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May 12, 2025

## Consolidated Financial Results for the Three Months Ended March 31, 2025 (Under Japanese GAAP)

Company name: Neural Group Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4056  
 URL: <https://www.neural-group.com/en/index.html>  
 Representative: Roi Shigematsu, CEO  
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 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 three months ended March 31, 2025 (from January 1, 2025 to March 31, 2025)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2025	825	5.7	(9)	-	(14)	-	(29)	-
March 31, 2024	780	29.5	(100)	-	(114)	-	(109)	-

Note: Comprehensive income For the three months ended March 31, 2025: ¥ (29) million [- %]  
 For the three months ended March 31, 2024: ¥ (111) million [- %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2025	(1.93)	-
March 31, 2024	(7.15)	-

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	%
March 31, 2025	2,723	599	21.3
December 31, 2024	2,976	614	20.0

Reference: Equity  
 As of March 31, 2025: ¥579 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	-				
Fiscal year ending December 31, 2025 (Forecast)		0.00	-	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	- %

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 quarterly 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 March 31, 2025	15,370,031 shares
As of December 31, 2024	15,340,031 shares

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

As of March 31, 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)

Three months ended March 31, 2025	15,356,591 shares
Three months ended March 31, 2024	15,313,204 shares

\* Review of the Japanese-language originals of the attached consolidated quarterly 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, with the mission of "Update the world for a better tomorrow", aims to solve social issues through the digitalization of real-world spaces. Our group's businesses are composed of two domains: "Innovations" and "Core Services".

"Innovations" is an area where we promote joint research activities with companies in advanced technology fields, such as AI Agents and LLMs, conducting research and development of AI technologies—including AI algorithm research—while simultaneously generating revenue. "Core Services" is an area where, while continuously incorporating new technologies developed or acquired within our group (including those from "Innovations"), we promote the social implementation of AI by providing and selling mature AI and related technologies as services and products. These two domains are closely interconnected. Based on the technologies and experience gained through research and business activities in "Innovations", we establish services and products that address general social needs and scale our business by proactively offering them to society through "Core Services". Through the activities of these two domains, which serve as two key pillars, we will continue to advance research, development, and business operations that respond to changes in the social environment and the rapid progress of new technologies.

In the consolidated cumulative period of the first quarter, the environment surrounding our group remained uncertain due to the prolonged Russia-Ukraine situation, escalating conflicts in the Middle East, the impact of monetary tightening in Western countries, and concerns about the future of the Chinese economy. Domestically, economic activities showed a moderate recovery trend supported by factors such as a rebound in inbound demand, improvements in employment and income conditions, and the effects of various policies. However, uncertainty persisted due to stagnant consumer sentiment caused by rising prices and a worsening funding environment following the Bank of Japan's policy interest rate hikes. Meanwhile, the AI market continued its rapid global expansion, and demand for generative AI and business automation solutions reached unprecedented levels. In this environment, the initiatives our group started in FY2023, such as strengthening our sales framework and shifting to a unit-based business model (sales of proprietary AI services), have borne fruit, resulting in increased net sales compared to the same period of the previous fiscal year.

Furthermore, as our group strengthens the scaling of its business, we are promoting low-cost operations by optimizing customer acquisition costs through more efficient sales activities, improving LTV through reinforcement of the product supply system, optimizing selling, general and administrative expenses, and suppressing cost of sales. Through these efforts, we have strengthened company-wide cost competitiveness, achieved improvements in profitability, and stabilized the profit structure, and these efforts have begun to show certain results. In this context, sales during the consolidated cumulative period of the first quarter remained steady, and, in addition to a significant reduction in operating loss compared to the previous consolidated cumulative period of the first quarter, we have reached the breakeven point and secured a prospect for generating operating profit from the next fiscal period onward.

Going forward, through the expansion of existing products based on AI technology and the establishment of strategic partnerships, we will strive to diversify our revenue base, improve cash flow, and aim for management that contributes to the enhancement of corporate value over the medium to long term.

As a result of the above, during the consolidated cumulative period of the first quarter, net sales amounted to 825,514 thousand yen (an increase of 5.7% compared to the same quarter of the previous year), operating loss

was 9,603 thousand yen (compared to an operating loss of 100,331 thousand yen in the same quarter of the previous year), ordinary loss was 14,429 thousand yen (the same as the ordinary loss of 114,409 thousand yen in the same quarter of the previous year), and quarterly net loss attributable to owners of the parent was 29,596 thousand yen (the same as the quarterly net loss attributable to owners of the parent of 109,502 thousand yen in the same quarter of the previous 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, Q1 ended March 31, 2025" announced on May 12, 2025, available on our IR website.  
[https://www.neural-group.com/ir/ir\\_index\\_en.html](https://www.neural-group.com/ir/ir_index_en.html)

## **(2) Overview of Financial Position**

### Assets

As of the end of the first quarter of the consolidated fiscal period, current assets amounted to 1,297,383 thousand yen, representing a decrease of 212,523 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 146,520 thousand yen in cash and deposits, as well as a decrease of 62,864 thousand yen in notes and accounts receivable and contract assets.

As of the end of the first quarter of the consolidated fiscal period, non-current assets amounted to 1,426,173 thousand yen, representing a decrease of 40,696 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 25,969 thousand yen in goodwill.

As a result, total assets amounted to 2,723,557 thousand yen, representing a decrease of 253,219 thousand yen compared to the end of the previous consolidated fiscal year.

### Liabilities

As of the end of the first quarter of the consolidated fiscal period, current liabilities amounted to 1,404,126 thousand yen, representing a decrease of 122,600 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 16,140 thousand yen in the current portion of long-term borrowings.

As of the end of the first quarter of the consolidated fiscal period, non-current liabilities amounted to 719,655 thousand yen, representing a decrease of 116,155 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 109,705 thousand yen in long-term borrowings.

As a result, total liabilities amounted to 2,123,781 thousand yen, representing a decrease of 238,755 thousand yen compared to the end of the previous consolidated fiscal year.

### Net assets

As of the end of the first quarter of the consolidated fiscal period, total net assets amounted to 599,775 thousand yen, representing a decrease of 14,464 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to an increase in capital stock and capital surplus, and a decrease in retained earnings.

### **(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.

### **(4) Important matters concerning the going concern assumption**

The Group had continuously recorded operating losses and negative operating cash flows prior to the fiscal year ended December 2023. However, in the previous consolidated fiscal year, operating profit amounted to 35,556 thousand yen and operating cash flow also reached 194,597 thousand yen, thereby achieving an operating surplus as forecasted at the beginning of the fiscal year. As a result, we successfully stabilized our business continuity and strengthened our business growth foundation.

The Group's sales structure is such that revenue tends to increase from the first quarter to the fourth quarter, with sales in the first quarter typically lower than in subsequent quarters. Nevertheless, during the consolidated cumulative period of the first quarter, EBITDA, which corresponds to operating cash flow, recorded a surplus of 26,408 thousand yen for the fourth consecutive quarter. In addition, operating loss was limited to 9,603 thousand yen, which is close to the breakeven point, indicating steady progress toward achieving an operating profit and positive operating cash flow from the second quarter onward.

Such significant improvements in our management condition are the result of progress in initiatives that have been underway since the second quarter of FY2023, namely, "building a business model that generates revenue and gross profit" and "optimization measures for selling, general and administrative expenses." These developments indicate steady progress toward the realization of sustainable full-year operating profit.

The Group has determined that the events or conditions that could raise substantial doubt about the going concern assumption had been resolved by the end of the first quarter.

**2. Consolidated Financial Statements and Primary Notes**  
**(1) Quarterly Consolidated Financial Statements of Financial Position**

(Thousands of yen)

	As of December 31, 2024	As of March 31, 2025
<b>Assets</b>		
Current assets		
Cash and deposits	670,062	523,542
Accounts receivable – trade and contract assets	528,128	465,263
Inventories	※1 207,995	※1 223,222
Allowance for doubtful accounts	(710)	(710)
Other	104,430	86,066
Total current assets	1,509,907	1,297,383
Non-current assets		
Property, plant and equipment	55,229	52,476
Intangible assets		
Goodwill	943,572	917,602
Other	172,069	165,740
Total intangible assets	1,115,641	1,083,342
Investment and other assets		
Investment securities	157,215	157,215
Security deposits and guarantee deposits	130,678	130,093
Other	8,105	3,045
Total investments and other assets	295,998	290,354
Total non-current assets	1,466,870	1,426,173
Total assets	2,976,777	2,723,557
<b>Liabilities</b>		
Current liabilities		
Account payable	57,772	64,806
Current portion of bonds payable	20,000	20,000
Short-term borrowings	※2 700,000	※2 700,000
Current portion of long-term borrowings	400,615	384,475
Other	348,340	234,844
Total current liabilities	1,526,727	1,404,126
Non-current liabilities		
Bonds payable	10,000	-
Long-term borrowings	745,413	635,707
Deferred tax liabilities	13,470	16,293
Retirement benefit liability	66,927	67,655
Total non-current liabilities	835,810	719,655
Total liabilities	2,362,537	2,123,781

(Thousands of yen)

	As of December 31, 2024	As of March 31, 2025
Net assets		
Shareholders' equity		
Share capital	12,254	19,769
Capital surplus	2,375,155	2,382,670
Retained earnings	(1,792,087)	(1,821,684)
Treasury stock	(567)	(567)
Total shareholders' equity	594,754	580,187
Accumulated other comprehensive income		
Foreign currency translation adjustments	83	(355)
Total accumulated other comprehensive income	83	(355)
Stock acquisition rights	19,401	20,194
Non-controlling interests	-	(251)
Total net assets	614,239	599,775
Total liabilities and net assets	2,976,777	2,723,557

**(2) Quarterly Consolidated Statements of Income and Consolidated Statement of Comprehensive Income**  
(Quarterly Consolidated Statements of Income)

(Thousands of yen)

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Net sales	780,782	825,514
Cost of sales	266,933	296,960
Gross profit	513,848	528,553
Selling, general and administrative expenses	※ 614,180	※ 538,157
Operating profit (loss)	(100,331)	(9,603)
Non-operating income		
Interest and dividend income	19	237
Foreign exchange gains	2,055	-
Income from penalties	978	1,437
Miscellaneous income	-	246
Other	684	-
Total non-operating income	3,737	1,921
Non-operating expense		
Interest expenses	4,359	5,937
Share issuance costs	5,260	-
Foreign exchange losses	-	122
Other	8,195	687
Total non-operating expenses	17,815	6,747
Ordinary profit (loss)	(114,409)	(14,429)
Extraordinary income		
Income (loss) before income taxes	(114,409)	(14,429)
Current income taxes, inhabitant taxes and enterprise taxes	1,069	7,719
Deferred income taxes	(4,506)	7,813
Total income taxes	(3,436)	15,533
Profit (loss)	(110,973)	(29,962)
Income (loss) attributable to non-controlling interests	(1,470)	(366)
Income (loss) attributable to owners of parent	(109,502)	(29,596)

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Profit (loss)	(110,973)	(29,962)
Other comprehensive income		
Foreign currency translation adjustments	(191)	668
Total other comprehensive income	(191)	668
Comprehensive income	(111,164)	(29,294)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(109,823)	(29,951)
Comprehensive income attributable to non-controlling interests	(1,340)	657

### (3) Notes for the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

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 consolidated cumulative period of the first quarter. 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).

(Segment Information)

For the three months ended March 31, 2024

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

For the three months ended March 31, 2025

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

(Notes on Cash Flows)

The quarterly consolidated statement of cash flows for the consolidated cumulative period of the first quarter has not been prepared. However, depreciation expenses for the consolidated cumulative period of the first quarter (including amortization of intangible assets other than goodwill) and amortization of goodwill are as follows.

	(Thousands of yen)	
	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Depreciation	9,964	9,115
Amortization	25,969	25,969

(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 three months ended March 31, 2024	For the three months ended March 31, 2025
Innovations	175,404	147,721
Core Services	598,080	673,601
Revenue from contracts with customers	773,484	821,323
Other revenue	7,297	4,191
Net sales to external customers	780,782	825,514

(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, the breakdown of revenue from contracts with customers was presented by categories of "Digi-Solution Services" and "Lifestyle Services." However, from the consolidated cumulative period of the first quarter, 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 cumulative period of the first quarter have been reclassified.

(Earnings Per Share)

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

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Quarterly net profit (loss) per share	¥ (7.15)	¥ (1.93)
(Basis for calculation)		
Quarterly net profit (loss) attributable to owners of the parent	¥ (109,502) thousand	¥ (29,596) thousand
Amount not attributable to common shareholders	—	—
Quarterly net profit (loss) attributable to owners of the parent related to common stock	¥ (109,502) thousand	¥ (29,596) thousand
Average number of common shares outstanding during the period (shares)	15,313,204	15,356,591
Outline of potential shares that were not included in the calculation of diluted quarterly 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 quarterly net income per share is not presented as the result was a quarterly net loss.

(Significant subsequent event)

Not applicable.