

Update the world for a better tomorrow



Financial Results Briefing Material

8th term, Q1 ended March 31, 2025

Neural Group Inc.
May 12, 2025

Q1 Earnings highlights and business strategy updates

Review of FY2024

- In FY2024, we **returned to operating profitability** for the first time in three years. In Q4, we achieved the highest-ever quarterly revenue (¥995 million) and operating profit (¥117 million, operating margin of 11.8%) since the company's founding. This success laid a solid foundation for growth beyond FY2025.

Growth Strategy Moves to the Next Stage

- 4 years have passed since our IPO in August 2020, and we have successfully transitioned from the technology and service development stage to a revenue-generating stage. Our **highly sustainable "Core Services" have evolved to account for approximately 80% of total revenue**, and monetization of services has progressed rapidly.
- In FY2025, by leveraging the technological capabilities we have built up, we project a full-year **operating profit of ¥160 million**, and expect to **generate net income** for the first time in 4 years (¥40 million). This marks the beginning of our transition from a revenue model transformation phase to a growth acceleration phase.
- Since our IPO, we had only disclosed consolidated total revenue due to our ongoing business model transition, but starting in FY2025, having reached a milestone in building a sustainable model, we will **enhance investor communication** by disclosing business domain details—specifically dividing our operations into the **"Innovation Domain"**, where we develop AI algorithms independently or with major partners, and the **"Core Services Domain"**, which delivers and operates our core offerings through our direct and partner sales networks.
- Although the consolidated annual revenue growth rate for FY2025 is estimated to be a modest +3.8%, we will **prioritize our Core Services sales** and drive rapid and sustainable growth.

FY2025 Q1 Earnings Highlights

- Q1 consolidated revenue reached ¥825 million (up 5.7% YoY). The Core Services Domain, positioned as a growth area, achieved ¥675 million (up 11.9% YoY), demonstrating stable growth.
- Although the consolidated operating loss was ¥9 million, we reached **breakeven level in Q1**, and have set our sights on generating operating profit from Q2 onward.
- In the Innovation Domain, in addition to **developing our own LLM**, we are advancing **AI Agent development** and promoting cutting-edge research activities in the rapidly evolving AI industry.

- **Overview of Our Businesses**
- Evolution of our growth strategy
- FY2025 Q1 Financial Highlights

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.

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

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



Senior Executive Officer Taro Hitokoto

- Engaged in policy planning at the MLIT, covering areas such as parks and green spaces, urban planning, and sports facilities.
- M.S. (Agricultural and Life Science), 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 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



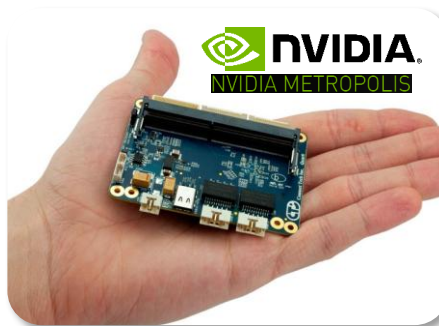
Executive Officer Daichi Suzuki

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

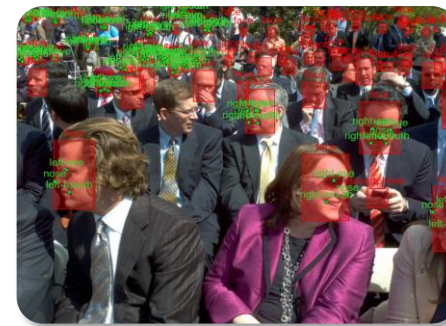
Our core competence



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



Early entry into Edge
AI as an NVIDIA
METROPOLIS partner.



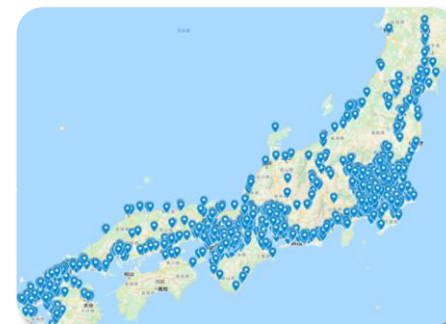
Strong in Video AI,
Audio AI, LLMs,
and AI Agents.



Driving nationwide AI
and urban projects
with governments.



Exceptional AI startup
with a nationwide sales
and operation network.

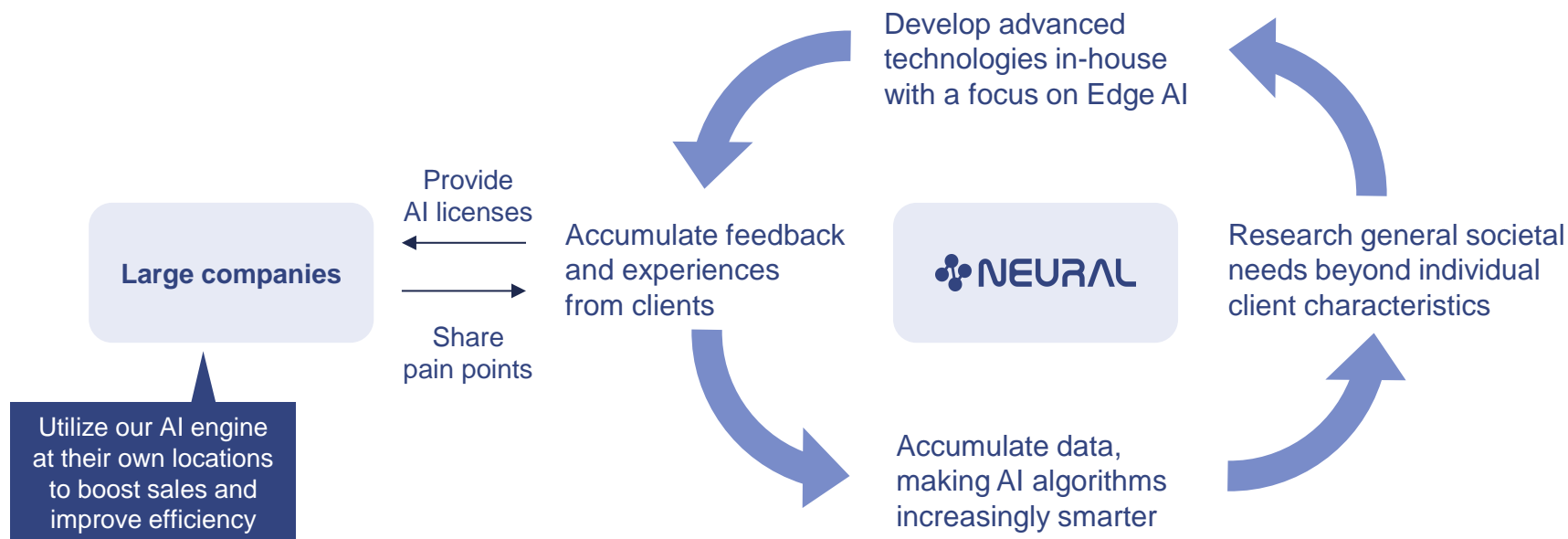


12,000+ service
installations
nationwide.

- Overview of Our Businesses
- **Evolution of our growth strategy**
- FY2025 Q1 Financial Highlights

Business model at the time of IPO in August 2020

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



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

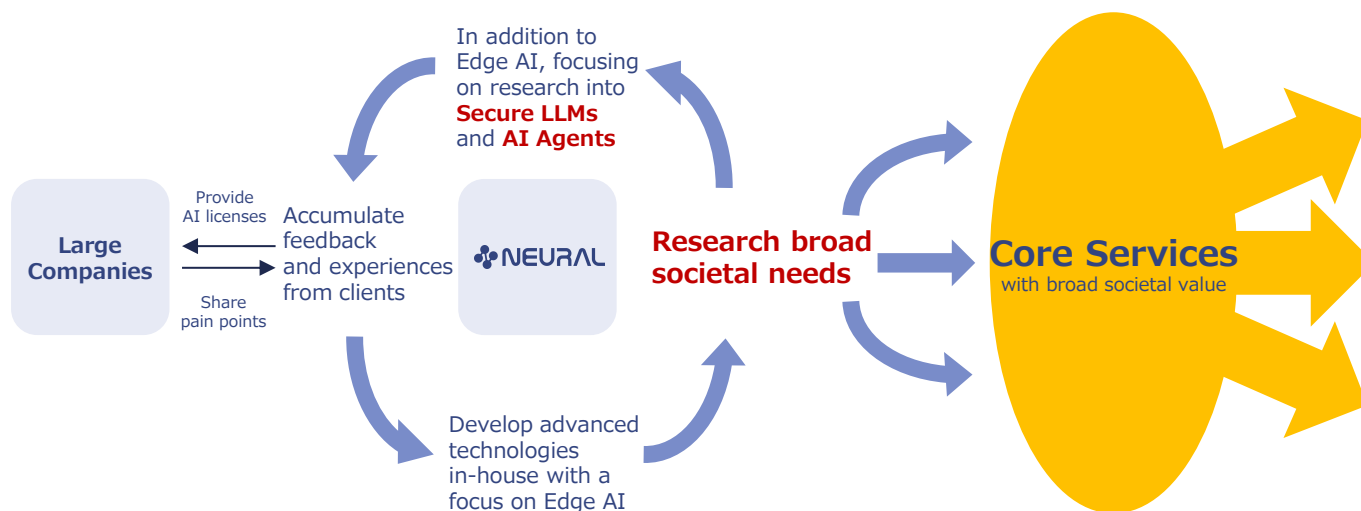
【Continuous Innovations】

Extend AI research capabilities to
Secure LLMs and **AI Agents**.



【Scaling Core Services】

Take the lead in providing
AI services to society.



- **Scaling up** with our sales network and partner companies
- **Profitability increases** as scale grows
- Further **enhancing the data value** of our services through Secure LLM and AI Agents.

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

Innovations (AI algorithm research)



- Drive joint research on AI Agents and LLMs with partners
- Align research with revenue generation

~100 customers



Core Services (Social implementation of AI)



- Sell proven AI technologies and services
- Continuously integrate new research-driven technologies

10,000+ customers

Expanding Core Services to meet broad market needs

FY2024 revenue composition

100% = ¥3,564 million

Innovations

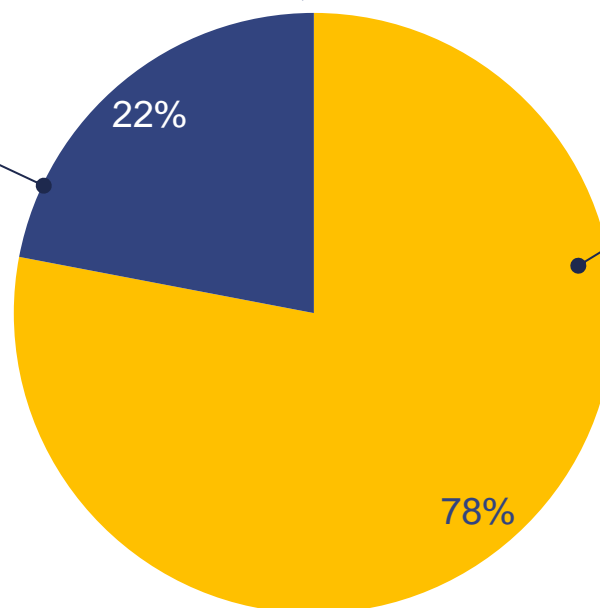








and others



Core Services







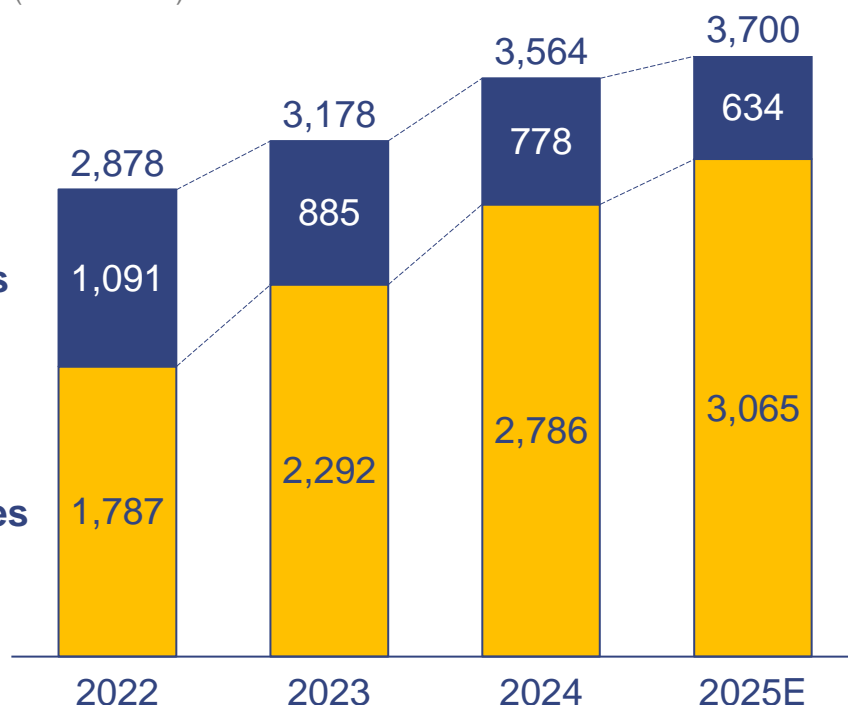
and others

- AI MD research activities have concluded, and its contribution to revenue has declined.
- FOCUS CHANNEL technology has been applied to “Neural Vision”.

FY2025 business growth strategy by business domain

Revenue growth trends by domain^{*1}

(JPY Millions)



CAGR

Strategic Direction

-16.6%

The achievements of new business creation over the past three years have accumulated, enabling theme selection in FY2025. Focus will be placed on researches into LLMs and AI Agents.

+19.7%

Core Services have steadily grown since early 2022. Technologies developed in "Innovations" are also being actively utilized.

^{*1} In addition to revenue generated from contracts with customers, it also includes revenue recognized under accounting standards for lease transactions, aggregated by business segment.

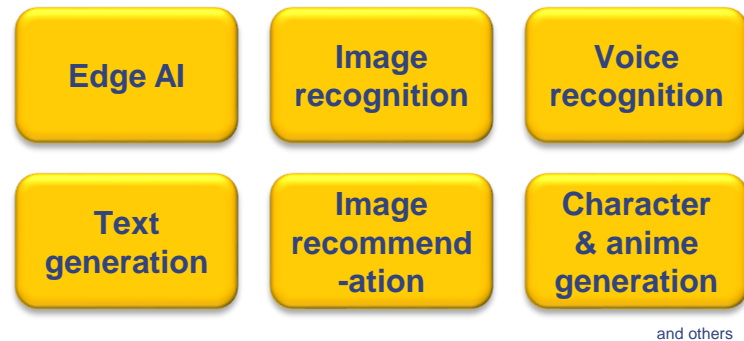
Mapping of target technologies in each business domain

Innovations



Research volume and sales are flexibly adjusted each year based on the pace of new technology creation in the AI industry and changes in the social environment.

Core Services



As a fast-growing and sustainable startup, we continue to accelerate AI's social implementation every year.

Announced in June 2023



- ~3 billion parameters
- For R&D purpose

[illegible]

- 32 billion parameters
- For commercial use

NEURAL.LLM in action

NEURAL.LLM

N 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 - v0.8.5

N 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ご紹介します：

1. 自動化と効率向上:
 - ビジネスプロセスの自動化
 - 時間とコスト削減
 - 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
 - ビヘイビアルアナリティクスによる異常検知
5. スマート製造とIoT連携:
 - 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

N 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 - v0.8.5

N 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：豚肉と野菜の煮込み

- 豚肉（薄切り）：タンパク質源
- にんじん、キャベツ、トマト、ピーマン：ビタミン・ミネラル・食物繊維

副菜：ご飯

- 白米または玄米：炭水化物源

汁物：味噌汁

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

デザート：フルーツ

- モモやバナナ：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：豚肉と豆腐
2. 炭水化物：ご飯
3. ビタミン・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：豆腐と野菜

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、見た目も良く食欲を引き立てます。また、塩分や脂肪の摂取量を適切にコントロールできています。

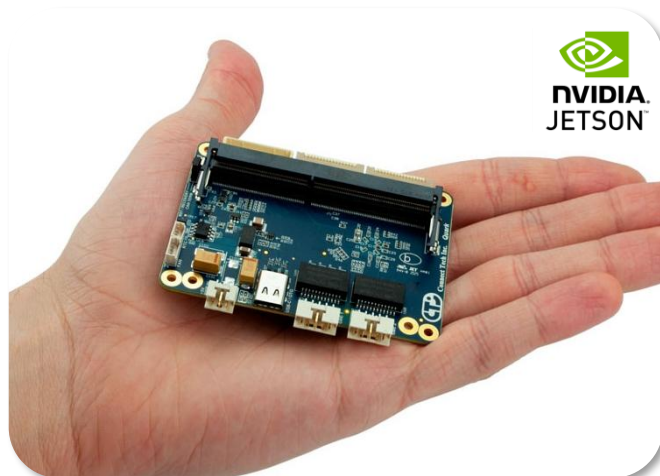
時間があれば、ご飯に卵かけごはんや鶏肉のソース焼きを加えることもできます。

URL of the demonstration:
<https://youtu.be/QzmVgvwmilg>

Why we excel in LLM development and implementation

Edge devices for AI cameras

NVIDIA JETSON series



- Started developing and operating **Edge AI technologies** ahead of the curve in 2018.
- Strengthened expertise in handling **small AI algorithms** and **personal information-related data** in urban environments.
- Expanded the use of metadata on urban information through a **secure network** nationwide since founding.

Rolling-out
our strength

Compact servers for NEURAL. LLM

NVIDIA A100

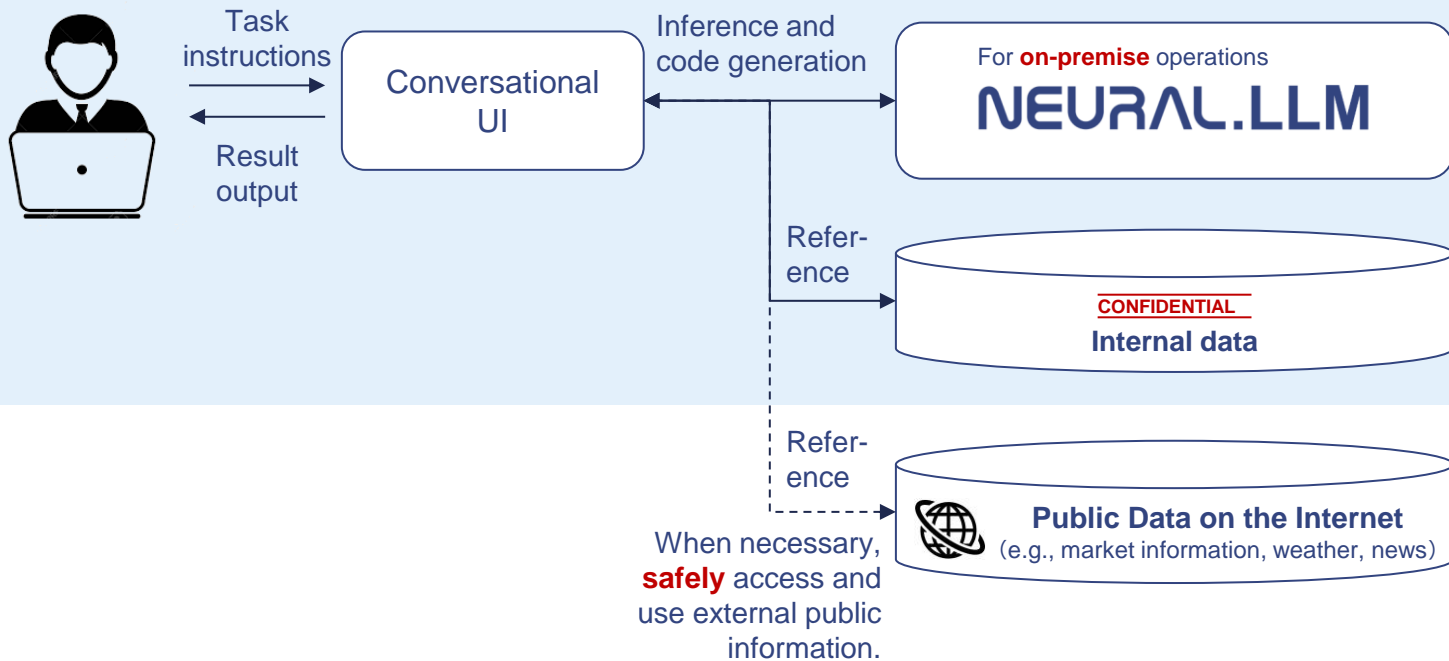


- Differentiated from overheated global LLM investments by focusing on **compact and secure LLMs**.
- Implemented **in-house compact LLMs** in response to rapid performance improvements and the rise of open source.
- Built a system leveraging Edge AI security expertise that enables clients to use LLMs in a **secure closed network**.

Why a standalone LLM is needed

- When using LLMs or AI Agents in a corporate setting, it is necessary to input **highly confidential information** related to sales, finance, technology, and HR into the AI.
- With cloud-based LLMs, it is difficult to use **the most critical internal data for analysis** due to confidentiality concerns, which has become a major barrier to fully leveraging AI technology.

Operation of LLM in a Secure Local Network (LAN)



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



Examples of
installation locations

private

Commercial facilities

Logistics facilities

Retail stores

Residentials

Office buildings

Parking lots

Soccer stadiums

Sports facilities

Expressways

Airports

Post offices

Parks

Roadside stations

City halls

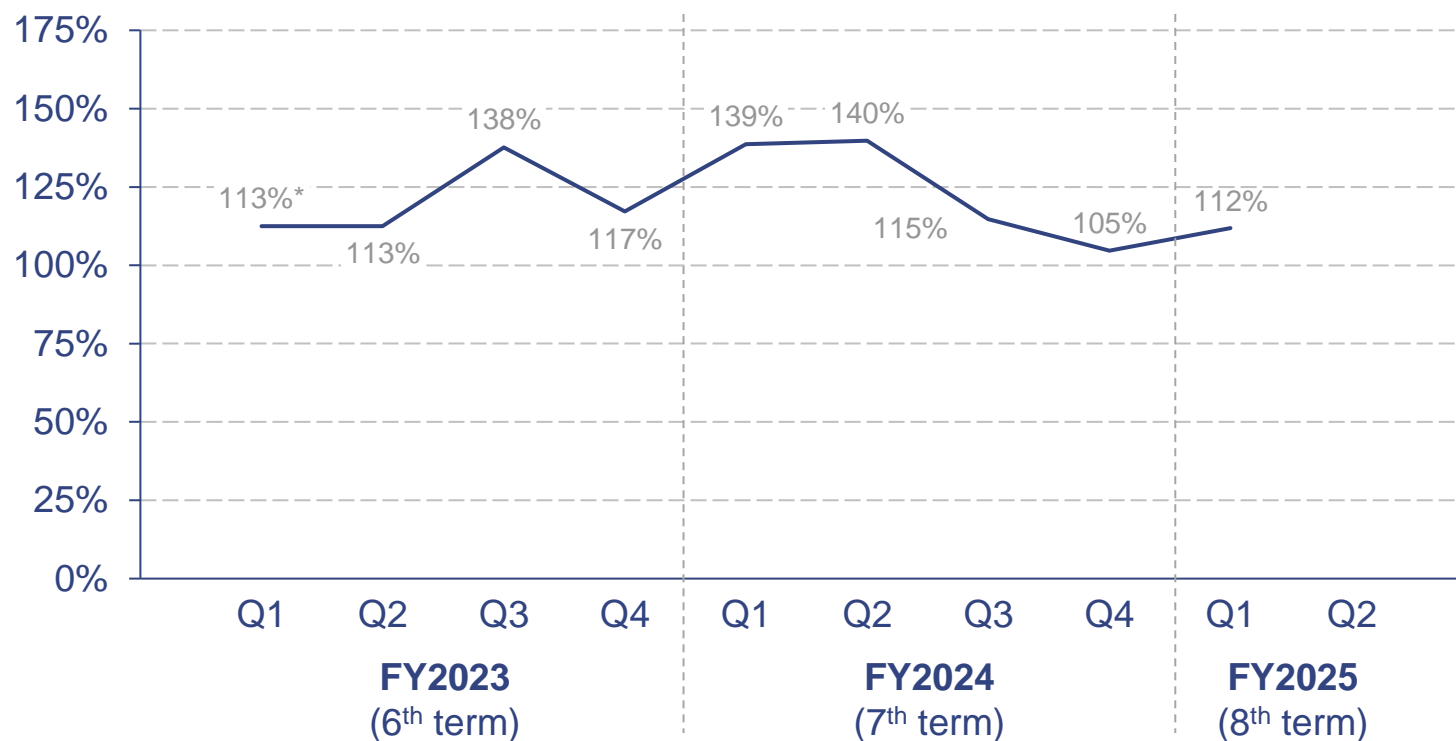
Police stations

public

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 nine consecutive quarters.



*1 Since the Q1 period of 2022 corresponds to a time when domain classifications were not yet defined in FY2021, it was difficult to calculate this data. Therefore, the figure shown is an estimated reference value based on the growth rate from Q2 2022 to Q2 2023.

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



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

Partnered with many public and private organizations to promote AI services through an extensive network.

Industry groups



Collaboration with corporations



Smart City related



Smart City Public-Private Partnership Platform

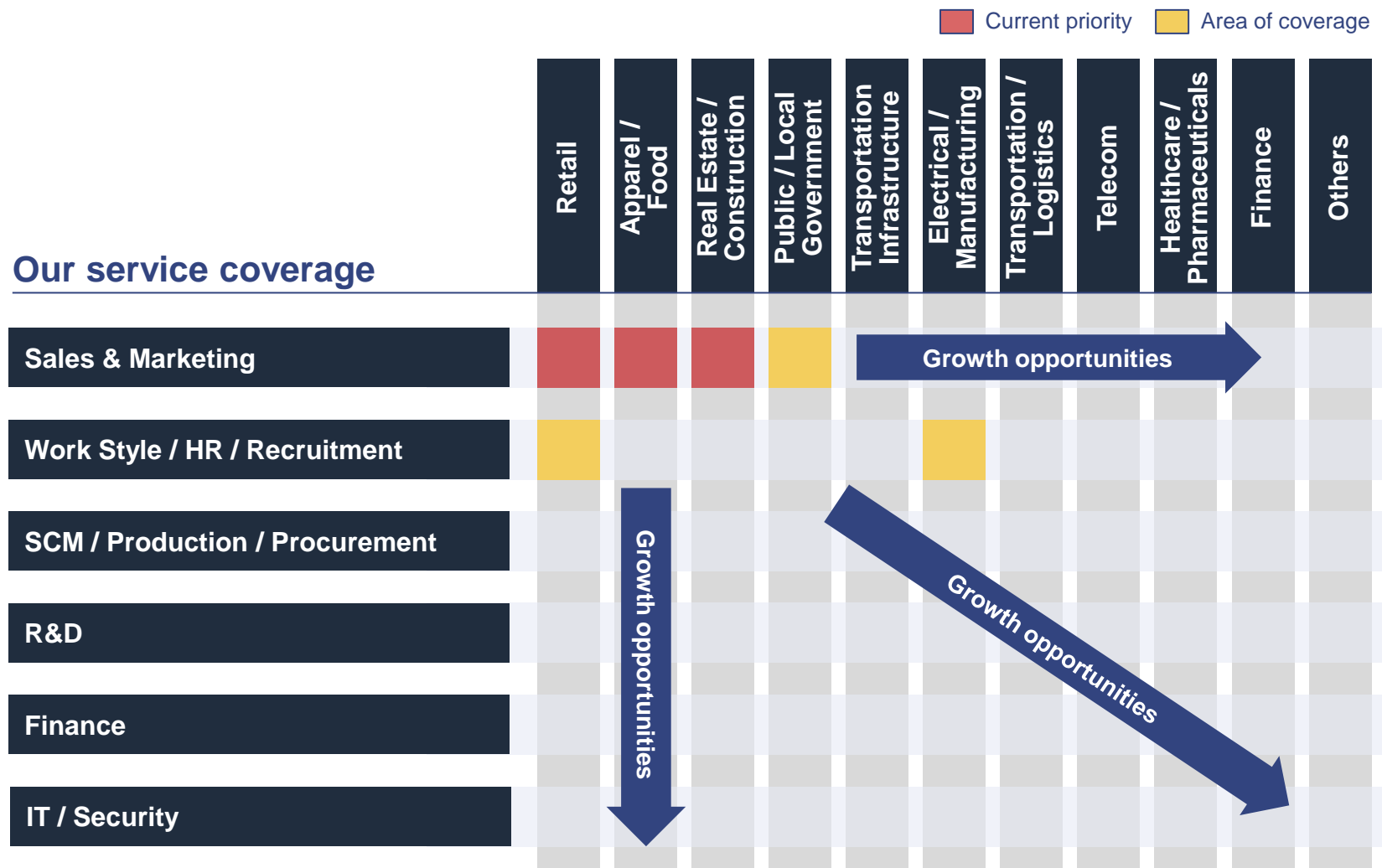


Kamakura City Smart City Public Private Sector Research Association

MaaS Social Implementation Promotion Forum



Our Core Services have broad and growing expansion potential.



- Overview of Our Businesses
- Evolution of our growth strategy
- **FY2025 Q1 Financial Highlights**

Consolidated financial results for the Q1 ended March 31, 2025 – YoY

(JPY Millions)	FY2024 Q1 Actual	FY2025 Q1 Actual	Increase/ Decrease	Change in Percentage
Revenue	780	825	+45	+5.7%
EBITDA	-63	26	+89	-
Percentage of revenue	-	3.2%		
Operating profit	-100	-9	+91	-
Percentage of revenue	-	-		
Ordinary income	-114	-14	+100	-
Percentage of revenue	-	-		
Net income	-109	-29	+80	-
Percentage of revenue	-	-		

Consolidated financial results for the Q1 ended March 31, 2025 – by domain

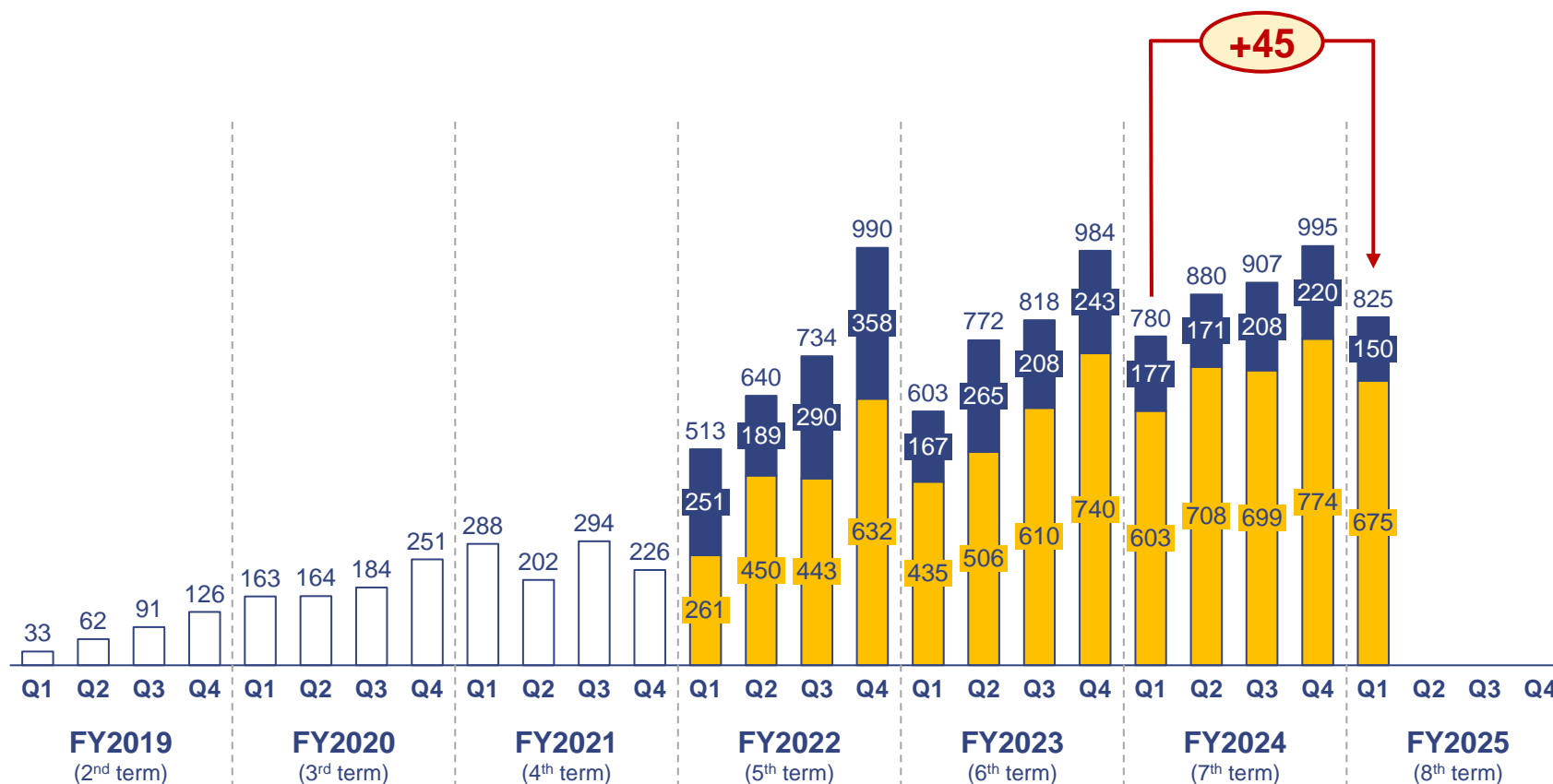
(JPY Millions)

Domain	FY2024 Q1 Actual	FY2025 Q1 Actual	Increase/ Decrease	Change in Percentage
Innovations	177	150	-27	-15.2%
Core Services	603	675	+71	+11.9%
Total	780	825	+45	+5.7%

Historical quarterly revenue by domain

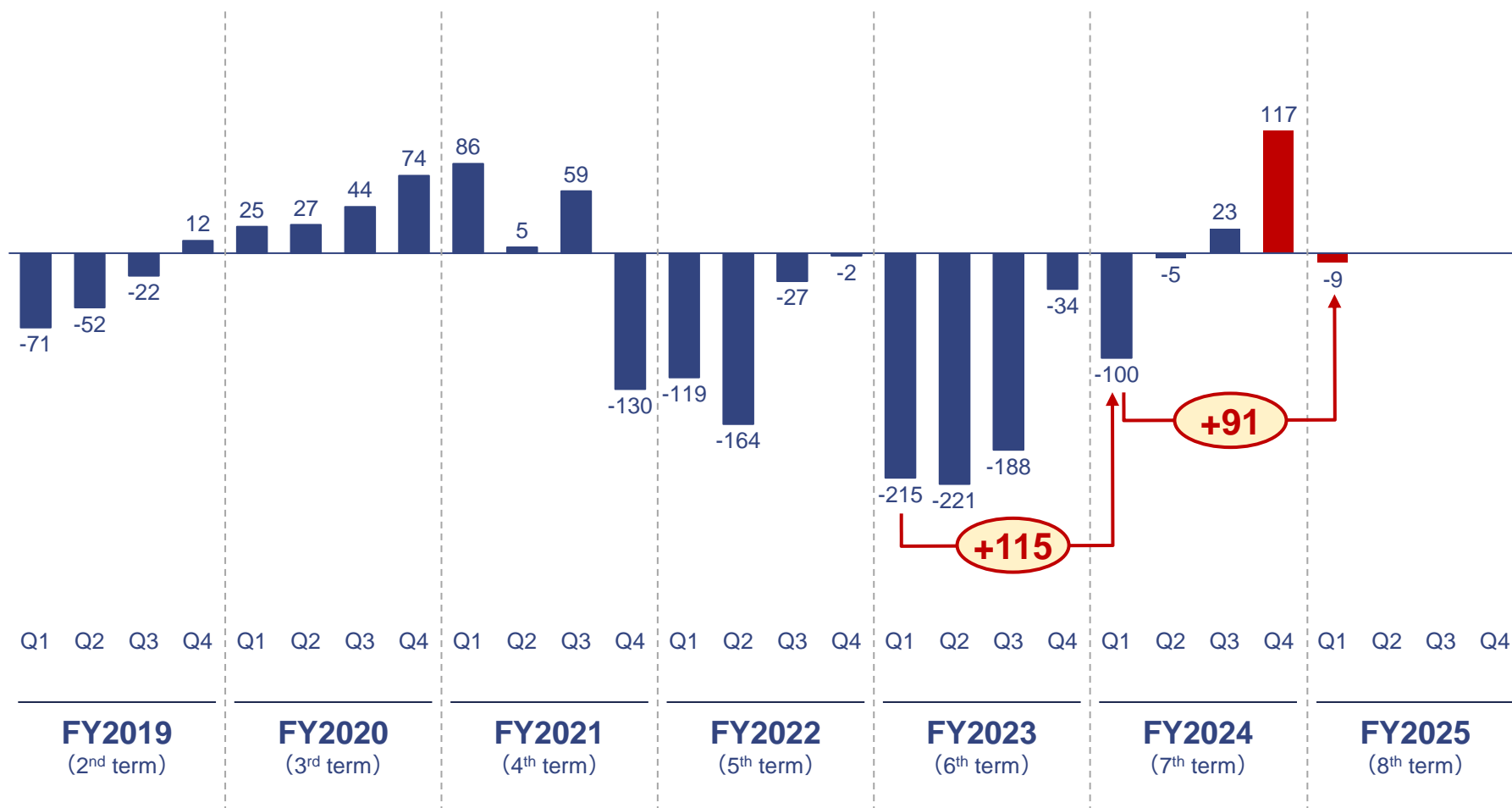
(JPY Millions)

Core Services Innovations Uncategorized



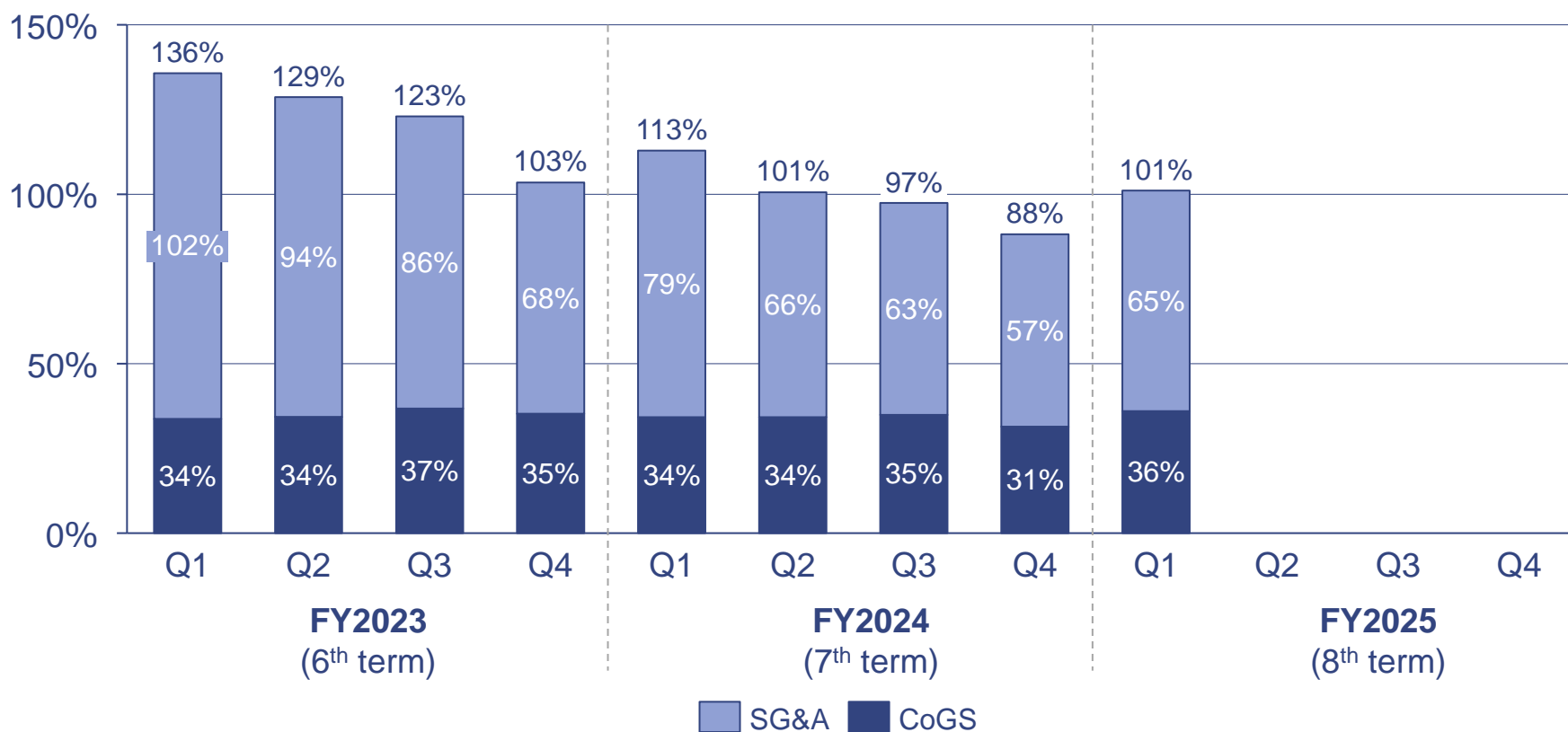
Historical quarterly operating profit

(JPY Millions)



Cost structure & sales comparison – SG&A and CoGS ratio

- CoGS ratio has remained stable at below 40% (gross margin of 60% or higher).
- SG&A expenses include fixed costs such as personnel expenses, so the SG&A ratio tends to decrease from Q1 to Q4 as revenue increase.



Historical performance data

(JPY Millions)	FY2023								FY2024								FY2025	
	Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4		Q1	
	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue
Revenue	603	100%	772	100%	818	100%	984	100%	780	100%	880	100%	907	100%	995	100%	825	100%
Innovations	167	28%	265	34%	208	25%	243	25%	177	23%	171	19%	208	23%	220	22%	150	18%
Core Services	435	72%	506	66%	610	74%	740	75%	603	77%	708	80%	699	77%	774	78%	675	82%
CoGS	203	34%	264	34%	300	37%	346	35%	266	34%	300	34%	316	35%	313	31%	296	36%
Gross Profit	399	66%	507	66%	518	63%	637	65%	513	66%	579	66%	591	65%	682	69%	528	64%
SG&A	615	102%	728	94%	706	86%	672	68%	614	79%	584	66%	567	63%	565	57%	537	65%
Operating Profit	-215	-36%	-220	-29%	-188	-23%	-34	-3%	-100	-13%	-4	-1%	23	3%	117	12%	-9	-1%
Ordinary Income	-221	-37%	-231	-30%	-192	-24%	-41	-4%	-114	-15%	-5	-1%	19	2%	111	11%	-14	-2%
Net Profit	-192	-32%	-172	-22%	-237	-29%	-48	-5%	-109	-14%	-35	-4%	-8	-1%	92	9%	-29	-4%

FY2025 Q1 – Balance Sheet

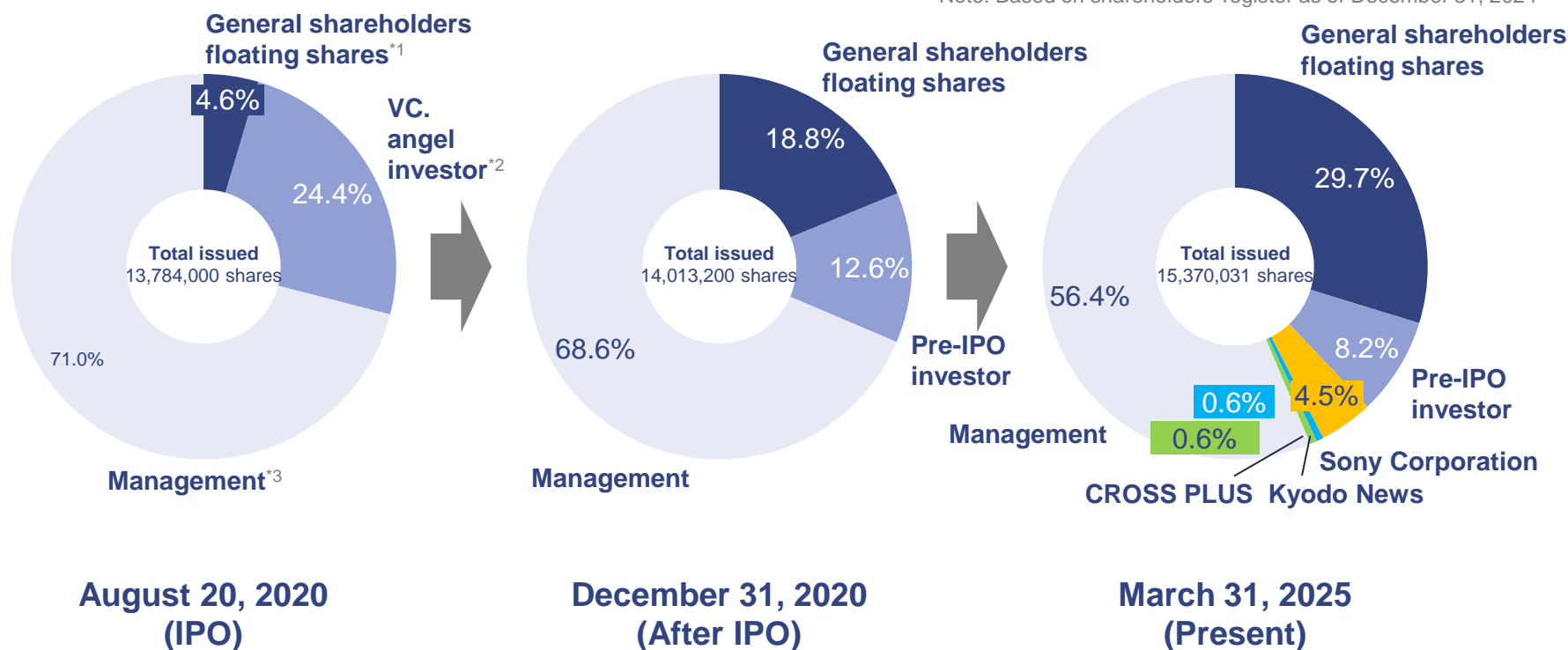
(JPY Millions)	FY2025
	March 31
Current Asset	1,297
of which, Cash and Deposits	523
Fixed Assets	1,426
Total Assets	2,723
Total Liabilities	2,123
of which, interest-bearing debt	1,740
Net Assets	599

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

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

Note: Based on shareholders' register as of December 31, 2024



*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.