



Neural Group Inc.

FY2024 Q4 Financial Results Briefing Meeting

February 14, 2025

Event Summary

[Company Name]	Neural Group Inc.	
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[Event Name]	FY2024 Q4 Financial Results Briefing Meeting	
[Fiscal Period]	FY2024 Annual	
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[Number of Pages]	30	
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[Venue]	Webcast	
[Number of Speakers]	2	
	Roi Shigematsu	Chief Executive Officer
	Takashi Kisaka	Chief Financial Officer

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Presentation

Moderator: It is time for us to begin. Thank you very much for taking time out of your busy schedule today to join us for Neural Group Inc.'s financial results briefing for the fiscal year ending December 31, 2024.

Today's presentation will be based on the financial results presentation material disclosed on our IR site on February 14. We will be sharing screens via Zoom, but if you are joining us by phone, please visit our IR website to view the documents. In addition, filming or recording of this briefing is prohibited.

Now, let me explain today's flow. First, Shigematsu, Chief Executive Officer, will give a 30-minute presentation on business overview and performance. After that, we will have a question-and-answer session until 5:00 PM at the latest. Both Shigematsu, Chief Executive Officer, and Kisaka, Chief Financial Officer, will answer your questions.

Thank you for your patience. Chief Executive Officer Shigematsu will now give an overview of our business and performance.

CEO Shigematsu, please go ahead.



Financial Results Briefing Material, FY2024 December 31, 2024

Neural Group, Inc.
February 14, 2025

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Shigematsu: Thank you all for joining us today. I would like to present the full-year financial results for our 7th fiscal year.

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FY2024 ending Dec. (7th term) full year financial results and strategic highlights

Achievements and key results

- In FY2024, we achieved revenue of 3,564 million JPY (up 12.2%, YoY) and operating profit of 35 million JPY (an improvement of 694 million JPY, YoY). With the completion of our proprietary AI service in FY2023, we returned to profitability and were able to increase both revenue and profits simultaneously in FY2024. In the fourth quarter, we recorded its highest-ever quarterly revenue (995 million JPY) and operating profit (117 million JPY, with an operating margin of 11.8%) since its establishment.
- Throughout the year, we promoted the expansion of service sales while successfully optimizing service provision costs across all aspects of sales promotion, development, and operations, which are necessary to expand sales of our proprietary AI services. As a result, we achieved the monetization of our AI service sales. Additionally, we established a scalable business model in which sales expansion is directly linked to revenue growth, positioning ourselves for further scaling in the future.

Business plan and strategies for FY2025

- For FY2025, we plan full-year revenue of 3.7 billion JPY (+3.8%, YoY), operating profit of 160 million JPY (+124 million JPY, YoY), and net income of 40 million JPY (+100 million JPY, YoY). We aim to strengthen our ability to scale services and generate net income for the full year.

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First, let me provide an overview.

In fiscal year 2024, our revenue reached 3.56 billion yen, representing a 12.2% increase compared to the previous year.

As for operating profit, while our goal this year was to return to operating profitability, we achieved an operating profit of 35 million yen. This marks an improvement of approximately 700 million yen in our operating profit base compared to last year.

To summarize, we believe that fiscal year 2024 served as a foundational year in which we successfully returned to profitability and achieved both revenue and profit growth.

In particular, during the fourth quarter, we recorded our highest-ever revenue and operating profit, resulting in an operating profit margin of 11.8%. We will continue striving to further strengthen these figures moving forward.

Behind these results are the efforts made throughout the year. While expanding our service revenue, our main theme for FY2024 was ensuring that profit reliably followed revenue growth.

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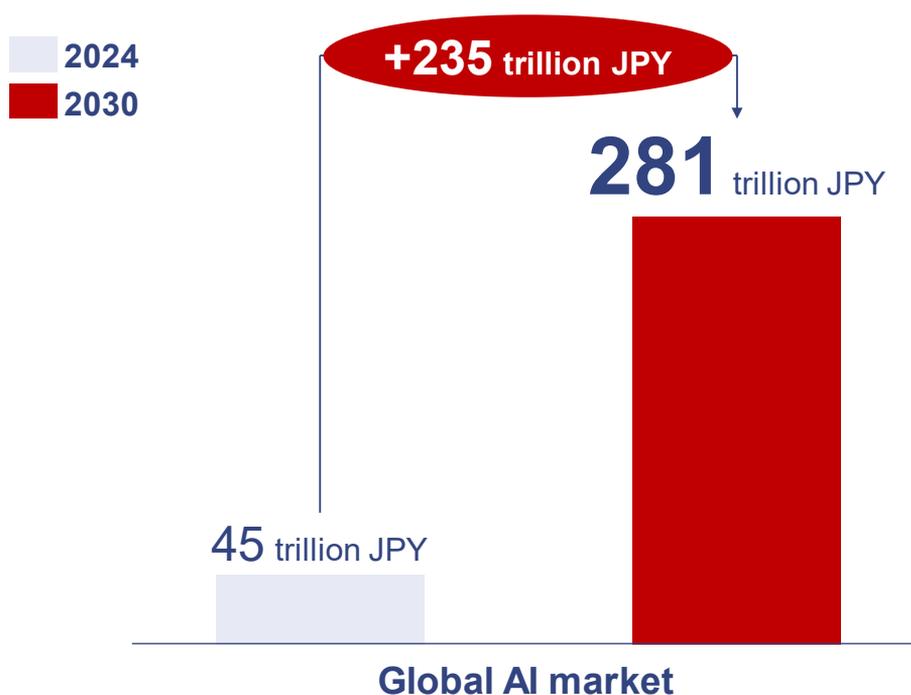
In terms of actual initiatives, we have been working since the year before last to optimize costs in a way that they do not scale linearly with service delivery. This has allowed us to ensure that as our proprietary AI services expand, profitability grows accordingly.

For fiscal year 2025, we are projecting revenue of 3.7 billion yen, which represents a 3.8% increase compared to the previous year. While this figure reflects steady growth, we believe it is an appropriate and realistic estimate at this point in time. As the market continues to show strong momentum, we are committed to pushing further toward even greater achievements.

Regarding operating profit, we are planning for 160 million yen, and net profit is projected at 40 million yen for the full year. In FY2025, we intend to strengthen the scalability of our business model as a foundation for further expansion in the years ahead. By doing so, we aim to lay the groundwork for significant future growth and consistent generation of net profit throughout the year.



AI industry is expected to grow to an overwhelming market size.



*1 Statista Japan, 2026Global Artificial Intelligence(AI) Market Size and Forecast 18030 (May 2024issue)
The market size is estimated at an exchange rate of 62 JPY to the dollar.

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As you are all aware, the AI market is experiencing strong growth, and we are feeling a significant tailwind as we conduct our business in this environment.

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We develop proprietary AI libraries and edge AI technologies.

<h3>People attribute analysis</h3>			<h3>Edge AI</h3>		
Gender/ age estimation	Facial expression, emotion analysis	Voice/ emotion analysis	Edge AI	Edge security	Ad delivery optimization
<h3>Vehicle analysis</h3>			<h3>Generative AI</h3>		
Traffic Analysis	Parking occupancy	License plate detection	Character	Manga	Photo

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At Neural Group, we are developing deep learning programs in the field of artificial intelligence, focusing on the four key areas outlined here.

The first area is object detection technology, which we have been providing since our founding. This includes the analysis of people, audio, and visual data such as photos and videos. Leveraging these capabilities, we offer vehicle detection solutions, as illustrated in the bottom left section.

In the top right area, we focus on edge AI, where we develop edge AI programs using NVIDIA’s Jetson series. This also involves the development of supporting technologies such as security and network infrastructure.

Over the past two years, we have also been strengthening our efforts in the field of generative AI, particularly in animation. Our company operates a business involving outdoor vision displays, and we have actively launched services that bundle generative AI characters and content together with these displays.

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AI technology is evolving along with the industry’s growth

Cloud AI



- High costs and energy consumption
- Requires attention to privacy

edge AI



- Low cost and energy-efficient
- Enhances privacy protection

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Let me now explain one of our key strengths: edge AI.

On the left side, you see cloud AI, which refers to server-based services and is currently attracting significant global investment, particularly around existing models. This is certainly a fast-growing area. However, when it comes to applying video and image analysis in public spaces, cloud AI presents two major challenges: it requires large-scale infrastructure investment and raises significant privacy concerns. For example, sending facial or vehicle data captured in public spaces to a centralized server introduces high privacy risks.

On the other hand, as shown on the right, edge AI offers a compelling alternative. By placing a small GPU capable of running AI programs right next to surveillance cameras, we can process and convert video into data in real time—locally, without sending it to the cloud. This not only minimizes infrastructure investment but also significantly reduces privacy risks, making it more suitable for use in public environments.

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We have the capability to generate illustrations and animations inhouse, enhancing the quality of our services.

Photo Generation



Manga generation



AI-powered web page



Illustration generation for advertising



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Now, regarding generative AI—our initiatives in this area include generating photos, manga and anime-style illustrations, website and social media content, as well as user reviews. In addition, we also create illustrations tailored for advertising content.

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We provide a variety of our proprietary AI services.

Edge AI Camera



SaaS-based AI solution for supporting 1-on-1 meetings

1-on-1 support services to strengthen bonds



Large-scale LED screen for broadcasting advertisements



Connected and AI-enabled signage system for apartments



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Our company offers a variety of services, but currently we are focusing on four key areas.

The first is the edge AI camera, shown in the upper left. These cameras are deployed in public spaces to detect vehicle and pedestrian traffic. They are used in over 50 locations nationwide for purposes such as crime prevention, security, sales promotion, and urban planning through data-driven marketing.

The second area is media operations and the integration of generative AI. Leveraging our NeuralVision network, which distributes LED vision displays, we promote sales through outdoor advertising and generative content.

A similar initiative is “FOCUS CHANNEL,” a media advertising business that uses digital signage equipped with AI cameras. These signages have been installed in 450 high-rise and premium residential buildings, primarily in central Tokyo and the greater Kanto area. Each signage unit is equipped with an AI camera, which is connected to a network to gather viewership data and enable remote content delivery.

And finally, launched in March 2024, “KizunaNavi” is a SaaS-based AI service designed to support one-on-one meetings between managers and their team members within an organization. Through this service, we aim to promote human capital management and foster stronger workplace relationships.

Now, I’d like to introduce each of these services in more detail, one by one.

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Providing services for smart city development using AI cameras.



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.

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Our AI camera business has been a core focus since our founding, and over time, it has evolved into a well-structured service offering. Looking ahead, we aim to further expand its adoption across a broader range of applications in society.

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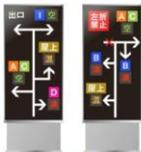
DigiPark is Recognized as an essential service for enhancing customer experience in commercial facilities.



As the leader in charge of open innovation, I am responsible for identifying on-site needs and introducing appropriate startups to meet those needs.

Tokyo Tatemono Co., Ltd.
New Business Development Department
Business Development Group, Section Chief
Mr. Furusawa

Is the effect of introducing DigiPark meeting expectations, and is it expected to continue delivering positive results in the future?



Yes, indeed. At shopping centers, customers often try to park as close as possible to the facilities, which can lead to congestion in certain areas of the parking lot. As a result, traffic flow within the parking area becomes uneven, causing congestion and other problems.

By introducing DigiPark, we have enabled incoming vehicles to move smoothly to vacant spaces. Thanks to the LED signage showing vacancy information, it has become easier for customers to see where spaces are available at a glance. We have received positive feedback that customers can now intuitively and quickly understand where to park.

Because DigiPark enables stress-free and smooth parking, we believe it contributes not only to a more pleasant shopping experience but also to increased sales by encouraging customers to start shopping in a better mood.



Above: LED signage image
Below: Parking guidance

Not only are you guiding customers, but you are also able to collect data on parking lot usage. What are your thoughts on how to utilize this data?



Above: Dashboard image
Below: Report screen image

Previously, parking lot conditions were understood based on intuition, without concrete data. Now that we can grasp the situation quantitatively, I believe it is extremely important. The DigiPark management dashboard allows us to instantly see the occupancy status by area and time. We plan to continue using this to compare current conditions against benchmarks and take action when necessary.

For example, if during events we notice a tendency for parking usage to differ from normal patterns, we can use the data to determine whether adjusting the patrol routes of staff responsible for customer guidance would improve operational efficiency. I believe having access to this kind of information will be a great advantage in making decisions.

Furthermore, rather than just using the data reactively after problems arise, I think that by constantly monitoring daily changes in parking usage, facilities can develop a habit of noticing new insights, leading to a positive cycle of continuous improvement.

These various services have received highly positive feedback from our clients, reflecting their strong satisfaction and trust in our offerings.

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Offering outdoor digital signage services across the country, powered by AI content generation and animation technology.

NeuralVision

Example: BiVi Vision Sendai, a large LED vision system at BiVi Sendai Station East Exit, an urban commercial facility adjacent to JR Sendai Station.



Our media reps partners



Our of Ads sponsors



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In addition, we hold the number one market share in domestic sales of LED vision displays. By leveraging this extensive network, our strong product capabilities, and our advanced AI technologies, we actively support marketing initiatives through outdoor vision-based advertising.

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NeuralVision



Neural Vision has received recognition and a letter of appreciation from the Miyagi Prefectural Police for its contributions to the community through large outdoor advertising displays.



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This is an example where we received a letter of appreciation from the Miyagi Prefectural Police. It reflects our commitment to supporting community-based initiatives. Alongside driving business growth, we place strong emphasis on contributing to society through our activities.

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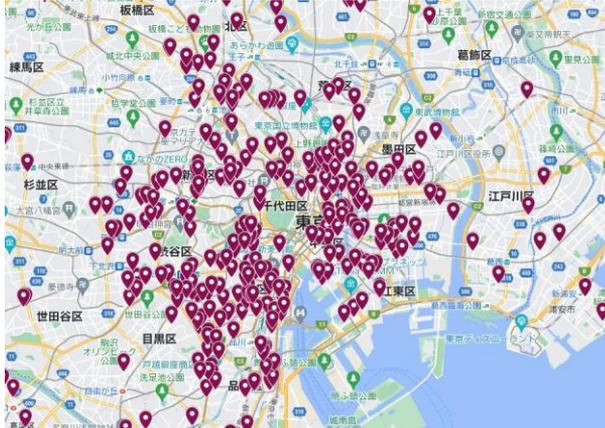
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We are operating "Focus Channel," a condominium signage media network that connects with over 200,000 affluent individuals.



Leading media provider for apartments



- Extensive daily impressions from residents.
- Strategically located in essential daily routes, delivering repeated exposure to all residents, with viewing analysis conducted by an integrated AI camera.
- Focused on high-grade condominiums where many affluent individuals reside.



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This is our residential signage service.

We have currently installed digital signage in 450 high-end residential buildings in central Tokyo. These signages are strategically placed in high-visibility areas such as building entrances and elevator halls—locations that naturally attract the attention of residents. Advertisements are displayed on these screens, and AI cameras monitor viewership data in real time.

By equipping the signage with AI cameras, we are able to identify viewer demographics and visualize advertising effectiveness. This data is then provided back to advertisers, allowing for more targeted and measurable marketing campaigns.

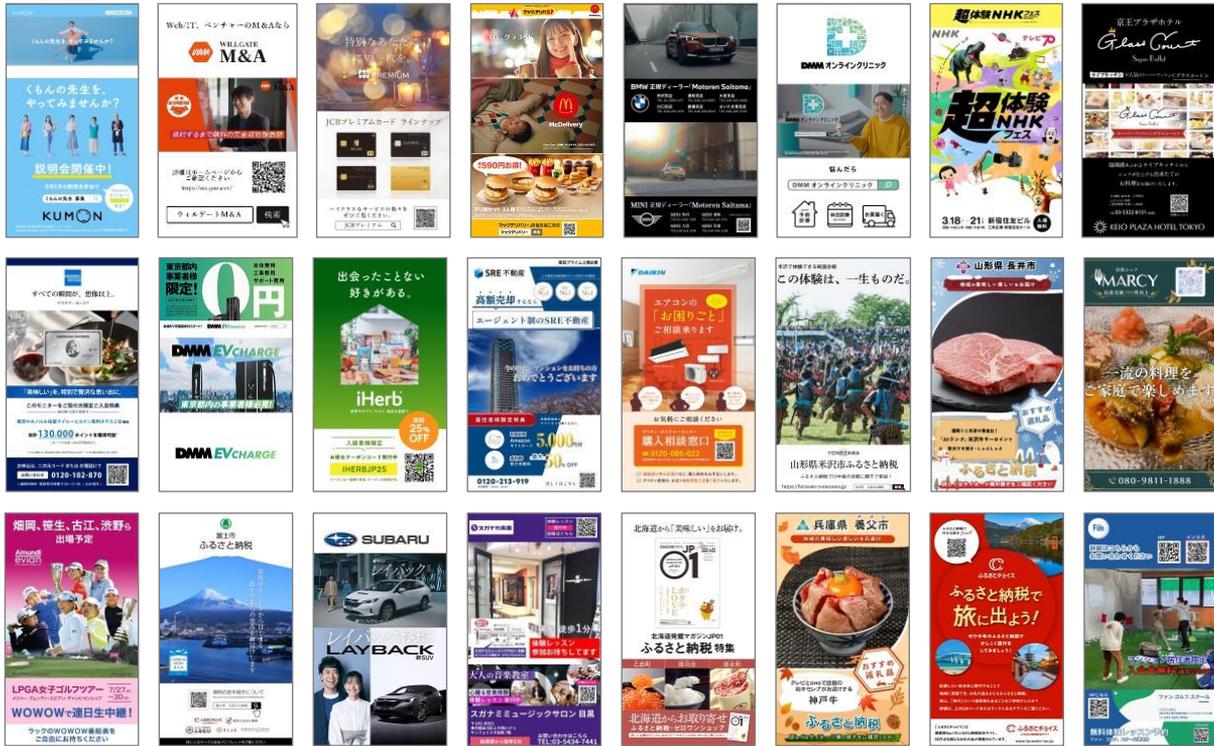
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Proven Track Record in Advertising- Showcasing a wide range of commercial products, from major corporations to local businesses.



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Our residential signage platform attracts a wide range of advertisers. These include not only nationally recognized brands with strong brand awareness but also local governments and regional businesses. By broadcasting advertisements for local specialties and municipal initiatives, we are actively using our signage network to support community engagement and regional revitalization efforts.

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Focus Channel is highly regarded for its precise delivery of information directly to consumers.



ふるさと本舗 Furusato Honpo Co.

We recognized the impact of targeting the affluent demographic. Compared to other advertisements, the cost per donation increased significantly.



株式会社 阪急阪神百貨店 Hankyu Hanshin Department Store, Inc.

Focus Channel helped us successfully expand our reputation in Tokyo by directly appealing to our target audience through regionspecific advertising.



WELLNESS MEDICAL CLINIC KACHIDOKI Actree Actree Kachidoki Wealth Medical Clinic

As a communitybased clinic, we advertise through Focus Channel to deliver information directly to local residents.

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We have received very positive feedback from our advertisers. Not only newer companies like Furusato Honpo, but also established businesses such as department stores and local clinics, are utilizing our platform. By featuring a diverse range of advertisers, we are supporting innovative marketing initiatives and helping various businesses expand their outreach.

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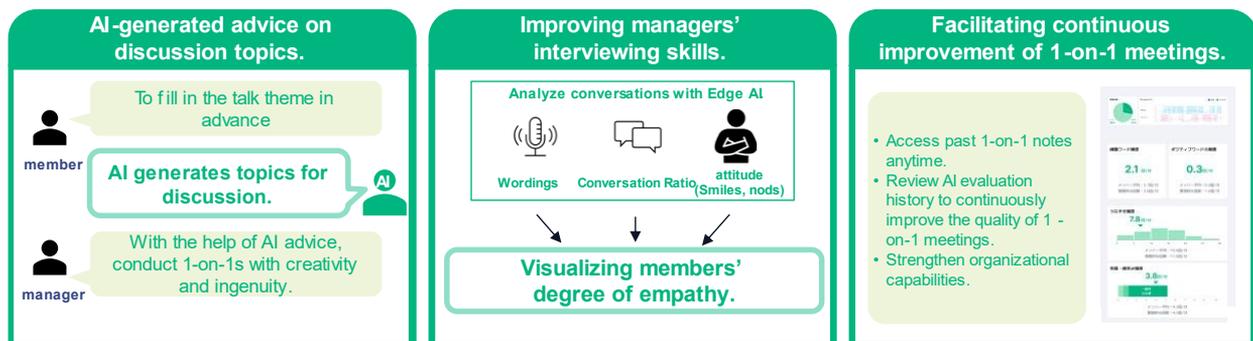
Providing 1-on-1 support services in collaboration with Sony to enhance employee well-being and accelerate their growth.

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.



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Lastly, let me introduce “KizunaNavi,” our SaaS system designed to support one-on-one meetings.

KizunaNavi is a SaaS platform we are co-developing with our business partner, Sony Corporation. In today’s environment, where strengthening human capital and addressing workforce mobility have become key themes, KizunaNavi serves as a tool to enhance communication within companies.

When employees conduct one-on-one meetings, they can launch KizunaNavi to record notes from the conversation and review topics discussed in previous meetings. Additionally, employees can set discussion topics in advance, and the AI will provide supervisors with suggested talking points to facilitate more meaningful conversations.

During the meeting, the AI system can monitor conversation dynamics—such as the balance of dialogue, facial expressions, and interaction patterns. It can identify positive communication traits, detect effective language that strengthens relationships, and flag any use of language that may be considered harassment.

By utilizing these AI-driven features, KizunaNavi provides summarized insights on one-on-one meetings, which can be shared with HR departments and management teams to help further strengthen the organization.

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As new ways of working become more widespread across society, improving engagement through 1-on-1s is becoming increasingly important.

Employee dissatisfaction with the workplace.

Workplace Dissatisfaction Ranking
— Survey of 500 Men and Women—

Dissatisfaction with the Workplace
(Unit: People)

Rank	Dissatisfaction	Number of People
1st	Poor human relationships and bad atmosphere	147
2nd	Low income	85
3rd	Dissatisfaction with working hours and days off	63

Changes in employee work ethic.

young employees

1. Greater motivation for **personal growth**
2. Stronger sense of **independence**
3. Increased demand for **flexibility**

mid-level employees

1. Gradual increase in **mid-career hires.**
2. **Reskilling** is becoming more important.

Challenges in improving **communication** and **work-life balance.**

1-on-1 communication is becoming increasingly important.

Biz Hitz Corporation [Rankings of workplace dissatisfaction] Survey of 500 men and women (May 2024)
Persol Research Institute [Employment and growth fixed-point survey of 10,000 workers] (August 2022)

The background behind this initiative is the significant increase in employee turnover in recent years. Compared to 30 years ago, the turnover rate has risen substantially, and lifetime employment has become far less common. Many employees who leave cite reasons such as poor workplace relationships, a negative atmosphere, excessively long working hours, or being required to work on holidays.

To address these issues, two solutions are crucial: first, promoting more active communication, and second, reducing time spent on unnecessary tasks. Improving efficiency in this way enables employees to enjoy proper rest periods and maintain a healthier work-life balance. Against this backdrop, one-on-one meetings have been increasingly adopted by companies.

The reason for this trend is that, particularly among younger employees, there is a growing focus on personal growth and development. Many want to rapidly build new skills rather than spending 30 years in a single company. They seek greater freedom and flexibility in their careers, aiming to continuously explore new opportunities. Additionally, with the rise of mid-career recruitment, even more experienced employees now have greater chances to pivot into new career paths.

While new opportunities are certainly available, reskilling becomes critically important when transitioning to a new workplace. How does reskilling happen? It often relies on learning directly from colleagues, and in order for that to be effective, strong communication is essential. In this context of major societal transformation, the importance of one-on-one meetings continues to grow, as they provide a vital platform for facilitating the communication and knowledge-sharing necessary for reskilling.

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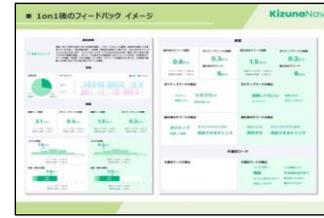
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Recognized as an essential service for driving the continued strengthening of organizational capabilities



Kokuyo Corporation
Corporate Planning Division
Innovation Center
OPEN LAB. group leader
Mr. Kohei Shimakura



Q: Please tell us about the background of your company's efforts to implement 1-on-1 meetings.

A: In 2023, we launched an initiative to improve management by enhancing the quality of communication within the company, aiming to improve labor productivity. To promote this, we felt it was necessary to establish a system that would allow communication to flow not just top-down but also bottom-up and horizontally. That's why we focused on implementing 1-on-1 meetings. Through 1-on-1 meetings, we expected to strengthen relationships between managers and team members, support employee growth, and promote career development, so we decided to introduce it.

Were there any challenges you noticed with 1-on-1 meetings before using KizunaNavi?

Honestly, 1-on-1 meetings were not functioning effectively. In some departments, the meetings were held just for formality without genuine engagement. We struggled to figure out how to ensure meaningful communication between managers and their teams.

What led you to decide to adopt KizunaNavi?

We were attracted to features like "allowing team members to submit talking points in advance" and "providing managers with advice based on those points." We felt that by structuring the system, 1-on-1 meetings could become more efficient and meaningful, leading us to adopt KizunaNavi.

Were there any features you found particularly helpful during implementation?

The feedback feature that is sent after 1-on-1 meetings was very useful! It made it easy to quickly act on discussions right after the meeting. Even those who were using KizunaNavi for the first time found it intuitive. Thanks to the feedback system, team members became more aware of the need for proactive change, and meetings naturally became more productive.

How did the introduction of KizunaNavi change your organization?

By encouraging proactive efforts toward 1-on-1 meetings, members' initiative and the quality of manager-subordinate relationships clearly improved! Before implementing KizunaNavi, we conducted a survey to measure the effectiveness of our 1-on-1 efforts. About 90% of respondents indicated that KizunaNavi helped them engage more meaningfully in 1-on-1s. Managers reported a 1.5x improvement in the ease of progressing discussions and a 1.2x increase in members' perceived ownership over their work. Over 80% of departments reported improved manager responsiveness and better relationships.

What are your expectations for KizunaNavi in the future?

KizunaNavi's ability to collect and analyze various types of data is very powerful. For example, by linking with HR systems, it could offer new insights, such as correlations between engagement scores and performance. We also hope that even as remote work becomes more normalized, KizunaNavi will help support real-time team management, including in hybrid work environments.

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This is an example from KOKUYO Co., Ltd. They have expressed strong appreciation for KizunaNavi, noting that as Japan's traditional lifetime employment model shifts toward a more dynamic, Western-style approach to working, they strongly felt the need to fundamentally transform their way of working. KizunaNavi has been well received as a tool to support this transition.

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



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Currently, our company has built the capability to consistently generate annual revenue of around 3.5 billion yen. At this point, our services are being used across approximately 12,000 locations nationwide.

One of our key strengths is the wide variety of use cases we support. Our services are utilized in many areas of daily life, including marketing initiatives at commercial facilities, logistics centers, retail stores, residential buildings, and office complexes—primarily in the private sector.

As we move further down the list, our presence expands into highly public sectors such as post offices, parks, roadside stations, municipal offices, and police departments. We see a significant number of applications in these public domains as well.

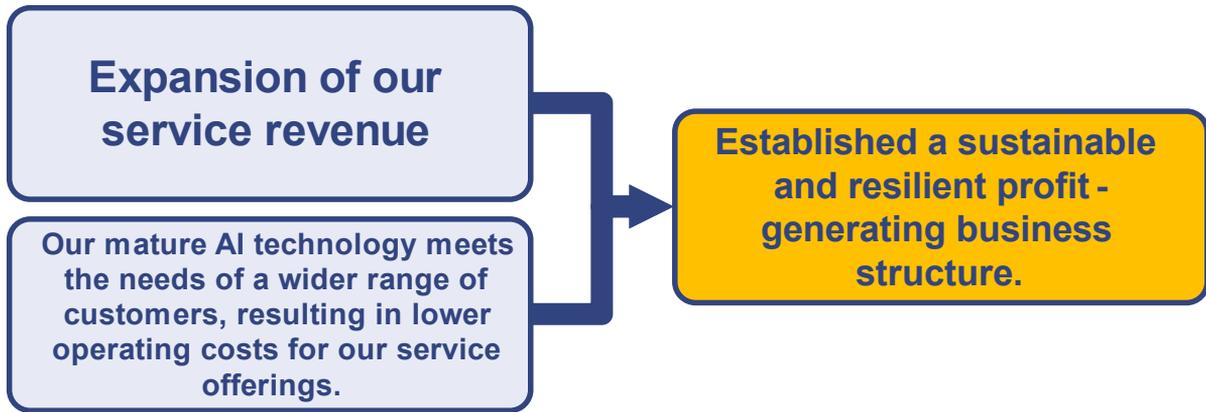
In this way, we believe we are a uniquely positioned AI company among startups, given our ability to serve both private and public sector needs.

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In FY2024, we successfully established a sustainable and resilient profit generating business structure.



- In the fiscal year ending December 2024, while driving the expansion of service sales, we also successfully optimized service delivery costs across all areas—sales, development, and operations— necessary for the broader deployment of our proprietary AI services.
- As a result, we have successfully monetized our proprietary AI service sales. Furthermore, we have established a scalable business model in which sales growth is directly linked to revenue growth, paving the way for further expansion in the future.

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Now, I would like to explain our business performance for fiscal year 2024.

As mentioned at the beginning, by expanding our service revenue and improving the operational efficiency of our AI technology infrastructure, we successfully transitioned to a profitable business structure.

The details are outlined below, but in short, while we expanded our service sales, we simultaneously ensured that costs did not increase proportionally as our proprietary AI services scaled. As a result, profitability improved significantly. Through this, we have built a business model designed to further enhance profitability as we continue to grow and scale in the future.

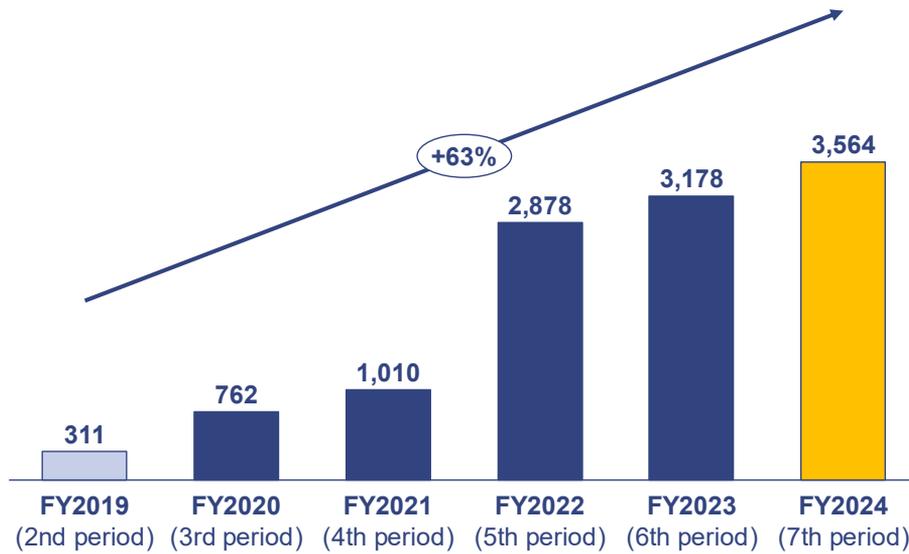
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Historical revenue performance

(JPY Millions)



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Our revenue for the fiscal year reached 3.564 billion yen. Since the second fiscal year, when we began disclosing financial information, we have maintained an average annual growth rate of approximately 63%.

In the past two to three years, our growth has stabilized somewhat, and we have presented a similarly moderate growth forecast for fiscal year 2025. However, we are committed to putting in every effort to transition from this stable trajectory back onto a stronger growth path moving forward.

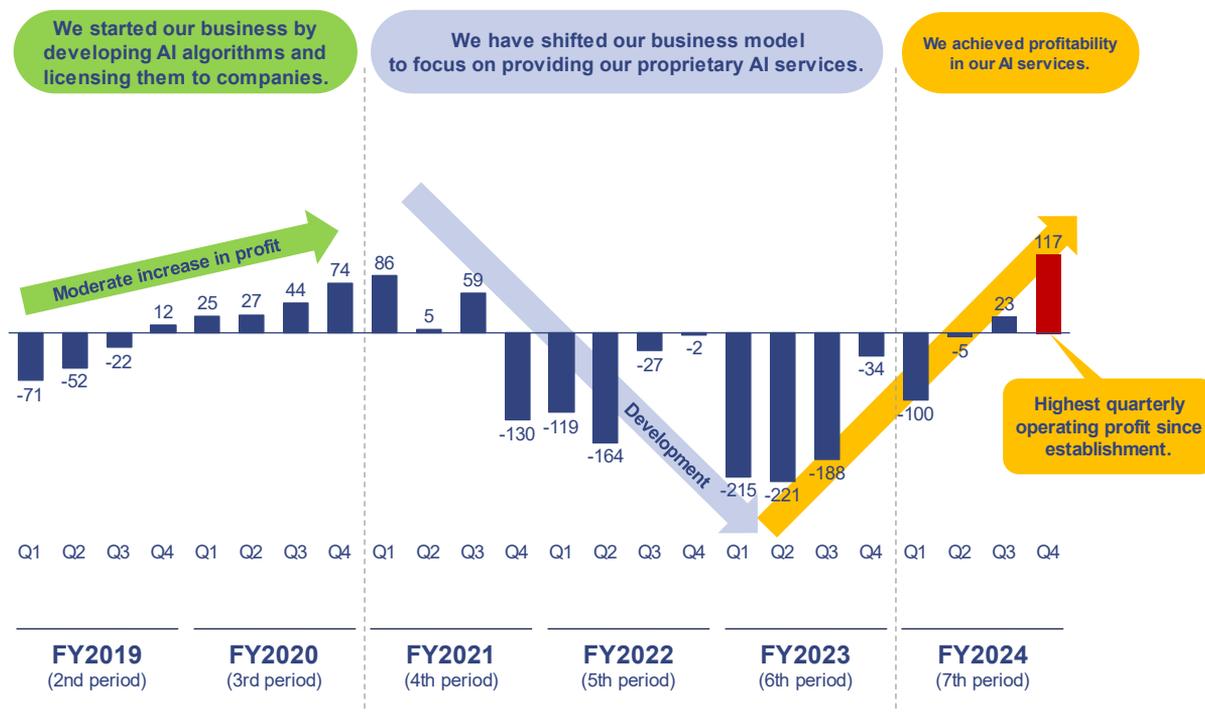
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Evolution of our business models and quarterly operating profit track record.

(JPY Millions)



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Looking at our operating profit, you can better understand the activities we have undertaken over the past two to three years.

On the far left, you see the green section representing AI license sales, which was the core business model at the time of our IPO during our third fiscal year. This AI licensing business required us to proportionally increase the number of engineers and sales staff as revenue grew. As a result, while revenue and profit grew, they did so in a linear, proportional manner, making it difficult to achieve exponential growth.

Recognizing this, over the past two to three years, we have been shifting our focus toward the sale of proprietary services. During this period, we invested heavily in building new services and developing the AI backend infrastructure.

While we operated at a loss for approximately three years due to these foundational investments, our efforts bore fruit in fiscal year 2023. From there, both revenue and profit began to increase, leading to a successful return to profitability in fiscal year 2024. This marked a major milestone: the successful monetization of our service-based business model.

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Consolidated financial results for the FY ended December 31, 2024

(JPY Millions)	FY2023 Actual	FY2024 Actual	Increase/ Decrease	Change in Percentage
Revenue	3,178	3,564	+386	+12.2%
EBITDA	-490	187	+677	-
Percentage of revenue	-	5.2%		
Operating profit	-658	35	+694	-
Percentage of revenue	-	1.0%		
Ordinary income	-686	11	+698	-
Percentage of revenue	-	0.3%		
Net income	-650	-60	+589	-
Percentage of revenue	-	-		

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Against revenue of 3.56 billion yen, we recorded an EBITDA of 187 million yen, which you can consider to be roughly equivalent to operating cash flow. Operating profit was 35 million yen, ordinary profit was 11 million yen, and we posted a net loss of 91 million yen.

The difference between operating profit and net loss is almost entirely attributable to taxes. Thus, in terms of core business performance, we successfully built the capability to generate 35 million yen in operating profit.

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We achieved all of our business targets for the fiscal year ending December 31, 2024.

Quote from the “FY23 Financial Results Briefing Materials”



Successfully achieved the key performance targets set forth in the budget announced at the start of the year

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Regarding the differences between our fiscal year 2024 full-year results and the business targets we announced last year, I am pleased to report that we essentially achieved all of our stated goals.

First, we had set a target of achieving full-year operating profitability. We reached this with an operating profit of 35 million yen for the year.

Second, we aimed to achieve quarterly operating profitability starting from the third quarter. We successfully posted operating profits in both the third and fourth quarters.

Third, we targeted an operating profit margin of around 10% in the fourth quarter. We exceeded this goal, achieving a margin of 11.8%.

Finally, regarding the goal of achieving net profitability within a quarter, we recorded a net profit of 62 million yen in the fourth quarter.

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Consolidated financial results for the FY ended December 31, 2024

(JPY Millions)	FY2024 Forecast	FY2024 Actual	Increase/ Decrease	Change in Percentage
Revenue	3,700	3,564	-135	-3.7
EBITDA	180	187	+7	+4.1%
Percentage of revenue	4.9%	5.2%		
Operating profit	30	35	+5	+18.5%
Percentage of revenue	0.8%	1.0%		
Ordinary income	0	11	+11	-
Percentage of revenue	-	0.3%		
Net income	-120	-60	+59	-
Percentage of revenue	-	-		

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This slide shows the comparison between our actual results and our earnings forecast.

We released a timely disclosure today, which was a somewhat technical matter—primarily because our ordinary profit exceeded the forecast threshold that required an upward revision. However, overall, results were very much in line with expectations, and we did not experience any significant upside or downside deviations.

Operating profit exceeded the forecast by approximately 5 million yen, ordinary profit by 11 million yen, and net profit by 28 million yen.

As for the reasons behind these differences: For ordinary profit, as disclosed, in addition to the roughly 5 million yen increase in operating profit, a slight reduction in interest expenses—due to partial repayment of borrowings—also contributed to the slight outperformance.

Regarding net profit, the main factor was tax effects. We had originally forecast substantial tax payments for the year, but actual tax payments were lower than expected, resulting in a smaller net loss. We believe these differences did not have a significant impact on our overall business operations.

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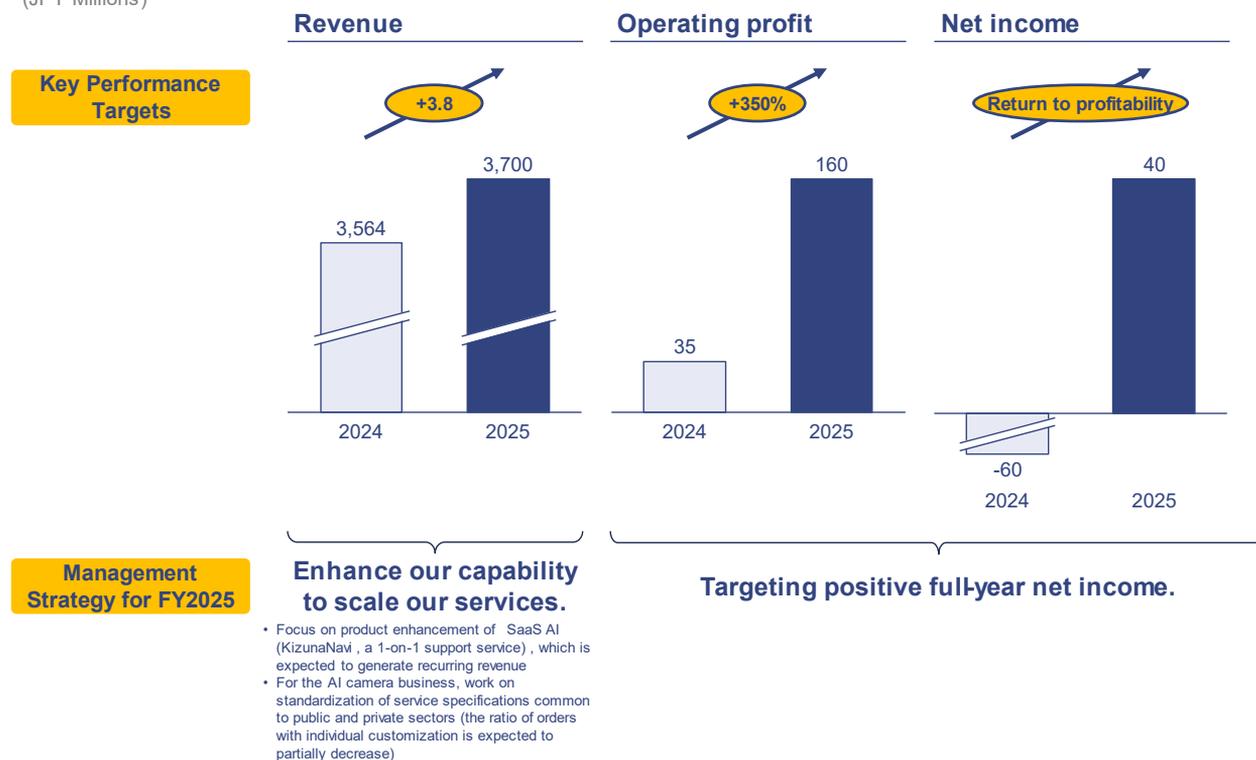
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Business Plan for FY2025 – We aim to increase revenue while achieving full-year net income.

(JPY Millions)



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This is our business plan for fiscal year 2025.

Revenue is projected to grow by 3.8%. While the overall increase in sales may seem modest, behind the scenes, we intend to further strengthen our profitability and business model. From a business standpoint, we are planning various initiatives to achieve this.

As noted under "Strengthening Service Scalability," our focus will be on increasing recurring revenue streams. To support this, we will emphasize the development of SaaS-based AI services, with KizunaNavi being a key example.

Additionally, while our AI cameras have been widely adopted across different locations, the needs of municipalities and commercial facilities have varied slightly. Until now, we have engaged in a considerable amount of customization to meet these specific needs. However, starting next year, we plan to move toward greater service standardization. This means taking a leadership role in defining service specifications for the industry, rather than accepting highly customized, one-off orders that do not align with broader market demand.

Through this selective approach, while the top-line sales growth may be somewhat limited, we believe we can significantly enhance the scalability and profitability of the business.

In terms of operating profit, we are projecting approximately 350% growth—around a 4.5 times increase compared to the previous year.

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As for net profit, while there were temporary tax effects last year, those are expected to normalize. With the expected increase in operating profit, we forecast substantial improvement in net income as well.



Consolidated Full-Year Earnings Forecast for the Year Ending December 31, 2025

(JPY Millions)	FY2024 Actual	FY2025 forecast	Increase/ Decrease	Change in Percentage
Revenue	3,564	3,700	+135	+3.8
EBITDA	187	300	+112	+60.1%
Percentage of revenue	5.2%	8.1%		
Operating profit	35	160	+124	+350.0%
Percentage of revenue	1.0%	4.3%		
Ordinary income	11	140	+128	-
Percentage of revenue	0.3%	3.8%		
Net income	-60	40	+100	-
Percentage of revenue	-	1.1%		

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This brings us to the summary.

Against projected revenue of 3.7 billion yen, we are targeting an EBITDA of 300 million yen, operating profit of 160 million yen, ordinary profit of 140 million yen, and net profit of 40 million yen. In all aspects, we aim to achieve both revenue and profit growth.

That concludes my presentation.

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Question & Answer

Moderator [M]: We are now moving onto the question-and-answer session. Shigematsu, Chief Executive Officer, and Kisaka, Director and Chief Financial Officer, will answer your questions.

Please state your affiliation and name before your question. We will limit the number of questions to two per person.

Well then, Mr. Iwamoto from Iwamoto. Please go ahead.

Iwamoto [Q]: This is Iwamoto from TIW. I have one major question.

Regarding the outlook for this fiscal year, I am concerned about the relatively modest sales growth forecast of around 4%. My question is aimed at better understanding the underlying factors behind this figure.

While you mentioned factors such as the shift away from custom orders, I would like to confirm whether there are any sales-side constraints or any specific reasons causing this slower growth trajectory.

Additionally, when looking at your revenue breakdown by service line, I would like to understand what areas are expected to drive growth this fiscal year. For example, will KizunaNavi play a significant role in pushing revenue upward? Please help us understand, either using the current slide or any other structure, which specific services will act as growth drivers for this fiscal year.

Shigematsu [A]: Thank you for your question.

As I mentioned earlier, we intend to focus on growing the four core services introduced today. In the third quarter, we previously presented about seven or eight service areas, but at that time, we mentioned that we would prioritize and streamline our focus. For areas that we did not highlight today, we have scaled back budget allocations. Conversely, the services we presented today—such as activities involving generative AI and outdoor media, as well as urban development initiatives using edge AI cameras—are areas where we plan to drive significant growth, particularly where we have shared common market understanding.

From our side, the initial annual budget figures are intentionally conservative. Therefore, while the projected sales growth may appear modest, we are confident in our focus areas. As the fiscal year progresses and actual figures become more solid, we will consider disclosing more details on which services are showing strong performance.

For now, however, we plan to move forward based on the current level of disclosure.

Iwamoto [Q]: Thank you very much. Just to confirm one point: Is it correct to understand that, aside from the four core services you mentioned, there are no special constraints or extraordinary conditions affecting the other areas this fiscal year?

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Shigematsu [A]: No, there are absolutely no special constraints.

On the contrary, now that we have returned to profitability, we recognize that having annual revenue in the 3 to 4 billion yen range is still too small. I personally feel very strongly that scaling the business model is a key trend in today's AI industry. As an AI company, one of our strengths is our ability to create and sell a wide variety of services. However, we also believe that being too scattered in our efforts would not be beneficial.

Going forward, it is important for us to focus our efforts on services that have the potential to grow two, three, or even ten times larger, rather than trying to do everything at once. While pushing everything equally might result in slightly higher sales and profits in the short term, our policy—reflected in this year's budget plan—is to concentrate resources strategically on areas where we expect strong future growth.

Iwamoto [M]: Thank you very much. I now have a clear understanding. If I may say so, I find your focus on visualizing urban spaces and enhancing information dissemination very promising. Thank you again.

Moderator [M]: Thank you. Does anyone have any other questions? Since there are no additional questions, this concludes the question-and-answer session.

Thank you for joining us today for Neural Group's financial results briefing for the fiscal year ending December 31, 2024. We will now end the meeting.

[END]

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