), primarily due to the recognition of equity in losses of affiliates amounting to ¥325 million, as described in "2. Recognition of Non-Operating Expenses."

Consequently, the ordinary loss for the current consolidated fiscal year was ¥3,925 million (a 75.3% increase year-on-year).

Furthermore, as noted in "1. Recognition of Extraordinary Losses," we recorded impairment losses on investment securities held by the Company.

As a result, the loss before income taxes for the current consolidated fiscal year was ¥4,234 million (a 96.2% increase year-on-year).

We recorded deferred income taxes of ¥203 million and a net loss attributable to non-controlling interests of ¥547 million.

Accordingly, net loss attributable to owners of the parent was ¥3,896 million (a 79.6% increase year-on-year).

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