A horizontal decorative bar with a blue background and a rainbow gradient at the top. It contains various white icons representing technology, business, and communication, such as a keyboard, a smartphone, a laptop, a shopping cart, and various social media and utility icons.

FY2025 Q2 Financial Results Presentation

November 13, 2024

SOURCENEXT Corporation

1. Highlights

2. Business Update

3. Future Outlook

4. Supplementary Materials

Summary








- With the release of the next-generation POCKETALK device (PTS2) in October 2024, an estimated refund liability of 320 million yen was recorded in advance for the returns of older products, and shipments of old products were restrained, resulting in a 0.8% (41 million yen) decrease in sales compared to the previous year.
- POCKETALK INC., our U.S. subsidiary, showed strong performance, achieving a record-high operating profit margin of 17.8% in September 2024.

Topics

- Release of the next-generation POCKETALK (PTS2) in October 2024, for the first time in five years.
- The interactive golf AI device "BirdieTalk" was selected as No. 1 in Nikkei Trendy's "2025 Hit Forecast Ranking."
- A decision was made to raise a total of 6 billion yen through the issuance of Stock Acquisition Rights to accelerate the discovery and expansion of future core products.

FY2025 Consolidated Statement of Profit and Loss (Comparison with Previous Period)

(Unit: million yen)

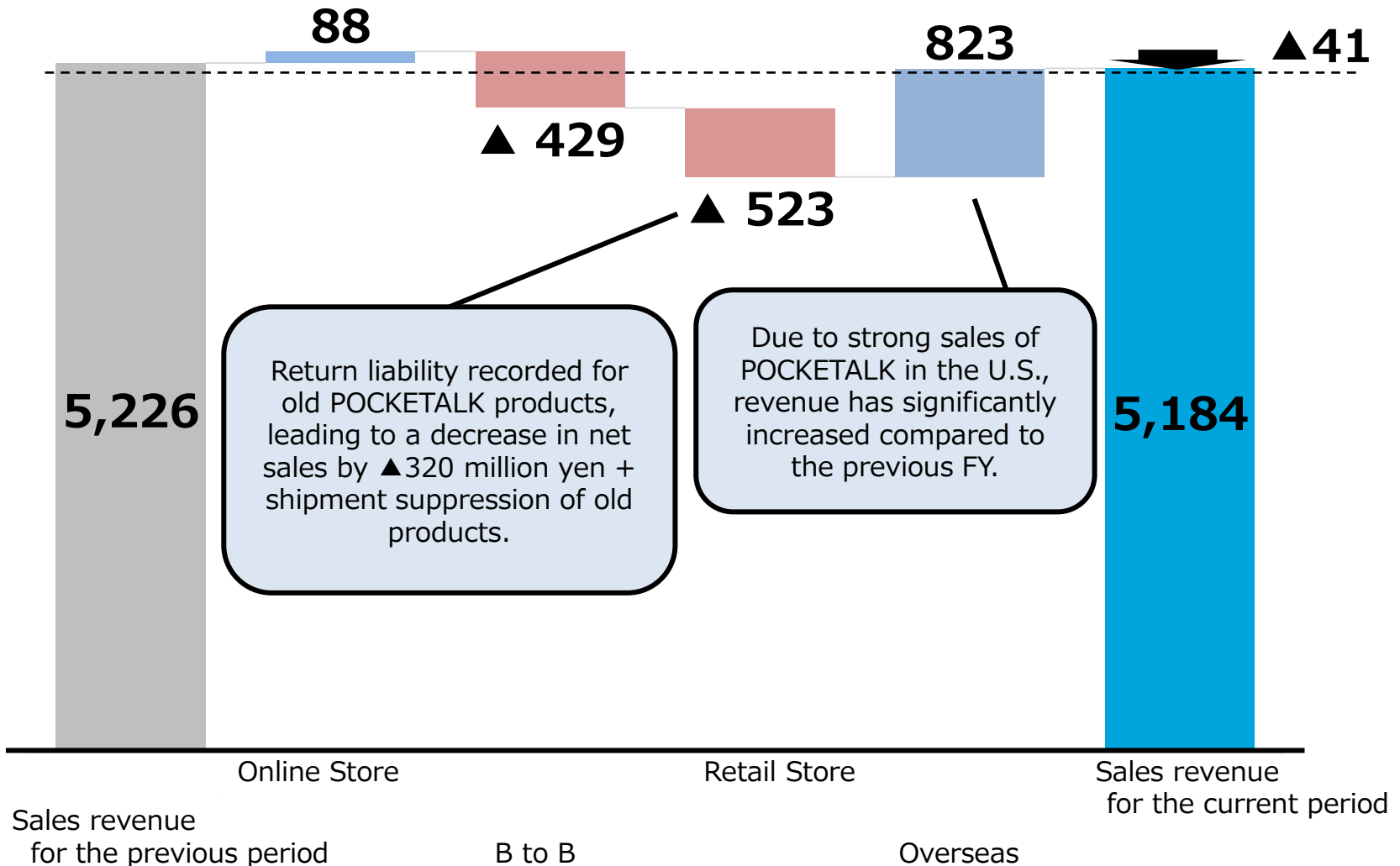
	Cumulative Q2 of FY2024	Cumulative Q2 of FY2025	YoY	
			Change	Change Rate
Net Sales	5,226	5,184	▲41	▲0.8% 
Operating Profit	▲1,424	▲1,609	▲184	▲13.0% 
Operating Profit Margin	▲27.3%	▲31.0%	-	▲3.8pt 
Ordinary Profit	▲1,320	▲1,825	▲504	▲38.2% 
Ordinary Profit Margin	▲25.3%	▲35.2%	-	▲9.9pt 
Net Profit	▲1,150	▲1,681	▲531	▲46.2% 
Net Profit Margin	▲22.0%	▲32.4%	-	▲10.4pt 

Note : Net profit attributable to parent company shareholders is used.

Changes in Net Sales by Channel(YoY/Q2 Cumulative)

(Unit : million yen)

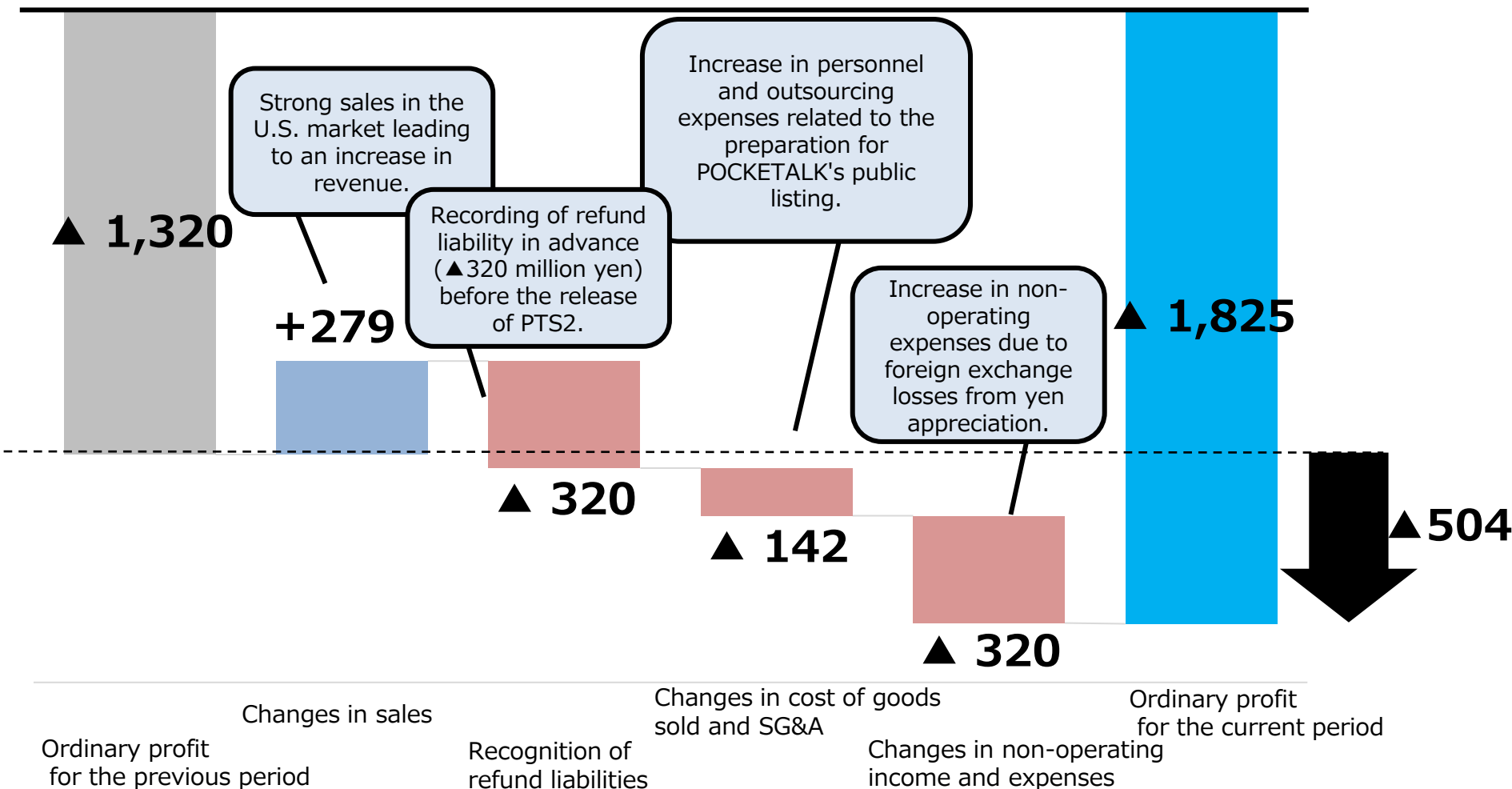
■ Increase ■ Decrease



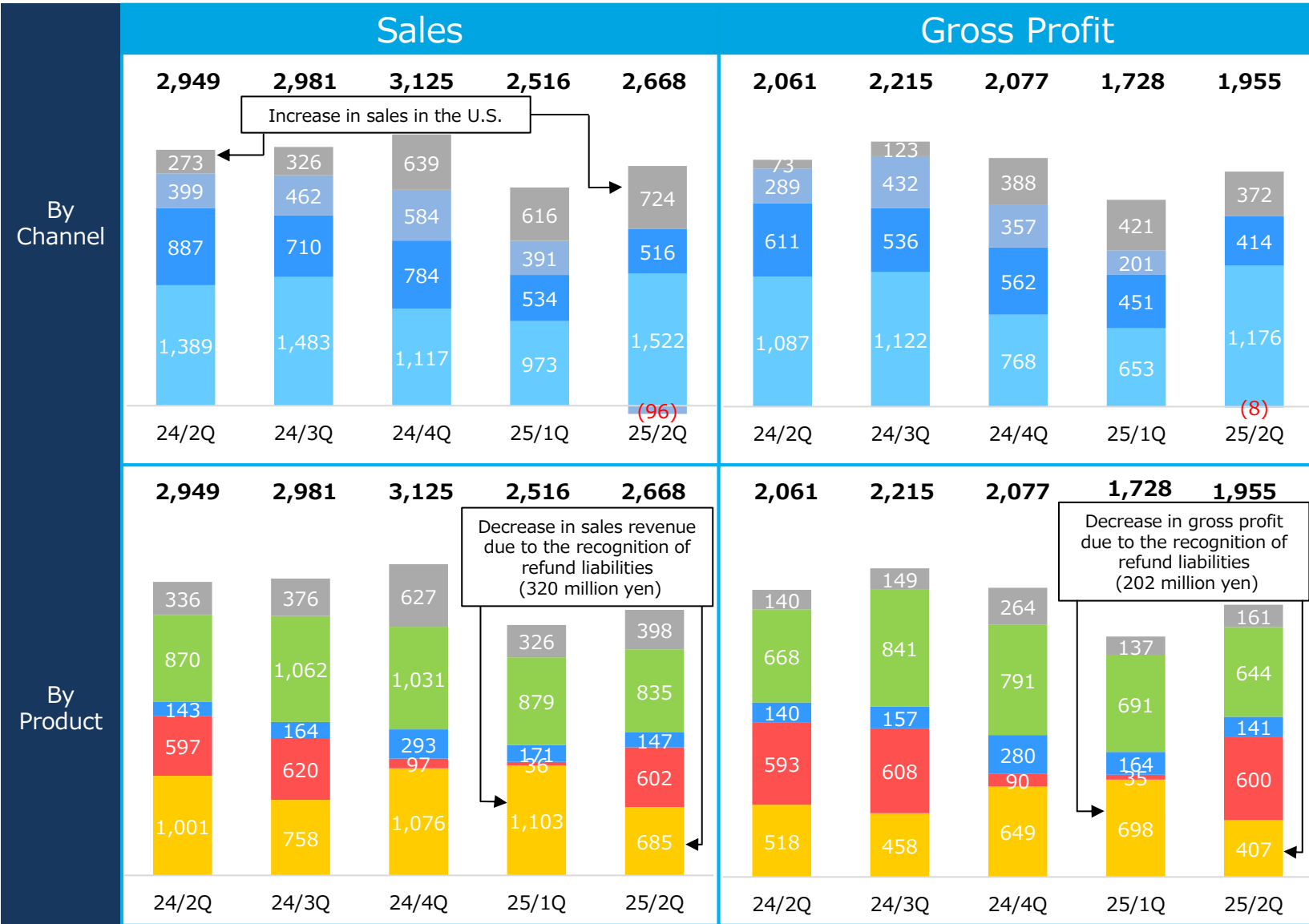
Changes in Ordinary Profit(YoY/Q2 Cumulative)

(Unit : million yen)

■ Increase ■ Decrease



(Unit : million yen)



Note: The gross profit shown excludes common expenses such as development costs that cannot be directly attributed to each product or channel.

Consolidated Balance Sheet

(Unit : million yen)

	End of Mar 2024	End of Sep 2024	YoY	
			Amount of increase or decrease	Rate of increase or decrease
Current Assets	8,762	9,406	+ 643	+ 7.3%
Cash and Deposits	3,282	3,541	+ 259	+ 7.9%
Merchandise and Finished Goods	2,494	2,803	+ 308	+ 12.4%
Fixed Assets	8,048	7,234	▲814	▲10.1%
Total Assets	16,811	16,641	▲170	▲1.0%
Current Liabilities	6,329	7,289	+ 960	+ 15.2%
Non-Current Liabilities	2,092	1,677	▲415	▲19.9%
Net Assets	8,389	7,674	▲714	▲8.5%
Equity Ratio	48.0%	43.3%	-	▲4.7pt

Despite the decrease in equity ratio compared to the end of the previous fiscal year, POCKETALK corp. continues to execute funding as part of its investment phase, maintaining financial stability.

1. Highlights

2. Business Update

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1) Business Update on POCKETALK

Summary

In the U.S. : Sales and profits are continuously expanding, with a record operating profit margin of 17.8% achieved in September 2024.

In Japan : Sales decreased due to the estimation of refund liabilities (320 million yen) for old products prior to the release of PTS2 and shipment suppression. Sales and profits are expected to grow from Q3 onward with the release of PTS2.

Topics

- Launched the next-generation POCKETALK (PTS2) in October 2024.
- Continued orders from educational institutions in the U.S.
- Raised a total of 6.83 billion yen by the end of October 2024 through funding from companies such as Fuji Soft Inc.

Consolidated Statement of Profit and Loss for POCKETALK Corp.

(Unit: million yen)

2024年4-9月期	
Net Sales	1,946
Gross Profit	757
SGA	1,797
–Personal expenses	579
–Outsourcing expenses	419
–Advertising expenses	175
Operating Profit	▲1,039
Operating Profit Margin	▲53.4%

- A refund liability was pre-emptively recorded in anticipation of product returns due to the launch of the next-generation model.

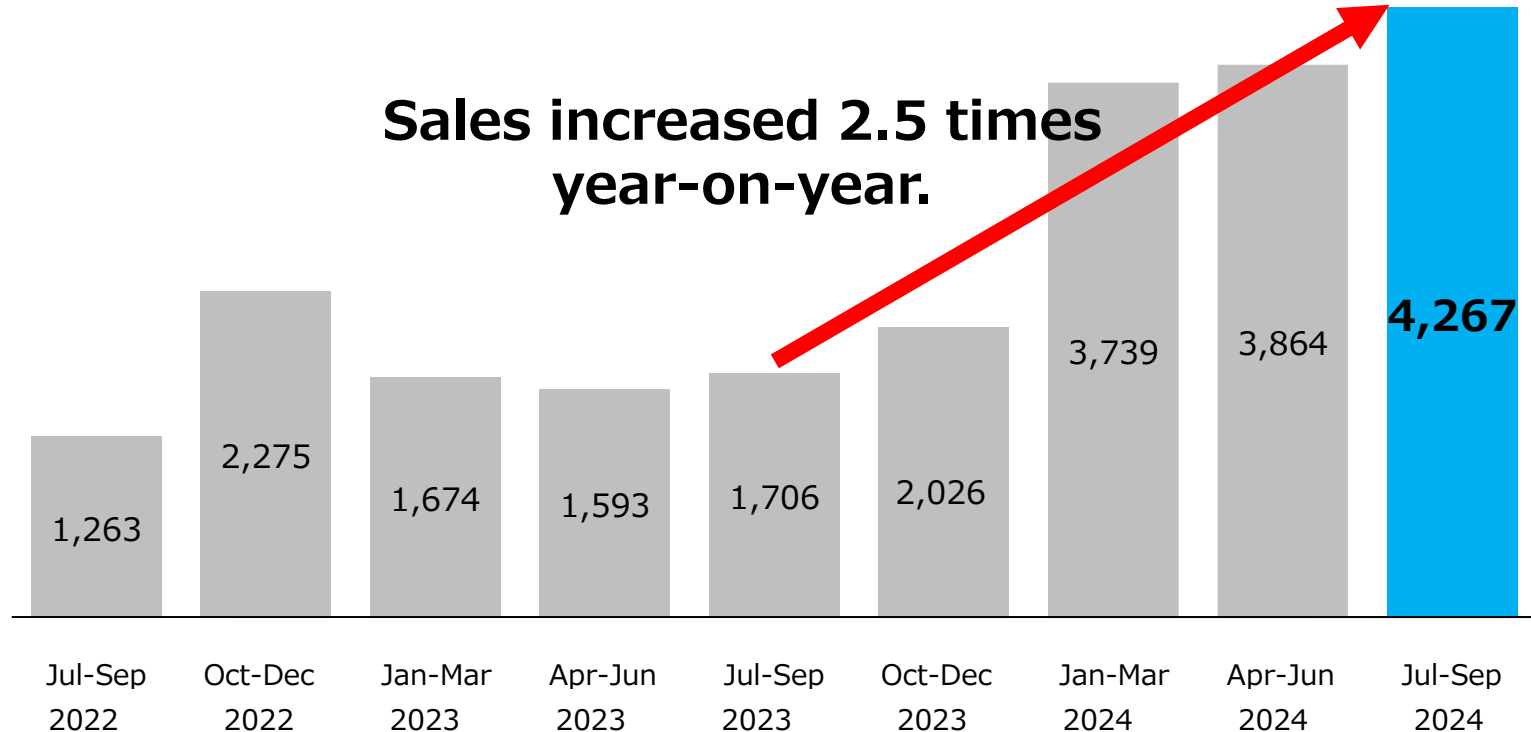
In October 2024, POCKETALK Corporation achieved its first-ever profitable month since its establishment.

POCKETALK®

1 . POCKETALK (Overseas)

Revenue Trends for POCKETALK in the U.S. Market

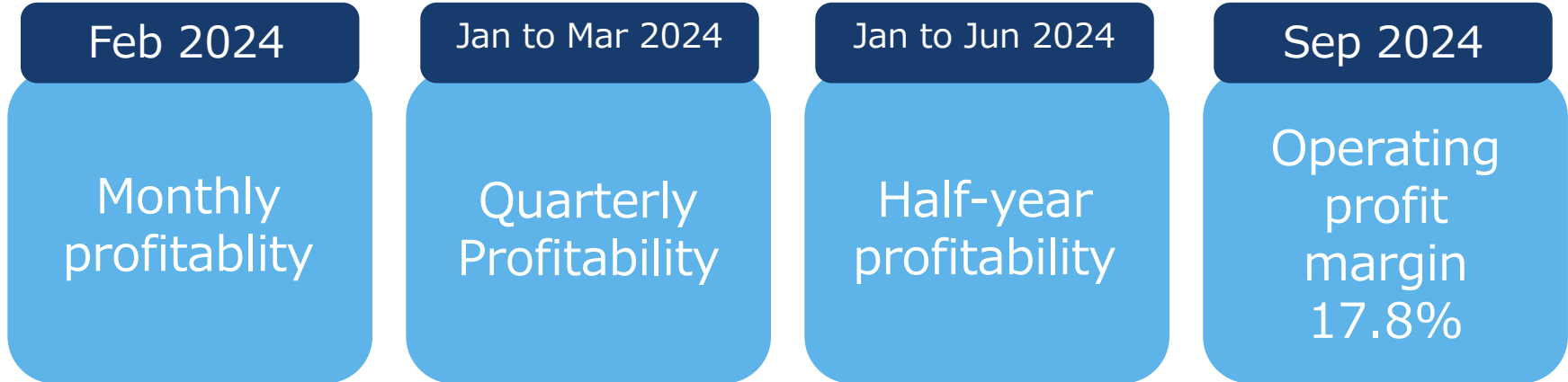
(Unit : thousand USD)



- Steady increase in sales, primarily from educational institutions. Despite the summer vacation period in July-September, sales exceeded the April-June period, marking the highest quarterly sales record.
- Operating profit margin for September 2024 reached a record high of 17.8%.

1 . POCKETALK (Overseas)

Performance of POCKETALK Inc. in the U.S.



1 . POCKETALK (Overseas)

Factors Driving U.S. Performance

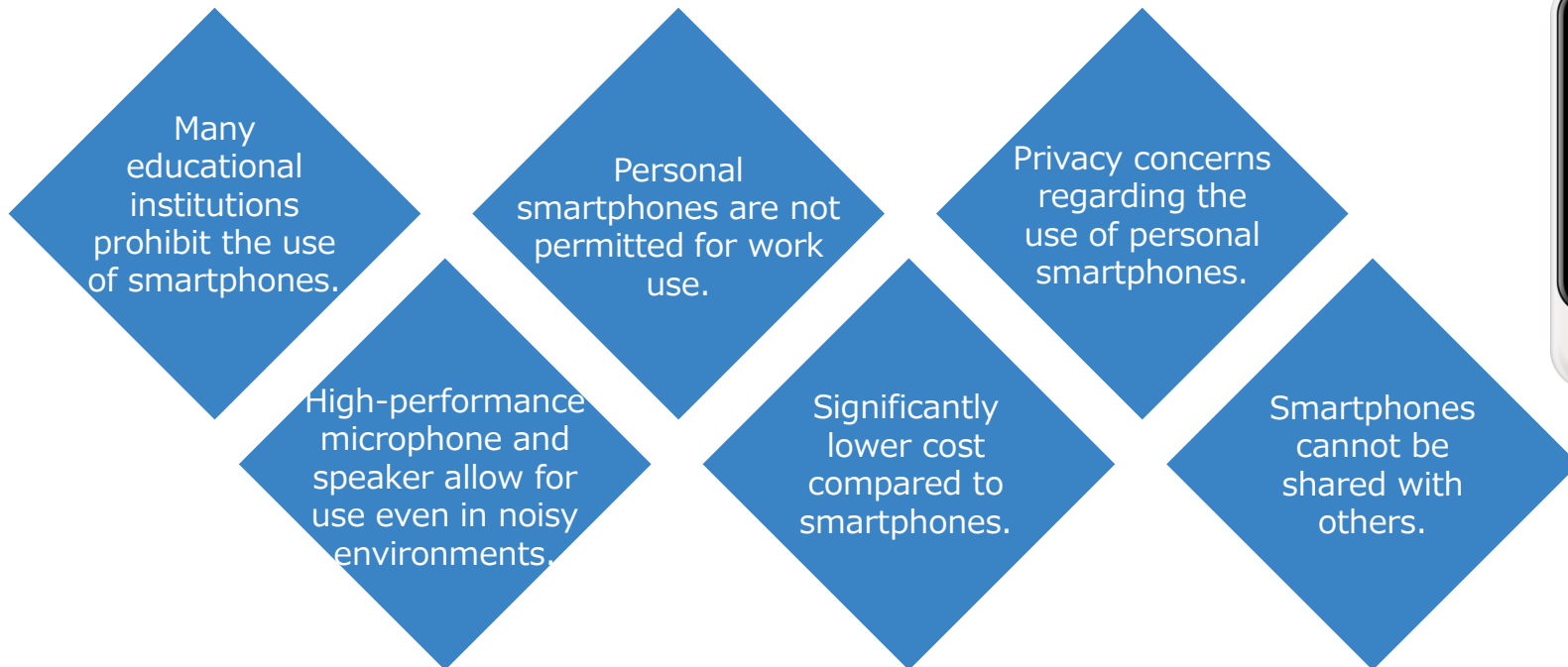
- ① Unique combination of POCKETALK devices with security, analysis, and management tools
- ② Active utilization of major distributors
- ③ Increasing market demand for multilingual support

1 . POCKETALK (Overseas)

- ① Unique combination of POCKETALK devices with security, analysis, and management tools

POCKETALK device

Why There Is a Demand for Dedicated Devices Like POCKETALK



The combination of POCKETALK devices with security, analysis, and management tools creates high barriers to entry for competitors, contributing to sustained competitive advantage.

1 . POCKETALK (Overseas)

- ① Unique combination of POCKETALK devices with security, analysis, and management tools

Security

- ✓ Obtained certifications for "ISO27001" and "ISO27017."
- ✓ Compliant with HIPAA regulations for patient privacy protection in U.S. medical institutions.
- ✓ Adherence to GDPR (General Data Protection Regulation) in Europe.
- ✓ Compliance with COPPA (Children's Online Privacy Protection Act) and FERPA (Family Educational Rights and Privacy Act) in the U.S.



Enhancing security has accelerated adoption by educational institutions and large corporations.

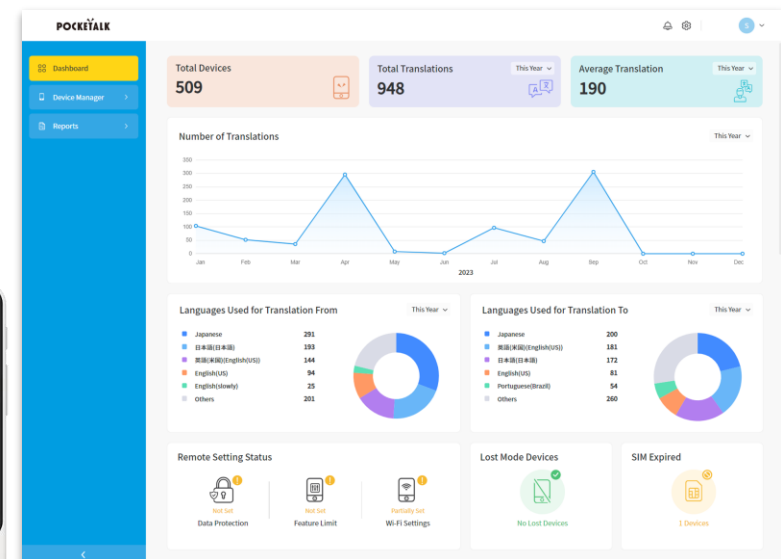
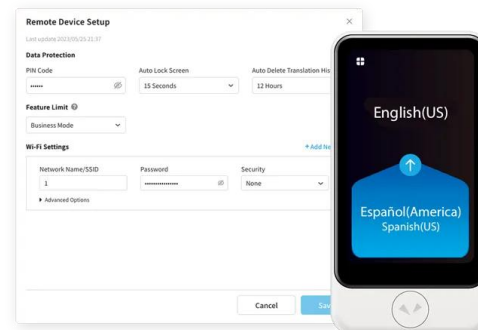
1 . POCKETALK (Overseas)

- ① Unique combination of POCKETALK devices with security, analysis, and management tools

The analysis and management tool "POCKETALK Analytics" (U.S. name: Ventana)

- Comprehensive management of information across multiple POCKETALK devices
- Real-time tracking of POCKETALK device usage
- Analyzing collected data supports the improvement of customer service, enhancement of productivity, and increase in sales, contributing to the profitability of adopting companies and organizations.

→Capturing the needs of public institutions and major corporations, leading to increased adoption.



1 . POCKETALK (Overseas)

②Active utilization of major distributors

- Sales have surged by leveraging major distributors, including TD SYNEX, one of the world's largest IT distributors.
- The strategic use of distribution channels has enabled efficient expansion, contributing to business growth.



1 . POCKETALK (Overseas)

③Increasing market demand for multilingual support -Education

- POCKETALK adoption has expanded using government subsidies.
- Secured continuous large-scale orders, with each school district ordering between 1,000 to 5,000 units.
- Sales of the analysis and management tool "POCKETALK Analytics" along with devices have increased order value.
- As of October, the adoption rate is 5% of approximately 14,000 school districts nationwide, indicating potential for continued order growth.



1 . POCKETALK (Overseas)

③Increasing market demand for multilingual support -Healthcare

- Rapid and accurate translations, as well as conversation recording capabilities, have driven the expansion of POCKETALK usage in medical institutions.
- In 2023, U.S. GDP healthcare expenditures exceeded approximately 630 trillion yen, accounting for about 20% of the U.S. GDP.
- Healthcare expenditures are projected to reach approximately 1,125 trillion yen by 2028.



1 . POCKETALK (Overseas)

③Increasing market demand for multilingual support -Logistics

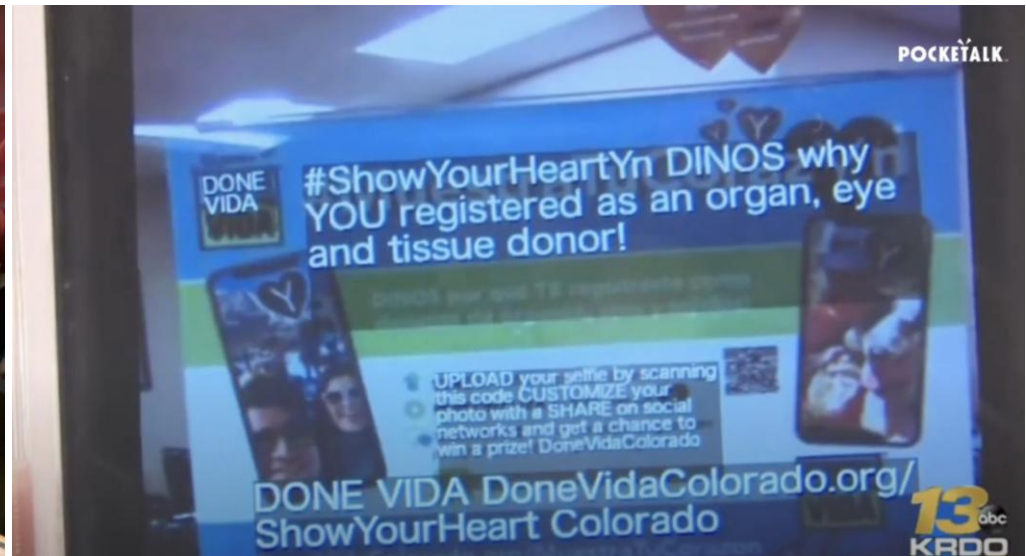
- The U.S. has over 244,000 logistics companies, employing more than 13 million people.
- 75% of manufacturers plan to hire immigrants.
- Approximately 46% of immigrant workers face challenges in communicating in English.



1 . POCKETALK (Overseas)

③Increasing market demand for multilingual support -Public institutions

- The U.S. has over 74,000 state agencies and 438 federal agencies.
- The U.S. federal government spends 700-800 million USD annually on external translation and interpretation services.
- POCKETALK has been adopted by public institutions such as police stations, post offices, and driver's license centers.



1 . POCKETALK (Overseas)

③Increasing market demand for multilingual support -Public institutions

- Adoption During the 2024 U.S. Presidential Election



(動画)

1 . POCKETALK

Launch of the Next-Generation AI Translator "POCKETALK S2" in October



The image shows a white, handheld device with a screen displaying a language selection interface. The screen shows two language options: "English(US)" with "英語(米)" below it, and "日本語" below it. A blue arrow points from the "English(US)" option to the right, and a yellow arrow points from the "日本語" option to the right. The device has a circular button at the bottom with two arrows pointing outwards.

NEW
ポケットークが
さらに進化して
新登場

ポケットーク S2

1 . POCKETALK

Launch of the Next-Generation AI Translator "POCKETALK S2" in October



(Video segment)

1 . POCKETALK

Specifications of the Next-Generation AI Translator "POCKETALK S2"



POCKETALK S2 (left)/POCKETALK S2 Plus (right)

【Individual Model】

- "POCKETALK S2": ¥36,300 (incl. tax)
- "POCKETALK S2 Plus": ¥39,930 (incl. tax)

【Business Model】

- "POCKETALK S2": ¥66,000 (incl. tax)
- "POCKETALK S2 Plus": ¥72,600 (incl. tax)

* SIM communication period: 3 years

* They comes with "POCKETALK Analytics."

1 . POCKETALK

Next-Generation AI Translator "POCKETALK S2"

NEW Introduction of business models and services.

NEW Supports use in 173 countries and regions.

NEW Global unified model.



1 . POCKETALK

Launch of Business Model for the Next-Generation AI Translator "POCKETALK S2"



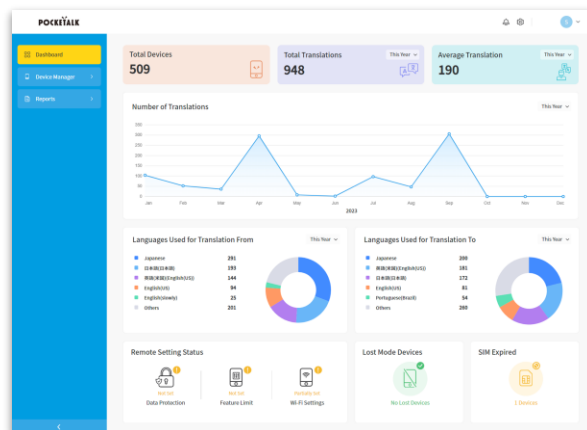
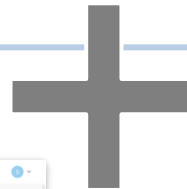
General Data Protection Regulation
(GDPR) of Europe



Regulations for the protection of patient
personal information in U.S. medical
institutions (HIPAA)



- Children's Online Privacy Protection Act (COPPA)
- Family Educational Rights and Privacy Act (FERPA)



Analysis and management tool:
"POCKETALK Analytics"

1 . POCKETALK

Next-Generation AI Translator "POCKETALK S2"



Adoption of the new
"1NCE" SIM card.

Usable for communication in
144 countries and regions.

Usable for communication in

173

countries and regions.


1 . POCKETALK

Introduction of New Talent for POCKETALK S2



1 . POCKETALK

Full-Scale Collaboration with SoftBank

 SoftBank **X** **POCKETALK**®

1 . POCKETALK

Cumulative fundraising of
6.83 billion yen achieved.

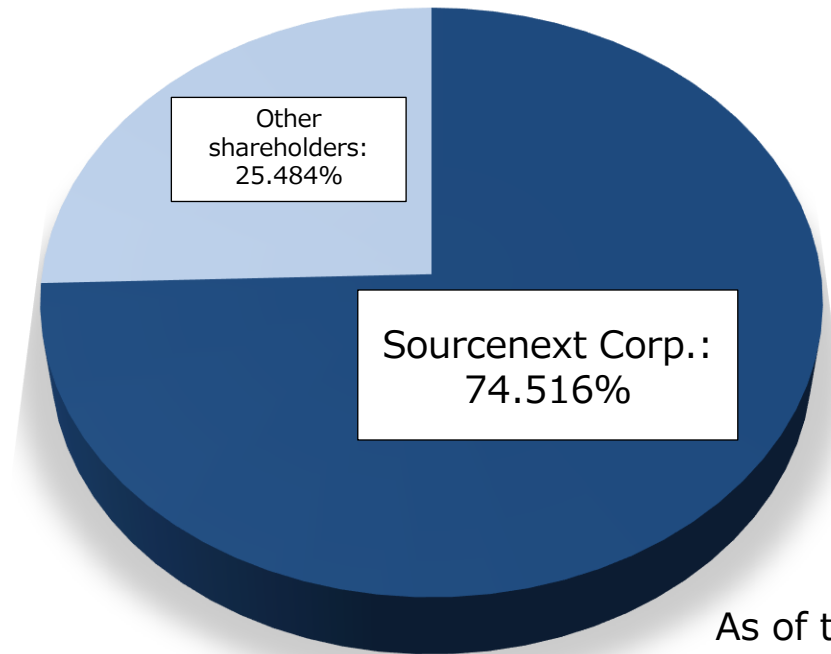
As of the end of October 2024



1 . POCKETALK

Shareholding Policy

Shareholding Structure of POCKETALK Corp.



As of the end of October 2024

We plans to maintain a majority shareholding in POCKETALK Corp. even after its public listing.

1 . POCKETALK

Listing of POCKETALK Corp. (1/2)

Purpose:

- To further develop products and strengthen sales in the global market.
- To secure human resources.

Usage of Proceeds from Share Sales:

Allocated for new product and service development, marketing, and financial strengthening.

1 . POCKETALK

Listing of POCKETALK Corp. (2/2)

Reasons for Maintaining Majority Ownership:

- To ensure autonomy and independence of POCKETALK Corp. while maintaining majority ownership, which allows Sourcenext Group to reflect business growth in consolidated financial results.
- This approach aims to maximize the corporate value of the Sourcenext Group by enhancing market value and social credibility of its subsidiary.

2) Business Update on Sourcenext

2. Sourcnext

Sourcnext Business Full-Year Policy

- ① Integrating AI functions into almost all main products.
- ② Discovering new products in growth markets.
- ③ Expanding subscription-based services.

2. Sourcnext

Launch of Interactive Golf AI Device "BirdieTalk" in September 2024



- Incorporates Sourcnext's voice recognition technology combined with the latest GPT technology to provide various in-play advice.
- During pre-sales on the crowdfunding site "Makuake," it greatly exceeded its target by receiving over 14 million yen in support. Available from September via online shops, electronics retailers nationwide, and golf specialty stores.

2. Sourcnext

Golf YouTuber "Namiki" appointed as the Official Ambassador for "BirdieTalk"



まるで、AIのキャディー。

パーティ・トーク



- Started playing golf six years ago and has over 900,000 subscribers on her YouTube golf channel. As the main personality of the channel, she has shared the challenges and joys of golf through activities such as the "Challenge to Break 100" series. Currently, she has established her independent channel "Namiki Golf."
- Her appointment as an official ambassador aligns with the concept of "BirdieTalk," which aims to make golf more enjoyable as one improves.

2. Sourcnext

Selected as No. 1 in the "2025 Hit Prediction Ranking" by Nikkei Trendy



"BirdieTalk" was chosen as one of the wearable private AI devices under the theme of "Wearable Private AI," which was ranked first in the "Top 30 Hit Predictions for 2025" by Nikkei Trendy. This ranking selects products and services expected to trend in the coming year based on sales potential, innovation, and influence.

2. Sourcnext

AI Transcription Tool "AutoMemo" Now Linked with "kintone"



- Users can output meeting minutes automatically transcribed by AutoMemo to the kintone app. Recorded files, transcription results, and automatically summarized data can be easily reviewed through shared links.
- This integration streamlines the process of recording information into kintone, making internal management even more efficient.

2. Sourcnext

First Addition of AI-Driven Design Proposal Service in the "Fudemame," "Fudeo," and "Atena Shokunin" New Year's Card Software Series



- When users provide previously created New Year's card designs or preferred design images, AI selects recommended designs from 450,000 illustrations and templates.
- This feature makes searching for a preferred New Year's card more enjoyable and simplifies the card creation process.



2. Sourcnext

Other AI-Powered Products



We plan to continue adding AI-powered products in the future.

2. Sourcnext

Launch of "Backbone One" Smartphone Gaming Controller in June

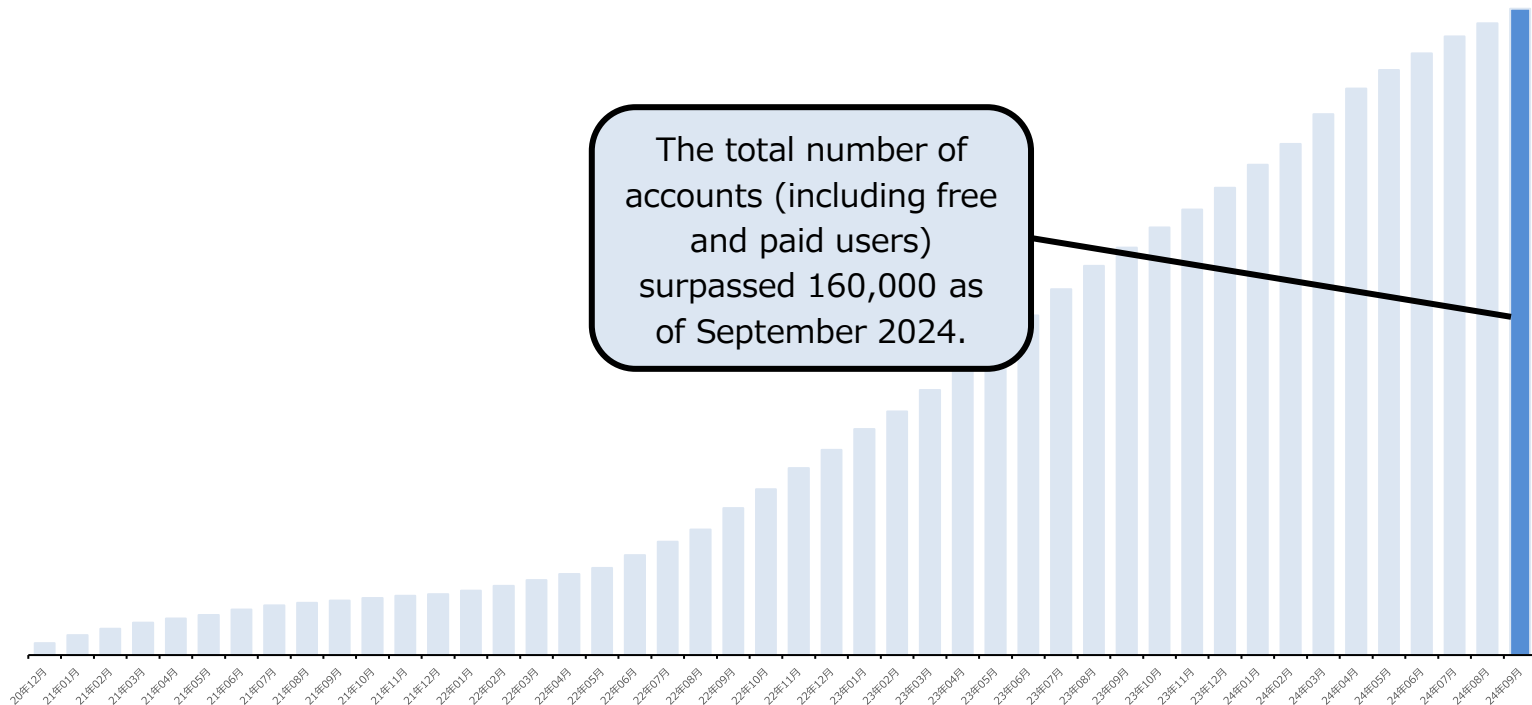


- A controller that transforms a smartphone into a gaming console by attaching to its extendable holder (Official PlayStation Accessory).
- As the exclusive general agent in Japan, we began distribution through various sales channels, achieving strong sales from the outset.

2. Sourcnext

Cumulative Number of Accounts for "AutoMemo" Exceeded 160,000 as of September

*including free and paid users



Continued growth in paid memberships driven by feature enhancements such as the summary function.

2. Sourcnext

Expansion of Subscription-Based Services to Build a Stable Business Foundation



ずっとお得！
来年からは
1,980円

最新版に自動で
バージョンアップ
[詳しくはこちら](#)

追加購入 **2,980円**
11月3日まで
クーポンでさらにお得
カートに入れる
29ポイント
☆お気に入り

事前に、自動継続版の詳細をご確認下さい



		おすすめ	
	文字起こしのみ お試しプラン	文字起こしのみ スタンダードプラン 自動更新	文字起こし+要約 プレミアムプラン 自動更新
料金 (税込)	無料	1,280円/月 15,360円/年 (一括)	1,980円/月 23,760円/年 (一括)
文字起こし 時間	1時間/月	30時間/月	30時間/月
要約回数	なし お試し一回	なし お試し一回	10回/月
お支払い 方法	-	オートメモから：クレジットカード オートメモ Appから：App Store、Google Playストアで	

AutoMemo®



2. Sourcnext

Partnership with Oracle Japan for Sales of the Integrated ERP System "Oracle NetSuite"



The screenshot displays the Sourcnext website interface. At the top, there is a navigation bar with the Sourcnext logo and search options. Below the navigation bar, the main content area features a large banner for Oracle NetSuite. The banner includes the text 'ORACLE NetSuite' and '世界NO.1のクラウドERP' (World No. 1 Cloud ERP). To the right of the banner, there is a preview of the Oracle NetSuite dashboard, showing various financial reports and charts. The dashboard includes sections for 'Financial Overview', 'Subsidiaries', 'Weekly Cash Projection', and 'Key Performance Indicators'.

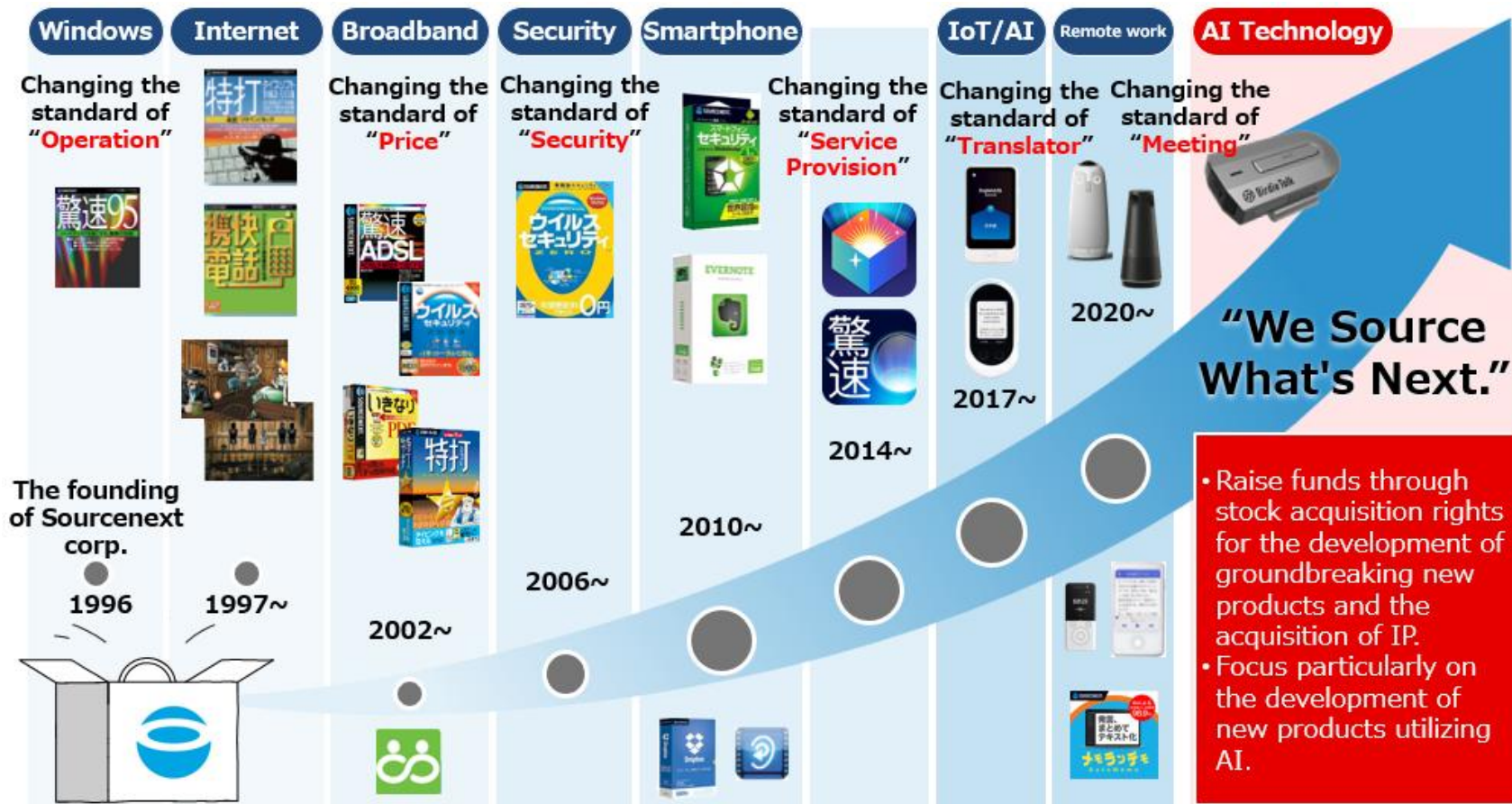
- Collaboration to expand the sales of "Oracle NetSuite," the world's No. 1 cloud ERP (according to Oracle Corporation), in the Japanese market.
- Utilizing Sourcnext's corporate customer base to distribute the product and secure continuous revenue.

2. Sourcnext

Capital Raising Through Issuance of Stock Acquisition Rights Announced on October 2 (1/4)

The Significance of This Fund Raising

The capital raised through this equity financing will be used to develop new products and acquire intellectual property (IP) to create "the next standard" following POCKETALK.



2. Sourcenext

Capital Raising Through Issuance of Stock Acquisition Rights Announced on October 2 (2/4)

Use of Proceeds:

This stock acquisition rights differs from MS warrants in that the exercise price for each rights is set higher than the initial stock price, making it a scheme where fund raising is only realized if the stock price increases.

Use of funds	Amount (Unit: billion yen)	Scheduled time of expenditure
IP acquisition and M&A-related expenses	2.5	Oct 2024 – Oct 2027
Development of new products focusing on the application of AI technology	1.0	Oct 2024 – Oct 2027
Advertising and working capital for the launch of new AI technology-based products	2.5	Oct 2024 – Oct 2027

2. Sourcnext

Capital Raising Through Issuance of Stock Acquisition Rights Announced on October 2 (3/4)

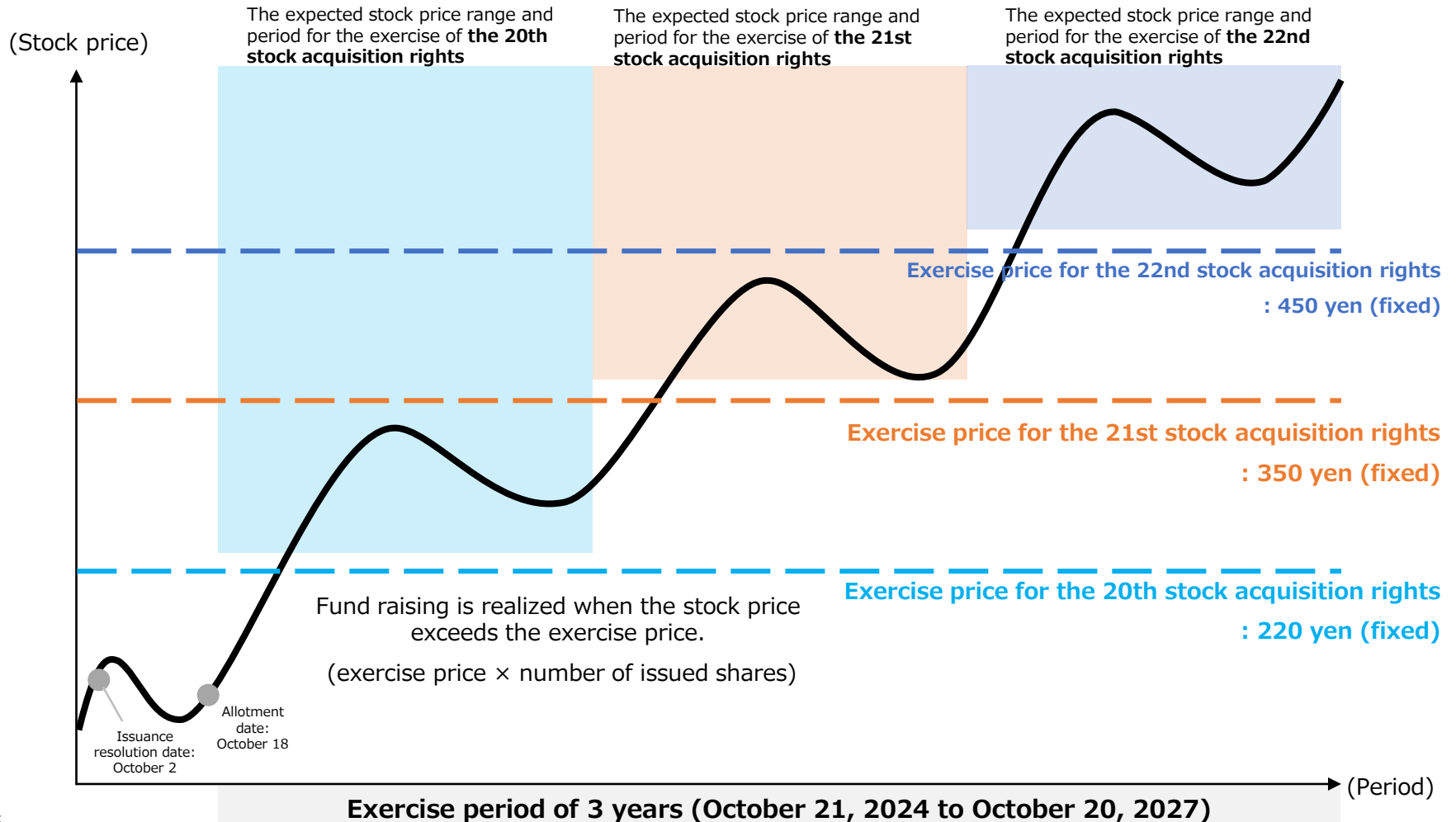
Overview of Stock Acquisition Rights :

		20th Stock Acquisition Rights	21st Stock Acquisition Rights	22nd Stock Acquisition Rights
Issuance Method		Third-party allotment to UBS AG London Branch		
Allotment Date		October 18, 2024		
Issuance Summary	Exercise Period	October 21, 2024 to October 20, 2027 (3 years)		
	Estimated Fund Raising Amount	2.5 billion yen	2.0 billion yen	1.5 billion yen
	Total of 6.0 billion yen			
	Number of Stock Acquisition Rights	113,637	57,143	33,334
	Number of Potential Shares to be Issued	11,363,700 (8.3% of the total number of shares outstanding)	5,714,300 (4.2% of the total number of shares outstanding)	3,333,400 (2.4% of the total number of shares outstanding)
Exercise Price	Exercise Price	220 yen (108% of the closing price on the day before the issuance resolution)	350 yen (172% of the closing price on the day before the issuance resolution)	450 yen (222% of the closing price on the day before the issuance resolution)
	Reset of Exercise Price	None		
Others	Exercise Order Clause	Exercise designation of 3 days' worth of the smaller average trading volume between the past 1 month or 3 months over 20 business days.		
	Exercise Suspension Clause	Company may designate a period which warrant is restricted from exercising.		
	Transfer Restrictions	The stock acquisition rights cannot be transferred to a third party without the approval of the company's Board of Directors.		
Use of Proceeds		Funds for IP acquisition and M&A-related activities (2.5 billion yen), development of new products focusing on AI technology applications (1.0 billion yen), and advertising and working capital related to the launch of new products focusing on AI technology applications (2.5 billion yen).		

2. Sourcnext

Capital Raising Through Issuance of Stock Acquisition Rights Announced on October 2 (4/4)

- Unlike MS warrants, each exercise price is set higher than the reference stock price, and fund raising is only realized if the stock price increases.



※

- 1 The above stock price trend graph is an illustration and not a forecast of our stock price trend, nor does it guarantee that the stock price will move as shown.
- 2 The exercise requests for the stock acquisition rights will be made by the planned allottee based on market trends and other factors and may not necessarily be made as depicted in the illustration above.

1. Highlights

2. Business Update

3. Future Outlook

4. Supplementary Materials

Outlook for the FY2025

- The significant recovery in inbound demand and the rapid expansion of POCKETALK sales in the U.S. have brought substantial changes to the business environment.
- Exchange rate fluctuations and other factors have made it challenging to make precise earnings forecasts; therefore, the consolidated earnings forecast for the fiscal year ending March 2025 remains undisclosed.

Policies for Each Business in the FY2025

POCKETALK Business:

Aiming for a significant improvement in gross profit margin through the launch of the next-generation device (PTS2) with lower production costs and higher sales prices.

The U.S.:

- ① Expanding sales in the education sector and adding medical, public safety, government, and logistics sectors as key pillars.
- ② Strengthening direct sales and leveraging distributors.
- ③ Promoting the sale of Ventana (analysis and management console functions).

Japan:

- ① Large-scale marketing for PTS2.
- ② Promoting the newly added business model and services starting with PTS2.

Sourcenext Business (excluding POCKETALK):

- ① Incorporating AI functions into nearly all main products.
- ② Discovering new products in growth markets.
- ③ Expanding subscription-based services.

We Source What's Next.

1. Highlights

2. Business Update

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Number of inbound foreign visitors and number of outbound Japanese travelers

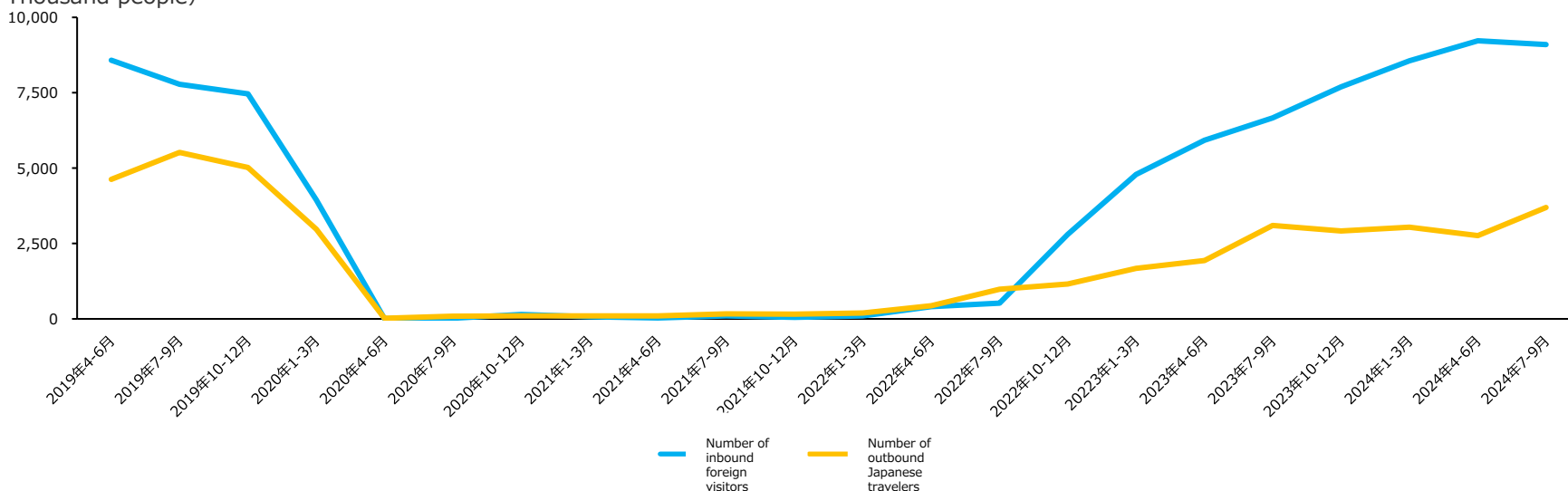
(Unit : People)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Number of inbound foreign visitors	2017年	2,295,668	2,035,771	2,205,664	2,578,970	2,294,717	2,346,442	2,681,518	2,477,428	2,280,406	2,595,148	2,378,079	2,521,262
	2018年	2,501,409	2,509,297	2,607,956	2,900,718	2,675,052	2,704,631	2,832,040	2,578,021	2,159,595	2,640,610	2,450,751	2,631,776
	2019年	2,689,339	2,604,322	2,760,136	2,926,685	2,773,091	2,880,041	2,991,189	2,520,134	2,272,883	2,496,568	2,441,274	2,526,387
	2020年	2,661,022	1,085,147	193,658	2,917	1,663	2,565	3,782	8,658	13,684	27,386	56,673	58,673
	2021年	46,522	7,355	12,276	10,853	10,035	9,251	51,055	25,916	17,720	22,113	20,682	12,084
	2022年	17,766	16,719	66,121	139,548	147,046	120,430	144,578	169,902	206,641	498,646	934,599	1,370,000
	2023年	1,497,472	1,475,455	1,817,616	1,949,236	1,899,176	2,073,441	2,320,694	2,157,190	2,184,442	2,516,623	2,440,890	2,734,115
	2024年	2,688,478	2,788,224	3,081,781	3,043,003	3,040,294	3,140,642	3,292,602	2,933,000	2,872,200			

(Unit : People)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Number of outbound Japanese travelers	2017年	1,295,059	1,493,399	1,745,412	1,234,921	1,317,742	1,336,169	1,480,718	1,888,071	1,622,694	1,459,083	1,546,985	1,469,039
	2018年	1,423,727	1,390,518	1,807,063	1,356,679	1,383,847	1,421,649	1,557,980	2,033,435	1,630,088	1,646,230	1,673,473	1,629,345
	2019年	1,452,157	1,534,792	1,929,915	1,666,546	1,437,929	1,520,993	1,659,166	2,109,568	1,751,477	1,663,474	1,642,333	1,712,319
	2020年	1,380,762	1,316,820	272,697	3,915	5,539	10,663	20,295	37,137	31,606	31,049	30,703	33,033
	2021年	48,691	24,807	28,896	35,905	30,121	30,666	43,184	66,051	52,366	50,841	51,774	48,942
	2022年	74,982	46,932	70,678	129,168	134,013	171,529	277,945	386,412	319,165	349,557	379,196	432,057
	2023年	443,105	537,705	694,292	560,183	675,603	703,259	891,615	1,200,930	1,004,730	937,715	1,027,110	947,911
	2024年	838,581	978,884	1,219,789	888,767	941,710	930,229	1,048,823	1,437,127	1,212,600			

(Unit : Thousand people)



Source: Prepared by the company based on data from the Japan National Tourism Organization (JNTO)

Q&A Regarding the Issuance of Stock Acquisition Rights (1/2)

Questions	Answers
1. What are stock acquisition rights?	<p>Stock acquisition rights are rights that allow the holder to receive shares of the issuing company upon exercising these rights. When UBS AG London Branch, the planned allottee of these stock acquisition rights, exercises them, the company receives payment equivalent to the exercise price and issues common shares to UBS AG London Branch. This process enables the company to raise funds and strengthen its capital base.</p>
2. What is the reason for choosing this scheme?	<p>We considered various financing methods, including both equity-based and debt-based approaches. We concluded that this is the optimal fund raising method at present, meeting our financial needs while taking into account the interests of existing shareholders.</p> <ul style="list-style-type: none"> ➤ By setting the exercise price higher than the stock price on the day before the issuance resolution, we aim to minimize the dilution of the stock value for existing shareholders. ➤ Through the establishment of exercise designation and suspension clauses, we have a certain degree of control over the timing of fund raising. ➤ The maximum dilution is fixed. ➤ By setting acquisition clauses, the company can cancel the fund raising without incurring additional costs if it becomes unnecessary.
3. What are the disadvantages of this scheme?	<ul style="list-style-type: none"> ➤ At the time of issuing stock acquisition rights, the amount of funds raised is limited. ➤ If the stock price does not reach the exercise price, there is a possibility that the rights will not be exercised, which could result in an inability to raise funds or a decrease in the fund raising amount compared to initial expectations. ➤ If the planned allottee sells the shares acquired through the exercise of rights, it could lead to a decline in the stock price. However, it is reasonably assumed that the allottee has an incentive to avoid a drop in the company's stock price in order to facilitate the sale of shares acquired through the exercise of these rights in the market even after such sales.
4. Will stock lending or short selling be conducted?	<p>We have confirmed with UBS AG London Branch, the planned allottee, that they will not engage in stock lending for the purpose of short selling related to this matter, except for sales conducted within the number of shares acquired through the exercise of these stock acquisition rights.</p>

Q&A Regarding the Issuance of Stock Acquisition Rights (2/2)

Questions	Answers
5. What is the scale of stock dilution?	If all of these stock acquisition rights are exercised, the total number of shares issued will be 20,411,400 shares (equivalent to 204,114 voting rights). Using the company's total number of shares outstanding as of March 31, 2024, which is 136,358,300 shares (equivalent to 1,355,094 voting rights), the dilution rate amounts to 14.97% (15.06% in terms of the proportion of total voting rights).
6. What is the reason for selecting UBS AG London Branch as the allottee?	In implementing this fund raising, we received proposals for various fund raising methods from multiple securities firms. We determined that the fund raising method proposed by UBS Securities Co., Ltd. best met our financing needs, aiming to raise funds according to the demand while minimizing the temporary impact on the stock price. Additionally, UBS Group has extensive experience in purchasing stock acquisition rights, possesses a wide range of financial products, including those that fulfill our needs, and proposed comprehensive services that include IR support with investors after the issuance of these rights. Taking these factors into account, we decided on UBS AG London Branch as the planned allottee.
7. What is the impact on business performance?	We recognize that the impact of this fund raising on the consolidated financial performance of our group for the fiscal year ending March 2025 is minimal. However, as this funding will be effectively invested to establish a stronger business foundation within our group, we expect it to contribute to performance growth from the fiscal year ending March 2026 and support the achievement of our medium-term plans.
8. What is the impact on the company if the stock price does not reach the exercise price during the exercise period, resulting in an inability to raise funds?	This fund raising is intended to accelerate our company's growth by allocating funds for IP acquisition and M&A activities, the development of additional new products centered on AI technology applications, and related advertising and working capital. Even if this fundraising is not executed, the development and rollout of new products will continue as before, so it will not impede current business operations or compromise stability.



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