

FY2026 (Ending December) Q2 Financial Results Presentation

Aug 7, 2026

SOURCENEXT CORPORATION

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).

FY2026 Consolidated Statement of Profit and Loss(YoY Comparison)



(Unit: million yen)

Items	FY Dec 2025 (Jan2025–Jun2025)	FY Dec 2026 (Jan2026–Jun2026)	YoY	
			Amount	Change Rate
Net Sales	5,515	5,364	(151)	(2.7%)
Operating Loss	(2,014)	(805)	+1,209	-
Operating Loss Margin	(36.5%)	(15.0%)	-	+21.5pt
Ordinary Loss	(2,619)	(867)	+1,752	-
Ordinary Loss Margin	(47.5%)	(16.2%)	-	+31.3pt
Interim Net Loss	(2,621)	(775)	+1,845	-
Interim Net Loss Margin	(47.5%)	(14.5%)	-	+33.0pt

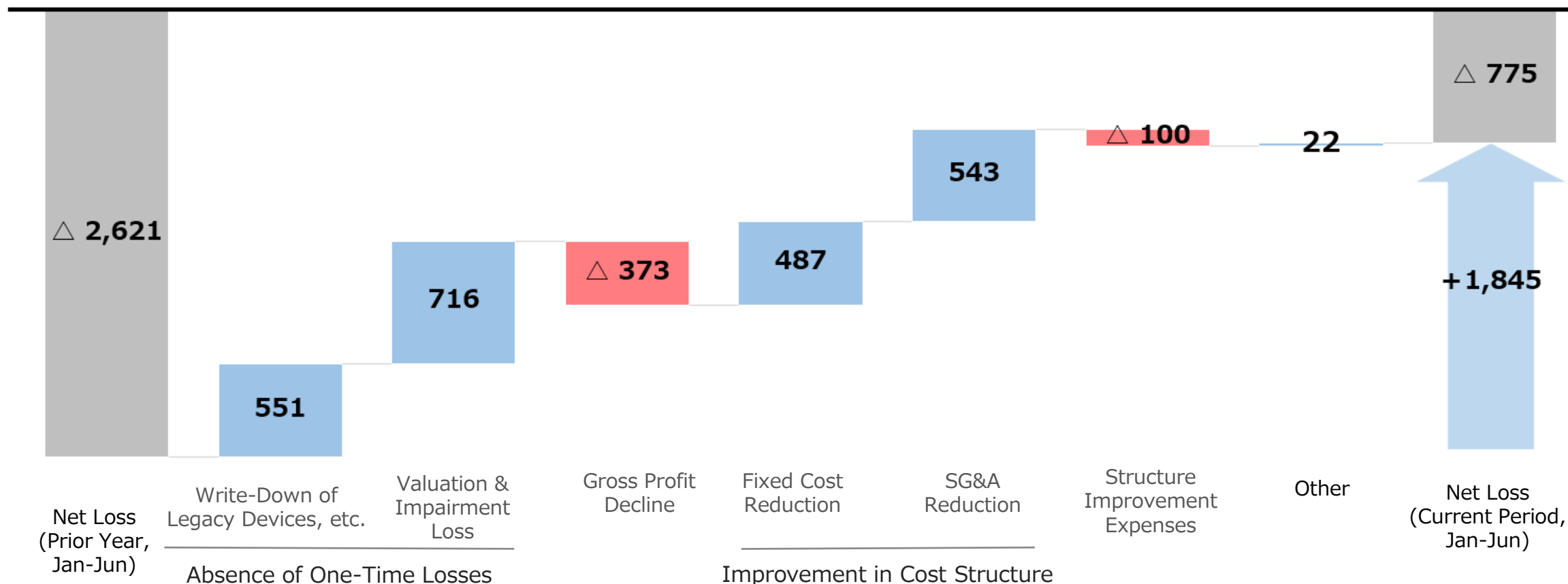
Note: "Interim Net Loss" refers to net loss attributable to owners of the parent company.

Operating loss and ordinary loss narrowed significantly Advancing improvement of the profit structure toward profitability.

- Sales of hardware products—including the in-house brand "DIGI+" and the smart ring "Oura Ring"—expanded; however, net sales decreased year-on-year due to the impact of declining sales of POCKETALK and other products.
- Ordinary loss and net loss narrowed significantly, with profitability on an improving trend.
- In the previous fiscal year, a temporary loss of 1,267 million yen was recorded as valuation losses on old POCKETALK products and investment securities, etc.; no such loss occurred in the current period.
- Through reductions in cost of sales and selling, general and administrative expenses, the Company is promoting sustainable profit improvement going forward.

Factors Behind Increase and Decrease in Net Loss (YoY/Cumulative)

(Unit: million yen)



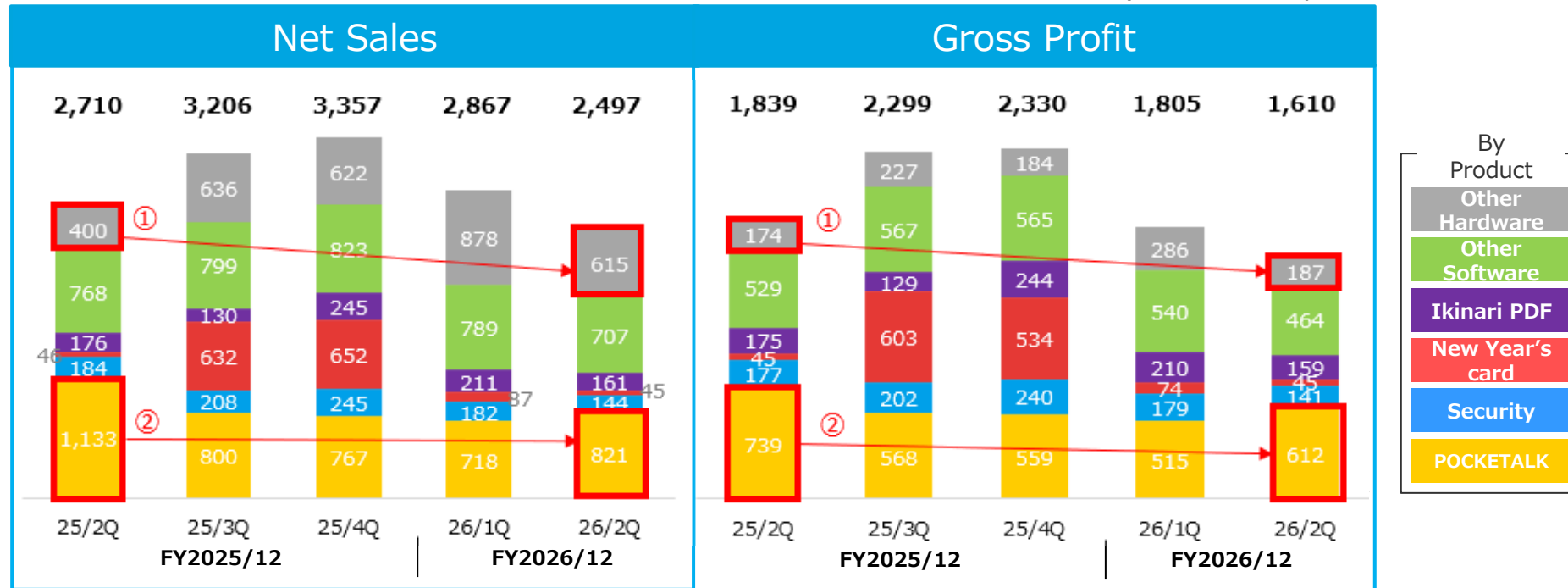
- Improvement due to the absence of temporary losses incurred in the previous period from valuation losses on old "POCKETALK" products and investment securities, etc.
- Business structure improvement expenses were recorded in connection with POCKETALK Inc.'s shift to a profitability-focused operating structure in its overseas business
- Sourcenext Corporation and POCKETALK Inc. improved profit margins by reviewing the structure of fixed costs and selling, general and administrative expenses

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.

Quarterly Trends in Net Sales and Gross Profit by Product

(Unit: million yen)



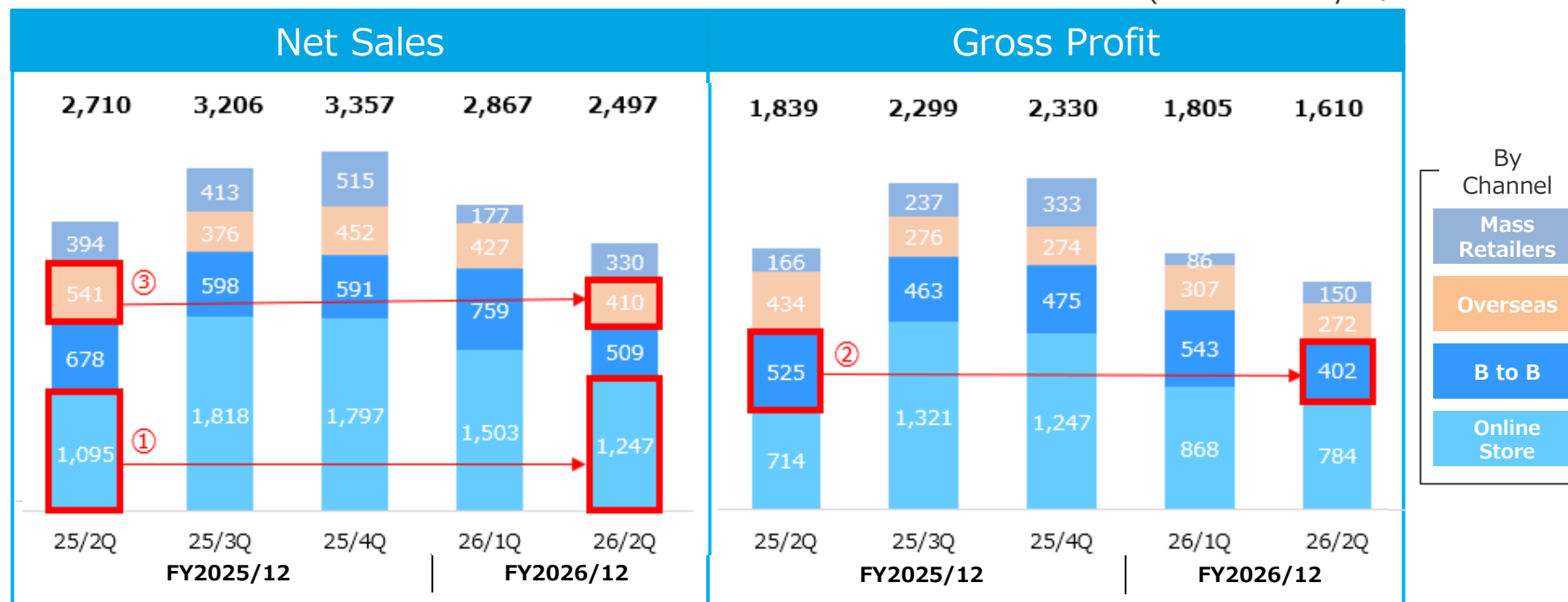
Note: The Gross Profit shown in the above table excludes shared costs such as development expenses that cannot be directly allocated to individual products or channels, and therefore does not match the Gross Profit reported in the Summary of Consolidated Financial Results.

Hardware products grew, driven by an expanded product lineup.

- ① Although sales of software products declined due to the reaction to the temporary surge in demand related to the Windows 11 migration that occurred in the previous period, the smart ring "Oura Ring" and the Company's own hardware brand "DIGI+" performed favorably. While the increase in gross profit relative to sales is relatively small for hardware and other products, suppliers partially bear marketing expenses, and selling, general and administrative expenses have also decreased; as a result, sufficient profit has been secured on an operating profit basis.
- ② For "POCKETALK," while sales in Europe increased, sales in the United States temporarily decreased year-on-year due to US government policy changes regarding educational institutions. Profit margins improved as a result of reviewing communication costs and hardware manufacturing costs, among other factors.

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.

Growth in online sales; decline in corporate sales and overseas sales

- ① Online sales grew significantly, with net sales reaching 1,247 million yen, driven by strong sales of the Company's own hardware brand "DIGI+" and other products.
- ② Corporate sales remained solid for B2B products such as "Ikinari PDF" and "Meeting Owl"; however, net sales and gross profit both decreased due to sluggish performance of smartphone app subscription services, which were affected by service reductions by major telecommunications carriers.
- ③ Overseas sales, etc., decreased from the same period of the previous year due to a decline in sales to educational institutions in the United States.

Consolidated Balance Sheet



(Unit : million yen)

	As of Dec 31, 2025	As of Jun 30, 2026	Change from Dec 31, 2025	
			Change	Change Rate
Current Assets	10,302	8,972	(1,330)	(12.9%)
Cash and Deposits	4,918	4,571	(346)	(7.1%)
Accounts Receivable	1,592	1,157	(434)	(27.3%)
Merchandise and Finished Goods	2,953	2,642	(311)	(10.5%)
Non-Current Assets	4,242	3,842	(399)	(9.4%)
Total Assets	14,544	12,815	(1,729)	(11.9%)
Current Liabilities	5,922	5,014	(907)	(15.3%)
Non-Current Liabilities	1,834	1,964	+129	+7.1%
Net Assets	6,787	5,835	(951)	(14.0%)
Equity Ratio	38.3%	36.9%	(1.4pt)	-

* 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.

POCKETALK Corporation – Income Statement (Consolidated, Jan–Jun)



(Unit : million yen)

	FY Dec 2025 (Jan2025–Jun2025)	FY Dec 2026 (Jan2026–Jun2026)	YoY	
			Change	Change Rate
Net Sales	2,117	1,485	(631)	(29.8%)
Gross Profit	781	783	+2	+0.4%
Gross Profit Margin	36.9%	52.7%	-	+15.9pt
SG&A Expenses	1,859	1,370	(488)	(26.3%)
Personnel Expenses	601	530	(70)	(11.7%)
Outsourcing Costs	348	337	(10)	(3.0%)
Advertising Expenses	228	34	(193)	(84.8%)
Operating Loss	(1,078)	(586)	+491	-
Operating Loss Margin	(50.9%)	(39.5%)	-	+11.4pt

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

US Region

- Due to a review of U.S. policy, net sales of "POCKETALK" in the United States decreased.
- Through the optimization of the sales structure and operating structure, the Company shifted to a management structure focused on profitability.

Europe

- Profitability improved through a review of the personnel structure and promotional expenses.
- Operating profit turned positive for the first half of the fiscal year (January–June 2026).

Japan

- Cost of sales decreased due to the impact of impairment losses recorded in the fiscal year ended December 2025.
- Profit margin improved through a review of communication costs and hardware manufacturing costs.
- Advertising expenses decreased, mainly due to the termination of a talent (celebrity endorsement) contract.

SOURCENEXT Corporation – Income Statement (Non-Consolidated, Jan–Jun)



(Unit : million yen)

	FY Dec 2025 (Jan2025–Jun2025)	FY Dec 2026 (Jan2026–Jun2026)	YoY	
			Change	Change Rate
Net Sales	3,893	3,939	+45	+1.2%
Gross Profit	1,345	2,045	+699	+52.0%
Gross Profit Margin	34.6%	51.9%	-	+17.3pt
SG&A Expenses	2,323	2,265	(57)	(2.5%)
Personnel Expenses	348	328	(20)	(5.9%)
Outsourcing Costs	741	750	+9	+1.3%
Advertising Expenses	364	330	(33)	(9.2%)
Operating Loss	(977)	(220)	+757	-
Operating Loss Margin	(25.1%)	(5.6%)	-	+19.5pt

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:

- Through the continuous implementation of cost control, a reduction of ¥68 million was achieved compared to the same period of the previous year.
- By leveraging AI to improve operational efficiency, the Company is controlling overall costs while investing in necessary external resources, thereby building a foundation to generate future profits.

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.

We Source What's Next.



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