



**Neural Group Inc.**

FY2025 Q2 Financial Results Briefing Meeting

August 8, 2025

# Event Summary

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	Roi Shigematsu	Chief Executive Officer
	Takashi Kisaka	Chief Financial Officer

## Highlights of the FY2025 interim financial results and strategic direction

### Review of FY2025 business strategy (revisiting Q IR presentation)

- In FY2025, we expect to leverage the technological capabilities we have built to date to generate an operating profit of 160 million yen for the full year, as well as to post a net profit of 40 million yen—the first in four periods. This marks our transition from the “Revenue model transformation phase” to the “Growth acceleration phase.”
- Since our IPO, we have been undergoing a business model transformation and had only disclosed our total consolidated revenue. However, beginning in FY2025, as we have established a sustainable business model, we started disclosing the breakdown of our business domains to enhance the clarity of our investor communications. These domains will be categorized into two segments: the “Innovations Domain”, which promotes AI algorithm development independently or in collaboration with large enterprises, and the “Core Services Domain”, which involves the provision and operation of our core services through both our in-house and partner distribution networks.
- Although our consolidated annual revenue growth rate for FY2025 is projected to be a modest +3.8%, we will prioritize revenue growth in the “Core Services Domain” and drive rapid and sustainable growth.

### FY2025 interim earnings highlights

- **[Consolidated performance]** Consolidated revenue for the first half was 1,712 million yen, representing a 3.1% YoY increase. Revenue from the Core Services Domain, positioned as a growth area, reached 1,428 million yen (an 8.9% increase YoY), demonstrating steady growth. Operating profit for the consolidated group came in at 1 million yen, marking a return to first-half operating profitability for the first time in four periods. Leveraging this stable and sustainable profitability structure, we established a growth foundation to accelerate core services revenue in the second half onwards.
- **[Core Services Domain]** We have set a short-term annual growth target of 15–20% for the Core Services domain and will begin gradually raising the growth rate from Q3 onward. To achieve this, we defined the value proposition of the Core Services as “Using AI technology, we provide broad support for marketing and talent utilization to a wide range of clients from large corporations to small and medium-sized enterprises nationwide”. Based on this, we formulated four growth strategies in Q2:
  1. **[Scale capability]** Ongoing acquisition of new clients and expansion with existing 12,000 clients (Approx. 1,000 new business meetings held monthly).
  2. **[Product strength]** Enhancing existing services with new technologies and features to increase unit price and attract new customers.
  3. **[Business creation capability]** Commercializing new services born from the Innovations Domain and utilizing M&A going forward.
  4. **[Sales capability]** In addition to our in-house sales team, we are expanding nationwide sales partner network.
- **[Innovations Domain]** In addition to developing our proprietary 320-billion-parameter LLM “NEURAL.LLM”, we successfully developed our own proprietary AI agent powered by NEURAL.LLM and announced its first implementation in Okinawa City during Q2. We will continue to promote cutting-edge R&D in the rapidly evolving AI industry.

Thank you all for joining us today for the announcement of our interim financial results for the eighth fiscal year. We also sincerely appreciate your viewing of this financial results video. I would now like to outline the key points of our interim results for the eighth fiscal year.

This fiscal year, we released our Q1 FY2025 financial results three months ago. Since then, we have been operating with the awareness that this is the first year in which we seek dialogue with our investors more proactively, while refining our IR approach, listening closely to feedback, and steadily advancing our business.

Let me briefly review what we shared in Q1. For FY2025, our eighth term, we aim to achieve an operating profit of 160 million yen for the full year, leveraging the technological capabilities we have built over time. We also expect to generate net profit for the first time in four years.

Over the past three years, we have been transforming our revenue model while working to secure profits. Having firmly established operating profit, this year we are targeting net profit—the final bottom line. As shown in the slide, from the latter half of this term, we will embark on a new stage of evolution.

Over the last three months since our Q1 announcement, we have had more meetings with investors than in any comparable period in recent years. Most questions we received were – the details of our business, such as revenue breakdowns, profit structures, and growth strategies.

We would like to address as many of these questions as possible in today’s results announcement. For this purpose, we believe it is essential to provide investors with high-resolution information. By doing so, we hope to enable more informed investment decisions and continued support for our business.

Our business is divided into two main domains:

- Innovations: Advanced innovations in AI algorithms through proprietary development and joint initiatives with large corporations.
- Core Services: Provision and operation of our core AI services.

By Core Services, we mean not just technology development, but turning that technology into concrete services that meet broad, practical needs of many customers. By distinguishing these two domains, we began in Q1 to clarify how much of our resources are devoted to new technology development versus how much we accelerate growth in marketable services as Core Services.

For FY2025, we expect consolidated annual revenue growth of 3.8%. At the time of the Q1 announcement, investors commented that this outlook appeared modest. Although we did not disclose the breakdown then, we explained that the numbers differ significantly between the two domains.

In the Innovations domain, technical development requires selectivity and creativity, and does not necessarily translate into strong revenue growth. In contrast, in the Core Services domain, we are driving strong revenue growth that contributes to profitability, enabling us to pursue rapid and sustainable growth.

Now, let me report on our FY2025 interim results. Revenue progressed as planned, reaching 1.712 billion yen, a 3.1% increase year-on-year, nearly matching our full-year forecast. Particularly, revenue in the Core Services domain rose from 1.311 billion yen in the same period last year to 1.428 billion yen this year, achieving growth of about 9%.

Furthermore, we recorded operating profit in the first half for the first time in four years. While in recent years we had achieved operating profit on a quarterly basis, our business has seasonality, with lower sales in the first half and stronger sales in the second half. Although the first half is generally less profitable, this year, through initiatives to strengthen our earnings structure, we achieved operating profit in the first half—again, for the first time in four years. We view this as the result of our efforts to build a sustainable and stable profit base. Building on this success, in the ongoing second half we are focusing particularly on expanding revenue in the Core Services domain, while transitioning into a phase of accelerating growth and preparing the foundation for further expansion.

In the past three months, many investors have asked us about the mid-term growth potential of our Core Services domain: specifically, “What level of growth rate can be achieved in the medium term?” Although we are not disclosing precise mid-term figures at this stage, in the short term of one to two years, we are targeting an annual growth rate of 15% to 20%, excluding M&A. We consider it important to steadily achieve such growth in the Core Services domain. We have outlined four initiatives to realize this target, which I will explain later in detail. By pursuing our established strengths and strategies, we believe 15–20% annual growth is fully achievable.

In the Innovations domain, in April we announced our proprietary large language model, NEURAL.LLM, with 32 billion parameters. Subsequently, we evolved NEURAL.LLM into an AI Agent. Notably, in Q2, we announced that Okinawa City officially adopted our AI Agent, launching full-scale commercial operation at Koza Athletic Park, a large public facility. This demonstrates our intent to move beyond research and pilot testing, and to actively expand AI Agents for real-world commercial applications.

That concludes the outline of today’s presentation.

- **Company overview**

- Overview of our business model
- About the Innovations Domain
- About the Core Services Domain
- Growth strategy for the Core Services
- Highlights of the FY2025 interim financial results

In today's earnings presentation, I will proceed as follows. This time, I will also provide a thorough explanation of our company overview, which we have previously only touched on briefly, and then discuss our growth strategy in the Core Services domain, which I believe is the area of greatest interest for our investors. After that, I will review the highlights of this interim financial announcement and conclude with a summary.

## Introduction to Neural Group

– Our Mission –

### “Update the world for a better tomorrow”

We named our company "Neural Group" to express our desire to provide inspiring services that transcend boundaries across a wide range of fields through the development of cutting-edge technologies, including AI. We aim to leverage a variety of AI technologies in both real and virtual spaces to help create an exciting future society in various areas such as smart cities, urban development, work style innovation, and entertainment.

<b>Established</b>	January 22, 2018
<b>IPO</b>	August 20, 2020 (TSE Growth : 4056)
<b>Business Description</b>	AI engineering business
<b>Headquarter</b>	Tokyo Midtown Hibiya 32F, 1-1-2 Yurakucho, Chiyoda-ku, Tokyo
<b>Subsidiaries</b>	Neural Marketing Inc., Neural Engineering Inc., Neural Group Thailand Co.,Ltd.
<b>Branches</b>	Tokyo, Osaka, Sapporo, Sendai, Nagoya, Takamatsu, Hiroshima, Fukuoka, Bangkok
<b>Employees</b>	251 employees (consolidated, as of December 31, 2024)

Neural Group is dedicated to creating new services powered by AI technology, guided by the mission “Update the world for a better tomorrow.”.

The background of this initiative lies in our founding: we were established by members passionate about developing cutting-edge technologies, particularly AI. Today, with 251 employees, we continue to pursue how new technologies can be integrated into society and how they can enrich and enliven everyday life.

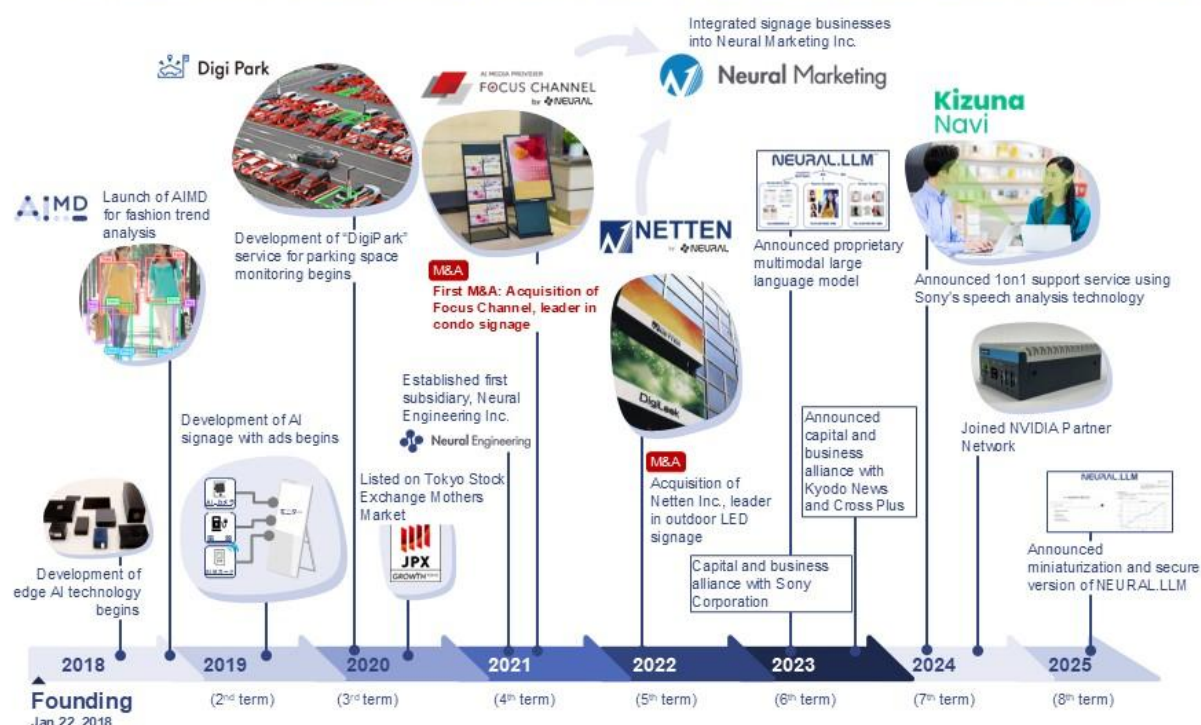
In terms of services, we strive to make AI technology accessible in both physical and virtual spaces. By “physical space,” we refer to environments such as cities, where our solutions can be used by a wide range of people. By “virtual space,” we mean primarily online platforms, where we provide web-based services.

Through this approach, we deliver AI technology across various fields, including urban development, new ways of working, and entertainment. Our aspiration is not merely to provide technology, but to build and expand these offerings as Core Services, thereby becoming a company that truly brings AI into people’s lives.



## History of the Neural Group

👍 Since founding in 2018, we have launched various AI services and expanded our business domains through two M&As.



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Neural Group was founded in 2018 and is now in its eighth fiscal year. From the very first year of our founding, we have been engaged in the development of a technology known as Edge AI. At that time, this was among the most advanced technologies in the world. Today, awareness of Edge AI has spread among our customers and investors, but we have been dedicated to its development since 2018.

As our primary platforms, we have utilized systems such as NVIDIA's Jetson series. In this field, we are considered one of the early players, having been engaged since the very beginning.

Along the way, we have developed a variety of technologies and services. For example, AIMD, a trend analysis technology in the fashion industry, and vertically oriented LCD signage systems. These signages integrate AI cameras and SIM cards, enabling us to distribute regional and advertising information via LTE communication through the embedded SIM cards.

One of our core technologies in the Innovations domain—and one of our key services—is the parking management system DigiPark, whose development we began in 2020, our third year. In that same year, we were listed on the Tokyo Stock Exchange.

In the first three years, we focused primarily on technology development, investing almost all our revenue into innovations. This period was dedicated to what we now call our Innovations domain.

From 2021 onward, we executed two M&A transactions. The first was the acquisition of Focus Channel, the leading company in condominium signage media. We pursued this acquisition because we had been developing LCD signages with embedded AI cameras within our Innovations domain, and we aspired to provide this technology as a commercial service broadly across residential properties.

In our fifth fiscal year, we acquired Netten, a company specializing in outdoor LED signage. The reason behind this acquisition was our belief that having a channel for outdoor information distribution would be crucial for

expanding the application of AI technologies. Even if we could analyze urban information using AI or generate new content with generative AI, without display channels outside of mobile phones, there was insufficient utilization in real-world spaces.

Thus, by acquiring both indoor condominium displays and outdoor display channels, we established a stronger sales network. These were subsequently integrated into a company called Neural Marketing. By consolidating such marketing functions as a core business, we began transitioning around 2021 from a model centered on technology development in the Innovations domain to a business model that develops and sells services in the Core Services domain through new channels.

In 2023, we entered capital and business alliances with Sony Corporation, Kyodo News, and Cross Plus, securing both funding and strategic partnerships. During the three to four years prior, as we prioritized the development of technologies and services, we recorded consecutive deficits. However, by securing these new partners, we began advancing toward profitability with their support.

Recently, we have established a clear path to profitability between 2024 and 2025, and in 2025 we aim to transition firmly onto a growth trajectory. Furthermore, as one of our latest initiatives, we announced the development of a large language model, continuing to expand our business through such efforts.



## Our core competence



Listed on TSE in August 2020, 2.5 years after founding.



Strong in Video AI, Audio AI, LLMs, and AI Agents.



AI Agent utilizing our proprietary 32-billion-parameter LLM\*



Early entry into Edge AI as an NVIDIA METROPOLIS partner.



12,000+ service installations nationwide.



Exceptional AI startup with a nationwide sales and operation network.

\*Refers to the total number of variables (parameters) within a model used for training AI models. The larger this number, the more complex patterns can be learned, and the more advanced processing becomes possible.

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Now, let me speak about our strengths. Since our listing in 2020, we have primarily focused on the domains of AI in video and audio recognitions, as well as Edge AI technologies. A key feature is that we own all our proprietary AI algorithms in these fields, enabling us to perform in-house tuning and customization.

In other words, we develop the “base ingredients” ourselves. This allows us, as an AI company, to customize solutions when delivering them to customers, thereby providing more suitable and effective offerings—one of our core strengths.

Our large language model, NEURAL.LLM, with 32 billion parameters, is about a year and a half behind the massive technologies being developed by American tech giants. At first glance, “one and a half years behind” may sound like a considerable delay. However, few ordinary users can fully utilize even models from a year and a half ago, such as earlier versions of ChatGPT.

Generative AI technologies have matured far more rapidly than expected, and we believe innovation in this space is already approaching saturation. While NEURAL.LLM leverages open-source resources, in an environment where technological advancement is accelerating, a “year-and-a-half delay” is becoming less of an issue.

For comparison, consider personal computers: few people can fully utilize the difference between a five-year-old PC and the latest one available at an electronics store. The same trend is increasingly true for language models.

Moreover, this “year-and-a-half delay” also brings significant advantages, particularly in cost efficiency. Unlike the trillions or tens of trillions of yen in development costs borne by tech giants, we are able to develop compactly using much less R&D cost.

That said, this is only possible with very advanced technical capabilities. As I will explain in more detail later,

simply using open source is not sufficient. Our achievements rely heavily on the miniaturization technologies we have cultivated in AI development over the years.

Specifically, we were one of the earliest companies to enter the Edge AI field, and we have continued our activities as an NVIDIA Metropolis Partner. As a member of NVIDIA's global network, we have leveraged the strengths we gained in miniaturization to apply them effectively to LLMs as well. This technical foundation is what makes our development possible.

Another strength lies in our sales and distribution capabilities. We have more than 12,000 existing customers nationwide, supported by ten regional sales offices across Japan. These offices not only handle sales, but also daily operations, support, and maintenance. Such a robust service delivery structure is extremely rare among AI companies, and we believe it represents a unique advantage in bringing value directly to our customers.



## Management team – driving the social implementation of AI technologies



### Founder & CEO, Roi Shigematsu,

- Partner at McKinsey & Company.
- Led private equity investments at Bain Capital.
- Advisory Board of The Faculty of Engineering, The University of Tokyo (to present)
- Member of Keizai Doyukai (Japan Association of Corporate Executives) (to present)
- M.S. (Engineering), The University of Tokyo



### Advisor, Yutaka Matsuo

- Professor, Artificial Engineering Research Center, Graduate School of Engineering, The University of Tokyo
- President, Japan Deep Learning Association; Expert Member, Council for the Realization of New Capitalism; Chair, AI Strategy Council
- Outside Director, SoftBank Group
- Advisor to the Company since 2018



### Senior Executive Officer Masaaki Yamamoto

- Spent 15 years at Sony engaged in technology development and new business development.
- Earned a graduate degree from Tokyo Institute of Technology, specializing in Mechanical and Aerospace Systems.



### Senior Executive Officer, CTO Takahiro Mikami

- Engaged in researches about image recognition (ResNet) and natural language (LSTM) models at Nomura Research Institute.
- Engaged in research on image recognition and natural language models at Nomura Research Institute.
- Ph.D. (Theoretical Physics), The University of Tokyo



### Executive Officer, CFO Takashi Kisaka

- Engaged in overall financial business operations and investment decision management and planning for domestic and Asian markets at MUFG Bank, both at the head office and in Singapore.
- B.A. (Law), The University of Tokyo



### Executive Officer Daichi Suzuki

- Led development of large-scale integrated systems for enterprise clients at Nomura Research Institute.
- Experienced in building multiple new businesses at PER SOL.
- M.S. (Science and Engineering), Waseda University



### Executive Officer Takuya Matsuda

- Led a variety of projects related to organizational reform and formulated talent development strategies at the management consulting firm Layers Consulting.
- B.A. (Law), Osaka University



### Audit and Supervisory Committee (Full-time) Miho Takemura

- After auditing major financial institutions at ShinNihon Audit Corporation (currently EY ShinNihon LLC), served as a full-time Audit & Supervisory Board Member for a company preparing for listing.
- Graduated from Chuo University, Faculty of Commerce, Department of Accounting. Certified Public Accountant.

Our management team is composed of members with diverse backgrounds, who dedicate themselves daily to advancing technology and driving sales. We are also fortunate to receive guidance from Professor Yutaka Matsuo of the University of Tokyo, under whose mentorship we continue to move our business forward.

**Capital alliances with major operating companies have been formed to create business synergies.**

	Sony Corporation	Kyodo News	CROSS PLUS
Tie-up announcement	April 2023	December 2023	December 2023
Details of cooperation	<ul style="list-style-type: none"> <li>• Exchange of personnel, services and technology (mainly acceptance of Sony personnel)</li> <li>• Aiming for collaboration and commercialization of new businesses related to signage-related business and human attitude detection based on AI technology.</li> </ul>	<ul style="list-style-type: none"> <li>• Subsidiary Kyodo News Digital is Japan's largest provider of digital signage content</li> <li>• Promote collaboration in services and advertising media utilizing signage</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration in the apparel industry, including AI analysis of fashion trends since the company's establishment</li> <li>• In addition to expanding existing services on both sides, the company aims to develop new services utilizing AI technology.</li> </ul>

In addition to our management team, our shareholders include Sony Corporation. Sony is a key partner in AI technology, with particular strengths in voice AI technology. Together with Sony, we are developing a service called KizunaNavi, leveraging their advanced expertise. Beyond being one of Japan's most prominent and cutting-edge corporations, Sony's involvement adds significant credibility to our initiatives.

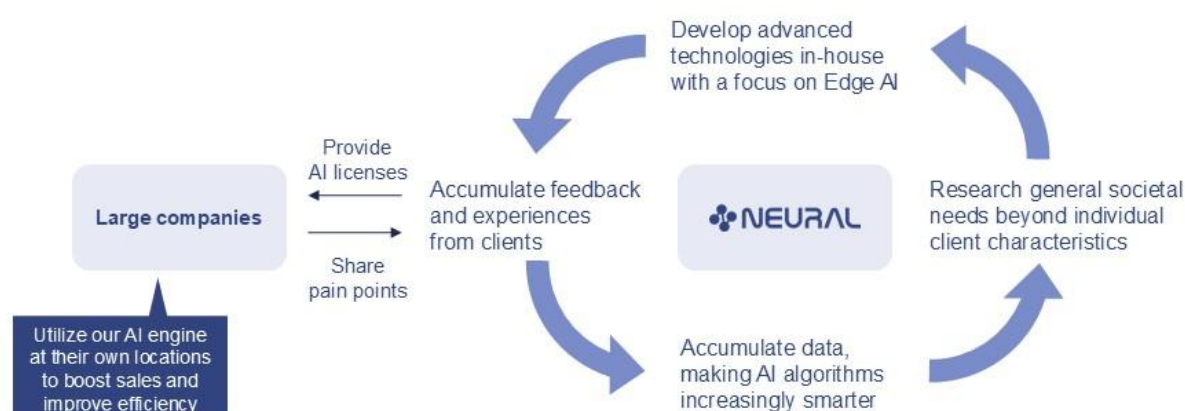
Another major shareholder is Kyodo News, a leading player in Japan's media industry. Kyodo provides valuable know-how in areas such as signage, media operations, and service delivery, and we are also exploring synergies by utilizing media content in collaboration with them.

Cross Plus Co., an apparel company, is also among our shareholders. Since our founding, we have pursued fashion trend analysis, and we continue to advance such technologies within our Innovations domain. Cross Plus supports us as both a business partner and shareholder, actively utilizing our technologies in various applications.



## Business model at the time of IPO in August 2020

### Business model at IPO: New technology and business development centered on Edge AI



We have already explained our business model during the Q1 earnings presentation, so I will keep this section relatively brief. However, since we received many requests from institutional investors to “explain the difference between our business model at the time of listing and the current model,” I will provide a short overview here.

At the time of our IPO, as mentioned earlier, we were engaged in businesses related to the cycle shown on the right side of the slide under the name NEURAL. Above the NEURAL logo, it states “In-house development of advanced technologies centered on Edge AI.” Our approach was to first develop technologies internally, and then provide them to large enterprises as AI licenses.

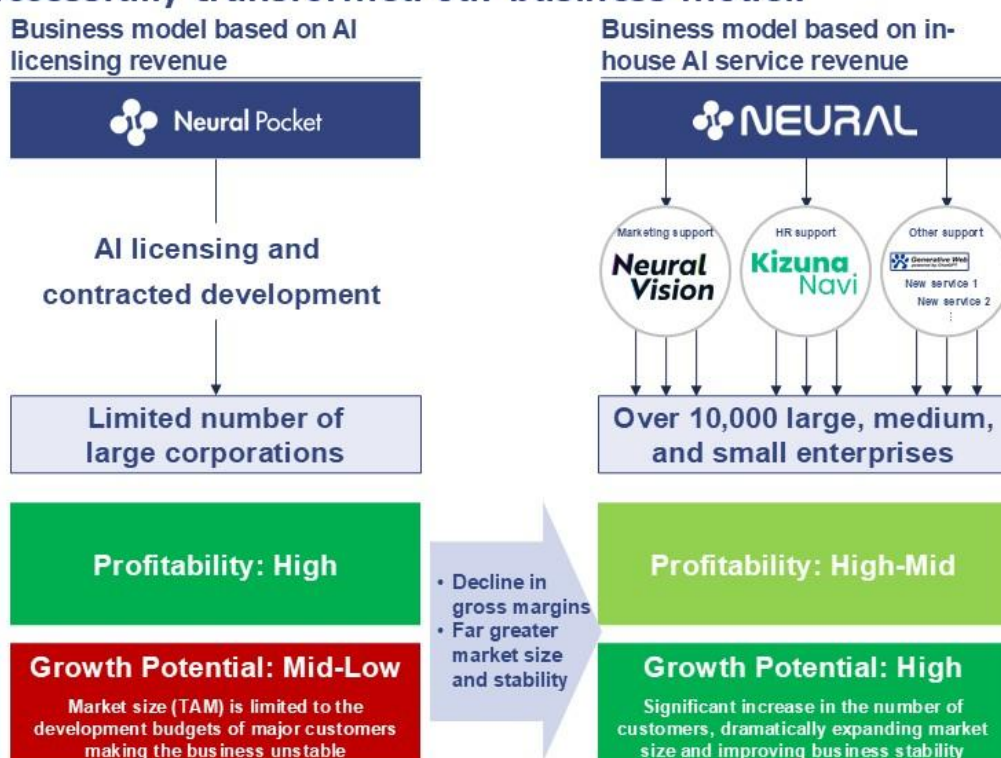
Through the integration of our programs into these enterprises’ services, we would receive feedback regarding improvements in technical accuracy, the addition of specific detection functions, or new useful AI functionalities.

We accumulated this feedback and stored it internally as data, using it to make our AI algorithms increasingly intelligent. In this way, by gathering input from a broad range of customers, we avoided over-reliance on any single client and instead researched more universal social needs.

As shown in the blue box on the slide, our business model at the time of listing was centered on developing new technologies and businesses based on Edge AI.

In fact, after our IPO, many people suggested that we could simply continue with this model. However, the background to why we shifted our business model is explained in the next slide.

## After the IPO, we adapted to changes in the market environment and successfully transformed our business model.



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At that time, as shown on the left side of the slide, our business model was based on AI license revenue. We provided our programs and engines themselves in a licensing format.

In terms of profitability, this model was extremely strong. Because the programs we developed could be sold at high value, our margins were excellent—gross margins exceeded 90%. With almost no cost of goods sold, the model delivered very high profitability.

However, when considering whether this model could sustain continuous growth and scale to revenues of 5 billion, 10 billion, or even 20 billion yen, we recognized clear limitations. The reason lies in the structure of the business: revenue depended on the R&D budgets of large corporations. These budgets are heavily influenced by economic conditions and market fluctuations. Moreover, as R&D advanced, enterprises increasingly tended to internalize development, which made the growth potential of this model limited.

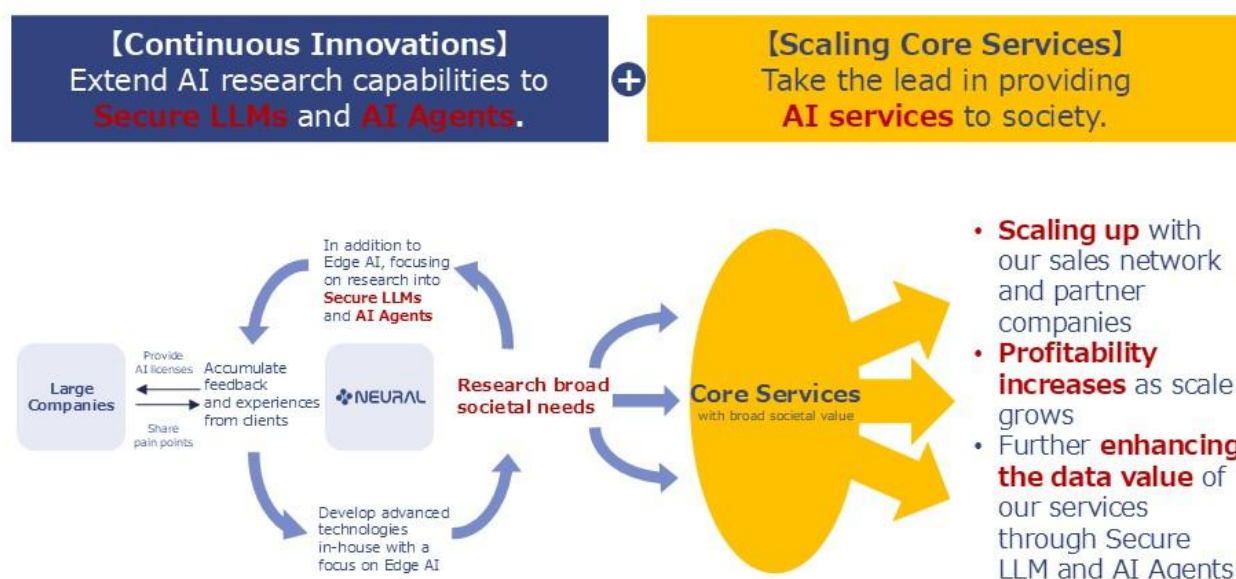
For this reason, we transitioned to a business model in which revenue is generated through our own AI services. In this new model, we provide marketing support and HR support as software services, which are now used by more than 10,000 companies, including both large corporations and SMEs. The key point here is that the growth potential of this model is far stronger.

While our gross margin, which once exceeded 90%, has now settled in the 60% range, we still consider this to be a sufficiently high level. On the other hand, a 30-point reduction in margin inevitably led us into deficit. With an operating profit margin of around 10% at the time, the decline of 30 points in gross margin made losses unavoidable.

The question then was whether to hold back or to push forward. We chose not to hold back but to move decisively forward. The reason is that the growth potential of this model is overwhelmingly high. We believe it enables us to deliver value across diverse business fields.

In short, while such a transformation in our business model comes with its pains, without undertaking it, significant growth would not be achievable.

4 years after IPO, the business model has evolved to the next stage.



To explain this in line with the business development cycle I mentioned earlier: as shown on the left side of the slide, the concept of continuing Innovations has not changed.

At the same time, this does not mean we have abandoned or completely changed our business. Rather, we have continued our innovation activities, albeit at a somewhat reduced scale, as a way of steadily advancing our technical expertise.

The greatest benefit of technology development, as noted in red text at the center of the slide, is the ability to "Research broad social needs." With this objective, we continue joint development with large corporations and accumulate valuable experience. In this way, we have sustained our innovation efforts over the long term.

Once we gain a deep understanding of such universal social needs, it is only natural that we apply these learnings to our own services. This leads to the development of Core Services with broad social value, as shown on the right side of the slide.

As we scale these services through our own sales network and distribution partners, selling, general, and administrative expenses remain relatively stable, which allows profitability to increase in tandem—ultimately resulting in higher earnings.

At the same time, we also expect to see additional benefits, such as enhancing the value of data through services powered by language models and AI Agents. These efforts to leverage Innovations within our Core Services domain have been the most critical focus of the past three years.

**Our two business pillars – driving growth through both “Innovations” and “Core Services”.**



In summary, our current business model is divided into two domains. The first is the Innovations domain, where we advance AI algorithm research. The second is the Core Services domain, which represents the core driver of our future growth and focuses on promoting the social implementation of AI. These two domains are closely interconnected, for the reasons I explained earlier.

As shown at the bottom of the slide, our customer base differs significantly between the two. In the Innovations domain, we work with up to around 100 clients, whereas in the Core Services domain, we serve more than 10,000 companies across a broad spectrum. We believe this difference illustrates the essential nature of our business.



## Elevating a diverse range of technologies in the Innovations Domain into the Core Services Domain.

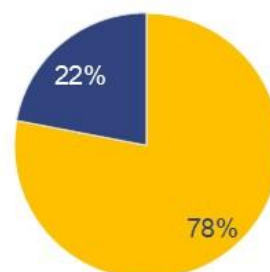
### Innovations Domain

- NEURAL.LLM** Proprietary large language model
- Digi Park** Smart city services using AI cameras
- AIMD** Fashion trend analysis service using AI
- FOCUS CHANNEL** Signage media service for residential complexes etc

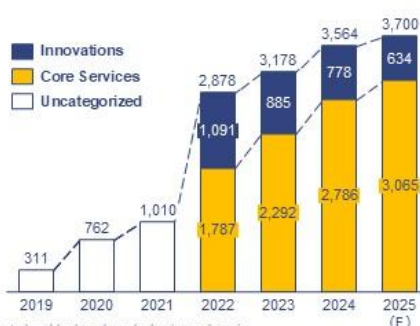
### Core Services Domain

- NeuralVision** Outdoor LED vision service utilizing generative AI technologies
- KizunaNavi** 1-on-1 support service using AI
- Generative Web** Web-related services utilizing generative AI technology etc

FY2024 revenue breakdown by domain  
(100% = 3,564 million JPY)



Historical revenue breakdown by domain\*\*  
(JPY Millions)



\*\*1 Revenue derived from customer contracts, as well as revenue based on accounting standards for lease transactions, is also aggregated and broken down by business domain.

As we also explained in Q1, this slide outlines the services included in both the Innovations domain and the Core Services domain.

In the Innovations domain, we are engaged in initiatives such as the development of language models and research through our parking service DigiPark. Within DigiPark, we study themes such as which AI cameras are most effective, how they should be positioned, and what types of data related to vehicle queues and movement in parking areas can be collected to contribute to urban development.

We are also pursuing fashion trend analysis and FOCUS CHANNEL. Regarding FOCUS CHANNEL, while our aim is to eventually evolve it into a Core Service once the signage media infrastructure reaches a more advanced stage, for the time being, it remains positioned as part of the Innovations domain.

In the Core Services domain, we provide offerings such as Neural Vision, KizunaNavi, and web-based services. These are the pillars of our revenue model.

As shown in the slide's graph, in FY2024 the Core Services domain, indicated in orange, accounts for roughly 80% of revenue. Looking back from 2019, we recognize that from 2022 onward it has become possible to clearly classify our businesses into the Innovations and Core Services domains numerically.

For the years 2019 to 2021, most of what is labeled as "unclassified" can be regarded as belonging to the Innovations domain. The Core Services domain was minimal at that stage and was hardly included within the unclassified portion. Since then, however, Core Services have grown significantly and now represent the majority of our revenue.

AI technology is evolving along with the industry's growth

## Cloud AI



- High costs and energy consumption
- Requires attention to privacy

## edge AI



- Low cost and energy-efficient
- Enhances privacy protection

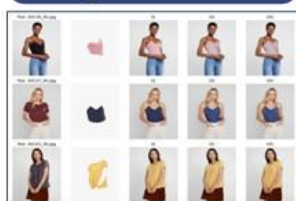
Since our founding, we have focused not on cloud-based AI, but on the development of Edge AI. Edge AI refers to highly efficient, lightweight AI technology that can be processed on small computers compact enough to fit in the palm of your hand.

The advantages of Edge AI include not only its ability to be deployed with minimal investment, but also its emphasis on privacy protection. When installing AI cameras in public spaces, cloud-based solutions require significant server infrastructure, driving up costs. By contrast, Edge AI is highly cost-effective, enabling affordable AI deployment.

Moreover, information captured by cameras is processed locally within Edge AI devices, and raw data is discarded immediately. In other words, images or audio that may contain personal information collected in public areas can be securely deleted on-site. This capability to safeguard privacy is one of the most important strengths of Edge AI.

## We incorporate the latest developments in edge AI into our existing services contributing to building further barriers to entry

### Image Generation AI



- In-house production of image gen AI models
- Enables the generation of a variety of content and applies it to creative ad production

### Multi-tasking AI model



- Development of a multi-tasking AI model to integrate separate AI models
- Multitasking to reduce memory usage by ~50%

### AI accuracy research



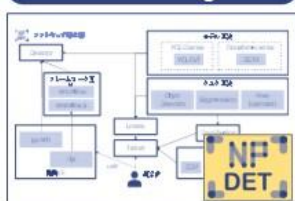
- Ongoing AI accuracy research and application to our commercial services
- Stable detection including abnormal environments

### Edge AI voice system



- Real-time analysis of user voice within edge devices
- Developing new edge AI service that provides feedback to users through natural language analysis

### Accelerated next-gen dev



- Develop platform to support R&D of new AI models
- Capable of incorporating latest algo with ~1/10th of the man-hours required by conventional methods

### Neural Platform

- Real-time management of numerous edge AI devices connected online
- Automatically update programs and AI models remotely

- The latest edge AI technology is rapidly implemented and incorporated into our commercial services through remote updates
- AI models and development are standardized across services allowing for generic services, contributing to lower implementation costs/ profitability
- These factors contribute to high barriers to entry and customer continuity

We have continued the development of Edge AI since our founding. While I will not go into full detail here, we have advanced various AI technologies and introduced multiple innovations over the years.

One distinctive feature, shown at the center of the slide, is our Multi-task AI Model. Normally, when running multiple programs on an Edge AI device, memory capacity becomes a constraint, making it difficult to operate many models simultaneously. This limitation reduces the ability to perform multiple detections.

In conventional approaches, one AI model is created for each task—for example, one for facial recognition, another for person identification, and yet another for vehicle recognition. By contrast, our Multi-task AI Model can handle multiple tasks such as facial recognition and age estimation within a single model. This represents an advanced approach to AI development.

These are examples of how we have adapted and commercialized cutting-edge academic research and the latest technologies from AI industry papers. While each topic is fascinating in its own right, I will omit further detail today due to time constraints.

In this way, we have continuously developed a wide range of proprietary AI technologies—what we like to call our own “secret sauce.”





For outdoor flat parking lots, a single camera can capture over 100 parking spaces.



Congestion analysis based on line counting at parking lot entrances and exits is also available.

**1 Real-time availability management system for facility managers.**



**2 Linking data to the facility website.**



**3 Guiding drivers on-site to streamline traffic flow within parking lots.**

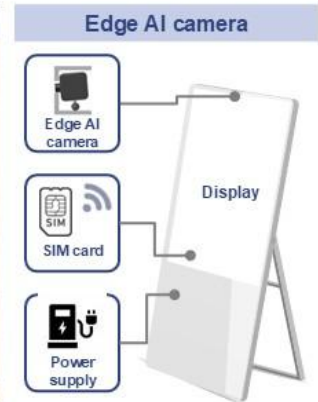
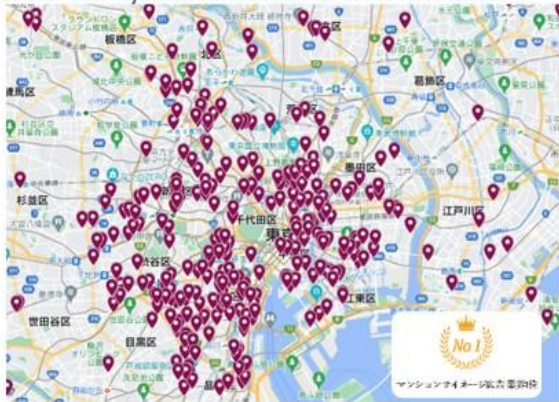


Let me now turn to DigiPark, which remains one of our core initiatives within the Innovations domain. In parking facilities, a single camera can detect the entry and exit of dozens, or even up to 100–200 vehicles simultaneously, instantly determining whether spaces are occupied or available.

More recently, the system has evolved to analyze vehicle flow and even predict the direction of movement. This enables us not only to guide customers on-site but also to provide real-time availability information on websites, and to integrate with digital signage to deliver relevant information directly to consumers.

We consider this service to be a highly advanced application of our Edge AI technology.

## Operate a condominium signage media that reaches over 200,000 affluent individuals



### 1 Automatically analyze viewing results with AI cameras



### 2 Centrally manage distributed ads remotely



### 3 View ads as local information



Now let me explain FOCUS CHANNEL. We currently operate approximately 450 digital signage displays, mainly in the Tokyo metropolitan area.

At first glance, these may appear to be ordinary digital signages. However, they are connected via SIM communication and equipped with built-in AI cameras. This system allows broadcasting content to be automatically uploaded and downloaded.

As shown in the lower part of the slide, the AI cameras automatically analyze viewing data, and this information is fed back to advertisers. By leveraging A/B testing, advertisers can evaluate effectiveness and adjust their ad content accordingly. Even when an advertiser wishes to replace an ad, the distribution system allows the content to be updated remotely.

By operating these highly AI-enabled digital signages, we provide a medium that distributes both local information and advertisements, offering residents in condominiums engaging and enjoyable content.

## NEURAL.LLM in action (Announced on April 25, 2025)

### NEURAL.LLM

neural-llm-32b-v2.1

AIのビジネストレンドを5つ教えてください。

+ Code Interpreter

Open WebUI - v0.8.8

neural-llm-32b-v2.1

AI (人工知能) のビジネストレンドについて、5つの重要なポイントを紹介します：

1. 自動化と効率向上
  - ・ ビジネスプロセスの自動化
  - ・ 経費とコスト削減
  - ・ 人間の業務負担軽減
2. カスタマーエクスペリエンスの最適化
  - ・ 個別化されたサービス提供
  - ・ チャットボットや仮想アシスタントによる24/7対応
  - ・ 実況分析によるリアルタイムフィードバック
3. データ駆動型意思決定
  - ・ 大規模データ解析能力
  - ・ 認知予測分析
  - ・ AIによるリスク評価
4. セキュリティ強化
  - ・ マルウェア検出と予防
  - ・ 不正アクセス防止
  - ・ ゼーロデイ脆弱性パッチによる異常検知
5. スマート製造と物流
  - ・ 生産ラインの自動化
  - ・ 物流管理の最適化
  - ・ IoTデバイスとの統合による予測メンテナンス

これらのトレンドは、さまざまな業界でAI技術がビジネスモデルやワークフローを根本的に変革する上で重要な役割を果たしています。

### NEURAL.LLM

neural-llm-32b-v2.1

バランスの取れた夕食の献立を1つ提案してください。

+ Code Interpreter

Open WebUI - v0.8.8

neural-llm-32b-v2.1

バランスの取れた夕食の献立を提案します：

主菜：鶏肉と野菜の煮込み

- ・ 彩り：（唐切り）タンパク黄湯
- ・ 彩り：キャベツ、トマト、ピーマン、ビタミンC、ミネラル、食物繊維

副菜：ご飯

- ・ 彩りまたは玄米：炭水化物源

汁物：味噌汁

- ・ 味噌：ビタミンB群、食物繊維
- ・ きのこ：豆類：タンパク質、ビタミン、ミネラル

デザート：フルーツ

- ・ 果物をバナナ、ビタミンC、カリウム、食物繊維

飲み物：水

- ・ 水分補給

この献立は以下のバランスを考慮しています：

1. タンパク質：鶏肉と豆腐
2. 炭水化物：ご飯
3. ビタミンC：ミネラル、野菜とフルーツ
4. 食物繊維：野菜とフルーツ
5. ミネラル：豆類と野菜

また、色とりどりの食材を使用することで栄養バランスが良くなり、見た目も楽しく食欲を刺激します。また、適量や適切な摂取量を適切にコントロールできています。

調整があれば、ご要望に応じてはみや肉のソース焼きを加えることもできます。



**Demo URL:**  
<https://youtu.be/QzmVgwwmilg>

This is our language model, NEURAL.LLM. Its performance and behavior are very similar to that of ChatGPT from about one year ago. We have also included a video demo—please click and take a look.



## AI technology is evolving along with the industry's growth

### Cloud AI



- **High costs and energy consumption**
- **Requires attention to privacy**

### edge AI



- **Low cost and energy-efficient**
- **Enhances privacy protection**

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Regarding our development of language models, some investors have asked the reason why we started development of our own proprietary LLM. In reality, however, we see our work on language models as a very natural progression of our technological development.

As shown on the left side of the slide, we have continuously developed Edge AI technologies, specifically in the fields of video and audio. For example, in video processing, we developed technologies that process data files on NVIDIA Jetson devices and convert them into metadata. This capability of on-device processing is directly applicable to large language models (LLMs).

Moreover, the miniaturization and security expertise we cultivated through Edge AI is being fully applied to our own language model.

Unlike video recognition tasks, our language model cannot run on the NVIDIA Jetson platform shown on the left of the slide. Instead, as shown on the right, it operates on NVIDIA A100 servers or similar small to mid-scale NVIDIA servers.

At the same time, NEURAL.LLM is capable of handling multiple concurrent accesses while running within a secure network environment—even on compact computers. This is a direct outcome of the technical strengths we have developed through years of Edge AI advancement.

At the bottom right of the slide, we highlight three key points:

1. In the global AI landscape where massive investment is being poured into language technologies, our focus is on introducing a different approach—developing smaller, more secure LLMs.
2. While LLMs such as ChatGPT and Grok, as well as open-source alternatives, continue to evolve rapidly, our attention is on enabling compact operation, and we are implementing this in-house.

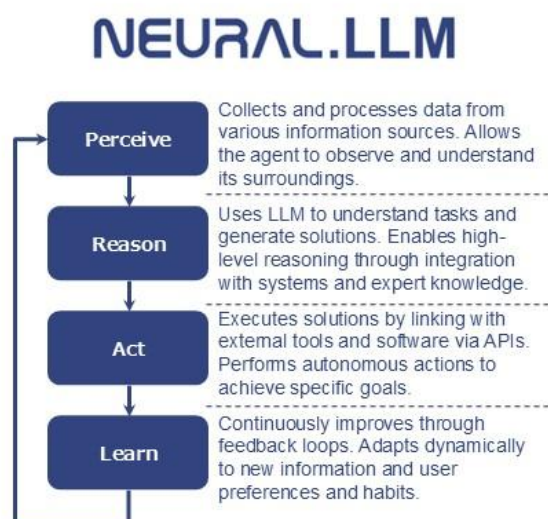


3. This has allowed us to establish a mechanism in which our proprietary language model operates within a secure network environment.



## Successful development of AI agent using our LLM, adopted by Okinawa City

### Reasoning process of the AI agent using NEURAL.LLM



### Announcement of adoption of our AI agent by Okinawa City *(announced on June 6, excerpt)*

#### The AI agent equipped with NEURAL.LLM (32 billion parameters) automatically analyzes urban data

~ AI agent to provide urban data analysis services to Okinawa City ~

Neural Group Inc. (hereinafter "the company") announced on June 6, 2023, that its proprietary 32-billion-parameter large-scale language model NEURAL.LLM has been implemented in its AI agent service, and this service has officially begun operations in Okinawa City. This AI agent, which uses LLM to autonomously perform urban data analysis, marks a significant advancement in practical AI use in the public sector. The company stated that it has successfully started providing its AI agent services to the Okinawa City government following system implementation.

In the first phase of the initiative, the company's AI agent analyzed approximately eight months of usage data collected from city-operated public digital signage. By linking this with NEURAL.LLM's reasoning capability, the AI was able to interpret environmental changes and behavior patterns, and autonomously generate analysis and reports tailored to Okinawa City's public information needs. Additionally, the agent automatically generated feedback for advertising content adjustments based on foot traffic analysis and viewing data. A demo of the data visualization and analysis results was also provided to city officials, and the agent's future application for urban planning and public communication was discussed.



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We have successfully advanced our language model into what we call an AI Agent. Some investors and media representatives have asked us, "What is the difference between an LLM and an AI Agent?" The answer is quite simple: it represents an evolution in the way reasoning is performed.

A conventional model generally works in a chat format. For example, if you ask, "What are the latest trends?" the system responds in a one-to-one Q&A format. This is the typical image of a language model: we give an instruction, and it provides an answer.

However, if a model can do this, it can also act autonomously—issuing its own instructions and performing actions without waiting for explicit user commands. This autonomy is what we refer to as an AI Agent.

On the left side of the slide, we illustrate four types of actions, modeled after human behavior. These are actions that humans perform in daily life, and we have adapted them for our LLM:

1. Perception – Recognizing what needs to be done and collecting data to understand the surrounding situation. For example, when heading home by train, one naturally checks the condition of the elevator or ticket gate, and if construction is underway, chooses an alternative route. Humans do this unconsciously.

2. Reasoning – Based on a task, considering possible solutions. For example, when one entrance is blocked, we naturally think to take another. Similarly, an LLM can determine to gather information, log into a program, attempt execution, and, if unsuccessful, adjust its approach.
3. Learning from outcomes – If one takes Route “2” but later realizes Route “1” is more efficient, one does not continue repeating “2.” Instead, the lesson is learned and the better option is chosen next time. The same principle applies to an AI Agent: it learns from outcomes and adapts its reasoning process.
4. Iterative evolution – Through repeated perception, reasoning, and adjustment, the model continues to improve. This iterative learning is the process of evolving into an AI Agent.

Because we own our LLM in-house, we have been able to implement this new reasoning method and successfully evolve it into an AI Agent.

In fact, this technology is already being applied in urban development projects in Okinawa City. At Koza Athletic Park, a large-scale public facility with parking areas and commercial spaces, more than 20 of our AI cameras have been installed. These detect human and vehicle movements. Based on event information, weather, and congestion data, the AI Agent autonomously determines guidance methods for visitors, the optimal allocation of staff, and even measures to enhance visitor enjoyment.

The key point is that this technology goes beyond simple data analysis—it generates actionable solutions. Such initiatives are already being put to use in municipal applications.

## Providing outdoor LED vision services nationwide using AI content generation technologies

**NeuralVision**



### Extensive installation nationwide



Football stadium



World cup basket ball



Stores



Police offices



Sport facility

### 1 Content using generative AI



### 2 Integration with AI cameras



Real-time distribution of AI camera analysis

### 3 Media representative



Example of partner advertising agencies

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Now, let me explain our Core Services domain, beginning with our LED vision platform, Neural Vision, which has three key features.

#### 1. Content using generative AI

Generative AI enables the creation of diverse content, including comics, videos, and photographs. With more than 10,000 customers in our Core Services domain, we provide such content not merely for play or research, but as commercially viable materials that can be deployed in real business contexts.

#### 2. Integration with AI cameras

As mentioned earlier, our technology can provide parking availability and related data. By linking this with Neural Vision, we support applications in marketing and urban development.

#### 3. Media representative

Through FOCUS CHANNEL, we work daily with advertising agencies. Building on this network, Neural Vision incorporates the role of a media rep, coordinating and representing advertising opportunities.

In short, Neural Vision is not simply about selling LED vision hardware. It delivers these three interconnected worlds—generative AI content, data-driven urban solutions, and media representation—while naturally embedding AI technology into the services we provide. This integration is what makes Neural Vision so compelling.

## Providing 1-on-1 support services in collaboration with Sony to enhance employee well-being and accelerate their growth.

1-on-1 support services

### KizunaNavi

KizunaNavi uses state-of-the-art AI analysis technology to improve the quality of 1-on-1 meetings.

By facilitating effective 1-on-1s, we support the significant enhancement of corporate and organizational well-being.

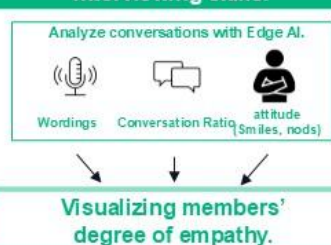
Examples of Customers



#### AI-generated advice on discussion topics.



#### Improving managers' interviewing skills.



#### Facilitating continuous improvement of 1-on-1 meetings.

- Access past 1-on-1 notes anytime.
- Review AI evaluation history to continuously improve the quality of 1-on-1 meetings.
- Strengthen organizational capabilities.



Next is KizunaNavi, a SaaS platform jointly developed with Sony. By launching a web browser and logging in, the system obtains access permission to the PC's camera and applies our AI technology to analyze the data. This service is designed to enhance and facilitate 1-on-1 meetings between managers and team members in corporate settings. We officially announced KizunaNavi last year.



## Expanding AI-driven web businesses with ChatGPT.

### Generative Web powered by ChatGPT



### Generative Web powered by ChatGPT

#### Feature 1 Automatic Blog Generation



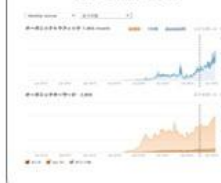
#### Feature 2 Multilingual Conversion



#### Function 3: Word-of-mouth auto-reply



#### Feature 4 SEO Automation



Next is our Web Services. Leveraging the ChatGPT engine, we provide a range of web-based solutions, including automated blog generation, multilingual translation, automated responses to customer reviews, and SEO optimization. Through these offerings, we support various aspects of our clients' online activities.

**Exceptional AI company with nationwide sales and a large-scale customer network.**



\*1 Consolidated headcount as of the end of December 2024.

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Now, regarding the growth strategy for our Core Services. We position the Core Services business as a future pillar of revenue growth. One reason for our confidence is that we have a sales network spanning 12 offices across 10 regions nationwide, which enables us to provide services to customers in any region of Japan.

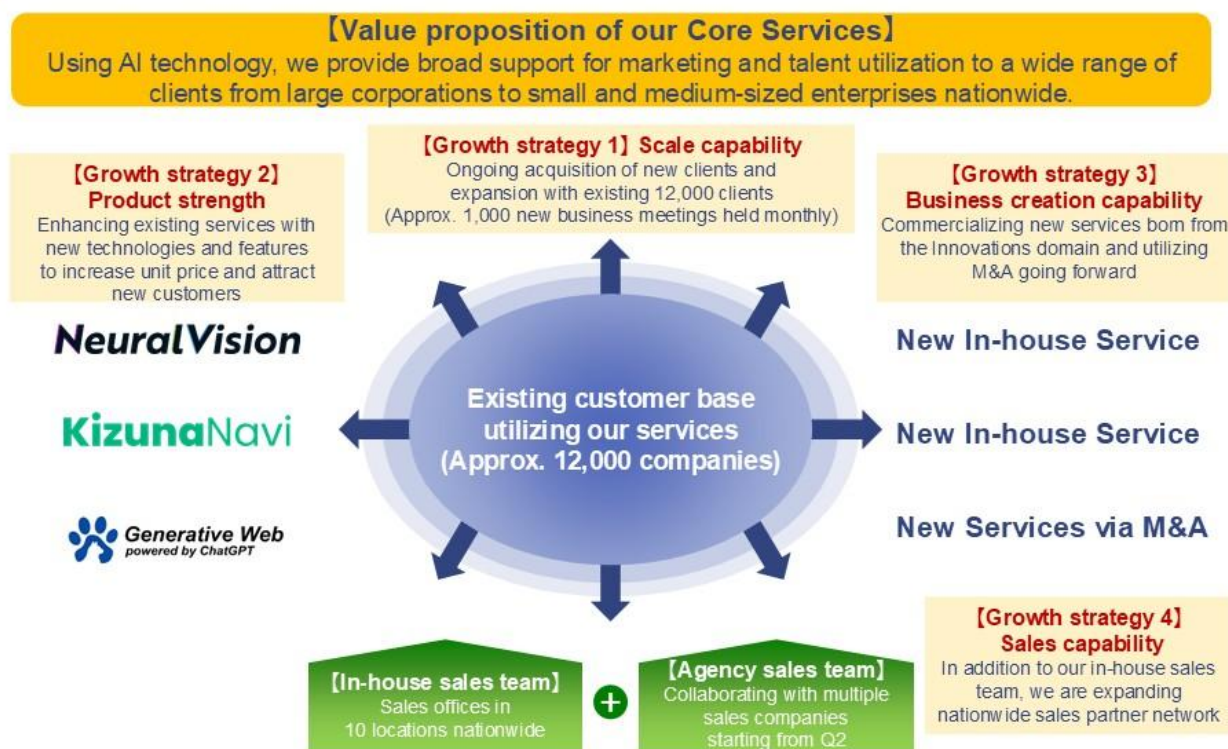
Our AI and services have been deployed across more than 12,000 private, public, and government locations.



In line with this, we now serve approximately 12,000 customers. Our services are utilized by a remarkably diverse range of organizations and individuals — from commercial complexes, logistics facilities, and retail stores in the private sector to public institutions such as police departments, city halls, post offices, and airports, as indicated at the bottom of this slide. This breadth of adoption demonstrates the wide-ranging applicability and trust placed in our Core Services.



## Rapid expansion of the customer base enables sequential provision of AI-powered Core Services



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The framework for expanding our Core Services is outlined on this slide.

In this domain, we leverage AI technologies to support the marketing and human resource activities of organizations ranging from large enterprises to small and medium-sized businesses nationwide.

The foundation of this capability lies in our extensive customer base of approximately 12,000 companies already using our services. This network naturally expands and diffuses outward, which we regard as one of our greatest strengths.

To summarize, our growth strategy rests on four pillars:

1. **Scale capability**  
We maximize value from our broad customer base. This includes not only repeat sales to existing clients, but also proactive acquisition of new customers.  
We conduct roughly 1,000 new business meetings every month, ensuring constant exposure to new prospects and reinforcing our ability to scale.
2. **Product strength**  
Our offerings continually evolve, as we incorporate new technologies originating from our Innovation domain. By adding new functions and capabilities, we enhance customer value, increase average revenue per client, and expand into new customer segments.
3. **Business creation capability**  
The reason we invest heavily in Innovation is precisely to commercialize new technologies and roll them out to both new and existing customers.

This includes in-house developments as well as opportunities through M&A, where we will seek companies whose capabilities complement our sales network and Core Services. These synergies reinforce the other pillars of our strategy.

4. Sales capability

We operate 12 offices across 10 regions, ensuring nationwide coverage. In addition, from the second quarter onward, we have begun collaborating with multiple external agencies.

This model means that not all sales need to be conducted by our in-house team. By welcoming companies eager to distribute our services, we eliminate sales capacity as a bottleneck, enabling further acceleration of growth.

# 【Towards scaling Core Services – 1】 Enhancing the value of LED signage through AI

## NeuralVision

Integration with our generative AI content  
(announced on June 24, excerpt)

Integration with our AI cameras  
(announced on June 9, excerpt)

NEWS RELEASE  
June 24, 2025  
Neural Marketing Inc.

“Neural Virtual Human Lab Project” released for advertising video production  
Achieves high-speed video production without filming or interviews using full generative AI



AI avatar “Urakawa Mao” created for news program via the Neural Virtual Human Lab Project.  
Neural Marketing Inc. (Head office: Minato-ku, Tokyo; CEO: Masaaki Yamamoto; hereinafter “the company”) announced today the release of the “Neural Virtual Human Lab Project,” a solution specialized in advertising video production.

This project enables the creation of fully AI-generated advertising videos, eliminating the need for traditional filming or interviews. It features a digital human (AI avatar) generated using advanced AI technology and can deliver messages in a natural and expressive manner. This allows for the rapid creation of video content based on the advertiser’s communication goals. The company intends to offer this as a new video production standard for clients seeking to “convey messages quickly and at scale.”

Going forward, the company will continue to expand the potential of advertising expression by combining technology and creativity.



Demo URL:  
<https://youtu.be/svaPNTwpkzo>

NEWS RELEASE  
June 9, 2025  
Neural Group Inc.



Edge guide system introduced for the first time, using real-time AI monitoring to optimize exit routing at Lalaport Anjo parking lot  
AI enables smooth vehicle guidance at parking lot exits



Edge guide system installed at Mitsui Shopping Park Lalaport Anjo (Photo taken in April 2025 by Mitsui Fudosan Retail Management)

Neural Group Inc. (Head office: Chiyoda-ku, Tokyo; CEO: Rei Shigematsu; hereinafter “Neural Group”) and Mobilis Consulting Inc. announced that, on April 18, 2025, they jointly introduced Japan’s first “Edge Guide” AI system, designed to optimize exit guidance at parking lots, to the parking area of Mitsui Shopping Park Lalaport Anjo (located in Anjo City, Aichi Prefecture), using Neural Group’s proprietary AI congestion analysis.

As part of this initiative, Neural Group integrated its proprietary edge AI solution “Digi Park” into five exit-side AI cameras that detect congestion in real time. The system analyzes time-series data such as exit queue length and flow volume and identifies the optimal exit for each driver. Directional instructions are provided via large LED signage installed in the parking lot, helping alleviate traffic jams and enabling smoother navigation throughout the premises.



Let me highlight a few topics we announced in the Core Services domain during the second quarter.

First, regarding generative AI content, we are advancing the “NEURAL Virtual Human Lab Project” under Neural Marketing, where we are deploying AI avatars. This project is not about using avatars for entertainment, but rather about enabling customers to integrate AI avatars into their daily commercial activities. A video sample is available on the slide, and we invite you to view it.

Next, let me introduce the collaboration between AI cameras and Neural Vision. In June, we announced a case study at Mitsui Shopping Park Lalaport Anjo, where we installed AI cameras and integrated them with LED vision systems to deliver services. These AI cameras are equipped with advanced vehicle analysis capabilities, enabling them to analyze each individual vehicle in a queue with high precision. By leveraging this technology, Mitsui Fudosan is able to operate one of the region’s core shopping areas more efficiently and seamlessly.

## [Towards scaling Core Services – 2]

### Partnership with Kaonavi for 1-on-1 support services

#### 1-on-1 SaaS “KizunaNavi” powered by AI

##### 1-on-1 support services

## KizunaNavi

KizunaNavi uses state-of-the-art AI analysis technology to improve the quality of 1-on-1 meetings.

By facilitating effective 1-on-1s, we support the significant enhancement of corporate and organizational well-being.



#### Announced partnership with kaonavi

(announced on July 22, excerpt)

Formed business alliance with kaonavi in the field of 1-on-1 support services  
Aiming to enhance customer value and promote service utilization through mutual integration



Neural Group Inc. (Head office: Chiyoda-ku, Tokyo; CEO: Rei Shigematsu, hereinafter “Neural”) and Kaonavi Inc. have announced a business alliance to integrate Neural’s 1-on-1 support SaaS “KizunaNavi” with Kaonavi’s service platform. Through this collaboration, both companies aim to enable seamless use of KizunaNavi’s 1-on-1 support features within Kaonavi’s platform via API integration. Preparations are underway for implementation.

Kaonavi provides a talent management system that visualizes the individuality and potential of employees and supports strategic talent placement and development. The service is currently used by over 4,000 companies across a wide range of industries and is established as a core HR tech solution for driving organizational performance.

With this partnership, the integration of Neural’s 1-on-1 support functions into the Kaonavi platform will allow daily management functions to be accessed directly, enabling users to benefit from improved value and ease of use.

By collaborating, both companies aim to expand access to KizunaNavi for Kaonavi users, thereby accelerating its adoption and effectiveness as a 1-on-1 support service. The partnership will allow both services to offer greater value to customers, enhance user satisfaction, and contribute to revenue growth.



On July 22, we announced the integration of our “KizunaNavi” system with “Kaonavi.” While KizunaNavi already serves a wide range of customers, one challenge for prospective clients has been the need to hold a dedicated KizunaNavi account and separately link it to their own HR databases.

Through this integration, however, the 4,000 companies already using Kaonavi will be able to adopt KizunaNavi without any additional setup effort. Users can log in through Kaonavi, leverage the HR data already registered there directly within KizunaNavi, and have KizunaNavi outputs seamlessly flow back into Kaonavi.

We believe this partnership will make KizunaNavi a more accessible and user-friendly service, further accelerating its growth.



## The Core Services area continues to maintain a steady growth rate

### Core Services area revenue growth rate (Year-over-Year)

Solid customer demand and expansion across industries and regions have driven continued revenue growth for ten consecutive quarters.



\*1 Since domain classifications were not defined in FY2021, it was difficult to calculate data for Q1 2022. Therefore, the figure shown is an estimate based on the growth rate from Q2 2022 to Q2 2023.

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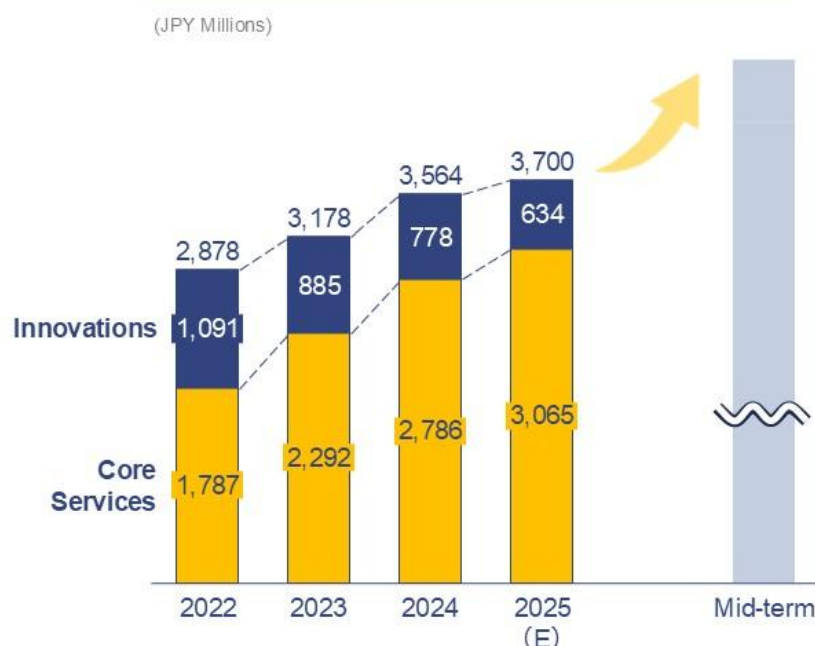
33

This slide illustrates the revenue growth rate in our Core Services domain over the past 10 quarters. In the current quarter, we achieved 106% growth, marking the 10th consecutive quarter of year-over-year revenue increase. During Q1 and Q2, we focused heavily on building out new Core Services offerings.

Looking ahead to Q3, Q4, and into the first half of next year, we expect the revenue growth rate to accelerate further. Our target growth rate is in the range of 115% to 120%. In the short term, we aim to reach and surpass the revenue levels of the same period last year. All of these initiatives are progressing exactly as planned.

## FY2025 performance forecast and mid-term revenue outlook

### Revenue trend by business domain



### Strategic direction

1. The Innovations Domain will continue to maintain its 2025 business scale and serve as a growth driver to accelerate Core Services.
2. Core Services are expected to achieve steady growth at an annual rate of 15 - 20%.
3. In addition, active implementation of M&A will further promote discontinuous growth of Core Services.

Now that we have achieved our short-term targets, let me outline our mid-term initiatives. The key focus will be to further expand our Core Services domain.

As for the Innovations domain, our plan is to maintain it at roughly the 2025 level. We do not see the need for significant reductions, and we will continue research in areas where it is essential. The reason we are not expanding Innovations further is that, once these technologies mature, it is more appropriate to commercialize them and integrate them into Core Services. This ensures that innovation translates into sustainable business growth. Importantly, this does not mean we are slowing down R&D in Innovations—we will continue to actively invest in new technologies. However, in terms of revenue structure, a shift from Innovations to Core Services will be critical for growth.

For the Core Services domain, we are targeting annual growth of approximately 15% to 20% in the short- to mid-term. In addition, we plan to actively pursue M&A opportunities to further strengthen and expand our Core Services portfolio. We will move forward with these initiatives decisively, without hesitation.

## Consolidated financial results for the First Half ended June 30, 2025 – YoY

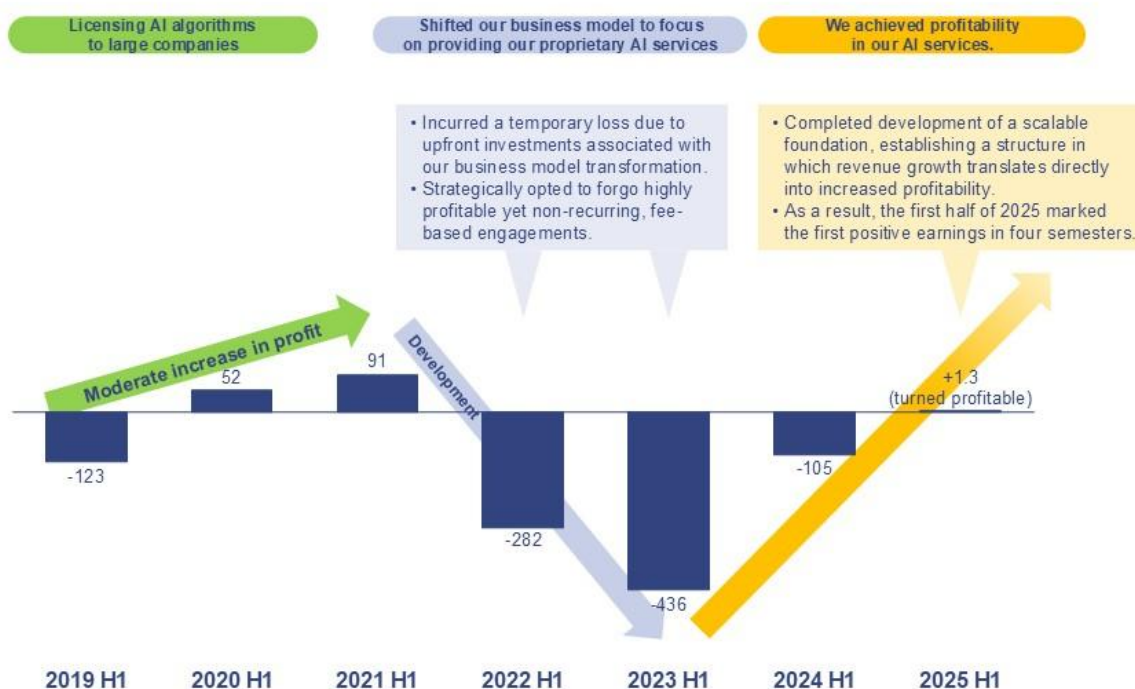
(JPY Millions)	FY2024 H1 Actual	FY2025 H1 Actual	Increase/ Decrease	Change in Percentage
<b>Revenue</b>	<b>1,660</b>	<b>1,712</b>	<b>+51</b>	<b>+3.1%</b>
<b>EBITDA</b>	<b>-31</b>	<b>75</b>	<b>+107</b>	<b>-</b>
Percentage of revenue	-	4.4%		
<b>Operating profit</b>	<b>-105</b>	<b>1.3</b>	<b>+106</b>	<b>-</b>
Percentage of revenue	-	0.1%		
<b>Ordinary income</b>	<b>-119</b>	<b>-9</b>	<b>+109</b>	<b>-</b>
Percentage of revenue	-	-		
<b>Net income</b>	<b>-144</b>	<b>-38</b>	<b>+106</b>	<b>-</b>
Percentage of revenue	-	-		

The highlights of our interim financial results are shown on the slide. Compared with the first half of last year, we achieved increases in both revenue and profit across all metrics, from net sales through to net income.



## First-half operating profit trend – Returned to profitability for the first time in four periods

(JPY Millions)



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Regarding the trend of operating profit in the first half, as shown in the graph on the slide, we achieved a return to profitability for the first time in four periods.

As mentioned at the beginning, our business has a structural characteristic of being second-half weighted, with both sales and profits higher in the latter half of the fiscal year. The primary reason is that we provide services that support the marketing activities of many companies, and the largest portion of marketing budgets is spent during the Christmas season. Since our fiscal year ends in December, the fourth quarter is when marketing investment peaks. Conversely, January and February are the slowest months of the year, which means our first quarter tends to be the period when clients restrain their marketing spending the most. Because our business performance is closely tied to customers' everyday consumption and social activity, this natural seasonality arises.

Importantly, this does not indicate instability in our technology. Rather, it reflects the fact that our services are deeply rooted in the social and economic activities of the regions we serve. Within this natural cycle, we are confident in continuing a structure where we secure profitability in the first half and deliver a significant increase in profits in the second half.

## Consolidated financial results for the First Half ended June 30, 2025 – by domain<sup>\*1</sup>

(JPY Millions)

Domain	FY2024 H1 Actual	FY2025 H1 Actual	Increase/ Decrease	Change in Percentage
Innovations	349	284	-64	-18.5%
Core Services	1,311	1,428	+117	+8.9%
Total	1,660	1,712	+52	+3.1%

<sup>\*1</sup> Revenue derived from customer contracts, as well as revenue based on accounting standards for lease transactions, is also aggregated and broken down by business domain.

In the Innovations area, revenue decreased slightly year-on-year. On the other hand, the Core Services area achieved significant growth. Both are progressing exactly as planned.

## FAQs at IR meetings

Questions	Answers
1. In recent years, there has been a cyclical trend in which both revenue and operating profit rise from the first half to the fourth quarter of the fiscal year, then slightly decline in the first half of the next fiscal year, and rise again toward the fourth quarter. What is the reason for this trend? While a significant operating profit was recorded in Q4 of FY2024, please explain why there was an operating loss again in Q1 of FY2025.	1. Our core services support the marketing activities of over 12,000 primarily small- to medium-sized businesses. These businesses typically reach peak investment activity during the Christmas season (our Q4), while January and February (our Q1) are generally the slowest months. This seasonal trend has continued for years. From the end of summer (late Q2 into Q3), demand steadily increases toward the Christmas peak in Q4. As a result, our sales and profits tend to rise smoothly from Q1 to Q4 each year, then slightly drop in the next Q1 before climbing again. Given this context, we disclose YoY growth rates (compared to the same quarter in the previous year) as key KPIs in our IR communications.
2. Please explain in detail the differences between the business model at the time of listing and the current business model, as described in the earnings presentation materials.	2. At the time of our IPO, we provided AI licenses (mainly edge AI and video AI) to around 10–20 large enterprises. Since then, we've shifted our business model to target a larger total addressable market (TAM) by developing proprietary AI services and distributing them directly to end customers through our own sales channels. Currently, around 12,000 enterprises of various sizes use our services. Thanks to this strategic shift, we returned to consolidated operating profitability in FY2024 and have entered a phase of growth.
3. Regarding the business domains disclosed starting this fiscal year, while revenue in the "Core Services Domain" has been increasing, revenue from the "Innovations Domain" has been gradually declining. Is there a specific reason for this? Currently, the ratio of the Innovations Domain and Core Services Domain is 2:8. Do you intend to maintain this balance in the mid-to-long term? Also, will co-developed products with major companies within the Innovations Domain continue to be treated as part of that domain going forward?	3. In our Innovations Domain, we collaborate with corporate partners to conduct R&D in advanced technology fields such as AI Agents and LLMs. We continue this domain to commercialize the developed technologies and transition them into core services. To shorten the product development cycle, we aim not to expand the size of the Innovations Domain itself, but instead rapidly transition technologies into our core services. Going forward, we intend to grow the core services business so that the Innovations Domain will converge to around 10% of our overall business.

This time, we had the opportunity to meet with many of our investors. We have compiled the most frequently asked questions from our IR meetings over the next two pages.



## FAQs at IR meetings

Questions	Answers
4. What is the positioning of FY2025 in relation to future revenue growth? How are you planning the revenue growth rate going forward? Will the growth rate of core services continue at around 19% annually, as it has over the past four years?	4. In 2025, we aim to distinguish between Core Services and Innovations, and to establish a foundation for business growth from 2026 onward. In the second quarter, a new business emerging from the Innovations Domain successfully transitioned into a core service and began sales activities. In this context, we plan to gradually increase the growth rate of core service revenue starting in the third quarter, aiming for a short-term growth level of 15 - 20%.
5. Regarding NEURAL LLM in the Innovations Domain, we understand it is a technology rather than a product. Will there be any cases where the LLM itself is sold independently? Also, what specific initiatives are being pursued with AI Agents?	5. NEURAL LLM is currently being offered on a trial basis as a technology within the Innovations Domain. Our AI Agent incorporates an autonomous cycle of "perception → reasoning → action → learning" using this LLM, enabling it to operate independently without direct human instruction. We are now exploring ways to transform our proprietary LLM and AI Agent technologies into our own proprietary AI services and elevate them into core services. Once these services are ready for commercialization, we plan to make a formal announcement.
6. As the business continues to grow, is there a possibility that large investments or costs may significantly impact profits and hinder margin expansion? While SG&A expenses have been controlled so far, will there be areas that increase in line with revenue growth? Given that you are also developing LLMs and other technologies, is it expected that R&D expenses will increase in the future?	6. Our core services are required to generate profitable business growth as a condition for commercialization approval. While expansion of sales may require additional sales and operational costs, we do not intend to commercialize services that demand heavy upfront investment. Our business plan anticipates both revenue and profit growth. Regarding LLM development, unlike the global trend of overheated investment in large-scale LLMs, we focus on compact and secure LLMs. In light of the rapid advancement of LLM performance and the acceleration of open-source development, we believe that by internally implementing compact LLMs, we can maintain R&D expenses at an appropriate level. These developments leverage our accumulated expertise in compact edge AI development since our founding.

Going forward, we plan to actively highlight noteworthy questions raised during our investor meetings in our next earnings presentations. By sharing these discussions, we aim to provide clarity and foster deeper understanding, even for those who were not able to attend the meetings.

In addition, we regularly receive questions from individual investors through emails and phone calls to our IR department. We remain committed to doing our utmost to ensure a clear understanding of our business, while also listening attentively to any advice or feedback we receive.

[END]