Neural Group Inc.

FY2025 Q1 Financial Results Briefing Meeting

May 13, 2025

Event Summary

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	Roi Shigematsu — Chief Executive Officer
	Takashi Kisaka — Chief Financial Officer

Shigematsu: Thank you for joining us for the FY2025 December Term, Q1 Financial Results Presentation. This marks the fourth year since our IPO—a significant milestone for us. We feel confident that our business reforms, service development, and AI commercialization efforts are starting to yield tangible results. Today, I will summarize our progress so far and share our growth strategy for the future.

Let me start by providing some context from FY2024. We returned to operating profitability for the first time in three years. In particular, Q4 delivered our highest single-quarter revenue since the company's founding—nearly 1 billion yen—and an operating profit exceeding 100 million yen, achieving an operating margin of 11.8%. This reflects our success not only in driving business growth but also in monetization.

As shown on the slide, this fiscal year's theme is moving to the next stage. Our priority is to solidify profitability and build a strong foundation for substantial growth in future fiscal years. We see this as a pivotal year to elevate our growth strategy to the next level.

Today, I'd love to offer investors a high-resolution look into our business. I'll explain what we do, what kind of technologies we employ, and how we are using them to fulfill our mission and contribute to society. We aim to gain more investors who will follow our quarterly results on a continual basis.

On the slide, you'll notice the term sustainable "Core Services". Starting with this financial report, we are categorizing our business into Core Service and Innovations domains and will continue to provide greater transparency going forward. The Core Service domain has now grown to account for around 80% of our revenue. I will go into more detail on this shortly.

For FY2025, we aim to achieve 160 million yen in full-year operating profit and return to net profitability for the first time in four years, by leveraging the technologies we have developed so far. We believe Q1 has gotten off to a strong start toward this goal.

We will continue to disclose our business in two domains: the Innovations domain and the Core Services domain. Overall, our annual budget forecasts a modest growth rate of 3.8% compared to last year. However, this does not imply we expect slow growth. Instead, we are actively investing capital in the growth-driving Core Services domain to continue strengthening our foundation for long-term expansion.

As the global development of language models intensifies, we will apply a strategy of selection and focus in our Innovations domain—deciding which areas to pursue for technical development. For technologies that have matured, we will cease further development and shift them into the operational phase.

By monetizing the Core Services domain, we aim to strategically focus our research and development activities, allowing us to proceed with sharper prioritization. Even within the context of 3.8% overall growth, we intend to drive it forward with strength and confidence.

Revenue came in at 825 million yen, a 5.7% increase year-over-year. The Core Services domain, which makes up about 80% of total sales, grew by 11.9% year-over-year. We aim to accelerate this momentum going forward.

At the consolidated level, we recorded an operating loss of 9 million yen. Although we've budgeted for operating profit on a full-year basis, we believe progress is going smoothly. From Q1, we surpassed our initial projections and reached break-even, putting us on track for earlier-than-expected profitability.

In the Innovations domain, we are progressing with the development of our proprietary LLM (Large Language Model), as announced in last week's IR news. The model is being built at a scale of 32 billion parameters. In addition, we are developing AI agents and launching services utilizing this LLM. Our focus is not only on developing cutting-edge technology but also on ensuring it is actively used, and we've already begun service delivery based on that principle.

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)

For FY2025, under the theme of moving to a new stage, we are eager to actively introduce our business to new investors and shareholders. Our mission is “Update the world for a better tomorrow”. This reflects our commitment to leveraging AI technologies to bring about a future that inspires and excites.

The company was founded in 2018, and we are now in our 8th fiscal year. With offices across Japan—including Tokyo, Osaka, and Sapporo—we operate our business with approximately 250 employees.

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 leadership team brings together a diverse range of backgrounds, united in their support of advancing the industrialization of new AI technologies. Members come from a variety of sectors, including academia, consulting firms, business enterprises, research institutions, and government agencies. This diversity enables us to gather a wide spectrum of talent and perspectives.

We are also honored to have Professor Yutaka Matsuo of the University of Tokyo Graduate School serve as an advisor. With his guidance, we are committed to promoting the industrial application of world-class, cutting-edge AI technologies.

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.

Ministry of Land, Infrastructure, Transport and Tourism

Smart City Public-Private Partnership Platform

PLATEAU by MLIT

Driving nationwide AI and urban projects with governments.

Exceptional AI startup with a nationwide sales and operation network.

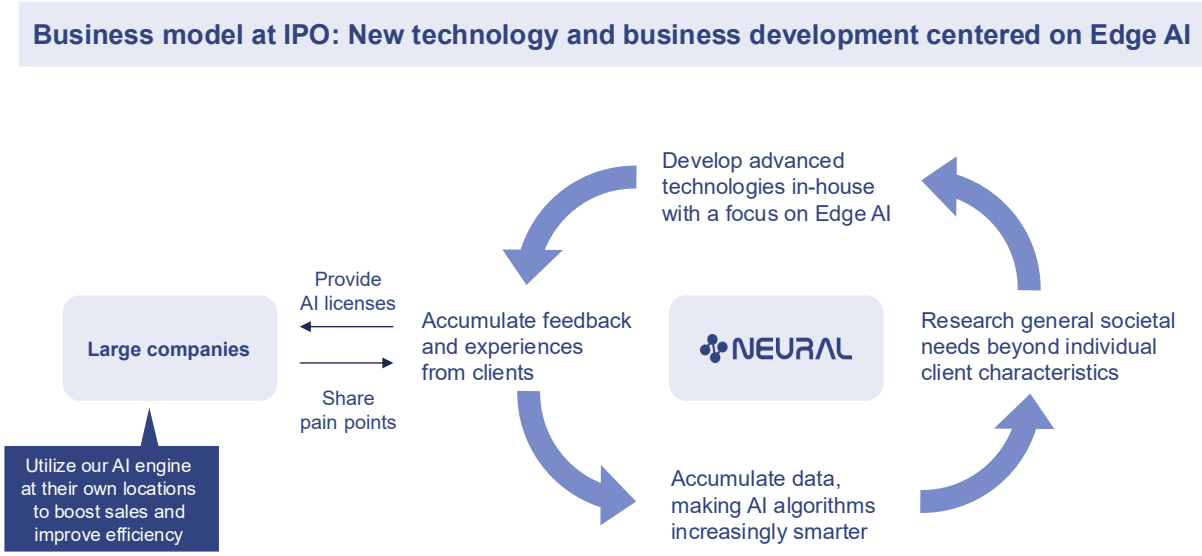
12,000+ service installations nationwide.

Since our listing, our greatest strength has been in the field of Edge AI. This remains a core part of both our business and technology strategy. Edge AI involves developing extremely lightweight and high-performance AI that can run on compact devices—small enough to fit in the palm of your hand. Creating such efficient AI technology is essential for enabling on-device processing. We have focused heavily on this area as a strategic priority. Since the latter half of last year, we have also been actively expanding our technological development into language models and AI agents, alongside Edge AI.

Other strengths are shown at the bottom of the slide, but we believe our most significant competitive advantages lie in three key areas. First, we are not simply conducting pilot tests—we are actively implementing AI in real-world scenarios through partnerships with government agencies and municipalities across a variety of sectors. Second, we have established a broad nationwide operational infrastructure, with over ten sales and service hubs throughout Japan, allowing us to deliver services at scale using a strong domestic network. Third, our client base has grown to over 12,000 companies across the country, reflecting the trust and relevance of our offerings.

We see a future where AI becomes a natural part of daily life across Japan, and our strength lies in turning that vision into reality.

Business model at the time of IPO in August 2020



We went public in 2020 on the former TSE Mothers market. At that time, our business model was centered around the utilization and development of new technologies, with Edge AI at its core. The model primarily involved licensing our AI technologies to large enterprises. For example, companies used our services such as facial recognition, human identification, and traffic analysis technologies. In return, they provided us with direct and valuable feedback, noting that the technology becomes more user-friendly as analysis accuracy improves, explaining how they envision its use in urban environments, and requesting more detailed user demographic data for marketing purposes. This feedback loop became a key driver of our revenue and product refinement.

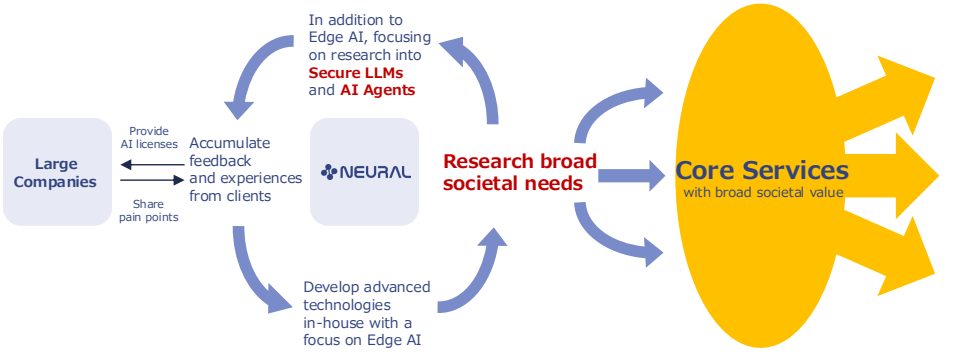
From the beginning, we believed this feedback loop—illustrated on the right side of the slide—would be highly valuable for product development. By continuously incorporating pinpointed feedback from major corporations and building up experience, we accumulated large volumes of data. As a result, the AI algorithms we provided as licensed technologies grew increasingly intelligent. Their accuracy improved, costs declined, and the systems became more compact and easier to operate. We continued to refine these smarter AI solutions while providing them to major clients—a practice we still maintain today. At the same time, we engaged in independent research to explore broader social needs for AI, beyond the constraints of any specific industry, such as telecom or real estate. In other words, we didn't limit ourselves to corporate-driven demand; we also conducted research to identify universal societal needs, and fed those findings back into our technology development efforts.

By iterating this positive cycle—developing technology, applying it in the real world, receiving feedback, and refining it—we created a business model that not only delivered value to customers but also supported the development of our own services. This was the foundation of our strategy at the time of our IPO.

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.

In 2025, alongside the continuation of our innovation efforts, we have entered a phase where our core services are beginning to scale—marking a significant evolution in our business. We believe this is now our greatest strength.

On the left side of the slide, you'll see our continued innovation strategy. Just as we've done in the past, we are advancing AI research in collaboration with major corporations, leveraging their business and customer infrastructure.

What's changing is the focus of the research. Previously, we concentrated on Edge AI, but we are now engaged in cutting-edge research on LLMs (Large Language Models), generative AI, and AI agents. As global AI technology rapidly evolves, so too do our research themes—keeping us at the forefront of innovation.

We are prioritizing the development of safe, secure language models and AI agents, which we then provide to large enterprises. At the same time, we are exploring the real-world, general-purpose needs for AI agents—currently a hot topic in industry. Given the growing societal attention to information security, our Innovations domain now focuses on uncovering these broad market needs in language models and AI agents.

On the right side of the slide, we focus on scaling our core services—AI services we now deliver directly to the market. Technologies such as video, voice, and character/image generation using AI have matured considerably.

While AI in marketing is already well established in society, we differentiate ourselves with an extensive internal AI library. Leveraging our sales network—built with around 250 engineers and sales professionals—and our agency-based distribution model, we are scaling independently and efficiently.

As highlighted in past earnings reports, one of the most attractive aspects of our business is its high profitability. Our current gross profit margin is approaching 55%, which means that as revenue increases, SG&A expenses do not rise proportionally—resulting in strong profit growth.

Our business model allows us to generate revenue without needing to incur significant additional costs. This scalable, profit-friendly model is one of our defining strengths.

Another key advantage is the increasing value of our data assets. Technologies like LLMs and AI agents—born from our innovation initiatives—mature rapidly. As they do, we integrate them back into our existing services.

For instance, one of our services uses large outdoor displays to analyze human traffic with AI and optimize advertising content in real time. By incorporating language models and AI agents, we can now automatically interpret city-wide traffic data and dynamically change the display content based on real-time analysis.

We believe AI agents are essential for enabling dynamic, automated marketing operations like these. The tight integration between our innovation-driven technologies and existing core services is the foundation of our 2025 business model—driving further growth and value creation.

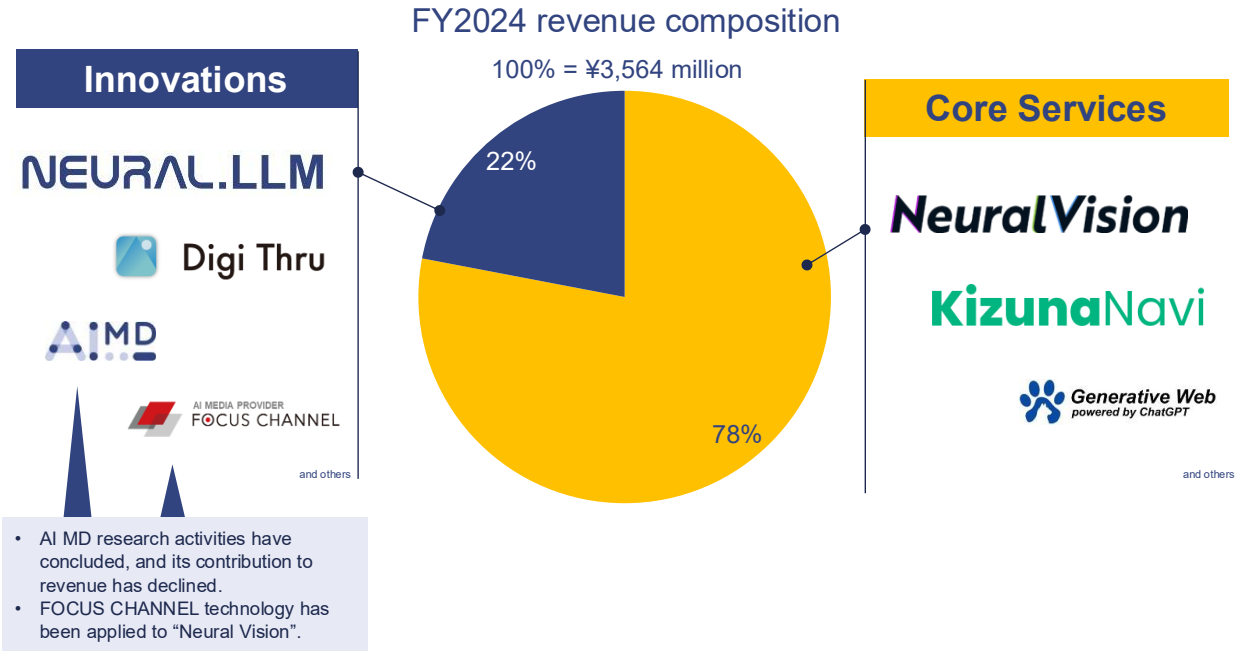
Our two business pillars – driving growth through both “Innovations” and “Core Services”.

Going forward, we will consistently disclose our revenue split across two key domains in our earnings reports and financial presentation materials.

The Innovations Domain focuses on the research of AI algorithms, particularly in advanced fields such as AI agents and large language models (LLMs). During the research process, we receive licensing fees from major corporations while promoting real-world applications of these technologies. There is no need to increase the number of clients indiscriminately. Although we’ve indicated a maximum of 100 clients on the slide, we do not consider this a critical KPI.

The Core Services Domain, described as "Social Implementation of AI," involves the commercial deployment of mature AI technologies. This domain already serves over 10,000 clients and is designed to scale widely across Japan through our broad-reaching, nationwide services.

Expanding Core Services to meet broad market needs



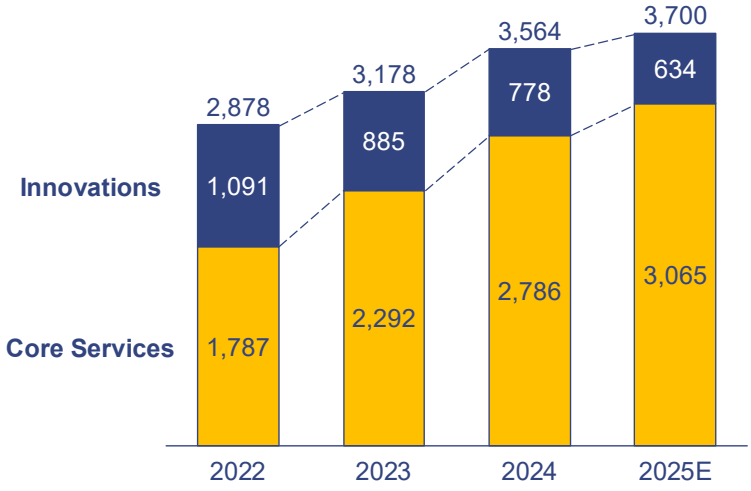
- AI MD research activities have concluded, and its contribution to revenue has declined.
- FOCUS CHANNEL technology has been applied to “Neural Vision”.

In FY2024, we have broken down our business revenue into the Innovations Domain and the Core Services Domain. Currently, the Core Services Domain already accounts for approximately 80% of total revenue, indicating its strong growth and maturity. We plan to continue expanding this domain going forward.

FY2025 business growth strategy by business domain

Revenue growth trends by domain*1

(JPY Millions)



CAGR

-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.

Strategic Direction

*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.

This chart shows the revenue trends by business domain over the past three years, including our forecast for FY2025, covering a total of four years.

In FY2022, the Core Services Domain still represented a relatively small portion of our total revenue. At that time, we were generating a reasonable level of income from the Innovations Domain while investing in sales and expansion efforts to grow the Core Services Domain.

Over the past four years, however, the Core Services Domain has grown significantly. From FY2022 to our FY2025 forecast, the compound annual growth rate (CAGR) is approximately 20%.

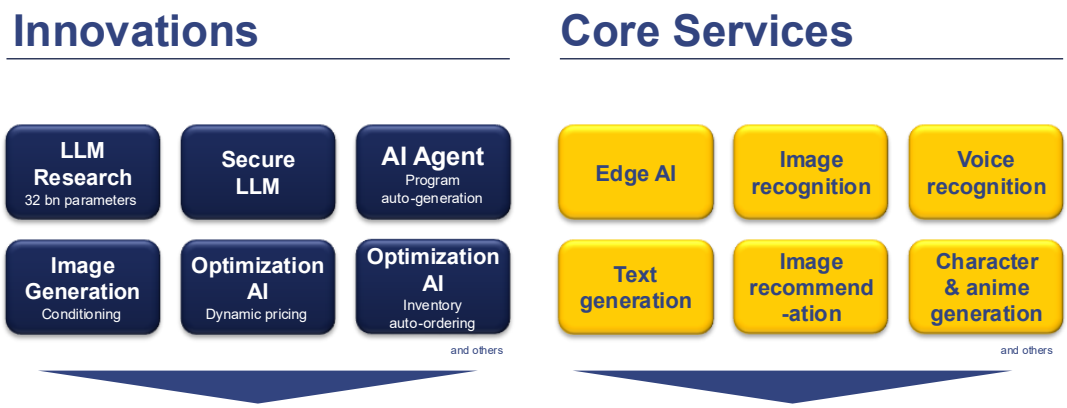
This growth has been driven by expansion of revenue from existing services, launch of new services within the Core Services Domain, and active integration of strategically aligned companies through M&A.

We will continue expanding the Core Services Domain by flexibly and broadly leveraging various growth strategies, and this will form the foundation of our mid-term strategy for the three years starting in FY2026.

As for the Innovations Domain, we will pursue it when necessary technologies emerge. When such technologies are not present, we believe it is more effective to reallocate human resources to the Core Services Domain.

This does not mean we intend to scale down innovation efforts, but rather that consistent, linear growth in the Innovations Domain is not our priority. We prioritize quality over quantity in this area.

Mapping of target technologies in each business domain



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.

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

This is a technology-focused summary of the types of technologies utilized in both the Innovations Domain and the Core Services Domain.

In the Innovations Domain, in addition to the previously mentioned 320-billion-parameter LLM (Large Language Model) research, we are actively developing and providing cutting-edge technologies such as AI agents, image generation conditioning techniques, AI for dynamic pricing optimization, and automated inventory ordering optimization, especially for the retail sector.

These technologies are at the frontier of AI research and are being explored and implemented in partnership with industry leaders. In the Core Services Domain, we now work with a set of mature technologies, including Edge AI, Image analysis, Speech recognition, Text generation, Image recommendation, and Human/character (anime-style) generation.

These technologies have reached a level of maturity suitable for full industrial application, with no major barriers to deployment.

By leveraging these capabilities, we aim to build a rapidly scaling and sustainably growing business area—true to the spirit and agility of a startup.

NEURAL.LLM updates

Announced in June 2023

- ~3 billion parameters
- For R&D purpose

Announced in April 2025

- 32 billion parameters
- For commercial use

Let me provide a more detailed explanation of our work in language models. In June 2023, we announced the development of “NEURAL.LLM”, a language model with approximately 3 billion parameters, created for research and development purposes. At that time, the entire system was built in-house—all components were developed from scratch by our internal team.

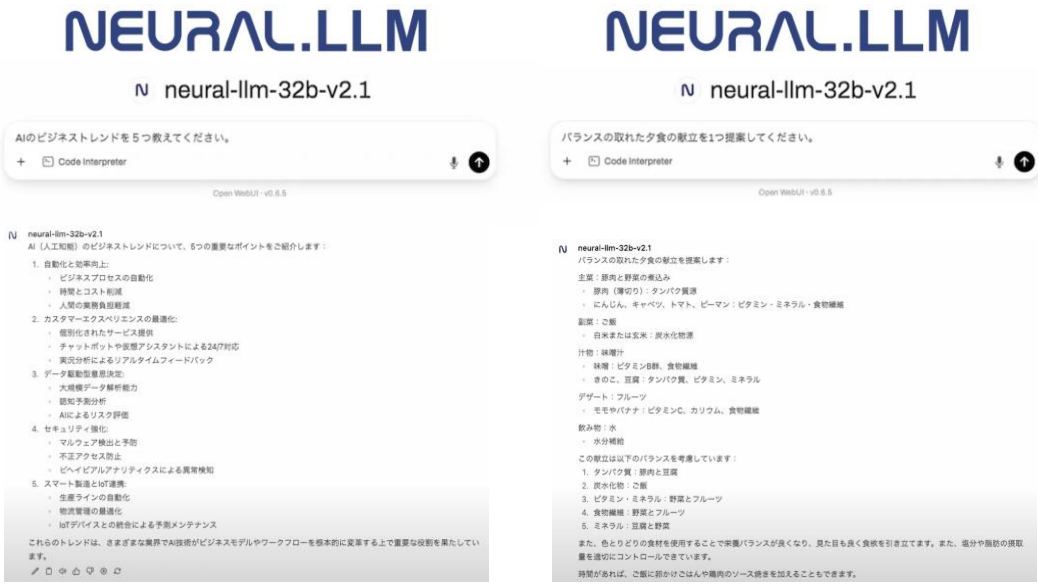
This was the most advanced approach available to us at the time. However, due to limited computational power, the model's scale was capped at around 3 billion parameters. In the context of Japan in 2023, where most companies operated models between 3 and 10 billion parameters, our model was considered state-of-the-art.

Fast forward two years to 2025, and we have now reached a new milestone with a model at the 32 billion parameter level.

While not all the code is developed from scratch anymore, this reflects a broader trend in the AI industry—similar to how Android transformed the mobile world—where open-source ecosystems are playing an increasingly vital role. The open-source community offers a wide range of powerful tools and technologies.

We leverage these open-source components effectively, and enrich them with our own proprietary innovations, including custom tuning, ensemble techniques, and optimization strategies. This combination is our key strength.

NEURAL.LLM in action



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

The slide shows the actual operating state of “NEURAL.LLM.”

For example, when you type a question like “Tell me five business trends in AI,” the model responds with illustrative points, as shown in the example. If you type “Suggest a well-balanced dinner menu,” it generates a sample meal plan in just a few seconds.

We’ve released a demo video on YouTube showing this real-time interaction. Technologies like this are becoming increasingly mainstream in society.

One of the key features of NEURAL.LLM is that, unlike services like ChatGPT, it does not require external internet access to function. Once the program is installed, it can be operated entirely within a closed enterprise network, making it ideal for secure environments.

We’ve now entered an era where language models can be installed and used entirely on-premise—a significant milestone in the evolution of AI deployment.

Innovations

NEURAL

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**.

Around the world, state-of-the-art models like ChatGPT and Grok are being developed and deployed primarily through cloud-based infrastructure, requiring trillions of yen in investment and massive data centers. This has become a capital-intensive race. However, we take a fundamentally different approach.

The same applies in the video processing domain. We've leveraged edge computing on compact devices to process human flow footage in urban environments *locally*, discarding the video data immediately after processing. This approach has been highly privacy-friendly.

Over time, we've built deep expertise in handling personal data, device miniaturization, and secure networking through our development of Edge AI cameras.

When it comes to language models, we frequently hear the same concern from large corporations: "Is it really safe to process sensitive information—such as HR or financial data—using ChatGPT?" This is fundamentally a data handling and security issue.

There are two main solutions:

1. Encrypt the data before sending it to the AI system. Many companies already do this, and we also offer encryption capabilities.

2. Keep the AI program entirely within the company's internal network—which is what we are now offering. This approach enables companies to utilize language model-based AI agents while fully protecting privacy and confidentiality.

To operate AI agents effectively, the system must be both compact and secure—an area where our accumulated expertise in Edge AI cameras directly applies.

For actual implementation, we are using the NVIDIA Jetson series, ranging from palm-sized devices to slightly larger models like the NVIDIA A10 series. The key point is that our language models can now perform inference on hardware of this size—which is a major breakthrough.

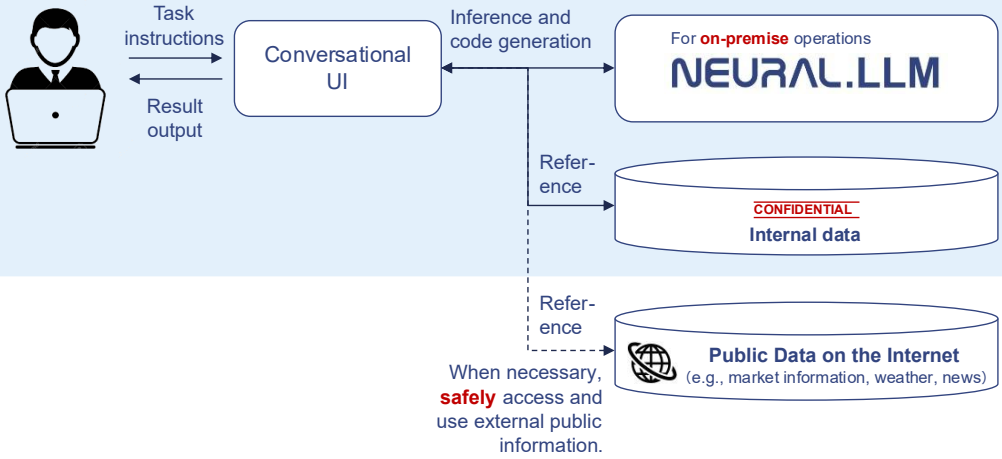
Innovations

NEURAL

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)



The slide illustrates how our language model program can be used entirely within a customer's internal environment.

For example, when employees at a company want to run analyses on their own laptops, they can simply type instructions like: "Please perform this analysis" or "Summarize past data and carry out this kind of evaluation." In response, a chat interface—similar to the one shown in the live demo slide of NEURAL.LLM—appears.

Behind the scenes of this chat interface, as shown on the right side of the slide, the system loads and processes the language model along with the company's confidential internal data—labeled "CONFIDENTIAL" in the slide. The model performs inference, generates code, or executes tasks as needed.

If, for example, a user wants to conduct marketing analysis that incorporates weather information or public event data, only then will the system access the external internet. Even then, the results are securely routed back into the closed LAN (Local Area Network), highlighted in light blue on the slide.

This secure network ensures that the entire language model operation remains confined within a closed environment. We believe this represents a major shift—toward a future where companies can safely run AI programs locally, with full control and privacy.

Core Services

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

Currently, our services—including marketing solutions and AI-driven applications—are being used at over 12,000 locations nationwide.

Our solutions have been adopted across a wide range of industries, from highly commercial sectors such as retail and logistics facilities, to public-sector institutions such as city halls and police departments.

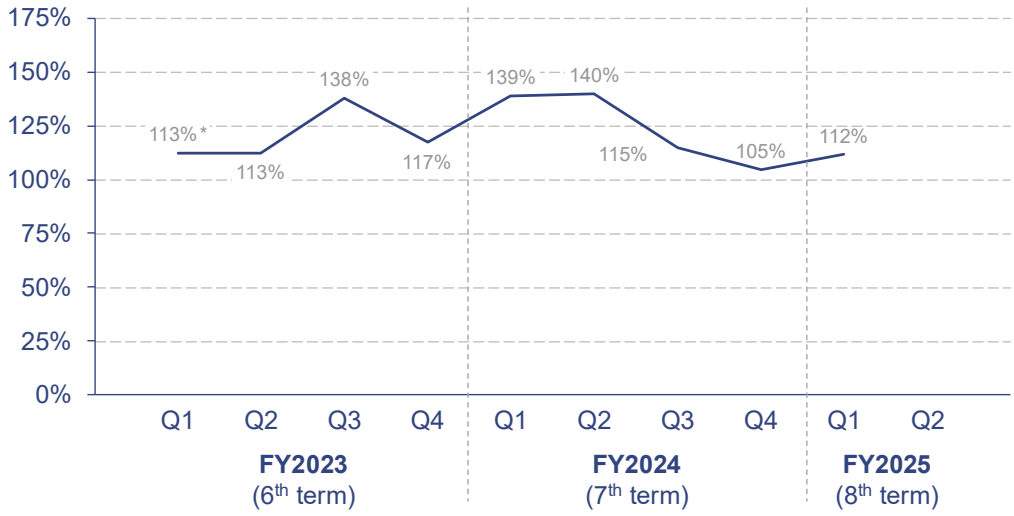
This broad implementation reflects the versatility and reliability of our services across both private and public networks, and highlights the growing role of AI in supporting diverse societal functions.

Core Services

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.

We have compiled our historical growth rates in the Core Services Domain, and moving forward, we will consistently disclose year-over-year (YoY) revenue comparisons. Let me explain why we have chosen to use YoY growth as a key metric. In industries like retail, using year-over-year comparisons is a standard practice, and we believe it's also appropriate for our business.

This is because marketing activities tend to show clear seasonality, with stronger performance typically observed between October and December, and relatively weaker spending in January through March. For instance, consumer spending spikes around Christmas, but tends to slow down in the first quarter.

As our business is closely tied to consumer behavior and demand cycles, our revenue tends to rise from Q1 through Q4, and this has been a consistent trend over the past several years.

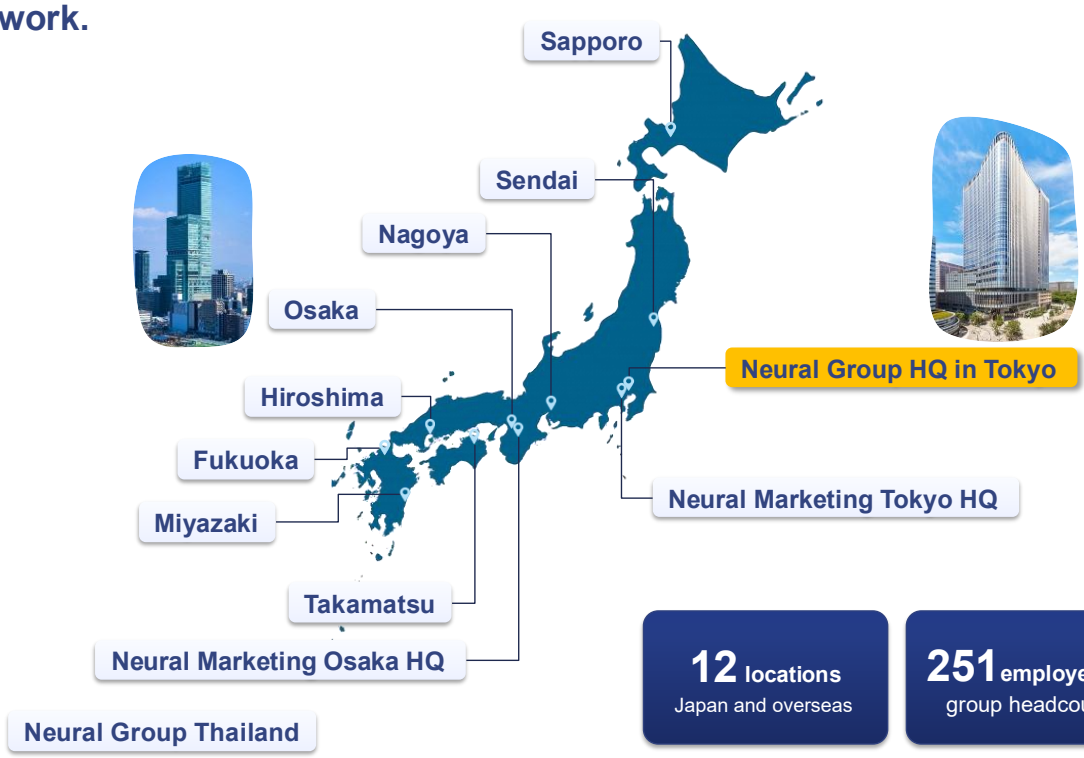
We believe comparing each quarter to the same quarter in the previous year provides a clearer view of our growth trajectory, which is why we've started disclosing this information now.

In fact, we have achieved positive year-over-year growth in the Core Services Domain for nine consecutive quarters. We are committed to maintaining this momentum and driving even higher growth rates in the future.

Core Services

NEURAL

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



12 locations
Japan and overseas

251 employees*1
group headcount

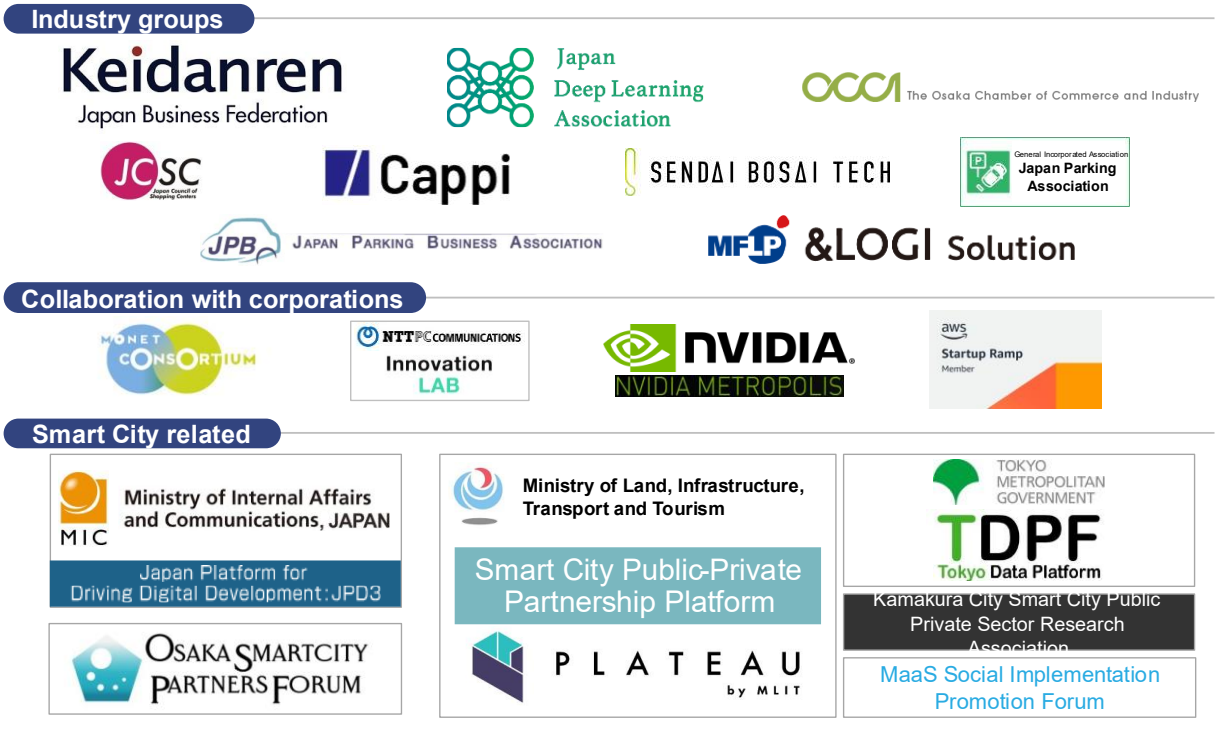
*1 Consolidated headcount as of the end of December 2024.

We will omit the detailed explanation here, but this slide shows our nationwide sales and operational infrastructure. Our services are being delivered across the country, from urban centers to remote areas.

Core Services

NEURAL

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

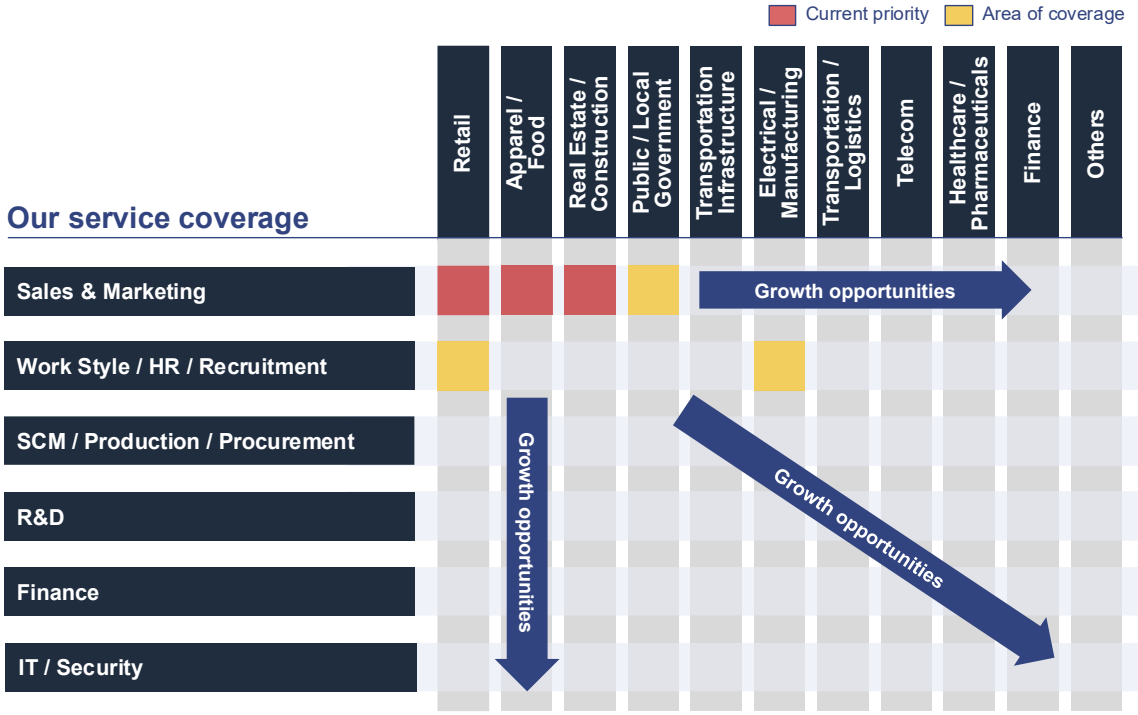


In this context, there are many participating organizations and industry alliances formed through collaboration between companies. We are advancing our business by building partnerships with these groups and stakeholders.

Core Services

NEURAL

Our Core Services have broad and growing expansion potential.



This slide outlines our growth strategy by industry, with industries listed along the top and the types of services we provide listed on the left. As we enter our 8th fiscal year, our current revenue of 3.7 billion yen still marks the beginning phase of our business. We see significant opportunity for expansion and aim to scale aggressively from here.

At present, the red-highlighted areas on the slide indicate the industries where we are most active. We are frequently applying our AI technologies in sales and marketing operations for sectors such as retail, food and apparel, real estate and construction, and the public sector. For example, solutions like “KizunaNavi” are primarily used to support workstyle reform in retail, electronics, and manufacturing industries.

Our future strategy is to expand the application of our AI technologies into a broader range of industries. Some services will be sold directly by us, while in other cases we may pursue strategic acquisitions (M&A) to acquire the necessary capabilities. Regardless of industry, our priority is to deploy new technologies rapidly and broadly, ensuring we remain agile and responsive in a fast-moving market.

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	-	-		

Revenue for the first quarter was 825 million yen, representing a 5.7% increase year-over-year. Although we recorded a slight operating loss, the results were somewhat stronger than expected, landing above our initial projections.

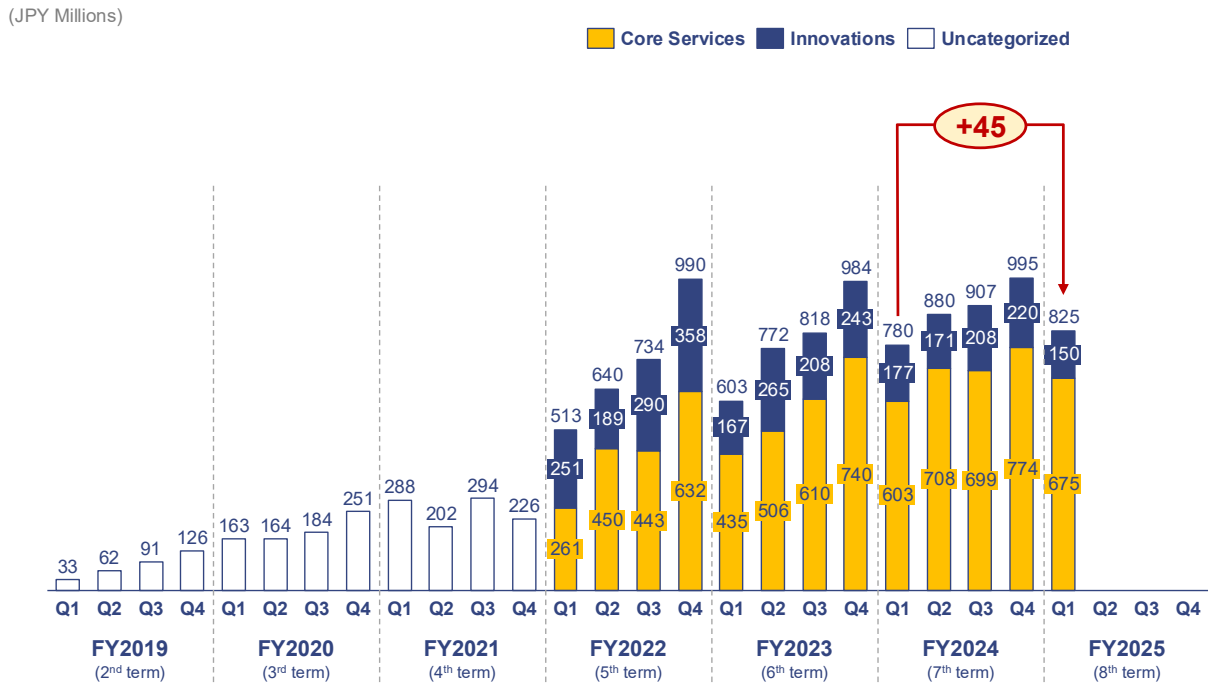
Consolidated financial results for the Q1 ended March 31, 2025– by domain

(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%

Of the total revenue, 150 million yen came from the Innovations Domain, while 675 million yen was generated by the Core Services Domain. The Core Services Domain achieved a year-over-year growth rate of 11.9%, reflecting strong performance and continued momentum in our main business area.

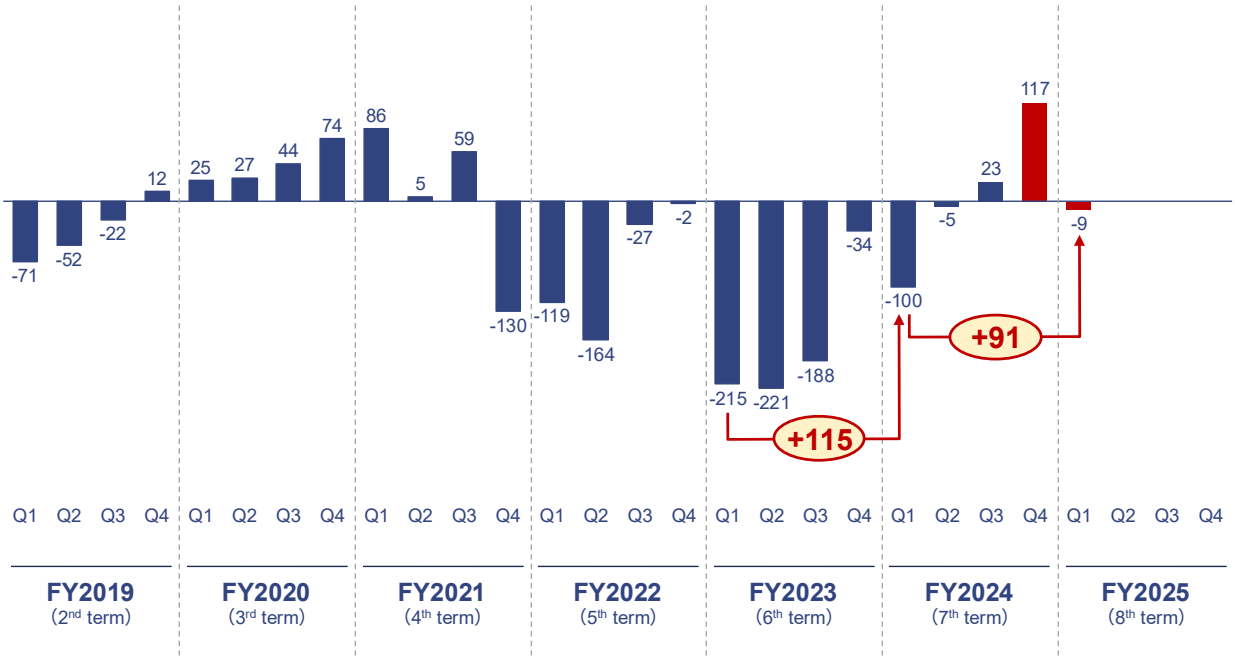
Historical quarterly revenue by domain



Compared to the same quarter last year, revenue has increased by 45 million yen, reflecting steady growth in our business performance.

Historical quarterly operating profit

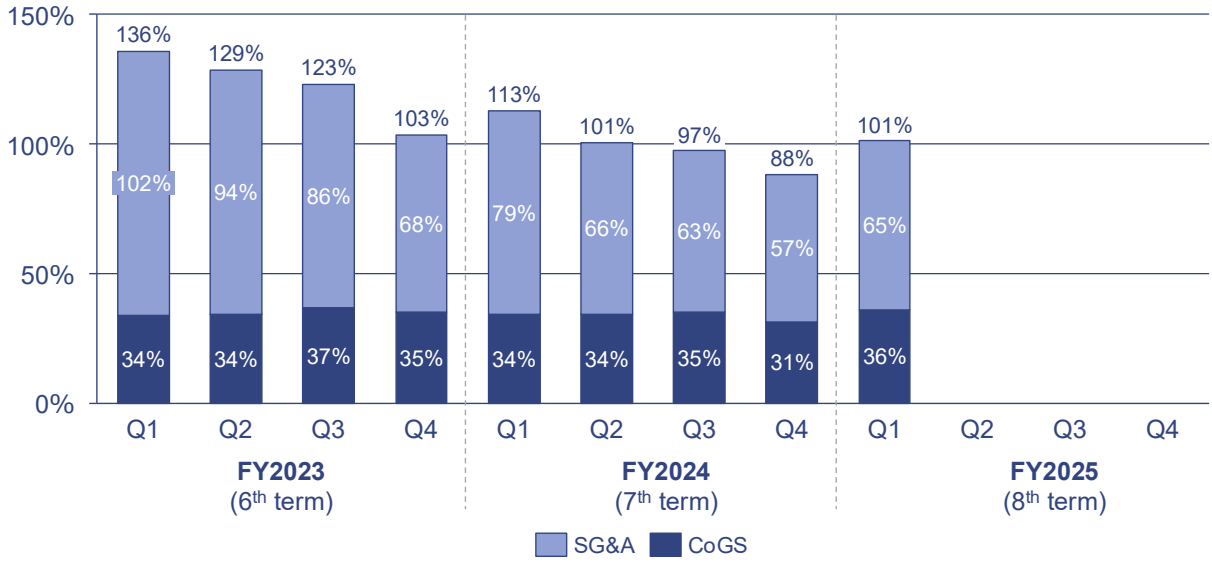
(JPY Millions)



In the same quarter last year, we recorded an operating loss of approximately 100 million yen. However, we have seen significant improvement for two consecutive quarters. We believe this represents a strong start toward delivering solid results from the second quarter onward.

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.



There have been no significant changes to our cost structure.

That concludes my summary. Moving forward, we will continue our IR activities in line with these key points. If you have any questions, please feel free to raise them during this session or reach out to me directly. For individual investors as well, we encourage you to contact us via our IR website, and we will respond sincerely and to the best of our ability.

Thank you for your continued support.

[END]