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August 8, 2025

Consolidated Financial Results for the Six Months Ended June 30, 2025 (Under Japanese GAAP)

Company name: Neural Group Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4056
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 Scheduled submission date for the semi-annual financial report: August 13, 2025
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2025 (from January 1, 2025 to June 30, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	1,712	3.1	1	-	(9)	-	(38)	-
June 30, 2024	1,660	20.8	(105)	-	(119)	-	(144)	-

Note: Comprehensive income For the six months ended June 30, 2025: ¥ (39) million [- %]
 For the six months ended June 30, 2024: ¥ (146) million [- %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2025	(2.50)	-
June 30, 2024	(9.44)	-

Note: Diluted earnings per share are not shown in the above, because earnings per share were negative although there are residual shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2025	2,953	593	19.4
December 31, 2024	2,976	614	20.0

Reference: Equity
 As of June 30, 2025: ¥572 million
 As of December 31, 2024: ¥594 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2024	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2025	-	0.00			
Fiscal year ending December 31, 2025 (Forecast)			-	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2025 (January 1, 2025 to December 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	¥ 3,700 million	3.8%	¥ 160 million	350.0%	¥ 140 million	- %	¥ 40 million	- %	¥ 2.61

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - companies (-)

Excluded: - companies (-)

(2) Adoption of accounting treatment specific to the preparation of interim consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2025	15,375,031 shares
As of December 31, 2024	15,340,031 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2025	184 shares
As of December 31, 2024	184 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2025	15,365,742 shares
Six months ended June 30, 2024	15,322,987 shares

* Review of the Japanese-language originals of the attached consolidated interim financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(Disclaimer) The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. In addition, actual results may differ significantly due to various factors.

1. Overview of Operating Results for the first quarter of FY2025

(1) Overview of Operating Results

Our group upholds the mission of "Update the world for a better tomorrow", and aims to realize a society that excites the heart by leveraging cutting-edge technologies, particularly AI. We provide services across a wide range of domains—including marketing and human resource support—for both small and large enterprises nationwide, utilizing various ai technologies in both physical and virtual spaces. Our business operations are structured around two primary domains: the Innovations Domain and the Core Service Domain.

The Innovations Domain focuses on the parallel pursuit of research and development in advanced technologies such as AI agents and large language models (LLMs), as well as revenue generation in collaboration with corporate partners. Our proprietary large language model, "NEURAL.LLM," leverages our strengths in Edge AI technology—specifically the miniaturization of AI algorithms and reduction of implementation costs—and is capable of secure, compact deployment. It has begun to be adopted in high-accuracy, real-time fields such as urban operations support.

The Core Services Domain, while integrating innovations developed internally, focuses on providing and commercializing mature AI and related technologies to promote social implementation. In "Neural Vision," an outdoor LED display solution, we are enhancing value through integration with generative AI content and AI cameras. In collaboration with SONY corporation, our capital and business partner, we have developed the one-on-one support service "KizunaNavi". We are also expanding distribution channels through a business alliance with Kaonavi inc. In addition, we provide the "generative web" service, which supports the creation and operation of websites using generative AI technology.

These two domains are closely interlinked. research and development outcomes from the Innovations Domain are transformed into socially applicable products and delivered to the market through the Core Services Domain, forming a cyclical structure led by our company. While the Innovations Domain currently serves fewer than 100 clients—primarily large corporations—the Core Service Domain has exceeded 12,000 client implementations and continues to grow. Our strategic direction is to maintain the current scale of the Innovations Domain while positioning the Core Services Domain as a growth driver. Through both domains, we aim to advance research, development, and business activities in response to rapidly changing social environments and technological advancements. We are also actively considering M&A opportunities to accelerate the non-linear growth of the Core Services Domain.

During the current interim consolidated accounting period, the domestic economic environment surrounding our group showed a moderate recovery, driven by increased personal consumption and a rebound in inbound demand. However, the global economic outlook remains uncertain due to factors such as shifts in U.S. trade policy and heightened tensions in the middle east. despite these conditions, the global ai market continues to expand rapidly, with unprecedented demand for generative AI and business automation solutions. In Japan, corporate investments in AI-related fields are accelerating, and demand in our business domains remains strong.

Under these circumstances, our group achieved higher sales compared to the same interim period of the previous fiscal year, driven by growth in the Core Services Domain. Since our listing in August 2020, we have been transitioning our business model from one centered on ai license income derived from collaborative development with large corporations, to one based on proprietary AI service revenues, whereby we directly deliver developed ai solutions to the market. this transformation has established a growth foundation that aligns revenue expansion with profit growth. Accordingly, in the previous fiscal year, we achieved both sales

growth and a turnaround to operating profitability. During the current interim period, continued stable growth in the Core Services Domain contributed to increased sales and gross profit, and as a result, operating profit improved significantly compared to the same period of the previous year. Going forward, we aim to drive accelerated growth and enhance long-term corporate value through the expansion and new development of AI-based services, as well as the strengthening of our sales structure.

As a result of the above, revenue for the current interim consolidated accounting period was 1,712,731 thousand yen (a 3.1% increase compared to the same period of the previous fiscal year). Operating profit amounted to 1,339 thousand yen (compared to an operating loss of 105,267 thousand yen in the same period of the previous fiscal year). Ordinary loss was 9,235 thousand yen (compared to an ordinary loss of 119,538 thousand yen in the same period of the previous fiscal year). Net loss attributable to owners of the parent was 38,439 thousand yen (compared to 144,577 thousand yen in the same period of the previous fiscal year).

Additionally, as our group has a single business segment, which is the AI Engineering Business, segment information has been omitted.

For more detailed financial results, please refer to the "Financial Results Briefing Material 8th term, Q2 ended June 30, 2025" announced on August 8, 2025, available on our IR website.
https://www.neural-group.com/ir/ir_index_en.html

(2) Overview of Financial Position

① Financial Position (Assets, Liabilities, and Net Assets)

Assets

As of the end of the first quarter of the consolidated fiscal period, current assets amounted to 1,559,028 thousand yen, representing an increase of 49,121 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 177,686 thousand yen in cash and deposits, as well as a decrease of 94,745 thousand yen in notes and accounts receivable and contract assets.

As of the end of the second quarter of the consolidated fiscal period, non-current assets amounted to 1,394,380 thousand yen, representing a decrease of 72,489 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 51,939 thousand yen in goodwill.

As a result, total assets amounted to 2,953,409 thousand yen, representing a decrease of 23,368 thousand yen compared to the end of the previous consolidated fiscal year.

Liabilities

As of the end of the second quarter of the consolidated fiscal period, current liabilities amounted to 1,367,373 thousand yen, representing a decrease of 159,354 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 100,000 thousand yen in the current portion of short-term borrowings.

As of the end of the second quarter of the consolidated fiscal period, non-current liabilities amounted to 992,371 thousand yen, representing an increase of 156,560 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of 155,004 thousand yen in long-term borrowings. As a result, total liabilities amounted to 2,359,744 thousand yen, representing a decrease of 2,793 thousand yen compared to the end of the previous consolidated fiscal year.

Net assets

The total net assets at the end of the current interim consolidated accounting period amounted to 593,665 thousand yen, a decrease of 20,574 thousand yen compared to the end of the previous consolidated fiscal year. This decrease was mainly due to an increase in capital stock of 8,767 thousand yen and an increase in capital

surplus of 8,767 thousand yen, offset by a decrease in retained earnings of 38,439 thousand yen resulting from the recognition of an interim net loss attributable to owners of the parent.

② Cash Flows

The balance of cash and cash equivalents at the end of the current interim consolidated accounting period increased by 147,686 thousand yen from the end of the previous consolidated fiscal year, amounting to 806,829 thousand yen.

Cash Flows from Operating Activities

Net cash provided by operating activities during the current interim consolidated accounting period was 46,074 thousand yen (compared to a decrease of 17,249 thousand yen in the same period of the previous year). This increase was mainly due to a decrease in trade receivables of 94,745 thousand yen.

Cash Flows from Investing Activities

Net cash used in investing activities during the current interim consolidated accounting period was 27,722 thousand yen (compared to an increase of 8,930 thousand yen in the same period of the previous year). This was primarily due to an outflow of 30,000 thousand yen for deposits into time deposits.

Cash Flows from Financing Activities

Net cash provided by financing activities during the current interim consolidated accounting period was 129,524 thousand yen (compared to a decrease of 149,528 thousand yen in the same period of the previous year). This was mainly due to proceeds of 17,535 thousand yen from the issuance of shares, an outflow of 328,011 thousand yen for the repayment of long-term borrowings, and proceeds of 550,000 thousand yen from new long-term borrowings.

(3) Overview of Consolidated Earnings Forecast

There have been no changes to the earnings forecast for FY2025 and the underlying assumptions, as announced on February 14, 2025. The forecast figures stated in this document are based on information available at the present time, and actual results may differ from the forecast figures due to various factors going forward.

2. Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Financial Statements of Financial Position

(Thousands of yen)

	As of December 31, 2024	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	670,062	847,749
Accounts receivable – trade and contract assets	528,128	433,382
Inventories	207,995	216,180
Allowance for doubtful accounts	(710)	(710)
Other	104,430	62,426
Total current assets	1,509,907	1,559,028
Non-current assets		
Property, plant and equipment	55,229	56,425
Intangible assets		
Goodwill	943,572	891,632
Other	172,069	159,410
Total intangible assets	1,115,641	1,051,043
Investment and other assets		
Investment securities	157,215	157,215
Security deposits and guarantee deposits	130,678	127,059
Other	8,105	2,637
Total investments and other assets	295,998	286,912
Total non-current assets	1,466,870	1,394,380
Total assets	2,976,777	2,953,409
Liabilities		
Current liabilities		
Account payable	57,772	75,170
Current portion of bonds payable	20,000	20,000
Short-term borrowings	700,000	600,000
Current portion of long-term borrowings	400,615	467,600
Provision for bonuses	3,890	4,083
Other	344,449	200,519
Total current liabilities	1,526,727	1,367,373
Non-current liabilities		
Bonds payable	10,000	-
Long-term borrowings	745,413	900,417
Deferred tax liabilities	13,470	23,373
Retirement benefit liability	66,927	68,580
Total non-current liabilities	835,810	992,371
Total liabilities	2,362,537	2,359,744

(Thousands of yen)

	As of December 31, 2024	As of June 30, 2025
Net assets		
Shareholders' equity		
Share capital	12,254	21,022
Capital surplus	2,375,155	2,383,922
Retained earnings	(1,792,087)	(1,830,527)
Treasury stock	(567)	(567)
Total shareholders' equity	594,754	573,849
Accumulated other comprehensive income		
Foreign currency translation adjustments	83	(911)
Total accumulated other comprehensive income	83	(911)
Stock acquisition rights	19,401	20,726
Total net assets	614,239	593,665
Total liabilities and net assets	2,976,777	2,953,409

(2) Interim Consolidated Statements of Income and Consolidated Statement of Comprehensive Income
(Interim Consolidated Statements of Income)

(Thousands of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Net sales	1,660,950	1,712,731
Cost of sales	567,747	624,016
Gross profit	1,093,202	1,088,714
Selling, general and administrative expenses	1,198,469	1,087,375
Operating profit (loss)	(105,267)	1,339
Non-operating income		
Interest and dividend income	52	243
Dividends received	1	1
Foreign exchange gains	2,388	1,187
Income from penalties	776	-
Miscellaneous income	2,638	1,797
Other	758	280
Total non-operating income	6,617	3,511
Non-operating expense		
Interest expenses	8,282	12,943
Share issuance costs	5,260	-
Other	7,345	1,141
Total non-operating expenses	20,888	14,085
Ordinary profit (loss)	(119,538)	(9,235)
Extraordinary loss		
Loss on Disposal of Fixed Assets	-	453
Total Extraordinary Losses	-	453
Income (loss) before Taxes	(119,538)	(9,688)
Current income taxes, inhabitant taxes and enterprise taxes	2,139	13,359
Deferred income taxes	24,426	15,391
Total income taxes	26,565	28,751
Profit (loss)	(146,104)	(38,439)
Income (loss) attributable to non-controlling interests	(1,527)	-
Income (loss) attributable to owners of parent	(144,577)	(38,439)

(Interim Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Profit (loss)	(146,104)	(38,439)
Other comprehensive income		
Foreign currency translation adjustments	(58)	(930)
Total other comprehensive income	(58)	(930)
Comprehensive income	(146,163)	(39,370)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(144,854)	(39,351)
Comprehensive income attributable to non-controlling interests	(1,308)	(19)

(3) Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Cash flows from operating activities		
Loss before income taxes for the interim period	(119,538)	(9,688)
Depreciation	21,812	22,865
Amortization of goodwill	51,939	51,939
Interest and dividend income	(53)	(244)
Interest expenses	8,282	12,943
Stock issuance costs	5,260	-
Foreign exchange gains and losses (gain)	(2,266)	188
Change in trade receivables (increase)	25,442	94,745
Change in inventories (increase)	9,095	(18,479)
Change in trade payables (decrease)	(14,794)	17,398
Change in provision for bonuses (decrease)	(2,059)	193
Change in retirement benefit liabilities (decrease)	1,697	1,653
Loss on disposal of fixed assets	-	453
Change in advances received (decrease)	741	(43,980)
Change in accounts payable–other (decrease)	(3,454)	(35,906)
Others	5,829	(30,683)
Subtotal	(12,066)	63,398
Interest and dividend income received	47	236
Interest paid	(9,058)	(13,264)
Corporate income taxes paid	(18,508)	(4,295)
Refund of corporate income taxes	22,336	-
Cash flows provided by operating activities	(17,249)	46,074
Cash flows from investing activities		
Proceeds from collection of loans receivable	150	30
Purchase of property, plant and equipment	(495)	-
Payments for time deposits	-	(30,000)
Proceeds from withdrawal of time deposits	7,200	-
Payments for lease and guarantee deposits	(55)	(60)
Proceeds from collection of lease and guarantee deposits	2,130	2,307
Cash flows provided by investment activities	8,930	(27,722)

(Thousands of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(100,000)
Proceeds from long-term borrowings	-	550,000
Repayments of long-term borrowings	(331,778)	(328,011)
Redemption of bonds	(17,000)	(10,000)
Proceeds from issuance of shares	199,249	17,535
Cash flows provided by financing activities	(149,528)	129,524
Effect of exchange rate changes on cash and cash equivalents	926	(188)
Net increase (decrease) in cash and cash equivalents	(156,921)	147,686
Cash and cash equivalents at beginning of period	803,068	659,142
Cash and cash equivalents at end of interim period	646,147	806,829

(4) Notes for the Interim Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Application of the Group Tax Sharing System)

The Company and its domestic consolidated subsidiaries transitioned from the consolidated tax return filing system to the group tax sharing system effective from the first quarter of the current consolidated fiscal period. In addition, from the end of the previous consolidated fiscal year, the accounting treatment and disclosure of deferred tax related to corporate income tax and local corporate income tax have been based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, issued on August 12, 2021).

(Notes in the event of a significant change in the amount of shareholders' equity)

Previous Interim Consolidated Accounting Period (From January 1, 2024 to June 30, 2024)

1. Dividends paid

Not applicable.

2. Dividends with a record date within the period but an effective date after the end of the period

Not applicable.

3. Significant changes in shareholders' equity

On January 10, 2024, the Company received payments for a third-party allotment of shares from The Kyodo News (a general incorporated association) and Cross Plus Inc. As a result, capital stock and capital reserve each increased by 100,000 thousand yen during the interim consolidated accounting period.

Furthermore, in accordance with the provisions of Article 477, Paragraph 1 of the Companies Act and pursuant to the resolution adopted at the 6th Annual General Meeting of Shareholders held on March 29, 2024, the capital reduction became effective on May 12, 2024. The amount of capital stock was reduced by 509,361 thousand yen, and the entire amount was transferred to other capital surplus.

As a result, as of the end of the interim consolidated accounting period, capital stock amounted to 12,254 thousand yen, and capital surplus amounted to 2,375,515 thousand yen.

Current Interim Consolidated Accounting Period (From January 1, 2025 to June 30, 2025)

1. Dividends paid

Not applicable.

2. Dividends with a record date within the period but an effective date after the end of the period

Not applicable.

3. Significant changes in shareholders' equity

Not applicable.

(Segment Information)

For the six months ended June 30, 2024

Since our group operates as a single segment in the AI Engineering business, segment information has been omitted.

For the six months ended June 30, 2025

Since our group operates as a single segment in the AI Engineering business, segment information has been omitted.

(Revenue recognition)

Breakdown of revenue from contracts with customers

As the Group operates a single segment, AI Engineering Business, the breakdown of revenue from contracts with customers is as follows.

	(Thousands of yen)	
	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Innovations	299,257	279,873
Core Services	1,349,015	1,425,638
Revenue from contracts with customers	1,648,273	1,705,511
Other revenue	12,677	7,219
Net sales to external customers	1,660,950	1,712,731

(Note) Other income consists of rental income and other related income recognized in accordance with accounting standards for lease transactions.

(Changes in Presentation)

In the previous consolidated fiscal year, breakdown of revenue from contracts with customers was presented by categories of "Digi-Solution Services" and "Lifestyle Services." However, from the current consolidated fiscal year, to further contribute to the understanding of our group's revenue structure for investors and other stakeholders, we have changed the presentation to categories of "Innovations" domain and "Core Services" domain. To reflect this change in presentation, the notes to the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

(Earnings Per Share)

Interim net profit (loss) per share and the basis for its calculation are as follows.

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Interim net profit (loss) per share	¥ (9.44)	¥ (2.50)
(Basis for calculation)		
Interim net profit (loss) attributable to owners of the parent	¥ (144,577) thousand	¥ (38,439) thousand
Amount not attributable to common shareholders	—	—
Interim net profit (loss) attributable to owners of the parent related to common stock	¥ (144,577) thousand	¥ (38,439) thousand
Average number of common shares outstanding during the period (shares)	15,322,987	15,365,742
Outline of potential shares that were not included in the calculation of diluted interim net income per share due to having no dilutive effect, but have undergone significant changes since the end of the previous consolidated fiscal year		

(Note) Although there are potential shares, diluted interim net income per share is not presented as the result was a interim net loss.

(Significant subsequent event)

Not applicable.