



To Our Shareholders and Investors

Business Report for First Half of Fiscal Year ending March 2025 April 1, 2024 - September 30, 2024

We Source, What's Next



AI
IoT
Software
Hardware

Greetings

First, please accept our sincere thanks for your support of SOURCENEXT.

We will now provide a report on results for the first half of the fiscal year ending March 31, 2025.

The AI-powered translation device "POCKETALK," which is our mainstay product, was more widely adopted in the United States in particular, in educational and medical institutions, public agencies, and other organizations. In addition, in October 2024 we launched the next-generation "POCKETALK S2," the first model upgrade in five years, which is expected to result in further earnings growth. Net sales of POCKETALK grew just 0.5% year on year, a due to the recording refund liabilities related to old products, which are expected to be returned in future periods due to the launch of the next-generation of POCKETALK, despite rapid growth in sales overseas.

As for other IoT products, the total number of registered accounts (the combined total of paying and non-paying users of the service) for the AI-powered voice-to-text recorder "AutoMemo" exceeded 160,000 as of September 30, 2024, and the number of subscribers to text conversion services is also steadily increasing. In September 2024, we launched the interactive golf AI device "BirdieTalk," which combines speech recognition technology cultivated by the Company with the latest GPT technology. We plan to continue announcing a series of new products using AI that will be unrelated to IoT and software products.

As a result of these factors, consolidated net sales for the first half of the fiscal year ending March 31, 2025 were 5.184 billion yen (0.8% decrease from the previous fiscal year). Furthermore, due to a decrease in gross profit due to recording valuation loss on finished goods for IoT products, and the recording of foreign exchange losses associated with the yen's depreciation, we recorded loss attributable to owners of parent of 1.681 billion yen (compared to a loss attributable to owners of parent of 1.150 billion yen for the same period of the previous fiscal year).

Since our founding in 1996, we have upheld our corporate mission of "Creating products that inspire joy and move the world." Our areas of business have changed from conventional PC software and smartphone apps to IoT products based on the needs of our customers and times. The Company will continue to create products that bring joy to its customers, focusing on new planning and development in order to provide new products rapidly, and making every effort to improve profitability.

We thank all of you again, from the bottom of our hearts, for your kind understanding and encouragement, and look forward to your continued support in the coming future.



Founder and CEO
Noriyuki Matsuda

President and COO
Tomoaki Kojima

Products and Services

Our products are continuing to evolve with changing demand

IoT Products

AI-powered translation device “POCKETALK”

We are aggressively promoting the POCKETALK business with the launch of next-generation models, a new commercial campaign fronted by actor Yo Oizumi, and the challenge of entering new markets.

POCKETALK

Thanks to our customers,
we have sold over
1,200,000 units

From December 2017 to October 2024 / Series total including “POCKETALK” (first generation), “POCKETALK W,” “POCKETALK S” and “POCKETALK S Plus,” but excluding sample units

The next-generation model “POCKETALK S2”

In October 2024, we launched the next-generation AI-powered translation device “POCKETALK S2,” the first model upgrade in nearly five years. The new model automatically distinguishes between two set languages to enable smooth conversation.

The number of areas where the service can be used without Wi-Fi has now been expanded to over 170. Battery life has also been dramatically improved. Security features have also been enhanced by linking with “POCKETALK Analytics” for managing multiple devices. Compliance with global security standards provides peace of mind not only for individual users, but also corporations, groups, and local governments.



POCKETALK S2 (left) and POCKETALK S2 Plus (right)



A new commercial featuring the actor Yo Oizumi

To coincide with the launch of “POCKETALK S2,” we also launched a new commercial featuring the actor Yo Oizumi. The highly humorous commercial features Mr. Oizumi as a staff member at a drug store, dealing with inquiries in multiple languages to show off the smooth communication function of “POCKETALK S2.” The commercial highlights the usefulness of “POCKETALK S2” in today’s environment of increasing foreign tourism in Japan and rising multilingual needs.

IoT Product for Golfers

Interactive golf AI device “BirdieTalk”

In September 2024, we launched the very first* “golf-dedicated” device in Japan which provides various advice to golfers by taking advantage of the latest GPT technologies. Just by pressing the button and speaking into the device, it provides golfers with precise advice on how to hit the ball based on its lie and how to reduce mistakes by swinging correctly. SOURCENEXT has made its first foray into golf-related products by combining the speech recognition technology it has cultivated through POCKETALK and AutoMemo with that of OpenAI’s GPT-3.5 Turbo.

*Based on survey by SOURCENEXT (conducted February 6, 2024 - February 20, 2024) encompassing 845 products at top 5 large retailers of golf goods (Amazon, Rakuten, Yahoo, GDO, and Google).

BirdieTalk



- Golf celebrity and YouTuber Namiki has been appointed as the official brand ambassador.
- The product was ranked first in the Nikkei Trendy “2025 Hit Prediction Overall” category and received grand prize in the “2025 Hit Prediction Appliance and Digital Division.”

Game Controller for Smartphone

Backbone One

This device converts a smartphone into a game device simply by connecting it in an extendable holder. SOURCENEXT is the general agent for Backbone One in Japan, and is marketing them through various sales channels, including consumer electronics retailers.

BACKBONE



Products and Services

AI Service for Meeting Minutes

AI-powered voice-to-text recorder “AutoMemo”

AutoMemo is a transcription AI that not only significantly reduces the work involved in creating minutes by automatically transcribing and summarizing audio recordings, but also enables management and sharing of the same.

Conversion of speech recorded directly on a PC to text, as well as subsequent editing and even sharing, can all be performed in the browser. Dedicated voice recorders and smartphone apps are also available. Through highly accurate speaker identification based on their voices, minutes can be completed in a flash.

We continue to provide updates by responding accurately to customer needs.

AutoMemo   Number of accounts
over 160,000
(As of September 2024)



Dedicated voice recorder
Auto Memo R (left) and
Auto Memo S (right)

Products for Web Conferencing

We sell two types of 360-degree web cameras for conferences that integrate a camera, microphones, and speakers in a single unit.

会議を変えよう 



“KAIGIO CAM360”
lets you see participants’ faces

“KAIGIO CAM360” uses AI to automatically divide a screen according to the number of meeting participants and project the participants. The product enables you to create meetings with a sense of unity where you can see the expressions on all the participants’ faces.



“Meeting OWL”
brings the speaker into focus

The “Meeting OWL” automatically focuses on the speaker and brings him or her into close-up. Suitable for a conference hosting a large number of people. We have sold a total of over 30,000 units, and it is being used in many companies.

PC Software

Demand for security and business software, as well as learning and educational software, has been on the rise due to the spread of working at home.

“IKINARI PDF” meets the needs of the transition to paperless operations



A long-selling, high-performance, low-cost product that has changed common practice in PDF creation. It has been deployed at over 10,000 companies. It helps to increase efficiency of document management, reduce costs and promote telework.

“ZERO” antivirus software with no expiration date



The ZERO series offers users a proprietary license with a “fixed device and no expiration date” policy. It continues to protect the device it is installed on until the device can no longer be used. As security measures are completed by installing one application to one device one time, the cost and burden of taking antivirus measures are significantly decreased.

Three postcard creation software brands



In postcard creation software, we offer the three brands of “FUDEMAME,” which has the top share on Windows, “ATENA SHOKUNIN” top for Mac OS, and its own copyrighted product “FUDEOH.” On our website, sales of the annual automatic renewal version are steadily growing.

User Services

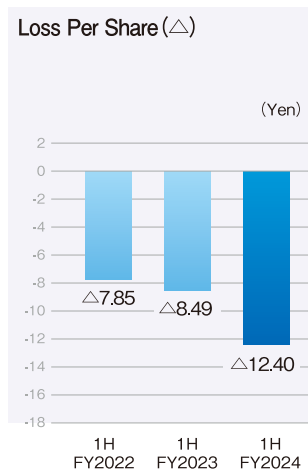
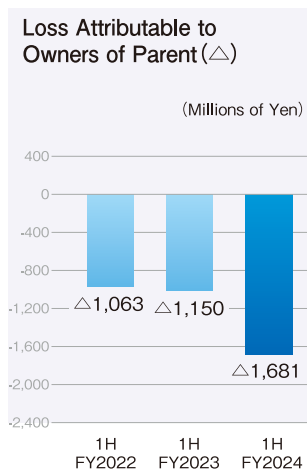
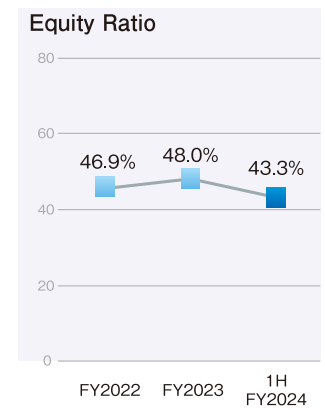
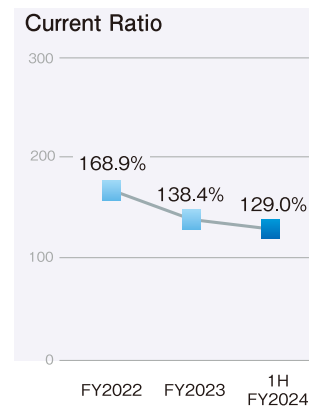
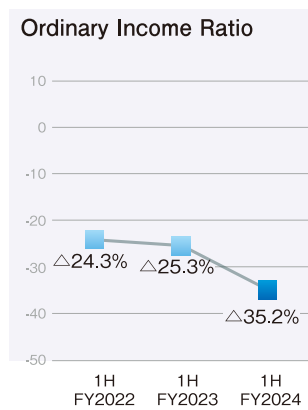
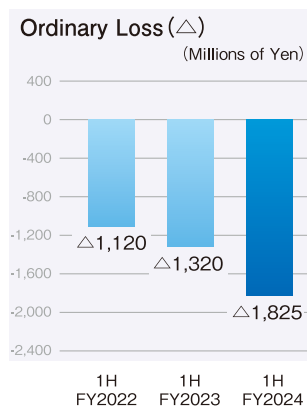
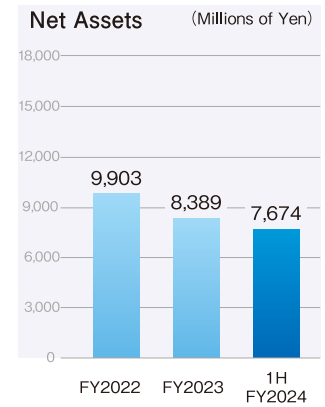
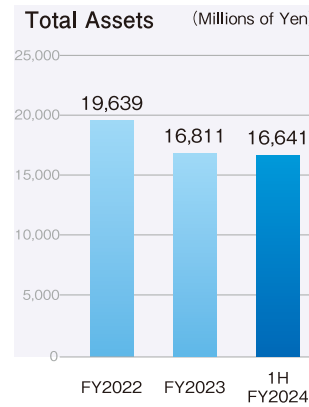
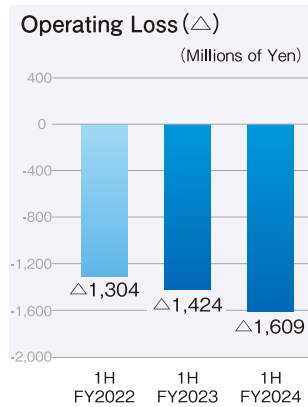
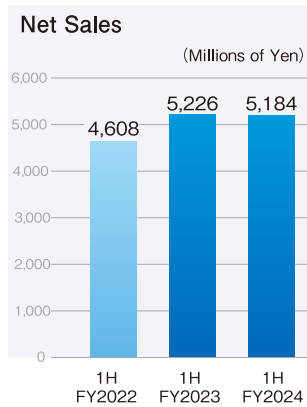
Over 18 million registered users

We operate our own EC site, mostly focused on sales via downloads. Customers who purchase and register a product are encouraged to purchase again through after-sale upgrades, discounts, etc.

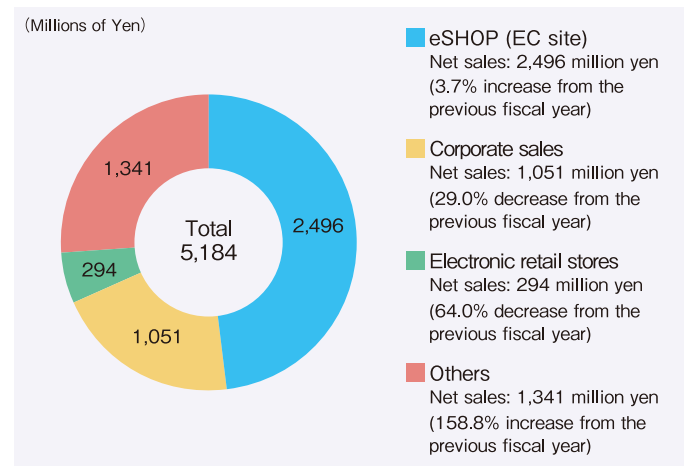
The total number of registered users now exceeds 18 million, making them our major asset.

Consolidated Business Highlights

Semi-annual Consolidated Business Performances



Net Sales by Channel



Consolidated Business Highlights

Consolidated Financial Statements (Summary)

Semi-annual Consolidated Balance Sheets (As of September 30, 2024)

Thousands of Yen

Assets		Liabilities	
Current assets	9,406,613	Current liabilities	7,289,510
Non-current assets	7,234,712	Non-current liabilities	1,677,090
Property, plant and equipment	110,444	Total liabilities	8,966,600
Intangible assets	3,697,710	Net assets	
Investments and other assets	3,426,558	Shareholders' equity	6,717,040
		Accumulated other comprehensive income	489,342
		Share acquisition rights	355,800
		Minority interest	112,542
		Total net assets	7,674,725
Total assets	16,641,326	Total liabilities and net assets	16,641,326

Semi-annual Consolidated Statements of Income (From April 1, 2024 to September 30, 2024)

Thousands of Yen

Net sales	5,184,735
Cost of sales	2,561,284
Gross profit	2,623,450
Selling, general and administrative expenses	4,233,235
Operating loss(△)	△1,609,784
Ordinary loss(△)	△1,825,751
Loss before income taxes(△)	△1,707,084
Total income taxes	205,325
Loss(△)	△1,912,409
Loss attributable to non-controlling interests(△)	△231,114
Loss attributable to owners of parent(△)	△1,681,295

Semi-annual Consolidated Statements of Cash Flows (From April 1, 2024 to September 30, 2024)

Thousands of Yen

Cash flows from operating activities	△526,690
Cash flows from investing activities	△698,811
Cash flows from financing activities	1,528,713
Cash and cash equivalents at end of period	3,399,211

Frequently Asked Questions

Q.What is your most popular product / service?

A.IoT products such as the AI-powered translation device “POCKETALK” and the AI-powered voice-to-text recorder AutoMemo are popular.

We have sold a total of over 1,200,000 “POCKETALK” units since its release in December 2017 (as of October 2024). In the United States, adoption of these devices by educational and medical institutions, public bodies, and other organizations is accelerating in order to provide multilingual solutions to non-native speakers. In addition, for the AI-powered voice-to-text recorder “AutoMemo,” which leverages the voice recognition technology cultivated with “POCKETALK,” we are continually making improvements, such as increase of the voice recognition sensitivity and implementation of the summary function, and with over 160,000 service use accounts, it has been very well received.

Q.What are your thoughts on premium redemptions to shareholders?

A.We are committed to firmly maintaining a policy of paying stable dividends.

The basic dividend policy is to implement the distribution of profits with comprehensive consideration of business performance, the dividend payout ratio and the amount of investment required for medium- and long-term corporate growth. So far, we have paid dividends on the basis of a dividend payout ratio of 10% to 15%.

However, we recorded a net loss of 2.169 billion yen during the previous fiscal year. Regretfully, we are not planning to distribute dividends for the current fiscal year in order to restructure the base for medium- to long-term growth and fully recover business performance.

We will continue to implement the shareholder special benefit plan that was introduced as premium redemptions to shareholders. Depending on the number of shares owned, you will receive SOURCENEXT ePoint (privilege points) that can be used for purchases on our site.

Q.What are your future business strategies?

A.We will strive to expand sales of the next-generation model “POCKETALK S2,” the first model upgrade in five years, and to expand earnings in the United States. We will also promote development and sales of new products, including products that use AI.

In Japan, we aim to increase sales volume with a large-scale marketing campaign and greater exposure in stores for the next-generation “POCKETALK S2,” the first model upgrade in five years. Overseas, we are working to further improve brand recognition and expand sales channels in the United States, where there is growing demand for multilingual solutions.

Looking at other products, we will look to enhance the functionality of existing products and so forth, while also proactively developing and launching products that take advantage of generative AI and other new technologies, such as the interactive golf AI device, “BirdieTalk.”

Q.Does SOURCENEXT have an established regulatory compliance program?

A.Yes, we have established a culture of treating compliance with utmost importance.

In our corporate philosophy of “becoming the most exciting company in the world,” we define “exciting” to mean “being genuinely good,” “creating happiness,” and “having fun,” and we are fostering a culture that expects our people to do the right thing. Moreover, in addition to requiring our employees to undergo training and undertake tests at the time of entering the company and once a year thereafter, regardless of the form of their employment with the company, we also teach via other methods such as through the activities of committees composed of employees. Furthermore, as a response to actions that arouse suspicion as to whether they are within laws and regulations, we have established a report desk that provides the means for all employees to make an anonymous report to the company via an independent organization with no relationship of interest with our company.

Corporate Profile

Overview of Corporation (as of September 30, 2024)

Company Name

SOURCENEXT Corporation

Founded

August 2, 1996

Headquarters

35th Kowa Building 4F, 1-14-14 Akasaka,
Minato-Ku, Tokyo 107-0052

Capital

3,703 million yen

Number of Employees

Non-consolidated: 118
(including 7 temporary staff / employees)
Consolidated: 165
(including 7 temporary staff / employees)

Description of Business

Planning, development and distribution of PC /
smartphone software and hardware products

Members of the Board (as of September 30, 2024)

Founder and CEO Noriyuki Matsuda
President and COO Tomoaki Kojima
Director and CSO Kousuke Fujimoto
Director and CFO Fumihiko Aoyama
Outside Director Kunitake Ando
Outside Director Nobuhide Nakaido
Outside Director Aiko Oue
Standing Auditor Masaaki Hirose
Outside Auditor Tetsuya Kobayashi
Outside Auditor Maho Kinami

Present Shares (as of September 30, 2024)

Total Number of Authorized Shares
361,120,000 shares
Total Number of Issued Shares
136,358,300 shares
Number of Shareholders
53,598

Corporate Philosophy

Origin of company name:

“We Source What’s Next”

SOURCENEXT’s Ultimate Strategy

Corporate Mission

Creating products that inspire
joy and move the world

Corporate Vision

To become the most exciting company in the world

The three conditions of “Exciting”
Being genuinely good,
Creating happiness,
Having fun

Shareholders’ Notes

Fiscal Year

From April 1 to March 31 of the following year

Annual Meeting of Shareholders

June of every year

Record Date

For Annual Shareholders’ Meeting: March 31, every year
For Year-end Dividend: March 31, every year
If others are deemed necessary, the dates will be as notified in
advance

Shareholder Registry Administrator and Transfer Account Management Institution for Special Accounts

1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank,
Limited

Shareholder Registry Administrator Office

1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank,
Limited, Stock Transfer Agency Business Planning Dept.

(Mailing Address)

2-8-4, Izumi, Suginami-ku, Tokyo 168-0063
Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency
Business Planning Dept.

(Telephone Number)

0120-782-031 (Available only in Japan)

(Internet Homepage URL)

<https://www.smtb.jp/personal/procedure/agency/>

(Regarding changes in registered address and referencing information regarding shares)

Shareholders who have an account opened with a securities
company, who need to make changes to their registered address or
need to reference any records, please contact the securities
companies for which the account is opened for. For shareholders
who do not have an account at any securities company, please
make inquiries to the telephone number noted above.

(Regarding Special Accounts)

For shareholders who are not using Japan Securities Depository
Center for their electronic stock certificates, we have prepared an
account (special account) at the above Sumitomo Mitsui Trust Bank,
Limited. For address changes and referrals regarding these special
accounts, please contact the above telephone number.

Method of Notification

Notification will be made public electronically
(<https://www.sourcenext.com/>), but in any cases where notification
via electronic publication is not possible, the information will be
made public through the Nihon Keizai (Nikkei) Shimbun.

Securities Code 4344

Traded Tokyo Stock Exchange (Prime Market)



SOURCENEXT Corporation
35th Kowa Building 4F,
1-14-14 Akasaka, Minato-Ku,
Tokyo 107-0052

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