Update the world for a better tomorrow

NEURAL

Financial Results Briefing Material
8th term, Q2 ended June 30, 2025

Neural Group Inc.
August 8, 2025

Highlights of the FY2025 interim financial results and strategic direction

Review of FY2025 business strategy (revisiting Q IR presentation)

- In FY2025, we expect to leverage the technological capabilities we have built to date to generate an **operating profit of 160 million yen** for the full year, as well as to post a **net profit of 40 million yen**—the first in four periods. This marks our transition from the "Revenue model transformation phase" to the "Growth acceleration phase."

- Since our IPO, we have been undergoing a business model transformation and had only disclosed our total consolidated revenue. However, beginning in FY2025, as we have established a sustainable business model, we started disclosing the breakdown of our business domains to **enhance the clarity of our investor communications**. These domains will be categorized into two segments: the **"Innovations Domain"**, which promotes AI algorithm development independently or in collaboration with large enterprises, and the **"Core Services Domain"**, which involves the provision and operation of our core services through both our in-house and partner distribution networks.

- Although our consolidated annual revenue growth rate for FY2025 is projected to be a modest +3.8%, we will **prioritize revenue growth in the "Core Services Domain"** and drive rapid and sustainable growth.

FY2025 interim earnings highlights

- 【**Consolidated performance**】 Consolidated revenue for the first half was 1,712 million yen, representing a 3.1% YoY increase. Revenue from the Core Services Domain, positioned as a growth area, reached 1,428 million yen (an 8.9% increase YoY), demonstrating steady growth. Operating profit for the consolidated group came in at 1 million yen, **marking a return to first-half operating profitability for the first time in four periods**. Leveraging this **stable and sustainable profitability structure**, we **established a growth foundation to accelerate core services revenue in the second half onwards**.

- 【**Core Services Domain**】 We have set a **short-term annual growth target of 15–20%** for the Core Services domain and will begin gradually raising the growth rate from Q3 onward. To achieve this, we defined the value proposition of the Core Services as **"Using AI technology, we provide broad support for marketing and talent utilization to a wide range of clients from large corporations to small and medium-sized enterprises nationwide"**. Based on this, we formulated four growth strategies in Q2;

  1. 【**Scale capability**】 Ongoing acquisition of new clients and expansion with existing 12,000 clients (Approx. 1,000 new business meetings held monthly).

  2. 【**Product strength**】 Enhancing existing services with new technologies and features to increase unit price and attract new customers.

  3. 【**Business creation capability**】 Commercializing new services born from the Innovations Domain and utilizing M&A going forward.

  4. 【**Sales capability**】 In addition to our in-house sales team, we are expanding nationwide sales partner network.

- 【**Innovations Domain**】 In addition to developing **our proprietary 320-billion-parameter LLM "NEURAL.LLM"**, we successfully developed our **own proprietary AI agent** powered by NEURAL.LLM and announced its **first implementation in Okinawa City** during Q2. We will continue to promote cutting-edge R&D in the rapidly evolving AI industry.

- **Company overview**

  – Overview of our business model

  – About the Innovations Domain

  – About the Core Services Domain

- Growth strategy for the Core Services

- Highlights of the FY2025 interim financial results

Introduction to Neural Group

– Our Mission –
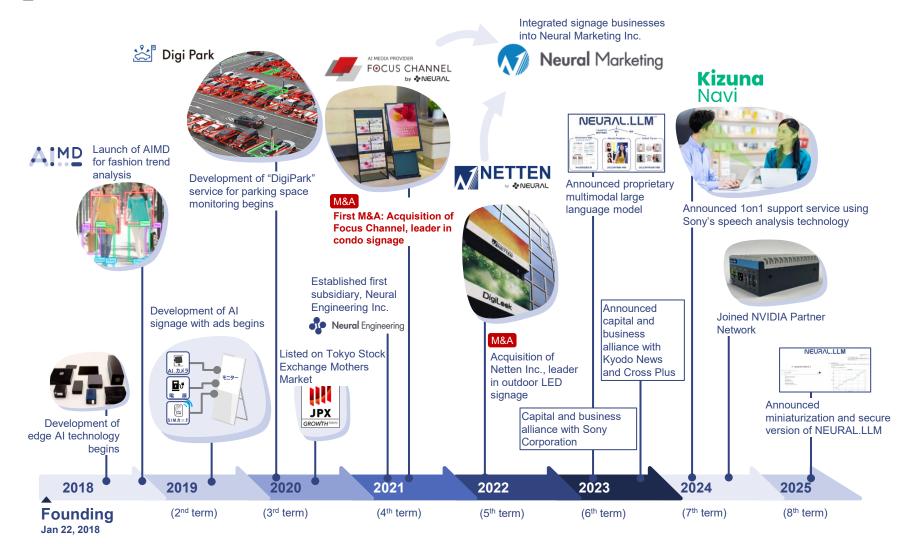
"Update the world for a better tomorrow"

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)

History of the Neural Group

👉 Since founding in 2018, we have launched various AI services and expanded our business domains through two M&As.

Integrated signage businesses into Neural Marketing Inc.

Neural Marketing

Digi Park

AI MEDIA PROVIDER FOCUS CHANNEL by NEURAL

Kizuna Navi

NEURAL.LLM

AIMD

Launch of AIMD for fashion trend analysis

Development of "DigiPark" service for parking space monitoring begins

NETTEN by NEURAL

Announced proprietary multimodal large language model

Announced 1on1 support service using Sony's speech analysis technology

M&A
First M&A: Acquisition of Focus Channel, leader in condo signage

Established first subsidiary, Neural Engineering Inc.

Neural Engineering

Development of AI signage with ads begins

AI カメラ
電源
SIM カード
モニター

Listed on Tokyo Stock Exchange Mothers Market

JPX GROWTH TOKYO

M&A
Acquisition of Netten Inc., leader in outdoor LED signage

DigiLook

Announced capital and business alliance with Kyodo News and Cross Plus

Joined NVIDIA Partner Network

Capital and business alliance with Sony Corporation

Development of edge AI technology begins

NEURAL.LLM

Announced miniaturization and secure version of NEURAL.LLM

2018	2019	2020	2021	2022	2023	2024	2025
	(2nd term)	(3rd term)	(4th term)	(5th term)	(6th term)	(7th term)	(8th term)

Founding
Jan 22, 2018

Our core competence

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

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

AI Agent utilizing our proprietary 32-billion-parameter LLM*

Early entry into Edge AI as an NVIDIA METROPOLIS partner.

12,000+ service installations nationwide.

Exceptional AI startup with a nationwide sales and operation network.

*Refers to the total number of variables (parameters) within a model used for training AI models. The larger this number, the more complex patterns can be learned, and the more advanced processing becomes possible.

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

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
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

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

Audit and Supervisory Committee (Full-time)
Miho Takemura
- After auditing major financial institutions at ShinNihon Audit Corporation (currently EY ShinNihon LLC), served as a full-time Audit & Supervisory Board Member for a company preparing for listing.
- Graduated from Chuo University, Faculty of Commerce, Department of Accounting. Certified Public Accountant.

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	• 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.	• Subsidiary Kyodo News Digital is Japan's largest provider of digital signage content • Promote collaboration in services and advertising media utilizing signage	• 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.
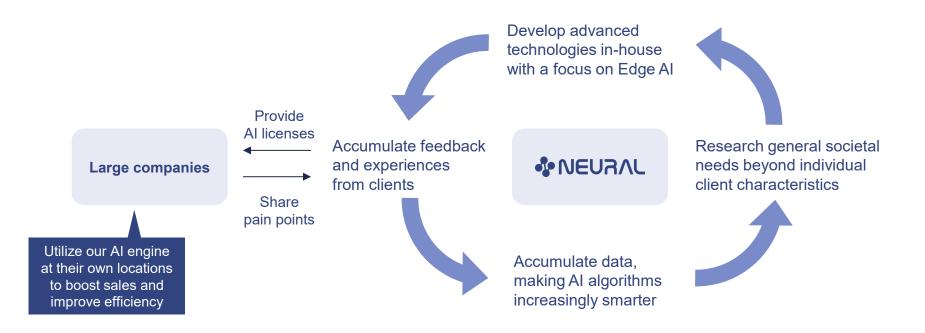
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- Growth strategy for the Core Services

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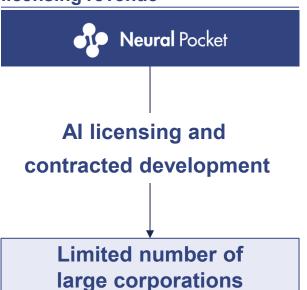
Business model at the time of IPO in August 2020

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

Develop advanced technologies in-house with a focus on Edge AI

Provide AI licenses

Large companies

Share pain points

Accumulate feedback and experiences from clients

NEURAL

Research general societal needs beyond individual client characteristics

Utilize our AI engine at their own locations to boost sales and improve efficiency

Accumulate data, making AI algorithms increasingly smarter

After the IPO, we adapted to changes in the market environment and successfully transformed our business model.

Business model based on AI licensing revenue

Neural Pocket

AI licensing and contracted development
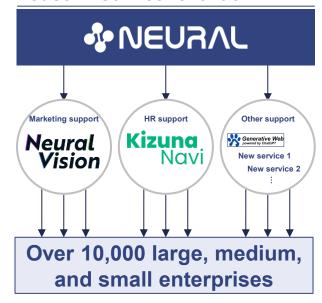
Limited number of large corporations

Profitability: High

Growth Potential: Mid-Low

Market size (TAM) is limited to the development budgets of major customers making the business unstable

Business model based on in-house AI service revenue

NEURAL

Marketing support
Neural Vision

HR support
Kizuna Navi

Other support
Generative Web *powered by ChatGPT*
New service 1
New service 2
⋮

Over 10,000 large, medium, and small enterprises

Profitability: High-Mid

Growth Potential: High

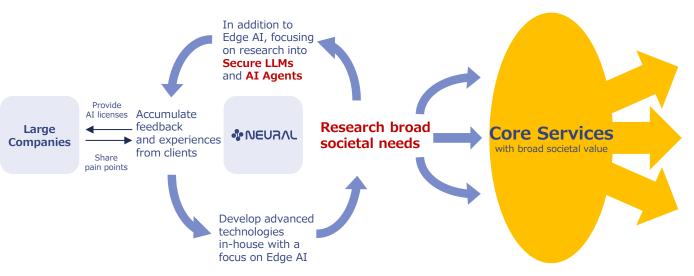Significant increase in the number of customers, dramatically expanding market size and improving business stability

- Decline in gross margins
- Far greater market size and stability

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.

In addition to Edge AI, focusing on research into **Secure LLMs** and **AI Agents**

Large Companies

Provide AI licenses

Share pain points

Accumulate feedback and experiences from clients

NEURAL

Develop advanced technologies in-house with a focus on Edge AI

Research broad societal needs

Core Services
with broad societal value

- **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

closely collaborate

Core Services
（Social implementation of AI）

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

10,000+ customers

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

Innovations Domain

NEURAL.LLM — Proprietary large language model

Digi Park — Smart city services using AI cameras

AIMD — Fashion trend analysis service using AI

AI MEDIA PROVIDER FOCUS CHANNEL — Signage media service for residential complexes

etc

Core Services Domain

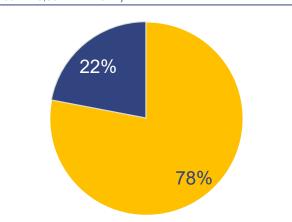**NeuralVision** — Outdoor LED vision service utilizing generative AI technologies

KizunaNavi — 1-on-1 support service using AI

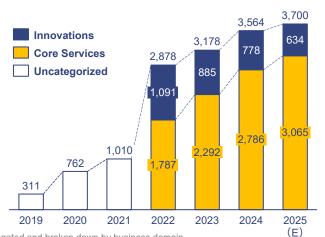**Generative Web powered by ChatGPT** — Web-related services utilizing generative AI technology

etc

FY2024 revenue breakdown by domain
(100% = 3,564 million JPY)

22%

78%

Historical revenue breakdown by domain[1]
(JPY Millions)

- Innovations
- Core Services
- Uncategorized

	2019	2020	2021	2022	2023	2024	2025 (E)
Total	311	762	1,010	2,878	3,178	3,564	3,700
Innovations				1,091	885	778	634
Core Services				1,787	2,292	2,786	3,065

*1 Revenue derived from customer contracts, as well as revenue based on accounting standards for lease transactions, is also aggregated and broken down by business domain.

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- Growth strategy for the Core Services

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AI technology is evolving along with the industry's growth

Cloud AI

edge AI
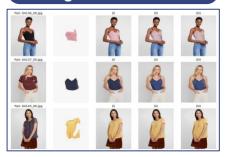

- **High costs and energy consumption**
- **Requires attention to privacy**

- **Low cost and energy-efficient**
- **Enhances privacy protection**

We incorporate the latest developments in edge AI into our existing services contributing to building further barriers to entry

Image Generation AI

- **In-house production of image gen AI models**
- Enables the generation of a variety of content and applies it to creative ad production

Multi-tasking AI model

- Development of a multi-tasking AI model to integrate separate AI models
- **Multitasking to reduce memory usage by ~50%**

AI accuracy research

- Ongoing AI accuracy research and application to our commercial services
- **Stable detection** including abnormal environments
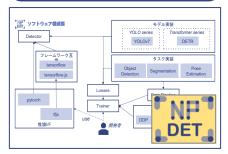
Edge AI voice system

- Real-time analysis of user voice within edge devices
- **Developing new edge AI service** that provides feedback to users through natural language analysis

Accelerated next-gen dev

- Develop platform to support R&D of new AI models
- Capable of incorporating latest algo with **~1/10th of the man-hours** required by conventional methods

Neural Platform
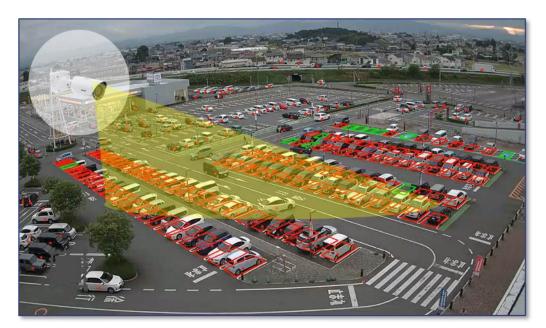
- Real-time management of numerous edge AI devices connected online
- **Automatically update programs and AI models remotely**

- The **latest edge AI technology** is rapidly implemented and **incorporated into our commercial services through remote updates**

- AI models and development are **standardized across services** allowing for generic services, contributing to **lower implementation costs/ profitability**

- These factors contribute to **high barriers to entry and customer continuity**

Providing services for smart city development using AI cameras.

Digi Park

For outdoor flat parking lots, a single camera can capture over 100 parking spaces.

Congestion analysis based on line counting at parking lot entrances and exits is also available.

1 **Real-time availability management system for facility managers.**

Parking space availability data is utilized to improve operational efficiency and enhance the customer experience.
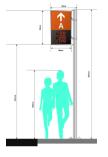
2 **Linking data to the facility website.**

Customers can check parking availability in advance on their mobile devices.

3 **Guiding drivers on-site to streamline traffic flow within parking lots.**

Real-time on-site traffic control.
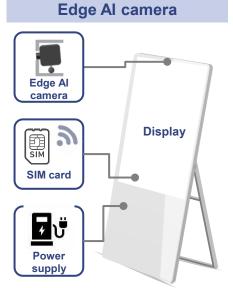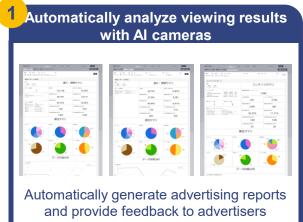
Operate a condominium signage media that reaches over 200,000 affluent individuals

Premium signage media

Edge AI camera

Edge AI camera

SIM card

Power supply

Display

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1 **Automatically analyze viewing results with AI cameras**

Automatically generate advertising reports and provide feedback to advertisers

2 **Centrally manage distributed ads remotely**

Remotely operate displays safely via LTE connection

3 **View ads as local information**

Ads are viewed as regionally relevant information

NEURAL.LLM in action (Announced on April 25, 2025)

Demo URL:
https://youtu.be/QzmVgvwmilg

Why we excel in LLM development and implementation

Edge devices for AI cameras
NVIDIA JETSON series

Compact servers for NEURAL. LLM
NVIDIA A100

Rolling-out our strength

- 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.
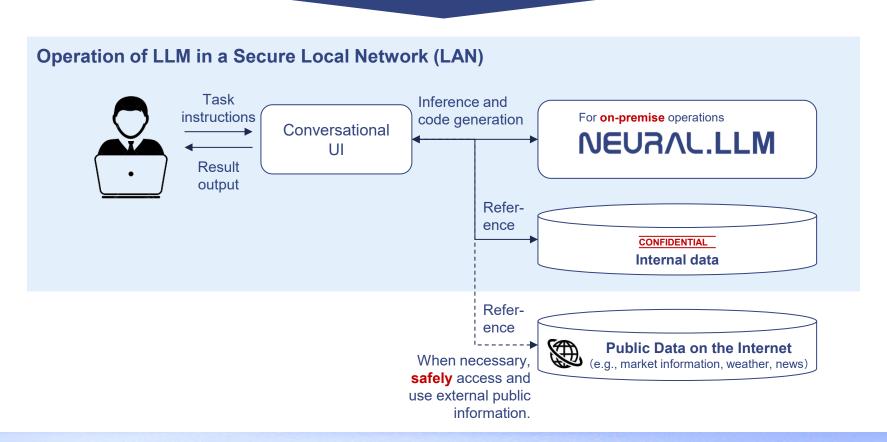
- Differentiated from overheated global LLM investments by focusing on **compact and secure LLMs**.

- 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)

Task instructions

Result output

Conversational UI

Inference and code generation

For **on-premise** operations

NEURAL.LLM

Refer-ence

CONFIDENTIAL
Internal data

Refer-ence

Public Data on the Internet
(e.g., market information, weather, news)

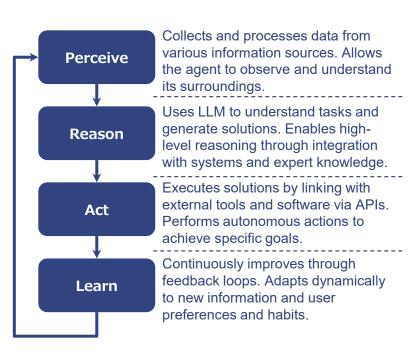When necessary, **safely** access and use external public information.

Successful development of AI agent using our LLM, adopted by Okinawa City

Reasoning process of the AI agent using NEURAL.LLM

NEURAL.LLM

Perceive
Collects and processes data from various information sources. Allows the agent to observe and understand its surroundings.

Reason
Uses LLM to understand tasks and generate solutions. Enables high-level reasoning through integration with systems and expert knowledge.

Act
Executes solutions by linking with external tools and software via APIs. Performs autonomous actions to achieve specific goals.

Learn
Continuously improves through feedback loops. Adapts dynamically to new information and user preferences and habits.

Announcement of adoption of our AI agent by Okinawa City *(announced on June 6, excerpt)*

The AI agent equipped with NEURAL.LLM (32 billion parameters) automatically analyzes urban data

~ AI agent to provide urban data analysis services to Okinawa City ~

Neural Group Inc. (hereinafter "the company") announced on June 6, 2023, that its proprietary 32-billion-parameter large-scale language model NEURAL.LLM has been implemented in its AI agent service, and this service has officially begun operations in Okinawa City. This AI agent, which uses LLM to autonomously perform urban data analysis, marks a significant advancement in practical AI use in the public sector. The company stated that it has successfully started providing its AI agent services to the Okinawa City government following system implementation.

In the first phase of the initiative, the company's AI agent analyzed approximately eight months of usage data collected from city-operated public digital signage. By linking this with NEURAL.LLM's reasoning capability, the AI was able to interpret environmental changes and behavior patterns, and autonomously generate analysis and reports tailored to Okinawa City's public information needs. Additionally, the agent automatically generated feedback for advertising content adjustments based on foot traffic analysis and viewing data. A demo of the data visualization and analysis results was also provided to city officials, and the agent's future application for urban planning and public communication was discussed.
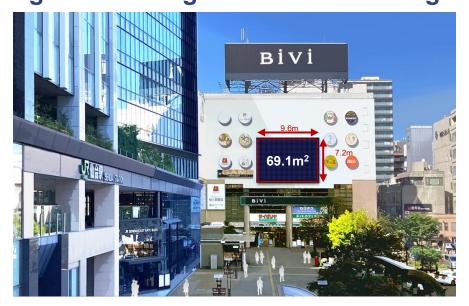
上：イベント情報と駐車場情報を組み合わせた分析結果の例

右：イベントスケジュール等と駐車場のエリア別混雑情報の分析結果の例

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- Growth strategy for the Core Services

- Highlights of the FY2025 interim financial results

Providing outdoor LED vision services nationwide using AI content generation technologies

9.6m
7.2m
69.1m²

Extensive installation nationwide

Football stadium

World cup basket ball

Stores

Police offices

Sport facility

1 Content using generative AI

2 Integration with AI cameras

AI camera

Real-time distribution of AI camera analysis

3 Media representative

dentsu · HAKUHODO · 東北博報堂

ADK< jeki

河北新報社 tbc 東北放送 株式会社 第一広告社

Example of partner advertising agencies

Providing 1-on-1 support services in collaboration with Sony to enhance employee well-being and accelerate their growth.
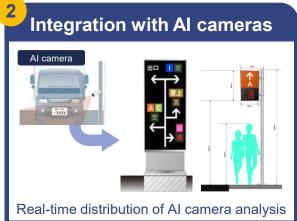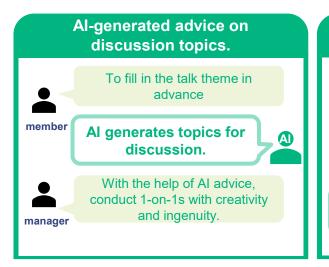
1-on-1 support services

KizunaNavi

KizunaNavi uses state-of-the-art AI analysis technology to improve the quality of 1-on-1 meetings.

By facilitating effective 1-on-1s, we support the significant enhancement of corporate and organizational well-being.

Examples of Customers

:DeNA KOKUYO

safie KYODO

maxell Within, the Future NEWT

AI-generated advice on discussion topics.

member

To fill in the talk theme in advance

AI generates topics for discussion.

AI

With the help of AI advice, conduct 1-on-1s with creativity and ingenuity.

manager

Improving managers' interviewing skills.

Analyze conversations with Edge AI.

Wordings   Conversation Ratio   attitude (Smiles, nods)

Visualizing members' degree of empathy.

Facilitating continuous improvement of 1-on-1 meetings.

• Access past 1-on-1 notes anytime.
• Review AI evaluation history to continuously improve the quality of 1-on-1 meetings.
• Strengthen organizational capabilities.

Expanding AI-driven web businesses with ChatGPT.

Generative Web *powered by ChatGPT*

Feature 1 **Automatic Blog Generation**

Feature 2 **Multilingual Conversion**

Function 3: **Word-of-mouth auto-reply**

Feature 4 **SEO Automation**

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- **Growth strategy for the Core Services**

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

Sapporo

Sendai

Nagoya

Osaka

Hiroshima

Fukuoka

Miyazaki

Takamatsu

Neural Marketing Osaka HQ

Neural Group Thailand

Neural Group HQ in Tokyo

Neural Marketing Tokyo HQ

12 locations
Japan and overseas

251 employees[1]
group headcount

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

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

Rapid expansion of the customer base enables sequential provision of AI-powered Core Services

【Value proposition of our Core Services】
Using AI technology, we provide broad support for marketing and talent utilization to a wide range of clients from large corporations to small and medium-sized enterprises nationwide.

【Growth strategy 2】 Product strength
Enhancing existing services with new technologies and features to increase unit price and attract new customers

NeuralVision

KizunaNavi

Generative Web powered by ChatGPT

【Growth strategy 1】 Scale capability
Ongoing acquisition of new clients and expansion with existing 12,000 clients (Approx. 1,000 new business meetings held monthly)

Existing customer base utilizing our services (Approx. 12,000 companies)

【Growth strategy 3】 Business creation capability
Commercializing new services born from the Innovations domain and utilizing M&A going forward

New In-house Service

New In-house Service

New Services via M&A

【In-house sales team】 Sales offices in 10 locations nationwide

+

【Agency sales team】 Collaborating with multiple sales companies starting from Q2

【Growth strategy 4】 Sales capability
In addition to our in-house sales team, we are expanding nationwide sales partner network

【Towards scaling Core Services – 1】
Enhancing the value of LED signage through AI

NeuralVision

Integration with our generative AI content
(announced on June 24, excerpt)

Neural Marketing

NEWS RELEASE

June 24, 2025
Neural Marketing Inc.

"Neural Virtual Human Lab Project" released for advertising video production
Achieves high-speed video production without filming or interviews using full generative AI

AI avatar "Urasawa Moe" created for news program via the Neural Virtual Human Lab Project

Neural Marketing Inc. (Head office: Minato-ku, Tokyo; CEO: Masaaki Yamamoto; hereinafter "the company") announced today the release of the "Neural Virtual Human Lab Project," a solution specialized in advertising video production.

This project enables the creation of fully AI-generated advertising videos, eliminating the need for traditional filming or interviews. It features a digital human (AI avatar) generated using advanced AI technology and can deliver messages in a natural and expressive manner. This allows for the rapid creation of video content based on the advertiser's communication goals. The company intends to offer this as a new video production standard for clients seeking to "convey messages quickly and at scale."

Going forward, the company will continue to expand the potential of advertising expression by combining technology and creativity.

Demo URL:
https://youtu.be/svaPNTwpkzo

Integration with our AI cameras
(announced on June 9, excerpt)

Mobilis Consulting   NEURAL

NEWS RELEASE

June 9, 2025
Neural Group Inc.

Edge guide system introduced for the first time, using real-time AI monitoring to optimize exit routing at Lalaport Anjo parking lot
AI enables smooth vehicle guidance at parking lot exits

Edge guide system installed at Mitsui Shopping Park Lalaport Anjo (Photo taken in April 2025 by Mitsui Fudosan Retail Management

Neural Group Inc. (Head office: Chiyoda-ku, Tokyo; CEO: Roi Shigematsu; hereinafter "Neural Group") and Mobilis Consulting Inc. announced that, on April 18, 2025, they jointly introduced Japan's first "Edge Guide" AI system, designed to optimize exit guidance at parking lots, to the parking area of Mitsui Shopping Park Lalaport Anjo (located in Anjo City, Aichi Prefecture), using Neural Group's proprietary AI congestion analysis.

As part of this initiative, Neural Group integrated its proprietary edge AI solution "Digi Park" into five exit-side AI cameras that detect congestion in real time. The system analyzes time-series data such as exit queue length and flow volume and identifies the optimal exit for each driver. Directional instructions are provided via large LED signage installed in the parking lot, helping alleviate traffic jams and enabling smoother navigation throughout the premises.

可変式誘導画面が表示されるLEDサイネージ   出庫台数カウントを実施するカメラ・AI

【Towards scaling Core Services – 2】
Partnership with Kaonavi for 1-on-1 support services

1-on-1 SaaS "KizunaNavi" powered by AI

1-on-1 support services
KizunaNavi

KizunaNavi uses state-of-the-art AI analysis technology to improve the quality of 1-on-1 meetings.

By facilitating effective 1-on-1s, we support the significant enhancement of corporate and organizational well-being.

AI-generated advice on discussion topics.

member

To fill in the talk theme in advance

AI generates topics for discussion.

AI

manager

With the help of AI advice, conduct 1-on-1s with creativity and ingenuity.

Facilitating continuous improvement of 1-on-1 meetings.

- Access past 1-on-1 notes anytime.
- Review AI evaluation history to continuously improve the quality of 1-on-1 meetings.
- Strengthen organizational capabilities.

Announced partnership with kaonavi
(announced on July 22, excerpt)

Formed business alliance with kaonavi in the field of 1-on-1 support services
Aiming to enhance customer value and promote service utilization through mutual integration

kaonavi   NEURAL

Neural Group Inc. (Head office: Chiyoda-ku, Tokyo; CEO: Roi Shigematsu, hereinafter "Neural") and Kaonavi Inc. have announced a business alliance to integrate Neural's 1-on-1 support SaaS "KizunaNavi" with Kaonavi's service platform. Through this collaboration, both companies aim to enable seamless use of KizunaNavi's 1-on-1 support features within Kaonavi's platform via API integration. Preparations are underway for implementation.

Kaonavi provides a talent management system that visualizes the individuality and potential of employees and supports strategic talent placement and development. The service is currently used by over 4,000 companies across a wide range of industries and is established as a core HR tech solution for driving organizational performance.

With this partnership, the integration of Neural's 1-on-1 support functions into the Kaonavi platform will allow daily management functions to be accessed directly, enabling users to benefit from improved value and ease of use.

By collaborating, both companies aim to expand access to KizunaNavi for Kaonavi users, thereby accelerating its adoption and effectiveness as a 1-on-1 support service.
The partnership will allow both services to offer greater value to customers, enhance user satisfaction, and contribute to revenue growth.
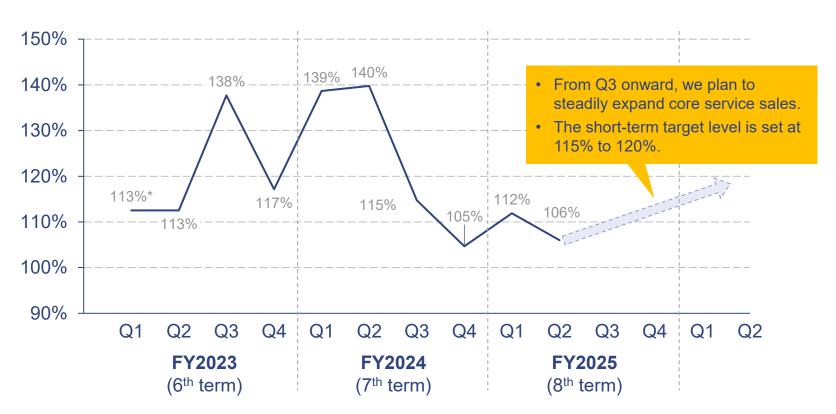
The Core Services area continues to maintain a steady growth rate

Core Services area revenue growth rate (Year-over-Year)

Solid customer demand and expansion across industries and regions have driven continued revenue growth for ten consecutive quarters.

- From Q3 onward, we plan to steadily expand core service sales.
- The short-term target level is set at 115% to 120%.

Chart values:
- 113%*
- 113%
- 138%
- 117%
- 139%
- 140%
- 115%
- 105%
- 112%
- 106%

Q1 Q2 Q3 Q4 | Q1 Q2 Q3 Q4 | Q1 Q2 Q3 Q4 | Q1 Q2

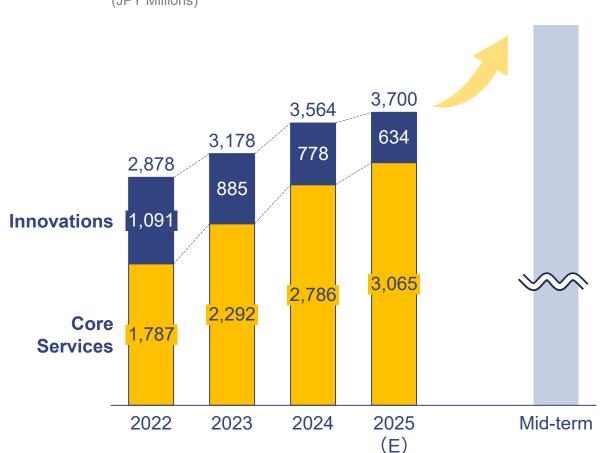**FY2023** (6th term)   **FY2024** (7th term)   **FY2025** (8th term)

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

FY2025 performance forecast and mid- term revenue outlook

Revenue trend by business domain

(JPY Millions)

Innovations

Core Services

Year	Innovations	Core Services	Total
2022	1,091	1,787	2,878
2023	885	2,292	3,178
2024	778	2,786	3,564
2025 (E)	634	3,065	3,700

Mid-term

Strategic direction

1. The Innovations Domain will continue to maintain its 2025 business scale and serve as a growth driver to accelerate Core Services.

2. Core Services are expected to achieve steady growth at an annual rate of 15 - 20%.

3. In addition, active implementation of M&A will further promote discontinuous growth of Core Services.

- Company overview

- Growth strategy for the Core Services

- **Highlights of the FY2025 interim financial results**

Consolidated financial results for the First Half ended June 30, 2025 – YoY

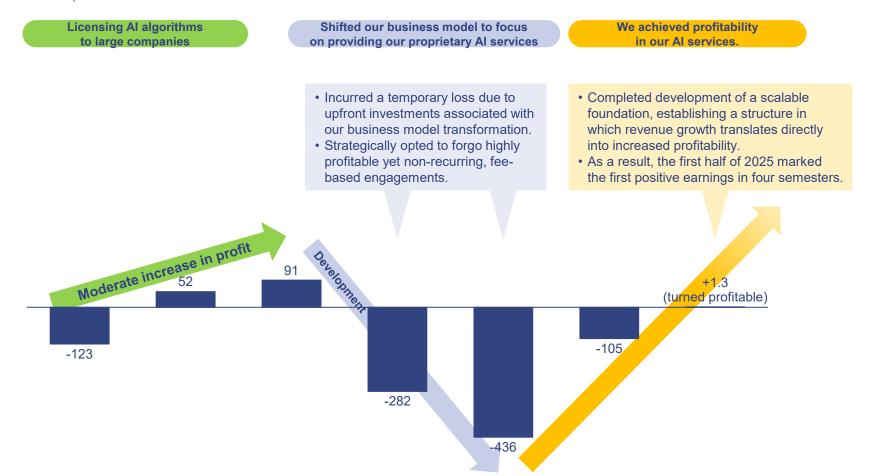| (JPY Millions)	FY2024 H1 Actual	FY2025 H1 Actual	Increase/ Decrease	Change in Percentage
Revenue	**1,660**	**1,712**	**+51**	**+3.1%**
EBITDA	**-31**	**75**	**+107**	**-**
Percentage of revenue	-	4.4%		
Operating profit	**-105**	**1.3**	**+106**	**-**
Percentage of revenue	-	0.1%		
Ordinary income	**-119**	**-9**	**+109**	**-**
Percentage of revenue	-	-		
Net income	**-144**	**-38**	**+106**	**-**
Percentage of revenue	-	-		

First-half operating profit trend – Returned to profitability for the first time in four periods

(JPY Millions)

Licensing AI algorithms to large companies

Shifted our business model to focus on providing our proprietary AI services

We achieved profitability in our AI services.

- Incurred a temporary loss due to upfront investments associated with our business model transformation.
- Strategically opted to forgo highly profitable yet non-recurring, fee-based engagements.

- Completed development of a scalable foundation, establishing a structure in which revenue growth translates directly into increased profitability.
- As a result, the first half of 2025 marked the first positive earnings in four semesters.

Moderate increase in profit

Development

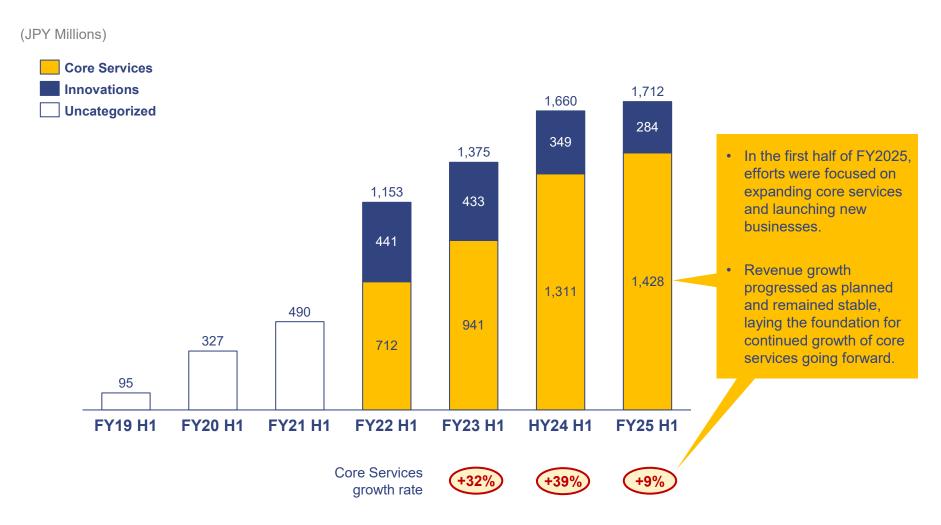|	2019 H1	2020 H1	2021 H1	2022 H1	2023 H1	2024 H1	2025 H1
	-123	52	91	-282	-436	-105	+1.3 (turned profitable)

Consolidated financial results for the First Half ended June 30, 2025 – by domain[1]

(JPY Millions)

Domain	FY2024 H1 Actual	FY2025 H1 Actual	Increase/ Decrease	Change in Percentage
Innovations	349	284	-64	-18.5%
Core Services	1,311	1,428	+117	+8.9%
Total	1,660	1,712	+52	+3.1%

[1] Revenue derived from customer contracts, as well as revenue based on accounting standards for lease transactions, is also aggregated and broken down by business domain.

Historical First Half revenue by domain*

(JPY Millions)

■ Core Services
■ Innovations
□ Uncategorized

- In the first half of FY2025, efforts were focused on expanding core services and launching new businesses.

- Revenue growth progressed as planned and remained stable, laying the foundation for continued growth of core services going forward.

	FY19 H1	FY20 H1	FY21 H1	FY22 H1	FY23 H1	HY24 H1	FY25 H1
Total	95	327	490	1,153	1,375	1,660	1,712
Innovations				441	433	349	284
Core Services				712	941	1,311	1,428

Core Services growth rate: **+32%** **+39%** **+9%**

* Since our company handles many products that contribute to marketing efforts aimed at stimulating personal consumption, there is a recurring bias toward the second half of the fiscal year, which includes the year-end sales season. As a result, there is seasonal bias between the first and second halves. This page presents a half-year comparison that succinctly illustrates long-term business performance trends.

FAQs at IR meetings

Questions

1. In recent years, there has been a cyclical trend in which both revenue and operating profit rise from the first half to the fourth quarter of the fiscal year, then slightly decline in the first half of the next fiscal year, and rise again toward the fourth quarter. What is the reason for this trend? While a significant operating profit was recorded in Q4 of FY2024, please explain why there was an operating loss again in Q1 of FY2025.

2. Please explain in detail the differences between the business model at the time of listing and the current business model, as described in the earnings presentation materials.

3. Regarding the business domains disclosed starting this fiscal year, while revenue in the "Core Services Domain" has been increasing, revenue from the "Innovations Domain" has been gradually declining. Is there a specific reason for this? Currently, the ratio of the Innovations Domain and Core Services Domain is 2:8. Do you intend to maintain this balance in the mid-to-long term? Also, will co-developed products with major companies within the Innovations Domain continue to be treated as part of that domain going forward?

Answers

1. Our core services support the marketing activities of over 12,000 primarily small- to medium-sized businesses. These businesses typically reach peak investment activity during the Christmas season (our Q4), while January and February (our Q1) are generally the slowest months. This seasonal trend has continued for years. From the end of summer (late Q2 into Q3), demand steadily increases toward the Christmas peak in Q4. As a result, our sales and profits tend to rise smoothly from Q1 to Q4 each year, then slightly drop in the next Q1 before climbing again. Given this context, we disclose YoY growth rates (compared to the same quarter in the previous year) as key KPIs in our IR communications.

2. At the time of our IPO, we provided AI licenses (mainly edge AI and video AI) to around 10–20 large enterprises. Since then, we've shifted our business model to target a larger total addressable market (TAM) by developing proprietary AI services and distributing them directly to end customers through our own sales channels. Currently, around 12,000 enterprises of various sizes use our services. Thanks to this strategic shift, we returned to consolidated operating profitability in FY2024 and have entered a phase of growth.

3. In our Innovations Domain, we collaborate with corporate partners to conduct R&D in advanced technology fields such as AI Agents and LLMs. We continue this domain to commercialize the developed technologies and transition them into core services. To shorten the product development cycle, we aim not to expand the size of the Innovations Domain itself, but instead rapidly transition technologies into our core services. Going forward, we intend to grow the core services business so that the Innovations Domain will converge to around 10% of our overall business.

FAQs at IR meetings

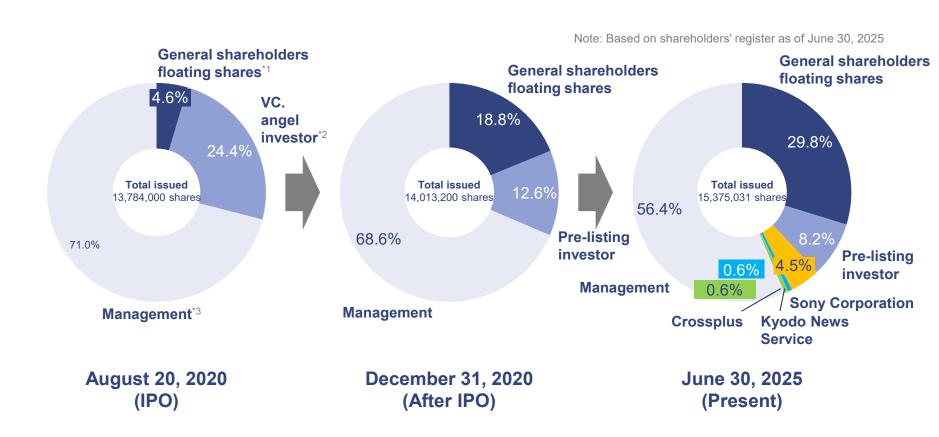| Questions	Answers
4. What is the positioning of FY2025 in relation to future revenue growth? How are you planning the revenue growth rate going forward? Will the growth rate of core services continue at around 19% annually, as it has over the past four years?	4. In 2025, we aim to distinguish between Core Services and Innovations, and to establish a foundation for business growth from 2026 onward. In the second quarter, a new business emerging from the Innovations Domain successfully transitioned into a core service and began sales activities. In this context, we plan to gradually increase the growth rate of core service revenue starting in the third quarter, aiming for a short-term growth level of 15 - 20%.
5. Regarding NEURAL.LLM in the Innovations Domain, we understand it is a technology rather than a product. Will there be any cases where the LLM itself is sold independently? Also, what specific initiatives are being pursued with AI Agents?	5. NEURAL.LLM is currently being offered on a trial basis as a technology within the Innovations Domain Our AI Agent incorporates an autonomous cycle of "perception → reasoning → action → learning" using this LLM, enabling it to operate independently without direct human instruction. We are now exploring ways to transform our proprietary LLM and AI Agent technologies into our own proprietary AI services and elevate them into core services. Once these services are ready for commercialization, we plan to make a formal announcement.
6. As the business continues to grow, is there a possibility that large investments or costs may significantly impact profits and hinder margin expansion? While SG&A expenses have been controlled so far, will there be areas that increase in line with revenue growth? Given that you are also developing LLMs and other technologies, is it expected that R&D expenses will increase in the future?	6. Our core services are required to generate profitable business growth as a condition for commercialization approval. While expansion of sales may require additional sales and operational costs, we do not intend to commercialize services that demand heavy upfront investment. Our business plan anticipates both revenue and profit growth. Regarding LLM development, unlike the global trend of overheated investment in large-scale LLMs, we focus on compact and secure LLMs. In light of the rapid advancement of LLM performance and the acceleration of open-source development, we believe that by internally implementing compact LLMs, we can maintain R&D expenses at an appropriate level. These developments leverage our accumulated expertise in compact edge AI development since our founding.

APPENDIX

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

Note: Based on shareholders' register as of June 30, 2025

August 20, 2020 (IPO)

General shareholders floating shares[1]: 4.6%
VC. angel investor[2]: 24.4%
Management[3]: 71.0%
Total issued 13,784,000 shares

December 31, 2020 (After IPO)

General shareholders floating shares: 18.8%
Pre-listing investor: 12.6%
Management: 68.6%
Total issued 14,013,200 shares

June 30, 2025 (Present)

General shareholders floating shares: 29.8%
Pre-listing investor: 8.2%
Sony Corporation: 4.5%
Kyodo News Service: 0.6%
Crossplus: 0.6%
Management: 56.4%
Total issued 15,375,031 shares

*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.
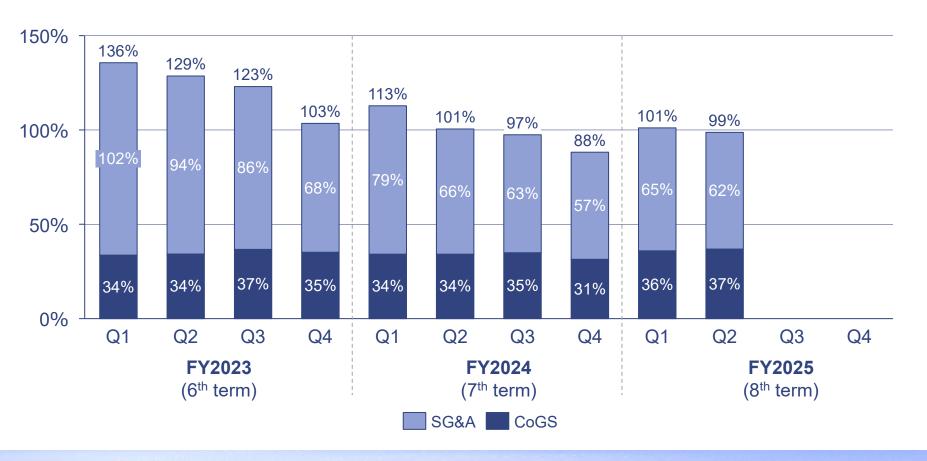*3 Number of shares held by the Company's management

FY2025 Q2 – Balance Sheet

(JPY Millions)	FY2025
	June 30
Current Asset	**1,559**
of which, Cash and Deposits	847
Fixed Assets	**1,394**
Total Assets	**2,953**
Total Liabilities	**2,359**
of which, interest-bearing debt	1,988
Net Assets	**593**

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		Q2	
	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	Actual	% of revenue
Revenue	603	100%	772	100%	818	100%	984	100%	780	100%	880	100%	907	100%	995	100%	825	100%	887	100%
Innovations	167	28%	265	34%	208	25%	243	25%	177	23%	171	19%	208	23%	220	22%	150	18%	134	15%
Core Services	435	72%	506	66%	610	74%	740	75%	603	77%	708	80%	699	77%	774	78%	675	82%	752	85%
CoGS	203	34%	264	34%	300	37%	346	35%	266	34%	300	34%	316	35%	313	31%	296	36%	327	37%
Gross Profit	399	66%	507	66%	518	63%	637	65%	513	66%	579	66%	591	65%	682	69%	528	64%	560	63%
SG&A	615	102%	728	94%	706	86%	672	68%	614	79%	584	66%	567	63%	565	57%	538	65%	549	62%
Operating Profit	-215	-36%	-220	-29%	-188	-23%	-34	-3%	-100	-13%	-4	-1%	23	3%	117	12%	-9	-1%	10	1%
Ordinary Income	-221	-37%	-231	-30%	-192	-24%	-41	-4%	-114	-15%	-5	-1%	19	2%	111	11%	-14	-2%	4	1%
Net Profit	-192	-32%	-172	-22%	-237	-29%	-48	-5%	-109	-14%	-35	-4%	-8	-1%	92	9%	-29	-4%	-8	-1%

Disclaimer

Handling of the material

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