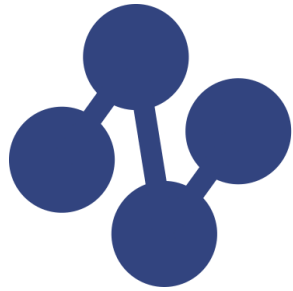


Update the world for a better tomorrow



**NEURAL**

**Financial Results Briefing Material**  
**7th term, Q1 ended March 31, 2024**

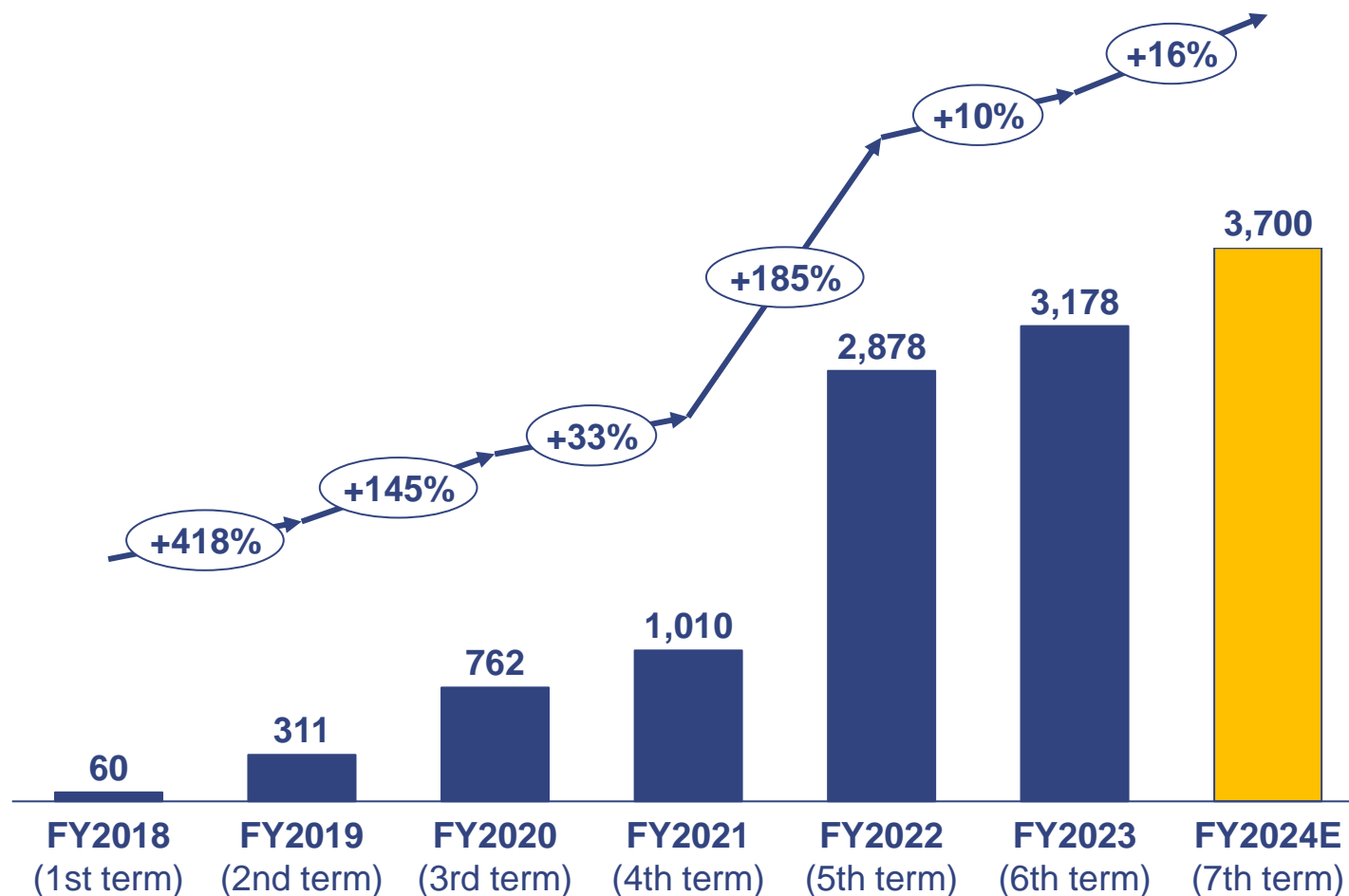
Neural Group Inc.  
May 14, 2024

# FY2024 (7<sup>th</sup> term) Q1 earnings highlights and business strategy updates

- **Summary** : Through the prior investments in development and sales personnel up to FY2023, we successfully built our proprietary AI services and expanded its sales structure. With the goal of monetization, FY2024 began in January. **The first quarter proceeded smoothly.**
- **Revenue** : Q1 FY2024 sales amounted to **780 million yen** (up **+29.5%** compared to Q1 FY2023). New service development accelerated through capital and business alliances established in FY2023.
  - The 1-on-1 support service **“KizunaNavi”**, jointly developed with Sony Corporation using Edge AI and SaaS systems, began service on March 12. Using both companies' video/audio analysis and generative AI technologies, the service resolves issues in 1-on-1 meetings and supports improved employee engagement.
  - In the group's condominium signage **“FOCUS CHANNEL”**, **the distribution of sports news provided by Kyodo News Digital** began on April 15. This delivers information such as results of international and major professional sports games and updates on players to residents.
- **Profitability** : Both CoGS and SG&A expenses were optimized compared to Q4 FY2023, and monetization is **steadily progressing towards breakeven.**
  - Q1 SG&A expenses were **614 million yen** (down **58 million yen** from Q4 FY2023) and GoGS ratio was **34.2%** (down **0.3pt** from the second half of FY2023).
  - The operating profit margin on incremental sales (marginal profit rate) exceeded **60%**. Thanks to cost optimization efforts that began in the second half of FY2023, profit levels at the same sales scale improved from FY2023 into Q1 FY2024.

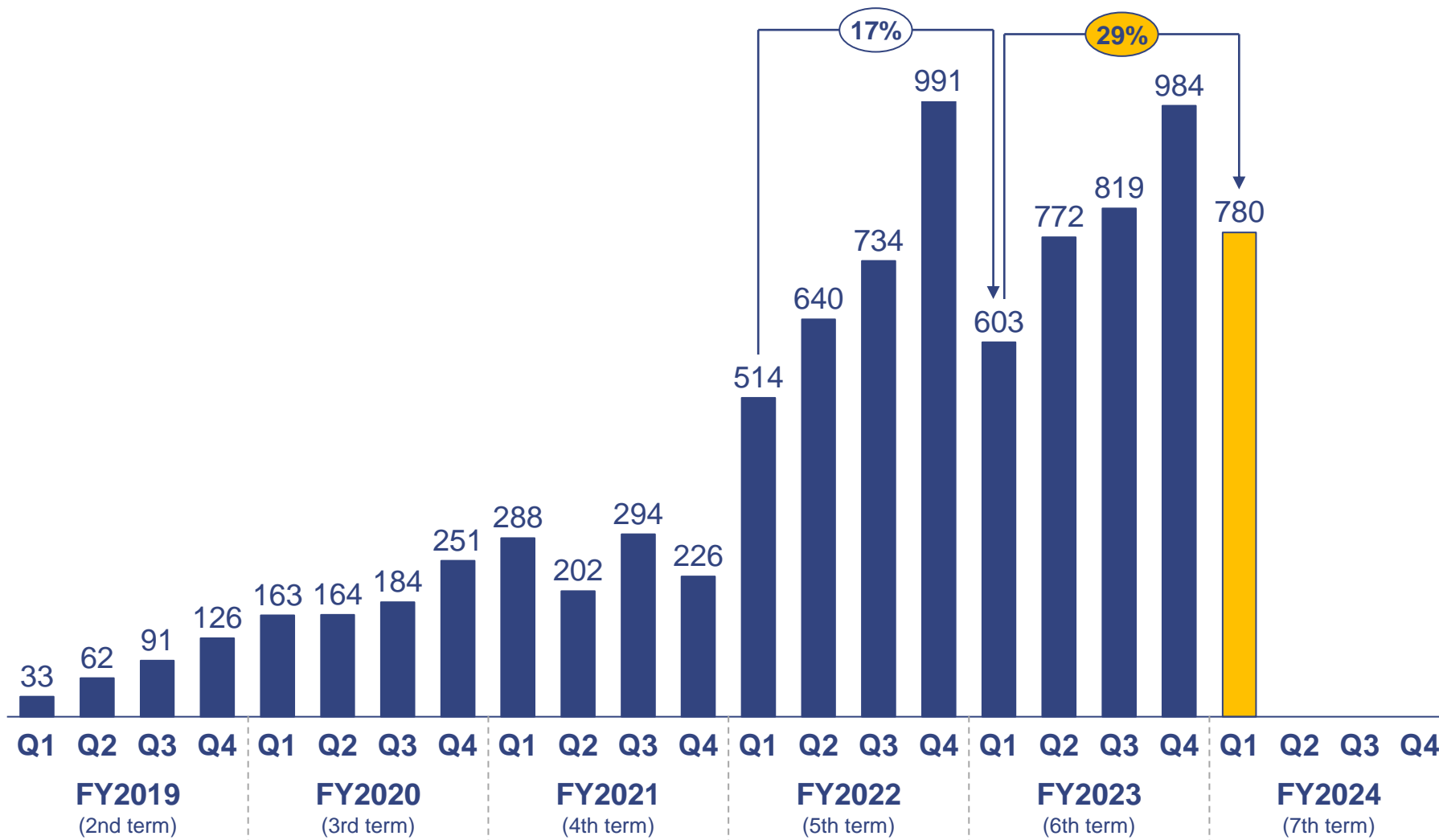
# Historical revenue performance

(JPY Millions)



# Quarterly revenue

(JPY Millions)

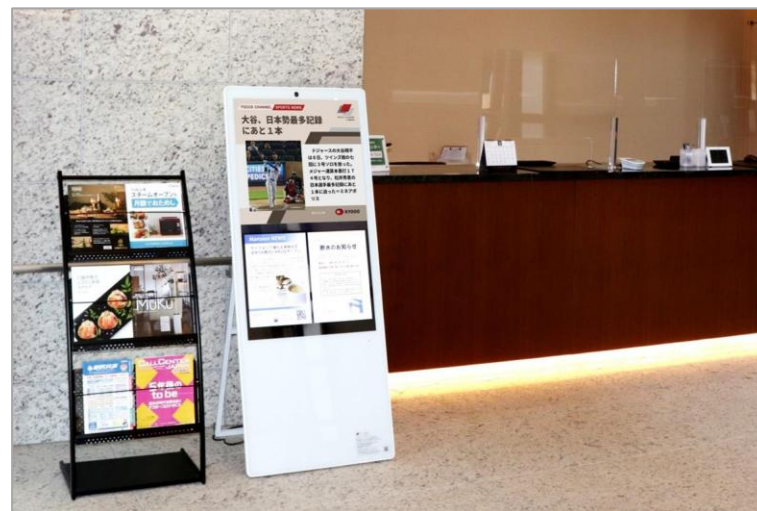


## Latest updates from collaborations with partner companies



### 【Collaboration with Sony】

Starting March 12, we began offering the 1-on-1 support service "KizunaNavi", which utilizes Edge AI technology and a SaaS system. By leveraging both companies' video/audio analysis and generative AI technologies, this service resolves communication issues in 1-on-1 meetings and supports improving employee engagement.



### 【 Collaboration with Kyodo News】

Starting April 15, in our group's condominium signage service "FOCUS CHANNEL," we began distributing sports news provided by Kyodo News Digital. This delivers residents timely updates on international sports events and results of popular professional sports games, as well as information about players.

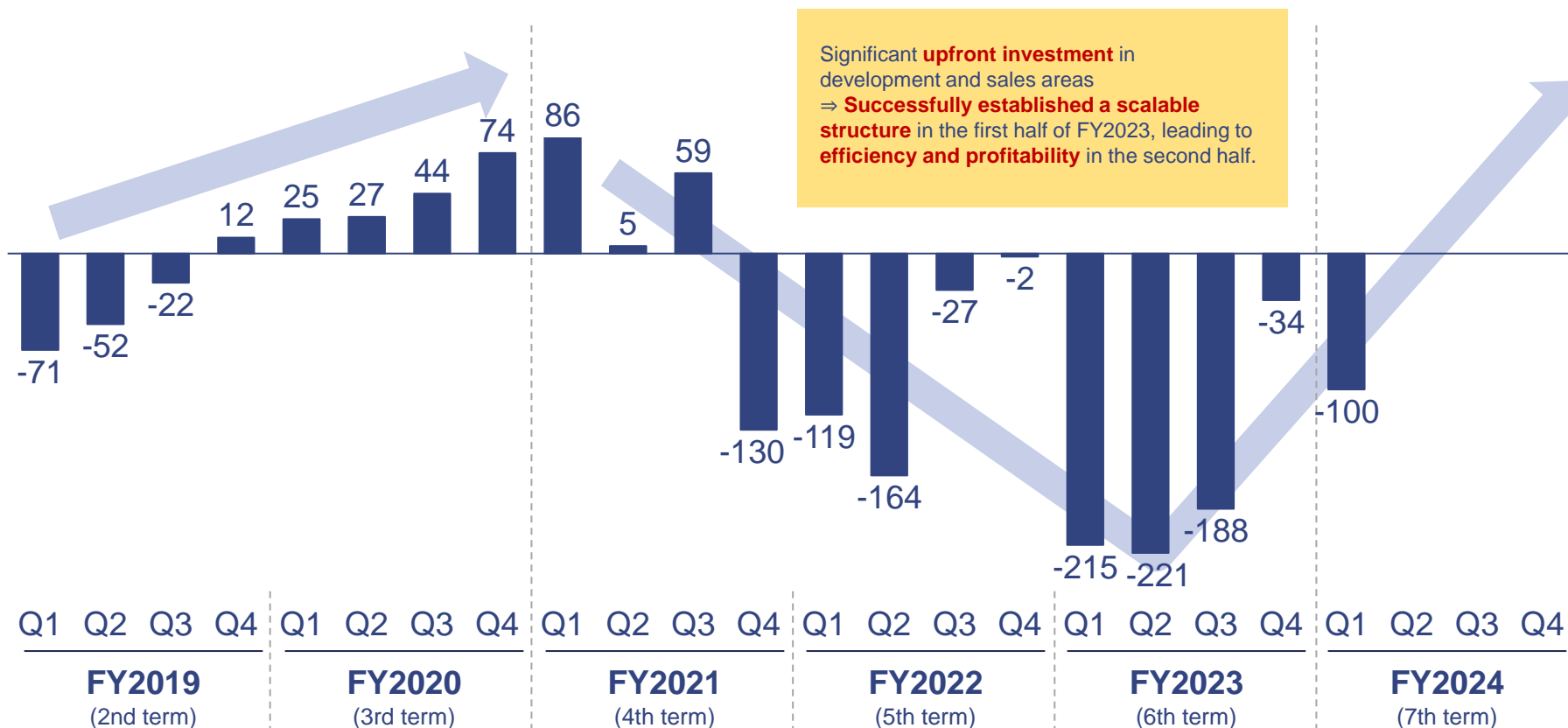
# Quarterly operating profit/loss

(JPY Millions)

We started our business by developing AI algorithms and licensing them to companies.

We have shifted our business model to focus on providing our proprietary AI services.

We aim to turn scalable and profitable.

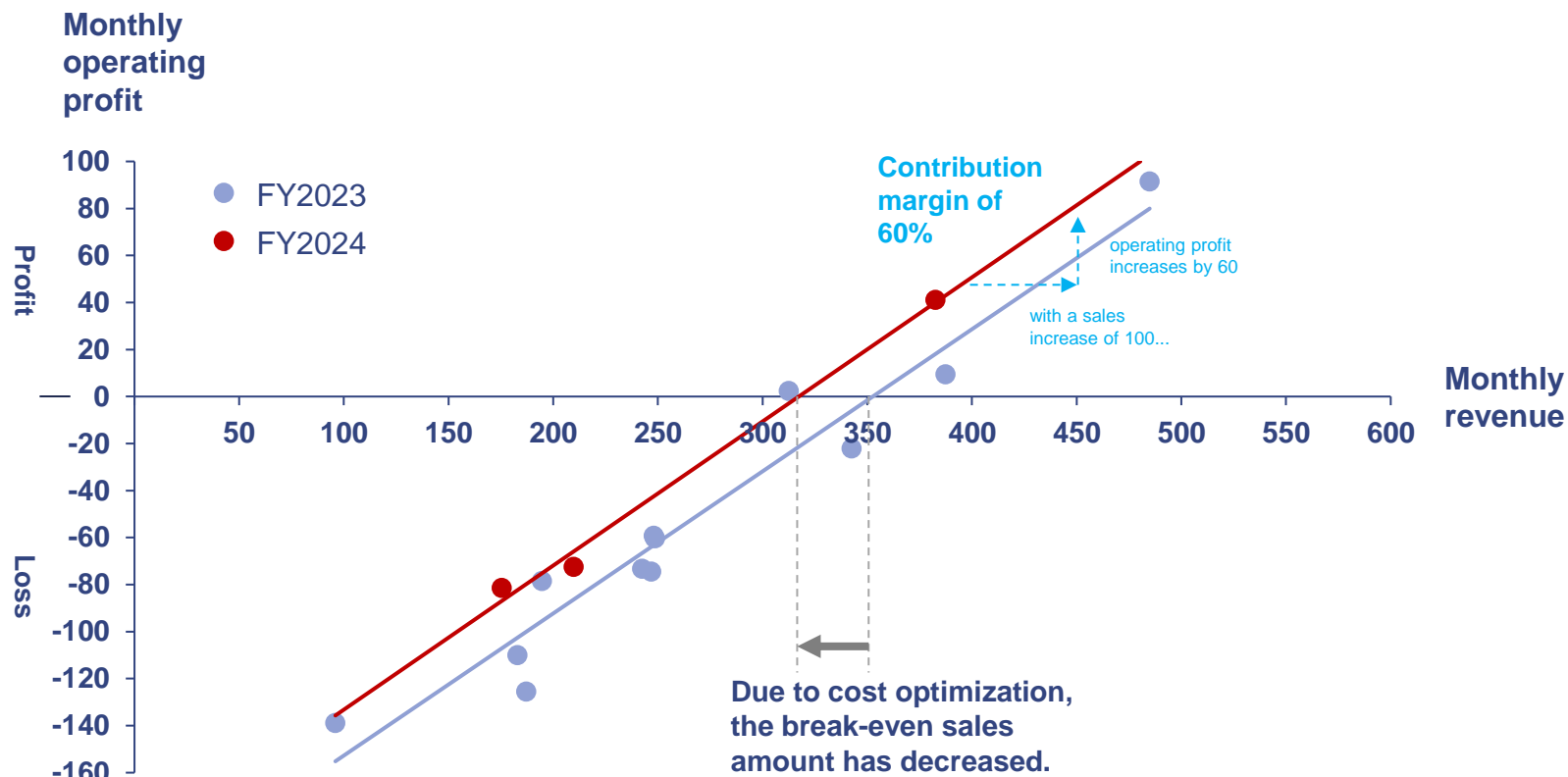


## Consolidated financial results for the Q1 ended March 31, 2024

(JPY Millions)	<u>FY2023 Q1 Actual</u>	<u>FY2024 Q1 Actual</u>	<u>Increase/ Decrease</u>	<u>Change in Percentage</u>
<b>Revenue</b>	<b>603</b>	<b>780</b>	<b>+178</b>	<b>+29.5%</b>
<b>Gross profit</b> Percentage of revenue	<b>400</b> 66.3%	<b>513</b> 65.8%	<b>+114</b>	<b>+28.5%</b>
<b>EBITDA</b> Percentage of revenue	<b>-176</b> -	<b>-63</b> -	<b>+112</b>	<b>-</b>
<b>Operating profit</b> Percentage of revenue	<b>-215</b> -	<b>-100</b> -	<b>+115</b>	<b>-</b>
<b>Net income</b> Percentage of revenue	<b>-192</b> -	<b>-109</b> -	<b>+83</b>	<b>-</b>

# Relationship between revenue and OP (FY2023–FY2024 monthly results)

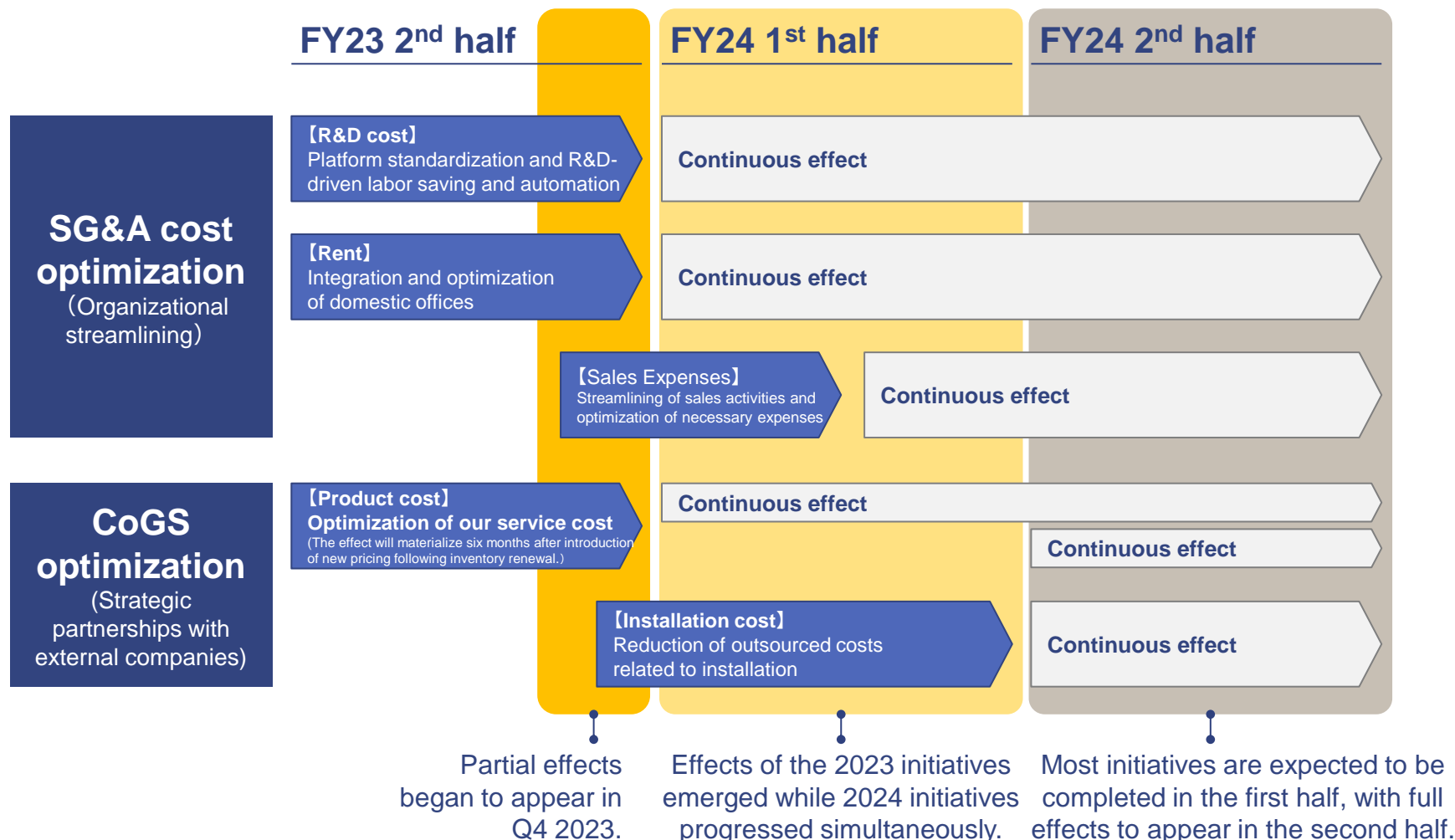
(JPY Millions)



- As a result of cost optimization efforts starting in the second half of FY2023, the breakeven sales point has been lowered, improving the structure so that **profitability can be achieved even with lower sales**.
- The ratio of operating profit increase to sales increase (**contribution margin**) **exceeds 60%**.

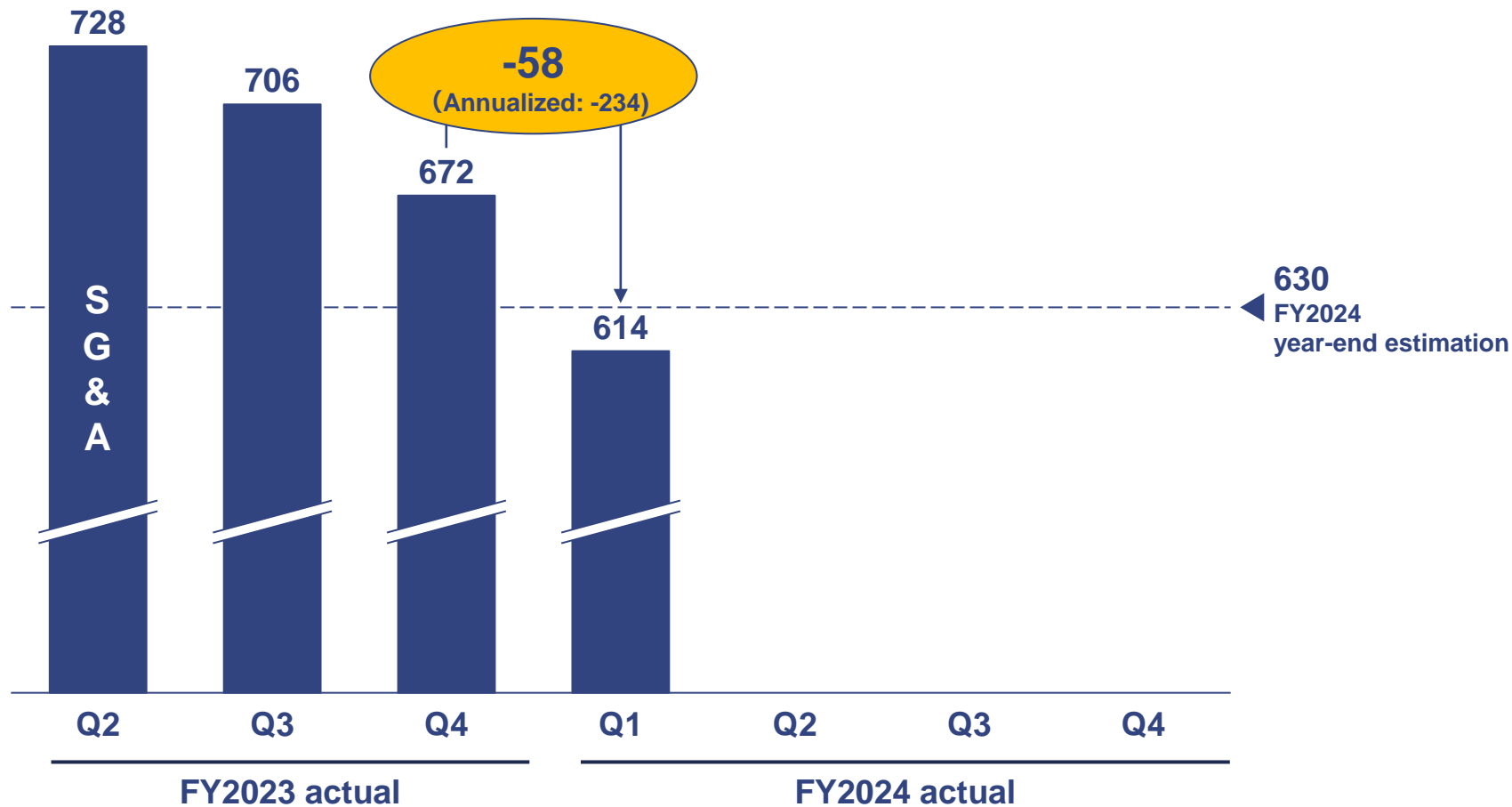


# Overview of cost optimization initiatives



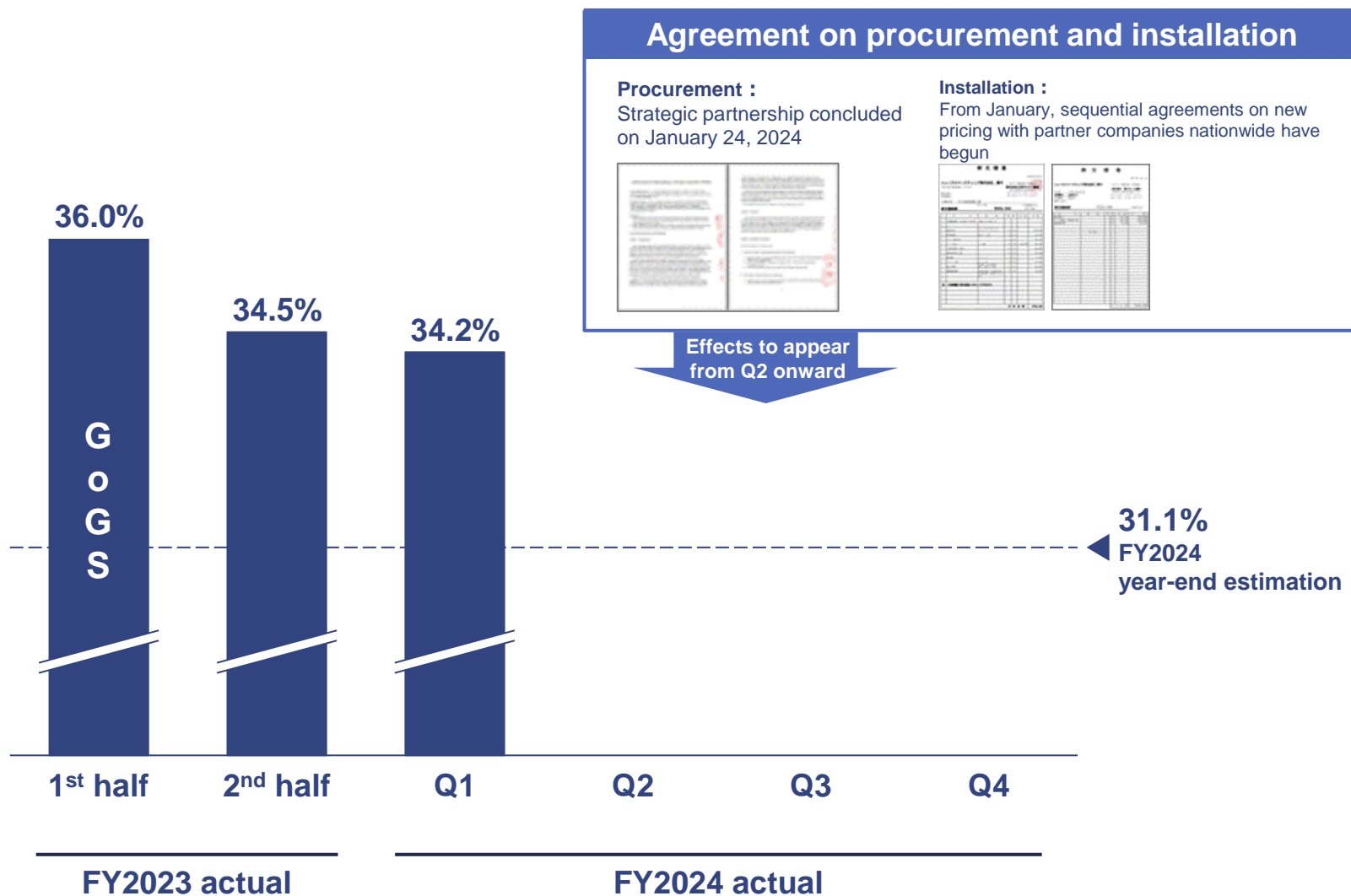
# Quarterly SG&A cost

(JPY Millions)



# Quarterly CoGS

(% of revenue)



# Consolidated full-year financial estimate for FY2024

**Progressing  
smoothly**

	<b>FY2023 Actual</b>	<b>FY2024 Estimate</b>	<b>Increase/ Decrease</b>	<b>Change in Percentage</b>
(JPY Millions)				
<b>Revenue</b>	<b>3,178</b>	<b>3,700</b>	<b>+522</b>	<b>+16.4%</b>
<b>Gross profit</b>	<b>2,063</b>	<b>2,550</b>	<b>+487</b>	<b>+23.6%</b>
Percentage of revenue	64.9%	68.9%		
<b>EBITDA</b>	<b>-490</b>	<b>180</b>	<b>+670</b>	<b>-</b>
Percentage of revenue	-	4.9%		
<b>Operating profit</b>	<b>-658</b>	<b>30</b>	<b>+689</b>	<b>-</b>
Percentage of revenue	-	0.8%		
<b>Ordinary income</b>	<b>-686</b>	<b>0</b>	<b>+687</b>	<b>-</b>
Percentage of revenue	-	-		
<b>Net income</b>	<b>-650</b>	<b>-120</b>	<b>+530</b>	<b>-</b>
Percentage of revenue	-	-		

# APPENDIX

# Corporate overview

**Company Name** : Neural Group, Inc.

**Established** : January 22, 2018

**IPO** : August 20, 2020 (TSE Growth : 4056)

**Business Description** : Developing AI services based on image and video analysis using proprietary AI algorithms and terminal processing technology.

**Headquarter** : Tokyo Midtown Hibiya 32F, 1-1-2 Yurakucho, Chiyoda-ku, Tokyo

**Subsidiaries:** Neural Marketing, Inc.  
Neural Engineering Co.  
Neural Group Thailand. ,Ltd

**Branch locations** : Tokyo, Osaka, Sapporo, Sendai, Nagoya, Takamatsu, and Hiroshima, Fukuoka, Bangkok

**Number of employees** : 243 (consolidated, as of March 31, 2024, excluding executives, part-time staff, temporary workers, and contractors)

**Membership and associations :**

- Japan Deep Learning Association (JDLA)
- Nippon Keidanren (Japan Business Federation)
- Satellite Earth Observation Consortium
- Forum for the Promotion of MaaS Social Implementation
- Japan Logistics Systems Association All Japan Parking Association
- Osaka Chamber of Commerce and Industry
- Osaka Smart City Partners Forum, etc.

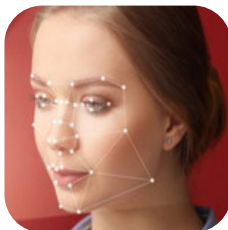
# We develop proprietary AI libraries/ edge-related implementation technologies to enable AI smart cities

## People attribute analysis

Gender/ age estimation



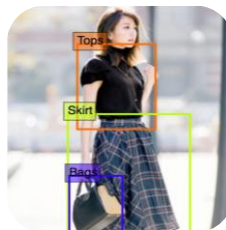
Facial recognition



Line-of-sight detection



Fashion analysis



## People emotion and thought analysis

Facial expression, emotion analysis



Voice/ emotion analysis



Natural language processing

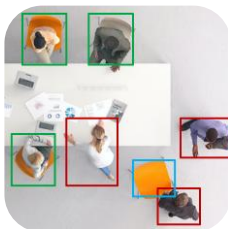


## People movement and behavior analysis

Congestion analysis



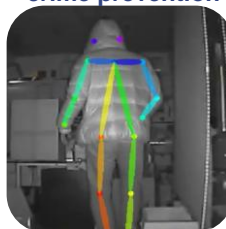
Vacancy detection



Safe monitoring

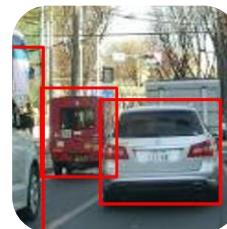


Intrusion detection crime prevention



## Vehicle analysis

Traffic analysis



Parking occupancy



License plate detection



## Technologies related to social implementation of AI

Edge AI



Edge security



Ad delivery optimization



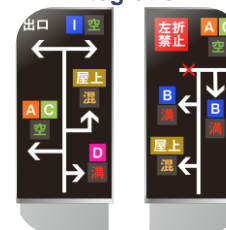
AI-enabled product recommendation



Data analytics



Digital signage integration



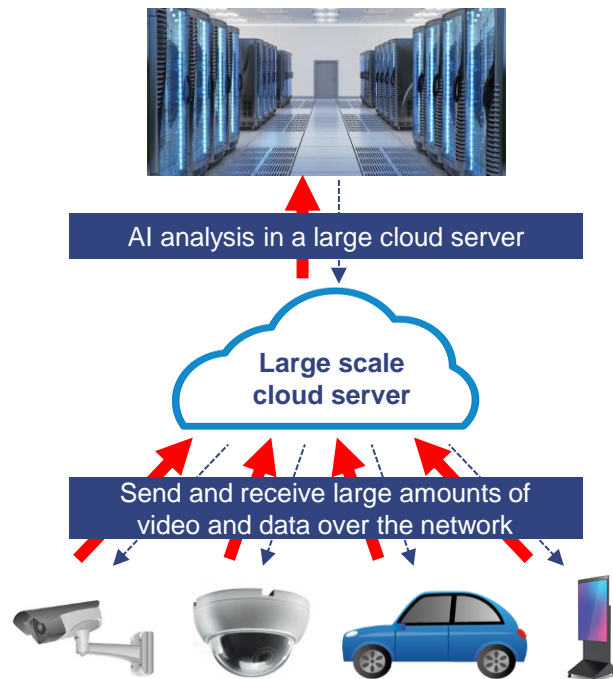
Mobile app integration



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

## Cloud AI

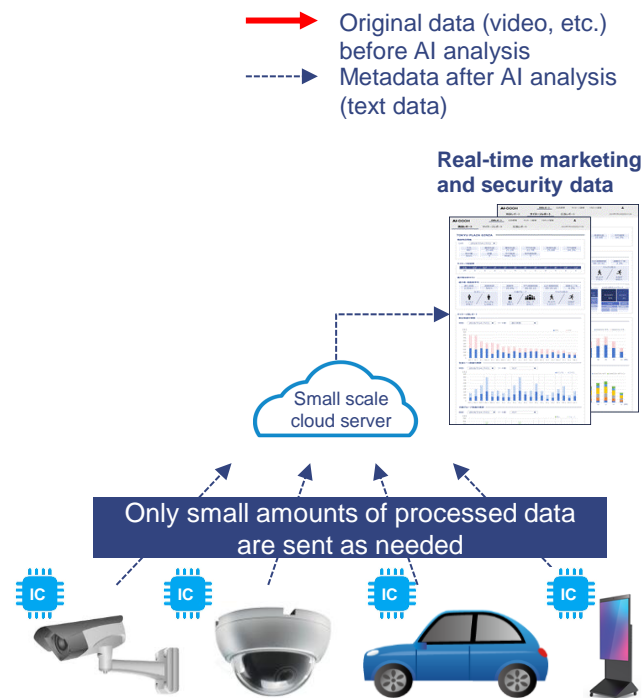
### Conventional approach



- **High costs** (Communication and maintenance)
- **High latency** (High network load)
- **High electricity consumption**

## Edge AI

### Our approach



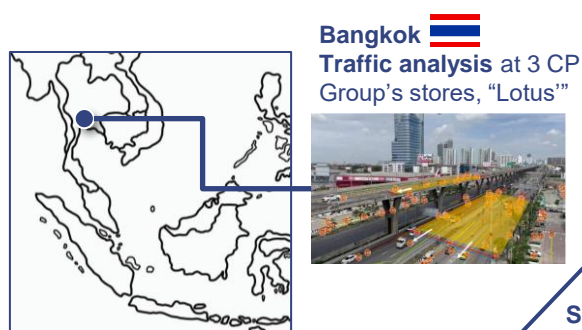
- **Low costs**
- **Low latency**
- **Green/ low electricity consumption**

**Also greatly contributes to privacy protection**



# Digi-Solution services introduced across Japan

● Key locations installed



**Muroran city**  
Regional revitalization with AI-enabled urban development

**Kashiwa-no-ha smart city**  
Outdoor AI safety surveillance for town mgmt.

**Sugamo district/ Taisho Univ.**  
Industry-academia collab. and promotion of local digitization

**West Shinjuku area**  
Digitalization of urban transportation and city parks

**Subway station Tocho-Mae**  
Info broadcasting via local 5G signage

**Takeshiba**  
Office tower smart building/ city develop.

**Mitsubishi RE Marunouchi Building**  
People flow visualization

**Shibuya Hikarie ShinQs**  
Apparel store guest analysis

**SMARK Isezaki**  
Parking lot visualization, traffic guidance

**Hyogo Pref. Prologis Park Inagawa 1&2**  
License plate detection

**Huis Ten Bosch**  
Parking lot occupancy, license plate detection

**Anjo city**  
3D city map promoted by MLITT

**Yokohama City Yamashita Park**  
Visualization of users/ congestion in the rose garden

**Shurijo Castel Park**  
People flow analysis and operation DX




**Marunouchi Naka-Dori**  
Daimaru-Yu Machizukuri Council, assist urban dev. through people flow analysis

**Mitsui Fudosan Ichikawa LP**  
Truck license plate detection

**Tokyo Ryutsu Center**  
Vehicle congestion visualization

# Neural Group enhances urban spatial value through Edge AI

Deployed Edge AI cameras  
in over 70 cities and sites

-  Digi Park
-  Digi Thru
-  Digi Flow



**Enhancing  
spatial value  
with Edge AI**



Installation, operation, and  
maintenance of signage at over  
10,000 locations

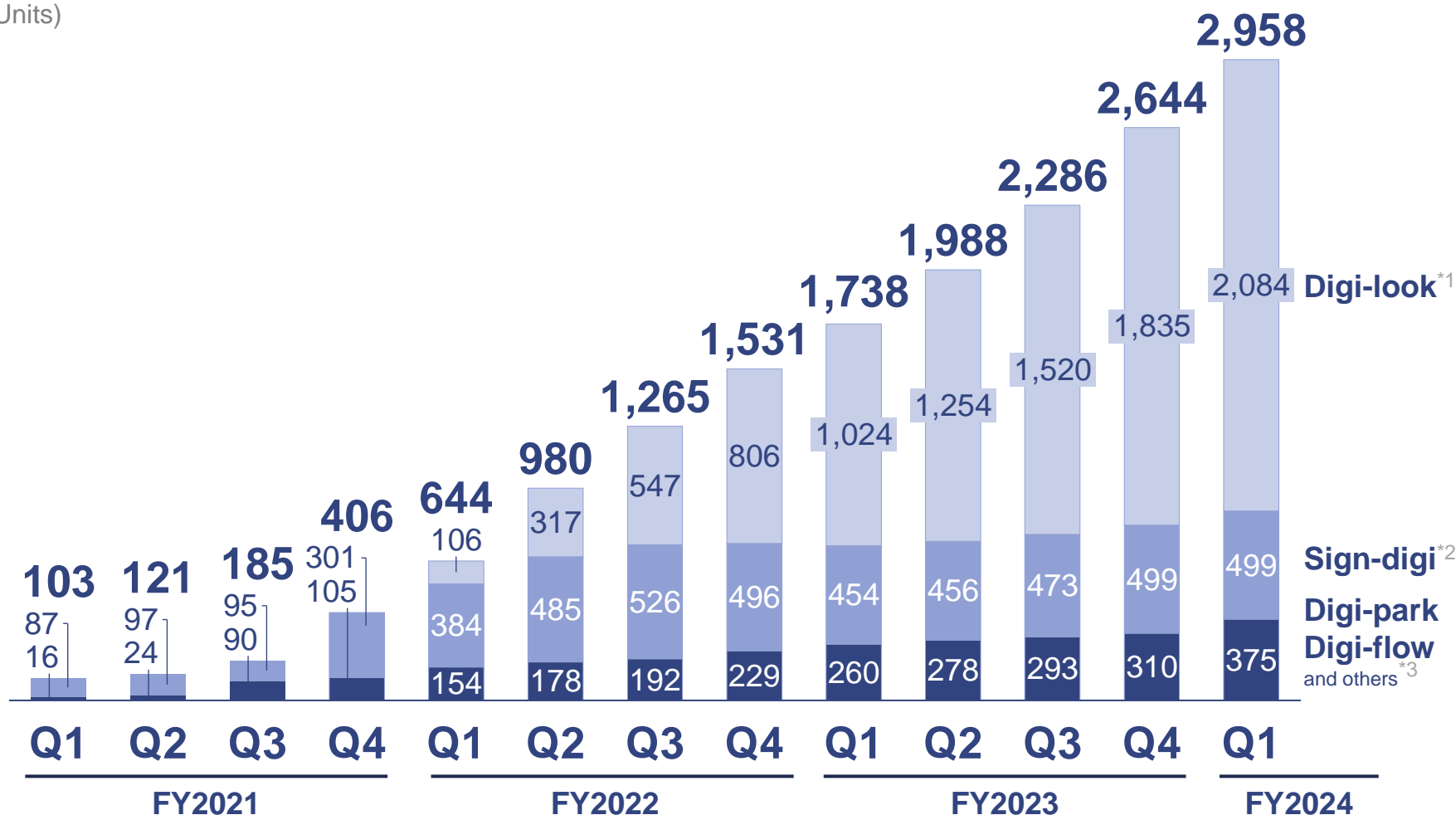


Broadcasting ads in more than 450  
residential buildings in the Greater  
Tokyo Area



# Growth in the number of installed and deployed units (cumulative) of Digi-solution services

(Units)



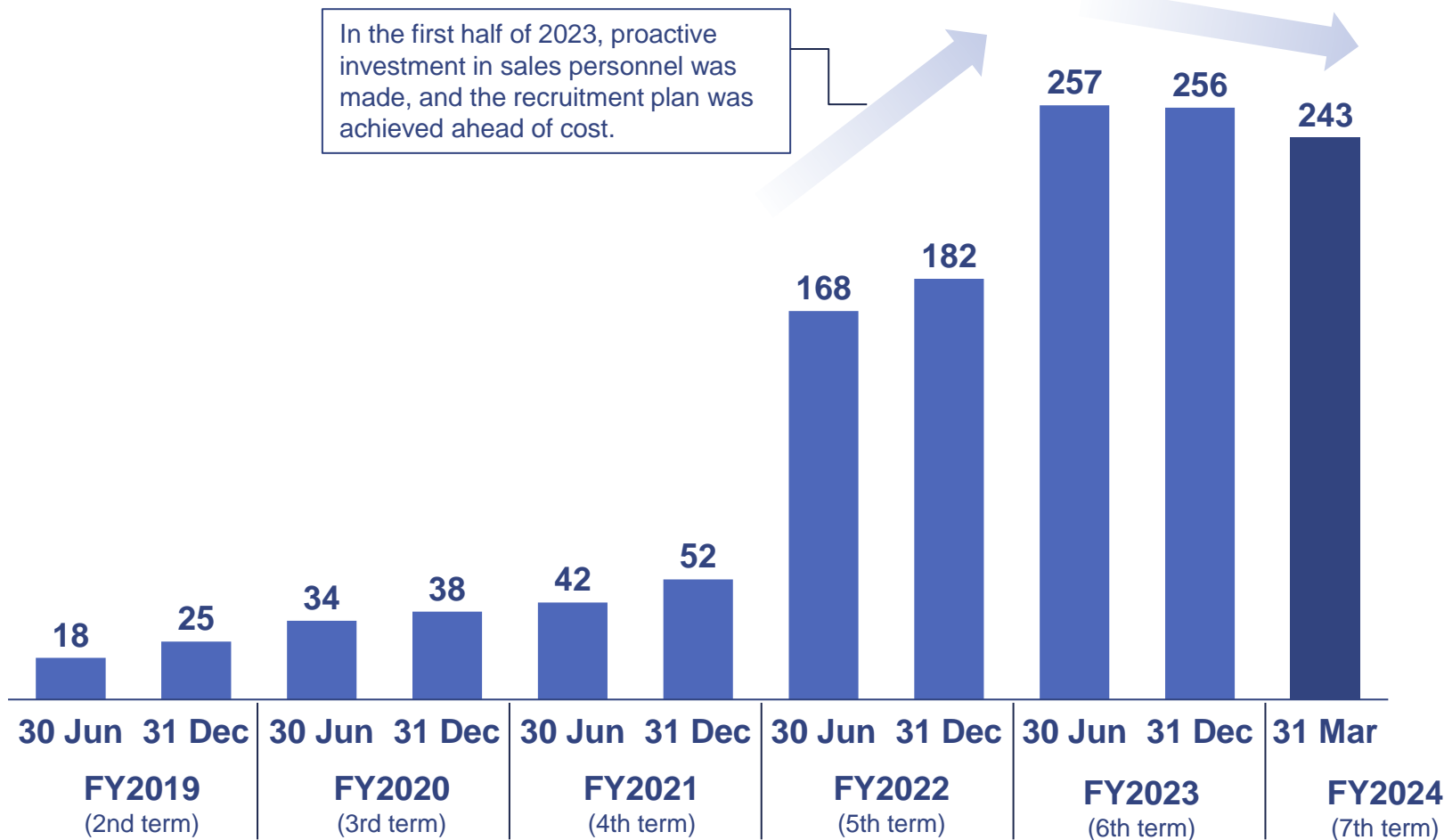
<sup>\*1</sup> Includes LED signage units installed at client locations by Neural Marketing Co., Ltd. <sup>\*2</sup> Includes units such as mansion signage media installed through the Focus Channel, as well as other signage installed in condominiums and other sites, including those in the process of commercial introduction or trial installation. <sup>\*3</sup> Includes edge device units installed mainly for AI camera-related solutions through partners, which can be analyzed remotely via the cloud.

# Group employee numbers<sup>\*1</sup>

(Number of people)

From the second half of 2023 onward, the number of employees remained roughly flat. (Due to measures such as shifting office work to part-time staff and optimizing personnel allocation, the number of full-time employees slightly decreased).

In the first half of 2023, proactive investment in sales personnel was made, and the recruitment plan was achieved ahead of cost.

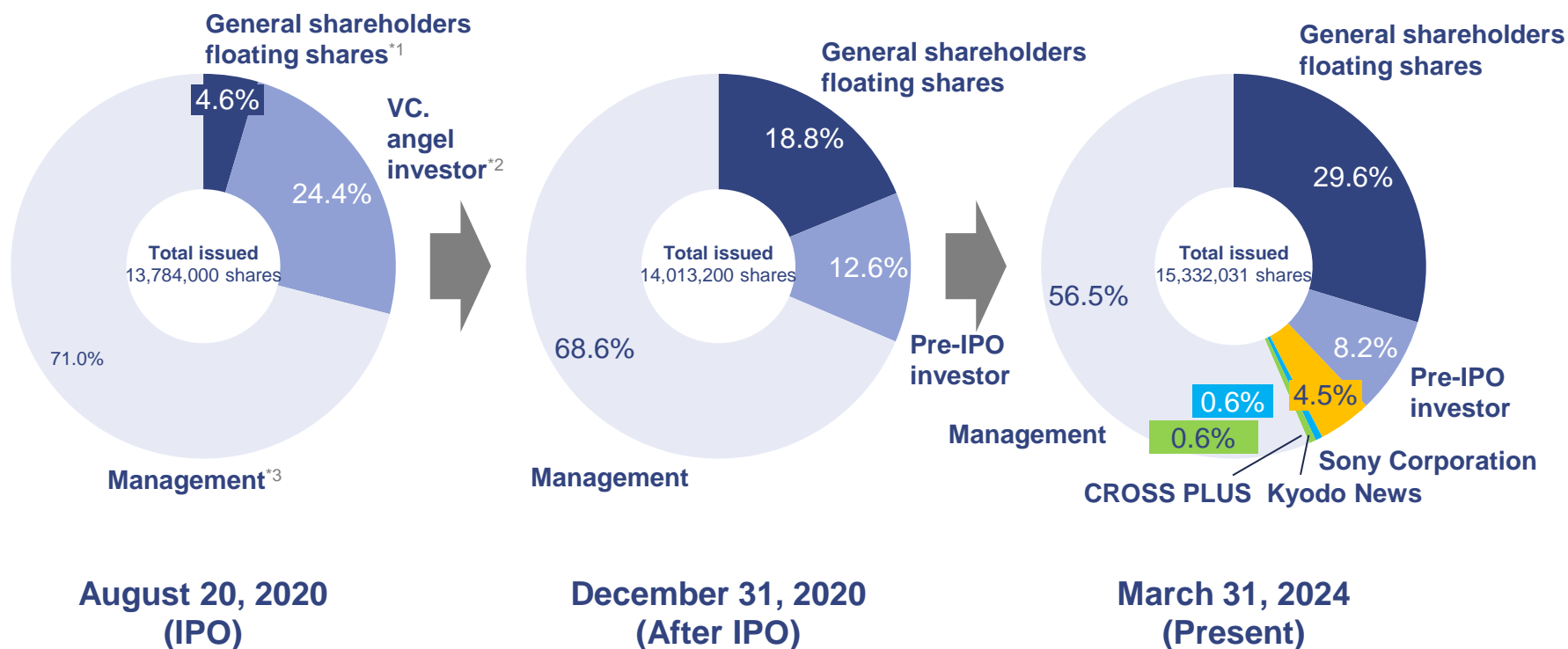


<sup>\*1</sup> Total number of full-time employees as of March 31, 2024. Excludes executives (directors, auditors, executive officers), part-time workers, temporary staff, and interns. Includes our subsidiaries: Neural Engineering Co., Ltd., Neural Marketing Co., Ltd., and Neural Group (Thailand) Co., Ltd.

# FY2024 Q1 – Balance Sheet

(JPY Millions)	FY2023	FY2024
	March 31	March 31
<b>Current Asset</b>	<b>1,593</b>	<b>1,572</b>
of which, Cash and Deposits	913	795
<b>Fixed Assets</b>	<b>1,738</b>	<b>1,628</b>
<b>Total Assets</b>	<b>3,332</b>	<b>3,201</b>
<b>Total Liabilities</b>	<b>3,084</b>	<b>2,642</b>
of which, interest-bearing debt	2,712	2,193
<b>Net Assets</b>	<b>247</b>	<b>558</b>

# Promoting capital and business alliances with operating companies while ensuring share liquidity by expanding floating shareholders



\*1 Calculated based on the total number of 415,000 shares offered and 215,800 shares sold (including over-allotment) as well as the number of shares sold by shareholders, management and others since before the listing, which accounted for 13,784,000 shares of the total number of shares issued as of August 20, 2020.

\*2 Shares held by shareholders (VC investors and angel investors) since before the company's listing, as recognized as a result of the company's own research.

\*3 Number of shares held by the Company's management

# Disclaimer

## Handling of the material

This document contains forward-looking statements. These statements are based solely on the information available at the time the statements were made. Furthermore, such statements are not guarantees of future results and are subject to risks and uncertainties. Actual results may differ materially from those projected in the future due to changes in the environment and other factors. Factors that may affect the actual results described above include, but are not limited to, domestic and international economic conditions and trends in relevant industries. We are under no obligation to update or revise any of the future information contained in these materials in the event that new information comes to light or future events occur. The information contained in these materials relating to matters other than the Neural Pocket is quoted from public information and Neural Pocket has not verified and does not guarantee the accuracy or appropriateness of such information.



**Update the world for a better tomorrow**



**Neural Group, Inc.**

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 edge 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.