FY2026 (Ending December) Q1 Financial Results Presentation

May 15, 2026

SOURCENEXT CORPORATION

Regarding the Change in Fiscal Year and Presentation of Prior Period

Regarding Year-on-Year Comparisons

In this document, the income statement for the fiscal year ended December 2025 is presented as the corresponding period of the previous year to make it easier to compare with the current period, unless otherwise noted.
The accounting period from January 1, 2025, to March 31, 2025, is legally the fourth quarter of the fiscal year ended March 2025, but in this document, it is treated as the first quarter of the fiscal year ended December 2025. Similarly, the period from April 1, 2025, to June 30, 2025, is treated as the second quarter of the fiscal year ended December 2025, and this applies to subsequent quarters as well.
Please note that this is reference information for comparison purposes only and has not been audited by an auditing firm.

Regarding the Change in Fiscal Year

By resolution of the Ordinary General Meeting of Shareholders held on June 20, 2025, the fiscal year-end was changed from March to December. Previously, the fiscal months differed among group companies. By unifying the fiscal month to global standards, the purpose is to provide timely and appropriate information disclosure to domestic and international stakeholders, and to improve the efficiency of business management and operations for the entire group.

Regarding the Irregular Accounting Period

For the fiscal year ended December 2025, the company had an irregular accounting period covering the 9 months from April 1, 2025, to December 31, 2025.

FY March 2025 (Previous): April 1, 2024 - March 31, 2025 (12 months).
FY December 2025 (Transition Period): April 1, 2025 - December 31, 2025 (9 months).
FY December 2026 Onwards (Current): January 1 - December 31 (12 months).

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FY2026 Consolidated Statement of Profit and Loss(YoY Comparison)

(Unit: million yen)

Items	FY Dec 2025 (Jan2025–Mar2025)	FY Dec 2026 (Jan2026–Mar2026)	YoY	
			Amount	Change Rate
Net Sales	2,805	2,867	+61	+2.2%
Operating Loss	△1,336	△375	+961	–
Operating Loss Margin	△47.6%	△13.1%	–	+34.5pt
Ordinary Loss	△1,777	△323	+1,453	–
Ordinary Loss Margin	△63.4%	△11.3%	–	+52.1pt
Net Loss	△1,977	△247	+1,729	–
Net Loss Margin	△70.5%	△8.6%	–	+61.9pt

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

Revenue growth and cost reductions narrow ordinary loss.
The benefits of structural reforms aimed at returning to profitability are beginning to materialize.

- Net sales grew +61 million Yen (+2.2%) YoY

  Hardware products such as "Oura Ring 4" and in-house brand "DIGI+" contributed to growth.

- Ordinary loss and net loss both narrowed:
  Improved by +1,453 million Yen and +1,729 million Yen YoY respectively.

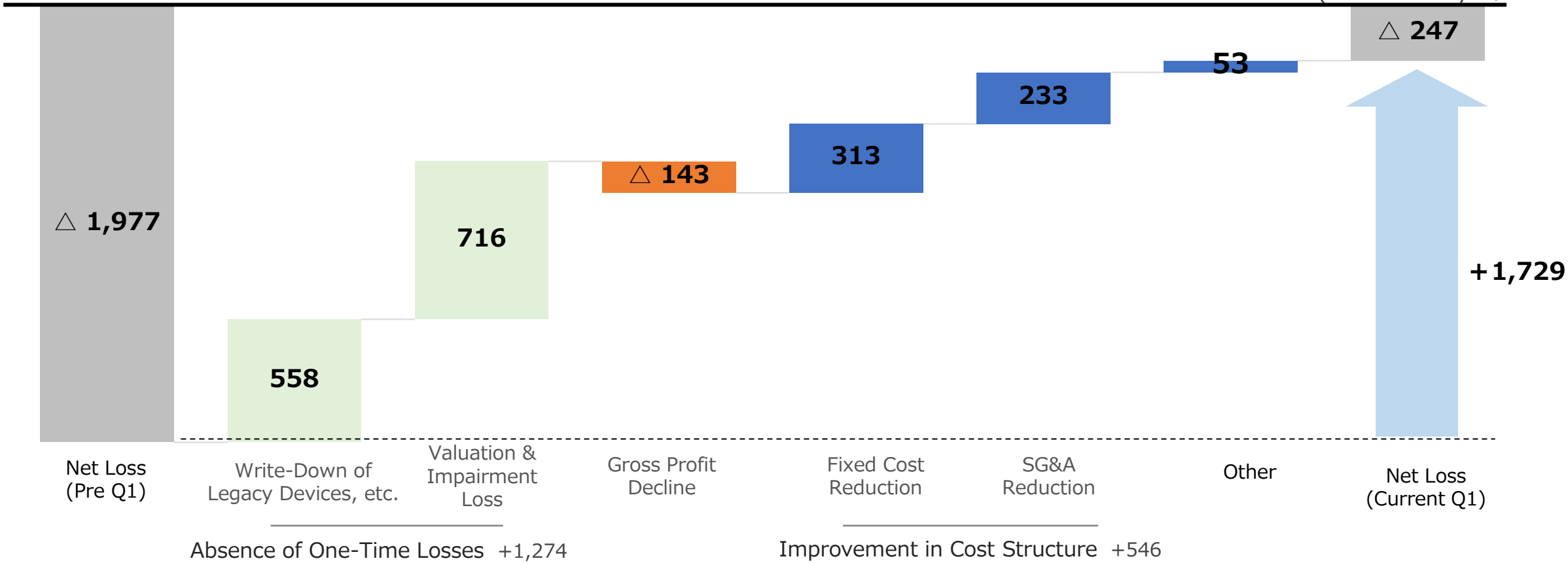
  In the prior period, one-time losses totaling 1,274 million yen were recorded due to inventory write-downs on older Pocketalk models and valuation losses on investment securities. No such losses were incurred in the current period.

  In addition, reductions in COGS and SG&A improved the earnings structure, with benefits extending beyond this quarter.

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Factors Behind Increase and Decrease in Net Loss (Quarterly)

(Unit: million yen)



- In the previous period, temporary losses occurred due to valuation losses on old Pocketalk products and investment securities, but an improvement was seen because these did not occur in the current period.
- Gross profit decreased despite an increase in sales, due to a lower sales mix of proprietary products such as Pocketalk.

- Fixed cost and SG&A restructuring across group companies improved profit margins

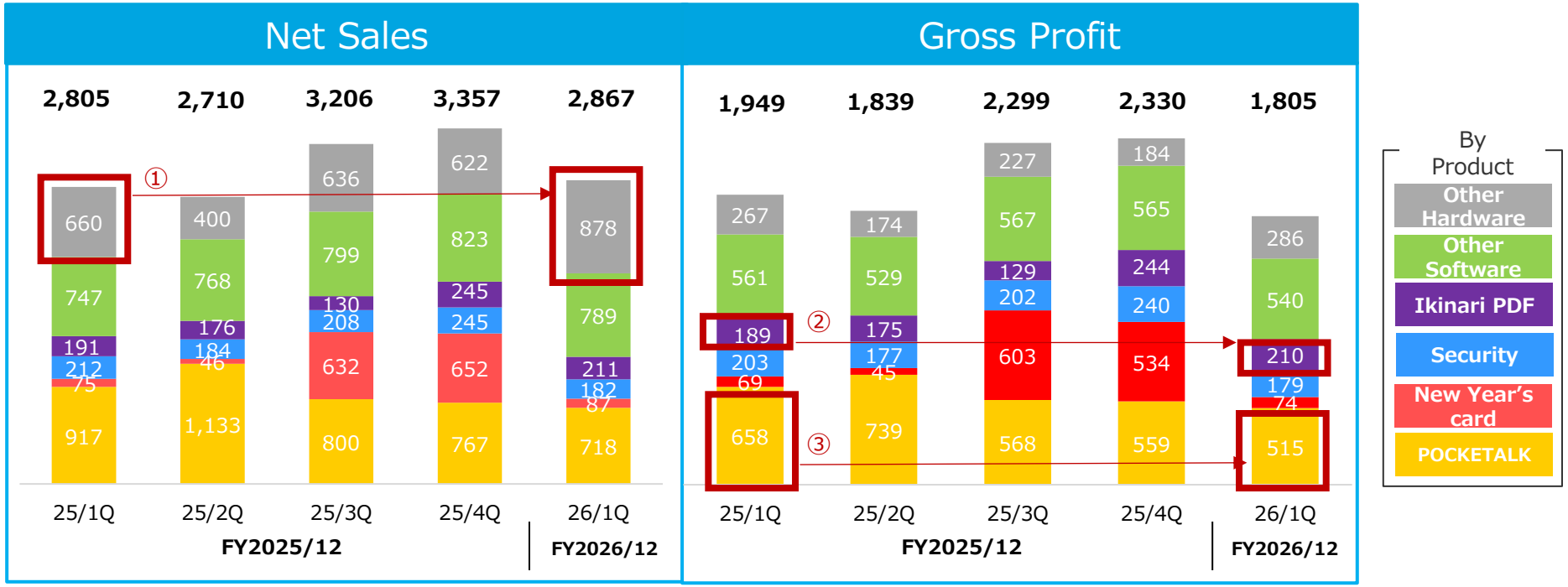
Note: The Gross Profit shown in the above table excludes shared costs such as development expenses that cannot be directly allocated to individual products or channels, and therefore does not match the Gross Profit reported in the Summary of Consolidated Financial Results.

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

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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.

Sales increased due to strong hardware performance, while gross profit slightly decreased.

① "Oura Ring 4," which was added to our product lineup in the prior fiscal year, and the company's proprietary hardware brand "DIGI+" performed well. Although gross profit decreased, the supplier bore part of the marketing costs, which also led to a decrease in SG&A expenses.

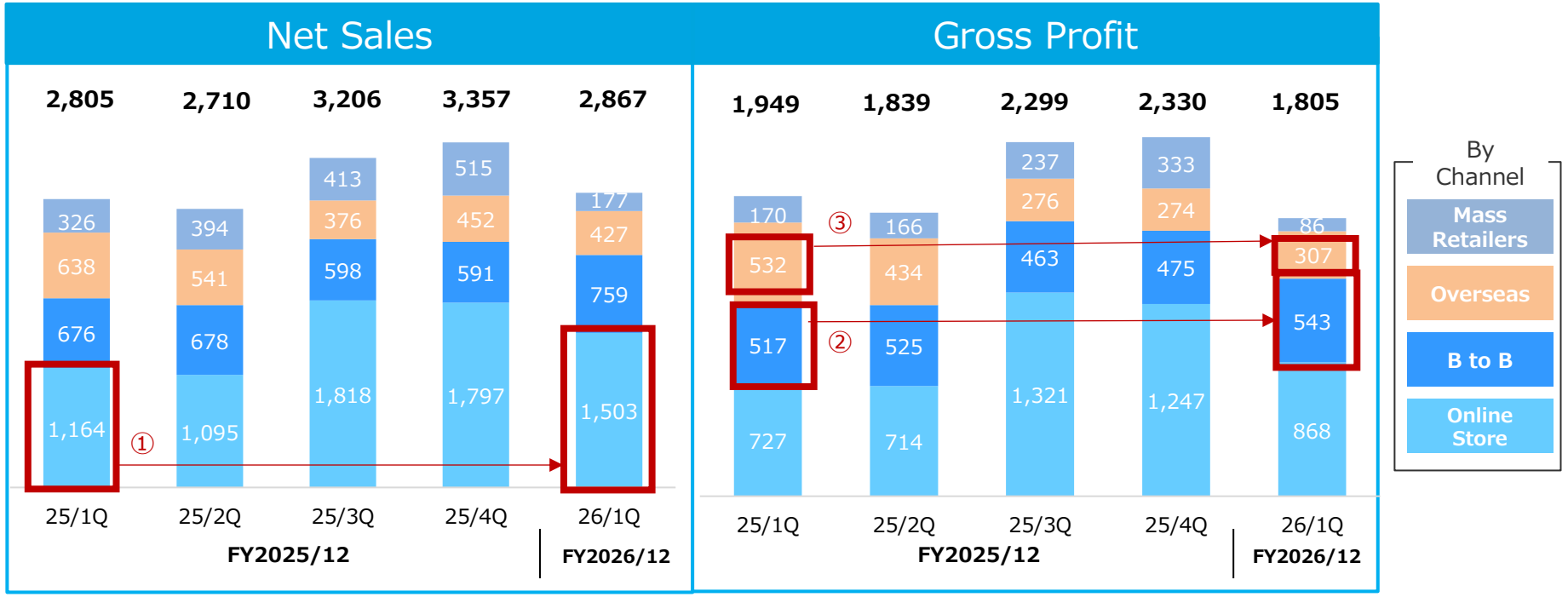
② Sales of "Ikinari PDF," a product focused on corporate customers, increased steadily

③ "Pocketalk" saw an increase in European sales, but US government policies affecting educational institutions caused a temporary decline in US sales.

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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.
Note: Prior 25/1Q gross profit figures for Mass Retailers and Overseas have been revised.

Overseas sales dropped, but the overall level was maintained by Online Store and B to B Sales.

① Sales in the online Store in the first quarter were 1,503 million yen, and gross profit was 868 million yen, showing growth compared to the corresponding period last year. "Oura Ring 4" and the original hardware brand "DIGI+" performed well.

② In B to B sales, "Meeting Owl" and "Ikinari PDF" drove sales growth, and the in-house software "Ikinari PDF" in particular contributed to improving gross profit.

③ Overseas sales decreased year-on-year, primarily due to a decline in sales to educational institutions in the United States.

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Consolidated Balance Sheet

(Unit : million yen)

	As of Dec 31, 2025	As of Mar 31, 2026	Change from Dec 31, 2025	
			Change	Change Rate
Current Assets	10,302	9,907	(395)	(3.8%)
Cash and Deposits	4,918	4,619	(298)	(6.1%)
Accounts Receivable	1,592	1,578	(13)	(0.9%)
Merchandise and Finished Goods	2,953	2,762	(190)	(6.5%)
Fixed Assets	4,242	3,763	(478)	(11.3%)
Total Assets	14,544	13,670	(873)	(6.0%)
Current Liabilities	5,922	5,461	(461)	(7.8%)
Non-Current Liabilities	1,834	2,004	169	+9.3%
Net Assets	6,787	6,204	(582)	(8.6%)
Equity Ratio	38.3%	37.1%	-	(1.2pt)

＊Equity ratio is calculated as:
(Net Assets − Stock Acquisition Rights − Non-controlling Interests) / Total Assets

・The company maintained financial soundness while procuring funds through corporate bonds.

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POCKETALK Inc. – Income Statement (Consolidated, Jan–Mar)

(Unit : million yen)

	FY Dec 2025 (Jan2025–Mar2025)	FY Dec 2026 (Jan2026–Mar2026)	YoY	
			Change	Change Rate
Net Sales	1,031	717	(313)	(30.4%)
Gross Profit	356	376	20	5.7%
Gross Profit Margin	34.5%	52.4%	-	17.9pt
SG&A Expenses	941	733	(208)	(22.1%)
Personnel Expenses	277	259	(17)	(6.4%)
Outsourcing Costs	185	182	(3)	(1.9%)
Advertising Expenses	118	19	(98)	(83.4%)
Operating Loss	(585)	(357)	228	-
Operating Loss Margin	(56.8%)	(49.7%)	-	7.0pt

Despite decreased revenue due to lower sales volume, profit increased due to structural cost reviews.

US Region

Sales of "Pocketalk" in the US decreased due to changes in US government policies.

Initiated fixed cost reductions, with the full impact expected to materialize from Q2 onward.

Sales-linked costs decreased in line with the decrease in sales amounts.

Japan & Europe

Cost of sales decreased due to the impact of impairment losses in the fiscal year ended December 2025.

Improved profit margins by reviewing communication costs and hardware manufacturing costs.

Advertising expenses decreased primarily due to the end of talent contracts.
The European subsidiary completed its structural reform during Q1 and achieved quarterly operating profitability.

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SOURCENEXT Inc. – Income Statement (Non-Consolidated, Jan–Mar)

(Unit : million yen)

	FY Dec 2025 (Jan2025–Mar2025)	FY Dec 2026 (Jan2026–Mar2026)	YoY	
			Change	Change Rate
Net Sales	2,018	2,218	200	9.9%
Gross Profit	387	1,135	747	192.9%
Gross Profit Margin	19.2%	51.2%	-	32.0pt
SG&A Expenses	1,178	1,154	(23)	(2.0%)
Personnel Expenses	171	163	(8)	(4.7%)
Outsourcing Costs	381	372	(9)	(2.5%)
Advertising Expenses	183	188	5	2.9%
Operating Loss	(790)	(19)	771	-
Operating Loss Margin	(39.2%)	(0.9%)	-	38.3pt

Revenue increased due to strong sales of hardware products, and profit improved through ongoing business reforms.

Improvement in Cost of Sales:

In the previous period, a valuation loss was recorded for old Pocketalk devices, but there were no assets subject to valuation loss in the current period.

Depreciation expenses decreased due to the sale of the Rosetta Stone business.

Selling, General and Administrative Expenses:

Reduced outsourcing costs by improving operational efficiency using AI.

For products sourced from third-party suppliers, our sales promotion expenses shrank as the distributor bore the marketing costs.

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Financial Forecast

Regarding the consolidated earnings forecast for the fiscal year ending December 2026, the Company is not in a position to provide reliable earnings guidance. This is due to significant changes in our business environment, as well as uncertainty regarding the earnings impact of growth initiatives currently underway across both new and existing businesses.　Accordingly, the Company will refrain from disclosing a consolidated earnings forecast for the fiscal year ending December 2026 at this time.

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