A horizontal decorative bar with a blue gradient background. It contains various white icons representing technology and business concepts, such as a keyboard, a smartphone, a laptop, a shopping cart, a cloud, a camera, a music note, a calendar, a shield, a game controller, and a document. The icons are arranged in a grid-like pattern.

FY2025 Q3 Financial Results Presentation

February 14, 2025

SOURCENEXT Corporation

1. Highlights

2. Business Update

3. Future Outlook

4. Supplementary Materials

Summary








- In the United States, sales of “POCKETALK” to educational institutions, medical facilities, public institutions, and other businesses expanded rapidly, resulting in a 5.4% (441 million yen) increase in revenue compared to the previous fiscal year. On the other hand, upfront investments for the expansion of the POCKETALK business, including increased personnel and outsourcing costs, led to a larger operating loss.
- In October 2024, POCKETALK Corporation achieved its first-ever profitable month since its establishment.

Topics

- Release of the next-generation POCKETALK (PTS2) in October 2024, marking the first major model upgrade in five years.
- In November 2024, we launched the offline translation software “AI Honkaku-Honyaku.”
- POCKETALK Corporation conducted a third-party allotment of shares and raised a total of 10.88 billion yen as of the end of December 2024.

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

(Unit : million yen)

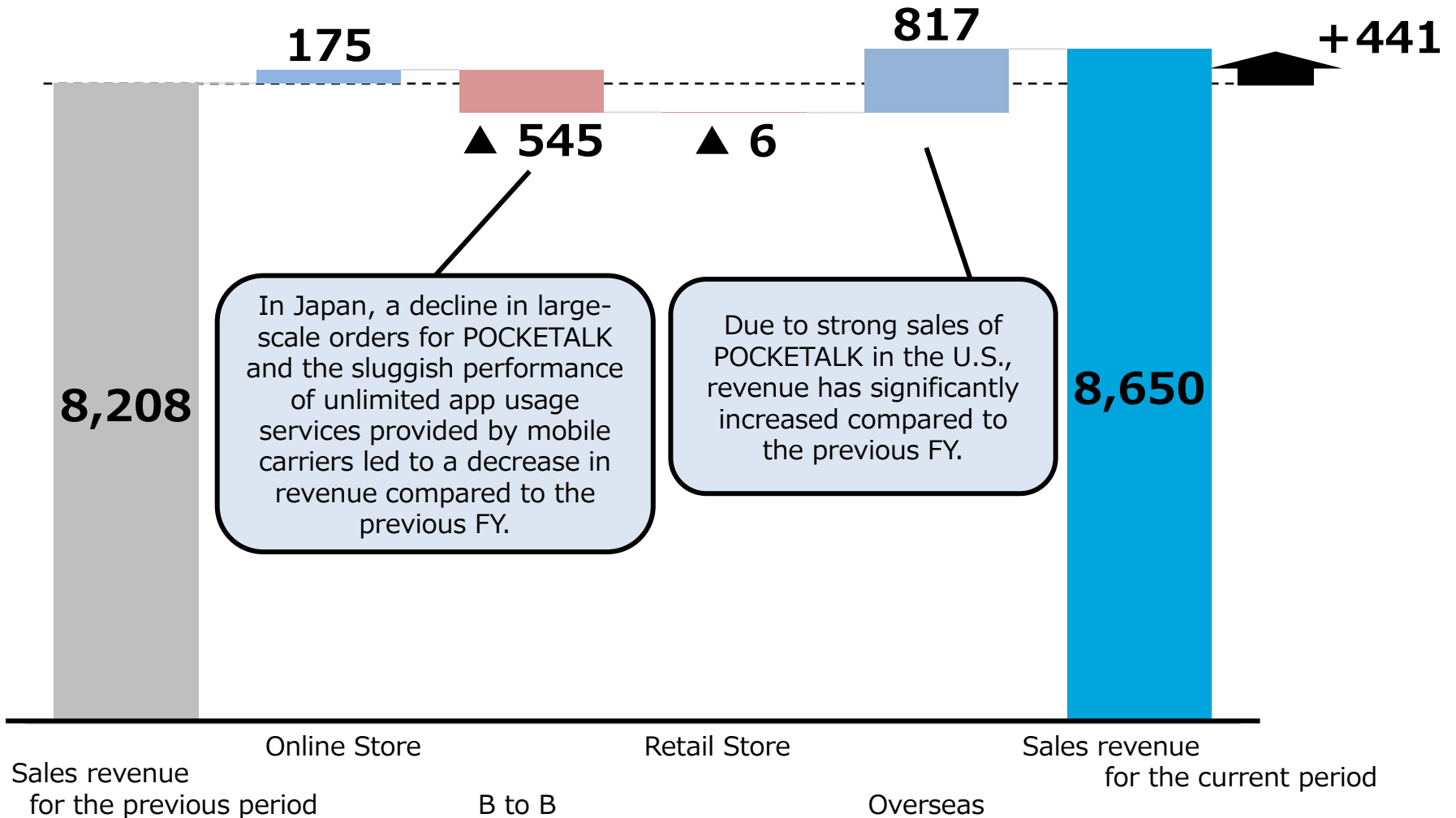
	Cumulative Q 3 of FY2024	Cumulative Q 3 of FY2025	YoY	
			Change	Change Rate
Net Sales	8,208	8,650	+ 441	+5.4% 
Operating Profit	▲ 1,870	▲ 2,143	▲ 273	▲ 14.6% 
Operating Profit Margin	▲ 22.8%	▲ 24.8%	-	▲ 2.0pt 
Ordinary Profit	▲ 1,946	▲ 2,148	▲ 201	▲ 10.4% 
Ordinary Profit Margin	▲ 23.7%	▲ 24.8%	-	▲ 1.1pt 
Net Profit	▲ 1,660	▲ 1,919	▲ 259	▲ 15.6% 
Net Profit Margin	▲ 20.2%	▲ 22.2%	-	▲ 2.0pt 

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

Changes in Net Sales by Channel (YoY/Q3 Cumulative)

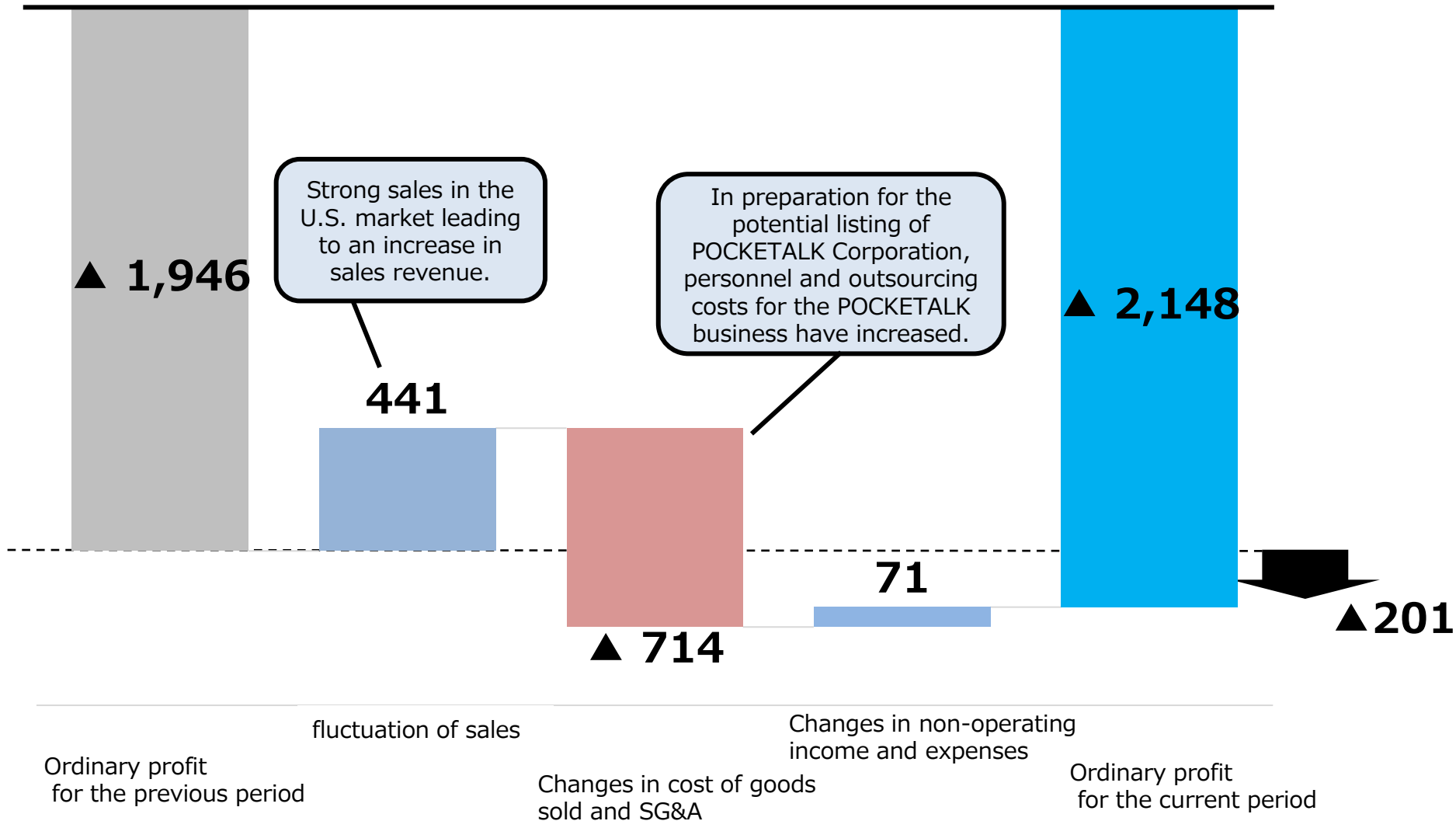
(Unit : million yen)

■ Increase ■ Decrease



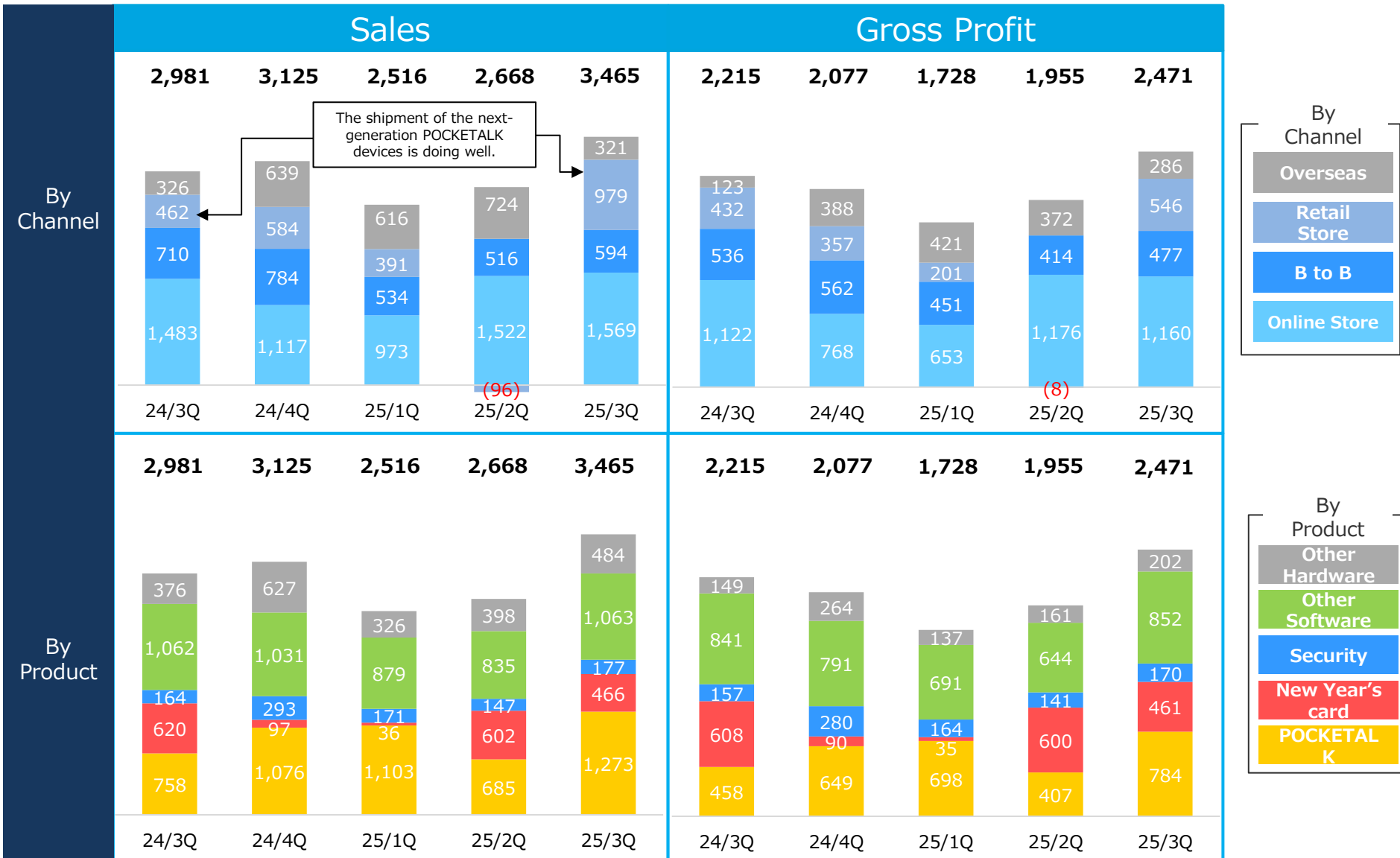
Changes in Ordinary Profit(YoY/Q3 Cumulative)

(Unit : million yen)

■ Increase ■ Decrease


※increase or decrease affects the profit.

(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 Dec 2024	YoY	
			Amount of increase or decrease	Rate of increase or decrease
Current Assets	8,762	12,449	+ 3,686	+ 42.1%
Cash and Deposits	3,282	6,230	+ 2,948	+ 89.8%
Merchandise and Finished Goods	2,494	3,504	+ 1,009	+ 40.5%
Fixed Assets	8,048	6,989	▲ 1,059	▲ 13.2%
Total Assets	16,811	19,438	+ 2,627	+ 15.6%
Current Liabilities	6,329	6,584	+ 255	+ 4.0%
Non-Current Liabilities	2,092	1,738	▲ 354	▲ 16.9%
Net Assets	8,389	11,116	+ 2,726	+ 32.5%
Equity Ratio	48.0%	47.1%	-	▲ 0.9pt

Note : The equity ratio is calculated as (Net Assets - Subscription Rights to Shares - Non-controlling Interests) / Total Assets.

Due to the fund raising of POCKETALK Corp, both current assets and net assets have increased.

1. Highlights

2. Business Update

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4. Supplementary Materials

1) Business Update on POCKETALK

Summary

In the U.S. : Due to the increased demand for multilingual support, adoption in educational institutions, medical institutions, public institutions, etc. saw rapid expansion and resulted in increased sales from previous year.

In Japan : The next-generation POCKETALK device (PTS2) was launched in October 2024 and led the way to strong sales, thanks to the highly praised new feature, 'bi-directional translation'.

Overall : Although sales increased compared to the previous FY, due to the upfront investments such as personnel expenses and outsourcing costs which were necessary for the expansion of the POCKETALK business, losses were recorded in operating profit.

Topics

- Launched the next-generation POCKETALK (PTS2) in October 2024.
- In October 2024, POCKETALK Corporation achieved its first-ever profitable month since its establishment.
- Steady flow of orders from educational institutions in the U.S.
- POCKETALK Corporation conducted a third-party allotment of shares and raised a total of 10.88 billion yen as of the end of December 2024.

Consolidated Statement of Profit and Loss for POCKETALK Corp.

(Unit: million yen)

From April to December 2024.	
Net Sales	3,182
Gross Profit	1,137
SGA	2,865
–Personal expenses	858
–Outsourcing expenses	626
–Advertising expenses	407
Operating Profit	▲1,728
Operating Profit Margin	▲54.3%

As part of the upfront investments for business expansion and preparation for listing, personnel expenses and outsourcing costs have increased.

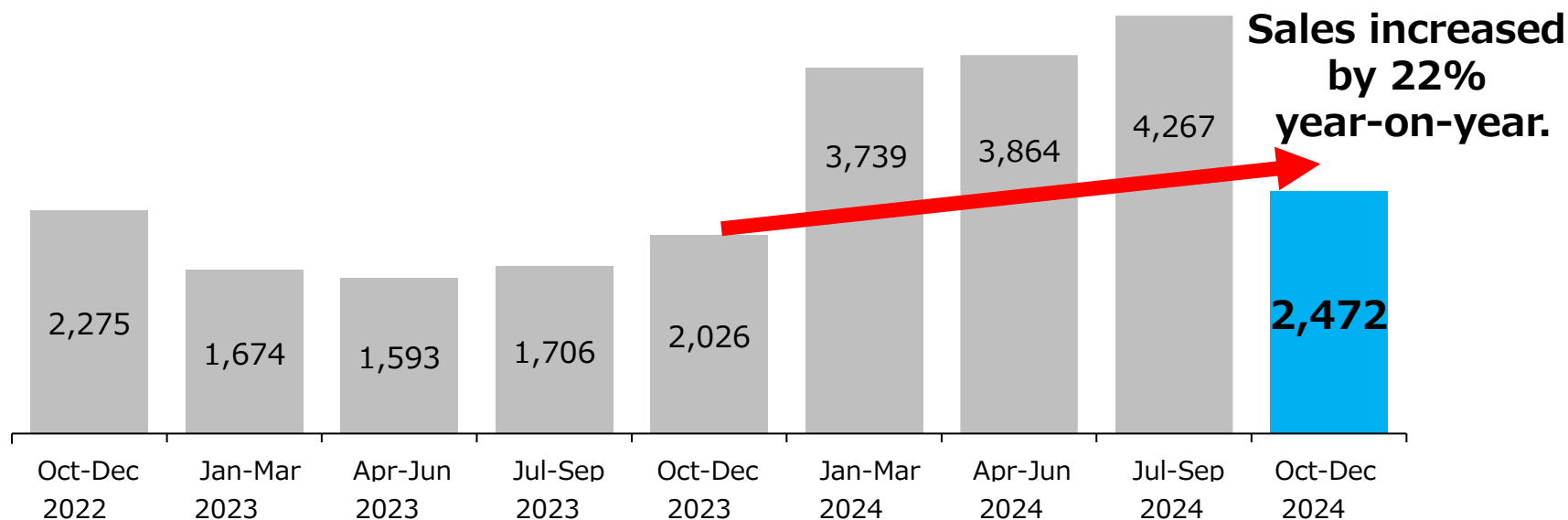
In October 2024, POCKETALK Corporation achieved its first-ever profitable month since its establishment.

POCKETALK®

1 . POCKETALK (Overseas)

Revenue Trends for POCKETALK in the U.S. Market

(Unit : thousand USD)



- Steady increase in sales, primarily from educational institutions. Reached a record high of 17.8% in Operating profit margin for September 2024.
- Due to the impact of the presidential election, there was a temporary decline in purchases from October to December. However, starting from January, orders have shown a recovery trend. (with sales in January 2025 increasing by 56% compared to the same month in the previous year.)

1 . POCKETALK (Overseas)

Enhancing the Organizational Structure in Europe



- In January 2025, sales of the European subsidiary significantly increased by 98% compared to the same month of the previous year.
- Organizational structure changes have actively been carried out in aim to replicate the successful B2B strategies in the U.S. over to European operations.
- Using the U.S. as a success model, further expansion and business growth in Europe is anticipated.

1 . POCKETALK (Overseas)

Factors Driving U.S. Performance

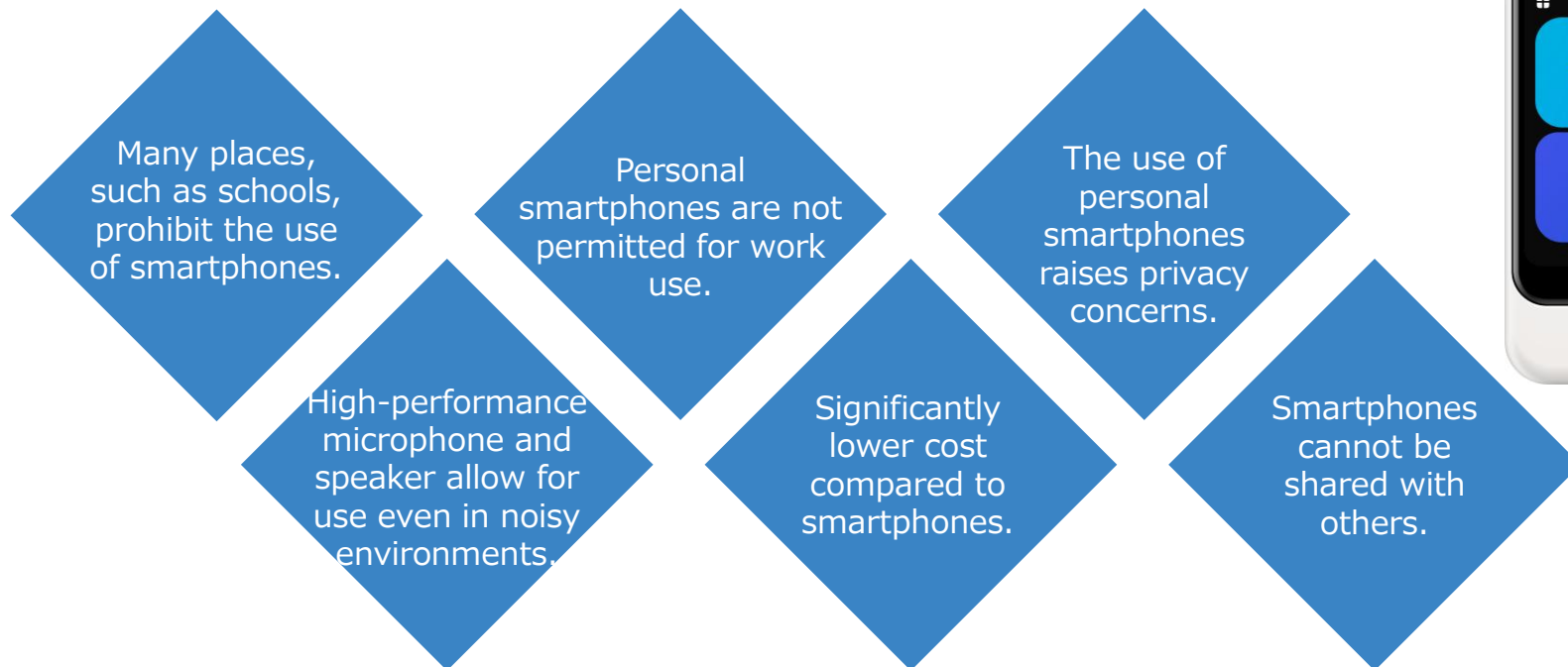
- ① Unique combination of POCKETALK devices with security, analysis, and management tools
- ② Active utilization of major distributors
- ③ Increasing market demand for multilingual support

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 the 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.



Our focus on security has become the competitive advantage against competitors and has led to accelerated adoption into educational institutes and large companies.

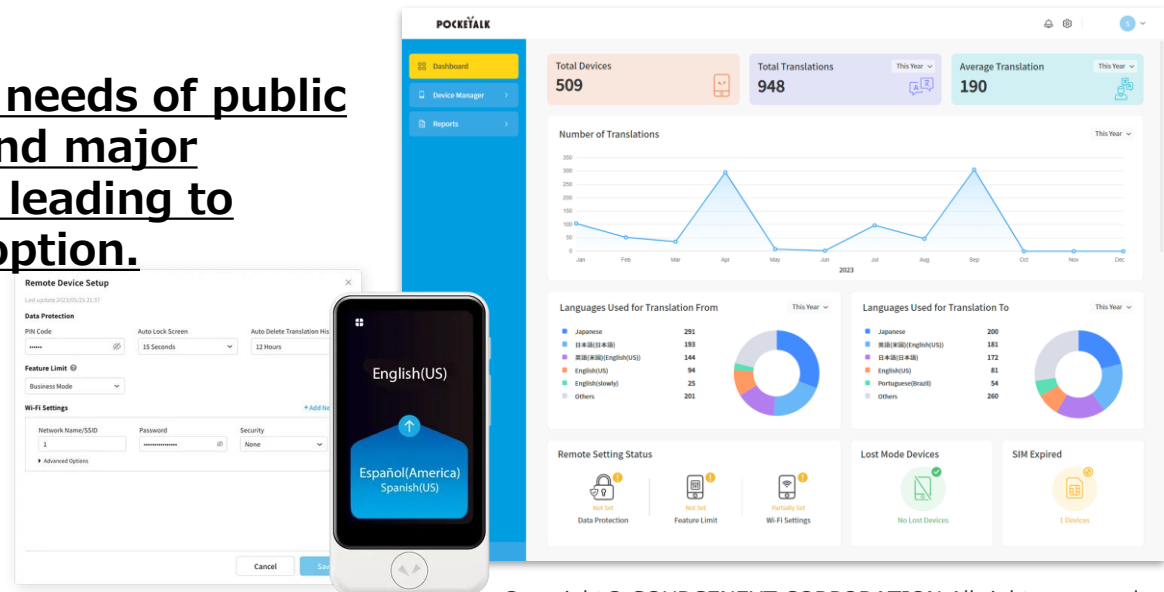
1 . POCKETALK (Overseas)

- 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)

③ Increasing market demand for multilingual support -Education

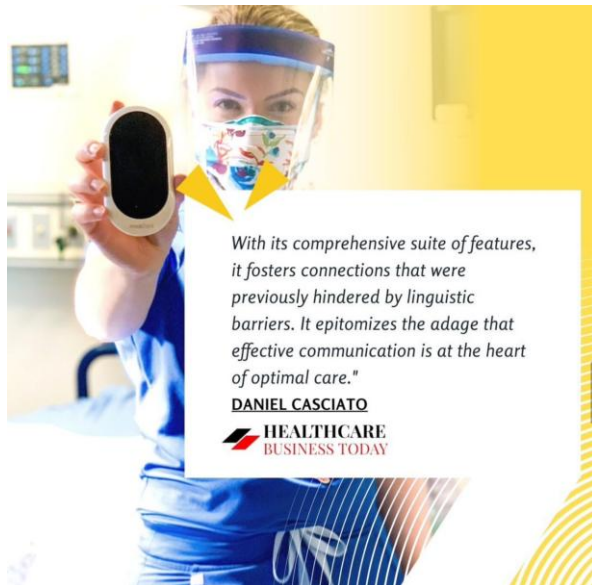
- POCKETALK adoption has expanded using government subsidies.
- Secured continuous large-scale orders, with each school district ordering between 1,000 to 5,000 units.
- Sales of the analysis and management tool "POCKETALK Analytics" along with devices have increased order value.



1 . POCKETALK (Overseas)

③ Increasing 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

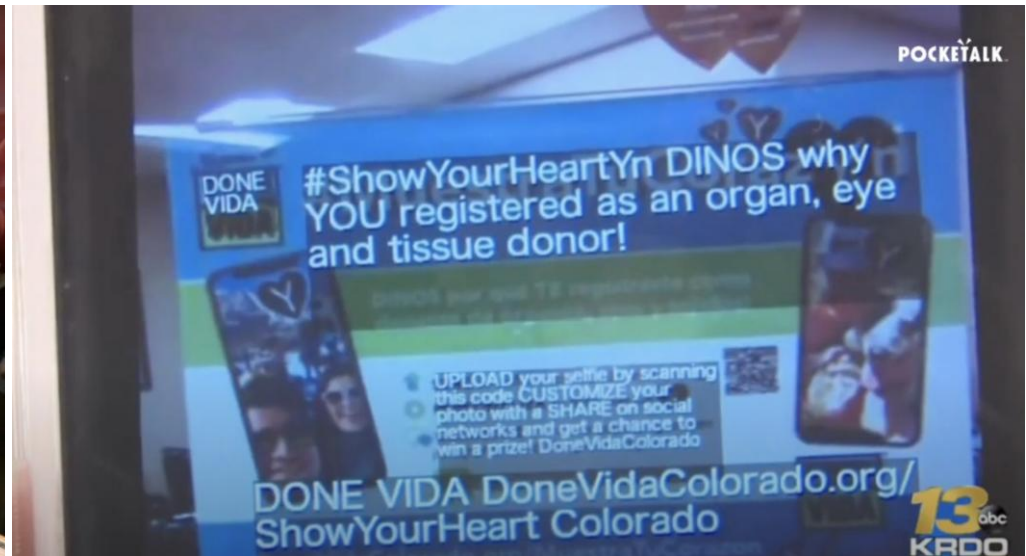
- The U.S. has over 244,000 logistics companies, employing more than 13 million people.
- 75% of manufacturers plan to hire immigrants.
- Approximately 46% of immigrant workers face challenges in communicating in English.



1 . POCKETALK (Overseas)

③ Increasing 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

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



The image shows a white, handheld device with a screen displaying a translation 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

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 over 170 countries and regions.****NEW****Global unified model.**

1 . POCKETALK

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



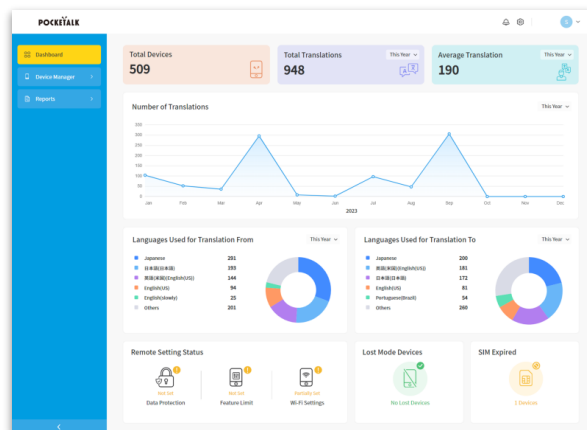
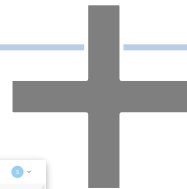
General Data Protection Regulation
(GDPR) of Europe



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

Data Communication available in Over 170 Countries and Regions



Adoption of the new
"1NCE" SIM card.

Allows usage in 144
countries and regions.



Allows usage in
over 170
countries and regions.

1 . POCKETALK

Introduction of New Brand Ambassador for POCKETALK S2



1 . POCKETALK

**Completed a total of
10.88 billion yen in fund raising**

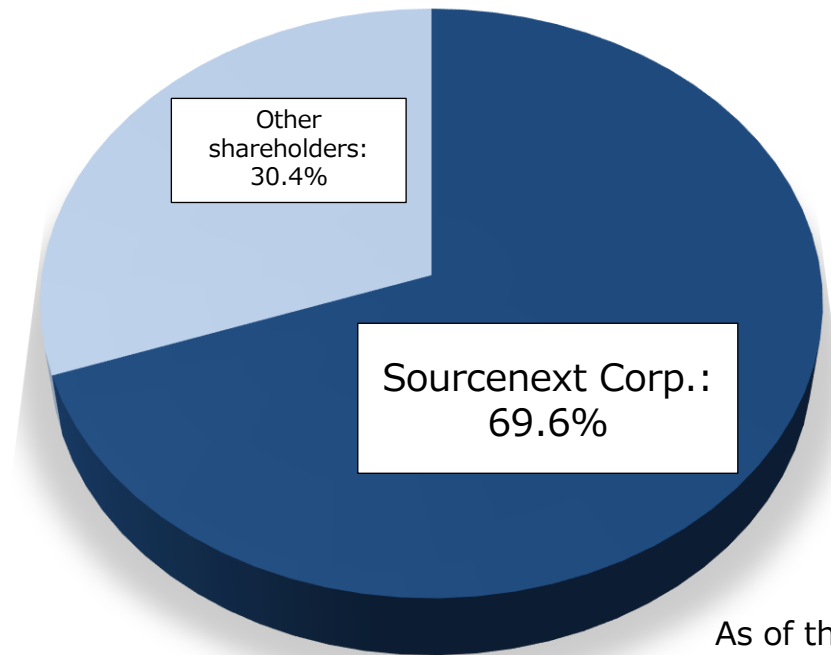
As of the end of December 2024

POCKETALK®

1 . POCKETALK

Shareholding Policy

Shareholding Structure of POCKETALK Corp.



As of the end of December 2024

We plan to hold majority of shares 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 Sourcnext Group to reflect business growth in consolidated financial results.
- This approach aims to maximize the corporate value of the Sourcnext Group by enhancing market value and social credibility of its subsidiary.

2) Business Updates on Sourcnext

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

- ① Incorporated AI-powered features into almost all main products.

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

- ① Incorporated AI-powered features into almost all main products.

Held an Event to Commemorate BirdieTalk's Nikkei Trendy Award.
Official Ambassador “Namiki” Appeared at the Talk Show.



- BirdieTalk's official ambassador, golf YouTuber “Namiki”, appeared at a talk show held at an electronics retailer.
- In addition to the talk show, there were also a raffle and a signing session for purchasers, attracting many golf enthusiasts.

2. Sourcnext

-①Incorporated AI-powered features into almost all main products.

“BirdieTalk” was Selected as a Return Gift for Hometown Tax Donations in Sapporo, Hokkaido



北海道地方 北海道札幌市

まるで、AIキャディ。
AIとの対話で、安定した「100切り」を

これを「100切り」を解決！

BirdieTalk

交換ポイント **39,600pt** (132,000円)

数量

お気に入りに追加

カートに入れて注文に進む

～まるでAIのキャディ 対話型ゴルフAIデバイス～

「BirdieTalk (バーディー・トーク)」は、ラウンド中にリアルタイムでアドバイスを提供し、ゴルフスコアの向上を支援します。東京大学ゴルフ部監修の知識を活用し、使いやすい装着型デバイスとして設計されています。

<製品特徴>

- ・ラウンド中のAIアドバイス
- ・東京大学ゴルフ部監修
- ・GPS距離計測機能
- ・クラブごとの分析
- ・定期費用不要の買い切りモデル

事業者：ソースネクスト株式会社

総合評価：0.0 (全0件のレビュー)

容量 配送

- BirdieTalk, developed in partnership with Sapporo, Hokkaido, was selected as a return gift for hometown tax donations.
- It is now possible to apply through three tax payment portal sites.

2. Sourcnext

- ①Incorporated AI-powered features into almost all main products.

AI Transcription Tool "AutoMemo" Integrations 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

-①Incorporated AI-powered features into almost all main products.

AI Offline Translation Software “AI Honkaku-Honyaku” Launched in November 2024



オフラインなのに、超・高精度。
AI本格翻訳

待ってた！
のびる

オフライン
翻訳ソフトで
翻訳精度
No.1

Google翻訳に
匹敵する翻訳精度

- Highly accurate translations (comparable even to Google Translate) made available without the need of internet connectivity.
- Offline document translation services are in high demand especially among corporations, due to security and privacy concerns such as data breaches that could come from online translations.

2. Sourcnext

- ①Incorporated AI-powered features into almost all main products.

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

- ① Incorporated AI-powered features into almost all main products.

Presented the BCN AWARD 2025



“Fudemame”, “Fudeoh” and
“Atenashokunin”
Awarded for the 26th
Consecutive Year, 26th Time



“Ikinari PDF”, “Yomitori Kakumei”
Awarded for the 21st Time

The BCN AWARD

"A system that recognizes the No.1 manufacturer in annual sales (January to December) for each category of digital appliances and PC-related products, based on the BCN Ranking, which aggregates actual sales data from major electronics retailers, PC specialty stores, online shops, and camera retailers nationwide.

(POS sales statistics from 2,386 major electronics retailers, PC specialty stores, and online shops nationwide. Aggregation period: January to December 2024.)

2. Sourcnext

- ① Incorporated AI-powered features into almost all main products.

Other AI-Powered Products



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

2. Sourcnext

- ① Incorporated AI-powered features into almost all main products.

Overview of SOURCENEXT AI Lab

We established a R&D team called SOURCENEXT AI Lab, dedicated to pursuing high-performance and user-friendly AI, driving AI-related development.

Organizational Structure

The specialized team, including foreign staff, proficient in various AI fields.

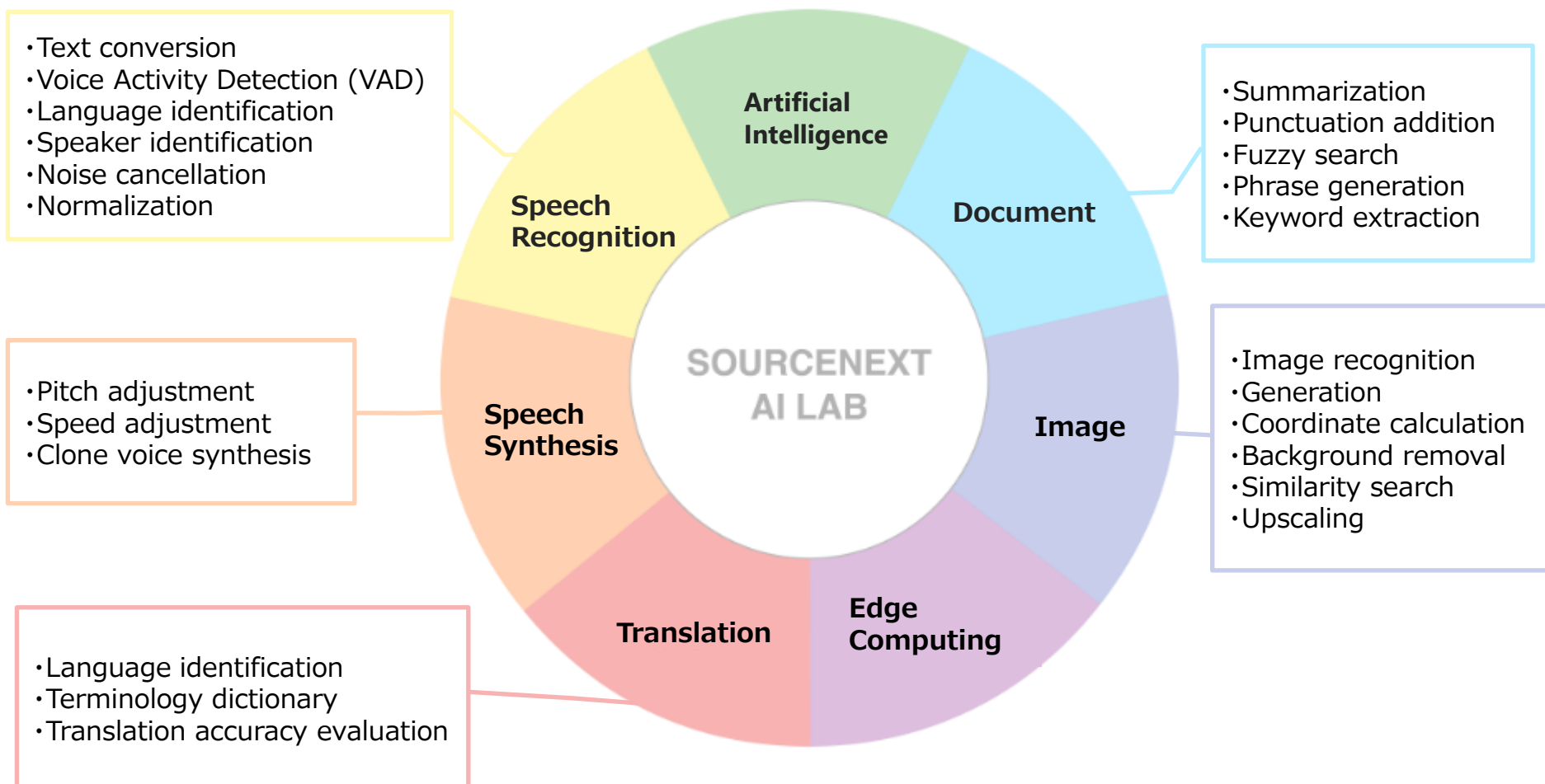
Content

Carefully selected AI from around the world, conducting additional training and prototype development.

2. Sourcnext

- ① Incorporated AI-powered features into almost all main products.

The AI fields covered by the AI lab



2. Sourcnext

- ① Incorporated AI-powered features into almost all main products.

Future Focus Areas

Offline AI for Computers

2024 was the First Year of AI PCs

Due to the efforts of Microsoft and Intel, many PCs equipped with NPUs (Neural Processing Units) dedicated to AI processing (AI PCs) were introduced in 2024.



In the future, environments where AI can be utilized offline are expected to increase.

<Key Needs>

Cases Handling Confidential and Personal Information

Government Agencies, Professional Services, and Many Departments of General Companies



Cases Where Internet Connection is Not Available

Places with No Signal or Where Connection is Prohibited



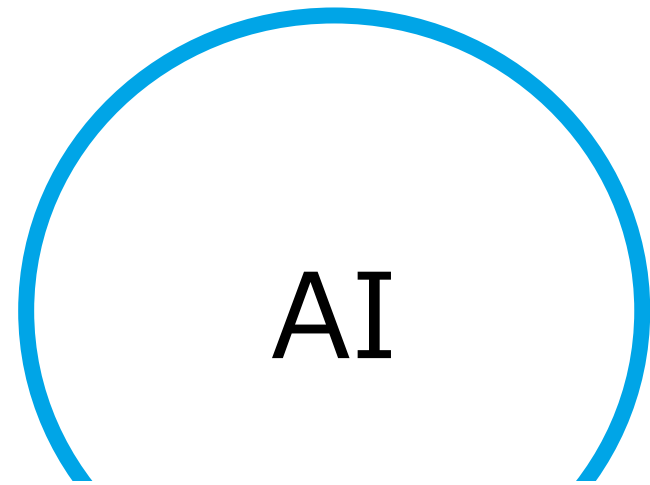
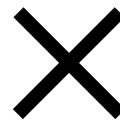
2. Sourcnext

- ① Incorporated AI-powered features into almost all main products.

Strengths of SOURCENEXT



Implementing Web Server
Programs into PC Software



Selection, optimization
and Fine-Tuning

Able to Develop AI Products that Can Operate on Standard PC CPUs

Continue to provide advanced AI technology in
easy-to-understand products to increase revenue.

2. Sourcnext

-②Discovering New Products in Growing Markets

Launch of "Backbone One" Smartphone Gaming Controller in June



- As the exclusive general agent in Japan, we began distribution through various sales channels, achieving strong sales from the outset.
- During the December 2024 sales season, in-store sales events were held at electronics retailers, allowing many customers to experience the products.

2. Sourcenext

-② Discovering New Products in Growing Markets

Launch of “Pebblebee” Smart Tag in December



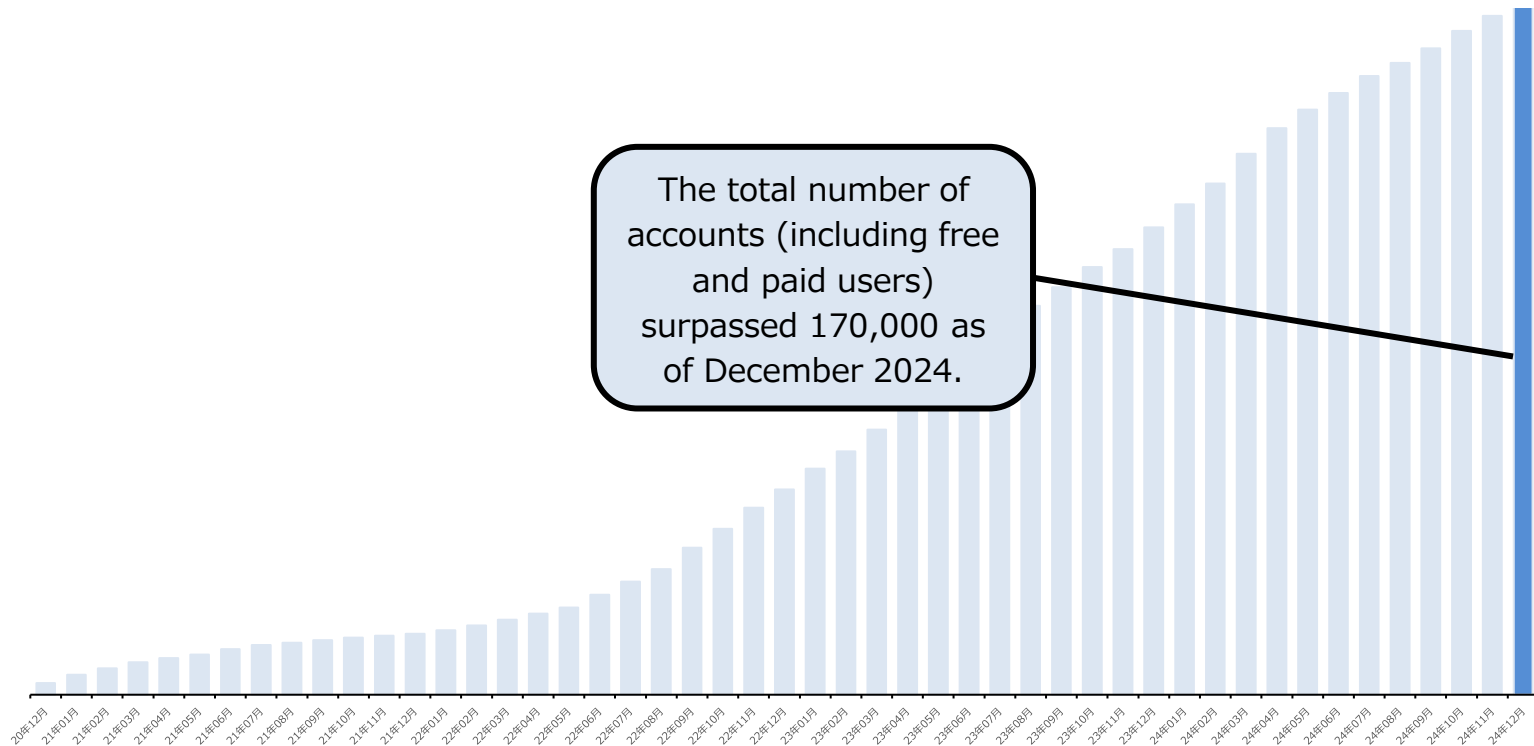
- Smart tags from PB Inc. (USA), a pioneer in the smart tracking industry, have quickly become a trusted brand worldwide.
- The world's first to support both Apple's 'Find My' and Google's 'Find My Device' (According to PB Inc.)
- Sales have been strong since the initial launch, and with the expansion of the lineup in January 2025, further sales growth is expected.

2. Sourcnext

-③Expansion of Subscription-Based Services

Cumulative Number of Accounts for "AutoMemo" Exceeded 170,000 as of December

*including free and paid users



With the introduction of various new key functions such as the kintone integration, the number of paid users has continued to steadily increase.

2. Sourcnext

-③Expansion of Subscription-Based Services

New Year's Card Software

Although the recent postcard market has been on a downtrend, the implementation of automatic billing and other measures have ensured stable revenue, successfully turning it into a cash cow.

(Unit : million yen)

	performance		YoY
	Cumulative Q 3 of FY2024	Cumulative Q 3 of FY2025	
Sales	1,265	1,104	87.2%
Gross profit	1,250	1,097	87.7%

Reference: Number of New Year's cards issued 1.44 billion in 2024
→ 1.07 billion in 2025 (YoY 74.3%)

Source: Prepared by the company based on data from Japan Post Co., Ltd.



2. Sourcenext

-③Expansion of Subscription-Based Services

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



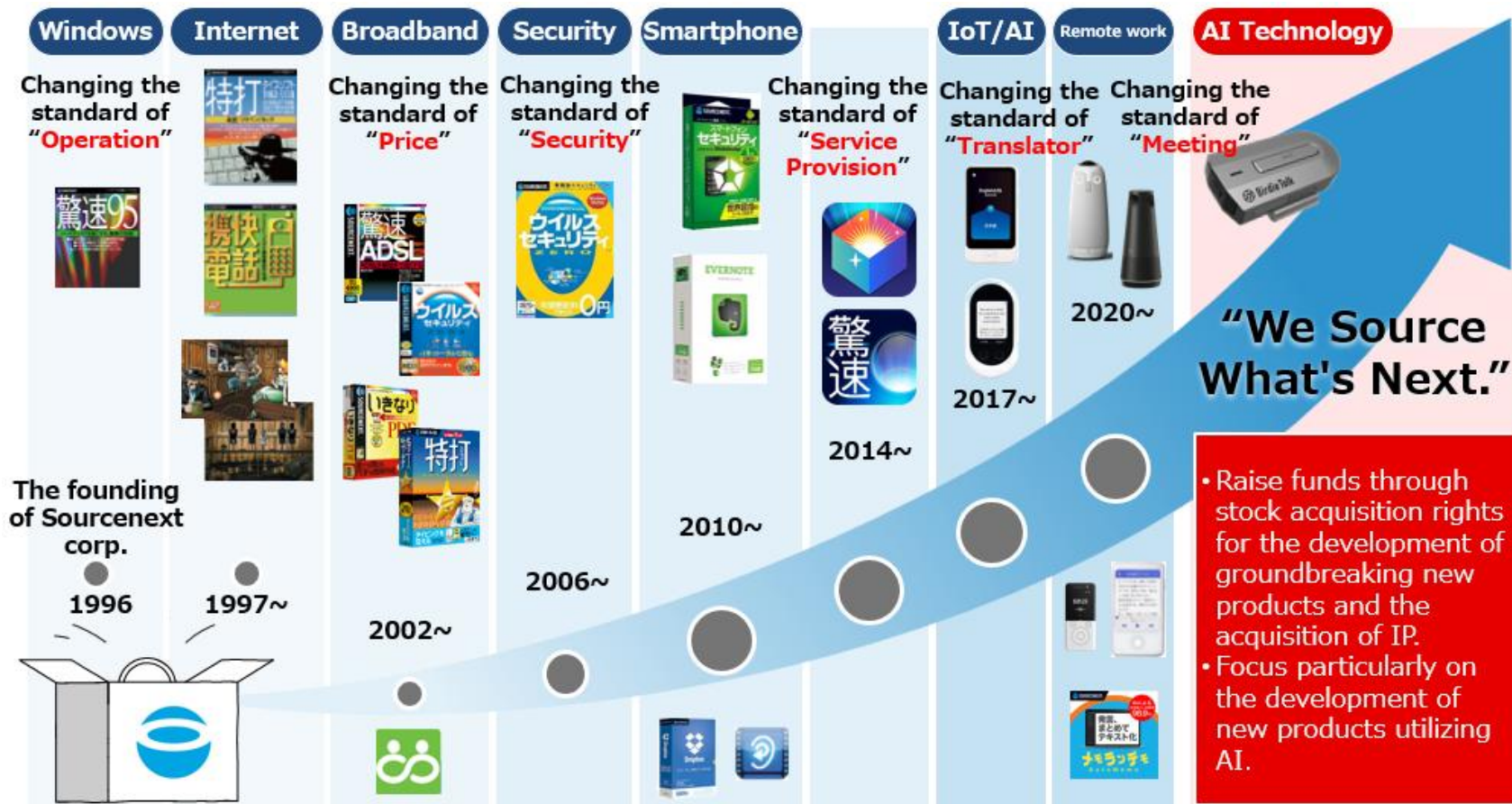
	文字起こしのみ お試しプラン	文字起こしのみ スタンダードプラン 自動更新		おすすめ 文字起こし+要約 プレミアムプラン 自動更新	
		月払い	年払い	月払い	年払い
料金 (税込)	無料	1,480円/月	1,280円/月 15,360円/年 (一括)	2,480円/月	1,980円/月 23,760円/年 (一括)
文字起こし 時間	1時間/月	30時間/月		30時間/月	
要約回数	なし お試し一回	なし お試し一回		10回/月	
お支払い 方法	-	オートメモから：クレジットカード オートメモ Appから：App Store、Google Playストアで			

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. Sourcnext

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)

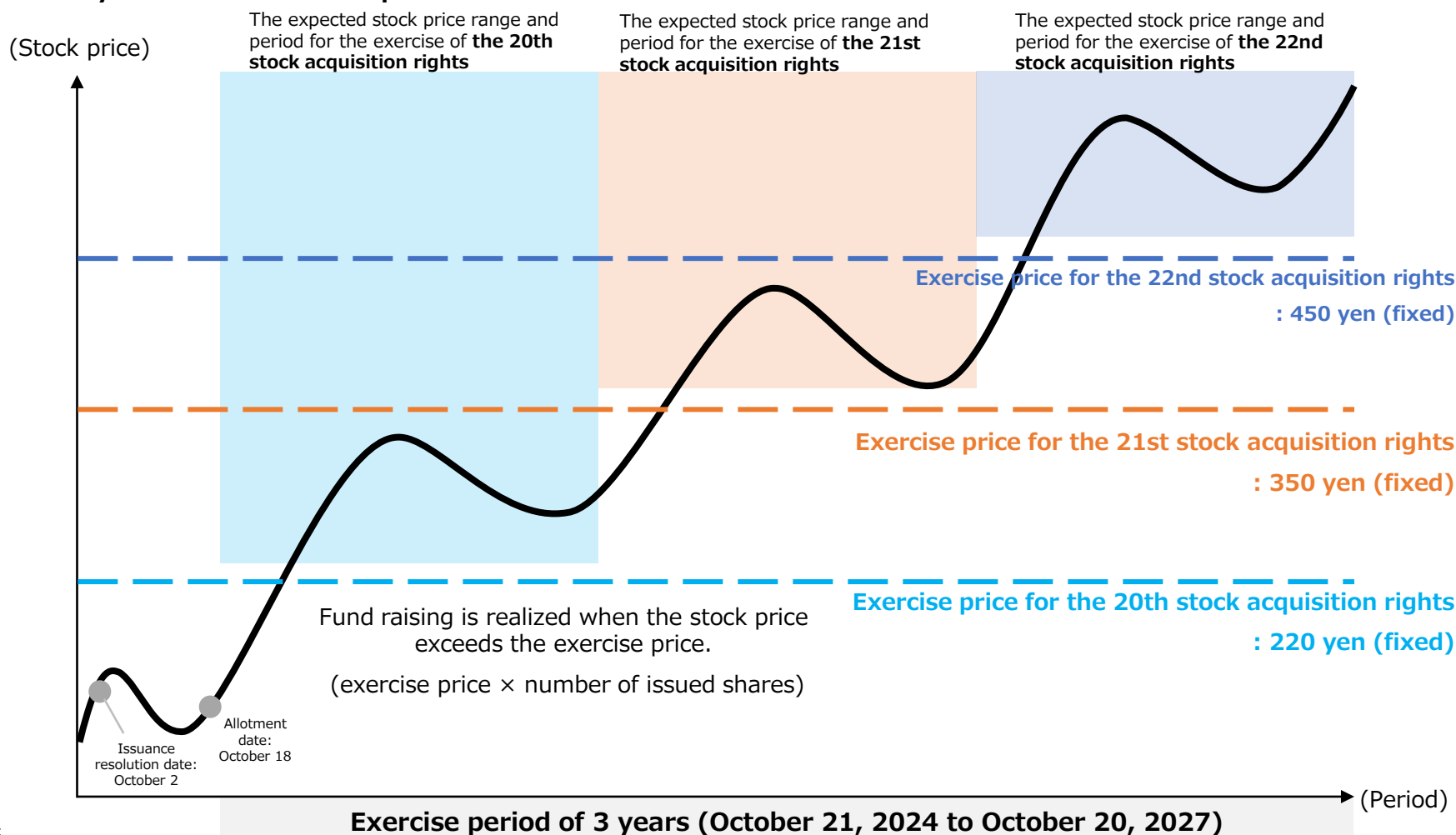
Overview of Stock Acquisition Rights :

		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 the 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 growth 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 FY2025 remains undisclosed.

Policies for Each Business in the FY2025

Implementing the following policies to maximize revenue.

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. Expansion of corporate sales for the PTS2 business model and subscription model.
2. Promoting sales aligned with customer needs for software such as POCKETALK Live Interpretation and POCKETALK Conference (e.g., POCKETALK for School, for Tour, etc.)



Policies for Each Business in the FY2025

Implementing the following policies to maximize revenue.

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.

Due to the promotion of DX and the end of support for Windows 10, software sales are on an upward trend.

- Due to the promotion of DX in Japan, the demand for PDF editing software “Ikinari PDF” has increased dramatically and is expected to continue growing.
- In October 2025, due to the end of support for Windows 10, the need for OS migration and replacement of PCs will increase the demand for software among both corporations and individuals, leading to continued sales growth in the next FY and beyond.



We Source What's Next.

1. Highlights

2. Business Update

3. Future Outlook

4. Supplementary Materials

Number of inbound foreign visitors and number of outbound Japanese travelers

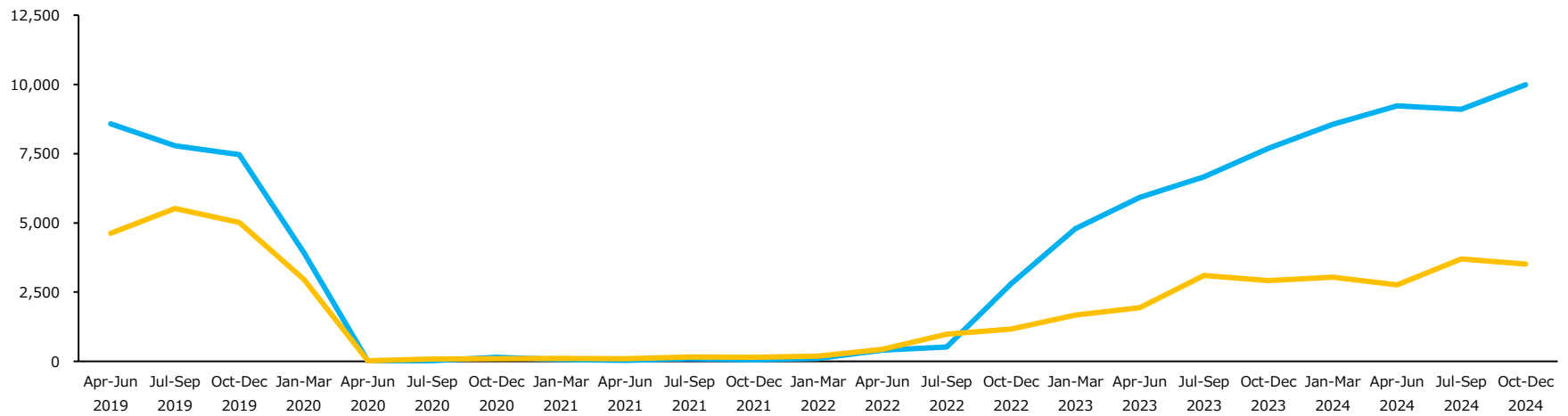
(Unit : People)

		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	2,933,381	2,872,487	3,312,193	3,187,000	3,489,800

(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	1,437,126	1,212,545	1,148,502	1,175,116	1,187,200

(Unit: Thousand people)



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

— Number of inbound foreign visitors

— Number of outbound Japanese travelers

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 fund raising 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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