# Financial Results Briefing Material FY2022 Q3 (ended Sep 30th, 2022)

Neural Pocket Inc.
Nov 11th, 2022

Translation of original Japanese version

# Key highlights for FY2022 Q3 (ended Sep.)

Net sales
+141% growth
Q1-Q3 cumulative net sales YoY growth

Quarterly financials
turned Black
EBITDA & Net Income

Overseas expansion
Launched smart city biz in SE Asia with Thailand entry

Post M&A
Synergy creation
Continued growth of Neural Marketing post Feb. acquisition

- **AI Industry Trend and Company Advantage**

- FY2022 Q3 Highlights

- Service Progress

AI industry is expected to grow to an overwhelming market size compared to other growth areas

Global market size comparison

(Billion USD)
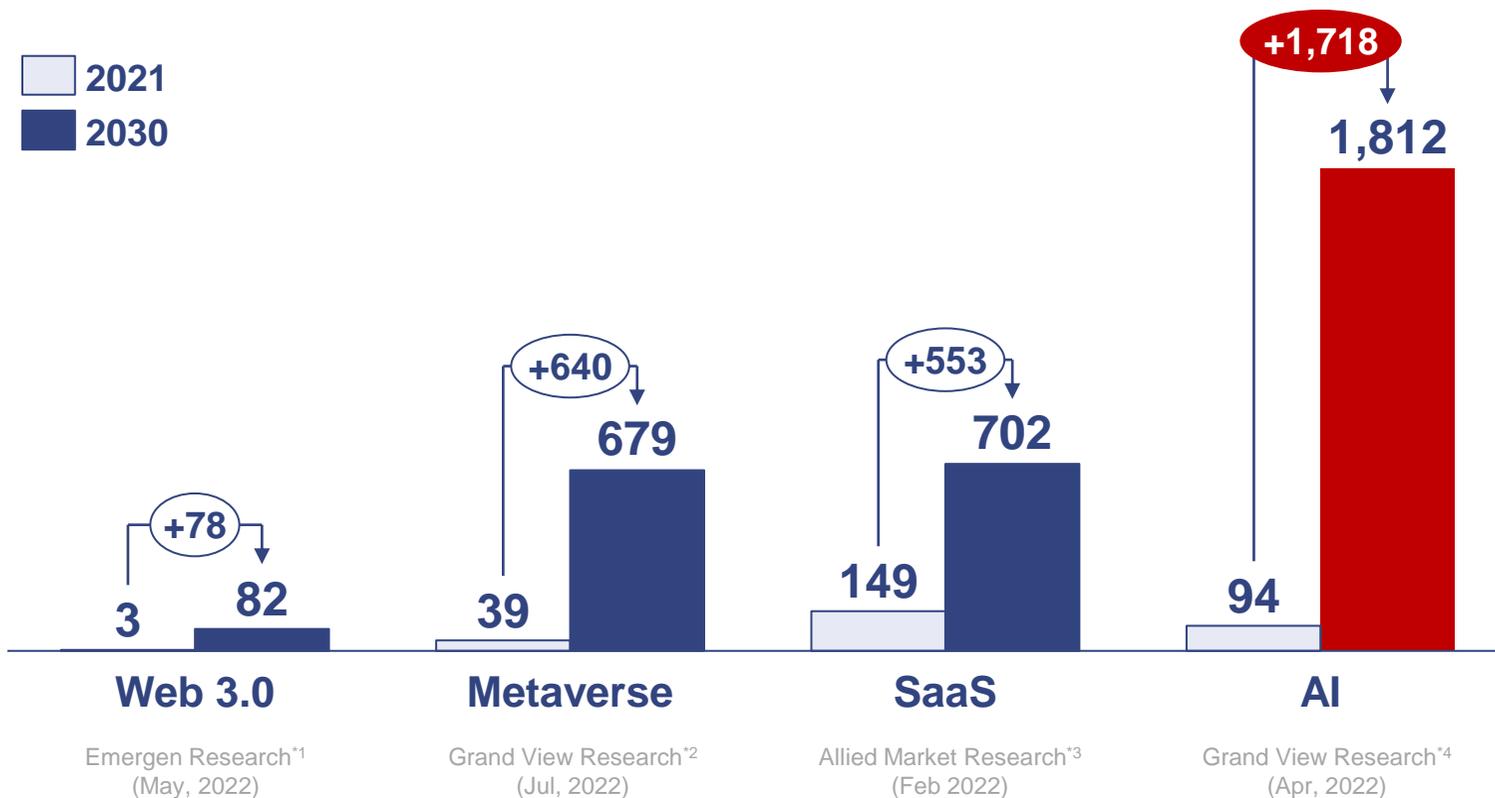
- 2021
- 2030

Web 3.0 +78 — 3 → 82
Emergen Research[1] (May, 2022)

Metaverse +640 — 39 → 679
Grand View Research[2] (Jul, 2022)

SaaS +553 — 149 → 702
Allied Market Research[3] (Feb 2022)

AI +1,718 — 94 → 1,812
Grand View Research[4] (Apr, 2022)

The AI industry is shifting from selling "AI tech itself" to selling "AI-enabled services"

AI tech provider : Selling AI itself

- Project commission from clients
- AI tech experiments
- Sales of AI licenses
- Revenue share

Catering to the needs of individual companies, providing customized technology

Our company's focus

AI service provider : AI-enabled services

- Various AI tech
- 100% standard accuracy
- 24/ 365 operations
- Expansion of use cases
- Data versatility
- Easy installation and pricing
- Security and privacy
- Customer satisfaction

Scaling of AI services that address society's pain points

- High AI accuracy and quality are prerequisites
- AI engines utilized for long-term actual operations with reliability
- Services are used by consumers daily and unconsciously

AI technology is evolving along with the industry's growth

Cloud AI
Conventional approach

AI analysis in a large cloud server

Large scale cloud server

Send and receive large amounts of video and data over the network

Shift

Edge AI
Our approach

→ Original data (video, etc.) before AI analysis

----→ Metadata after AI analysis (text data)

Real-time marketing and security data

Small scale cloud server

Only small amounts of processed data are sent as needed

IC   IC   IC   IC
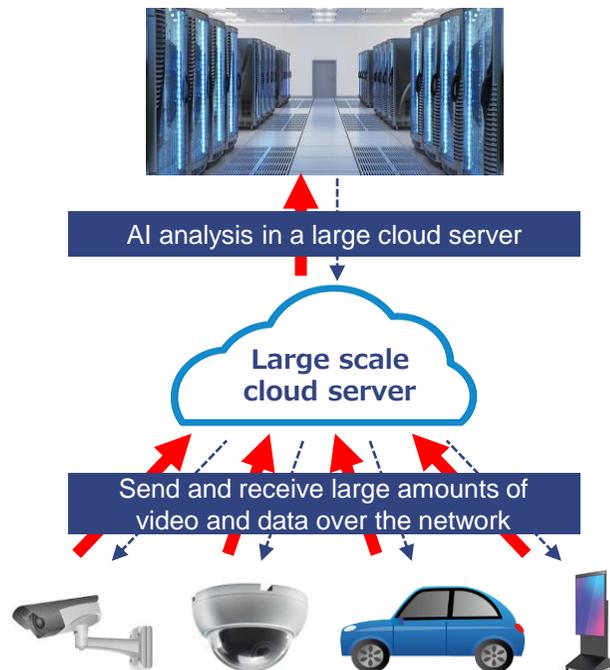
- **High costs** (Communication and maintenance)
- **High latency** (High network load)
- **High electricity consumption**

Shift
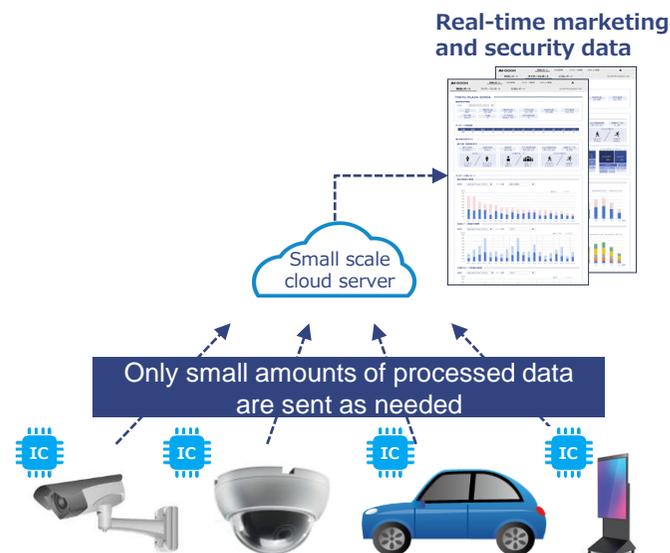
- **Low costs**
- **Low latency**
- **Green/ low electricity consumption**

Also greatly contributes to privacy protection

Adoption of edge AI technology is accelerating at many global leading companies

NVIDIA

NVIDIA DRIVE AGX Xavier

Accelerate development of edge devices for autonomous driving to achieve low latency and safety unaffected by the communication environment.

arm

Ethos NPU series, Edge-oriented chips specializing in deep learning to achieve high-speed inference with low power consumption.
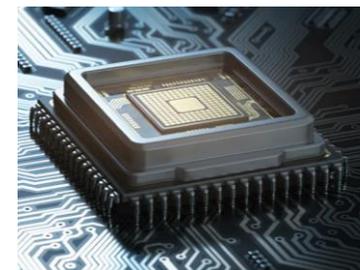
Meta

Many research results of edge AI for low latency processing of metaverse equipment.

Apple

Acquired XNOR.ai, a company with technology for high-speed AI execution on edge devices, for USD 200 million.

Google
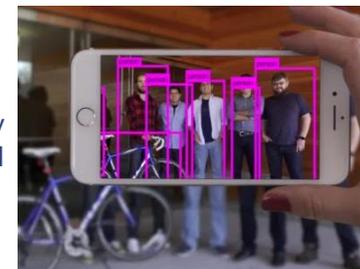
Dedicated Edge AI chips are standard in smartphones, and their performance is advancing every year.

SONY

Practical application of image sensor-integrated edge AI chip for real-time image recognition and metadata conversion.

画素チップ

ロジックチップ

AI

Source: Respective company's webpage and company research.
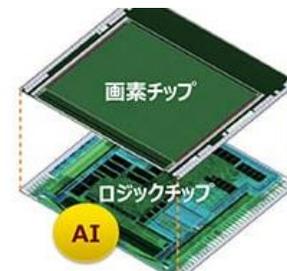
Edge processing is rapidly expanding

Total data processed at the edge vs in the cloud[1][2]
Through 2018 to 2025

Growth forecast
Through 2018 to 2025
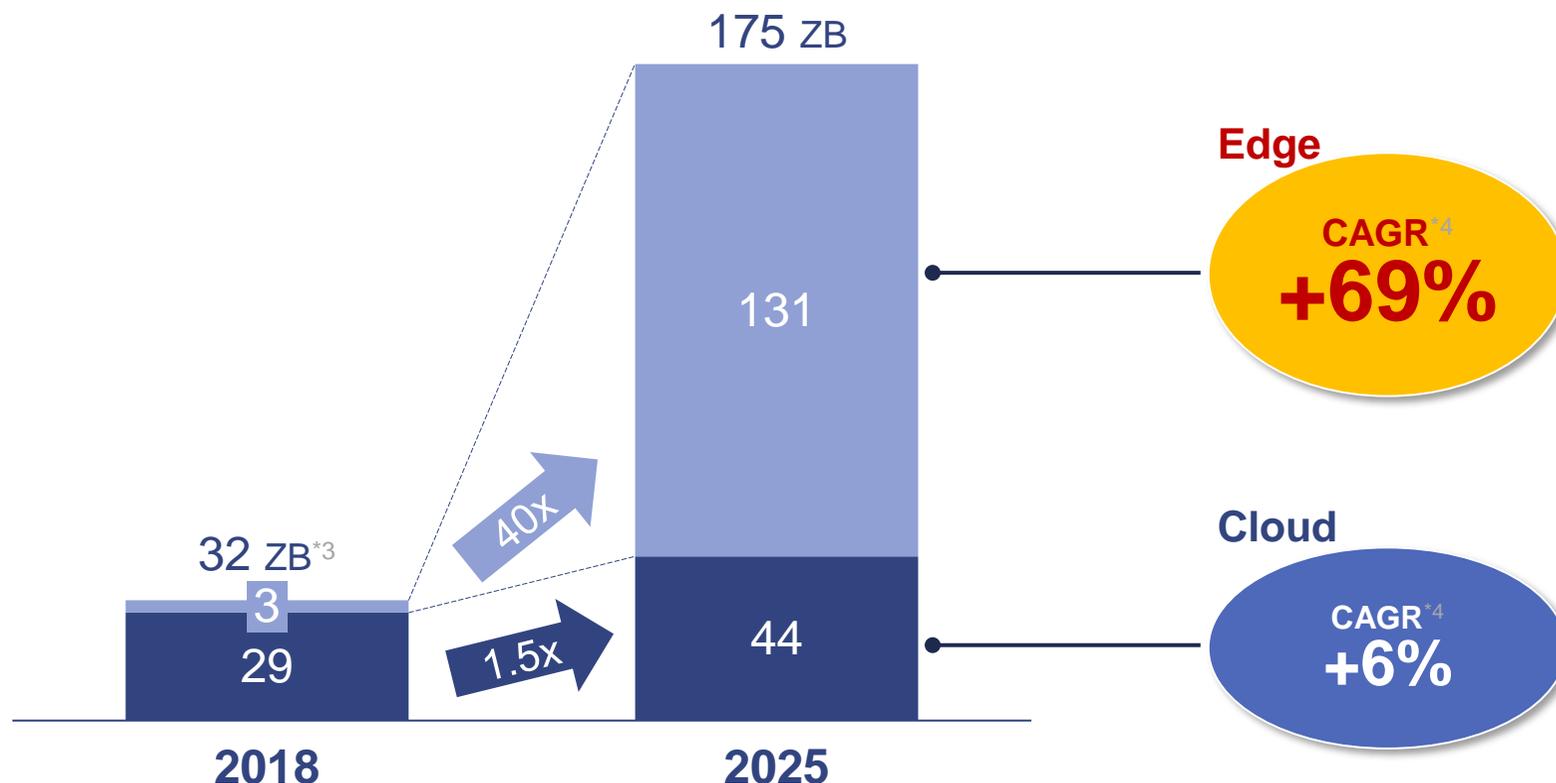
175 ZB

131

32 ZB[3]

3

40x

29

1.5x

44

2018

2025

Edge

CAGR[4]
+69%

Cloud

CAGR[4]
+6%

We enable smart cities with edge AI – Our edge AI platform allows for the circulation and utilization of data in physical spaces

Edge AI platform to manage smart cities

Neural Platform™

AI technology

Edge technology

Privacy protection

Smart City that Neural Pocket envisions

Data circulating through society

Immediate parking, enjoy consumption

No restraints, safe to go out

Flowing roads, digital roads

Data-based government services

Monitoring intrusions, enabling quick rescue

Secured telecommuting

Presenting new lifestyles in luxury residents

Discovering fun through outdoor signages

Exciting fashion information

Reliable information to evacuees

Visualizing the city's "now" online

Automated ad distribution by AI

Smart city we are creating: 1

Smart city we are creating: 2

Eliminating waiting time

Data analysis using AI technology allowing for fun and peace of mind

Encountering information

Information delivery customized to local regions and individuals, with AI-enabled viewer behavior analysis and automatic distribution

Neural Platform is a comprehensive environment to facilitate AI software development and day-to-day operations

Neural Platform™

Functions		Image and overview		Functions		Image and overview	
Service, application building features	**AI service mgnm't**		▪ Manage and provide AI services (AI models), such as people flow analysis and vehicle analysis, with a smartphone app store approach ▪ Services can be easily uploaded as developers updates the AI program	**Edge Equipment Operatio-nal Functions**	**Equipment mngm't, alive monitoring**		▪ Real-time management of operational (alive/ dead) status of edge devices ▪ Operational status and error logs of AI services in each device managed
	AI dev. environ.		▪ Development environment for internal and external developers to conduct AI dev. (annotation, model selection, training etc.) ▪ Application dev. environment to run on various edge devices and apps, as well as smartphones		**Remote Automatic Update**		▪ Automatic transmission and update of AI services/ models and content (text, photos, video, audio, etc.) via LTE network ▪ Content playback programs and program listings updated via network
Content application functions	**Content play and display (CMS)**		▪ Programs to play content (text, photos, video, audio, etc.) essential to AI services ▪ Information communicated in real time through LTE network to and from edge devices.		**Security ware**		▪ Prevent attacks on edge devices by diagnosing security vulnerabilities for h/w and s/w ▪ Encrypt data and communications and monitors attacks ▪ Automatic video deletion for privacy protection
	Data analysis		▪ Stores data sent from edge devices and analyzes data to influence people's behavior. ▪ Various display formats, enabling data analysis to be conveniently performed on a web browser.				

Neural Pocket possesses proprietary AI libraries/ technologies to enable the AI-ization of society and smart cities

People attribute analysis

Gender/ age estimation

Facial recognition
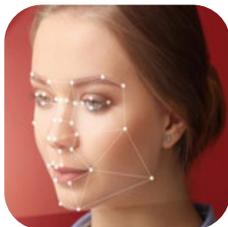
Line-of-sight detection

Fashion analysis

People emotion and thought analysis

Facial expression, emotion analysis

Voice/ emotion analysis

Natural language processing

People movement and behavior analysis

Congestion analysis

Vacancy detection
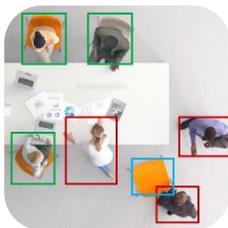
Safe monitoring

Intrusion detection crime prevention

Vehicle analysis
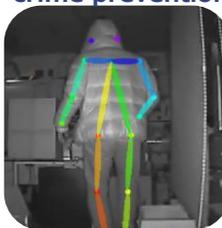
Traffic analysis

Parking occupancy

License plate detection

Technologies related to social implementation of AI

Edge AI

Edge security

Ad delivery optimization

AI-enabled product recommendation

Data analytics

Digital signage integration

Mobile app integration

Our AI libraries operate on a variety of technical standards, where we contribute as an Edge AI Platformer

Examples of edge devices running our edge AI

Processor	NVIDIA JETSON Xavier NX	NVIDIA JETSON Nano	NVIDIA JETSON TX2
OS	Linux	Linux	Linux
Language	python Rust	python Rust	python

|			
Processor	intel arm	QUALCOMM	QUALCOMM
OS	Linux	iOS android	Linux
Language	python	Swift Java	python

As business models in the AI industry diversify, we have established our position as an edge AI platformer

Business model

AI service provider

Selling AI-enabled services

Scaling service

AI tech provider

Selling "AI tech itself"
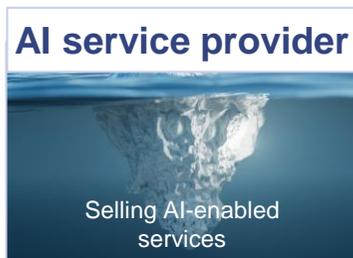
Individually customized

	Cloud AI Service	**Edge AI Platformer** Neural Pocket
	Commissioned AI Development	Commissioned Edge AI Development
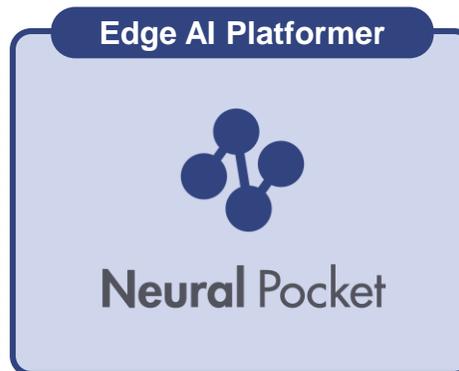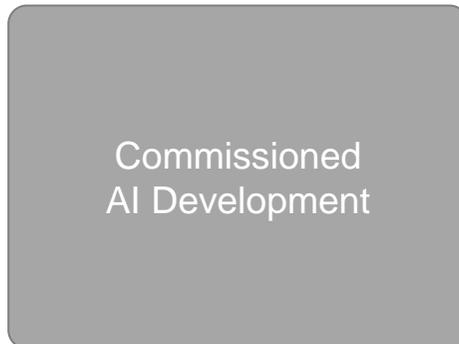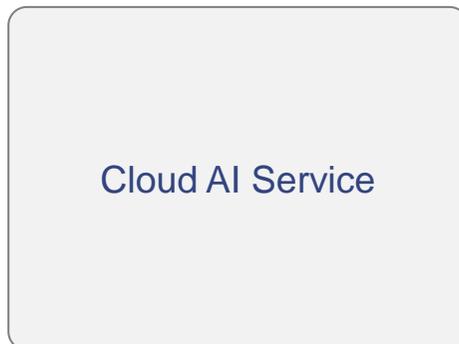
AI analysis technology

☁ **Cloud processing**   ▭ **Edge processing**

CAGR
+6%

CAGR
+69%

In the rapidly growing edge AI market, we have been accelerating growth since inception

Company growth strategy and expansion progress

Net sales
M JPY

Fashion Analysis AIMD launch
Aug 2018

Edge AI development launch
Jul 2018

AI digital signage development launch
May 2019

Parking mobility solution DigiPark development launch
Aug 2020

WFH security solution RemoDesk introduction
2020/10

Public listing (IPO)
2020/8

Established Neural Engineering Inc.
Neural Engineering
Nov 2021

M&A Leading apartment signage Media Focus Channel Inc.
Nov 2021

Focus Channel Inc., NETTEN Inc. consolidation
Neural Marketing
Sep 2022

Edge AI platform, Neural Platform announcement
Neural Platform
Aug 2022

M&A LED signage NETTEN Inc.
NETTEN
Feb 2022

| 1st term FY2018 | 2nd term FY2019 | 3rd term FY2020 | 4th term FY2021 | 5th term FY2022 (forecast) |

Track record

Annual growth rate since company founding

+170%
60M→3,200M JPY

**Business scale expansion (in two years post IPO)**

4.2x
762M→3,200M JPY

"Smart city-related" AI services is both the largest and the fastest growing segment at SenseTime, the world's largest AI company

The use of AI as a platform and utilization in Smart Cities is driving company-wide growth

sensetime

☐ 2020
■ 2021

(million RMB)

	Smart City	Smart Business	Smart Life	Smart Auto
Growth	+57%	+32%	-4%	+16%
2020	1,369	1,485	434	158
2021	2,143	1,958	415	184

Smart City
Building an urban **management platform** to realize **smart cities** and solve social issues

Smart Business
Software development related to state-of-the-art video analysis and autonomous robots

Smart Life
Software development for navigation and entertainment using VR/AR/MR technology

Smart Auto
Development of autonomous driving and advanced driver assistance systems

Source: SenseTime 2021 Annual Report (released April 28, 2022) and SenseTime, Inc. website.

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AI platforms expected to emerge from Asia, where the development of smart cities are most rapid

Smart Cities Market - Growth Rate by Region (2019 - 2024)

U.S. companies are hesitant towards the usage of AI in physical spaces

IBM — Withdrawal from face recognition business (Jun, 2020)

amazon — Sales of facial recognition tech. to police stopped (Jun, 2020)

Meta — Shut down facial recognition function (Nov, 2021)

Google — Facial recognition on Pixel 6 Pro postponed (Apr, 2022)

Microsoft — Discontinued emotion analysis tech and limited use of facial recognition. (Jun, 2022)

In Japan, legislation for AI utilization and it's implementation is in progress

Development of AI laws

総務省

経済産業省

Neural Platform™

Introducing AI to urban development

Asia expansion

High growth white space

Regional Growth Rates
- High
- Mid
- Low

Source: Mordor Intelligence

- AI Industry Trend and Company Advantage
- **FY2022 Q3 Highlights**
- Service Progress

Highlights for FY2022 Q3 (ended Sep.) – Continued growth and overseas expansion

Growth
Evolving business model whilst rapidly growing topline

Net sales growth

+141%

Q1-Q3 cumulative YoY

Profitability
Sustained high gross margins allow for strong future profitability

Gross profit margin

68%

Q1-Q3 cumulative

Sales Force
AI startup with large **80+** sales staff

Group employees[1]

180 (+134)

( ): versus last year

Overseas
Accelerate business in SE Asia, where green field dev. is thriving

Incorporation in Bangkok, Thailand

Technology
Tech dev. by engineers from 7 countries with strength in edge AI

# of patents[2]

29 (+3)

( ): versus last year

[1] As of Sep 30, 2022. Excludes executives (Full-time board directors, auditors, executive officers), part-time employees, subcontractors, interns. Includes full-time employees from subsidiaries, Neural Engineering Inc. and Neural Marketing Inc.
[2] Total of i) granted 16, ii) applying domestically 9, and iii) applying internationally 4. As of Sep 30th, 2022.

Established Thai subsidiary aiming to participate in green field type development popular across Southeast Asia

Neural Pocket Thailand (Bangkok office) and CRC Tower where the base is located

Company name	**Neural Group (Thailand) Co., Ltd.**
Representative	Kazuma TAKENAKA, CEO/ Managing Director
Location	36th Floor, Office number 11, CRC Tower, All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok, Thailand 10330
Established	November 2022
Ownership	Neural Pocket Inc. 100%
Background	Based on our track record of providing unique AI services to realize smart cities in Japan, we aim to expand our business in Thailand and other SE Asian countries. Particularly in SE Asia, "green field" type developments, in which new cities are built on a vast scale, are popular, and the company aims to participate in large-scale development projects.

Vast infrastructure investment expected in Thailand and SE Asia

Urban dev. across ASEAN

Urban population growth (over the past 10yrs)[1]

(millions)

60.1x

Japan: 0.97
ASEAN: 58.50

Urban development market size (over the past 10yrs)[1]

(trillion dollars)

3.9x

Japan: 2.47
ASEAN: 9.55
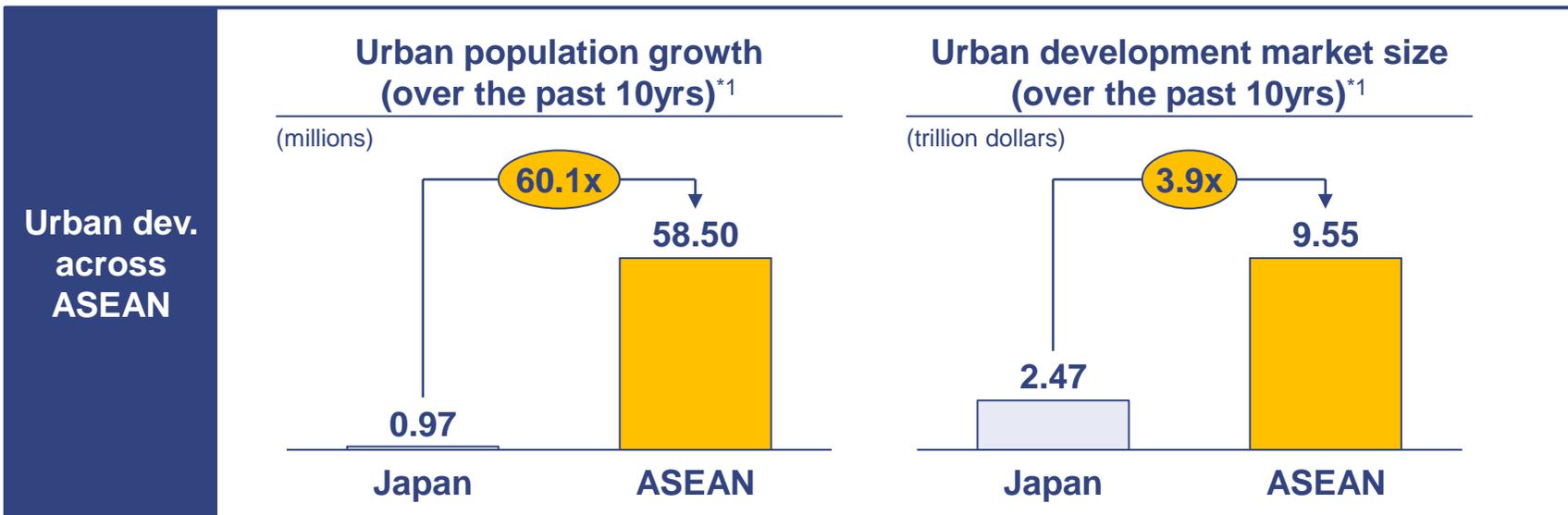
Thai state-led investment plans

Concentrated investment in Bangkok and adjacent eastern regions

ラオス
タイ
カンボジア
ベトナム

■ バンコク
東部3県
チャチュンサオ
チョンブリ
ラヨン

"Eastern Economic Corridor(EEC)"
Infrastructure development

➕

"Thailand 4.0"
Infrastructure/ new urban dev. by attracting investment across 12 industries

Total **9.8T**JPY
(2022-2026年、2.5T Thai Bhats)
infrastructure investment planned

i: Smart City Concept for the development of Bangsoo Station area; ii: AMATA Chonburi Gateway R&D Hub aiming to become a smart city; iii: One Bangkok Project, all of which are examples of smart cities to be developed in Thailand.

1: "Toward Overseas Urban Development Business Development - Smart City Business Creation", Nomura Research Institute, Ltd. presentation (December 16, 2014).

# Edge AI is a critical technology to comply with the newly enacted Personal Data Protection Act (Jun 2022) in Thailand


Conventional cloud AI	Edge AI: Compatible with PDPA*

Conventional cloud AI

Large cloud

AI

AI processing run in the cloud

●REC

Footage containing personal information sent to cloud server

Video footage recorded

Edge AI: Compatible with PDPA*

※Personal Data Protection Act

Small cloud

Text data processed without personal information

Anonymized text data

AI edge processing conducted locally

AI

Footage deleted

●REC

- The Personal Data Protection Act (PDPA[*1]) came into effect in Thailand on June 1, 2022, mandating operators to be responsible for the management and processing of personal data and must receive the consent of the data owner before collecting, using and disclosing such personal data
- Notifying the reason and purpose of personal information usage is required, posing challenges for conventional cloud AI

Neural Pocket Group (as of Nov. 11th, 2022)

	Neural Marketing Inc.[*1]	Neural Engineering Inc.	Neural Group (Thailand) Co., Ltd.
Established	Aug 20th, 2003[*2]	Oct 1st, 2021	Nov 2022
Business	Development, fabless manufacturing and sales of AI systems and LED signage, operation of AI signage media, etc.	Installation, operation, and development of Edge-AI enabled services	Sales of AI services and systems in Thailand and neighboring countries
Representative	Masaaki Yamamoto	Tsubasa Iwakiri	Kazuma Takenaka
Licenses	Outdoor advertising registration in multiple municipalities	General construction permit, Electr. goods import permit (PSE)	

*1 NETTEN Inc. and Focus Channel Inc. were consolidated on Aug 1st 2022 and subsequently the company name changed to Neural Marketing Inc. on Sep 1st, 2022.
*2 Date of incorporation of NETTEN Inc. before name change; name changed to Neural Marketing Inc. on September 1, 2022.

# FY2022 ending Dec. quarterly financials (Illustrative)

Net Sales

(Million JPY)

Annual forecast
3,200

- Q1: 513
- Q2: 640
- Q3: 734
- Q4 (Plan): 1,200

Q1 — Q2 — Q3: Actual
Q4: Plan

Gross Profit

Annual forecast
2,100

- Q1: 351
- Q2: 418
- Q3: 515

Q1 — Q2 — Q3: Actual
Q4: Plan

EBITDA

Annual forecast
350

- Q1: -41
- Q2: -45
- Q3: 32

Q1 — Q2 — Q3: Actual
Q4: Plan

Net Income

Annual forecast
-622

- Q1: -117
- Q2: -781
- Q3: 41

Q1 — Q2 — Q3: Actual
Q4: Plan
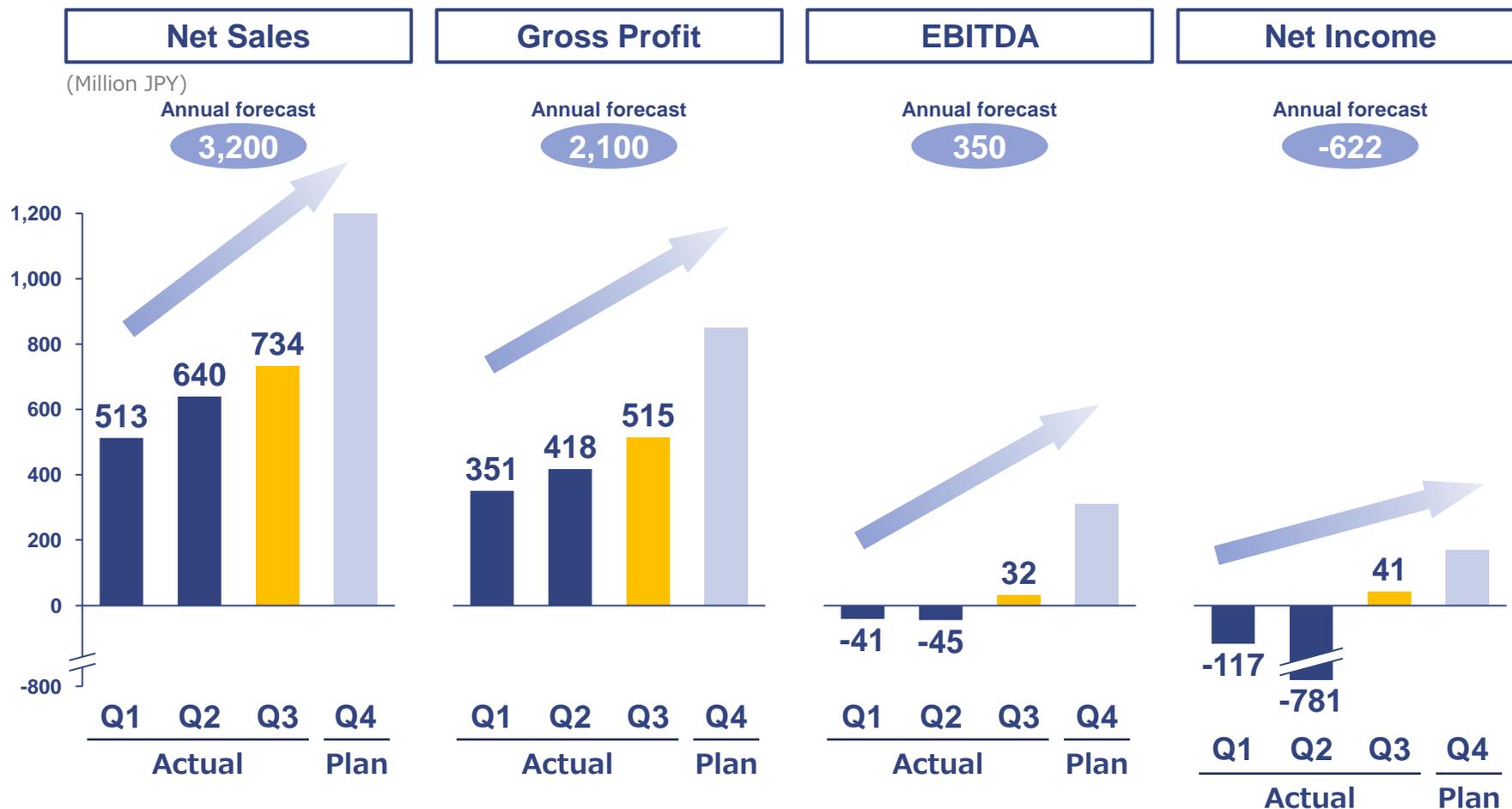
Net sales trajectory – Sustained steady growth post Q1 M&A

(Million JPY)

+150% (YoY growth)

Quarter	Value
Q1 FY2019	33
Q2 FY2019	62
Q3 FY2019	91
Q4 FY2019	126
Q1 FY2020	163
Q2 FY2020	164
Q3 FY2020	184
Q4 FY2020	251
Q1 FY2021	288
Q2 FY2021	202
Q3 FY2021	294
Q4 FY2021	226
Q1 FY2022	513
Q2 FY2022	640
Q3 FY2022	734

FY2019 (2nd term) · FY2020 (3rd term) · FY2021 (4th term) · FY2022 (5th term)
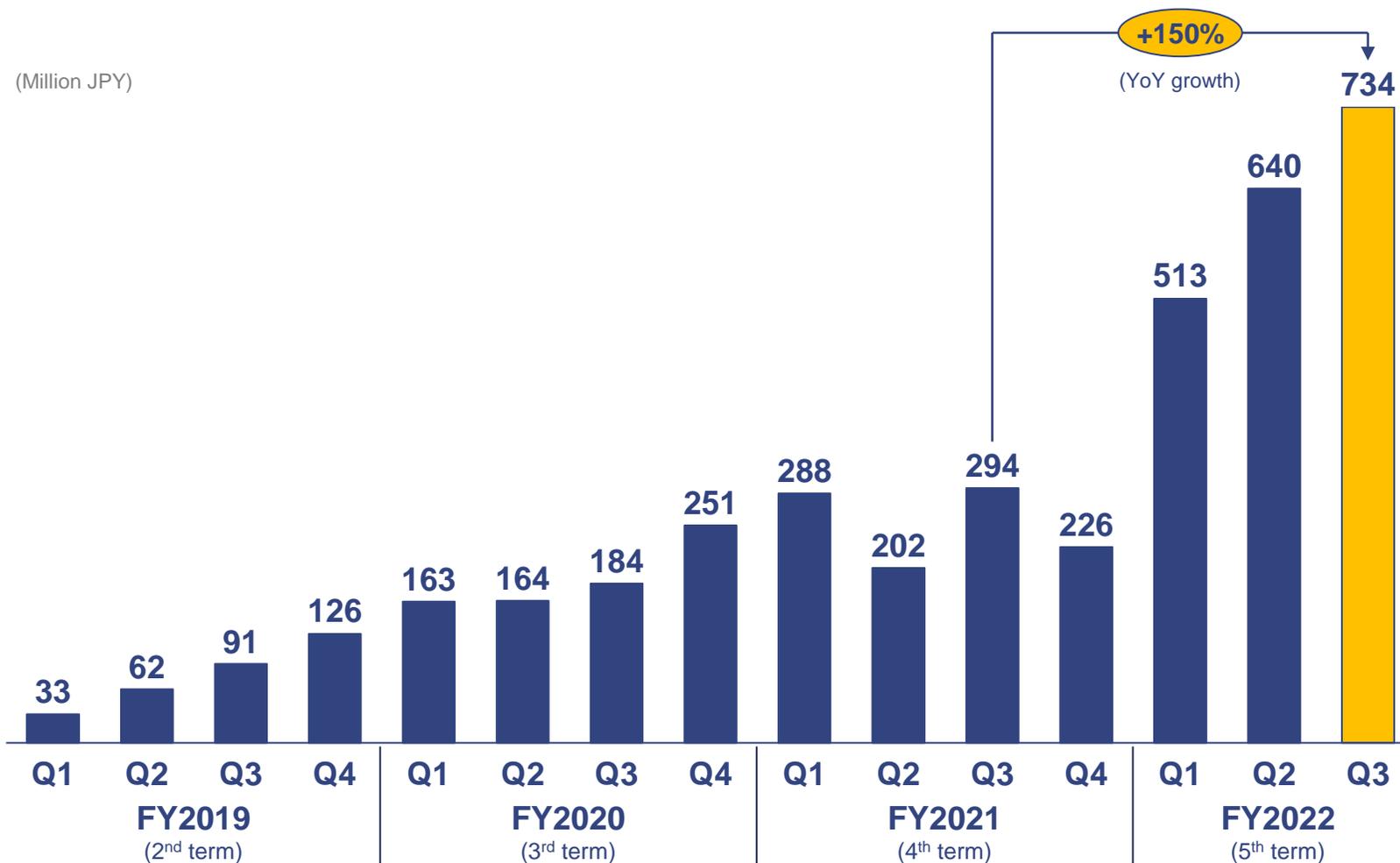
Gross profit trajectory – Steady expansion of gross profit, which is the second most important performance indicator after sales

Gross profit margin (% of net sales)

| 64% | 65% | 64% | 81% | 93% | 93% | 88% | 81% | 87% | 77% | 81% | 64% | 69% | 65% | 70% |

(Million JPY)

+117% (YoY growth)

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| 21 | 40 | 58 | 102 | 152 | 152 | 162 | 203 | 250 | 157 | 237 | 144 | 351 | 418 | 515 |

FY2019 (2nd term) FY2020 (3rd term) FY2021 (4th term) FY2022 (5th term)
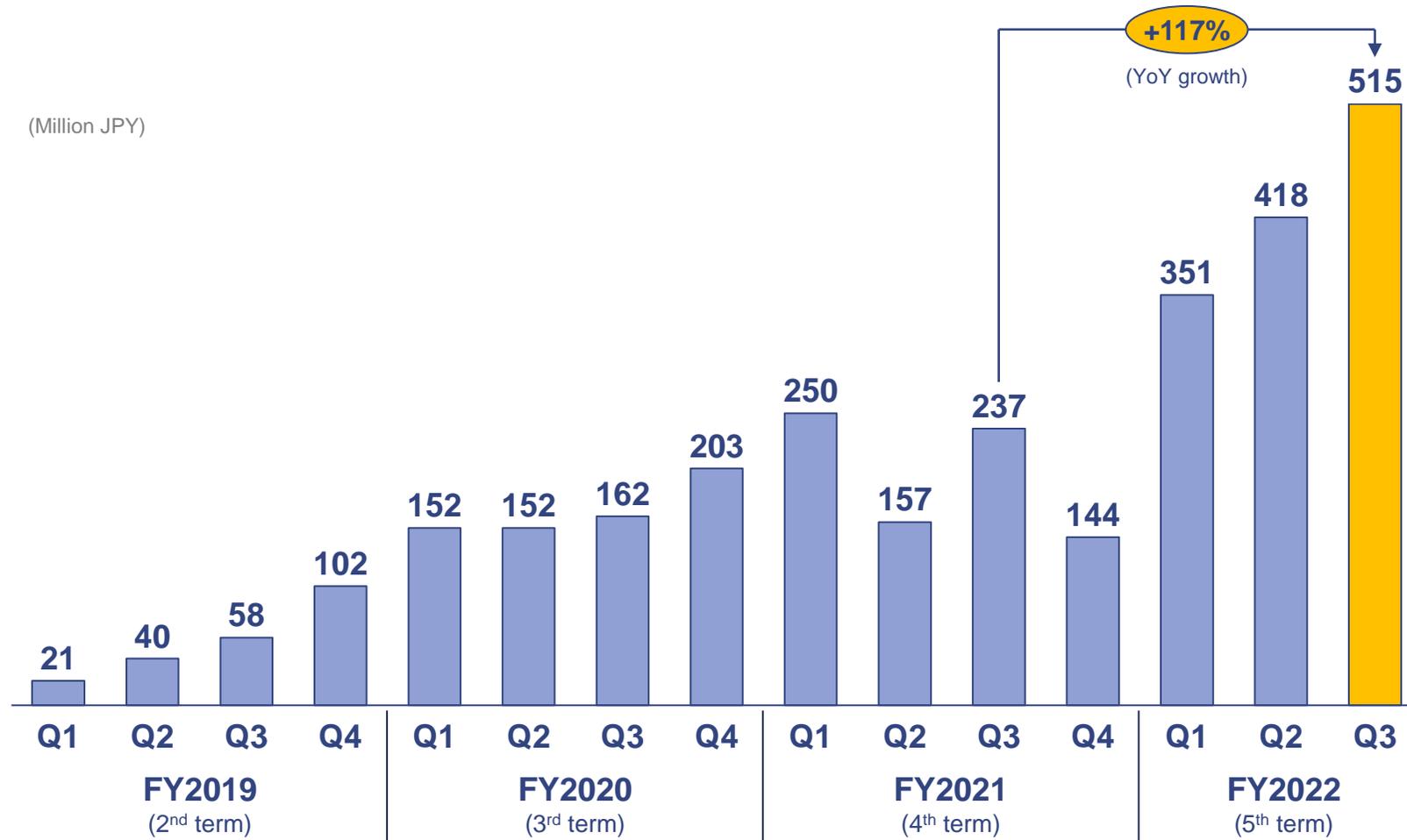
Trajectory of Neural Pocket Group full-time employees[1]

(# of staff)

18	25	34	38	42	52	168	180
'19/6	'19/12	'20/6	'20/12	'21/6	'21/12	'22/6	'22/9
FY2019 (2nd term)		FY2020 (3rd term)		FY2021 (4th term)		FY2022 (5th term)	
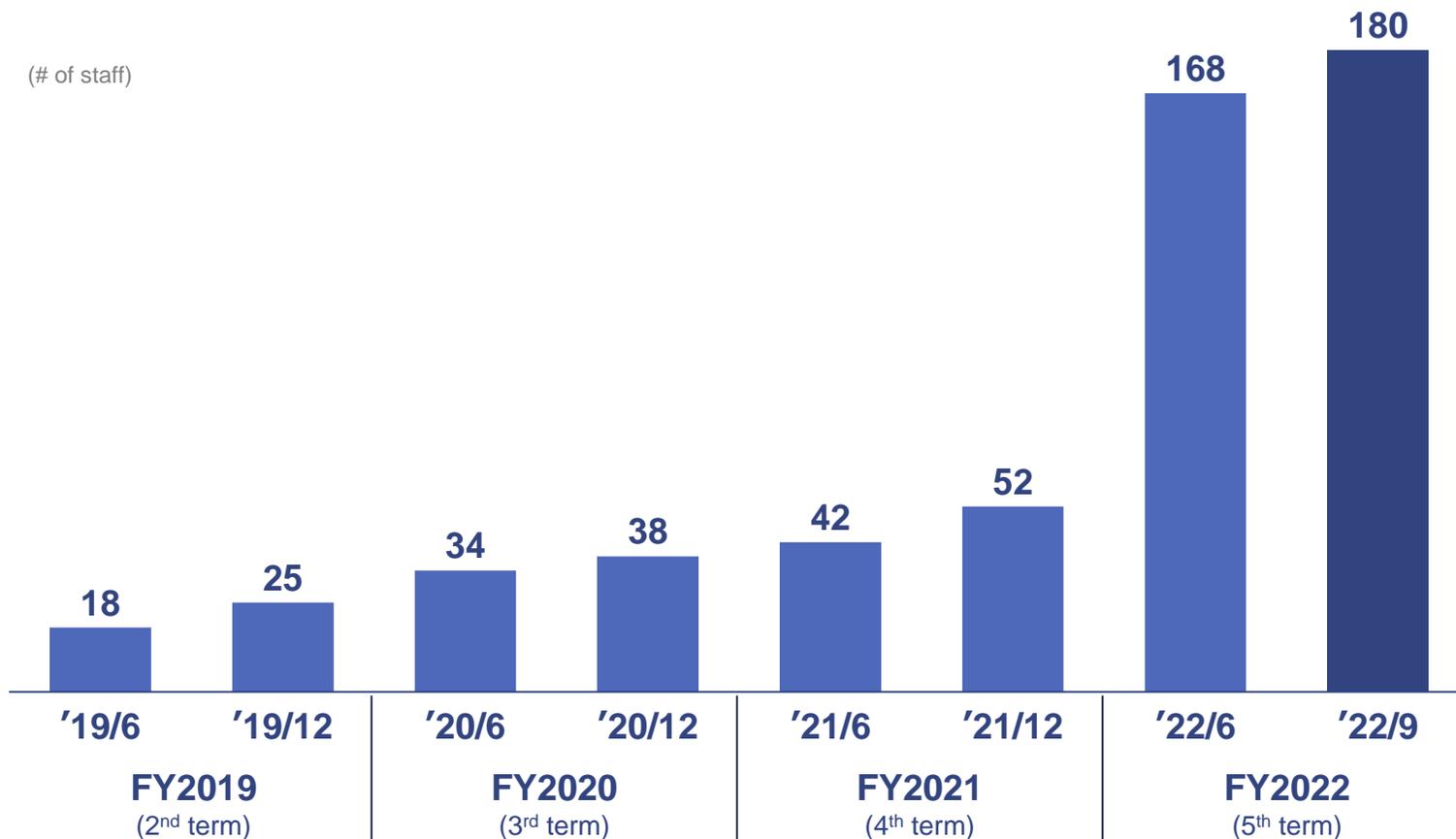
[1] As of Sep 30th 2022. Excludes executives (full-time board directors, auditors, executive officers), part-time employees, subcontractors, interns. Includes full-time employees from subsidiaries, Neural Engineering Inc., Neural Marketing Inc.

Consolidation of prior service domains

👉 NETTEN Inc. and Focus Channel Inc. have been consolidated as of Aug. 2022 to pursue further synergy creation. As a result the service domains have been reorganized since.

Before (until FY'22 Q2)

Digi-Solution Service
- DigiPark
- NETTEN by Neural Pocket
- +others[1]

AI Media Service
- SIGN DIGI
- FOCUS CHANNEL by Neural Pocket

Lifestyle Service
- AIMD

After (from FY'22 Q3)

Digi-Solution Service
- DigiPark
- SIGN DIGI
- Neural Marketing
  - DigiLook
  - FOCUS CHANNEL

Lifestyle Service
- AIMD

[1] Includes Digi-Flow, RemoDesk etc.

Net sales by service domain

(million JPY)

- ■ **Digi-Solution Services**
- □ **Lifestyle Services**

+150%

	FY2019 (2nd term)				FY2020 (3rd term)				FY2021 (4th term)				FY2022 (5th term)		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total	33	62	91	126	163	164	184	251	288	202	294	226	513	640	734
Lifestyle	30/3	34	32	31	22	25	32	32	56	65	66	20	34	70	131
Digi-Solution		28	59	95	141	139	152	219	232	137	228	206	479	570	603
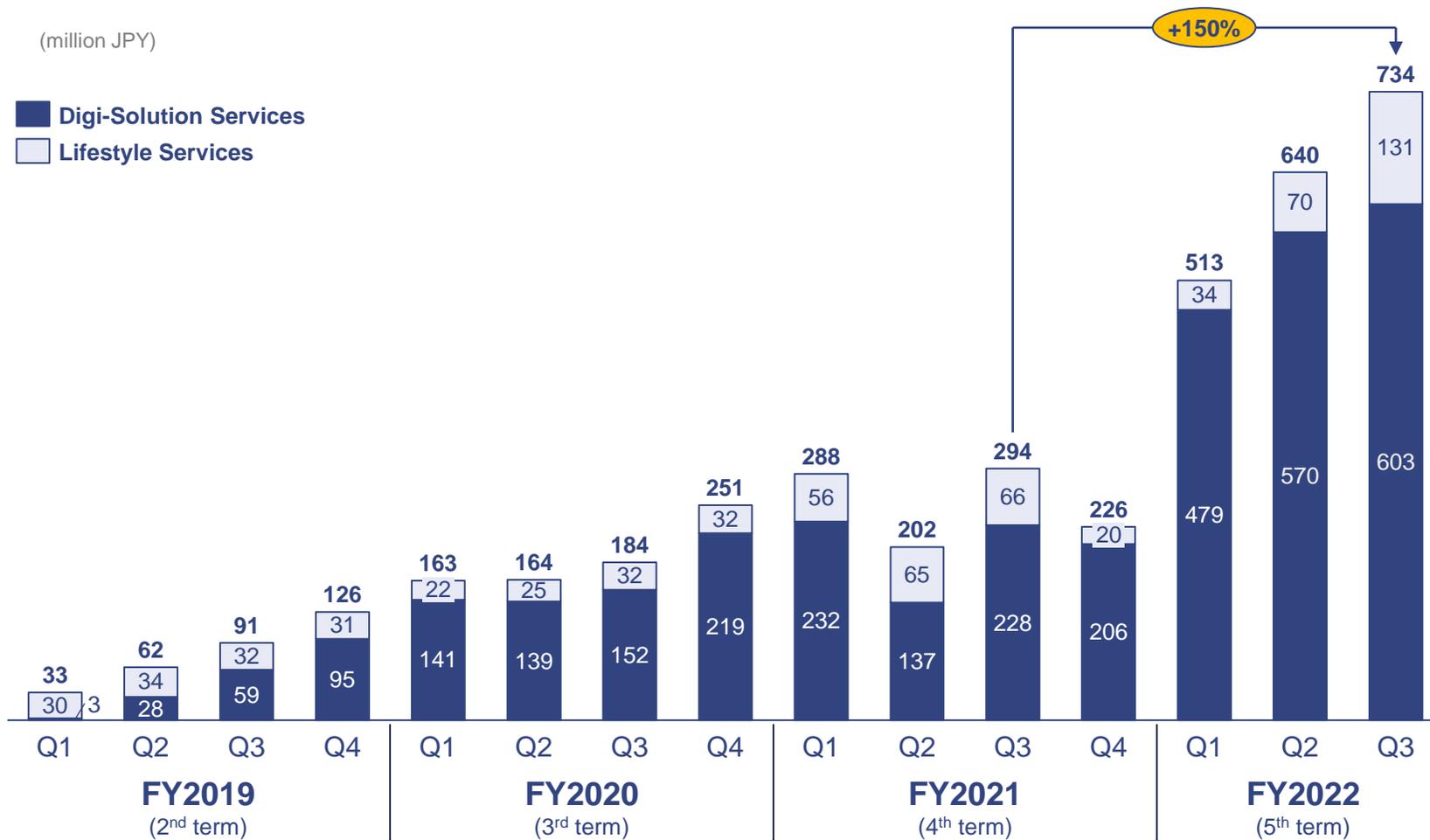
FY2022 Q3 (ended Sep.) consolidated Statement of Income

(million JPY)	FY2021 Q1-Q3 ended Sep.	FY2022 Q1-Q3 ended Sep.	Increase Value	Increase Percentage
Net sales	**784**	**1,887**	**1,103**	**+140.7%**
Gross profit	**643**	**1,285**	**642**	**+99.9%**
% of net sales	82.0%	68.1%		
EBITDA	**208**	**-55**	**-264**	**-**
EBITDA%	26.6%	-2.9%		
Operating profit	150	-258	-408	-
% of net sales	19.2%	-13.7%		
Net income	144	-857	-1,002	-
% of net sales	18.5%	-45.4%		

FY2022 (ending Dec.) consolidated forecast (Unchanged)

👉 Forecast unchanged with a Q4 bias, and a net loss of 622 million yen for the current term due to a one-time amortization of goodwill, etc. recognized in Q2.

(million JPY)	FY2021 ended Dec. results	FY2022 ending Dec. Q1-Q3 cum.	FY2022 ending Dec. forecast	Progress
Net Sales	**1,010**	**1,887**	**3,200**	**59.0%**
Gross profit	**787**	**1,285**	**2,100**	**61.2%**
% of net sales	78.0%	68.1%	65.6%	
EBITDA	**112**	**-55**	**350**	**NA**
% of net sales	11.1%	-2.9%	10.9%	
Operating profit	20	-258	20	NA
% of net sales	2.0%	-13.7%	0.6%	
Net income	11	-857	-622	NA
% of net sales	1.1%	-45.4%	-19.4%	

FY2022 Q3 (ended Sep.) consolidated Balance Sheet

(million JPY)	FY2022
	As of Sep 30th
Total current assets	**2,090**
Cash and cash assets[1]	1,244
Total non-current assets	**1,772**
Total assets	**3,862**
Total liabilities	**3,384**
Interest bearing debt	2,956
Total net assets	**477**

Neural Pocket Group operates 14 locations internationally, possessing the necessary infrastructure to support the development of smart cities
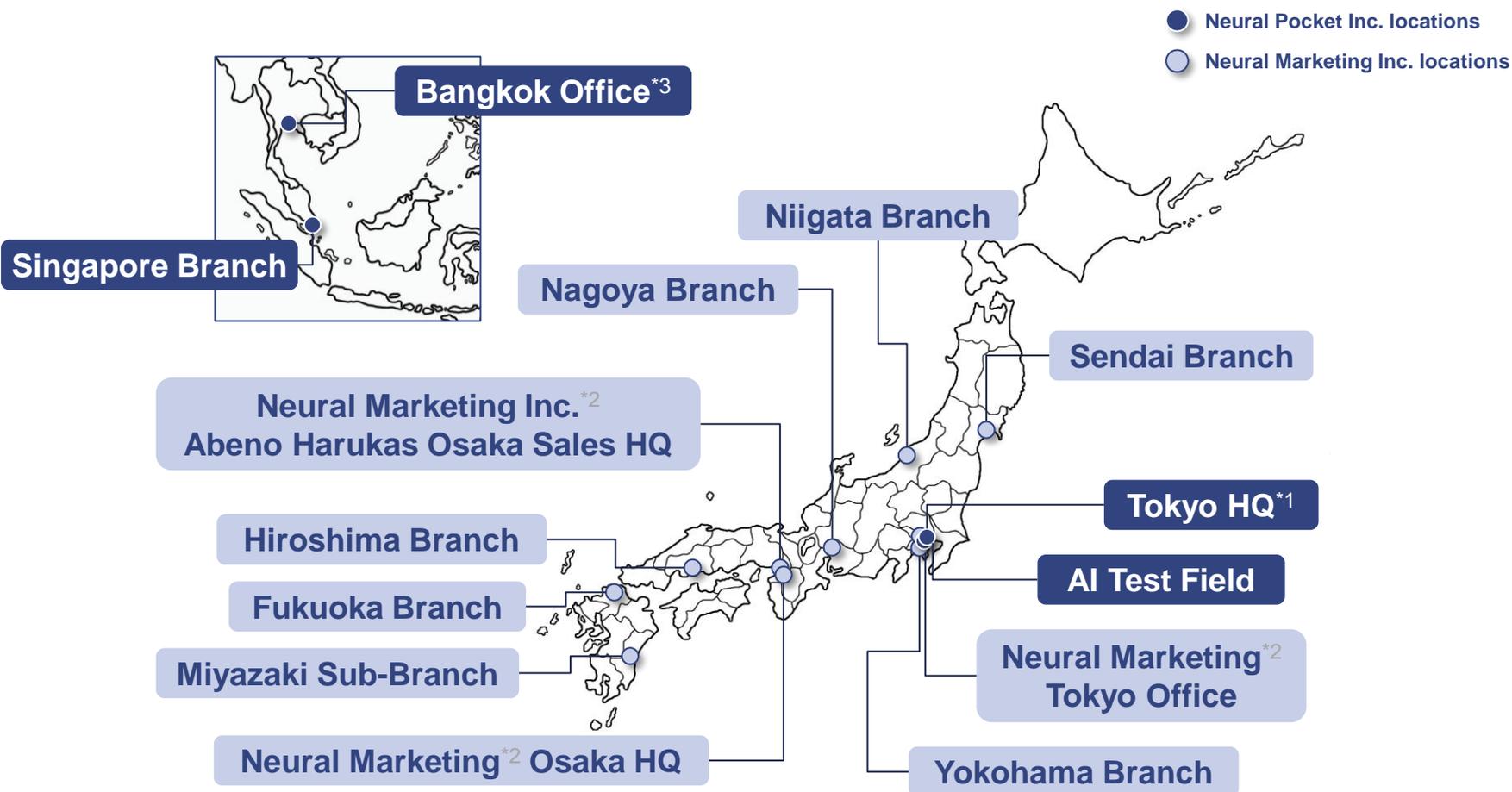
● Neural Pocket Inc. locations
○ Neural Marketing Inc. locations

Bangkok Office[3]

Niigata Branch

Singapore Branch

Nagoya Branch

Sendai Branch

Neural Marketing Inc.[2] Abeno Harukas Osaka Sales HQ

Tokyo HQ[1]

Hiroshima Branch

AI Test Field

Fukuoka Branch

Neural Marketing[2] Tokyo Office

Miyazaki Sub-Branch

Neural Marketing[2] Osaka HQ

Yokohama Branch

Org structure (as of Sep. 30th, 2022)

- Current org structure allows for different business divisions to pursue scale, independent of each other
- Broad executive team in place to lead each of the divisions

```
                    Board of
                    Directors
                        |
                      CEO
   _____|_____
   |          |          |          |          |
Technology  Marketing  Digi-Solution  Lifestyle  Financial
Development  Division   Division     Division   Management
Division                                         Division
```

| Neural Marketing | Neural Engineering |
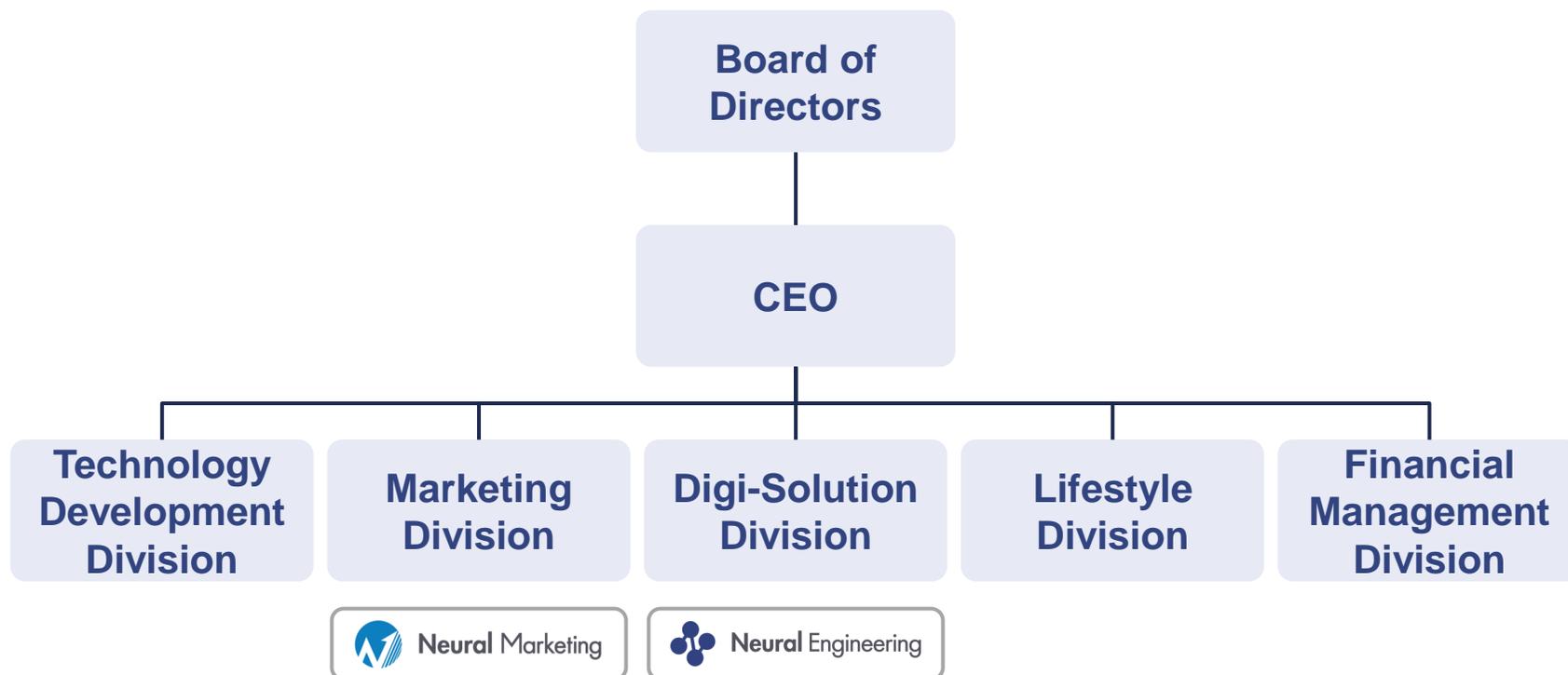
Our management team

	Name	Career overview
Board Directors	CEO **Roi Shigematsu**	Former Partner at McKinsey, working in 11 countries including Japan, Germany, and the U.S as leader in IoT and AI field. Founded Neural Pocket in January 2018 with the goal of realizing the digitization of the real world through AI. He holds a Master's degree in Engineering from the University of Tokyo and is currently a member of the Advisory Board of the School of Engineering.
	CTO **Yuichi Sasaki**	Worked on the discovery of the Higgs boson at CERN in Switzerland. After working for an AI venture, he joined Neural Pocket. He reads more than 1,000 research papers per year in a wide range of research fields and contributes to the development of the latest technologies. He is a driving force behind the company's research and development. Doctor of Science, University of Tokyo.
	CFO **Ryosuke Tane**	He was engaged in private equity investing at Bain Capital Japan. After serving as the Tokyo General Manager of Oyo Technology and Hospitality Japan, he joined Neural Pocket. He overseas finance, M&A, and corporate affairs across the Neural Pocket Group. He holds an MBA from Stanford University's Graduate School of Business.
	External Director **Yoichi Yamagishi**	After working in the investment banking division of Nomura Securities Co., Ltd. in M&A advisory and public underwriting, he was appointed as General Manager of Public Underwriting Department of Mizuho Securities Co. After retiring from Mizuho Securities, he served as an outside director of D.L.E. Inc. and Laox Co. He is a certified public accountant.
	External Director **Maiko Hasumi**	After working for Fuji Television Network, Inc. and Fidelity Investment Trust Co. currently fund manager at Ever Rich Asset Management. Currently director and member of the Audit Committee of Z Holdings Corporation (formerly Yahoo! Japan), etc. Appointed outside director of Neural Pocket in 2021. Holds an MBA from Stanford University's Graduate School of Business.
Auditors	Full-time auditor **Miho Takemura**	After working at Ernst & Young Shin Nihon LLC (EY Ernst & Young Shin Nihon LLC), where she mainly audited securities companies and other financial institutions, she worked as a full-time auditor at IRIDGE Co. Certified public accountant.
	Auditor **Toshiki Wakamatsu**	After working at Sato Sogo Law Office, he opened Saltus Law Office. He has served as a director of Orchestra Holdings Inc. and Voicy Inc. and has been a corporate auditor of Neural Pocket since 2019. Attorney. Specializes in a wide range of corporate legal matters, including corporate law and the FIEA.
	Auditor **Hajime Shirai**	After working at Arata Audit Corporation (PwC Arata LLC), Frontier Management Inc. and Deloitte Touche Tohmatsu LLC, he established Grintee Inc. Ltd. Appointed as a corporate auditor of Neural Pocket in 2020. Certified public accountant.
Advisor	**Prof. Yutaka Matsuo**	Professor at the Artificial Intelligence Research Center, Graduate School of Engineering, the University of Tokyo. He is a leading expert in the field of AI and deep learning in Japan. He is also the chairman of the board of the Japan Deep Learning Association and an outside director of Softbank Group Corp.

General shares/ floating shares increasing since IPO (as of Oct. 31st, 2022)

General shares/ floating shares[1]

4.6%

24.4%

Total issued
13,784,000
shares

71.0%

Management[3]

VC/ Angel investors[2]

18.8%

12.6%

Total issued
14,013,200
shares

68.6%

29.0%

8.9%

Total issued
14,436,199
shares

62.1%

Aug. 20th, 2020 (IPO)

Dec. 31st, 2020 (Shortly after IPO)

Oct. 31st, 2022 （Today）
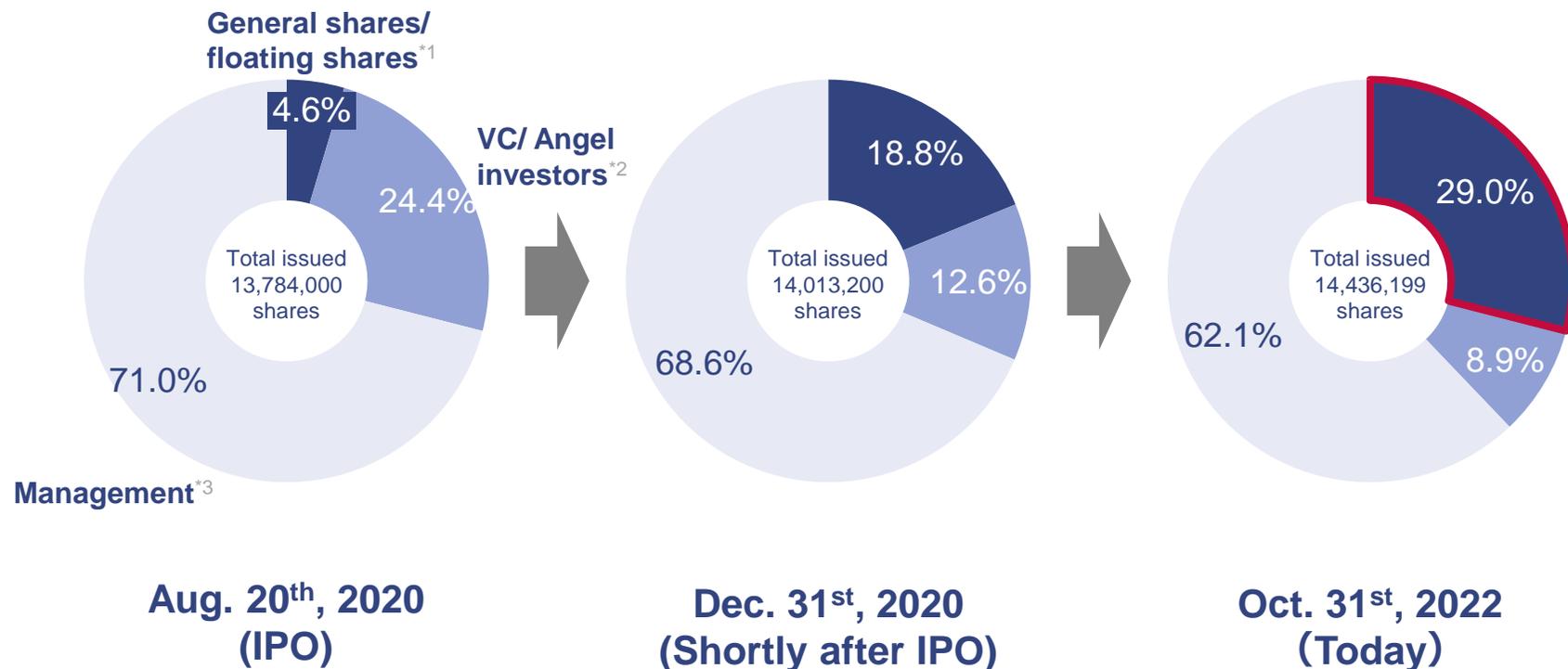
*1 Sum of 415,000 publicly offered shares upon IPO, 215,800 sold shares during IPO (including over-allotment), and shares sold by pre-IPO investors (e.g., VC investors, angel investors) and management that the company is aware of.
*2 Shares held by pre-IPO investors (e.g., VC investors, Angel investors).
*3 Shares held by internal board directors.

- AI Industry Trend and Company Advantage

- FY2022 Q3 Highlights

- **Service Progress**

Digi-Solutions service lineup – Providing various packaged AI services

Digi Park
Parking management system to eliminate waiting time

Digi Thru
Visualization of vehicles through license plate analysis

Digi Flow
Visualization of people flow for improved facility operations

SIGN DIGI
Ready-to-install AI signage with viewership and audience detection
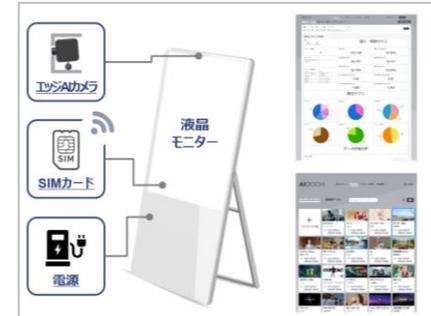
RemoDesk
Security risk management to enable work-from-home call center operations

DigiLook
Outdoor LED signage for retail stores to large public facilities

FOCUS CHANNEL
High-end apartment digital signage advertising for 150K+ residents

Other new services
Various proprietary services utilizing edge AI (e.g., Intrusion detection)

Digi-Solutions unit installation trajectory (Cumulative)
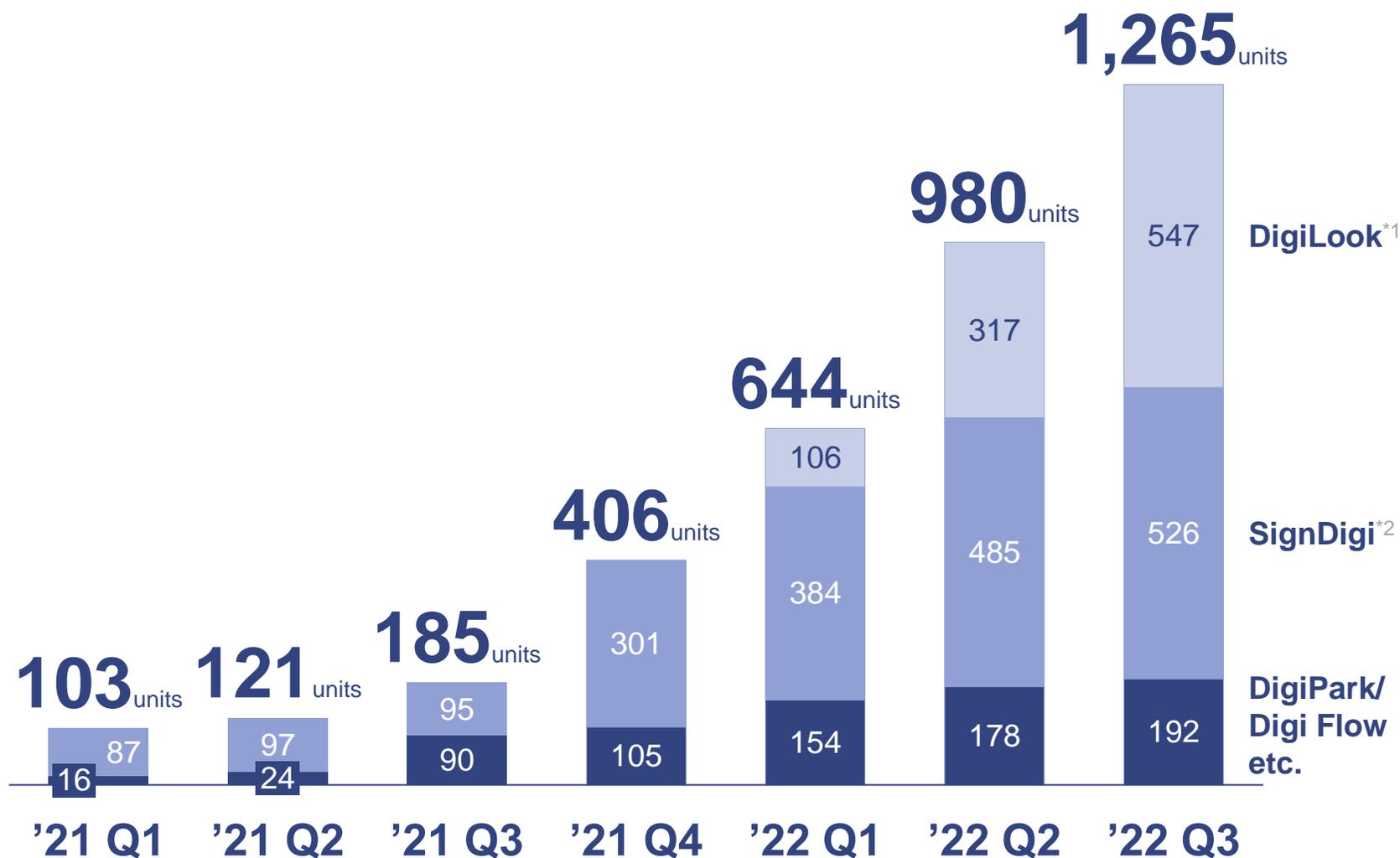
Neural Pocket

	'21 Q1	'21 Q2	'21 Q3	'21 Q4	'22 Q1	'22 Q2	'22 Q3
Total (units)	103	121	185	406	644	980	1,265
DigiLook [1]	87	97	95	301	106	317	547
SignDigi [2]					384	485	526
DigiPark/ Digi Flow etc.	16	24	90	105	154	178	192

Digi-Solution services introduced across Japan

☐ **Recently disclosed developments**

Sendai city
People flow in urban centers, evacuation center operation optimization

Muroran city
Regional revitalization with AI-enabled urban development

Kashiwa-no-ha smart city
Outdoor AI safety surveillance for town mgmt.

SMARK Isezaki
Outdoor parking lot visualization and traffic guidance

Sugamo district/ Taisho Univ.
Industry-academia collab. and promotion of local digitization

West Shinjuku area
Digitalization of urban transportation and city parks

Osaka Umekita II
People flow & behavior detection in urban park

Huis Ten Bosch
Parking lot occupancy, license plate detection

Subway station Tocho-Mae
Info broadcasting via local 5G signage

Anjo city
3D city map promoted by MLITT

Komoro city
Urban planning efficacy quantification

Takeshiba
Office tower smart building/ city develop.

Mitsubishi RE Marunouchi Building
People flow visualization

Mitsui Fudosan Ichikawa LP
Truck license plate detection

Shibuya Hikarie ShinQs
Apparel store guest analysis

Tokyo Ryutsu Center
Vehicle congestion visualization

Mitsubishi Estate: Detection of people flow across 3 major buildings in Marunouchi

👉 Total guest count and the number of guests staying within the building at any given time is visualized. Edge AI processors were connected to existing surveillance cameras across events spaces, entrances and exits, and escalator entrances across three buildings. In addition, by linking such data with Mitsubishi Estate's database, they can now analyze the impact of events, layout, and seasonal changes on the flow of people within the building.

Marunouchi Building where Digi-Flow was introduced[1]

Detection of people flow within Marunouchi Building. Digi-Flow is installed in more than 25 locations, mainly at entrances and exits, across three buildings.

Count line
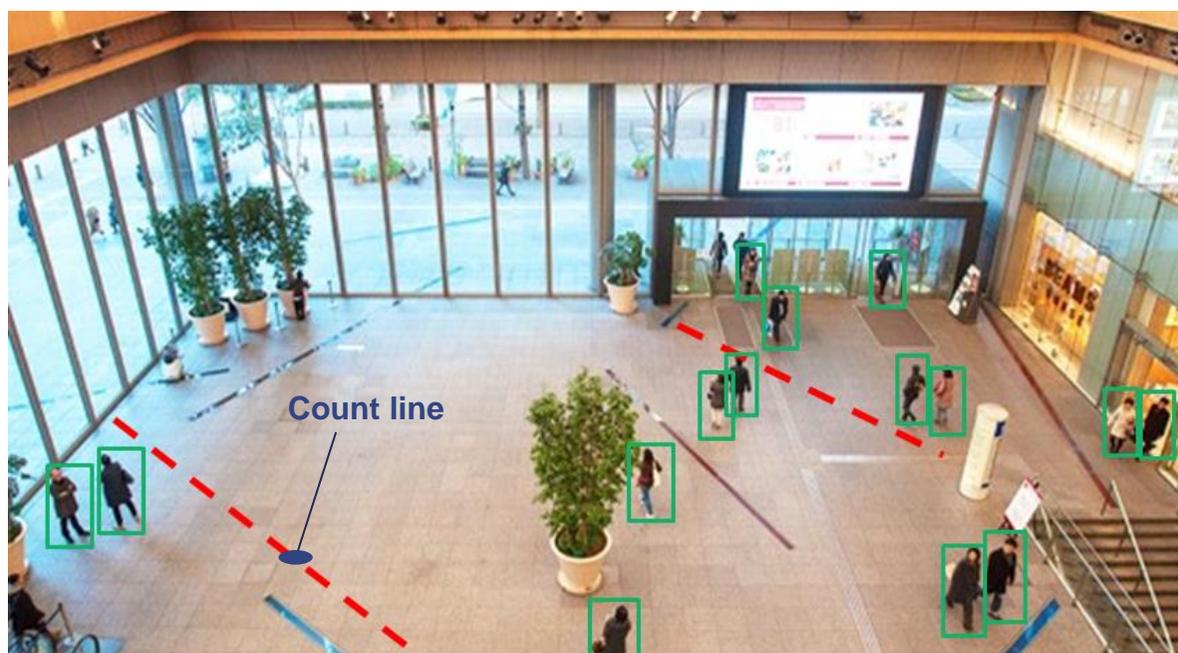
Visualization of guest count, number of guests within the building, and traffic direction through Edge AI cameras

*1 Building photo courtesy of Mitsubishi Estate Co.

Huis Ten Bosch Amusement Park Parking lot visualization

Digi Park **Digi Thru**

Where system was installed[1]

Parking lot No.1
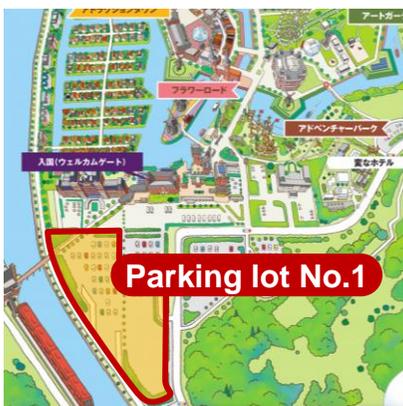
Edge AI cameras installed at the entrance/ exit of (4 cameras in total) and webpage view for visitors displaying congestion in real time

Entry/ exit detection camera
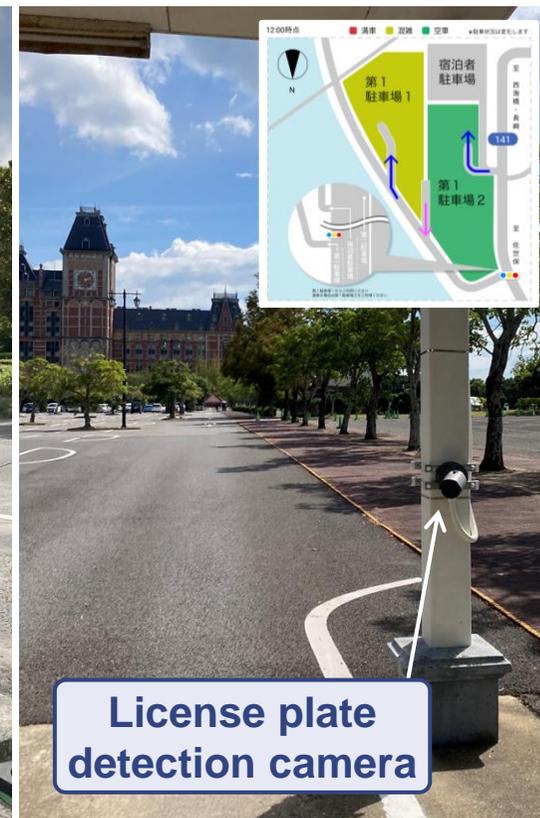
License plate detection camera

Visualization of congestion in large parking lots and car number detection

Introduction of "Digi-Thru" license plate detection to Mitsui Fudosan's logistics facility

Digi Thru

👉 Edge AI cameras installed near entrances and exits detecting license plates of moving vehicles to visualize traffic volume, determine vehicle attributes, and analyze utilization. The data is used to eliminate truck waiting time and support efficient operations.

Mitsui Fudosan Logistics Park (MFLP) Ichikawa Shiohama II, where "Digi-Thru" was installed in July 2022

Edge AI Camera

Edge camera visualizes
- **License plate info**
- **Entry/exit time**
- **Time spent in facility**
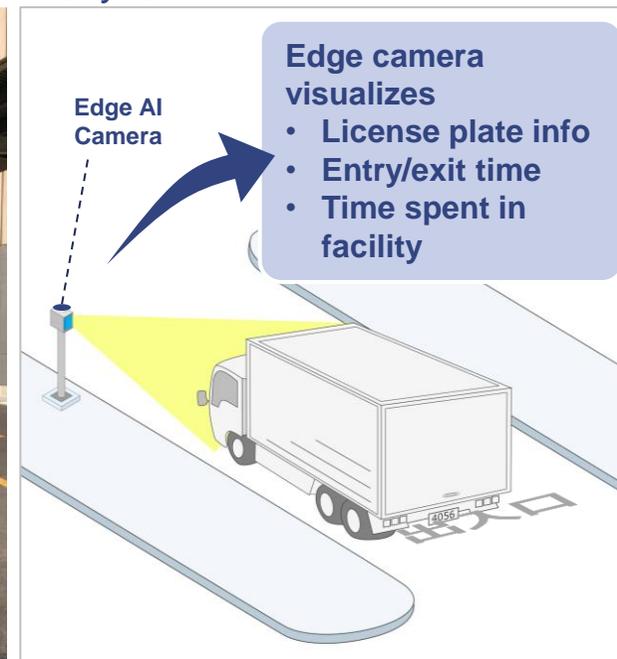
> **Contributing to improved efficiency for logistics warehouse through visualization of vehicle traffic with Edge AI Cameras**

Customer testimonials for Digi-Solutions

**Tokyo Tatemono Co., Ltd.
Digi-Park case example**

東京建物

古澤様の自己紹介をお願い致します。

オープンイノベーションの担当として、現場のニーズを吸い上げ、適切なスタートアップを紹介する仕事をしていました。
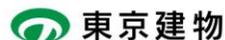
東京建物株式会社
新規事業開発部 事業開発グループ 課長
古澤 嘉一さん

デジパークの導入効果はねらい通りでしたか？

ショッピングセンターでは、お客様ができるだけ施設に近い場所に駐車をされようとして駐車場内で滞留してしまうことがあります。その結果、駐車場内の交通量が余計に増えてしまったり、特定のエリアだけ混雑したりという課題が発生します。

デジパークを導入したことにより、来訪した車両がスムーズに空き車室に移動していただけるようになりました。満空灯とLEDサイネージを見て、どこが空いているのかが一目で分かるようになったところが大きいです。お客様が情報を能動的に探すのではなく、パッと見て受動的にわかるようになったとご好評いただいています。

デジパークによってストレスなくスムーズに駐車された上で、気持ちよく施設内でのお買い物が始められるというのは、巡り巡って売上向上にも繋がっていくのではないかと考えています。

上：LEDサイネージ
下：満空表示灯

お客様の誘導だけでなく、駐車場の利用状況に関するデータも取得できていますが、その活用についてお考えのことはありますか？

現場で感覚的に理解されていたことも、これまではデータという裏付けがありませんでした。それが定量的に把握できるようになったことは重要だと思います。デジパークの管理者用ダッシュボードでは、あらかじめ定めた区画ごとに時間帯別の混雑度が分かります。これと施設内の状況を照らし合わせて分析し、何か対応できることはないか、といったことを今後検討していきます。

例えば、イベントがあるときに通常の駐車場利用と異なる利用のされ方をする傾向があった場合、誘導員の配置や警備の巡回ルートを変更して業務を効率化するといった判断を、データをもとに関係者が納得した上で行えるようになるのではないかと考えています。

また、データをどう活用するかを事前に絞るのではなく、日々変化する施設の状況に応じて、駐車場がどのように利用されているかというデータを見返すことで、新しい気づきが生まれるといった循環ができていくのではないかと思います。

上：サマリ画面イメージ
下：レポート画面イメージ

Enhancing customer experience and operations every day in large parking lots

Oedo Line Tochomae Station: Installation of AI signages using local 5G

【Overview】

- Joint initiative with **JTOWER**, **NTT East**, and **FCNT** to verify use cases of new digital technology in train stations using **5G technology**

- Installed AI signage in stations to broadcast information to commuters and measure viewing data through using built-in camera

- Accelerating **digitalization of operations** through flexible and efficient information transmission within public facilities

【Going forward】

- Further collaboration to install 5G solutions to railway-related facilities nationwide
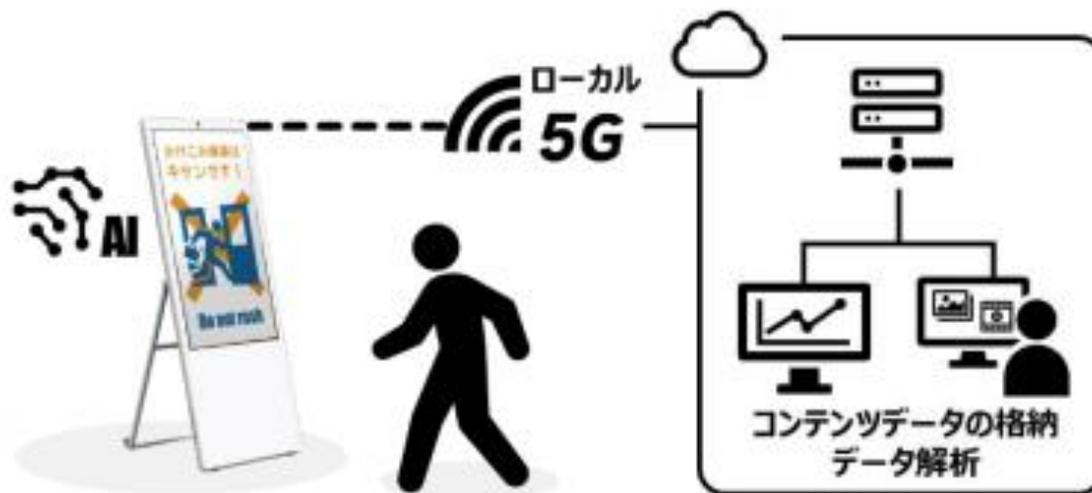
Focus Chanel: Media overview

FOCUS CHANNEL

Reach approx. 190K affluent consumers/ residents in the metropolitan area

No. 1

Apartment Signage Advertisement Industry No. 1
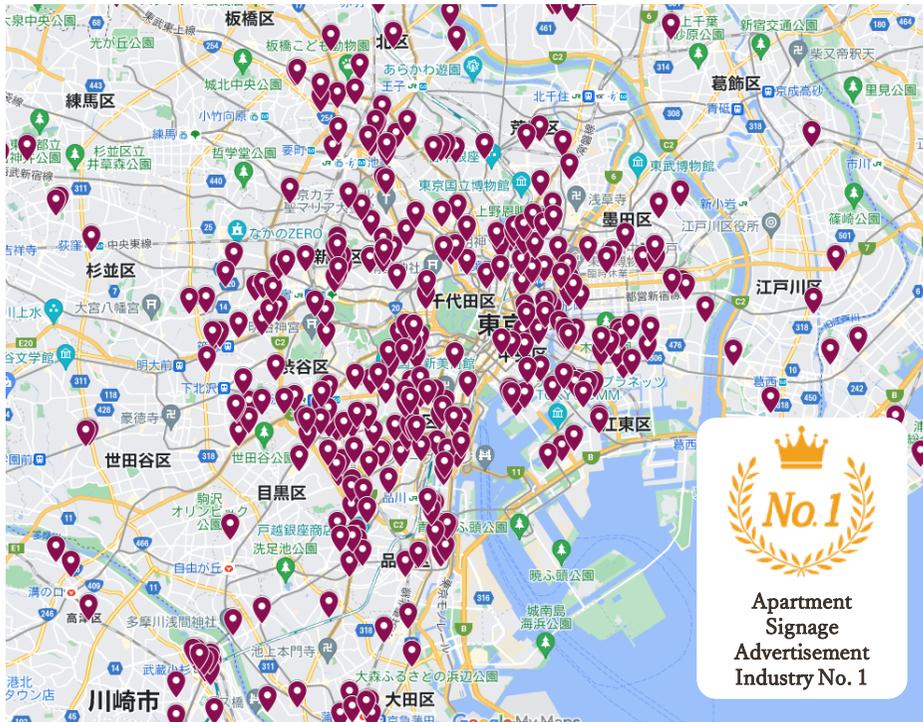
➢ **# of views (Impressions)**
Stable reach even during Covid

➢ **View frequency**
Located in living spaces and repeatedly views by all residents (1.5 million estimated monthly view count per program)

➢ **Targeting**
Focused on high-grade condominiums where affluent consumers reside

👉 A differentiated media that repeatedly and stably appeals to residents of city-central apartments, whose attributes are well-defined. We have already achieved the largest share of digital signages within apartments, with a reach of approximately 190,000 residents, mainly in the Tokyo metropolitan area.

Delivering content that enhances residents' lifestyles

Broadcasting lifestyle-oriented content targeting affluent residents

Varon
(Men's skincare)

Nosh
(Delivery healthy foods)

Mitsui Sumitomo
Card
(Credit card)

ZAMET
(Golf studio)

Area-specified ads
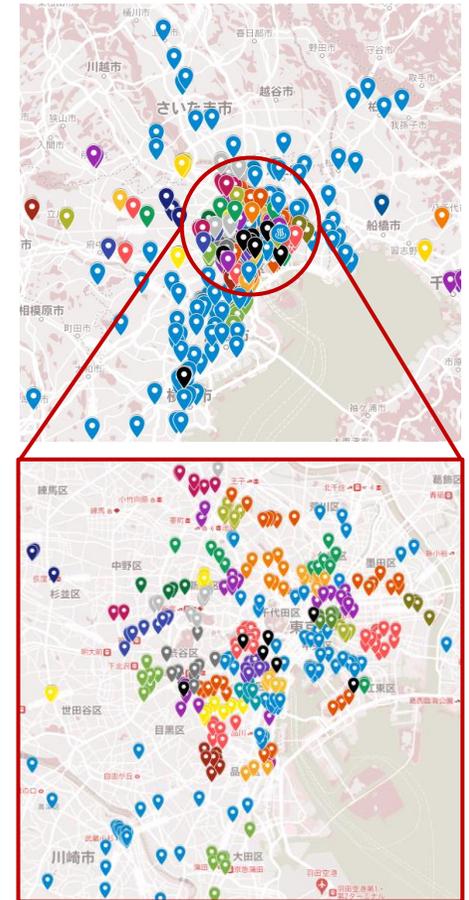
Initiated area-specific ads in
central Tokyo with updated CMS
system, enabling local targeting

Announced collaboration with GROWTH taxi media

GROWTH'
THE TOKYO TAXI VISION

- Start of collaboration with "THE TOKYO TAXI VISION GROWTH" (operated by News Technology Co., Ltd.), one of the largest taxi signage media in Japan

- Started sales of "Executive Reach Plan," delivering information from living spaces to mobile spaces targeting affluent people in Tokyo

- Also offering tie-up advertisements with GROWTH's original information program, HEADLIGHT

Focus Channel, Media Sheet

DigiLook: Top share in Japan with more than 10,000 LED signage installations

#1 installations with more than 10,000 signages nationwide

No.1

LED signage
Japan No. 1

Google My Maps

DigiLook

➤ **Unparalleled installation track record**
Experience in a wide variety of industries, including large corps, government offices, commercial facilities, and merchant stores

➤ **Unparalleled track record of stable operations**
Stable operating track record throughout Japan, including cold, hot, and humid regions

➤ **Flexible contract forms**
Flexible purchase formats such as lease agreements and credit/cash purchases

👉 We are accelerating sales efforts towards large corporations and large-scale facilities. We are also promoting the development of highly functional products with remote content distribution and AI detection functions.

There is vast potential of locations for Digi-Solution Services to be installed

Figures represent # of locations within Japan

Apartments ~200K	**Office Buildings** ~10K	**Restaurants** ~700K	**Large Scale Retail Stores** ~130K
Hotels ~50K	**Hospitals, Pharmacies** ~70K	**Airports** ~100	**Fitness Gyms** ~6K
Electricity Distribution Equip. ~100K	**Parking Lots** ~5M spaces	**Service / Parking Areas** ~3,700	**Warehouses** ~30K

Appearances at seminars/ events

AI technology

- **RX Japan NexTech Week2022【Fall】** Lecture title "Smart Cities Today"
- **Macnica: Possibilities in Retail for Image Recognition AI** Speaker on Image Recognition AI
- **AI Innovation AWARD2022 "Future envisioned by Smart Cities"**
- **HONGO AI 2021 Judge**
- **JR East Mobility Transformation Consortium**

Urban planning

- **Shibuya Ward Kitaya Park Jinnan Market** Thinking about the future of Shibuya Park! Speaker
- **Muroran City DX Promotion Forum** Panelist for "Connected Smart City" session
- **"Roadside Station Murayama" Development Basic Plan Study Citizens' Meeting** Advisor
- **Regional Development College in Otaru** Plans for Otaru, a new northern commercial city, based on a Digital Rural City State Concept Speaker
- **National Ugoki Statistics Co-creation Idea Contest (Softbank)** Awarded Excellence Prize

Collaboration with Academia

- **DCON2023 Japan Technical College Deep Learning Contest** Final round, technical jury
- **Yokohama f College** Special lecture
- **Aoyama Gakuin University** Special lecture

Apparel

- **Ministry of Economy, Trade and Industry The 5th Study Group on Sustainability in Textile Industry** Presenter
- **Japan Council of Shopping Centers** Business meeting
- **Senken Shinbun "Fashion DX Day 2021"**

Others

- **AWS Japan「IoT AWS Seminar for Engineers」etc.** "Creating services using IoT Core"
- **NTT Docomo Ventures** Start-up Academy
- **WIRED** STARTUP LOUNGE "The Art of Innovation -Mirror World"

Membership in many public & private organizations related to AI and smart cities

Smart City related

Ministry of Internal Affairs and Communications, JAPAN

MIC

Japan Platform for Driving Digital Development: JPD3

OSAKA SMARTCITY PARTNERS FORUM

Ministry of Land, Infrastructure, Transport and Tourism

Smart City Public-Private Partnership Platform

PLATEAU
by MLIT

TOKYO METROPOLITAN GOVERNMENT

TDPF
Tokyo Data Platform

Kamakura City Smart City Public Private Sector Research Association

MaaS Social Implementation Promotion Forum

Industry groups

Keidanren
Japan Business Federation

Japan Deep Learning Association

JCSC
Japan Council of Shopping Centers

OCCI The Osaka Chamber of Commerce and Industry

Michi-no-Eki

SENDAI BOSAI TECH

Collaboration with corporations

ONE SHIP
SoftBank Business Partner

SoftBank 5G Consortium

MONET CONSORTIUM

NVIDIA
NVIDIA METROPOLIS

NTT PC COMMUNICATIONS
Innovation LAB

aws Startup Ramp
Member

AWS Public Sector Startup Ramp

Industrialization of AI space is underway, and the company is transitioning to the next stage

AI Industry

Dawn of technology

- Edge AI technology began to take off in 2018
- Gradual formation of technical standards (e.g., processor/ OS/ language)
- Privacy management and security is being defined

Industrialization

- Winners/ losers emerge within Edge technologies and de facto standards formed
- Edge technology platforms are to be formed
- Acceleration of service adoption as the industry's focus shifts to implementation, sales, & operations

Company

Commercialization

- Founded in '18 with Edge AI focus
- Developed wide range of Edge AI technologies responding to a rapidly changing market environment
- Established "Neural Platform"
- Developed wide range of in-house AI services, actively pursued M&As

Scaling

- Evolve Neural Platform into the de facto standard for Edge AI services, development
- Leverage Neural Marketing Inc. to expand AI services across a range of areas
- Actively engaged in M&As

Stage 1.0

Stage 2.0

Company mission

# "Update the world
for a better tomorrow"

Disclaimer

Handling of the material

This document contains forward-looking statements. These statements are based solely on the information available at the time the statements were made. Furthermore, such statements are not guarantees of future results and are subject to risks and uncertainties. Actual results may differ materially from those projected in the future due to changes in the environment and other factors. Factors that may affect the actual results described above include, but are not limited to, domestic and international economic conditions and trends in relevant industries. We are under no obligation to update or revise any of the future information contained in these materials in the event that new information comes to light or future events occur. The information contained in these materials relating to matters other than the Neural Pocket is quoted from public information and Neural Pocket has not verified and does not guarantee the accuracy or appropriateness of such information.