



Neural Group Inc.

FY2025 Q3 Financial Results Briefing Meeting

November 10, 2025

Event Summary

[Company Name]	Neural Group Inc.	
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[Number of Speakers]	2	
	Roi Shigematsu	Chief Executive Officer
	Takashi Kisaka	Chief Financial Officer

Highlights of the FY2025 Q3 financial results

Public offering capital increase

- As disclosed in the “Notice regarding issuance of new shares and secondary offering through over-allotment” announced on August 26, 2025, we conducted a public offering and **raised ¥1.36 billion**.
- As a result, net cash (cash and deposits minus interest-bearing debt) improved from ¥-1,140 million to ¥+276 million, and the debt-to-equity (D/E) ratio improved from approximately 3.3x to 1.0x, **significantly strengthening our financial position**.
- The funds raised through this offering will be allocated to **investments aimed at accelerating growth**, including R&D to enhance AI technology development and service capabilities, as well as strengthening and expanding the sales organization necessary to drive the expansion of Core Services and support revenue and profit growth.

FY2025 Q3 financial results

- Cumulative consolidated revenue for the third quarter totaled ¥2,535 million (99% YoY), remaining at approximately the same level as the prior year. Revenue in the Core Services domain, positioned as the core growth area, reached ¥2,105 million cumulatively in the third quarter (+4.7% YoY), achieving year-over-year growth. In addition, cost-efficiency measures implemented to ensure sustainable and stable profitability produced positive results. As a result, **cumulative consolidated operating profit for the third quarter was ¥24 million, representing a ¥106 million improvement YoY and a significant increase in profit compared to the same period of the previous year**.
- The continued effects of cost-competitiveness enhancement initiatives that began in FY2023 led to a greater-than-expected reduction in SG&A expenses during the third quarter, **lowering the break-even point**. However, this also resulted in **a temporary constraint on growth investments contributing to sales expansion (primarily sales activities), creating short-term downward pressure on Core Services revenue** in Q3. Nevertheless, **this issue has been largely resolved, and the impact on medium-term growth is expected to be limited**. We will continue to strongly advance the expansion of revenue in the Core Services domain.

Thank you all for joining us today for the announcement of our Q3 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 Q3 results for the eighth fiscal year.

Here are the highlights on this slide. The most significant point in this fiscal quarter's results is that we conducted a public offering. We received many inquiries, comments, and words of support from our shareholders regarding this matter. First of all, I would like to take this opportunity to express my sincere gratitude for your continued support.

We will report the details later, but overall, the public offering enabled us to raise 1.36 billion yen. We believe this represents a substantial amount of capital that will contribute to our business performance and future growth.

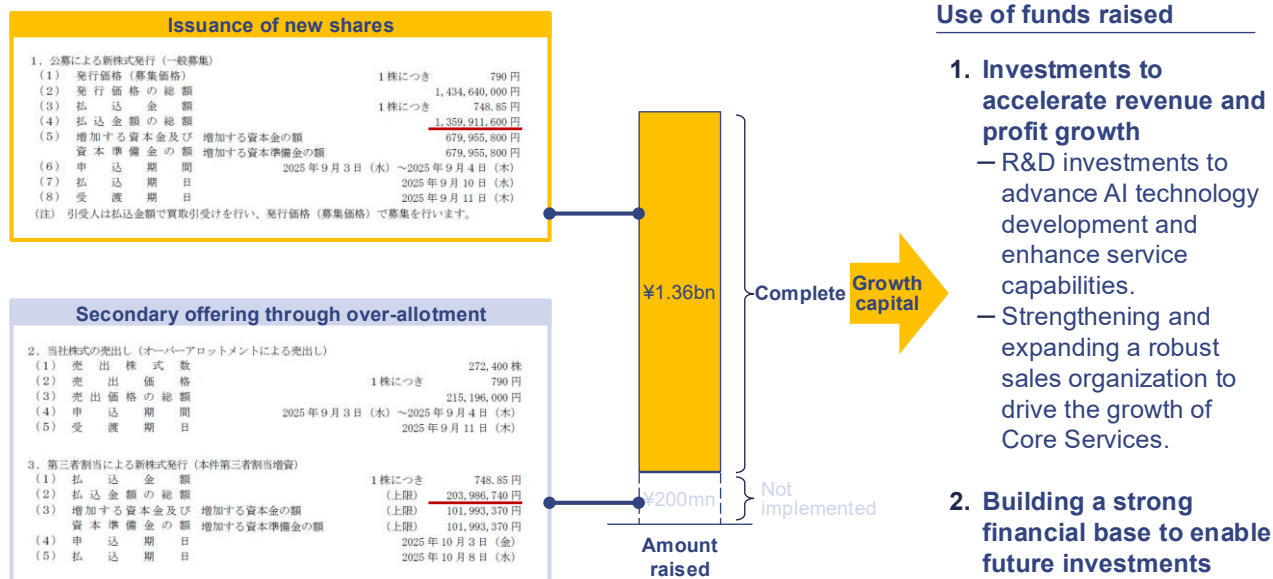
Although we have achieved profitability while continuing our business operations, securing sufficient capacity for growth investment has been a management challenge. Through our recent interactions with investors, we strongly felt that achieving further growth is a major expectation from our shareholders. We regard the funds raised as the driving force for our next stage of expansion.

As shown on the slide, our net cash position has finally turned from negative to positive. In addition, our debt-to-equity (D/E) ratio has improved significantly, indicating a major strengthening of our financial foundation. We intend to proactively invest the capital we have secured to drive future revenue and profit growth and use it as a catalyst for further business expansion.

However, in terms of revenue and profit for the third quarter, we have not yet achieved significant growth compared with last year. On the other hand, the shift in our business model resulted in temporary losses over the past three years, during which we worked persistently to improve performance. This quarter's results also demonstrate that our efforts to strengthen cost competitiveness are progressing very smoothly. We will explain the details later.

Given our progress in enhancing cost competitiveness and establishing a stable earnings base, while we did not see a major revenue jump this third quarter, we are confident about the outlook for the fourth quarter and for the first through fourth quarters of next year.

Public offering executed in Q3 – Shifting into the growth phase



Source : 2025年8月26日発表「新株式発行及びオーバーアロットメントによる株式売出しに関するお知らせ」

Source : 2025年9月2日発表「発行価格及び売出価格等の決定のお知らせ」

Source : 2025年10月3日発表「第三者割当増資における発行株式数の確定に関するお知らせ」

I will now report on the public offering. This public offering was conducted based on two major pillars. In particular, the largest component—the planned capital raise of 1.36 billion yen—was successfully achieved as scheduled through the issuance of new shares.

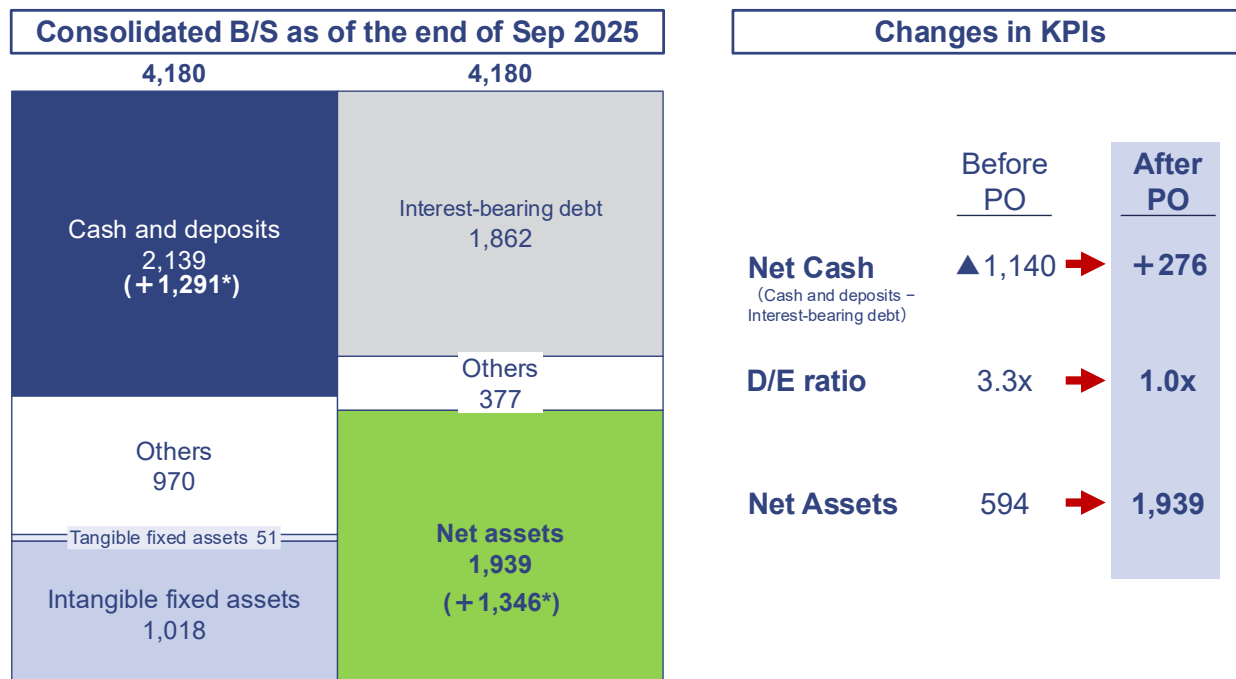
We also received many individual questions from shareholders regarding the disclosure format, as it can be somewhat difficult to understand. When conducting a public offering through the issuance of new shares, it is possible to raise an additional amount through over-allotment, often referred to as secondary fundraising. In this case, we had planned to conduct up to 200 million yen of such secondary fundraising. However, we ultimately did not proceed with it, and therefore the total amount raised was 1.36 billion yen.

As shown on the right side of the slide, one purpose of the funds is to invest in growth aimed at increasing revenue and profit. In addition to accelerating technology development, we believe that expanding our sales organization to scale our core services will be critically important going forward.

Furthermore, since we have proactively pursued M&A, our borrowings had slightly exceeded our cash holdings for some time. Strengthening our cash position and shareholders' equity is therefore the other key objective of this capital raise.

Through the ¥1.36 billion raised via the public offering our financial position was significantly reinforced.

(JPY Millions)



* Figures in parentheses: Changes compared to end of June ≡ Effect of the current capital increase

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4

As a result of the capital increase, we were able to strengthen our balance sheet. The chart on the left side of the slide shows our consolidated balance sheet as of the end of September 2025. This reflects the balance sheet disclosed at the end of June 2025, adjusted to include the newly raised capital. As you can see, the total size of the balance sheet expanded to 4.18 billion yen.

What is particularly important is the composition. Looking at the indicators on the right, our net cash—cash and deposits minus interest-bearing debt—had previously been a net debt position of 1.14 billion yen. With this capital raise, we successfully shifted to a net cash position of 276 million yen.

We had also received questions from investors regarding our debt-to-equity ratio, such as: “Isn’t the amount of debt too high relative to equity?” and “Will this affect your capacity for future growth?” This capital increase has allowed us to significantly strengthen our equity base.

Specifically, shareholders’ equity increased substantially from 594 million yen to 1.939 billion yen. We believe this represents strong support for our future growth investments and M&A activities.

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



Next, I would like to discuss the strengthening of our Core Services, which is one of the primary uses of the capital we raised. This overlaps with previous earnings presentations, but our business is built on two pillars.

The first pillar is the Innovations Domain, which accounts for about 20% of our consolidated revenue. This domain refers to research on new AI algorithms themselves. Since our founding, we have focused on edge AI research, and more recently, we have been actively developing technologies in fields such as AI agents and large language models (LLMs).

Behind this shift is the rapid advancement and increasing openness of language models. In past earnings presentations, we explained that open-source models tended to lag behind the closed models developed by major tech giants by roughly 1.5 years. However, in recent years, this performance gap has narrowed significantly, and there is now a growing amount of research and expert opinion claiming that the difference is minimal.

As a result, the competitive landscape is shifting away from large-scale GPU server investments requiring trillions of yen, toward developing new AI agents that leverage open-source models as well. In line with this trend, we are actively advancing research into new technologies within our Innovations Domain.

The second pillar is the Core Services Domain, which forms the foundation of our revenue. Research conducted in the Innovations Domain is implemented into real-world applications and transformed into services that deliver value to our customers. With the capital raised through this offering, we aim to further expand this Core Services Domain.

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

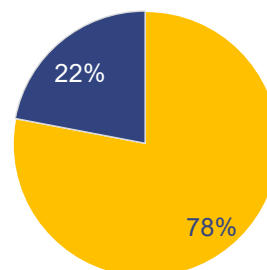
Innovations Domain

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

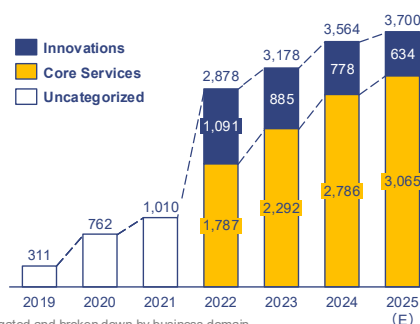
Core Services Domain

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

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.

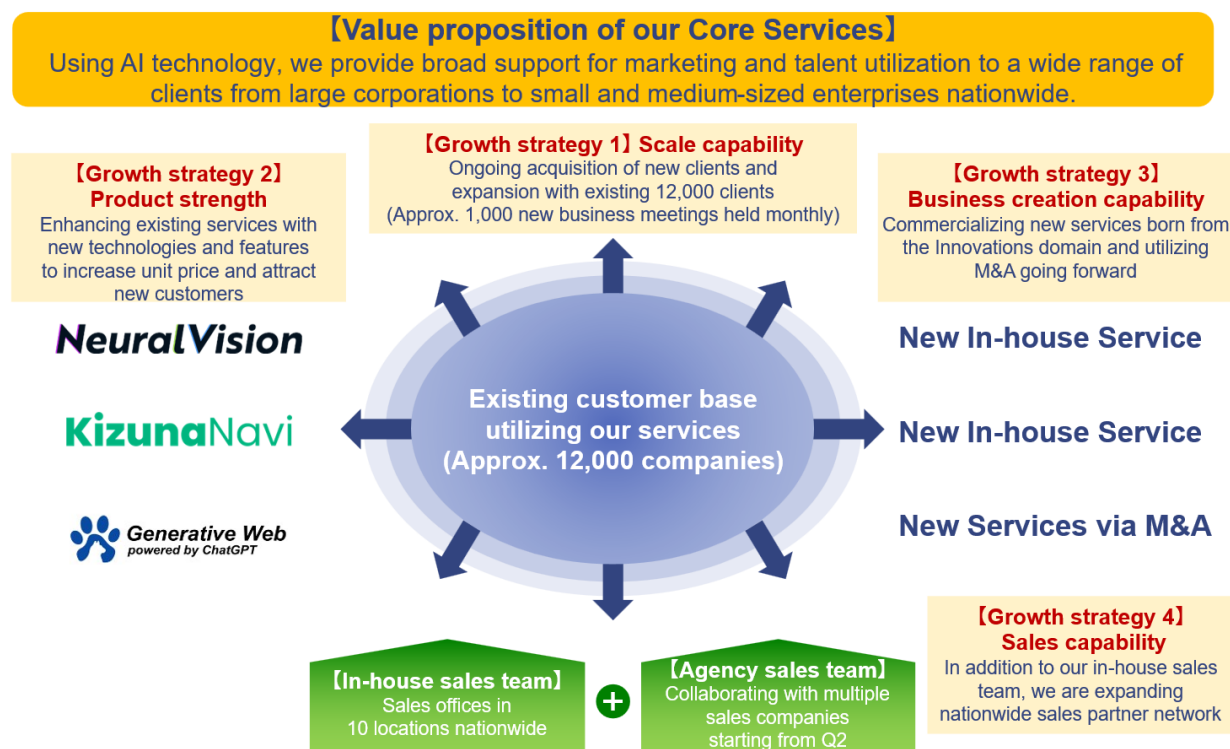
Now let me explain the specific content of our services. What we refer to as Innovations includes areas such as language models and smart city services. Some of these are beginning to transition into core services, but AI camera technologies—an area in which we have conducted extensive research—are increasingly being adopted for general use and are becoming commonplace.

In addition, we continue to conduct research in areas such as fashion trend analysis and digital signage media, which have been key research fields since our founding. These also remain part of our Innovations.

Within our Core Services, offerings such as outdoor LED vision displays provide creative content powered by generative AI. Furthermore, expansion of our core services—such as KizunaNavi and Generative Web powered by ChatGPT—is a central pillar of our growth strategy.

As of 2024, approximately 80% of our revenue is generated from the Core Services. As shown in the bottom-right section of the slide, our current budget and recent multi-year trends demonstrate that the majority of our actual growth is driven by this Core Services.

Continue to expand Core Services in line with the four growth strategies.



Our growth strategy for the Core Services is built on four pillars.

First, we aim to leverage the scale of our existing customer base. We currently serve approximately 12,000 clients across Japan, and this customer network continues to expand steadily. By utilizing this strong foundation, we plan to drive growth through initiatives such as reselling updated versions of our services to existing clients and acquiring new customers.

Second, we focus on enhancing product competitiveness. This includes adding new features to existing services, increasing unit prices, providing greater added value to customers, and introducing new services. Strengthening our product capabilities is a key driver of growth in the Core Services.

Third, we aim to strengthen our ability to create new businesses. This includes not only developing new services in-house, but also introducing new services acquired through upcoming M&A activities. By offering acquired services to our existing customers, and by providing our services to the customer base of acquired companies, we expect to generate powerful synergies.

Fourth, we are enhancing our sales capabilities—a process we began in the second quarter. Using the capital raised, we are increasing the number of sales personnel within the company and forming partnerships with regional agencies at our ten sales offices nationwide. This initiative will help expand the number of sales partners and distributors supporting our business.

Through this public offering, we intend to accelerate growth in all four of these areas.

Consolidated financial results for Q1-Q3, 2025

Revenue growth temporarily slowed.

(JPY Millions)	FY2024 Q1-Q3 Actual	FY2025 Q1-Q3 Actual	Increase/ Decrease	Change in Percentage
Revenue	2,568	2,535	-33	-1.2%
EBITDA	28	136	+107	+373.0%
Percentage of revenue	1.1%	5.4%		
Operating profit	-81	24	+106	-
Percentage of revenue	-	0.9%		
Ordinary income	-100	-9	+90	-
Percentage of revenue	-	-		
Net income	-153	-52	+100	-
Percentage of revenue	-	-		

Let me now explain our recent third-quarter results. Cumulative revenue from the first to the third quarter amounted to 2.535 billion yen. EBITDA, which is almost equivalent to cash flow, was 136 million yen, and operating profit was 24 million yen.

Although revenue fell short of our expectations, both EBITDA and operating profit remained in the black, and we believe they are progressing steadily in line with our plan.

Consolidated financial results for Q1-Q3, 2025 – by domain^{*1}

Growth rate in the Core Services became temporarily slowed.

(JPY Millions)

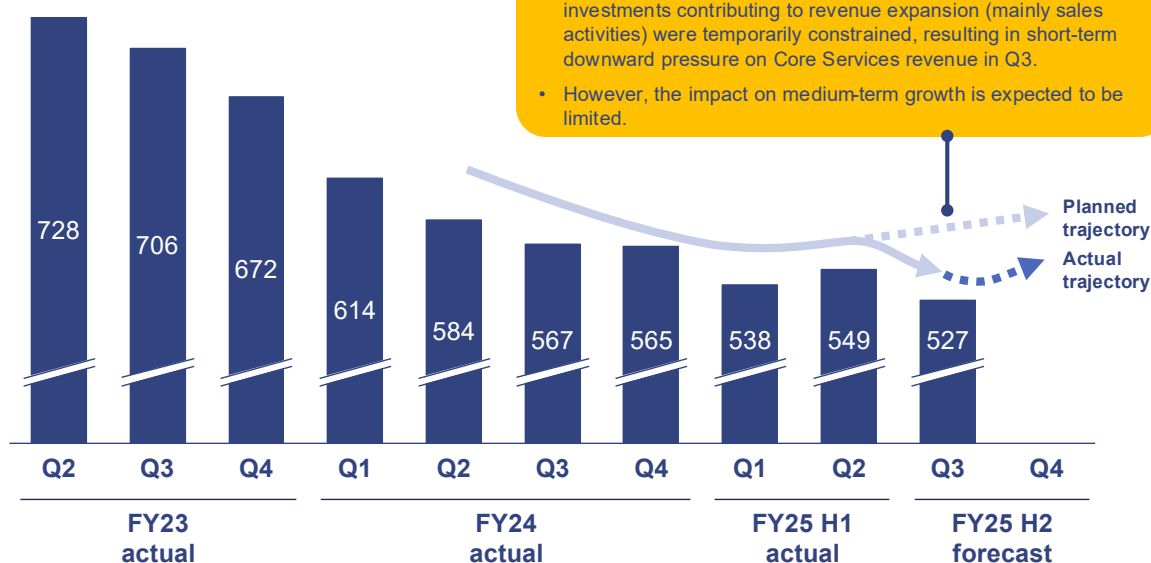
Domain	FY2024 Q1-Q3 Actual	FY2025 Q1-Q3 Actual	Increase/ Decrease	Change in Percentage
Innovations	557	429	-128	-22.9%
Core Services	2,011	2,105	+94	+4.7%
Total	2,568	2,535	-33	-1.3%

^{*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.

Regarding the factors behind the limited growth in revenue: In the Innovations, we have maintained our policy of conducting an appropriate amount of R&D while intentionally keeping the scale within certain limits, as we have done in the past. However, in the Core Services, we were not able to achieve the significant growth we had anticipated for the third quarter, and this had a notable impact on overall revenue performance.

Cost efficiency improvements progressed beyond expectations, which temporarily constrained Q3 sales activities aimed at Core Services growth.

Trends in
SG&A cost
(JPY millions)

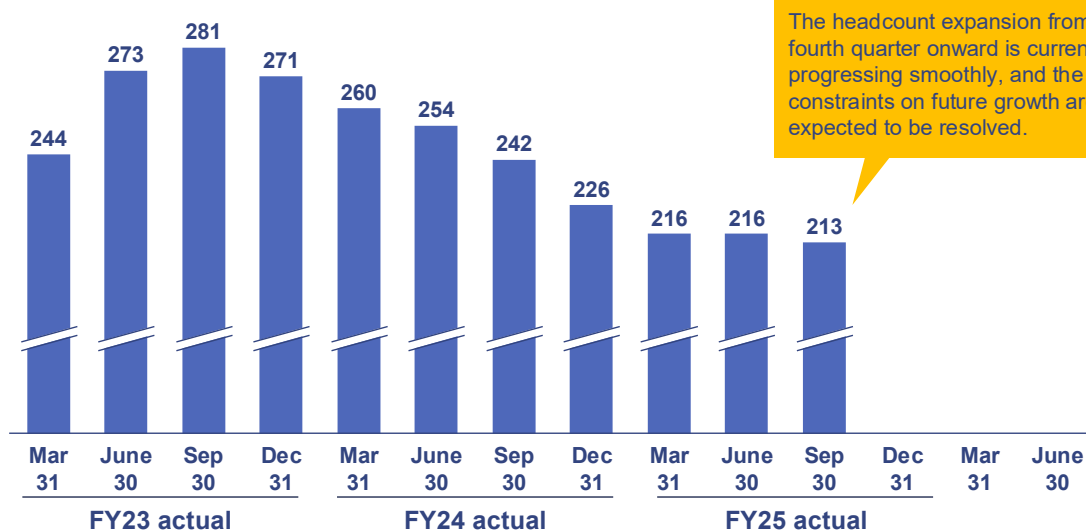


In light of the successful completion of this public offering, securing new growth capital has become increasingly realistic. With this foundation, we have been building a structure in which future growth investments—such as expanding our sales workforce and strengthening our technology infrastructure—will naturally drive revenue increases.

The graph on the slide shows the trend in selling, general, and administrative expenses. Over the past three years, our cost-reduction efforts have fostered a strong internal culture of cost optimization, which we view as a highly positive achievement. However, although we had planned to increase personnel from the second quarter onward, the process was delayed by about three months compared to our initial expectations. This delay is the primary factor behind our not achieving more substantial growth.

As of the end of September, the sales organization responsible for expanding Core Services had reached its most streamlined and efficient structure to date. – The headcount expansion scheduled from Q4 onward is currently progressing smoothly.

Trends in group headcount^{*1}

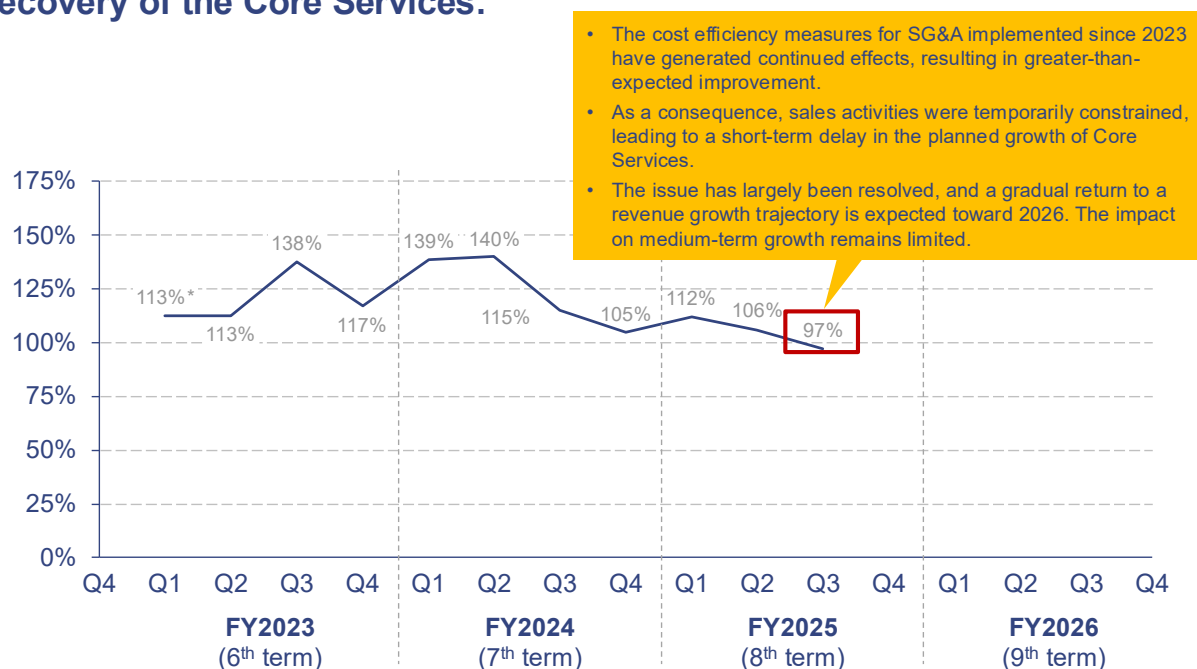


^{*1} Part-time employees, temporary staff, and contractors are not included. Figures include employees of wholly owned subsidiaries.

Our current headcount on a consolidated basis is 213 employees, excluding part-time staff, temporary workers, and contractors. We had expected an increase of around 10 employees since the end of June, but the actual growth was slower than anticipated. However, as of October, the number has begun to rise, and we expect steady growth going forward.

While the cultural shift toward greater efficiency in selling, general, and administrative expenses is commendable, we do not intend to pursue excessive cost-cutting. Instead, we plan to actively invest the capital raised through this offering to strengthen our organizational foundation and ensure stable revenue generation.

YoY revenue growth rate in the Core Services – Revenue growth became temporarily slowed; currently reinforcing staffing to support the early recovery of the Core Services.

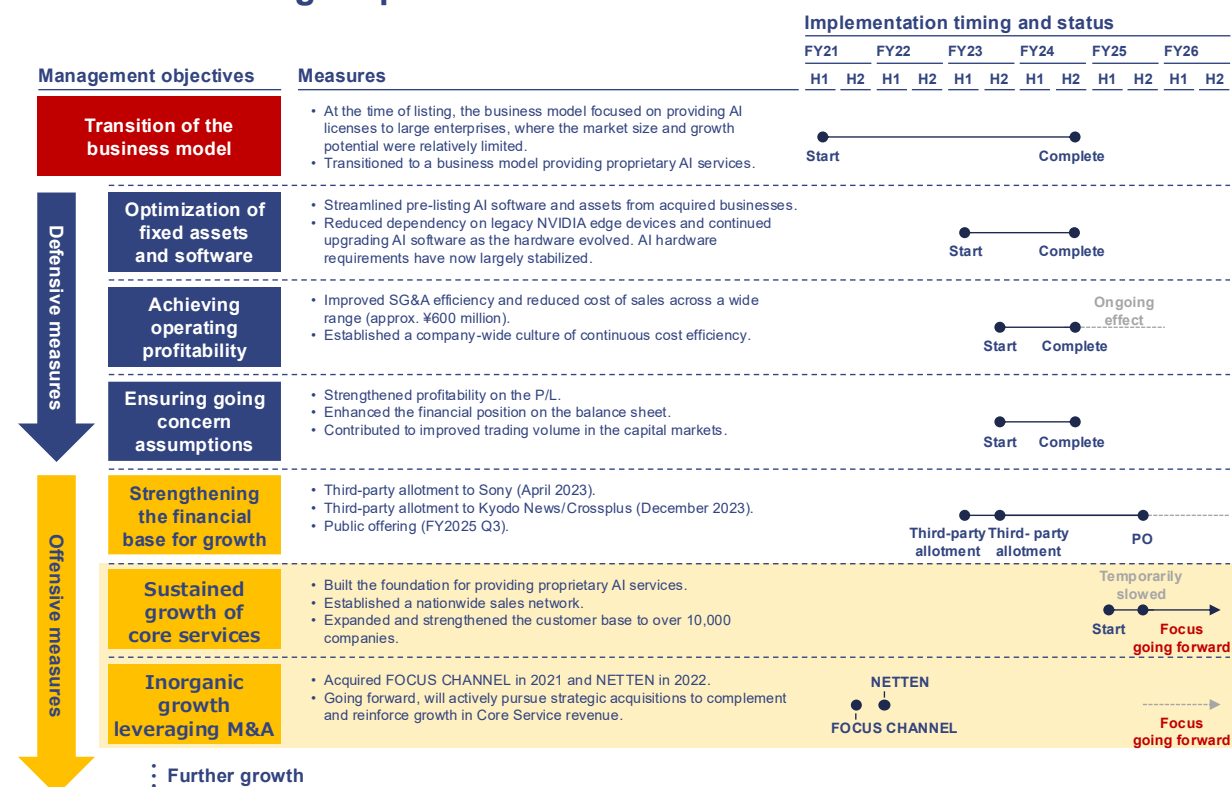


*1 Since domain classifications were not defined in FY2021, it was difficult to calculate data for Q1 2022. Therefore, the figure shown is an estimate based on the growth rate from Q2 2022 to Q2 2023.

Let me speak about the growth rate of our Core Services. The graph on the slide shows the year-over-year growth rate. For the third quarter, we had expected a growth rate of around 110%, but this time we experienced a delay. The main reason for this delay was that our sales activities were temporarily constrained due to staffing issues, preventing us from achieving the anticipated volume.

However, this issue has already been resolved. Therefore, we believe there will be limited impact on our medium-term growth, and we do not foresee any problems with our future growth trajectory.

Toward enhancing corporate value



We have been working steadily to secure growth capital and to establish our Core Services. Looking ahead, many of our shareholders are expecting us to finally shift toward full-scale revenue and profit growth. The slide outlines our strategy for achieving this.

Chronologically, the top section refers to the business model transition since our listing. In 2021, we shifted from a model in which we licensed AI technology to large enterprises to one in which we developed our own core services. Over the approximately four years leading up to the completion of this transformation in the second half of 2024, the nature of our business changed dramatically.

At the time of our IPO, our business consisted solely of the Innovations. Today, revenue from our own services accounts for 80% of total sales. This transformation required significant structural reforms, many of which were accompanied by unavoidable challenges.

In particular, with respect to strengthening the defensive measures, such as the soundness of fixed assets and software, AI technology has advanced rapidly since our listing. AI has matured considerably, and NVIDIA's edge devices have become highly stable.

However, back in 2018 and 2019, when we began our business, NVIDIA's devices were undergoing major version changes every year. As a result, hardware would become obsolete within a year and, in some cases, unusable.

At that time, we considered simply waiting for new hardware releases, but delaying development by two years was not realistic. Therefore, we needed to purchase hardware with the understanding that it would eventually be rendered obsolete, using it as we continued our research.

To keep pace with rapid technological progress, we occasionally recorded impairment losses on hardware necessary for AI development. For example, NVIDIA's Python-based devices once dominated more than half of the global market. Meanwhile, Chinese manufacturers began producing C-language-based devices with large global market shares, effectively dividing the industry.

While we developed technologies compatible with both, we no longer provide commercial AI services based on the C-language hardware. As a result, we impaired certain hardware assets used in prior development activities during 2023 and 2024. Through this process, we reassessed and optimized our fixed assets and software in response to technological change.

After completing these measures, we shifted our focus to achieving operating profitability. By promoting cost efficiency across the organization, we succeeded in generating profit while expanding our Core Services. Although we believed this initiative had been completed in 2024, its effects continued into this fiscal year. Consequently, we were unable to significantly accelerate revenue growth in the third quarter. However, this is only a temporary deviation, and we see no medium-term issues.

Regarding the ensuring going concern assumptions, in 2023 and 2024, we paid particular attention to evaluating our balance sheet and financial soundness—specifically addressing questions such as: “Is profitability sustainable?” and “Is the revenue structure truly sound?” We completed these evaluations in 2024, and from 2025 onward, we believe we are operating from a far stronger foundation. These improvements have also contributed to higher trading volumes in the stock market.

Having reinforced these defensive measures in 2023 and 2024, we are now shifting toward offensive strategies. We have already conducted three third-party allotments and, this time, completed a public offering.

Our financial base has strengthened significantly, highlighted by our return to a net cash position. Rather than treating this simply as reserves, we intend to actively invest this capital to expand our Core Services with a strong sense of purpose.

Looking ahead to the fourth quarter and into 2026, we have two key priorities to drive revenue and profit growth:

1. Continuous (organic) growth of Core Services: Although growth was temporarily constrained in the third quarter due to cost-reduction effects, we expect strong improvement going forward.
2. Discontinuous growth driven by M&A: During our discussions with institutional investors for the public offering, most questions concerned our M&A strategy—such as what approach we plan to take, what types of companies we intend to target, and what benefits we expect to generate.

We plan to disclose details of our M&A strategy at the appropriate time, particularly when we move forward with one or two acquisitions. Currently, there are several companies listed on the Tokyo Stock Exchange that actively use M&A to expand corporate value and market capitalization, and we regard their strategies as strong benchmarks.

For example, companies in gaming and internet-related sectors often conduct five to ten acquisitions per year. Following similar models, we aim to leverage AI to provide new services, expand our Core Services, increase profitability, and enhance shareholder value.

We believe that M&A will create synergy between new business growth and the expansion of our Core Services, enabling further acceleration of our overall growth. We will continue to position Core Services expansion and active M&A as our primary growth drivers.

Growth strategy and priorities going forward

Core services growth

- Accelerate the strengthening of the sales organization to recover Core Services to the growth trajectory, addressing the delay versus expectations.
- Target year-over-year growth rate of 15–20%.



M&A execution

- Actively bring into the group companies that can generate synergies with our AI technologies and Core Services.
- Leverage the customer base and assets of newly integrated group companies.

This slide summarizes the points I just explained. We will continue to drive the growth of our Core Services and actively pursue M&A going forward.

Consolidated Full-Year Earnings Forecast for the Year Ending December 31, 2025 – There are no changes.

(JPY Millions)	FY2024 Actual	FY2025 forecast	Increase/ Decrease	Change in Percentage
Revenue	3,564	3,700	+135	+3.8
EBITDA	187	300	+112	+60.1%
Percentage of revenue	5.2%	8.1%		
Operating profit	35	160	+124	+350.0%
Percentage of revenue	1.0%	4.3%		
Ordinary income	11	140	+128	-
Percentage of revenue	0.3%	3.8%		
Net income	-60	40	+100	-
Percentage of revenue	-	1.1%		

* Any necessary changes will be disclosed promptly as needed.

Let me now address our earnings forecast for the current fiscal year. Although we were unable to achieve strong momentum in the third quarter, our full-year forecast for the fiscal year ending December 2025 remains unchanged at this time.

If any revisions become necessary, we will disclose them promptly. However, the operational constraints experienced in the third quarter have been largely resolved in the fourth quarter. In addition, we are already seeing renewed growth in our core services across our various business lines, and we intend to continue driving these initiatives proactively.

Starting this fiscal year, we have been holding earnings briefings immediately after releasing our financial results. As in previous quarters, we have received many inquiries by email and phone afterward. Please do not hesitate to reach out with any questions. Our IR and communications teams review every inquiry we receive from our shareholders.

We have also established a system to ensure that all feedback is promptly reported to senior management. Thanks to the comments, opinions, and expectations shared by our shareholders, we believe we have now established a solid management foundation that positions us well for growth in the fourth quarter and into 2026.

We will continue to work diligently, and we sincerely appreciate your continued support.

[END]