

FY2025 (Ending December) Q3 Financial Results Presentation

February 12, 2026

SOURCENEXT CORPORATION

Change from March Fiscal Year-End to December Fiscal Year-End

At the Annual General Meeting of Shareholders held on June 20, 2025, we resolved to change our fiscal year-end from March to December. Previously, the group companies had different fiscal year-ends. However, by aligning with global standards and unifying the fiscal year, we aim to improve operational efficiency through timely and appropriate information disclosure to all stakeholders, including those overseas.

Transitional Fiscal Year

For the transitional fiscal year ending December 2025, our fiscal period will be from April 1, 2025, to December 31, 2025 (nine months).

- Fiscal Year Ending March 2025 (Previous): April 1, 2024 – March 31, 2025 (12 months)
- Fiscal Year Ending December 2025 (Transitional): April 1, 2025 – December 31, 2025 (9 months)
- Fiscal Year Ending December 2026 and Beyond: January 1 – December 31 (12 months)

Year-over-Year Comparison

To facilitate meaningful year-over-year comparison with the current period, the figures for the fiscal year ending March 2025 are labeled as "**Adjusted FY2025/3**" in this document. To ensure a meaningful comparison with the current period, this specifically covers the nine-month period from April 1 to December 31, 2024.

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



Items	FY Mar 2025 (Apr2024-Mar2025)	Adj.FY Mar2025 (Apr2024-Dec2024)	FY Dec 2025 (Apr2025-Dec2025)	(Unit: million yen)	
				YoY Amount	Change Rate
Net Sales	11,455	8,650	9,274	+624	+7.2%
Operating Loss	(3,480)	(2,143)	(1,308)	+835	—
Operating Loss Margin	(30.4%)	(24.8%)	(14.1%)	—	+10.7pt
Ordinary Loss	(3,925)	(2,148)	(1,243)	+905	—
Ordinary Loss Margin	(34.3%)	(24.8%)	(13.4%)	—	+11.4pt
Net Loss	(3,896)	(1,919)	(2,128)	(209)	—
Net Loss Margin	(34.0%)	(22.2%)	(23.0%)	—	(0.8pt)

Note 1: "Net Loss" refers to net loss attributable to owners of the parent company.

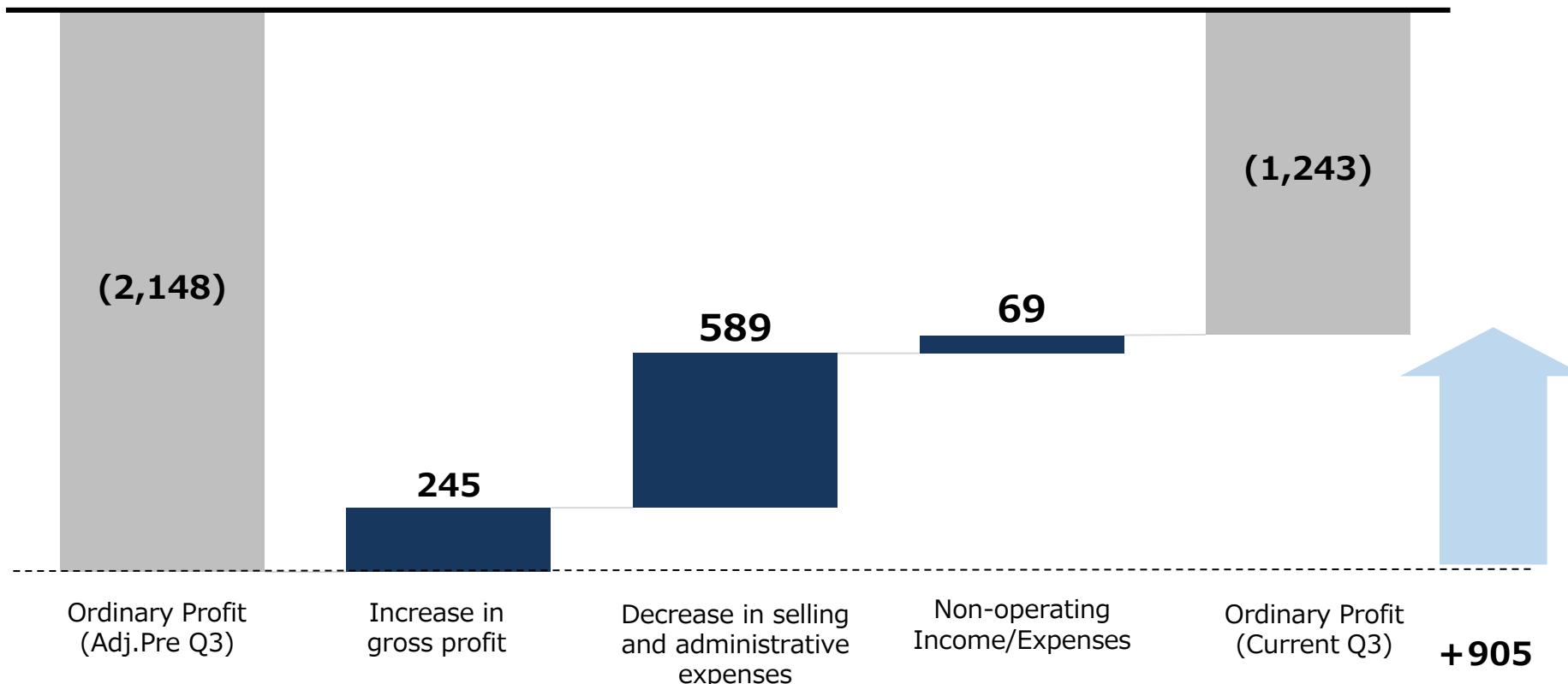
Note 2: "Adj. FY Mar 2025" refers to the cumulative nine-month period from April 1 to December 31, 2024.

Revenue growth and cost reduction helped narrow the ordinary loss. Recognizing impairment losses to clean up the balance sheet and build a sounder financial foundation for the future.

- Net sales increased by 624 million yen (+7.2%) year-on-year.
 - 1) This period saw growth in sales of main software products driven by demand related to the end of Windows 10 support.
 - 2) Contributions also came from new product offerings such as "Oura Ring 4" and "Fude-gurume."
- Ordinary loss improved by 905 million yen. Profitability improved steadily due to overall cost optimization as well as the higher sales mentioned above.
- Net loss increased following the recognition of impairment losses. This was undertaken with the intent to improve our financial health going forward.

Factors Behind Increase and Decrease in Ordinary Profit (YoY)

(Unit: million yen)

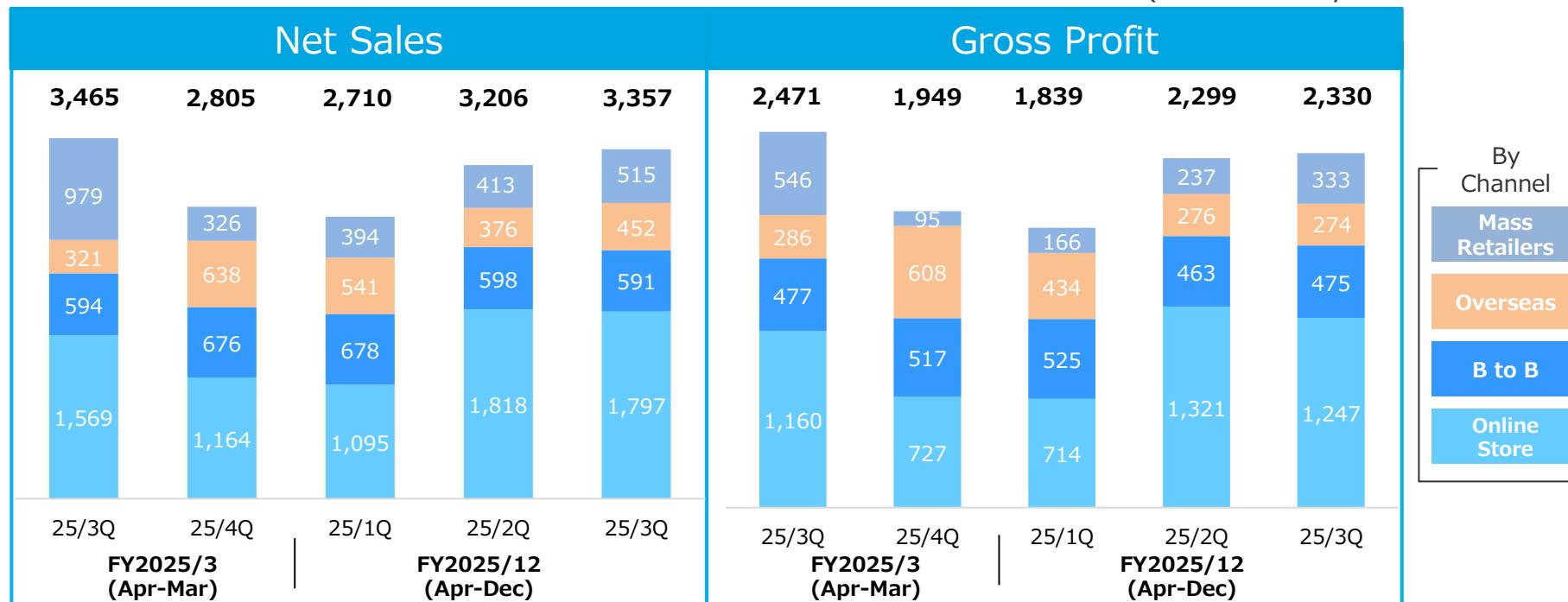


Note: Increases and decreases represent positive and negative impacts on profit, respectively.

- Sales grew for various software products driven by replacement demand ahead of the Windows 10 end-of-support. Additionally, new product offerings such as "Fude-gurume" and "Oura Ring" contributed to this growth.
- Across the entire Group, we have optimized fixed costs—including rent and system usage fees—to improve operational efficiency. This transition establishes a structure for long-term profit growth.
- The continued depreciation of the yen resulted in the recognition of foreign exchange gains.

Quarterly Trends in Net Sales and Gross Profit by Channel

(Unit: million yen)



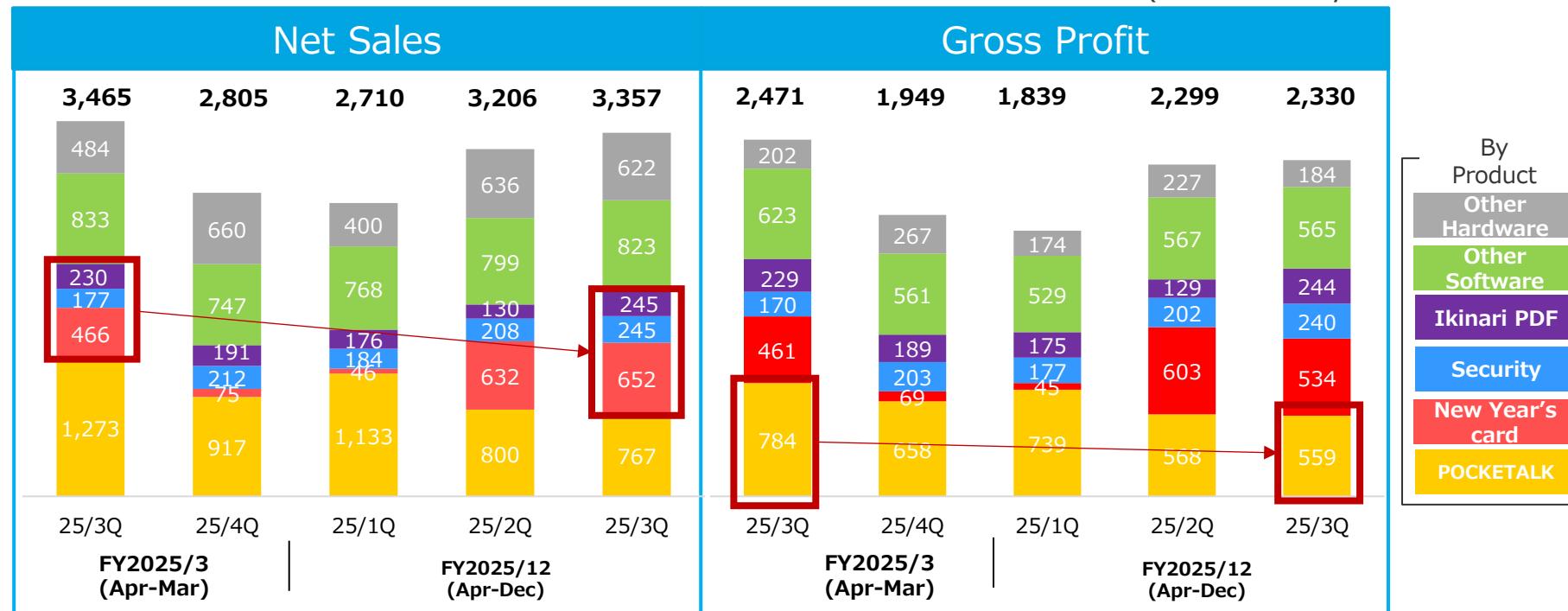
Note: The Gross Profit shown in the above table excludes shared costs such as development expenses that cannot be directly allocated to individual products or channels, and therefore does not match the Gross Profit reported in the Summary of Consolidated Financial Results.

Continued Growth in Online Shops and Positive Momentum Across Other Channels

- ①Online shop sales remained strong at 1,797 million yen, with a gross profit of 1,247 million yen, continuing the positive trend from the previous quarter. Both software and hardware sales grew, driven by demand ahead of the Windows 10 end-of-support and an expanded product lineup.
- ②In the overseas segment and other areas, sales of "POCKETALK" decreased due to a revision of the U.S. government's subsidy policies.
- ③In the consumer electronics retail channel, sales increased in the previous period following the launch of "POCKETALK S2," while there were no new product releases in the current period.

Quarterly Trends in Net Sales and Gross Profit by Product

(Unit: million yen)



Note: The Gross Profit shown in the above table excludes shared costs such as development expenses that cannot be directly allocated to individual products or channels, and therefore does not match the Gross Profit reported in the Summary of Consolidated Financial Results.

Growth Across Major Product Categories: Year-on-Year Increase in Sales and Gross Profit

①Core Software Products:

- Regarding New Year's card software, despite a shrinking market overall, sales increased compared to the previous period with the introduction of "Fude-gurume."
- Sales of security software grew, driven by replacement demand related to the Windows 10 end-of-support.
- B2B sales of "Ikinari PDF" remained strong, maintaining their positive momentum from the previous term.

②POCKETALK:

- Although sales decreased due to the absence of new product launches, the profit margin improved.

Balance Sheet Overview (Consolidated)



(Unit : million yen)

	As of Mar 31, 2025	As of Dec 31, 2025	Change	Change Rate
Current Assets	11,342	10,302	(1,039)	(9.2%)
Cash and Deposits	6,008	4,918	(1,090)	(18.1%)
Accounts Receivable	1,554	1,592	37	+2.4%
Merchandise and Finished Goods	2,646	2,953	306	+11.6%
Fixed Assets	5,866	4,242	(1,624)	(27.7%)
Total Assets	17,209	14,544	(2,664)	(15.5%)
Current Liabilities	6,165	5,922	(242)	(3.9%)
Non-Current Liabilities	1,689	1,834	145	+8.6%
Net Assets	9,354	6,787	(2,566)	(27.4%)
Equity Ratio	43.4%	38.3%	-	(5.1pt)

* Equity ratio is calculated as:

(Net Assets – Stock Acquisition Rights – Non-controlling Interests) / Net Assets

- Cash and deposits decreased due to investing and financing activities; however, operating cash flow showed an increase.
- Total assets decreased following the recognition of impairment losses on software and contract-related intangible assets.

Cash Flow Statement Overview (Consolidated)



(Unit : million yen)

Items	FY Dec 2025 (Apr2025-Dec2025)
Operating C/F	426
Investment C/F	(940)
Financial C/F	(645)
Foreign currency translation adjustments	62
Net Change	(1,097)

■ Operating C/F

- Net cash provided by operating activities totaled 426 million yen, as a result of improved profitability driven by increased sales and cost reductions.
- This marks the first time operating cash flow has turned positive since the fiscal year ended March 31, 2023.

■ Investment C/F

- We are continuing to invest in further functional differentiation to enhance our competitive advantage.

■ Financial C/F

- In response to interest rate fluctuations, we have repaid both short-term and long-term borrowings.

Software (Pocketalk Corp.)

▲ Background and Factors

Profitability has been delayed compared to the original plan, although the underlying technology continues to be a key driver of our competitive advantage. This impairment loss resulted from a prudent reassessment of future profitability.

↳ Financial Impact

- ✓ This loss involves no cash outflow and has no impact on liquidity.
- ✓ Lower depreciation costs from 2026 will help accelerate the path to profitability.

► Next Steps



Expanding sales beyond the education sector.



Launching new products like "POCKETALK X."

Rosetta Stone (Sourcenext)

▲ Background and Factors

Following the 2021 acquisition of Rosetta Stone (US) by IXL, the new company expressed interest in acquiring the Japanese business.

Impairment Loss Amount

Consolidated

408 million yen

Non-Consolidated

460 million yen

🔍 Basis for Decision

To focus our management resources on the AI field, we determined that transferring these rights would be the optimal approach for streamlining our business portfolio and improving asset efficiency. In conjunction with the transfer decision, the book value has been written down to the sale price to appropriately reflect the current asset value.

POCKETALK Inc. – Income Statement

(Consolidated, Apr-Dec)



(Unit : million yen)

	Adj.FY Mar2025 (Apr2024-Dec2024)	FY Dec 2025 (Apr2025-Dec2025)	YoY	
			Change	Change Rate
Net Sales	3,182	2,544	(638)	(20.1%)
Gross Profit	1,137	810	(326)	(28.7%)
Gross Profit Margin	35.7%	31.9%	-	(3.9pt)
SG&A Expenses	2,865	2,421	(444)	(15.5%)
Personnel Expenses	858	791	(66)	(7.8%)
Outsourcing Costs	626	502	(123)	(19.8%)
Advertising Expenses	407	230	(176)	(43.5%)
Operating Loss	(1,728)	(1,610)	117	-
Operating Loss Margin	(54.3%)	(63.3%)	-	(9.0pt)

- Sales of "POCKETALK" in the U.S. decreased due to a revision of U.S. government policies.
- In-sourcing our operations has led to better cost efficiency across the board.
- Consequently, these efforts have led to an improvement in our operating balance.

SOURCENEXT Inc. – Income Statement (Non-Consolidated, Apr-Dec)



	Adj.FY Mar2025 (Apr2024-Dec2024)	FY Dec 2025 (Apr2025-Dec2025)	(Unit : million yen)	
			Change	YoY Change Rate
Net Sales	6,365	7,093	728	11.4%
Gross Profit	3,397	3,967	569	16.8%
Gross Profit Margin	53.4%	55.9%	-	2.5pt
SG&A Expenses	3,845	3,693	(152)	(4.0%)
Personnel Expenses	539	513	(25)	(4.8%)
Outsourcing Costs	1,310	1,144	(166)	(12.7%)
Advertising Expenses	557	582	25	4.5%
Operating Income (Loss)	(447)	274	721	-
Operating Profit (Loss) Margin	(6.5%)	3.9%	-	10.4pt

- Net sales increased due to the launch of new products such as "Fude-gurume" and "Oura Ring 4," along with replacement demand fueled by the transition to Windows 11.
- We reduced outsourcing expenses by improving operational efficiency and successfully completed an in-house system migration by leveraging AI technology.
- As a result of these factors, our operating balance has improved significantly.

Regarding the consolidated earnings forecast for the fiscal year ending December 2026, it is currently difficult to provide a reasonable estimate. This is due to significant changes in our business environment, as well as the ongoing progress of growth initiatives for both new and existing businesses and their subsequent impact on earnings. Therefore, the consolidated earnings forecast for the fiscal year ending December 2026 will not be disclosed at this time.

We Source What's Next.



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