

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2026

For the transition period from _____ to _____

Commission file number: 0-22773



NETSOL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

NEVADA
(State or other Jurisdiction of
Incorporation or Organization)

95-4627685
(I.R.S. Employer NO.)

16000 Ventura Blvd., Suite 770, Encino, CA 91436
(Address of principal executive offices) (Zip Code)
(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.01 par value per share	NTWK	NASDAQ

Indicate by check mark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer
Non-accelerated Filer

Accelerated Filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

The issuer had 12,815,445 shares issued and 11,876,414 outstanding of its \$.01 par value Common Stock and no Preferred Stock outstanding as of May 08, 2026.

NETSOL TECHNOLOGIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	As of March 31, 2026	As of June 30, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,744,392	\$ 17,357,944
Accounts receivable, net of allowance of \$92,025 and \$355,464	16,646,299	7,527,572
Revenues in excess of billings, net of allowance of \$256,812 and \$34,496	18,163,507	18,230,619
Other current assets	2,767,578	3,203,468
Total current assets	<u>52,321,776</u>	<u>46,319,603</u>
Revenues in excess of billings, net - long term	2,824,298	903,766
Property and equipment, net	5,558,409	5,073,372
Right of use assets - operating leases	869,191	809,513
Other assets	7,189	32,331
Other intangible assets, net	1,039,989	-
Goodwill	9,302,524	9,302,524
Total assets	<u>\$ 71,923,376</u>	<u>\$ 62,441,109</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,132,384	\$ 8,010,844
Current portion of loans and obligations under finance leases	8,241,584	8,240,061
Current portion of operating lease obligations	479,751	433,242
Unearned revenue	10,184,195	3,029,850
Total current liabilities	<u>27,037,914</u>	<u>19,713,997</u>
Loans and obligations under finance leases; less current maturities	249,799	134,608
Operating lease obligations; less current maturities	363,430	333,374
Total liabilities	<u>27,651,143</u>	<u>20,181,979</u>
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized;	-	-
Common stock, \$.01 par value; 18,000,000 shares authorized; 12,785,940 shares issued and 11,846,909 outstanding as of March 31, 2026, 12,700,465 shares issued and 11,761,434 outstanding as of June 30, 2025	127,862	127,008
Additional paid-in-capital	129,631,529	129,529,901
Treasury stock (at cost, 939,031 shares as of March 31, 2026 and June 30, 2025)	(3,920,856)	(3,920,856)
Accumulated deficit	(42,098,647)	(41,289,080)
Other comprehensive loss	(46,563,902)	(46,613,208)
Total NetSol stockholders' equity	<u>37,175,986</u>	<u>37,833,765</u>
Non-controlling interest	7,096,247	4,425,365
Total stockholders' equity	<u>44,272,233</u>	<u>42,259,130</u>
Total liabilities and stockholders' equity	<u>\$ 71,923,376</u>	<u>\$ 62,441,109</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2026	2025	2026	2025
Net Revenues:				
License fees	\$ 4,728,411	\$ 1,198	\$ 4,918,118	\$ 75,115
Subscription and support	8,810,115	7,888,360	26,850,453	24,723,460
Services	6,294,117	9,654,399	21,884,473	22,880,541
Total net revenues	<u>19,832,643</u>	<u>17,543,957</u>	<u>53,653,044</u>	<u>47,679,116</u>
Cost of revenues	<u>8,804,001</u>	<u>8,802,184</u>	<u>27,683,320</u>	<u>25,452,890</u>
Gross profit	<u>11,028,642</u>	<u>8,741,773</u>	<u>25,969,724</u>	<u>22,226,226</u>
Operating expenses:				
Selling, general and administrative	7,856,107	6,883,587	22,874,107	20,921,530
Research and development cost	166,384	304,788	628,440	998,406
Total operating expenses	<u>8,022,491</u>	<u>7,188,375</u>	<u>23,502,547</u>	<u>21,919,936</u>
Income from operations	<u>3,006,151</u>	<u>1,553,398</u>	<u>2,467,177</u>	<u>306,290</u>
Other income and (expenses)				
Interest expense	(151,537)	(194,742)	(502,421)	(689,347)
Interest income	208,232	294,655	697,981	1,593,594
Gain (loss) on foreign currency exchange transactions	(76,178)	321,622	(317,021)	165,741
Other income	109,203	10,831	190,798	202,420
Total other income (expenses)	<u>89,720</u>	<u>432,366</u>	<u>69,337</u>	<u>1,272,408</u>
Net income before income taxes	<u>3,095,871</u>	<u>1,985,764</u>	<u>2,536,514</u>	<u>1,578,698</u>
Income tax provision	<u>(781,243)</u>	<u>(151,334)</u>	<u>(1,477,212)</u>	<u>(712,765)</u>
Net income (loss)	<u>2,314,628</u>	<u>1,834,430</u>	<u>1,059,302</u>	<u>865,933</u>
Non-controlling interest	(1,013,664)	(410,462)	(1,868,869)	(518,212)
Net income (loss) attributable to NetSol	<u>\$ 1,300,964</u>	<u>\$ 1,423,968</u>	<u>\$ (809,567)</u>	<u>\$ 347,721</u>
Net income (loss) per share:				
Net income (loss) per common share				
Basic	\$ 0.11	\$ 0.12	\$ (0.07)	\$ 0.03
Diluted	\$ 0.11	\$ 0.12	\$ (0.07)	\$ 0.03
Weighted average number of shares outstanding				
Basic	<u>11,823,170</u>	<u>11,683,408</u>	<u>11,795,818</u>	<u>11,531,365</u>
Diluted	<u>11,836,930</u>	<u>11,683,408</u>	<u>11,795,818</u>	<u>11,531,365</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2026	2025	2026	2025
Net income (loss)	\$ 1,300,964	\$ 1,423,968	\$ (809,567)	\$ 347,721
Other comprehensive income (loss):				
Translation adjustment	(108,986)	(94,339)	248,826	(352,436)
Translation adjustment attributable to non-controlling interest	(41,907)	28,486	(199,520)	34,433
Net translation adjustment	(150,893)	(65,853)	49,306	(318,003)
Comprehensive income (loss) attributable to NetSol	<u>\$ 1,150,071</u>	<u>\$ 1,358,115</u>	<u>\$ (760,261)</u>	<u>\$ 29,718</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

A statement of the changes in equity for the three months ended March 31, 2026, is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2025	12,753,209	\$ 127,535	\$ 129,545,854	\$ (3,920,856)	\$ (43,399,611)	\$ (46,413,009)	\$ 5,998,656	\$ 41,938,569
Exercise of subsidiary common stock options			(12,953)				42,020	29,067
Common stock issued for:								
Services	32,731	327	98,628					98,955
Foreign currency translation adjustment						(150,893)	41,907	(108,986)
Net income					1,300,964		1,013,664	2,314,628
Balance at March 31, 2026	<u>12,785,940</u>	<u>\$ 127,862</u>	<u>\$ 129,631,529</u>	<u>\$ (3,920,856)</u>	<u>\$ (42,098,647)</u>	<u>\$ (46,563,902)</u>	<u>\$ 7,096,247</u>	<u>\$ 44,272,233</u>

A statement of the changes in equity for the three months ended December 31, 2025, is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at September 30, 2025	12,733,907	\$ 127,342	\$ 129,636,251	\$ (3,920,856)	\$ (43,646,368)	\$ (46,402,374)	\$ 4,729,654	\$ 40,523,649
Exercise of subsidiary common stock options			(151,204)				445,190	293,986
Common stock issued for:								
Services	19,302	193	60,807					61,000
Foreign currency translation adjustment						(10,635)	108,530	97,895
Net income					246,757		715,282	962,039
Balance at December 31, 2025	<u>12,753,209</u>	<u>\$ 127,535</u>	<u>\$ 129,545,854</u>	<u>\$ (3,920,856)</u>	<u>\$ (43,399,611)</u>	<u>\$ (46,413,009)</u>	<u>\$ 5,998,656</u>	<u>\$ 41,938,569</u>

A statement of the changes in equity for the three months ended September 30, 2025 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at June 30, 2025	12,700,465	\$ 127,008	\$ 129,529,901	\$ (3,920,856)	\$ (41,289,080)	\$ (46,613,208)	\$ 4,425,365	\$ 42,259,130
Exercise of subsidiary common stock options	-	-	(38,716)	-	-	-	115,283	76,567
Common stock issued for:								
Services	33,442	334	145,066	-	-	-	-	145,400
Foreign currency translation adjustment	-	-	-	-	-	210,834	49,083	259,917
Net loss	-	-	-	-	(2,357,288)	-	139,923	(2,217,365)
Balance at September 30, 2025	<u>12,733,907</u>	<u>\$ 127,342</u>	<u>\$ 129,636,251</u>	<u>\$ (3,920,856)</u>	<u>\$ (43,646,368)</u>	<u>\$ (46,402,374)</u>	<u>\$ 4,729,654</u>	<u>\$ 40,523,649</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

A statement of the changes in equity for the three months ended March 31, 2025 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2024	12,589,046	\$ 125,894	\$ 129,194,697	\$ (3,920,856)	\$ (45,288,560)	\$ (46,187,766)	\$ 4,592,554	\$ 38,515,963
Exercise of common stock options	20,000	200	42,800	-	-	-	-	43,000
Common stock issued for:								
Services	39,528	395	100,006	-	-	-	-	100,401
Purchase of subsidiary treasury shares	-	-	-	-	-	-	(1,503,662)	(1,503,662)
Adjustment in APIC for change in subsidiary shares to non-controlling interest	-	-	29,135	-	-	-	(29,135)	-
Foreign currency translation adjustment	-	-	-	-	-	(65,853)	(28,486)	(94,339)
Net income for the period	-	-	-	-	1,423,968	-	410,462	1,834,430
Balance at March 31, 2025	<u>12,648,574</u>	<u>\$ 126,489</u>	<u>\$ 129,366,638</u>	<u>\$ (3,920,856)</u>	<u>\$ (43,864,592)</u>	<u>\$ (46,253,619)</u>	<u>\$ 3,441,733</u>	<u>\$ 38,895,793</u>

A statement of the changes in equity for the three months ended December 31, 2024 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at September 30, 2024	12,383,872	\$ 123,842	\$ 128,709,890	\$ (3,920,856)	\$ (44,141,518)	\$ (46,049,023)	\$ 5,017,675	\$ 39,740,010
Exercise of common stock options	190,000	1,900	406,600	-	-	-	-	408,500
Common stock issued for:								
Services	15,174	152	39,598	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	7,605	-	-	-	-	7,605
Acquisition of non-controlling interest in subsidiary	-	-	31,004	-	-	-	(31,987)	(983)
Dividend to non-controlling interest	-	-	-	-	-	-	(306,799)	(306,799)
Foreign currency translation adjustment	-	-	-	-	-	(138,743)	(47,171)	(185,914)
Net loss	-	-	-	-	(1,147,042)	-	(39,164)	(1,186,206)
Balance at December 31, 2024	<u>12,589,046</u>	<u>\$ 125,894</u>	<u>\$ 129,194,697</u>	<u>\$ (3,920,856)</u>	<u>\$ (45,288,560)</u>	<u>\$ (46,187,766)</u>	<u>\$ 4,592,554</u>	<u>\$ 38,515,963</u>

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

A statement of the changes in equity for the three months ended September 30, 2024 is provided below:

	Common Stock		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Other Compre- hensive Loss	Non Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at June 30, 2024	12,359,922	\$ 123,602	\$ 128,783,865	\$ (3,920,856)	\$ (44,212,313)	\$ (45,935,616)	\$ 4,694,418	\$ 39,533,100
Exercise of common stock options	10,000	100	21,400	-	-	-	-	21,500
Common stock issued for:								
Services	13,950	140	39,610	-	-	-	-	39,750
Fair value of subsidiary options issued	-	-	8,029	-	-	-	-	8,029
Acquisition of non-controlling interest in subsidiary	-	-	(143,014)	-	-	-	135,119	(7,895)
Foreign currency translation adjustment	-	-	-	-	-	(113,407)	41,224	(72,183)
Net income	-	-	-	-	70,795	-	146,914	217,709
Balance at September 30, 2024	<u>12,383,872</u>	<u>\$ 123,842</u>	<u>\$ 128,709,890</u>	<u>\$ (3,920,856)</u>	<u>\$ (44,141,518)</u>	<u>\$ (46,049,023)</u>	<u>\$ 5,017,675</u>	<u>\$ 39,740,010</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended	
	March 31,	
	2026	2025
Cash flows from operating activities:		
Net income	\$ 1,059,302	\$ 865,933
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	931,771	1,102,085
Provision for bad debts	337,493	1,062,515
Gain on sale of assets	(87,463)	(28,320)
Stock based compensation	267,400	134,884
Changes in operating assets and liabilities:		
Accounts receivable	(9,180,034)	6,408,397
Revenues in excess of billing	(1,611,662)	(1,411,983)
Other current assets	936,453	(344,493)
Accounts payable and accrued expenses	123,872	(1,136,533)
Unearned revenue	6,437,518	(6,646,170)
Net cash provided by (used in) operating activities	(785,350)	6,315
Cash flows from investing activities:		
Purchases of property and equipment	(1,379,262)	(897,743)
Sales of property and equipment	85,851	63,577
Investment in associates	25,396	-
Purchase of subsidiary shares	-	(8,878)
Increase in intangible assets	(1,039,989)	-
Net cash used in investing activities	(2,308,004)	(843,044)
Cash flows from financing activities:		
Proceeds from the exercise of stock options and warrants	-	473,000
Proceeds from exercise of subsidiary options	387,200	-
Dividend paid by subsidiary to non-controlling interest	-	(306,799)
Purchase of subsidiary treasury stock	-	(1,503,662)
Proceeds from bank loans	1,076,226	2,451,256
Payments on finance lease obligations and loans - net	(1,093,671)	(247,496)
Net cash provided by financing activities	369,755	866,299
Effect of exchange rate changes	110,047	(381,996)
Net increase (decrease) in cash and cash equivalents	(2,613,552)	(352,426)
Cash and cash equivalents at beginning of the period	17,357,944	19,127,165
Cash and cash equivalents at end of period	\$ 14,744,392	\$ 18,774,739

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	For the Nine Months Ended March 31,	
	2026	2025
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 617,486	\$ 619,451
Taxes	\$ 992,446	\$ 1,185,546

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
March 31, 2026
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The Company develops, licenses and supports enterprise software solutions for asset finance, leasing and digital retail, and provides related services. The Company's customers include automotive and equipment OEMs, captive finance companies, dealerships and financial institutions worldwide. The Company also provides consulting, implementation and integration services.

The consolidated condensed interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2025. The Company follows the same accounting policies in preparation of interim reports. Results of operations for the interim periods are not indicative of annual results.

The accompanying consolidated financial statements include the accounts of the Company as follows:

Wholly owned Subsidiaries

NetSol Technologies Americas, Inc. ("NTA")
NetSol Connect (Private), Ltd. ("Connect")
NetSol Technologies Australia Pty Ltd. ("Australia")
NetSol Technologies Europe Limited ("NTE")
NetSol Technologies (Beijing) Co. Ltd. ("NetSol Beijing")
Tianjin NuoJinZhiCheng Co., Ltd ("Tianjin")
Ascent Europe Ltd. ("AEL")
Virtual Lease Services Holdings Limited ("VLSH")
Virtual Lease Services Limited ("VLS")
Virtual Lease Services (Ireland) Limited ("VLSIL")

Majority-owned Subsidiaries

NetSol Technologies, Ltd. ("NetSol PK")
NetSol Innovation (Private) Limited ("NetSol Innovation")
NetSol Institute of Artificial Intelligence (Private) Limited ("NIAP")
NETSOL Ascent Middle East Computer Equipment Trading LLC ("NAMECET")
NetSol Technologies Thailand Limited ("NetSol Thai")
Otoz (Thailand) Limited ("Otoz® Thai")

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
March 31, 2026
(Unaudited)

NOTE 2 – ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The areas requiring significant estimates are the measurement of progress toward completion of long-term software implementation projects, the allocation of the transaction price in multiple performance obligations, expected credit loss on accounts receivable and revenues in excess of billings, provision for taxation, useful life of depreciable assets, useful life of intangible assets, contingencies, the determination of stock-based compensation expense, estimated contract costs and the capitalization and estimated useful lives of software development and internal-use software costs. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash includes cash on hand and demand deposits in accounts maintained within the United States as well as in foreign countries. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash and restricted cash. The Company maintains balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for the banks located in the United States. Balances at financial institutions within certain foreign countries are not covered by insurance, except balances maintained in China are insured for RMB 500,000 (\$72,464) in each bank and in the UK for GBP 85,000 (\$111,842) in each bank. The Company maintains three bank accounts in China and six bank accounts in the UK. As of March 31, 2026, and June 30, 2025, the Company had uninsured deposits related to cash deposits in accounts maintained within foreign entities of approximately \$14,165,752 and \$16,386,079, respectively. The Company has not experienced any losses in such accounts.

The Company's operations are carried out globally. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments of each country and by the general state of the country's economy. The Company's operations in each foreign country are subject to specific considerations and significant risks not typically associated with companies in economically developed nations. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Internal-Use Software

The Company capitalizes certain costs incurred in connection with the development and implementation of internal-use software in accordance with ASC 350-40, *Internal-Use Software*. Capitalized costs include external direct costs of materials and services, payroll and payroll-related costs for employees directly associated with the development of the software, and interest costs incurred during the application development stage, if applicable.

Costs incurred during the preliminary project stage and post-implementation/operation stage, including training and maintenance, are expensed as incurred. Capitalization begins when the preliminary project stage is complete, management authorizes and commits to funding the project, and it is probable that the project will be completed and the software will be used as intended.

Capitalized internal-use software costs are included within other intangible assets and are amortized on a straight-line basis over the estimated useful life of the software. Amortization commences when the software is placed into service.

The Company evaluates capitalized internal-use software for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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Fair Value of Financial Instruments

The Company applies the provisions of Accounting Standards Codification (“ASC”) 820-10, “*Fair Value Measurements and Disclosures*.” ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. For certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and short-term debt, the carrying amounts approximate fair value due to their relatively short maturities. The carrying amounts of the long-term debt approximate their fair values based on current interest rates for instruments with similar characteristics.

The three levels of valuation hierarchy are defined as follows:

- Level 1: Valuations consist of unadjusted quoted prices in active markets for identical assets and liabilities and has the highest priority.
- Level 2: Valuations rely on quoted prices in markets that are not active or observable inputs over the full term of the asset or liability.
- Level 3: Valuations are based on prices or third party or internal valuation models that require inputs that are significant to the fair value measurement and are less observable and thus have the lowest priority.

The Company’s financial assets that were measured at fair value on a recurring basis as of March 31, 2026, were as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	\$ -	\$ -	\$ 2,824,298	\$ 2,824,298
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,824,298</u>	<u>\$ 2,824,298</u>

The Company’s financial assets that were measured at fair value on a recurring basis as of June 30, 2025, are as follows:

	Level 1	Level 2	Level 3	Total Assets
Revenues in excess of billings - long term	\$ -	\$ -	\$ 903,766	\$ 903,766
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,766</u>	<u>\$ 903,766</u>

The reconciliation from June 30, 2025 to March 31, 2026 is as follows:

	Revenues in excess of billings - long term	Fair value discount	Total
Balance at June 30, 2025	\$ 1,111,803	\$ (208,037)	\$ 903,766
Additions	2,521,608	(270,726)	2,250,882
Amortization during the period	-	49,822	49,822
Transfers to short term	(290,991)	-	(290,991)
Effect of Translation Adjustment	(97,693)	8,512	(89,181)
Balance at March 31, 2026	<u>\$ 3,244,727</u>	<u>\$ (420,429)</u>	<u>\$ 2,824,298</u>

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Management analyzes all financial instruments with features of both liabilities and equity under ASC 480, “*Distinguishing Liabilities from Equity*” and ASC 815, “*Derivatives and Hedging*.” Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrants and option derivatives are valued using the Black-Scholes model.

Recent Accounting Standards Not Yet Implemented:

Income Taxes

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09 – *Income Taxes (Topic ASC 740) Income Taxes*. This ASU improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation, as well as disaggregated income taxes paid by jurisdiction. The amendments are effective for annual periods beginning after December 15, 2024. For the Company, this corresponds to fiscal year 2026. The amendments will be applied on a prospective basis, although retrospective application for prior periods is permitted. The Company expects the adoption of this ASU to result in additional disclosures but does not anticipate any impact on its financial position, results of operations, or cash flows.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. Additionally, in January 2025, the FASB issued ASU 2025-01 to clarify the effective date of ASU 2024-03. The standard requires disclosure of specified information about certain costs and expenses, including purchases of inventory, employee compensation, depreciation, and intangible asset amortization from each relevant expense caption. The amendments are effective for annual reporting periods beginning after December 15, 2026, which corresponds to the Company’s fiscal year 2028 and interim periods beginning after December 15, 2027, which corresponds to the Company’s first quarter of fiscal 2029. Early adoption and retrospective application are permitted but not required. The Company plans to adopt the standard and make the required disclosures beginning in fiscal year 2028 for annual periods and in Q1 of fiscal 2029 for interim periods. The Company expects the adoption of this ASU to result in additional disclosures but does not anticipate any impact on its financial position, results of operations, or cash flows.

Internal-Use Software

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This ASU eliminates references to “project stages” and clarifies the criteria for capitalizing costs related to internal-use software. The amendments apply to all entities subject to the guidance in Subtopic 350-40. The ASU is effective for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years, which corresponds to the Company’s fiscal year 2029. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

Interim Reporting

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies the application of interim reporting guidance, including the types of interim reporting and the form and content of interim financial statements under U.S. GAAP. The amendments are intended to clarify and improve the organization of existing interim reporting requirements and do not change the fundamental principles of interim reporting. The ASU is effective for interim reporting periods within fiscal years beginning after December 15, 2027, which corresponds to the interim periods within the Company’s fiscal year 2029. The Company is currently assessing the impact of this ASU on its consolidated financial statements and related disclosures.

All other newly issued accounting pronouncements not yet effective have been deemed either immaterial or not applicable.

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NOTE 3 – REVENUE RECOGNITION

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company records the amount of revenue and related costs by considering whether the entity is a principal (gross presentation) or an agent (net presentation) by evaluating the nature of its promise to the customer. Revenue is presented net of sales, value-added and other taxes collected from customers and remitted to government authorities.

The Company has two primary revenue streams: core revenue and non-core revenue.

Core Revenue

The Company generates its core revenue from the following sources: (1) software licenses, (2) services, which include implementation and consulting services, and (3) subscription and support, which includes post-contract support, of its enterprise software solutions for the lease and finance industry. The Company offers its software using the same underlying technology via two models: a traditional on-premises licensing model and a subscription model. The on-premises model involves the sale or license of software on a perpetual basis to customers who take possession of the software and install and maintain the software on their own hardware. Under the subscription delivery model, the Company provides access to its software on a hosted basis as a service, and customers generally do not have the contractual right to take possession of the software.

Non-Core Revenue

The Company generates its non-core revenue by providing business process outsourcing (“BPO”), other IT services, and internet services.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract.

The Company’s contracts which contain multiple performance obligations generally consist of the initial purchase of subscription or licenses and a professional services engagement. License purchases generally have multiple performance obligations as customers purchase post-contract support and services in addition to the licenses. The Company’s single performance obligation arrangements are typically post-contract support renewals, subscription renewals and services engagements.

For contracts with multiple performance obligations where the contracted price differs from the standalone selling price (“SSP”) for any distinct good or service, the Company may be required to allocate the contract’s transaction price to each performance obligation using its best estimate for the SSP.

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Software Licenses

Revenue from software licenses is recognized when control of the software license transfers to the customer, which is generally upon delivery of the software and when the customer has the ability to use and benefit from the software. Software licenses are generally provided as perpetual licenses deployed in customer-hosted or on-premise environments. The Company's typical payment terms tend to vary by region, but its standard payment terms are within 30 days of invoice.

Subscription

Subscription revenue is recognized ratably over the initial subscription period committed to by the customer commencing when the product is made available to the customer. The initial subscription period is typically 12 to 60 months. The Company generally invoices its customers in advance in quarterly or annual installments and typical payment terms provide that customers make payment within 30 days of invoice.

Post Contract Support

Revenue from support services and product updates, referred to as subscription and support revenue, is recognized ratably over the term of the maintenance period, which in most instances is one year. Software license updates provide customers with rights to unspecified software product updates and patches released during the term of the support period on a when-and-if available basis. The Company's customers purchase both product support and license updates when they acquire new software licenses. In addition, most customers renew their support services contracts annually and typical payment terms provide that customers make payment within 30 days of invoice.

Professional Services

Revenue from professional services is typically comprised of implementation, development, data migration, training, or other consulting services. Consulting services are generally sold on a time-and-materials or fixed fee basis and can include services ranging from software installation to data conversion and building non-complex interfaces to allow the software to operate in integrated environments. The Company recognizes revenue for time-and-materials arrangements as the services are performed. In fixed fee arrangements, revenue is recognized as services are performed as measured by costs incurred to date, compared to total estimated costs to complete the services project. Management applies judgment when estimating project status and the costs necessary to complete the services projects. Several internal and external factors can affect these estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes. Services are generally invoiced upon milestones in the contract or upon consumption of the hourly resources and payments are typically due 30 days after invoice.

BPO and Internet Services

Revenue from BPO services is recognized based on the stage of completion which is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. Internet services are invoiced either monthly, quarterly, or half yearly in advance to the customers and revenue is recognized ratably overtime on a monthly basis.

Disaggregated Revenue

The Company disaggregates revenue from contracts with customers by category — core and non-core, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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The Company's disaggregated revenue by category is as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2026	2025	2026	2025
Core:				
License	\$ 4,728,411	\$ 1,198	\$ 4,918,118	\$ 75,115
Subscription and support	8,810,115	7,888,360	26,850,453	24,723,460
Services	5,609,362	8,778,454	19,498,701	20,195,414
Total core revenue, net	<u>19,147,888</u>	<u>16,668,012</u>	<u>51,267,272</u>	<u>44,993,989</u>
Non-Core:				
Services	684,755	875,945	2,385,772	2,685,127
Total non-core revenue, net	<u>684,755</u>	<u>875,945</u>	<u>2,385,772</u>	<u>2,685,127</u>
Total net revenue	<u>\$ 19,832,643</u>	<u>\$ 17,543,957</u>	<u>\$ 53,653,044</u>	<u>\$ 47,679,116</u>

Significant Judgments

Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

Judgment is required to determine the SSP for each distinct performance obligation. The Company rarely licenses or sells products on a stand-alone basis, so the Company is required to estimate the range of SSPs for each performance obligation. In instances where SSP is not directly observable because the Company does not sell the license, product, or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. In making these judgments, the Company analyzes various factors, including its pricing methodology and consistency, size of the arrangement, length of term, customer demographics and overall market and economic conditions. Based on these results, the estimated SSP is set for each distinct product or service delivered to customers.

The most significant inputs involved in the Company's revenue recognition policies are: The (1) stand-alone selling prices of the Company's software license, and the (2) the method of recognizing revenue for installation/customization, and other services.

The stand-alone selling price of the licenses was measured primarily through an analysis of pricing that management evaluated when quoting prices to customers. Although the Company has no history of selling its software separately from post-contract support and other services, the Company does have historical experience with amending contracts with customers to provide additional modules of its software or providing those modules at an optional price. This information guides the Company in assessing the stand-alone selling price of the Company's software, since the Company can observe instances where a customer had a particular component of the Company's software that was essentially priced separate from other goods and services that the Company delivered to that customer.

The Company recognizes revenue from implementation and customization services using the percentage of estimated "person-days" that the work requires. The Company believes the level of effort to complete the services is best measured by the amount of time (measured as an employee working for one day on implementation/customization work) that is required to complete the implementation or customization work. The Company reviews its estimate of person-days required to complete implementation and customization services each reporting period.

Revenue is recognized over time for the Company's subscription, post contract support and fixed fee professional services that are separate performance obligations. For the Company's professional services, revenue is recognized over time, generally using costs incurred or hours expended to measure progress. Judgment is required in estimating project status and the costs necessary to complete projects. Several internal and external factors can affect these estimates, including labor rates, utilization, specification variances and testing requirement changes.

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If a group of agreements is entered at or near the same time and so closely related that they are, in effect, part of a single arrangement, such agreements are deemed to be combined as one arrangement for revenue recognition purposes. The Company exercises significant judgment to evaluate the relevant facts and circumstances in determining whether agreements should be accounted for separately or as a single arrangement. The Company's judgments about whether a group of contracts comprises a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on the results of operations for the periods involved.

If a contract includes variable consideration, the Company exercises judgment in estimating the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. When estimating variable consideration, the Company will consider all relevant facts and circumstances. Variable consideration will be estimated and included in the contract price only when it is probable that a significant reversal in the amount of revenue recognized will not occur.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers, and these timing differences result in receivables, contract assets (revenues in excess of billings), or contract liabilities (unearned revenue) on the Company's Consolidated Balance Sheets. The Company records revenues in excess of billings when the Company has transferred goods or services but does not yet have the right to consideration. The Company records unearned revenue when the Company has received or has the right to receive consideration but has not yet transferred goods or services to the customer.

The revenues in excess of billings are transferred to receivables when the rights to consideration become unconditional, usually upon completion of a milestone.

The Company's revenues in excess of billings and unearned revenue are as follows:

	<u>As of</u> <u>March 31, 2026</u>	<u>As of</u> <u>June 30, 2025</u>
Revenues in excess of billings	<u>\$20,987,805</u>	<u>\$19,134,385</u>
Unearned revenue	<u>\$10,184,195</u>	<u>\$3,029,850</u>

The Company's unearned revenue reconciliation is as follows:

	<u>Unearned Revenue</u>
Balance at June 30, 2025	\$ 3,029,850
Invoiced	30,142,397
Revenue Recognized	(22,858,713)
Adjustments	(129,339)
Balance at March 31, 2026	<u>\$ 10,184,195</u>

During the three and nine months ended March 31, 2026, the Company recognized revenue of \$362,000 and \$2,697,000, which was included in the unearned revenue balance at the beginning of the period. All other activity in unearned revenue is due to the timing of invoicing in relation to the timing of revenue recognition.

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Revenue allocated to the remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted but unsatisfied performance obligations were approximately \$19,381,000 as of March 31, 2026, of which the Company estimates to recognize approximately \$17,876,000 in revenue over the next 12 months and the remainder over an estimated 3 years thereafter. Actual revenue recognition depends in part on the timing of software modules installed at various customer sites. Accordingly, some factors that affect the Company's revenue, such as the availability and demand for modules within customer geographic locations, is not entirely within the Company's control. In certain arrangements, the timing of revenue recognition differs from the timing of invoicing and cash collections, which may result in Revenue in Excess of Billings or Unearned Revenue balances. The Company evaluates its contracts to determine whether a significant financing component exists. In arrangements where payment terms are extended beyond one year and are determined to provide financing to the customer, the transaction price is adjusted to reflect the time value of money. The related financing component is recognized as interest income over the payment term using the effective interest method. For other arrangements, the primary purpose of the Company's billing terms is to align invoicing with contractual milestones, customer acceptance provisions, or implementation schedules, and not to provide financing to customers or the Company.

Unearned Revenue

The Company typically invoices its customers for subscription and support fees in advance on a quarterly or annual basis, with payment due at the start of the subscription or support term. Unpaid invoice amounts for non-cancelable licenses and services starting in future periods are included in accounts receivable and unearned revenue.

Practical Expedients and Exemptions

There are several practical expedients and exemptions allowed under Topic 606 that impact the timing of revenue recognition and the Company's disclosures. The Company has applied the following practical expedients:

- The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.
- The Company generally expenses sales commissions and sales agent fees when incurred when the amortization period would have been one year or less or the commissions are based on cash received. These costs are recorded within sales and marketing expense in the Consolidated Statement of Operations.
- The Company does not disclose the value of unsatisfied performance obligations for contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (applies to time-and-material engagements).

Costs to Obtain a Contract

The Company does not have a material amount of costs to obtain a contract capitalized at any balance sheet date. In general, the Company incurs few direct incremental costs of obtaining new customer contracts. The Company rarely incurs incremental costs to review or otherwise enter into contractual arrangements with customers. In addition, the Company's sales personnel receive fees that are referred to as commissions, but that are based on more than simply signing up new customers. The Company's sales personnel are required to perform additional duties beyond new customer contract inception dates, including fulfillment duties and collections efforts.

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share are computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and stock awards.

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The components of basic and diluted earnings per share were as follows:

	For the three months ended March 31, 2026			For the nine months ended March 31, 2026		
	Net Income	Shares	Per Share	Net Loss	Shares	Per Share
Basic income (loss) per share:						
Net income (loss)	\$ 1,300,964	11,823,170	\$ 0.11	\$ (809,567)	11,795,818	\$ (0.07)
Effect of dilutive securities						
Stock options	-	13,760	-	-	-	-
Diluted income (loss) per share	<u>\$ 1,300,964</u>	<u>11,836,930</u>	<u>\$ 0.11</u>	<u>\$ (809,567)</u>	<u>11,795,818</u>	<u>\$ (0.07)</u>

	For the three months ended March 31, 2025			For the nine months ended March 31, 2025		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
Basic income per share:						
Net income	\$ 1,423,968	11,683,408	\$ 0.12	\$ 347,721	11,531,365	\$ 0.03
Effect of dilutive securities						
Stock options	-	-	-	-	-	-
Diluted income per share	<u>\$ 1,423,968</u>	<u>11,683,408</u>	<u>\$ 0.12</u>	<u>\$ 347,721</u>	<u>11,531,365</u>	<u>\$ 0.03</u>

As of March 31, 2026, 50,000 options were outstanding. For the nine months ended March 31, 2026, the Company reported a net loss; accordingly, these options were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

NOTE 5 – OTHER COMPREHENSIVE INCOME AND FOREIGN CURRENCY

The following table represents the functional currencies of the Company and its subsidiaries:

The Company and Subsidiaries	Functional Currency
NetSol Technologies, Inc.	USD
NTA	USD
NTE	British Pound
AEL	British Pound
VLSH	British Pound
VLS	British Pound
VLSIL	Euro
NetSol PK	Pakistan Rupee
Connect	Pakistan Rupee
NetSol Innovation	Pakistan Rupee
NIAI	Pakistan Rupee
NetSol Thai	Thai Bhat
Otoz Thai	Thai Bhat
Australia	Australian Dollar
NAMECET	AED
NetSol Beijing	Chinese Yuan
Tianjin	Chinese Yuan

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Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. Accumulated translation losses classified as an item of accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet were \$46,563,902 and \$46,613,208 as of March 31, 2026 and June 30, 2025, respectively. During the three and nine months ended March 31, 2026, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of \$150,893 and a translation gain of \$49,306, respectively. During the three and nine months ended March 31, 2025, comprehensive income (loss) in the consolidated statements of comprehensive income (loss) included a translation loss attributable to NetSol of \$65,853 and \$318,003, respectively.

NOTE 6 – MAJOR CUSTOMERS

Revenue Concentration

For the three months ended March 31, 2026, one customer accounted for 40.3% of net revenues. For the nine months ended March 31, 2026, two customers accounted for 28.5% and 14.6% of net revenues.

For the three months ended March 31, 2025, three customers accounted for 18.9%, 18.1% and 16.5% of net revenues. For the nine months ended March 31, 2025, two customers accounted for 19.2% and 18.7% of net revenues.

Accounts Receivable Concentration

As of March 31, 2026, one customer accounted for 49.8% of accounts receivable. As of June 30, 2025, three customers accounted for 16.8%, 16.1%, and 10.8% of accounts receivable.

Revenues in Excess of Billings Concentration

As of March 31, 2026, four customers accounted for 20.1%, 17.7%, 11.5%, and 10.9% of revenues in excess of billings. As of June 30, 2025, four customers accounted for 24.2%, 16.9%, 15.9%, and 11.9% of revenues in excess of billings.

NOTE 7 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of March 31, 2026	As of June 30, 2025
Prepaid Expenses	\$ 1,347,962	\$ 1,760,321
Advance Income Tax	167,339	406,221
Employee Advances	371,884	151,355
Security Deposits	158,349	159,849
Other Receivables	371,752	410,489
Other Assets	350,292	315,233
Net Balance	<u>\$ 2,767,578</u>	<u>\$ 3,203,468</u>

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NOTE 8 – REVENUES IN EXCESS OF BILLINGS – LONG TERM

Revenues in excess of billings, net consisted of the following:

	As of March 31, 2026	As of June 30, 2025
Revenues in excess of billings - long term	\$ 3,244,727	\$ 1,111,803
Present value discount	(420,429)	(208,037)
Net Balance	<u>\$ 2,824,298</u>	<u>\$ 903,766</u>

Pursuant to revenue recognition for contract accounting, the Company has recorded revenues in excess of billings long-term for amounts billable after one year. During the three and nine months ended March 31, 2026, the Company accreted \$12,504 and \$49,822, respectively, which were recorded in interest income for that period. During the three and nine months ended March 31, 2025, the Company accreted \$18,099 and \$54,833, respectively, which were recorded in interest income for that period. The Company used the discounted cash flow method with interest rates ranging from 4.5% to 6.6%, for the period ended March 31, 2026. The Company used the discounted cash flow method with interest rates ranging from 4.2% to 17.5%, for the period ended June 30, 2025.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of March 31, 2026	As of June 30, 2025
Office Furniture and Equipment	\$ 2,796,062	\$ 2,437,002
Computer Equipment	9,663,469	9,513,181
Assets Under Capital Leases	140,213	145,197
Building	3,590,931	3,532,475
Land	910,300	894,698
Autos	2,088,849	1,603,271
Improvements	266,418	217,230
Subtotal	<u>19,456,242</u>	<u>18,343,054</u>
Accumulated Depreciation	<u>(13,897,833)</u>	<u>(13,269,682)</u>
Property and Equipment, Net	<u>\$ 5,558,409</u>	<u>\$ 5,073,372</u>

For the three and nine months ended March 31, 2026, depreciation expense totaled \$307,416 and \$931,771, respectively. Of these amounts, \$192,897 and \$591,694, respectively, are reflected in cost of revenues. For the three and nine months ended March 31, 2025, depreciation expense totaled \$363,503 and \$1,102,085, respectively. Of these amounts, \$240,444 and \$706,876, respectively, are reflected in cost of revenues.

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Following is a summary of fixed assets held under finance leases as of March 31, 2026 and June 30, 2025:

	As of March 31, 2026	As of June 30, 2025
Vehicles	\$ 140,213	\$ 145,197
Total	140,213	145,197
Less: Accumulated Depreciation - Net	(71,478)	(47,807)
	<u>\$ 68,735</u>	<u>\$ 97,390</u>

Finance lease term and discount rate were as follows:

	As of March 31, 2026	As of June 30, 2025
Weighted average remaining lease term - Finance leases	1 Years	1.75 Years
Weighted average discount rate - Finance leases	11.3%	11.3%

NOTE 10 - LEASES

The Company leases certain office space, office equipment and autos with remaining lease terms of one year to 10 years under leases classified as financing and operating. For certain leases, the Company has options to extend the lease term for additional periods ranging from one year to 10 years.

The Company treats a contract as a lease when the contract conveys the right to use a physically distinct asset for a period of time in exchange for consideration, or the Company directs the use of the asset and obtains substantially all the economic benefits of the asset. These leases are recorded as right-of-use ("ROU") assets and lease obligation liabilities for leases with terms greater than 12 months. ROU assets represent the Company's right to use an underlying asset for the entirety of the lease term. Lease liabilities represent the Company's obligation to make payments over the life of the lease. A ROU asset and a lease liability are recognized at the commencement of the lease based on the present value of the lease payments over the life of the lease. Initial direct costs are included as part of the ROU asset upon commencement of the lease. Since the interest rate implicit in a lease is generally not readily determinable for the operating leases, the Company uses an incremental borrowing rate to determine the present value of the lease payments. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar lease term to obtain an asset of similar value.

The Company reviews the impairment of ROU assets consistent with the approach applied to the Company's other long-lived assets. The Company reviews the recoverability of long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations.

The Company elected the practical expedient to exclude short-term leases (leases with original terms of 12 months or less) from ROU asset and lease liability accounts.

Lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. Variable payments change due to facts or circumstances occurring after the commencement date, other than the passage of time, and do not result in a re-measurement of lease liabilities. The Company's variable lease payments include payments for finance leases that are adjusted based on a change in the Karachi Inter Bank Offer Rate. The Company's lease agreements do not contain any significant residual value guarantees or restrictive covenants.

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Supplemental balance sheet information related to leases was as follows:

	As of March 31, 2026	As of June 30, 2025
Assets		
Operating lease assets, net	\$ 869,191	\$ 809,513
Liabilities		
Current		
Operating	\$ 479,751	\$ 433,242
Non-current		
Operating	363,430	333,374
Total Lease Liabilities	\$ 843,181	\$ 766,616

The components of lease cost were as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2026	2025	2026	2025
Amortization of finance lease assets	\$ 8,119	\$ 7,584	\$ 24,259	\$ 29,181
Interest on finance lease obligation	3,040	2,839	9,083	8,833
Operating lease cost	166,901	97,891	430,389	296,229
Short term lease cost	84,737	51,551	242,166	161,591
Sub lease income	(8,974)	(8,406)	(26,802)	(25,326)
Total lease cost	\$ 253,823	\$ 151,459	\$ 679,095	\$ 470,508

Lease term and discount rate were as follows:

	As of March 31, 2026	As of June 30, 2025
Weighted average remaining lease term - Operating leases	2.05 Years	1.44 Years
Weighted average discount rate - Operating leases	4.0%	4.8%

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Supplemental disclosures of cash flow information related to leases were as follows:

	For the Nine Months Ended March 31,	
	2026	2025
Operating cash flows related to operating leases	\$ 536,206	\$ 280,336
Operating cash flows related to finance leases	\$ 9,081	\$ 8,833
Financing cash flows related finance leases	\$ 9,050	\$ 12,122

Maturities of operating lease liabilities were as follows as of March 31, 2026:

	Amount
Within year 1	\$ 509,095
Within year 2	257,984
Within year 3	118,487
Within year 4	118
Total Lease Payments	885,684
Less: Imputed interest	(42,503)
Present Value of lease liabilities	843,181
Less: Current portion	(479,751)
Non-Current portion	\$ 363,430

The Company is a lessor for certain office space leased by the Company and sub-leased to others under non-cancellable leases. These lease agreements provide for a fixed base rent and are currently on a month-by-month basis. All leases are considered operating leases. There are no rights to purchase the premises and no residual value guarantees. For the three and nine months ended March 31, 2026, the Company received lease income of \$8,974 and \$26,802, respectively. For the three and nine months ended March 31, 2025, the Company received lease income of \$8,406 and \$25,326, respectively.

NOTE 11 – OTHER INTANGIBLE ASSETS

Other intangible assets consist of capitalized costs of internally developed software.

	March 31, 2026
Balance at June 30, 2025	\$ -
Capitalized development costs	1,039,989
Amortization expense	-
Net carrying value at March 31, 2026	\$ 1,039,989

Additions to internal-use software represent capitalized costs incurred during the application development stage under ASC 350-40, including direct labor and external development costs. Costs related to preliminary project activities, training and maintenance are expensed as incurred. Amortization begins when the software is placed into service and is recognized on a straight-line basis over the estimated useful lives.

NOTE 12 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	As of March 31, 2026	As of June 30, 2025
Accounts Payable	\$ 1,038,978	\$ 981,504
Accrued Liabilities	4,157,024	4,502,366
Accrued Payroll	1,454,487	1,313,127
Accrued Payroll Taxes	185,362	329,618
Taxes Payable	1,048,864	600,199
Other Payable	247,669	284,030
Total	\$ 8,132,384	\$ 8,010,844

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NOTE 13 – DEBTS

Notes payable and finance leases consisted of the following:

Name		As of March 31, 2026		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 211,439	\$ 211,439	\$ -
Line of Credit	(2)	-	-	-
Bank Overdraft Facility	(3)	-	-	-
Loan Payable Bank - Export Refinance	(4)	1,790,317	1,790,317	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	-	-	-
Loan Payable Bank - Export Refinance III	(7)	1,360,642	1,360,642	-
Loan Payable Bank - Export Refinance IV	(8)	4,654,827	4,654,827	-
Sale and Leaseback Financing	(9)	386,238	141,969	244,269
		<u>8,403,463</u>	<u>8,159,194</u>	<u>244,269</u>
Subsidiary Finance Leases	(10)	87,920	82,390	5,530
		<u>\$ 8,491,383</u>	<u>\$ 8,241,584</u>	<u>\$ 249,799</u>

Name		As of June 30, 2025		
		Total	Current Maturities	Long-Term Maturities
D&O Insurance	(1)	\$ 119,542	\$ 119,542	\$ -
Line of Credit	(2)	405,000	405,000	-
Bank Overdraft Facility	(3)	-	-	-
Loan Payable Bank - Export Refinance	(4)	1,759,634	1,759,634	-
Loan Payable Bank - Running Finance	(5)	-	-	-
Loan Payable Bank - Export Refinance II	(6)	-	-	-
Loan Payable Bank - Export Refinance III	(7)	1,337,322	1,337,322	-
Loan Payable Bank - Export Refinance IV	(8)	4,575,048	4,575,048	-
Sale and Leaseback Financing	(9)	76,618	29,660	46,958
		<u>8,273,164</u>	<u>8,226,206</u>	<u>46,958</u>
Subsidiary Finance Leases	(10)	101,505	13,855	87,650
		<u>\$ 8,374,669</u>	<u>\$ 8,240,061</u>	<u>\$ 134,608</u>

(1) The Company finances Directors' and Officers' ("D&O") liability insurance and Errors and Omissions ("E&O") liability insurance, for which the D&O and E&O balances are renewed on an annual basis and, as such, are recorded in current maturities. The interest rate on these financings ranged from 7.4% to 7.8% as of March 31, 2026, and 8.4% to 11.6% as of June 30, 2025.

(2) The Company has an uncommitted discretionary demand line of credit up to an aggregate amount of \$1,000,000 with HSBC, secured by a lien on the Company's assets. The annual interest rate was 8.0% as of March 31, 2026, and 7.75% as of June 30, 2025. The Company paid down the full amount during the nine months ended March 31, 2026. The total outstanding balance as of June 30, 2025, was \$405,000.

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- (3) The Company's subsidiary, NTE, has an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £300,000, or approximately \$394,737. The annual interest rate was 8.0% as of March 31, 2026 and 8.5% as of June 30, 2025. The total outstanding balance as of March 31, 2026 and June 30, 2025 was £Nil.

This overdraft facility requires that the aggregate amount of invoiced trade debtors (net of provisions for bad and doubtful debts and excluding intra-group debtors) of NTE, not exceeding 90 days old, will not be less than an amount equal to 200% of the facility. As of March 31, 2026, NTE was in compliance with this covenant.

- (4) The Company's subsidiary, NetSol PK, has an export refinance facility with Askari Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 600,000,000 or \$2,148,382 at March 31, 2026 and Rs. 600,000,000 or \$2,111,561 at June 30, 2025. NetSol PK used Rs. 500,000,000 or \$1,790,317 at March 31, 2026 and Rs. 500,000,000 or \$1,759,634 at June 30, 2025. The interest rate for the loan was 4.5% at March 31, 2026 and 8.0% at June 30, 2025.
- (5) The Company's subsidiary, NetSol PK, has a running finance facility with Askari Bank Limited, secured by NetSol PK's assets. The total facility amount is Rs. 4,050,937 or \$14,505 and Rs. 4,050,937 or \$14,256, at March 31, 2026 and June 30, 2025, respectively. The balance outstanding at March 31, 2026 and June 30, 2025 was Rs. Nil. The interest rate for the loan was 13.5% at March 31, 2026 and 13.2% at June 30, 2025.
- (6) The Company's subsidiary, NetSol PK, has an export refinance facility with Bank Al-Habib Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 400,000,000 or \$1,432,254 at March 31, 2026. NetSol PK has not used this facility at March 31, 2026. The interest rate for the loan was 4.5% at March 31, 2026.

This facility requires NetSol PK to maintain a long-term debt equity ratio of 60:40 and a current ratio of 1:1. As of March 31, 2026, NetSol PK was in compliance with this covenant.

- (7) The Company's subsidiary, NetSol PK, has an export refinance facility with Samba Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 380,000,000 or \$1,360,642 and Rs. 380,000,000 or \$1,337,322 at March 31, 2026 and June 30, 2025, respectively. The interest rate for the loan was 4.5% at March 31, 2026 and 8.0% at June 30, 2025.

During the tenure of the loan, the facilities from Samba Bank Limited require NetSol PK to maintain at a minimum a current ratio of 1:1, an interest coverage ratio of 4 times, a leverage ratio of 2 times, and a debt service coverage ratio of 4 times. As of March 31, 2026, NetSol PK was in compliance with these covenants.

- (8) The Company's subsidiary, NetSol PK, has an export refinance facility with Habib Metro Bank Limited, secured by NetSol PK's assets. This is a revolving loan that matures every six months. The total facility amount is Rs. 1,300,000,000 or \$4,654,827 and Rs. 1,300,000,000 or \$4,575,048, at March 31, 2026 and June 30, 2025, respectively. NetSol PK used Rs. 1,300,000,000 or \$4,654,827 and Rs. 1,300,000,000 or \$4,575,048, at March 31, 2026 and June 30, 2025, respectively. The interest rate for the loan was 4.5% at March 31, 2026 and 8.0% at June 30, 2025.
- (9) The Company's subsidiary, NetSol PK, availed sale and leaseback financing from First Habib Modaraba secured by the transfer of the vehicles' title. As of March 31, 2026, NetSol PK used Rs. 107,868,491 or \$386,238 of which \$244,269 was shown as long term and \$141,969 as current. As of June 30, 2025, NetSol PK used Rs. 21,771,042 or \$76,618 of which \$46,958 was shown as long-term and \$29,660 as current. The interest rate for the loan was from 11.4% to 12.3% at March 31, 2026. The interest rate for the loan was from 12.3% to 22.7% at June 30, 2025.
- (10) The Company leases various fixed assets under finance lease arrangements expiring in various years through 2029. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are secured by the assets themselves. Depreciation of assets under finance leases is included in depreciation expense for the three and nine months ended March 31, 2026 and 2025.

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Following are the aggregate minimum future lease payments under finance leases as of March 31, 2026:

	Amount
Minimum Lease Payments	
Within year 1	\$ 94,130
Within year 2	2,635
Within year 3	3,773
Total Minimum Lease Payments	100,538
Interest Expense relating to future periods	(12,618)
Present Value of minimum lease payments	87,920
Less: Current portion	(82,390)
Non-Current portion	\$ 5,530

The following are the aggregate future long-term debt payments as of March 31, 2026, which consist of “Sale and Leaseback Financing (9)”.

	Amount
Loan Payments	
Within year 1	\$ 141,970
Within year 2	159,201
Within year 3	85,067
Total Loan Payments	386,238
Less: Current portion	(141,969)
Non-Current portion	\$ 244,269

NOTE 14 - STOCKHOLDERS' EQUITY

During the three and nine months ended March 31, 2026, the Company issued 10,620 and 30,084 shares of common stock, respectively, to the independent Board of Directors as part of their board compensation. The grant date fair value was \$36,000 and \$108,000, respectively, and was recorded as compensation expense in the accompanying consolidated financial statements.

During the three and nine months ended March 31, 2026, the Company issued 14,943 shares of common stock to one officer of the Company for his accrued bonus for the fiscal year ended June 30, 2024 pursuant to the bonus policy of the Company. The grant date fair value of the shares was \$37,955, and was recorded as compensation expense in the consolidated financial statements for the fiscal year ended June 30, 2024.

During the three and nine months ended March 31, 2026, the Company issued 7,168 and 20,448 shares of common stock to a consultant pursuant to the terms of its consultancy agreement. The grant date fair value of the shares was \$25,000 and \$75,000, respectively, and was recorded as compensation expense in the accompanying consolidated financial statements.

During the nine months ended March 31, 2026, the Company issued 20,000 shares of common stock to employees pursuant to the terms of their employment agreements. The grant date fair value was \$84,400 and was recorded as compensation expense in the accompanying consolidated financial statements.

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Stock Grants

The following table summarizes stock grants awarded as compensation:

	# Number of shares	Weighted Average Grant Date Fair Value (\$)
Unvested, June 30, 2025	-	\$ -
Granted	65,027	\$ 3.54
Vested	(65,027)	\$ 3.54
Unvested, March 31, 2026	-	\$ -

For the three and nine months ended March 31, 2026, the Company recorded compensation expense of \$61,000 and \$267,400, respectively. For the three and nine months ended March 31, 2025, the Company recorded compensation expense of \$39,750 and \$79,500, respectively. The weighted average grant date fair value is determined by the Company's closing stock price on the grant date.

NOTE 15 – INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN

Common stock purchase options consisted of the following:

OPTIONS:

	# of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregated Intrinsic Value
Outstanding and exercisable, June 30, 2025	50,000	\$ 2.94	1.89	
Granted	-	-	-	
Exercised	-	-	-	
Expired / Cancelled	-	-	-	
Outstanding and exercisable, March 31, 2026	50,000	\$ 2.94	1.15	\$ 22,500

The aggregate intrinsic value at March 31, 2026 represents the difference between the Company's closing stock price of \$3.39 on March 31, 2026 and the exercise price of the in-the-money stock options.

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The following table summarizes information about stock options outstanding and exercisable at March 31, 2026.

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<u>OPTIONS:</u>			
\$2.94	50,000	1.15	\$ 2.94
Totals	50,000	1.15	\$ 2.94

NOTE 16– OPERATING SEGMENTS

The Company has identified three segments for its products and services: North America, Europe, and Asia-Pacific. The reportable segments are business units located in different global regions. Each business unit provides similar products and services: license fees for leasing and asset-based software, subscription and support fees, and implementation and IT consulting services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies due to its particular regional location. The Company’s chief operating decision maker (“CODM”) evaluates performance and allocates resources based on gross profit and income from operations. The Company has designated its Chief Executive Officer as the CODM.

Segment assets include all assets attributable to operations within the respective geographic regions, including cash, accounts receivable, revenue in excess of billings, and property, plant, and equipment. Corporate assets, which primarily consist of cash and cash equivalents, goodwill, and assets associated with the Company’s corporate headquarters, are not allocated to the geographic segments and are shown separately.

Prior year results have been restated to conform to the current year presentation, reflecting the use of gross profit and income from operations as the measures of segment performance evaluated by the CODM.

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The following tables present financial information by reportable segment for the three months ended March 31, 2026:

	For the Three Months Ended March 31, 2026			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 72,223	\$ 4,656,188	\$ 4,728,411
Subscription and support	1,277,238	1,235,332	6,297,545	8,810,115
Services	952,909	2,749,412	2,591,796	6,294,117
Intersegment revenues			1,462,892	1,462,892
Total revenue from reportable segments	2,230,147	4,056,967	15,008,421	21,295,535
Elimination of intersegment revenues				(1,462,892)
Total consolidated revenues				<u>\$ 19,832,643</u>
Revenues from reportable segments	2,230,147	4,056,967	15,008,421	21,295,535
Salaries and consultants	362,061	980,168	4,992,420	6,334,649
Travel	55,091	64,850	694,640	814,581
Depreciation	-	-	192,897	192,897
Other (a)	699,177	1,156,131	1,069,458	2,924,766
Gross Profit	1,113,818	1,855,818	8,059,006	11,028,642
Selling and marketing	667,481	345,085	1,699,301	2,711,867
Depreciation	1,922	43,002	69,598	114,522
General and administrative	207,338	891,295	2,636,021	3,734,654
Income (loss) from operations - reportable segments	<u>\$ 237,077</u>	<u>\$ 576,436</u>	<u>\$ 3,654,086</u>	<u>\$ 4,467,599</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 4,467,599
Corporate operating expenses				(1,461,448)
Interest expense				(151,537)
Interest income				208,232
Gain (loss) on foreign currency exchange transactions				(76,178)
Other income (expense)				109,203
Net income (loss) before income taxes				<u>\$ 3,095,871</u>

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The following tables present financial information by reportable segment for the nine months ended March 31, 2026:

	For the Nine Months Ended March 31, 2026			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 145,710	\$ 4,772,408	\$ 4,918,118
Subscription and support	4,130,268	4,267,844	18,452,341	26,850,453
Services	2,957,910	6,213,528	12,713,035	21,884,473
Intersegment revenues	-	-	3,767,724	3,767,724
Total revenue from reportable segments	\$ 7,088,178	\$ 10,627,082	\$ 39,705,508	\$ 57,420,768
Elimination of intersegment revenues				(3,767,724)
Total consolidated revenues				<u>\$ 53,653,044</u>
Revenues from reportable segments	\$ 7,088,178	\$ 10,627,082	\$ 39,705,508	\$ 57,420,768
Salaries and consultants	1,375,584	3,218,227	15,788,258	20,382,069
Travel	335,749	234,912	1,771,533	2,342,194
Depreciation	-	-	591,694	591,694
Other (a)	1,963,155	2,912,187	3,259,745	8,135,087
Gross Profit	<u>3,413,690</u>	<u>4,261,756</u>	<u>18,294,278</u>	<u>25,969,724</u>
Selling and marketing	2,048,625	1,124,952	5,326,761	8,500,338
Depreciation	5,438	131,735	202,904	340,077
General and administrative	717,513	2,619,287	7,360,501	10,697,301
Income (loss) from operations - reportable segments	<u>\$ 642,114</u>	<u>\$ 385,782</u>	<u>\$ 5,404,112</u>	<u>\$ 6,432,008</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 6,432,008
Corporate operating expenses				(3,964,831)
Interest expense				(502,421)
Interest income				697,981
Gain (loss) on foreign currency exchange transactions				(317,021)
Other income (expense)				190,798
Net income (loss) before income taxes				<u>\$ 2,536,514</u>

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	As of March 31, 2026			
	North America	Europe	Asia - Pacific	Total
Segment assets:				
Cash	\$ 281,565	\$ 1,386,707	\$ 12,779,045	\$ 14,447,317
Accounts receivable, net of allowance	1,754,448	1,348,836	13,543,015	16,646,299
Revenue in excess of billings, net of allowance	779,211	3,520,414	16,688,180	20,987,805
Other segment assets (b)	174,331	1,090,773	8,637,092	9,902,196
Total segment assets	\$ 2,989,555	\$ 7,346,730	\$ 51,647,332	\$ 61,983,617
Asset Reconciliation				
Total assets for reportable segments				61,983,617
Corporate assets				637,235
Goodwill not allocated to segments				9,302,524
Consolidated total				\$ 71,923,376
	For the Nine Months ended March 31, 2026			
	North America	Europe	Asia - Pacific	Total
Expenditures for property, plant and equipment	\$ 21,100	\$ 118,565	\$ 1,239,597	\$ 1,379,262

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The following tables present financial information by reportable segment for the three months ended March 31, 2025:

	For the Three Months Ended March 31, 2025			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 1,198	\$ -	\$ 1,198
Subscription and support	1,340,088	1,215,438	5,332,834	7,888,360
Services	2,529,815	4,678,504	2,446,080	9,654,399
Intersegment revenues			2,976,720	2,976,720
Total revenue from reportable segments	3,869,903	5,895,140	10,755,634	20,520,677
Elimination of intersegment revenues				(2,976,720)
Total consolidated revenues				<u>\$ 17,543,957</u>
Revenues from reportable segments	3,869,903	5,895,140	10,755,634	20,520,677
Salaries and consultants	490,261	1,303,906	4,977,761	6,771,928
Travel	36,907	23,531	391,457	451,895
Depreciation	-	-	240,444	240,444
Other (a)	1,189,818	2,199,263	925,556	4,314,637
Gross Profit	2,152,917	2,368,440	4,220,416	8,741,773
Selling and marketing	522,804	395,273	1,387,619	2,305,696
Depreciation	824	41,357	80,878	123,059
General and administrative	169,173	871,821	2,520,281	3,561,275
Income (loss) from operations - reportable segments	<u>\$ 1,460,116</u>	<u>\$ 1,059,989</u>	<u>\$ 231,638</u>	<u>\$ 2,751,743</u>
Reconciliation:				
Income (loss) from operations - reportable segments		\$ (170,786)	\$ 2,580,957	\$ 2,751,743
Corporate operating expenses				(1,198,345)
Interest expense				(194,742)
Interest income				294,655
Gain (loss) on foreign currency exchange transactions				321,622
Other income (expense)				10,831
Net income (loss) before income taxes				<u>\$ 1,985,764</u>

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The following tables present financial information by reportable segment for the nine months ended March 31, 2025:

	For the Nine Months Ended March 31, 2025			
	North America	Europe	Asia - Pacific	Total
Revenues				
License	\$ -	\$ 75,115	\$ -	\$ 75,115
Subscription and support	4,208,995	3,311,068	17,203,397	24,723,460
Services	5,736,842	8,265,423	8,878,276	22,880,541
Intersegment revenues	-	-	5,924,850	5,924,850
Total revenue from reportable segments	\$ 9,945,837	\$ 11,651,606	\$ 32,006,523	\$ 53,603,966
Elimination of intersegment revenues				(5,924,850)
Total consolidated revenues				<u>\$ 47,679,116</u>
Revenues from reportable segments	\$ 9,945,837	\$ 11,651,606	\$ 32,006,523	\$ 53,603,966
Salaries and consultants	1,607,145	3,491,899	14,591,055	19,690,099
Travel	217,607	114,557	1,291,844	1,624,008
Depreciation	-	-	706,876	706,876
Other (a)	3,016,761	3,841,209	2,498,787	9,356,757
Gross Profit	<u>5,104,324</u>	<u>4,203,941</u>	<u>12,917,961</u>	<u>22,226,226</u>
Selling and marketing	1,664,063	1,001,807	4,389,843	7,055,713
Depreciation	1,894	154,216	239,099	395,209
General and administrative	544,054	2,732,908	7,171,524	10,448,486
Income (loss) from operations - reportable segments	<u>\$ 2,894,313</u>	<u>\$ 315,010</u>	<u>\$ 1,117,495</u>	<u>\$ 4,326,818</u>
Reconciliation:				
Income (loss) from operations - reportable segments				\$ 4,326,818
Corporate operating expenses				(4,020,528)
Interest expense				(689,347)
Interest income				1,593,594
Gain (loss) on foreign currency exchange transactions				165,741
Other income (expense)				202,420
Net income (loss) before income taxes				<u>\$ 1,578,698</u>

NETSOL TECHNOLOGIES, INC.
Notes to Condensed Consolidated Financial Statements
March 31, 2026
(Unaudited)

	As of June 30, 2025			
	North America	Europe	Asia - Pacific	Total
Segment assets:				
Cash	\$ 387,955	\$ 1,138,048	\$ 15,248,031	\$ 16,774,034
Accounts receivable, net of allowance	581,872	1,084,418	5,861,282	7,527,572
Revenue in excess of billings, net of allowance	1,967,757	3,178,780	13,987,848	19,134,385
Other segment assets (b)	243,550	1,580,534	7,066,725	8,890,809
Total segment assets	\$ 3,181,134	\$ 6,981,780	\$ 42,163,886	\$ 52,326,800
Asset Reconciliation				
Total assets for reportable segments				52,326,800
Corporate assets				811,785
Goodwill not allocated to segments				9,302,524
Consolidated total				\$ 62,441,109

	For the Nine Months ended March 31, 2025			
	North America	Europe	Asia - Pacific	Total
Expenditures for property, plant and equipment	\$ 17,331	\$ 72,551	\$ 807,861	\$ 897,743

(a) Other costs of goods sold include computer costs, third-party hardware and software costs, repair and maintenance, insurance, utilities, and communication expenses.

(b) Other assets include property and equipment, right of use of assets, internally developed software cost, advances, deposits, and prepayments.

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(Unaudited)

NOTE 17 – NON-CONTROLLING INTEREST IN SUBSIDIARY

The Company had non-controlling interests in several of its subsidiaries. The balance of non-controlling interest was as follows:

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at March 31, 2026
NetSol PK	31.41%	\$ 6,870,901
NetSol Innovation	31.41%	(792,749)
NAMECET	31.41%	1,034,542
NIAI	31.41%	(16,258)
NetSol Thai	0.006%	(196)
OTOZ Thai	0.01%	7
Total		\$ 7,096,247

SUBSIDIARY	Non-Controlling Interest %	Non-Controlling Interest at June 30, 2025
NetSol PK	30.24%	\$ 4,496,723
NetSol Innovation	30.24%	(637,529)
NAMECET	30.24%	567,819
NIAI	30.24%	(1,471)
NetSol Thai	0.006%	(184)
OTOZ Thai	0.01%	7
Total		\$ 4,425,365

During the nine months ended March 31, 2026, employees of NetSol PK, a majority-owned subsidiary of the Company, exercised stock options to purchase an aggregate of 1,443,874 shares of the subsidiary's common stock for total proceeds of \$399,620. Of this amount, \$387,200 was received during the nine months ended March 31, 2026, and \$12,420 was received during the fiscal year ended June 30, 2025. Due to this exercise, the non-controlling interest in NetSol PK, NetSol Innovation, NAMECET and NIAI increased from 30.24% at June 30, 2025 to 31.41% at March 31, 2026. The carrying amount of the non-controlling interest was increased by \$602,493, and the difference of \$202,873 was recognized as a decrease in additional paid-in capital in the Company's consolidated equity.

NETSOL TECHNOLOGIES, INC.
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(Unaudited)

The following schedule discloses the effect on the Company's equity due to the changes in the Company's ownership interest.

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2026	2025	2026	2025
Net income (loss) attributable to NetSol Transfer to (from) non-controlling interest	\$ 1,300,964	\$ 1,423,968	\$ (809,567)	\$ 347,721
Decrease in paid-in capital for purchase of 177,558 shares of OTOZ Inc common stock	-	-	-	(112,010)
Increase in paid-in capital for purchase of 2,690,251 shares of common stock of NetSol PK from Open Market	-	29,135	-	29,135
Decrease in paid-in capital for option exercise of 1,443,874 shares of common stock of NetSol PK by employees	(12,953)	-	(202,873)	-
Net transfer to (from) non-controlling interest	(12,953)	29,135	(202,873)	(82,875)
Change from net income (loss) attributable to NetSol and transfer (to) from non-controlling interest	<u>\$ 1,288,011</u>	<u>\$ 1,453,103</u>	<u>\$ (1,012,440)</u>	<u>\$ 264,846</u>

NOTE 18– INCOME TAXES

The current tax provision is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after considering tax credit and tax rebates available, if any. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our effective tax rate will depend on the portion of our profits earned within and outside the United States.

During the three and nine months ended March 31, 2026, the Company recorded an income tax provision of \$781,243 and \$1,477,212, respectively. During the three and nine months ended March 31, 2025, the Company recorded an income tax provision of \$151,334 and \$712,765, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in an understanding of the Company's financial position and results of operations for the three months ended March 31, 2026. The following discussion should be read in conjunction with the information included within our Annual Report on Form 10-K for the year ended June 30, 2025, and the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Our website is located at <https://netsoltech.com/>, and our investor relations website is located at <https://ir.netsoltech.com>. The following filings are available through our investor relations website after we file with the SEC: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and our Proxy Statements for our annual meetings of stockholders. These filings are also available for download free of charge on our investor relations website. We also provide a link to the section of the SEC's website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements and other ownership-related filings. Further, a copy of this Quarterly Report on Form 10-Q is located at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website and on social media platforms linked to our corporate website. Investors and others can receive notifications of new information posted on our investor relations website by signing up for e-mail alerts. Further corporate governance information, including our committee charters and code of conduct, is also available on our investor relations website at <https://ir.netsoltech.com/all-sec-filings>. The content of our websites is not intended to be incorporated by reference into this or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Forward-Looking Information

This report contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to its management. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "plan", and similar expressions as they relate to the Company or its management, are intended to identify forward-looking statements. These statements reflect management's current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, estimated or expected. The Company's realization of its business aims could be materially and adversely affected by any technical or other problems in, or difficulties with, planned funding and technologies, third party technologies which render the Company's technologies obsolete, the unavailability of required third party technology licenses on commercially reasonable terms, the loss of key research and development personnel, the inability or failure to recruit and retain qualified research and development personnel, or the adoption of technology standards which are different from technologies around which the Company's business ultimately is built. The Company does not intend to update these forward-looking statements.

Business Overview

NetSol is a provider of solutions and services that enable automotive and equipment OEMs, captive finance companies, dealerships and financial institutions to originate, service and manage finance and lease contracts across the full lifecycle.

Founded in 1997, the Company develops and delivers enterprise software for asset finance and digital retail that supports the contract lifecycle. The Company serves customers in more than 30 countries, with operations spanning North America, Europe and Asia-Pacific.

The Company's customer base ranges from Fortune 500 manufacturers and Dow Jones Industrial Average constituents to mid-market financial institutions and dealerships. The Company's cloud-deployed, subscription-based Transcend™ Platform, built on an API-first architecture, supports customers across this range with global delivery and support operations.

NetSol is headquartered in Encino, California. The Company maintains regional offices in the following locations:

- North America: Encino, California and Austin, Texas, US
- Europe: London, Horsham and Flintshire, UK
- Asia-Pacific: Sydney, Australia; Bangkok, Thailand; Beijing and Tianjin, China; Jakarta, Indonesia; Lahore and Karachi, Pakistan; Dubai, UAE

Geographic Presence and Domain Expertise

NetSol and its acquired businesses have more than 40 years of operating experience in North America, 30 years in Europe and 25 years in Asia-Pacific, with a significant concentration of business in the captive finance segment. The Asia-Pacific business benefits from continued growth in leasing automation adoption across developing markets in the region, while operations in North America and Europe serve more mature markets. Building on this foundation in automotive finance and leasing, the Company has expanded into adjacent areas, including digital retail solutions.

Global Delivery Model

The Company operates a blended onshore and offshore delivery model, with regional offices located near key customers and centralized development resources supporting global product delivery. This model enables competitive cost structures, cross-selling across regions to multinational customers and consistent platform delivery across geographies.

OUR PRODUCTS AND SERVICES

NetSol's products and services enable automotive and equipment OEMs, captive finance companies, dealerships and financial institutions to sell, finance and lease assets. The Company's offerings support the full contract lifecycle from origination through end-of-term, including credit decisioning, contract servicing, collections and remarketing, for customers operating across multiple entities, currencies, languages and asset classes.

Transcend™ Platform

NetSol delivers these capabilities through the Transcend™ Platform, the Company's unified product offering. Transcend is delivered as a suite of integrated modules, cloud-deployed and subscription-based, built on an API-first architecture for integration with existing systems. The platform incorporates embedded AI capabilities to support credit decisioning and other use cases.

Transcend™ Retail

Transcend™ Retail is an omnichannel digital retail platform for automotive OEMs and dealerships that supports the vehicle sales process across online and in-store channels. Capabilities span lead management, deal structuring, credit applications, finance and insurance (F&I) workflows and contracting, with integration to dealer management systems, CRM platforms and lender networks.

Transcend™ Finance

Transcend™ Finance manages retail finance and leasing contracts, as well as wholesale finance and dealer floor planning operations, for automotive and equipment OEMs, captive finance companies, commercial lenders and financial institutions. The platform supports the full lifecycle from origination through end-of-term, including AI-assisted credit decisioning, funding, contract management, servicing, collections and remarketing.

Transcend™ Marketplace

Built on open APIs and microservices, Transcend™ Marketplace provides modular components that extend platform capabilities across origination, servicing, contract management, document handling and related workflows. The Marketplace enables automotive and equipment OEMs, captive finance companies, commercial lenders and financial institutions to add functionality and integrate third-party services without replacing existing core systems.

Transcend™ Consultancy

Drawing on decades of domain experience and ISO-certified processes, the Company provides consulting services to automotive and equipment OEMs, captive finance companies, dealerships and financial institutions to support operations improvement and digital transformation. Services include advisory and implementation support across cloud, data, AI and cybersecurity.

Transcend™ AI Labs

Through Transcend™ AI Labs, the Company integrates AI capabilities into its product suite to address use cases for automotive and equipment OEMs, captive finance companies, dealerships and financial institutions. AI Labs focuses on product enhancements and AI consulting services.

Highlights

Listed below are a few of NetSol's highlights for the quarter ended March 31, 2026:

- NETSOL entered into a multi-million dollar extension agreement with an existing customer to provide continued support for our legacy product platform.
- Customer-requested platform modifications and enhancements across multiple regions generated approximately \$1.5 million in revenue during the quarter, primarily driven by customization services and change order requests from the Company's existing client base.
- During the quarter, NETSOL signed several direct-to-distributor agreements with an aggregate five-year total contract value of approximately \$786,000.
- The Company executed multiple statements of work totaling approximately \$400,000 with a long-standing Transcend™ consultancy customer.
- NETSOL entered into an agreement with a Chinese captive auto finance company to deploy the Transcend™ Finance wholesale lending system. The agreement has a total contract value of approximately \$732,000, including implementation and integration services.

Industry Trends Affecting Our Business

Management believes the following trends and uncertainties may have a material, favorable or unfavorable impact on the Company's business.

Interest rate environment and credit conditions

Interest rate levels and broader monetary policy conditions continue to influence borrowing costs, credit availability and financing activity across consumer and commercial lending markets, including automotive finance. Sustained elevated rates may temper near-term financing volumes among customers, while creating demand for technology investments that support operational efficiency and risk management.

Board of Governors of the Federal Reserve System, Monetary Policy Report, 2025.

Electrification of the automotive industry

The automotive industry continues its transition toward electrified vehicles, supported by regulatory developments and long-term manufacturer strategies. Chinese automotive manufacturers have become significant participants in the electric vehicle segment, intensifying competition across the global automotive landscape. The Company's established presence and customer base in China may support participation in this growth, while shifts in market share among traditional automotive OEMs could affect technology investment patterns across the Company's broader customer base.

International Energy Agency (IEA), Global EV Outlook 2025.

Digital and omnichannel automotive retail

OEMs and dealers continue to adopt digital tools and omnichannel retail approaches, integrating online and physical channels across vehicle research, configuration and transaction processes. Continued investment in digital retail capabilities by automotive OEMs and dealerships may support demand for the Company's Transcend Retail platform, although adoption pace and implementation timing vary across customers and regions.

McKinsey & Company, Automotive & Assembly Insights (2024–2025 publications).

Digital transformation in financial services

Financial institutions and captive finance companies continue to invest in digital transformation initiatives, including cloud adoption, data infrastructure modernization and automation of operational processes. Continued investment in these areas may support demand for the Company's Transcend Platform, including its consulting and AI offerings. The pace and scale of customer transformation initiatives vary based on internal priorities, budget cycles and the complexity of replacing or integrating with existing core systems.

PwC, Global Financial Services Industry Insights (Technology and Transformation publications, 2024–2025).

Global regulatory and compliance environment

Financial institutions continue to operate within an evolving global regulatory environment, including banking supervision and capital adequacy frameworks, which may influence compliance requirements and operational processes. The Company's platform supports risk management, audit and compliance reporting workflows that may help customers address evolving requirements. At the same time, regulatory uncertainty and compliance-related investment may extend customer decision-making timelines or shift technology priorities toward maintenance and remediation initiatives.

Bank for International Settlements (BIS), Basel Committee on Banking Supervision Annual Report, 2024.

CHANGES IN FINANCIAL CONDITION

Quarter Ended March 31, 2026 Compared to the Quarter Ended March 31, 2025

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the three months ended March 31, 2026 and 2025 as a percentage of revenues.

	For the Three Months Ended March 31,			
	2026	%	2025	%
Net Revenues:				
License fees	\$ 4,728,411	23.8%	\$ 1,198	0.0%
Subscription and support	8,810,115	44.4%	7,888,360	45.0%
Services	6,294,117	31.7%	9,654,399	55.0%
Total net revenues	19,832,643	100.0%	17,543,957	100.0%
Cost of revenues	8,804,001	44.4%	8,802,184	50.2%
Gross profit	11,028,642	55.6%	8,741,773	49.8%
Operating expenses:				
Selling, general and administrative	7,856,107	39.6%	6,883,587	39.2%
Research and development cost	166,384	0.8%	304,788	1.7%
Total operating expenses	8,022,491	40.5%	7,188,375	41.0%
Income from operations	3,006,151	15.2%	1,553,398	8.9%
Other income and (expenses)				
Interest expense	(151,537)	-0.8%	(194,742)	-1.1%
Interest income	208,232	1.0%	294,655	1.7%
Gain (loss) on foreign currency exchange transactions	(76,178)	-0.4%	321,622	1.8%
Other income	109,203	0.6%	10,831	0.1%
Total other income (expenses)	89,720	0.5%	432,366	2.5%
Net income before income taxes	3,095,871	15.6%	1,985,764	11.3%
Income tax provision	(781,243)	-3.9%	(151,334)	-0.9%
Net income (loss)	2,314,628	11.7%	1,834,430	10.5%
Non-controlling interest	(1,013,664)	-5.1%	(410,462)	-2.3%
Net income (loss) attributable to NetSol	\$ 1,300,964	6.6%	\$ 1,423,968	8.1%
Net income (loss) per share:				
Net income (loss) per common share				
Basic	\$ 0.11		\$ 0.12	
Diluted	\$ 0.11		\$ 0.12	
Weighted average number of shares outstanding				
Basic	11,823,170		11,683,408	
Diluted	11,836,930		11,683,408	

A significant portion of our business is conducted in currencies other than the U.S. dollar. We operate in several geographical regions as described in Note 16 “Operating Segments” within the Notes to the Condensed Consolidated Financial Statements. Weakening of the value of the U.S. dollar compared to foreign currency exchange rates generally has the effect of increasing our revenues but also increasing our expenses denominated in currencies other than the U.S. dollar. Similarly, strengthening of the U.S. dollar compared to foreign currency exchange rates generally has the effect of reducing our revenues but also reducing our expenses denominated in currencies other than the U.S. dollar. We plan our business accordingly by deploying additional resources to areas of expansion, while continuing to monitor our overall expenditures given the economic uncertainties of our target markets. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the changes in results from one period to another period using constant currency. In order to calculate our constant currency results, we apply the current period results to the prior period foreign currency exchange rates. In the table below, we present the change based on actual results in reported currency and in constant currency.

	For the Three Months Ended March 31,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2026	%	2025	%			
	Net Revenues:	\$ 19,832,643	100.0%	\$ 17,543,957			
Cost of revenues:	8,804,001	44.4%	8,802,184	50.2%	99,947	(101,764)	(1,817)
Gross profit	11,028,642	55.6%	8,741,773	49.8%	2,107,482	179,387	2,286,869
Operating expenses:	8,022,491	40.5%	7,188,375	41.0%	(710,620)	(123,496)	(834,116)
Income (loss) from operations	\$ 3,006,151	15.2%	\$ 1,553,398	8.9%	\$ 1,396,862	\$ 55,891	\$ 1,452,753

Net revenues for the three months ended March 31, 2026 and 2025 are broken out among the segments as follows:

	2026		2025	
	Revenue	%	Revenue	%
North America	\$ 2,230,147	11.2%	\$ 3,869,903	22.1%
Europe	4,056,967	20.5%	5,895,140	33.6%
Asia-Pacific	13,545,529	68.3%	7,778,914	44.3%
Total	\$ 19,832,643	100.0%	\$ 17,543,957	100.0%

Revenues

License fees

License fees for the three months ended March 31, 2026 were \$4,728,411 compared to \$1,198 for the three months ended March 31, 2025, reflecting an increase of \$4,727,213 or \$4,722,857 on a constant currency basis. During the three months ended March 31, 2026, we recognized approximately \$4,656,000 of software license revenue associated with the renewal and amendment of an existing customer agreement for our Transcend™ software platform. The license revenue relates to additional license consideration associated with expanded portfolio usage under the customer arrangement. Revenue associated with maintenance and support services under the arrangement will continue to be recognized over the contractual service period.

Subscription and support

Subscription and support fees for the three months ended March 31, 2026, were \$8,810,115 compared to \$7,888,360 for the three months ended March 31, 2025, reflecting an increase of \$921,755 with an increase in constant currency of \$876,274. Subscription and support fees begin once a customer has “gone live” with our product and are recurring in nature. We anticipate these fees to increase over time as we implement our Transcend™ products.

Services

Services income for the three months ended March 31, 2026, was \$6,294,117 compared to \$9,654,399 for the three months ended March 31, 2025, reflecting a decrease of \$3,360,282, with a decrease in constant currency of \$3,590,398. Services revenue decreased compared to the prior quarter, primarily due to the timing and composition of the current implementation projects.

Gross Profit

The gross profit was \$11,028,642 for the three months ended March 31, 2026, compared with \$8,741,773 for the three months ended March 31, 2025. This is an increase of \$2,286,869 with an increase in constant currency of \$2,107,482. The gross profit percentage for the three months ended March 31, 2026, also increased to 55.6% from 49.8% for the three months ended March 31, 2025. The cost of sales was \$8,804,001 for the three months ended March 31, 2026, compared to \$8,802,184 for the three months ended March 31, 2025, for an increase of \$1,817 and on a constant currency basis a decrease of \$99,947. As a percentage of sales, cost of sales decreased from 50.2% for the three months ended March 31, 2025, to 44.4% for the three months ended March 31, 2026.

Salaries and consultant fees decreased by \$437,279 from \$6,771,928 for the three months ended March 31, 2025, to \$6,334,649 for the three months ended March 31, 2026, and on a constant currency basis decreased by \$557,248. The decrease is due to capitalization of internally developed software. As a percentage of sales, salaries, and consultant expenses decreased from 38.6% for the three months ended March 31, 2025, to 31.9% for the three months ended March 31, 2026.

Travel expenses were \$814,581 for the three months ended March 31, 2026, compared to \$451,895 for the three months ended March 31, 2025, for an increase of \$362,686 with an increase in constant currency of \$354,510. As a percentage of sales, travel expense increased from 2.6% for the three months ended March 31, 2025, to 4.1% for the three months ended March 31, 2026. Travel expenses increased due to travel associated with new customer implementation projects.

Depreciation and amortization expense decreased to \$192,897 compared to \$240,444 for the three months ended March 31, 2025, or a decrease of \$47,547 and on a constant currency basis a decrease of \$47,876.

Other costs were \$1,461,874 for the three months ended March 31, 2026, compared to \$1,337,917 for the three months ended March 31, 2025, or an increase of \$123,957, and on a constant currency basis, an increase of \$150,667.

Operating Expenses

Operating expenses were \$8,022,491 for the three months ended March 31, 2026, compared to \$7,188,375 for the three months ended March 31, 2025, for an increase of \$834,116 and on a constant currency basis an increase of \$710,620. As a percentage of sales, it slightly decreased from 41.0% for the three months ended March 31, 2025 to 40.5% at March 31, 2026. The increase in operating expenses was primarily due to increases in selling and marketing expenses, salaries and wages, other general and administrative expenses, offset by a decrease in the provision for doubtful accounts.

Selling and marketing expenses were \$2,907,171 for the three months ended March 31, 2026, compared to \$2,426,083 for the three months ended March 31, 2025, for an increase of \$481,088 and on a constant currency basis an increase of \$459,942. The increase is mainly due to increases in salaries and consultants of approximately \$359,048, due to annual raises and commission. Other marketing expenses increased by approximately \$115,876 due to the increase in advertising and marketing events.

General and administrative expenses were \$4,948,936 for the three months ended March 31, 2026, compared to \$4,457,504 for the three months ended March 31, 2025, or an increase of \$491,432 and on a constant currency basis an increase of \$388,850. During the three months ended March 31, 2026, salaries increased by \$707,692 and increased by \$652,345 on a constant currency basis, bad debt expense decreased by \$340,312 and decreased by \$351,095 on a constant currency basis, and other general and administrative expenses increased by \$124,052 and increased by \$87,600 on a constant currency basis.

Research and development cost was \$166,384 for the three months ended March 31, 2026, compared to \$304,788 for the three months ended March 31, 2025, for a decrease of \$138,404 and on a constant currency basis a decrease of \$138,172.

Income/Loss from Operations

Income from operations was \$3,006,151 for the three months ended March 31, 2026, compared to \$1,553,398 for the three months ended March 31, 2025. This represents an increase in income of \$1,452,753 with an increase of \$1,396,862 on a constant currency basis for the three months ended March 31, 2026, compared with the three months ended March 31, 2025. As a percentage of sales, income from operations was 15.1% for the three months ended March 31, 2026, compared to 8.9% for the three months ended March 31, 2025.

Other Income and Expense

Other income was \$89,720 for the three months ended March 31, 2026, compared to \$432,366 for the three months ended March 31, 2025. This represents a decrease in other income of \$342,646 with a decrease of \$340,497 on a constant currency basis. The decrease is primarily due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. dollar and the Euro. During the three months ended March 31, 2026, we recognized a loss of \$76,178 in foreign currency exchange transactions compared to a gain of \$321,622 for the three months ended March 31, 2025. During the three months ended March 31, 2026, the value of the U.S. dollar decreased 0.3% and the Euro decreased 2.4%, compared to the PKR. During the three months ended March 31, 2025, the value of the U.S. dollar increased 0.3% and the Euro increased 4.5%, compared to the PKR.

Non-controlling Interest

For the three months ended March 31, 2026, the net income attributable to non-controlling interest was \$1,013,664, compared to \$410,462 for the three months ended March 31, 2025. The increase is mainly due to the increase in net income of NetSol PK.

Net income (loss) attributable to NetSol

The net income was \$1,300,964 for the three months ended March 31, 2026, compared to \$1,423,968 for the three months ended March 31, 2025. This is a decrease of \$123,004 with a decrease of \$98,830 on a constant currency basis, compared to the prior year. For the three months ended March 31, 2026, net income per share was \$0.11 for basic and diluted shares compared to a net income per share of \$0.12 for basic and diluted shares for the three months ended March 31, 2025.

Nine Months Ended March 31, 2026 Compared to the Nine Months Ended March 31, 2025

The following table sets forth the items in our unaudited condensed consolidated statement of operations for the nine months ended March 31, 2026 and 2025 as a percentage of revenues.

	For the Nine Months Ended March 31,			
	2026	%	2025	%
Net Revenues:				
License fees	\$ 4,918,118	9.2%	\$ 75,115	0.2%
Subscription and support	26,850,453	50.0%	24,723,460	51.9%
Services	21,884,473	40.8%	22,880,541	48.0%
Total net revenues	53,653,044	100.0%	47,679,116	100.0%
Cost of revenues	27,683,320	51.6%	25,452,890	53.4%
Gross profit	25,969,724	48.4%	22,226,226	46.6%
Operating expenses:				
Selling, general and administrative	22,874,107	42.6%	20,921,530	43.9%
Research and development cost	628,440	1.2%	998,406	2.1%
Total operating expenses	23,502,547	43.8%	21,919,936	46.0%
Income from operations	2,467,177	4.6%	306,290	0.6%
Other income and (expenses)				
Interest expense	(502,421)	-0.9%	(689,347)	-1.4%
Interest income	697,981	1.3%	1,593,594	3.3%
Gain (loss) on foreign currency exchange transactions	(317,021)	-0.6%	165,741	0.3%
Other income	190,798	0.4%	202,420	0.4%
Total other income (expenses)	69,337	0.1%	1,272,408	2.7%
Net income before income taxes	2,536,514	4.7%	1,578,698	3.3%
Income tax provision	(1,477,212)	-2.8%	(712,765)	-1.5%
Net income (loss)	1,059,302	2.0%	865,933	1.8%
Non-controlling interest	(1,868,869)	-3.5%	(518,212)	-1.1%
Net income (loss) attributable to NetSol	\$ (809,567)	-1.5%	\$ 347,721	0.7%
Net income (loss) per share:				
Net income (loss) per common share				
Basic	\$ (0.07)		\$ 0.03	
Diluted	\$ (0.07)		\$ 0.03	
Weighted average number of shares outstanding				
Basic	11,795,818		11,531,365	
Diluted	11,795,818		11,531,365	

A significant portion of our business is conducted in currencies other than the U.S. dollar. We operate in several geographical regions as described in Note 16 “Operating Segments” within the Notes to the Condensed Consolidated Financial Statements. Weakening of the value of the U.S. dollar compared to foreign currency exchange rates generally has the effect of increasing our revenues but also increasing our expenses denominated in currencies other than the U.S. dollar. Similarly, strengthening of the U.S. dollar compared to foreign currency exchange rates generally has the effect of reducing our revenues but also reducing our expenses denominated in currencies other than the U.S. dollar. We plan our business accordingly by deploying additional resources to areas of expansion, while continuing to monitor our overall expenditures given the economic uncertainties of our target markets. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the changes in results from one period to another period using constant currency. In order to calculate our constant currency results, we apply the current period results to the prior period foreign currency exchange rates. In the table below, we present the change based on actual results in reported currency and in constant currency.

	For the Nine Months Ended March 31,				Favorable (Unfavorable) Change in Constant Currency	Favorable (Unfavorable) Change due to Currency Fluctuation	Total Favorable (Unfavorable) Change as Reported
	2026	%	2025	%			
Net Revenues:	\$ 53,653,044	100.0%	\$ 47,679,116	100.0%	\$ 5,193,244	\$ 780,684	\$ 5,973,928
Cost of revenues:	27,683,320	51.6%	25,452,890	53.4%	(2,120,068)	(110,362)	(2,230,430)
Gross profit	25,969,724	48.4%	22,226,226	46.6%	3,073,176	670,322	3,743,498
Operating expenses:	23,502,547	43.8%	21,919,936	46.0%	(1,320,500)	(262,111)	(1,582,611)
Income (loss) from operations	\$ 2,467,177	4.6%	\$ 306,290	0.6%	\$ 1,752,676	\$ 408,211	\$ 2,160,887

Net revenues for the nine months ended March 31, 2026 and 2025 are broken out among the segments as follows:

	2026		2025	
	Revenue	%	Revenue	%
North America	\$ 7,088,178	13.2%	\$ 9,945,837	20.9%
Europe	10,627,082	19.8%	11,651,606	24.4%
Asia-Pacific	35,937,784	67.0%	26,081,673	54.7%
Total	\$ 53,653,044	100.0%	\$ 47,679,116	100.0%

Revenues

License fees

License fees for the nine months ended March 31, 2026, were \$4,918,118 compared to \$75,115 for the nine months ended March 31, 2025 reflecting an increase of \$4,843,003 with an increase in constant currency of \$4,832,969. During the nine months ended March 31, 2026, we recognized approximately \$4,656,000 of software license revenue associated with the renewal and amendment of an existing customer agreement for our Transcend™ software platform. The license revenue relates to additional license consideration associated with expanded portfolio usage under the customer arrangement. Revenue associated with maintenance and support services under the arrangement will continue to be recognized over the contractual service period.

Subscription and support

Subscription and support fees for the nine months ended March 31, 2026, were \$26,850,453 compared to \$24,723,460 for the nine months ended March 31, 2025, reflecting an increase of \$2,126,993 with an increase in constant currency of \$1,728,674. Subscription and support fees begin once a customer has “gone live” with our product and are recurring in nature. We anticipate these fees to increase over time as we implement our Transcend™ products.

Services

Services income for the nine months ended March 31, 2026, was \$21,884,473 compared to \$22,880,541 for the nine months ended March 31, 2025, reflecting a decrease of \$996,068, with a decrease in constant currency of \$1,368,399. Services revenue decreased primarily due to the timing and composition of the current implementation projects.

Gross Profit

The gross profit was \$25,969,724 for the nine months ended March 31, 2026, compared with \$22,226,226 for the nine months ended March 31, 2025. This is an increase of \$3,743,498 with an increase in constant currency of \$3,073,176. The gross profit percentage for the nine months ended March 31, 2026, increased to 48.4% from 46.6% for the nine months ended March 31, 2025. The cost of sales was \$27,683,320 for the nine months ended March 31, 2026, compared to \$25,452,890 for the nine months ended March 31, 2025, for an increase of \$2,230,430 and on a constant currency basis an increase of \$2,120,068. As a percentage of sales, cost of sales decreased from 53.4% for the nine months ended March 31, 2025, to 51.6% for the nine months ended March 31, 2026.

Salaries and consultant fees increased by \$691,970 from \$19,690,099 for the nine months ended March 31, 2025, to \$20,382,069 for the nine months ended March 31, 2026, and on a constant currency basis increased by \$593,842. The increase is due to annual salary raises. As a percentage of sales, salaries and consultant expenses decreased from 41.3% for the nine months ended March 31, 2025, to 38.0% for the nine months ended March 31, 2026.

Travel expenses were \$2,342,194 for the nine months ended March 31, 2026, compared to \$1,624,008 for the nine months ended March 31, 2025, for an increase of \$718,186 with an increase in constant currency of \$708,147. As a percentage of sales, travel expense increased from 3.4% for the nine months ended March 31, 2025, to 4.4% for the nine months ended March 31, 2026. Travel expenses increased due to travel associated with new customer implementation projects.

Depreciation and amortization expense decreased to \$591,694 compared to \$706,876 for the nine months ended March 31, 2025, or a decrease of \$115,182 and on a constant currency basis a decrease of \$109,727.

Other costs were \$4,367,363 for the nine months ended March 31, 2026, compared to \$3,431,907 for the nine months ended March 31, 2025, or an increase of \$935,456 and on a constant currency basis an increase of \$927,806. The increase is mainly due to an increase in third-party hardware and software costs of approximately \$960,840 and hosting fees of approximately \$197,606, offset by a reduction in other cost of approximately 222,990.

Operating Expenses

Operating expenses were \$23,502,547 for the nine months ended March 31, 2026, compared to \$21,919,936, for the nine months ended March 31, 2025, for an increase of \$1,582,611 and on a constant currency basis an increase of \$1,320,500. As a percentage of sales, it decreased from 46.0% to 43.8%. The increase in operating expenses was primarily due to increases in selling and marketing expenses, salaries and wages, offset by a decrease in other general and administrative expenses and the provision for doubtful accounts.

Selling and marketing expenses were \$9,040,203 for the nine months ended March 31, 2026, compared to \$7,380,679, for the nine months ended March 31, 2025, for an increase of \$1,659,524 and on a constant currency basis an increase of \$1,524,489. The increase is mainly due to increases in salaries and consultants of approximately \$1,190,301, due to annual raises and commissions. Other marketing expenses increased by approximately \$436,001 due to the increase in advertising and marketing events.

General and administrative expenses were \$13,833,904 for the nine months ended March 31, 2026, compared to \$13,540,851 for the nine months ended March 31, 2025, or an increase of \$293,053 and on a constant currency basis, an increase of \$158,787. During the nine months ended March 31, 2026, salaries increased by \$1,142,329 and increased by \$1,075,978 on a constant currency basis, bad debt expense decreased by \$725,022 and decreased by \$736,604 on a constant currency basis, and other general and administrative expenses decreased by \$124,254 and decreased by \$180,587 on a constant currency basis.

Research and development cost was \$628,440 for the nine months ended March 31, 2026, compared to \$998,406 for the nine months ended March 31, 2025, for a decrease of \$369,966, and on a constant currency basis a decrease of \$253,716.

Income/Loss from Operations

Income from operations was \$2,467,177 for the nine months ended March 31, 2026, compared to \$306,290 for the nine months ended March 31, 2025. This represents an increase in income of \$2,160,887 with an increase of \$1,752,676 on a constant currency basis for the nine months ended March 31, 2026, compared with the nine months ended March 31, 2025. As a percentage of sales, income from operations was 4.6% for the nine months ended March 31, 2026, compared to 0.6% for the nine months ended March 31, 2025.

Other Income and Expense

Other income was \$69,337 for the nine months ended March 31, 2026, compared to \$1,272,408 for the nine months ended March 31, 2025. This represents a decrease in other income of \$1,203,071 with a decrease of \$1,198,290 on a constant currency basis. The decrease is primarily due to lower interest income, driven by a reduction in interest rates from approximately 10.0%-19.5% for the nine months ended March 31, 2025, to approximately 8.9% to 10.8% for the nine months ended March 31, 2026. The decrease is also due to the foreign currency exchange transactions. The majority of the contracts with NetSol PK are either in U.S. dollars or Euros; therefore, the currency fluctuations will lead to foreign currency exchange gains or losses depending on the value of the PKR compared to the U.S. dollar and the Euro. During the nine months ended March 31, 2026, we recognized a loss of \$317,021 in foreign currency exchange transactions compared to a gain of \$165,741 for the nine months ended March 31, 2025. During the nine months ended March 31, 2026, the value of the U.S. dollar decreased 1.6% and the Euro decreased 3.7%, compared to the PKR. During the nine months ended March 31, 2025, the value of the U.S. dollar increased 0.5% and the Euro increased 1.5%, compared to the PKR.

Non-controlling Interest

For the nine months ended March 31, 2026, the net income attributable to non-controlling interest was \$1,868,869, compared to \$518,212 for the nine months ended March 31, 2025. The increase is mainly due to an increase in the net income of NetSol PK and NAMECET.

Net income (loss) attributable to NetSol

The net loss was \$809,567 for the nine months ended March 31, 2026, compared to net income of \$347,721 for the nine months ended March 31, 2025. This is an increase in net loss of \$1,157,288 with an increase of \$1,572,734 on a constant currency basis, compared to the prior year. For the nine months ended March 31, 2026, net loss per share was \$0.07 for basic and diluted shares compared to net income per share of \$0.03 for basic and diluted shares for the nine months ended March 31, 2025.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measures of adjusted EBITDA and adjusted EBITDA per basic and diluted share meet the definition of a non-GAAP financial measure.

We define the non-GAAP measures as follows:

- EBITDA is GAAP net income or loss before net interest expense, income tax expense, depreciation and amortization.
- Non-GAAP adjusted EBITDA is EBITDA plus stock-based compensation expense.
- Adjusted EBITDA per basic and diluted share – Adjusted EBITDA allocated to common stock divided by the weighted average shares outstanding and diluted shares outstanding.

We use non-GAAP measures internally to evaluate the business and believe that presenting non-GAAP measures provides useful information to investors regarding the underlying business trends and performance of our ongoing operations as well as useful metrics for monitoring our performance and evaluating it against industry peers. The non-GAAP financial measures presented should be used in addition to, and in conjunction with, results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review our consolidated financial statements in their entirety and not to rely on any single financial measure in evaluating the Company.

The non-GAAP measures reflect adjustments based on the following items:

EBITDA: We report EBITDA as a non-GAAP metric by excluding the effect of net interest expense, income tax expense, depreciation and amortization from net income or loss because doing so makes internal comparisons to our historical operating results more consistent. In addition, we believe providing an EBITDA calculation is a more useful comparison of our operating results to the operating results of our peers.

Stock-based compensation expense: We have excluded the effect of stock-based compensation expense from the non-GAAP adjusted EBITDA and non-GAAP adjusted EBITDA per basic and diluted share calculations. Although stock-based compensation expense is calculated in accordance with current GAAP and constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because it is not an expense which generally requires cash settlement by NetSol, and therefore is not used by us to assess the profitability of our operations. We also believe the exclusion of stock-based compensation expense provides a more useful comparison of our operating results to the operating results of our peers.

Non-controlling interest: We add back the non-controlling interest in calculating gross adjusted EBITDA and then subtract out the income taxes, depreciation and amortization and net interest expense attributable to the non-controlling interest to arrive at a net adjusted EBITDA.

Our reconciliation of the non-GAAP financial measures of adjusted EBITDA and non-GAAP earnings per basic and diluted share to the most comparable GAAP measures for the three and nine months ended March 31, 2026 and 2025 are as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2026	2025	2026	2025
Net Income (loss) attributable to NetSol	\$ 1,300,964	\$ 1,423,968	\$ (809,567)	\$ 347,721
Non-controlling interest	1,013,664	410,462	1,868,869	518,212
Income taxes	781,243	151,334	1,477,212	712,765
Depreciation and amortization	307,419	363,503	931,771	1,102,085
Interest expense	151,537	194,742	502,421	689,347
Interest (income)	(208,232)	(294,655)	(697,981)	(1,593,594)
EBITDA	\$ 3,346,595	\$ 2,249,354	\$ 3,272,725	\$ 1,776,536
Add back:				
Non-cash stock-based compensation	61,000	39,750	267,400	134,884
Adjusted EBITDA, gross	\$ 3,407,595	\$ 2,289,104	\$ 3,540,125	\$ 1,911,420
Less non-controlling interest (a)	(1,202,196)	(510,908)	(2,294,175)	(718,218)
Adjusted EBITDA, net	\$ 2,205,399	\$ 1,778,196	\$ 1,245,950	\$ 1,193,202
Weighted Average number of shares outstanding				
Basic	11,823,170	11,683,408	11,795,818	11,531,365
Diluted	11,836,930	11,683,408	11,809,578	11,531,365
Basic adjusted EBITDA	\$ 0.19	\$ 0.15	\$ 0.11	\$ 0.10
Diluted adjusted EBITDA	\$ 0.19	\$ 0.15	\$ 0.11	\$ 0.10

(a) The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

Net Income (loss) attributable to non-controlling interest	\$ 1,013,664	\$ 410,462	\$ 1,868,869	\$ 518,212
Income Taxes	139,102	41,891	274,702	214,892
Depreciation and amortization	70,107	87,504	214,969	269,185
Interest expense	43,604	54,461	143,512	202,289
Interest (income)	(64,281)	(83,410)	(207,877)	(491,422)
EBITDA	\$ 1,202,196	\$ 510,908	\$ 2,294,175	\$ 713,156
Add back:				
Non-cash stock-based compensation	-	-	-	5,062
Adjusted EBITDA of non-controlling interest	\$ 1,202,196	\$ 510,908	\$ 2,294,175	\$ 718,218

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was \$14,744,392 at March 31, 2026, compared to \$17,357,944 at June 30, 2025.

Net cash used in operating activities was \$785,350 for the nine months ended March 31, 2026 compared to net cash provided by operating activities of \$6,315 for the nine months ended March 31, 2025. As of March 31, 2026, we had current assets of \$52,321,776 and current liabilities of \$27,037,914. We had accounts receivable of \$16,646,299 at March 31, 2026 compared to \$7,527,572 at June 30, 2025. We had revenues in excess of billings of \$20,987,818 at March 31, 2026 compared to \$19,134,385 at June 30, 2025 of which \$2,824,298 and \$903,766 is shown as long-term as of March 31, 2026 and June 30, 2025, respectively. The long-term portion was discounted by \$420,429 and \$208,037 at March 31, 2026 and June 30, 2025, respectively, using the discounted cash flow method with interest rates ranging from 4.5% to 6.6%, for the period ended March 31, 2026, and interest rates ranging from 4.2% to 17.5%, for the period ended June 30, 2025, our revenues in excess of billings were reclassified to accounts receivable pursuant to billing requirements detailed in each contract. The combined totals for accounts receivable and revenues in excess of billings increased by \$10,972,147 from \$26,661,957 at June 30, 2025 to \$37,634,104 at March 31, 2026. Accounts payable and accrued expenses, and current portions of loans and lease obligations, amounted to \$8,132,384 and \$8,241,584, respectively, at March 31, 2026. Accounts payable and accrued expenses, and current portions of loans and lease obligations, amounted to \$8,010,844 and \$8,240,061, respectively, at June 30, 2025. Unearned revenue amounted to \$10,184,195, at March 31, 2026 compared to \$3,029,850 at June 30, 2025.

The average days sales outstanding for the nine months ended March 31, 2026 and 2025 were 147 and 137 days, respectively. The days sales outstanding have been calculated by taking into consideration the average combined balances of accounts receivable and revenues in excess of billings.

Net cash used in investing activities was \$2,308,004 for the nine months ended March 31, 2026, compared to \$843,044 for the nine months ended March 31, 2025. We had purchases of property and equipment of \$1,379,262 compared to \$897,743 for the nine months ended March 31, 2025. During the nine months ended March 31, 2026, we capitalized \$1,039,989 for product development.

Net cash provided by financing activities was \$369,755 for the nine months ended March 31, 2026, compared to \$866,299 for the nine months ended March 31, 2025. During the nine months ended March 31, 2026, we received bank proceeds of \$1,076,226 compared to \$2,451,256 during the nine months ended March 31, 2025. During the nine months ended March 31, 2026, we had net payments for bank loans and finance leases of \$1,093,671 compared to \$247,496 for the nine months ended March 31, 2025. Employees of the Company exercised 220,000 options of common stock for \$473,000, during the nine months ended March 31, 2025. Employees of our subsidiary, NetSol PK, exercised 1,443,874 options of common stock for \$399,620, of which \$387,200 was received during the nine months ended March 31, 2026 and \$12,420 was received during the fiscal year ended June 30, 2025. NetSol PK, a subsidiary of the Company, paid a dividend of \$306,799 to the non-controlling shareholders during the nine months ended March 31, 2025. NetSol PK purchased 2,690,251 shares of its common stock from the open market for \$1,503,662 during nine months ended March 31, 2025. We are operating in various geographical regions of the world through our various subsidiaries. Those subsidiaries have financial arrangements with various financial institutions to meet both their short and long-term funding requirements. These loans will become due at different maturity dates as described in Note 13 of the financial statements. We are in compliance with the covenants of the financial arrangements and there is no default, which may lead to early payment of these obligations. We anticipate paying back all these obligations on their respective due dates from the respective Company's own sources.

We typically fund the cash requirements for our operations in the U.S. through our license, services, and subscription and support agreements, intercompany charges for corporate services, and through the exercise of options and warrants. As of March 31, 2026, we had approximately \$14.7 million of cash, cash equivalents and marketable securities, of which approximately \$14.2 million is held by our foreign subsidiaries. As of June 30, 2025, we had approximately \$17.4 million of cash, cash equivalents and marketable securities, of which approximately \$16.4 million is held by our foreign subsidiaries.

We remain open to strategic relationships that would provide value-added benefits. The focus will remain on continuously improving cash reserves internally and reducing reliance on external capital raises.

As a growing company, we have ongoing capital expenditure needs based on our short-term and long-term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we anticipate needing \$1.5 million for APAC, the U.S. and Europe's new business development activities and infrastructure enhancements, which we expect to provide from current operations.

Financial Covenants

The following tables present financial covenants associated with our borrowings.

Subsidiary	Bank / Facility	Facility Amount	Key Financial Covenants / Conditions
NTE (UK)	Overdraft facility	£300,000 (\$394,787)	Eligible trade receivables (≤ 90 days old, net of provisions, excluding intercompany) must be at least 200% of the facility balance
NetSol PK	Askari Bank – Export refinance	PKR 600 million (\$2,148,382)	Long-term debt-to-equity ratio of 60:40; Current ratio of at least 1:1
NetSol PK	Askari Bank – Running finance	PKR 4.1 million (\$14,505)	
NetSol PK	Habib Metro – Export refinance	PKR 1.3 billion (\$4,654,827)	
NetSol PK	Bank Al-Habib – Export refinance	PKR 400 million (\$1,432,254)	
NetSol PK	Samba Bank – Export refinance	PKR 380 million (\$1,360,642)	Current ratio $\geq 1:1$; Interest coverage $\geq 4x$; Leverage ratio $\leq 2x$; Debt service coverage $\geq 4x$

As of the date of this report, we are in compliance with the financial covenants associated with our borrowings. The maturity dates of the borrowings of respective subsidiaries may accelerate if they do not comply with these covenants. In case of any change in control in subsidiaries, they may have to repay their respective credit facilities.

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements are prepared applying certain critical accounting policies. The SEC defines “critical accounting policies” as those that require application of management’s most difficult, subjective, or complex judgments. Critical accounting policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variations and may significantly affect our reported results and financial position for the period or in future periods. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on our future financial condition and results of operations. Our financial statements are prepared in accordance with U.S. GAAP, and they conform to general practices in our industry. We apply critical accounting policies consistently from period to period and intend that any change in methodology occur in an appropriate manner. There have been no significant changes to our accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

RECENT ACCOUNTING PRONOUNCEMENTS

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

None.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Financial Officer and Chief Executive Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the three months ended March 31, 2026, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)).

PART II OTHER INFORMATION

Item 1. Legal Proceedings

NA

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended June 30, 2025, filed with the SEC on September 29, 2025. Any of such factors could result in a significant or material adverse effect on our results of operations or financial conditions. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements and Policies

During the three months ended March 31, 2026, none of the Company's directors or officers have adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended. The Company's insider trading policy is contained in our Code of Ethics, which has been filed as an exhibit to our Form 10K and is available on our website at <https://ir.netsoltech.com/governance-docs>.

Item 6. Exhibits

- 31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CEO\)](#)
- 31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(CFO\)](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(CEO\)](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(CFO\)](#)
- 101. INS Inline XBRL Instance Document
- 101. SCH Inline XBRL Taxonomy Extension Schema Document
- 101. CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101. DFE Inline XBRL Taxonomy Extension definition Linkbase Document
- 101. LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101. PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETSOL TECHNOLOGIES, INC.

Date: May 14, 2026

/s/ Najeeb U. Ghauri
NAJEEB U. GHAURI
Chief Executive Officer

Date: May 14, 2026

/s/Sardar Muhammad Abubakr
SARDAR MUHAMMAD ABUBAKR
Chief Financial Officer
Principal Financial Officer

Date: May 14, 2026

/s/Roger K. Almond
ROGER K. ALMOND
Chief Accounting Officer
Principal Accounting Officer

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Najeeb Ghauri, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2026 of NetSol Technologies, Inc., (“Registrant”).
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;
- (5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 14, 2026

/s/Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal executive officer

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Sardar Abubakr, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2026 of NetSol Technologies, Inc., (“Registrant”).
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;
- (5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 14, 2026

/s/ Sardar Abubakr
Sardar Abubakr
Chief Financial Officer
Principal Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Najeeb Ghauri, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 14, 2026

/s/ Najeeb Ghauri

Najeeb Ghauri,
Chief Executive Officer
Principal Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NetSol Technologies, Inc. on Form 10-Q for the period ending March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Sardar Abubakr, Chief Financial Officer, and Principal Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 14, 2026

/s/Sardar Abubakr

Sardar Abubakr
Chief Financial Officer
Principal Financial Officer
