



Neural Pocket Inc.

FY2021 Q3 Financial Results Briefing Meeting

November 15, 2021

TRANSCRIPT TRANSLATION

Moderator: It is now time, so let us begin.

Ladies and gentlemen, thank you very much for taking time out of your busy schedules to join us today for the presentation of Neural Pocket Inc. financial results for Q3 of the fiscal year ending December 31, 2021.

Today, I will serve as the moderator. I'm looking forward to working with you.

Today, we will give a presentation using the financial results presentation materials disclosed on the IR website on November 12. We will be sharing the screen via Zoom, but if you would like to join us by phone, please visit the IR website to view the materials. In addition, filming, video recording, or audio recording of this briefing is prohibited.

Now, let me explain today's flow. Mr. Shigematsu, Chief Executive Officer, will give a 30-minute presentation on business overview and performance. This will be followed by a Q&A until 1:00 PM. at the latest. Both Mr. Shigematsu, Chief Executive Officer, and Mr. Tane, Director and Chief Financial Officer, will answer your questions.

We are using the Zoom video conferencing system today. Please include your name and affiliation in the account name, as this will be used to nominate a questioner during the Q&A session.

In addition, your account name and profile picture may be shared with other participants only if you speak during the Q&A session. If you need to change your settings, please do so in advance.

Thank you for your patience. Mr. Shigematsu, Chief Executive Officer, will now give an overview of the business performance.

Please go ahead. Mr. Roi Shigematsu.

Shigematsu: Yes, I'm Shigematsu from Neural Pocket. Thank you all for taking time out of your busy schedules to join us today.

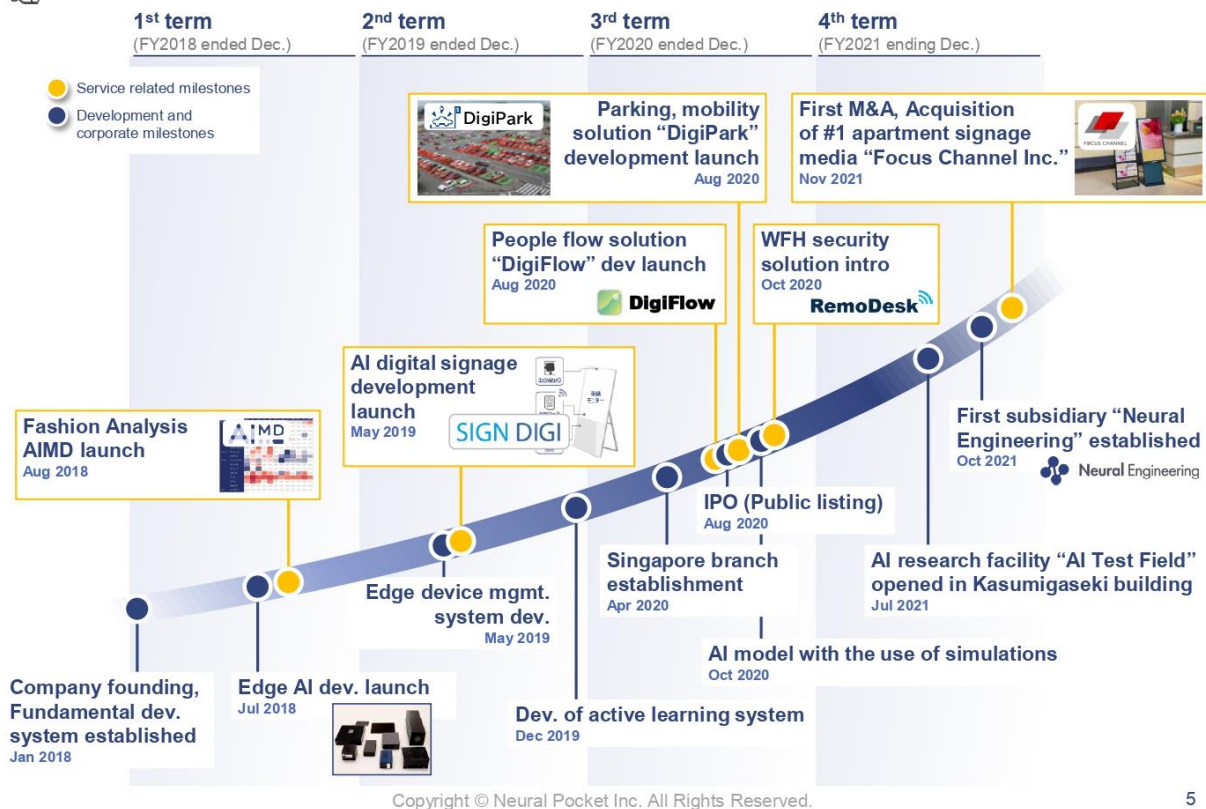
The announcement of Q3 financial results is very important in terms of predicting the future of our company, and we are preparing for it with all due diligence. I have received comments such as, "Is the business actually doing well?" "Why are they changing their business model in the first place?" "Maybe they are doing it because they are not doing well, or their business is not progressing."

In response to this, we have been proceeding with our business quite cautiously and aggressively over the past year in response to the high expectations from our shareholders. I am personally very confident in the progress of our business as we pledge to make great strides in the coming year and beyond. I would like to begin by offering my sincere apologies for not meeting the expectations of our shareholders.

That being said, I would like to answer the questions that you have already asked today as carefully as possible during today's session. Also, I would like to explain why we are taking this kind of strategy, because I believe that it is a meaningful move to increase shareholder value and the market value of our company. I am confident that it will help our company grow in the future. I would like to jump right into what you are all interested in. So, I would like to explain the Company profile, which has been explained in the previous Q2 financial results. But I would like to focus on the additional information.

History of Neural Pocket

 We have been developing our core technology and deploying unique AI services in rapid succession since inception.



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First, on page 5, we are about to finish our fourth fiscal year. It has been about a year since we were listed on the stock exchange, and in the first, second, and third fiscal years, our sales and profits have increased. And, we have been developing our business in a way that is very easy for investors to understand.

In the midst of all this, we have been developing our services in rapid succession, as you can see from the orange balloons. The first one is the fashion trend analysis, followed by signage systems, and then DigiFlow and DigiPark, which are the so-called AI Digi Solutions disclosed as service domains herein.

At the end of last year, I shared that RemoDesk was being launched, partly because of the coronavirus.

This fiscal year, just this month, we acquired Focus Channel; a competitor in the signage system business that goes back to our second term (Yr2) of our business. We have now attained the top position in the residential apartment advertising space.

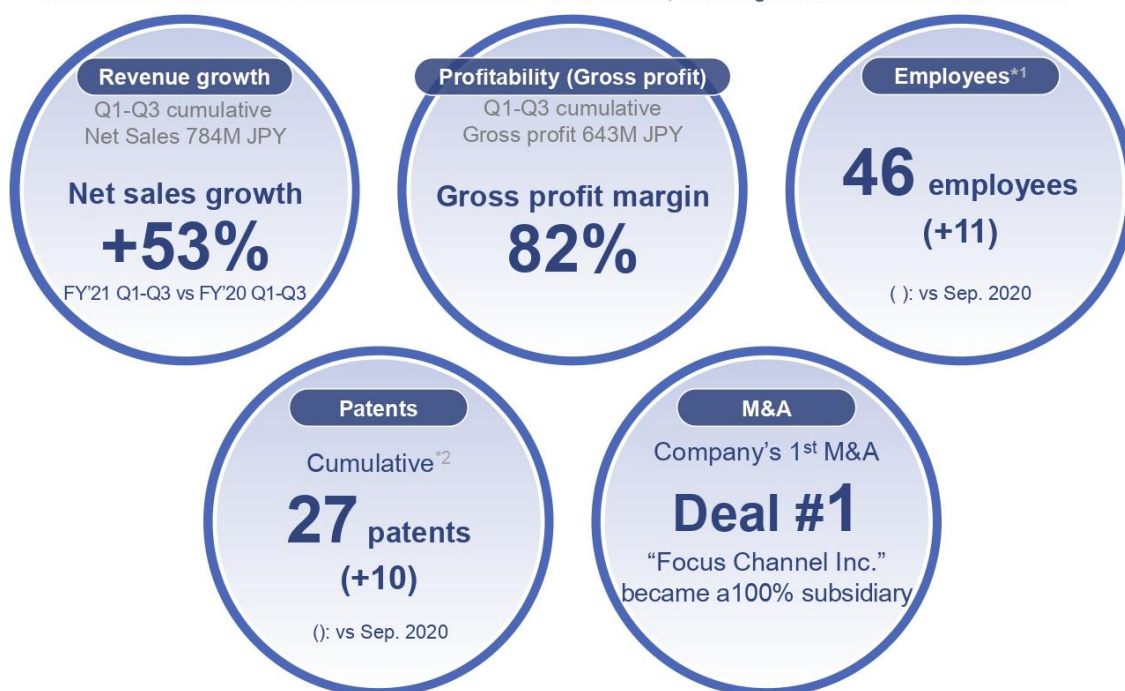
In this context, we have been providing services such as AI MD for 4 years, and we have been increasing sales and profits for a long time. In the area of signage, as you know, we have been creating business with Softbank Corporation; this is still work in progress. In this context, while promoting open innovation with these large companies, we have also started to think about how to promote business in a more discontinuous manner. To accelerate this process, we have independently acquired a company called Focus Channel.

As I mentioned in the last financial statement, we have been working on building up the system and services for the past year.

As I will show you later, the fourth fiscal year was very modest in terms of numbers, but in fact, it was all about system development and strengthening our customer base. Also, as I mentioned in Q2 of the previous fiscal year, we have made a big leap forward in providing services that people want to use.

FY2021 Q3 key highlights

 Sales growth has continued to progress whilst maintaining a high profit margin. In addition, we continue to construct the business's foundation to further scale our business, including the execution of our first M&A.



*1 As of Sep 30th, 2021. Does not include executives, part-time staff, interns. Also does not include wholly owned subsidiary Focus Channel Inc. since transaction consummated on Nov. 1st.
*2 Total of i) granted 13, ii) applying domestically 10, iii) applying internationally 4.

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Next, I would like to share with you some of the highlights of our financial results.

Sales for Q3 increased by 53% compared to the previous year. However, as I will show you later, we have sacrificed a little bit of sales in this area to some extent, but we are still using plenty of people for system development.

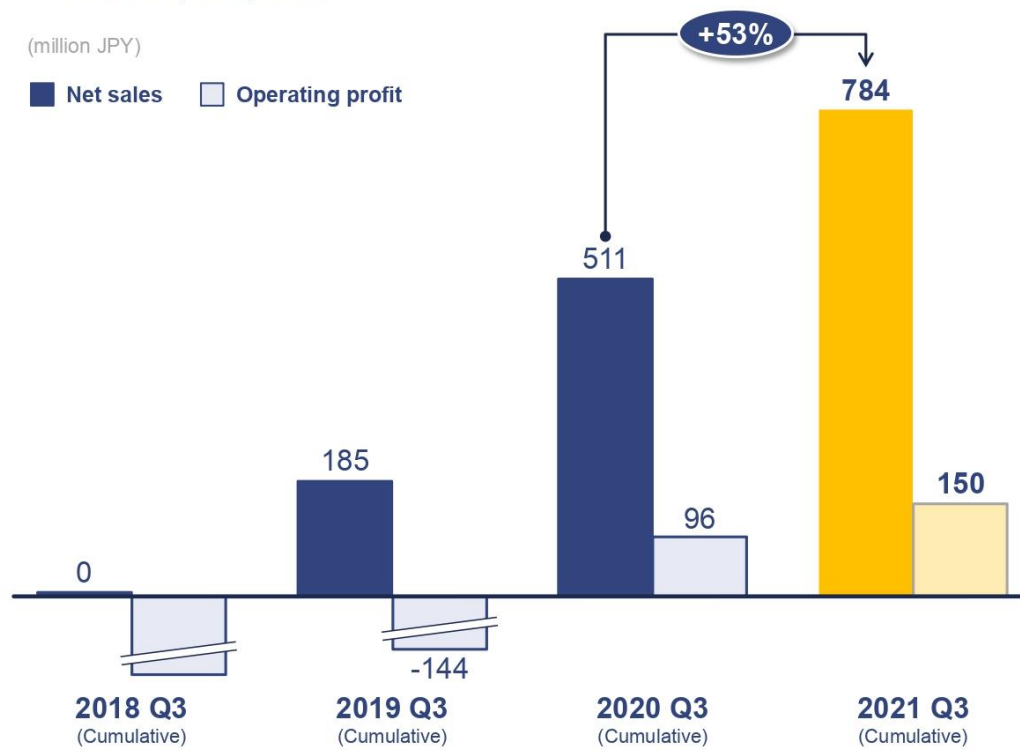
Profitability continues to be very good. The gross margin here is now about 82%. In the medium term, on a stand-alone basis, I think this level will be our guideline. However, our greatest strength is our high profitability and the fact that the gross profit margin of AI services is extremely high.

The number of employees is increasing. Patents have been increasing steadily for a long time, and I think we have made progress in this area of technology.

What is most noteworthy is that we conducted our first M&A transaction. Up until now, we have been working with large companies in open innovation, receiving fixed positions in alliances or receiving license fees. We have taken this opportunity to build a system that will allow us to proactively accelerate exponential growth.

FY2021 Q3 ended Sep. performance trajectory

 In FY2021 Q3 cumulatively, sales grew 53% compared to last year. Achieved steady growth in both sales and operating income.



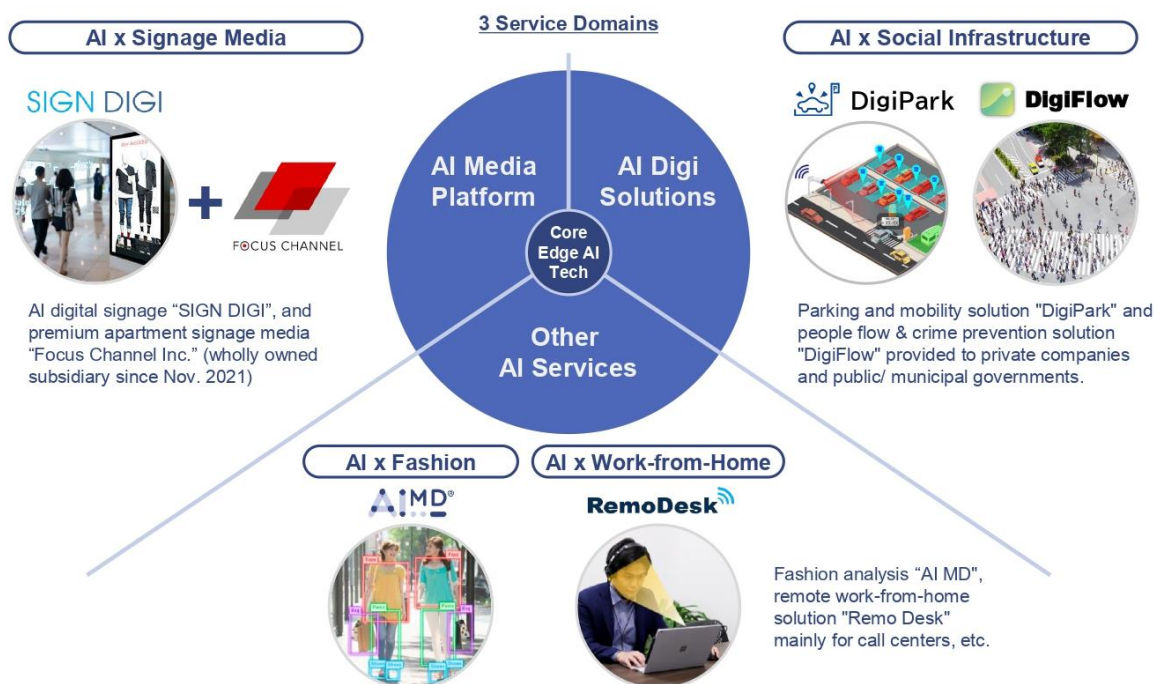
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Here are the highlights of our performance. Both sales and profits increased through Q3.

Applying edge AI technology to 3 domains to create unique value

👉 We are enabling a more convenient society through applying our core edge AI technology to various domains. Our two main service domains are "AI Media Platform" and "AI Digi Solutions".



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Page 15 is the focus of attention, and the fact that we were finally able to announce this in our fourth year of business can be seen as a testament of the youth and newness of our company. Analysts have been asking about the disclosure of sales in these 3 service domains for a long time. I would like to start with an explanation of these 3 service domains.

The first is the AI Media Platform, which is a signage media company that I have been working on for 3 years now. We have finally been able to acquire the system, technology, operation, and actual installation experience as a service. We believe that we are now in a position to run our own business here.

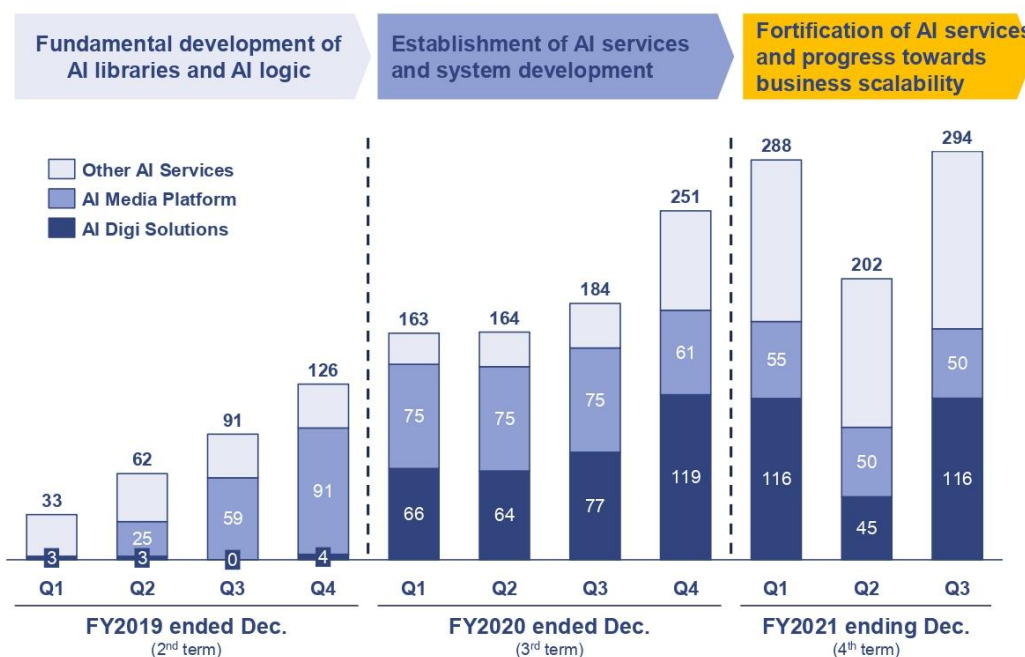
The second area, AI x social infrastructure, is the area of DigiPark and DigiFlow, which I introduced in the previous financial results. In terms of needs, there are many cases where both are combined, and from this time on, I will disclose sales as a domain in the form of AI Digi Solutions.

Other services, Fashion and RemoDesk, can be disclosed here, but it is still difficult to read the market conditions for RemoDesk because of new coronavirus cases. I would like to make a full disclosure when the disclosure system is ready.

Our sales consist of 3 core domains.

Revenue trajectory per service domain

👉 Since inception, the company has achieved steady sales growth while promoting the development of various seeds that constitute "AI Media Platform" and "AI Digi Solutions". Through FY2021, we are selectively promoting activities to evolve these seed technologies into scalable business.



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The following is a breakdown of sales across the 3 service domains for the second, third, and fourth fiscal years.

In terms of what we have been doing in the second term, we have been doing basic development of AI libraries and logic. The actual sales themselves increased every quarter from JPY30 million to JPY60 million to JPY90 million to JPY120 million. Most of these sales were fee-based, as we worked with large companies to create AI libraries and logic businesses. The third term is the construction of AI services and system development. We were listed on the stock exchange during this period, and our sales and profits have continued to increase during this period as well.

As a breakdown, from Q1 of the 3rd term, we were on the verge of introducing AI Digi Solutions as a commercial product, and we used quite a bit of energy in the third period for the trial introduction. In fact, we have been working on building a system to install AI Edge boxes, check their quality, and create an operation system for them. During this period, we actually worked with companies to create these digital solutions. We also received quite a lot of individual projects. However, as I have already mentioned, this was not the case with housing development. Basically, the project was based on the assumption that it would continue and that we would receive license fees.

As for our 4th term, Q1 saw a steady increase in sales. As for Q2, I shared that we will move one of our overseas projects to Q4. As I will show you later, we were not able to receive any orders for this postponement. This is a foreign Asian company, the uncaptured sales were scheduled to be moved to Q4 because of the tensions caused by the coronavirus on USA-China relations and because that particularly client had to drastically reduce its Japanese operations.

We were well aware that in the short term, of course, our shareholders were expecting these sales, but we thought it would be better for us to allocate resources to creating services and preparing for growth in FY2022 vs continuing to pursue fee-based projects to make up for the shortcoming revenues. We have decided to strategically come short on this year's revenue and prioritize mid-term growth.

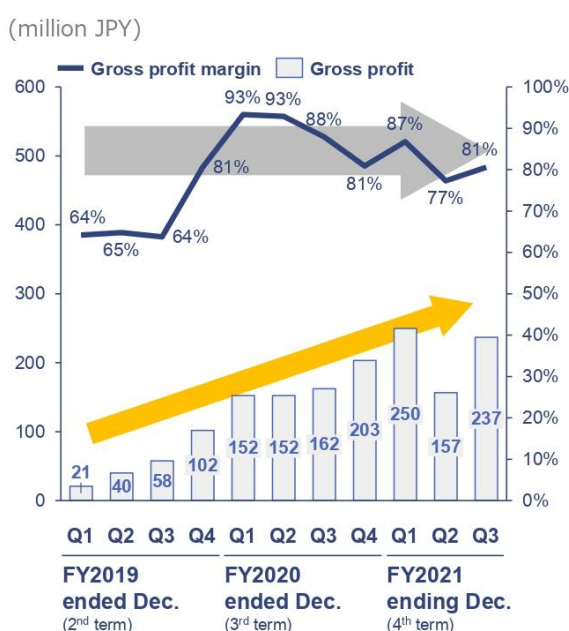
Thanks to the recovery of the market, we have received a number of fee-based inquiries for our AI services. If we were to accept these, we would have to allocate a large amount of our development resources to their projects. When we considered whether we could really achieve the dramatic scale and units we were originally aiming for in FY2022, we decided that it would be difficult for us to take the project.



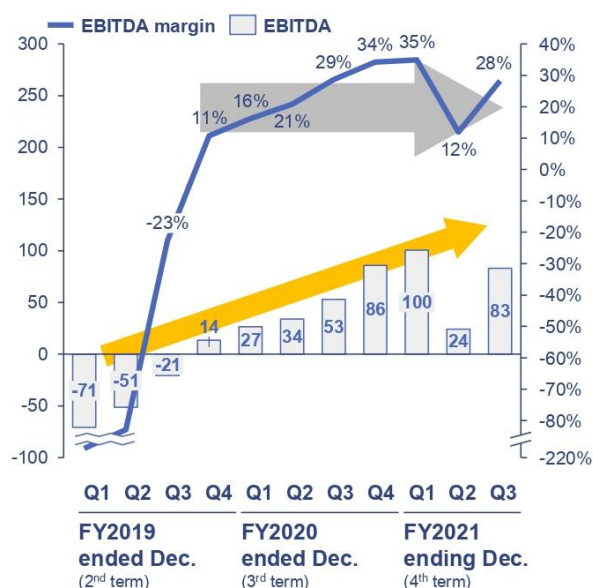
Quarterly trajectory of gross profit and EBITDA

Promoting revenue growth while maintaining high gross profit margin and EBITDA margin. Going forward, we plan to prioritize sales growth while maintaining current profitability.

Gross Profit



EBITDA



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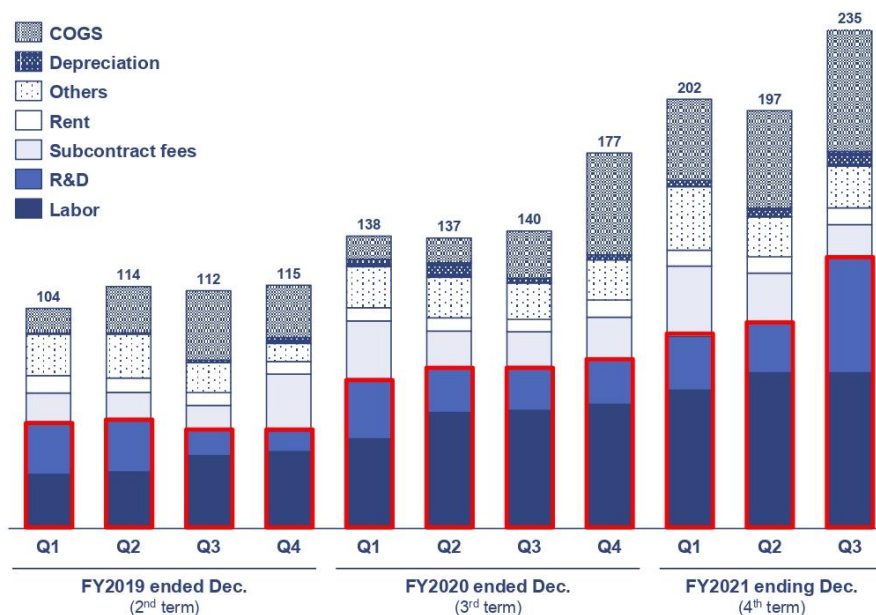
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If you look at the graph on page 17, you can see that gross profit and gross profit margin are growing in line with sales, but the gross profit margin has remained high as I mentioned.

This time, I am writing EBITDA here, but AI technology is close to this. In the future, as we actively conduct M&A, we will use EBITDA as our main indicator after removing goodwill amortization, amortization, and other factors. We will be able to track this, in this way, in the future.

Quarterly cost (COGS and SG&A)

 Approximately half of total costs are allocated to technology development and service development (personnel and R&D costs).



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As for the increase and decrease in expenses, here is a breakdown of the expenses.

About half of the expenses are for R&D business planning personnel. We have been investing aggressively in this area, and we believe it will continue to grow.

Customer base*1

 We have constructed a solid customer base providing services across a wide range of industries, mainly to major corporations, public institutions and local governments.

Advertising



Real Estate



Public services, Government



IT, Telecom, Trading Co.



Apparel, Retail



*1 Suppliers, business partners, and collaborators.

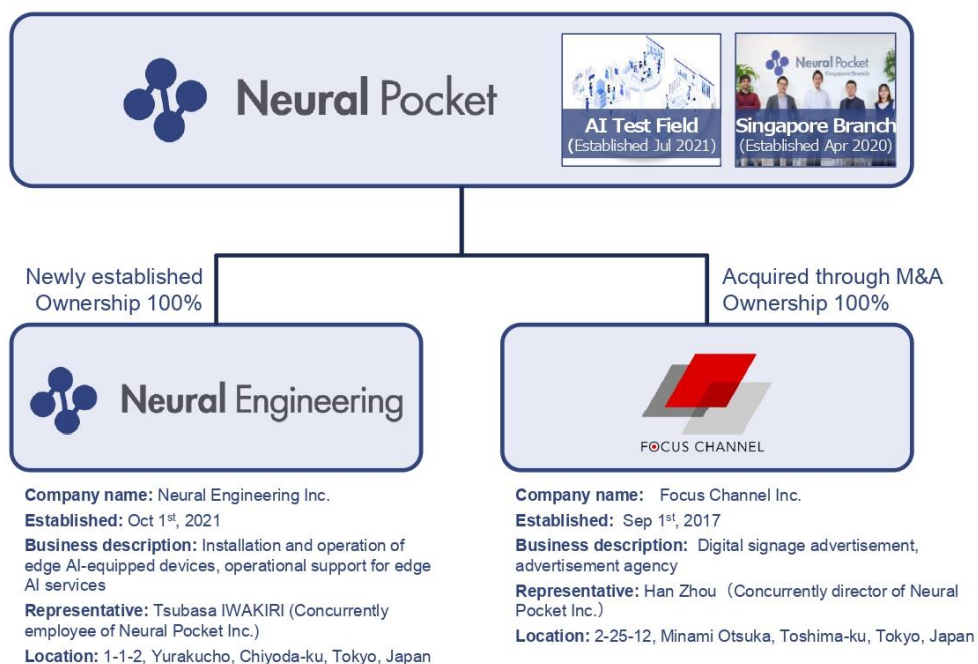
Among the management themes I mentioned in Q2, I believe we made dramatic progress in Q4 in increasing our customer base and business partners.

Looking at the financial figures, we have heard some people say that there is not much of an increase. If we look at the results, in the advertising field as well as in the real estate field in particular, we have already been working with a large number of real estate companies on multiple projects. We have already launched our second, third, and fourth location-based projects. I think this is important for the future of our company.

In addition, we have been disclosing information around local governments, as we have been doing for some time. We are also increasing our sales partnerships with trading companies and IT companies in this area.

Company group structure

👉 In Oct. we established a subsidiary, Neural Engineering Inc., and in Nov. we acquired 100% of the shares of Focus Channel Inc. to make it a wholly owned subsidiary, transforming Neural Pocket from a non-consolidated company to a group company. Consolidation of financial results are scheduled to begin from FY2021 Q4.



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On page 24, you will see that we have recently strengthened our group structure in a number of ways, but this is the structure we have in place.

We have established a wholly owned subsidiary called Neural Engineering from Neural Pocket. We are planning to install more and more Edge units, so we will have at least 2,000 units of our Edge services next year.

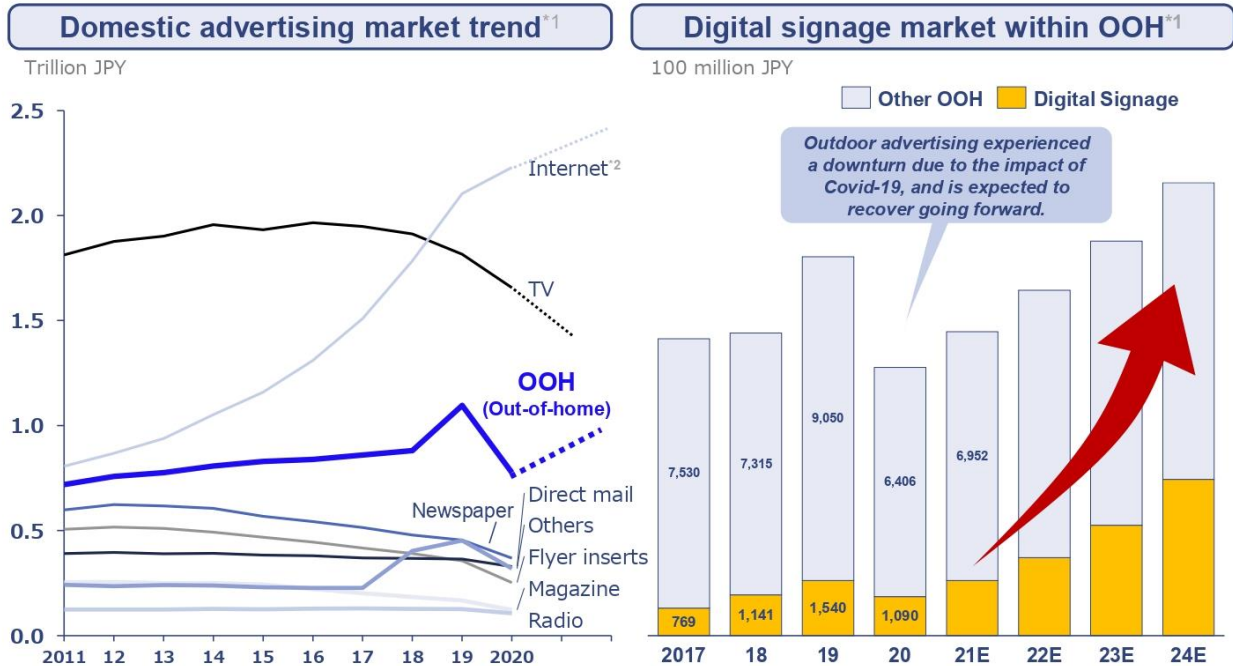
By defining the requirements for the actual installation and operation, and although the actual installation itself is often outsourced to subcontractors, the purpose is to create a system that can distribute and operate this Edge system both domestically and internationally by firmly defining such requirements.

As mentioned earlier, the Focus Channel was purchased and acquired as a digital signage system.

I would like to explain in detail how attractive this domain of AI Media Platform is, because I think it is probably not well understood from the feedback from shareholders.

Market environment: Digital signage expects significant growth

Outdoor advertising (OOH advertising) is the third largest market after TV advertising, and within that, digital signage is a very attractive market, especially with significant growth expected in the future.



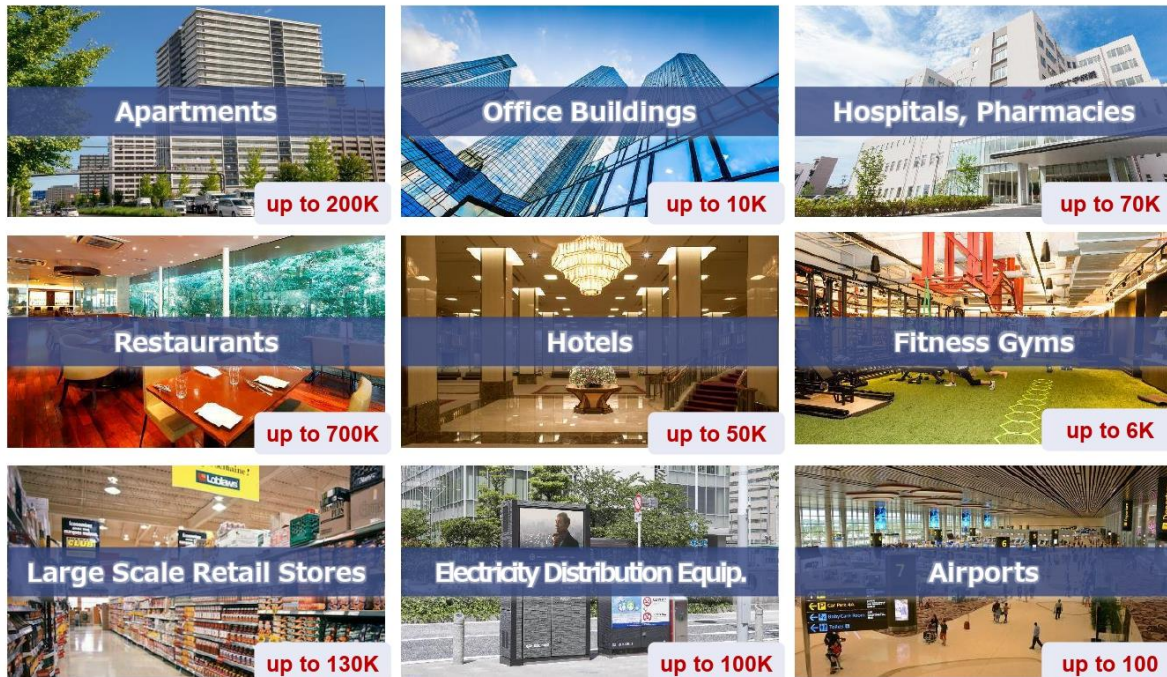
¹ Company estimate. (Source: "Japan's Advertising Expenditure in 2020" by Dentsu Inc. and "Survey on Digital Signage Market in 2020" by Yano Research Institute. Outdoor advertising and digital signage markets are estimated to continue to grow at a CAGR of 3 years after 2020.)
² Internet includes various types of online advertising, such as click ads and ads on online video services.

The market for outdoor advertising used to be about JPY1 trillion, but with the coronavirus, the number of people going outdoors has naturally decreased. So, the market has temporarily declined but is now on a recovery track.

In terms of annual growth rate, this is an area where new market creation will continue to increase at an annual rate of about JPY50 billion. This is where we are naturally focusing our attention.

Market environment: Huge existing potential for digital signage installation across various urban locations

👉 There is an inexhaustible list of potential locations for digital signages to be installed across the city. Growth is expected both through increase in share among existing OOH advertising^{*1} and further additional OOH market expansion.



*1 Out-of-home advertising. The form of advertising that is found outside of a consumer's home. Includes everything from billboards to bus shelters, benches etc.
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As you know, digital signage can be placed in various places such as condominiums, office buildings, hospitals, and so on.

Characteristics of Neural Pocket's AI signage

👍 We developed AI signage equipped with (1) remote control and management functions for advertising and (2) effectiveness measurement functions that solve current issues in the outdoor advertising market.

The diagram on the left shows the hardware components of the AI signage: an Edge AI Camera, a SIM card, and a power source, all connected to a large LCD display. The photo on the right shows the signage in a retail environment with callouts for 'Facility info & ads', 'Guest attribute analysis', and 'Ad view measurement'.

Remote management and replacement of contents

Analysis and dashboard display of guest views

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Remote content distribution and signage terminal management

👉 Our in-house content management system (CMS) enables remote control of all signage terminals at once, ensuring smooth content distribution and stable operation. IoT signage operation at the world's highest level is achieved.

Proprietary content management system (CMS)

Constant online connection with SIM line allows for specification of contents to be delivered to each terminal without visiting the site: realizing highly IoT-oriented digital signage operation.



AI Signage operation monitoring

Proprietary AI terminal operation status monitoring tool ensures stable operation at the world's highest level: Automatic remote reboot and other responses.

STB ID	機種種別	設置日時	入居確認日時	HW	OS	設定情報
40	0000000	2021/11/08-15:51:13	2021/11/08-15:51:47	2021/11/08-15:49:50	✓	✓
41	0000040	2021/11/08-15:51:40	2021/11/08-15:50:41	2021/11/08-15:50:20	✓	✓
42	0000020	2021/11/08-15:51:14	2021/11/08-15:52:22	2021/11/08-15:51:20	✓	✓
43	0000038	2021/11/08-15:53:30	2021/11/08-15:53:54	2021/11/08-14:37:52	✓	✓
44	0000026	2021/11/08-15:51:24	2021/11/08-15:51:55	2021/11/08-15:51:58	✓	✓
45	0000095	2021/11/08-15:53:37	2021/11/08-15:53:55	2021/11/08-15:53:57	✓	✓
46	0000053	2021/11/08-15:53:14	2021/11/08-15:53:33	2021/11/08-15:52:20	✓	✓
47	0000078	2021/11/08-15:53:15	2021/11/08-15:54:56	2021/11/08-15:53:50	✓	✓
48	0000007	2021/11/08-15:53:09	2021/11/08-15:51:41	2021/11/08-15:52:27	✓	✓
49	0000039	2021/11/08-15:53:32	2021/11/08-15:53:50	2021/11/08-15:53:44	✓	✓
50	0000048	2021/11/08-15:53:11	2021/11/08-15:51:42	2021/11/08-15:51:53	✓	✓
51	0000042	2021/11/08-15:53:38	2021/11/08-15:53:57	2021/11/08-15:53:53	✓	✓
52	0000040	2021/11/08-15:53:29	2021/11/08-15:51:53	2021/11/08-15:53:45	✓	✓
53	0000040	2021/11/08-15:53:15	2021/11/08-15:53:53	2021/11/08-15:54:20	✓	✓
54	0000025	2021/11/08-15:53:13	2021/11/08-15:53:53	2021/11/08-15:53:40	✓	✓
55	0000032	2021/11/08-15:53:21	2021/11/08-15:53:54	2021/11/08-15:53:50	✓	✓
56	0000032	2021/11/08-15:53:05	2021/11/08-15:53:16	2021/11/08-15:53:16	✓	✓
57	0000048	2021/11/08-15:53:14	2021/11/08-15:53:56	2021/11/08-15:53:48	✓	✓
58	0000030	2021/11/08-15:53:29	2021/11/08-15:53:59	2021/11/08-15:53:59	✓	✓

Stable operation rate of AI signage
(Past 6 month average through
May to November 2021)

99.5%

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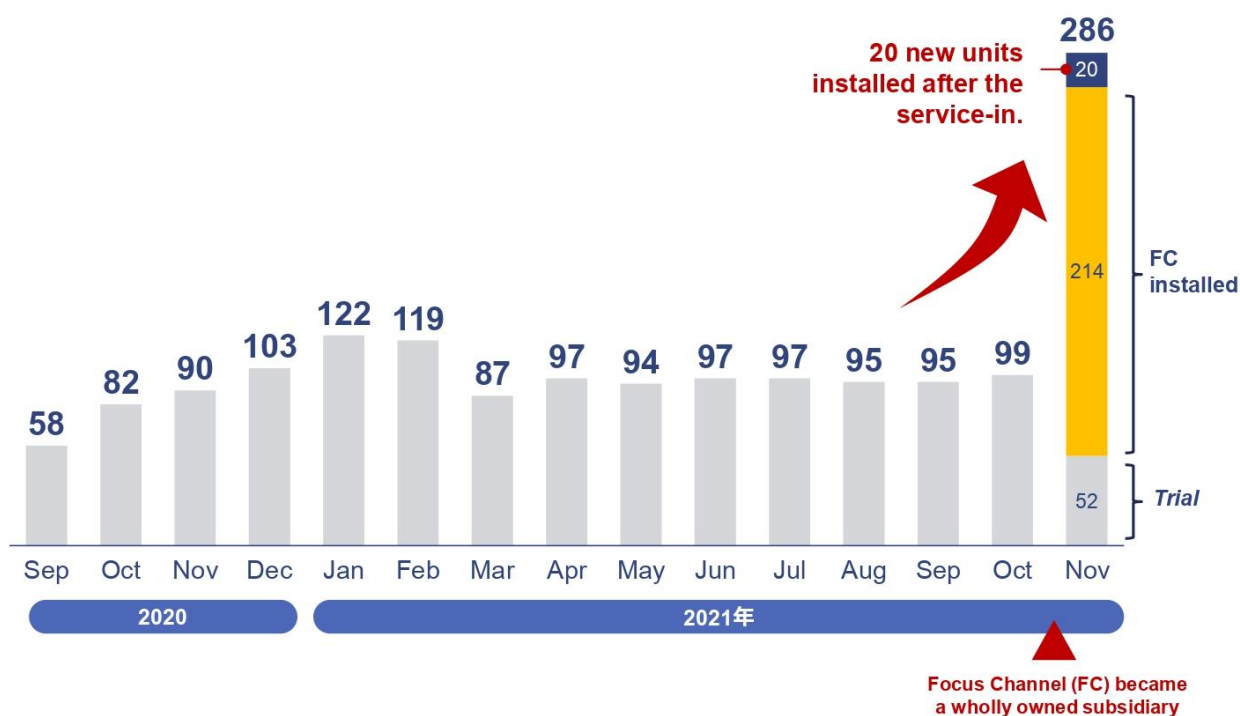
This is our AI signage system that we have been developing for a long time. The stable operation rate of this system has advanced to 99.5%.

At the same time, each device is connected to the Internet through a SIM card and can be controlled automatically. In addition to the CMS, which is a content delivery system, you can also start up the actual device on a Web screen, just like a SaaS business.

On the right side, the stable operation status is managed by us in real time, and we have just completed this distribution system.

Number of units of signage installed to date

 In addition to the official launch of the service in November 2021, the number of installed units increased rapidly with the acquisition of Focus Channel Inc.



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I've been asked a lot of questions about the intentions behind the introduction of these devices in IR. I've told people that we've introduced them to some extent and that the number of devices has been increasing.

However, until now, it was mainly the actual number of units in collaboration with SoftBank. This was more of a test introduction, and we had not yet reached the point where our unit base, or sales, would really increase.

In addition, we are placing great importance on the acquisition of the Focus Channel and the new units that started to fall in November at the end of last year. In addition, we have been able to increase the number of units to about 2 million.

Full-scale entry into the digital signage business through the acquisition of Focus Channel Inc.

Expanded signage installation to high-grade residential apartments in addition to previously installed commercial facilities and office buildings.

Characteristics of apartment signages




Ave resident household income, 10 million JPY

Stable persona and reliable viewing

Coexistence with airing from address info of facility info

High fidelity targeting of audience

Ad effectiveness easily measured

Total of 200+ buildings, resident population of 100,000+

Number of units in parentheses



Mitsubishi Estate Condominiums
The Park House Nishi-Shinjuku Tower 60



Mitsui Fudosan Residential Co.
Kachidoki The Tower



Sumitomo Real Estate Sales Mansion
City Tower Takanawa

Mitsubishi Estate

- The Park House Nishi-Shinjuku Tower 60 (954)
- The Park House Yokohama-Shinkoyasu Garden (497)

Mitsui Fudosan Residential

- The Tokyo Towers Sea Tower (1,333)
- Kachidoki The Tower (1,420)
- Shibaura Island Cape Tower (1,095)
- Park Tower Harumi (1,076)
- Park Court Akasaka The Tower (518)

Sumitomo Real Estate

- City Tower Ariake (483)
- City Tower Takanawa (365)

Daiwa House Industry Co.

- Pacific Royal Court Minatomirai Ocean Tower (412)

Tokyo Tatemono

- Brillia Ariake Sky Tower (1,089)

Nomura Real Estate Development Co.

- Proud Tower Musashi Kosugi (450)

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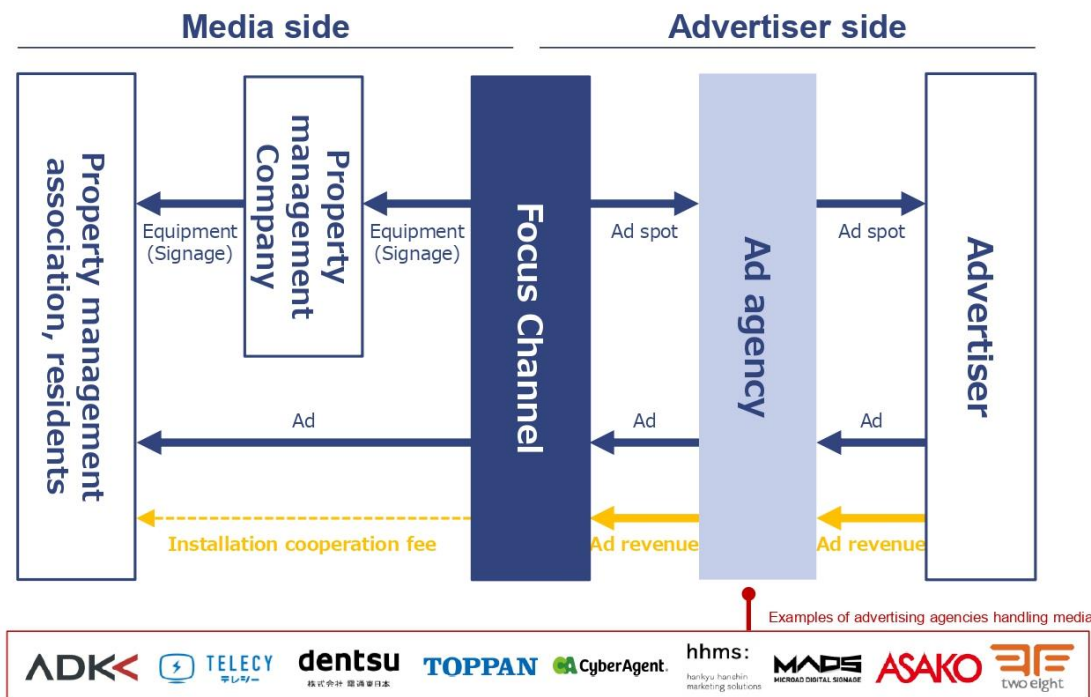
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As you can see here, Focus Channel is a company that currently has about 200 digital signage screens installed in tower condominiums around Tokyo.

This is a high-end media company, with about 70% of the households having an annual income of over JPY10 million.

Business scheme: Example for apartment signages

👉 In the signage business, by becoming the media owner, the company can take a more proactive role in managing the media, collaborating with advertising agencies, and expanding the business at an accelerated speed.



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As for the business model, there is Focus Channel or media that Neural Pocket has placed under its name.

In the future, we will integrate all these systems into Focus Channel.

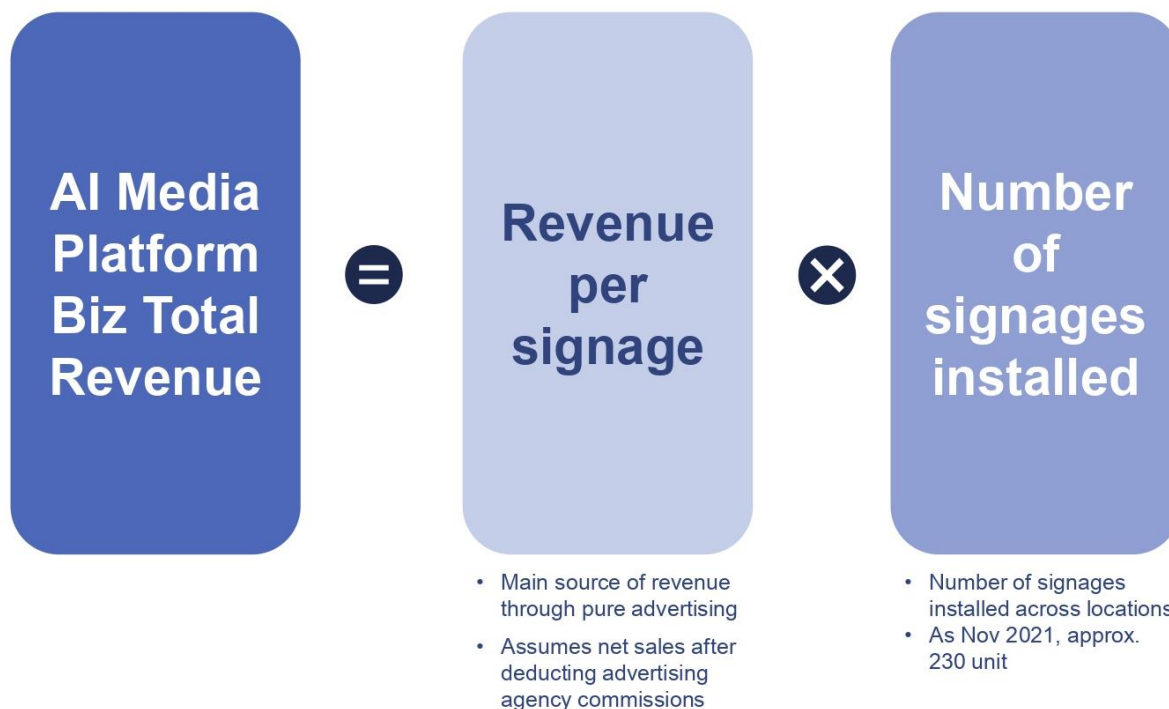
We install signage devices free of charge or, in some cases, there's a cooperative fee that we pay upon installation. However, since the condominiums or management associations on the installation side are able to rent the equipment for free, there is basically no opposition to the installation.

On the other hand, when you look at what is used on the side where the advertisements are placed, about 2/3 of time we are broadcasting advertisements whilst one-third is notices from the property owner etc. which is beneficial to both the advertisers and apartment facility managers. We also receive advertising fees from advertisers to generate sales for Focus Channel.

We are currently working with many advertising agencies, as shown, on the actual collection and management of advertisements.

Revenue drivers for AI Media Platform business

 Revenues are based on advertising revenue, which can be broken down into revenue per signage, multiplied by the total number of signages installed for KPI management.



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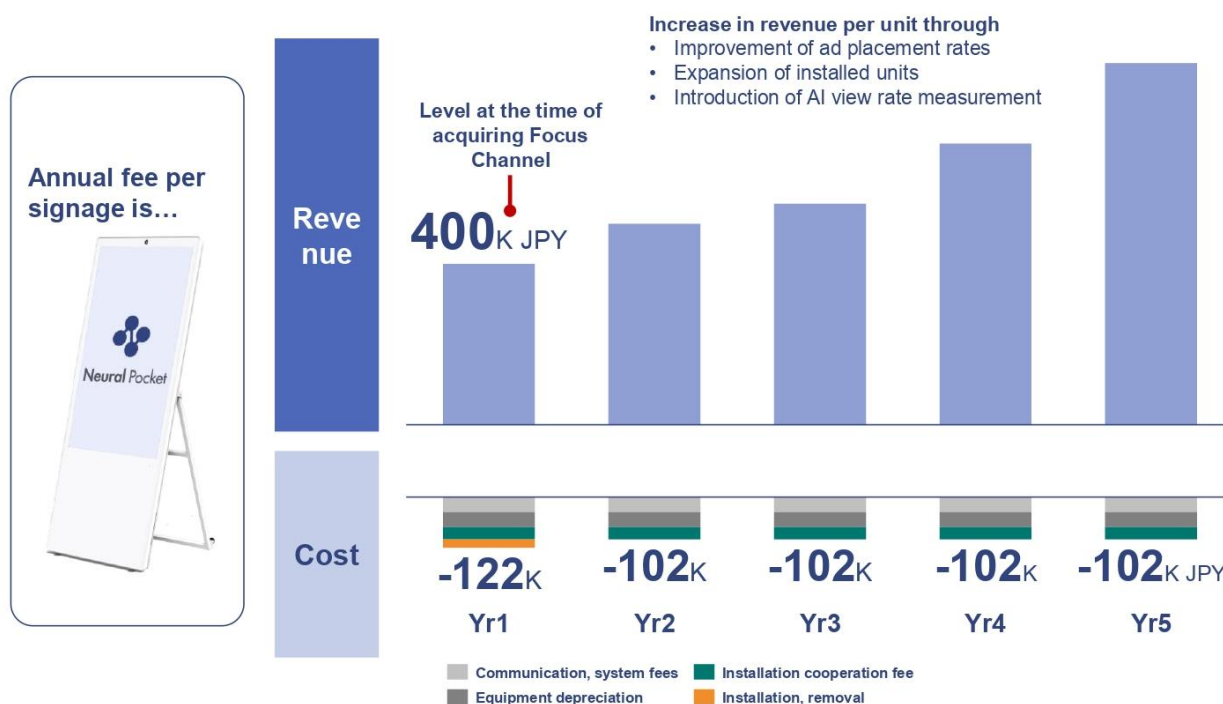
I'm going to skip this part, but the advertising business has finally reached this point.

When it comes to this, the future business model is simple and clear. If we simply multiply how many units of signage are installed by the number of units of AI signage, we can get our sales.

Trying to increase sales is easy. It's just a matter of increasing the revenue per signage unit and putting more and more signage. This is exactly the same as the business model of SaaS companies.

Revenue per signage trajectory

👉 In terms of revenue per unit of signage, there is an opportunity to increase sales. On the other hand, since the cost side is basically fixed, the profit ratio will improve year by year as sales per unit grows.



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The revenue per unit now, at the time of the Focus Channel acquisition, is JPY400,000 per unit. If we increase the number of units in this way in the future, we would like to increase the sales per unit to around JPY700,000 in the short term. The cost, including depreciation, is about JPY120,000 or JPY100,000.






So, the cost is the same as it was for 1 year and the revenue is about 70% on a gross profit basis, at the moment. When sales increase to around JPY700,000, the percentage increases to over 80%; this is how unit economics was established. In the future, unit economics will disclose this information in a timely manner in the financial statements.

At the same time, we are currently operating 230 units in small quantities, but we are planning to increase that to 350 units within the next 2 months. In reality, the demand is very strong here, and we are currently negotiating for about 35,000 units. I think we will be able to increase the number to about 2,000 units by the end of next year. 2,000 units is a very small number in the overall condominium market, and if you go back a little, you can see the TAM here.

There are about 200,000 condominiums in Japan, and we are aiming to have about 2,000 signages installed by the end of next year. The 2,000 will be installed not only in condominiums but in other commercial buildings, too. In terms of scaling-up condominiums in the future, we are also thinking of introducing it in office buildings in the short term, so we are strongly looking at the signage business as the company's growth driver.

Overview of AI Digi Solutions

👉 We currently offer a variety of AI detection functions under two product lines, DigiPark and DigiFlow. Setup is designed according to the site's needs and provides solutions with stable quality.

AI detection menu		AI device offering (partial list)	
 <p>DigiPark</p> 	 Occupancy  License Plate	 AI edge device setup 	
 <p>DigiFlow</p> 	 People flow, vehicle flow  Intruder detection  Seating occupancy	 AI Camera 	<p>Stable operation rate of AI edge devices and cameras (Past 6m average through May - Nov 2021)</p> <p>98.5%</p>

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Next, AI Digi Solutions.

The number of locations where we have installed this system has been increasing over the past year, but we have been working on the issue of stable operation.

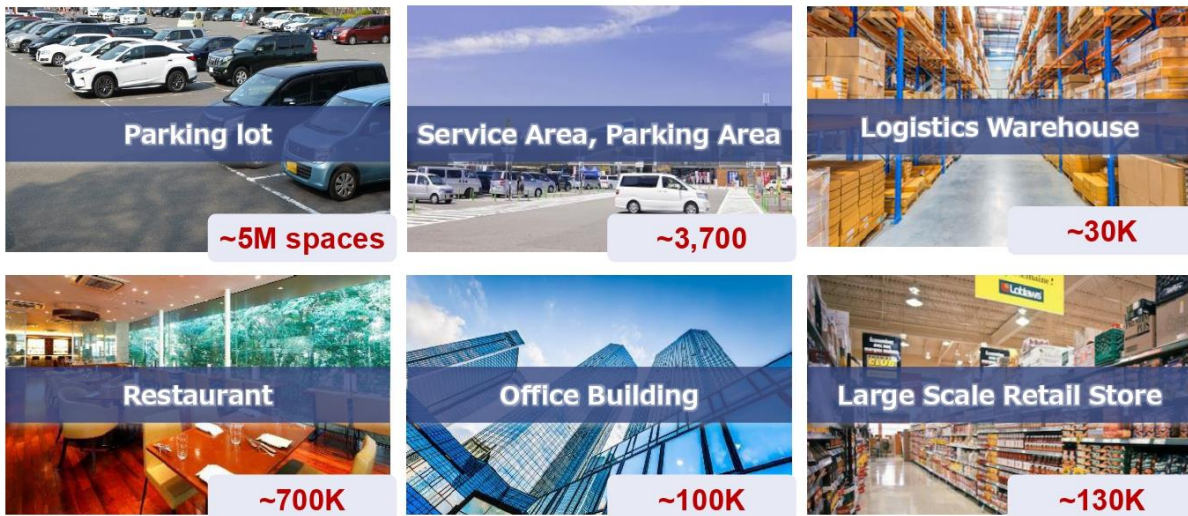
In November, we finally achieved a stable operation rate of 98.5%, which means that we are now at a level where we can actually introduce the system as an AI system.

From analysts who are watching the situation from behind their webcams, they might be thinking that 98.5% is normal. However, I have not heard of many companies in the world that have achieved such a stable operation rate in AI systems, especially in Edge systems. I think that we are now at the top level in the world.

Market environment: There are a huge market where AI Digi Solutions can be used in urban spaces

👉 A huge market is identified for AI Digi Solutions across various location types, where the potential number of locations for further installation is enormous.

Number of potential installation sites by location type where AI Digi Solutions has already been installed



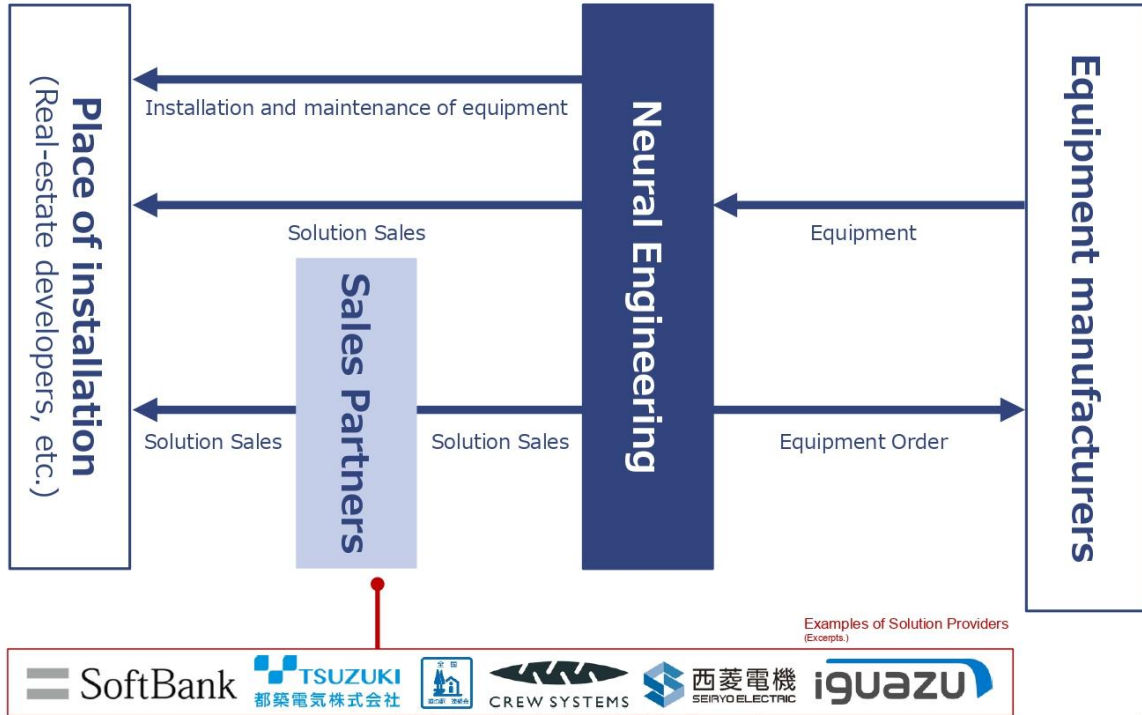
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As for the parking lot, as you can see, TAM is very large. Now that we have a system that can be installed and a sales system in place, we are just going to put it in place.

Business Scheme : Utilizing Neural Engineering, a subsidiary, to develop the business

AI Digi Solutions often involves installation in parking lots and other installation locations. The company plans to expand the number of installation sites over a wide area by utilizing its subsidiary, Neural Engineering, and by collaborating with sales partners.



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Here's the business model.

Unlike advertising, this is often a one-shot purchase as a capital investment at the moment, due to its installation. The business model is to renew the system in about 5 years, so the way the money comes in is very different from that of signage.

We will disclose the unit economics of each unit once we have calculated them in detail. The cycle per unit is large, so I think this is also an attractive business in a big way.

DigiPark: Use case at at “SMARK Isesaki (commercial facility)”, operated by Tokyo Tatemono

In the use case at SMARK Isesaki, the results of the AI camera monitoring of full-occupancy are (1) freely viewable on the facility's website, and (2) smoothly guided by outdoor signage and full-occupancy lights installed at the site, leading to an improved customer experience for users.



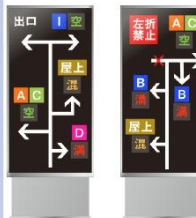
Actual image of AI camera detection



Check the facility's website for crowds in advance.



On-site vehicle guidance with outdoor signage ✧



※ Actual operation of outdoor signage and skylights is scheduled to start around February 2022.

For investors who would like actual hands-on experience with the system, please refer to page 58, which is the website of a commercial facility called SMARK Isesaki by TOKYO TATEMONO.

By clicking here, you are able to see the availability of parking spaces. Every 5 minutes, the Edge solution analyzes the fullness and vacancy information and links it to this web system. I think we've finally reached the point where we can operate the system in a stable manner.

DigiPark: Use case at “Logicross Ebina (logistics facility)”, operated by Mitsubishi Estate

In the use case of this system at Logicross Ebina, the status of truck berth usage and reception was visualized using security camera images, leading to smooth guidance and work instructions, which is useful for improving the operational efficiency of the logistics companies that occupy the logistics facilities.



AI truck berth fill-occupancy management

Real-time analysis for daily warehouse operations

Used in daily warehouse operations, such as eliminating truck driver waiting time

Identifying areas for improvement in truck allocation and loading/unloading operations

MITSUBISHI ESTATE



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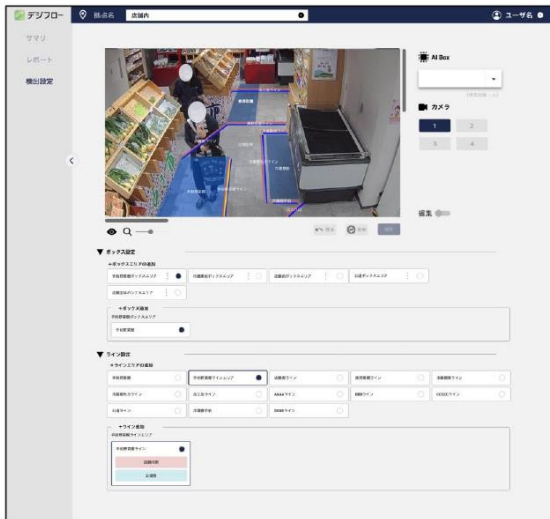
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The same is true for logistics. This is something that has been increasing for some time, but we also provide the same kind of information on vacancies in logistics.

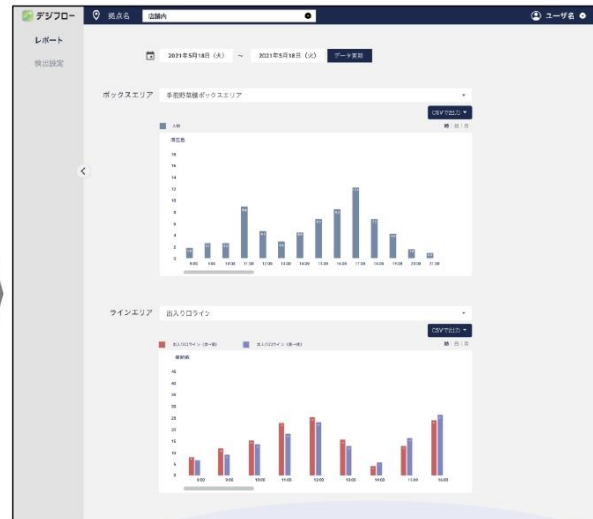
People Flow Analysis solution: **DigiFlow**

👉 With DigiFlow, customers can freely set the area and content they want to be detected by simply operating the system intuitively and easily, and can use various functions such as human movement and intrusion detection in the designated area without complicated construction or work.

Easy configuration of detection area and content



Easy to use for human flow monitoring, intrusion detection



Linkage with external devices and systems such as patrol lamps and outdoor signage according to use cases

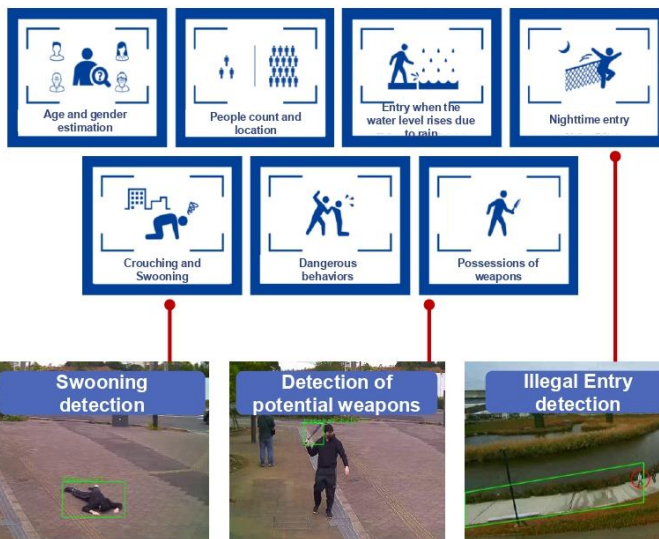
DigiFlow :Case study of implementation in "Kashiwanoha Smart City" in collaboration with Mitsui Fudosan

In the case of the installation in the Kashiwanoha Campus Station area, approximately 30 AI cameras have been installed in the district to provide services for monitoring and safety in the town, and to improve the livability and comfort of residents and visitors.

Camera Map



AI libraries to be installed in the project



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This is DigiFlow, which is a detection system for people.

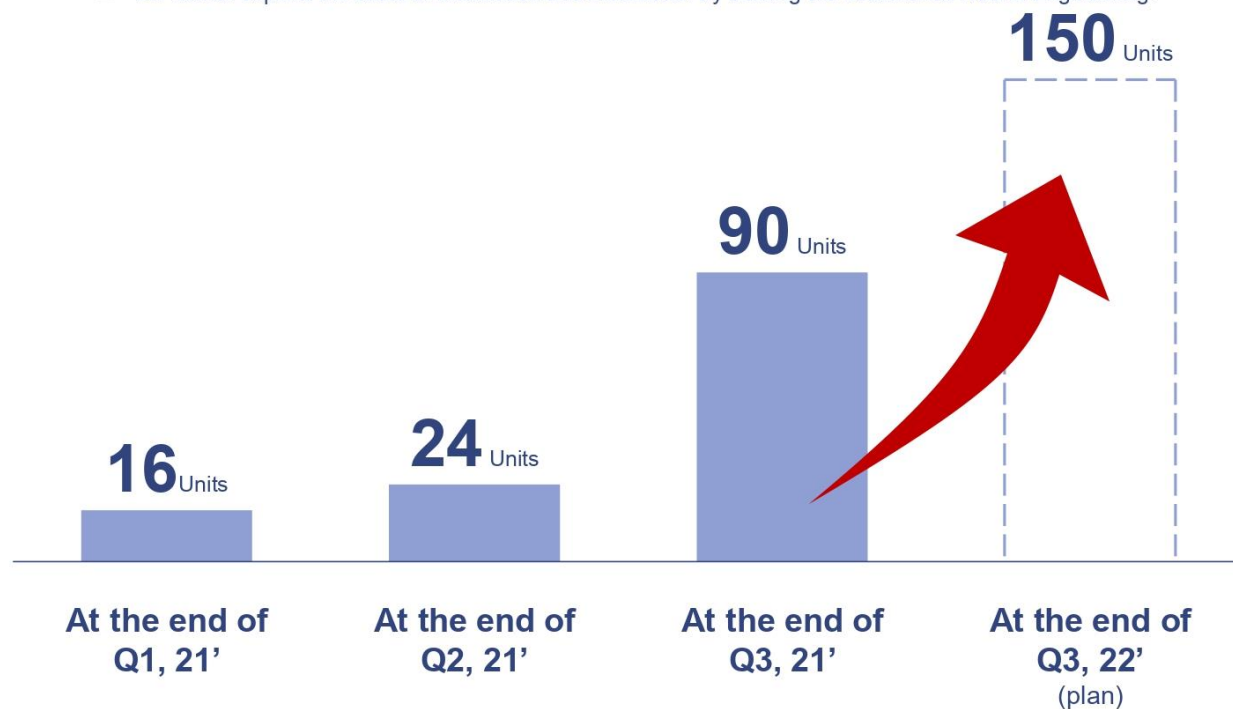
It is being introduced in Kashiwanoha Smart City, which is operated by Mitsui Fudosan. We have about 30 cameras in the city. This is not a demonstration experiment; they have been left in stable operation for a long time. I think we are finally ready to introduce DigiFlow.

Looking around China, it is already a matter of time before these systems are in stable operation. They are spreading rapidly across the country, but until now, there were no companies in Japan, Europe, or the United States that had such robust systems.

I believe that we have made a name for ourselves.

Cumulative number of AI Digi Solutions units installed and deployed to date and future plans

👍 Digipark/Digiflow are steadily increasing the number of units installed in 2021, and from 4Q21 onward, we will further expand the scale of installation and installation by utilizing the established Neural Engineering.



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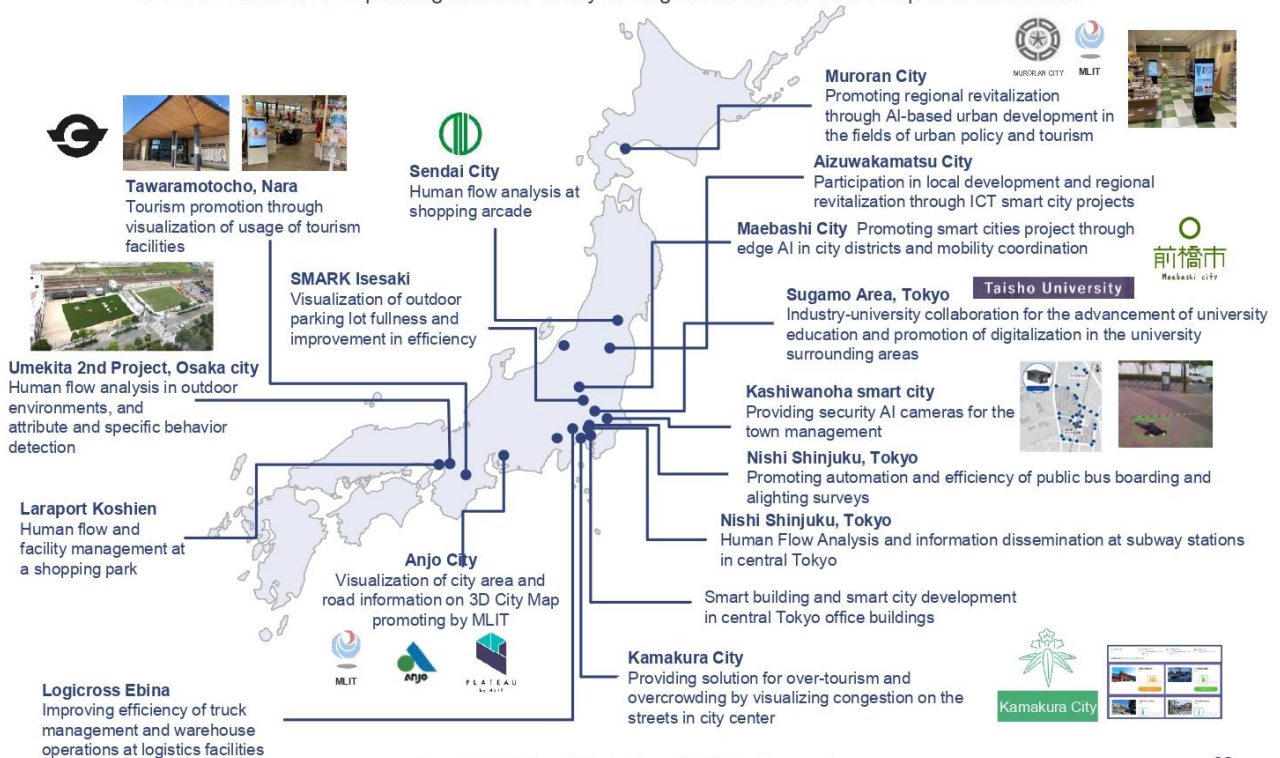
As for the number of units, we have 90 units as of the end of Q3. Some facilities have as many as 10 units per facility. On average, I would say that most facilities have between 5 and 10 units per facility.

We are still examining the timing of Q2 and Q3 and H2 of next year, so we will announce the KPIs for these areas in the financial results in the future.

I think the business model has become very simple and clear.

AI Digi Solutions and other services are being adopted and implemented in many urban development projects.

👉 The introduction of AI solutions for both private and public sectors are progressing in many areas, and the use of AI solutions is expanding in actual facility management and urban development nationwide.



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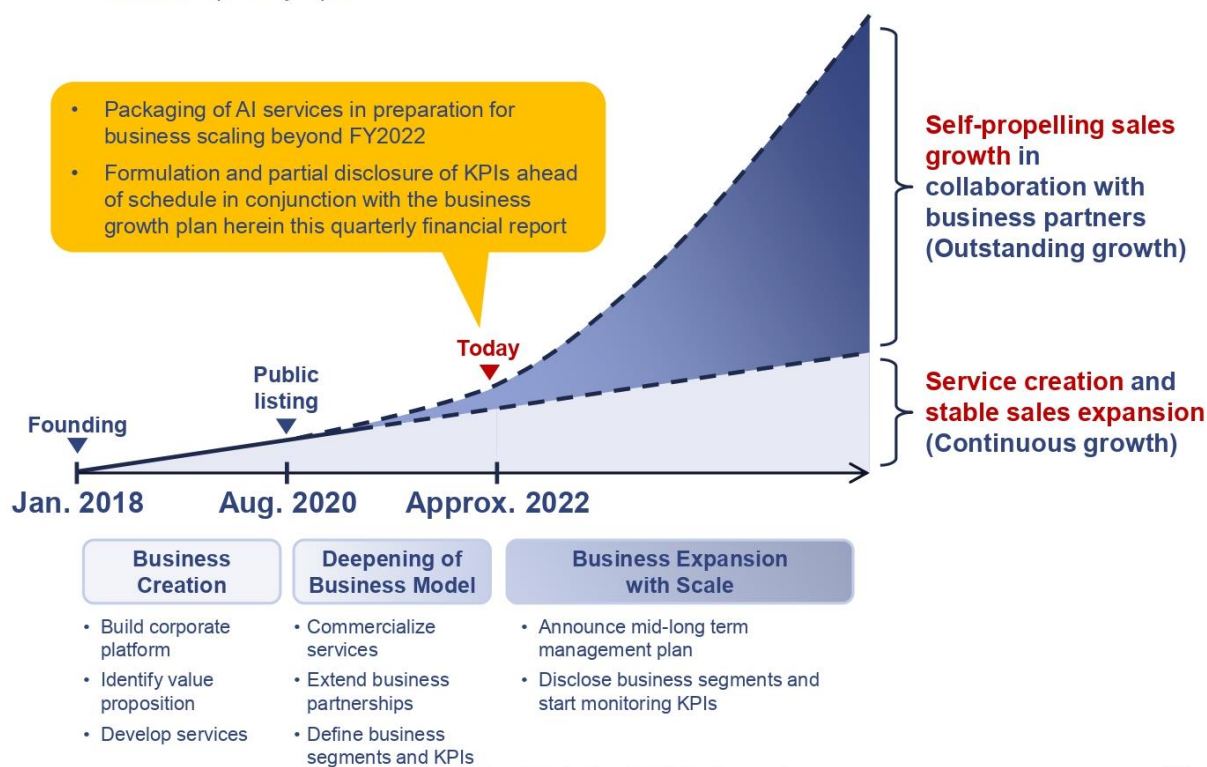
This is the actual map of Japan, and part of it is the 90 units I mentioned earlier. Some of the examples are shown here.

We have been expanding in a well-balanced manner in the public and private sectors. By the end of next year, we hope to spread AI Digi Solutions to fill this map of Japan.

Other AI services will be omitted, but the FASHION business is doing very well. Although the forecast for next year is currently flat, I think it will be more of a year of watching the market situation rather than a year of significant growth.

Our vision for business growth

👉 We have pursued our business growth vision ever since being publicly listed. Growth plan is described within this quarterly report.



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As for the medium-term leap forward, this is the same graph that we have shown before, and there is no change in our management policy.

We have been saying for a long time that it will be important to expand the scale of our business by around 2020, and we have always had a management policy that we should expand the scale of our business. It says that we will complete the packaging of scaled AI services in 2020 and beyond, but I think we have completed these services.

As for the results, we have been building up our track record for the past year. Although we have not done any PoC installations recently, basically all of them have been installed as commercial systems.

Management policy for FY2021

 For FY2021, business is being promoted with focus on prioritizing the deepening of the business model and the completion of services versus short-term sales growth. As a result we are establishing a system aimed towards the expansion of sales for generalized services/ solutions.

From fee-based to unit-based sales

In addition to expansion through individual contracts with companies/ governments, we aim to accelerate sell-propelling sales from generalized services

【Theme 1】 Expansion of co-creation partners

Expand required elements such as sales, maintenance and support, and bidding rights for government through partnerships or mergers and acquisitions as needed.

【Theme 2】 Towards easy-to-use AI services

Pursue ease-of-use of services designed around customer needs.
Aim to achieve 10,000-unit service system, with high AI service quality and operational stability.

【Theme 3】 Commitment to AI technology dev.

Collect and accumulate the industry's leading level of data.
Continue to invest in the dev. of optimal AI logics using proprietary learning technologies, including CG.

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We are disclosing the KPIs this time because we think the time has come for us to disclose them. There is no change to our management policy of shifting from a fee-based to a unit-based business, which we explained in the previous Q2.

As I mentioned earlier, we have been promoting the expansion of co-creation partners as our theme. We have disclosed the names of specific companies and organizations that are co-creation partners.

We have been working on raising the resolution of the business model to make it a service that people want to use. We have been building up a track record of getting unit economics from the actual AI signage system that is installed in condominiums and earns revenue from advertising.

With the participation of Focus Channel, we have made great progress. It is my understanding that things have gone smoothly here. It's a commitment to AI technology.

In addition to the AI detection technology itself, we are also working on the signage content management system, which supports the AI detection technology to ensure stable operation of the entire system. However, as a whole, Parking System is still operating at a stable rate of 98.5%, and I think there is still a lot of room for improvement. I think this will be an ongoing theme.

We have been talking about the shift from a fee-based to a unit-based business for more than a year now at the Financial Results Meeting, and I think this is the reason behind it. I'm not saying that SaaS is good, and AI is bad. I do think that AI companies, and we've been doing this for about 4 years, are in a big transition period.

Comparison of SaaS and AI players

👍 The adoption of SaaS services has grown, triggered by accelerated digitization and cost reviews in the workplace initiated by the spread of telework due to Covid-19 and other factors. Meanwhile, the timing is ripe for AI companies to rethink the value they provide.



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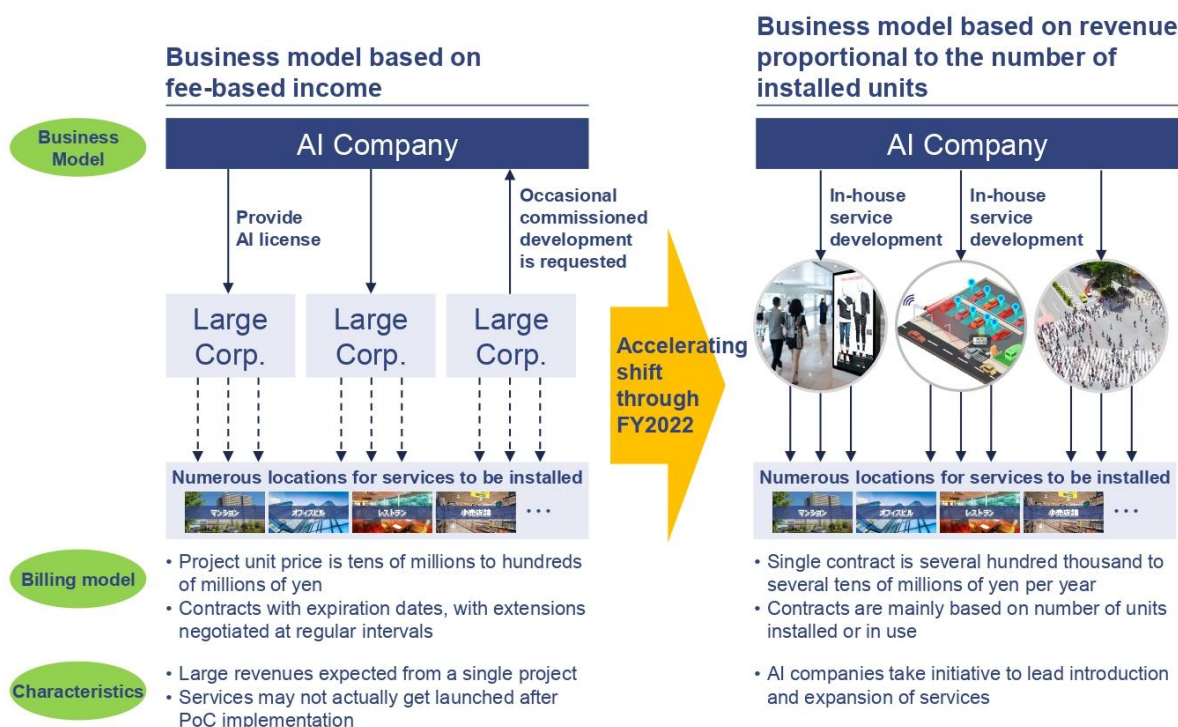
The trend has been going on for over a year where market investors have been persistently pricing AI in this way, using market price discovery principles. On the other hand, I think it is very disheartening for businesses that are promoting AI. I also wonder if the businesses in AI will really grow in the first place and if there are really any companies that disclose their KPIs in the first place. I believe that our business has finally progressed to a level where we can disclose KPIs for the first time in our fourth fiscal year but getting to a point where we are comfortable disclosing such KPIs was no small feat.

Also, the progress of the business must be transparent in the first place. When we hold investor meetings, we are often asked what the composition of our sales is. We have always said that we would disclose this information in the future, but I think that the resolution of such business was low.

In comparison, if you look at the financial results of SaaS companies, they have very detailed unit economics, KPI disclosure, and future projections. So, we have disclosed the breakdown of the various items based on that policy. The business model is also as disclosed.

Evolution of our business model

👉 Promoting a strong shift away from fee-based revenues to unit-based revenues through FY2021. Accelerating the provision of improved AI services through direct contact with customers' needs as unit-based services grow.



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It's about the evolution of the business model from fee-based to unit-based. This is one of the questions we receive from people who ask us why we need to do this in the first place, or whether we are doing this because the Company is not doing well.

It's not about that at all, it's about the way AI companies have fought in the past, using the fee-base as their base. When I say fee-based, I don't mean fee-based in the sense of contract development. We've always said that we don't do contract development. If we form an alliance with a large company and charge them a license fee, even if it's just a slight evolution of contract development, it's basically not going to lead to the kind of steady growth that a SaaS company would have. I think that's an important point.

The reason for this is that, basically, it is difficult to double the amount of money that we are receiving from a fee-based system. It will be hard if we really want to double the amount of money that we are receiving next year and the year after that.

I've been talking about this as a theme for this year, and the unit base is where companies can actually develop these services like a SaaS company without relying solely on open innovation with large companies. This is what we have been promoting for some time.

Trajectory of fee-based vs unit-based sales

Since the completion of AI services in 2021, unit-based sales growth (+138% annually) has surpassed fee-based sales growth (+53% annually). In light of the establishment of a accelerated growth planned for 2022 and beyond, some fee-based projects for Q4 have been foregone or postponed and internal resources will be allocated to develop in-house services.

(million JPY)

	FY2019 Actual	FY2020 Actual	FY2021 Forecast	CAGR ^{*1} FY19-21
Fee-based revenue	228	580	534	+53%
Unit-based revenue	83	182	471	+138%

Foregoing some fee-based projects to achieve the 2022 business plan. Allocating personnel to the development of our own services



*1 Compound annual growth rate.

In this context, we have been tracking the composition ratio of fee-based and unit-based sales within the Company.

The unit-based sales have finally risen to about JPY150 million. The areas where sales have increased or decreased are the white fee-based areas here. This is what I said earlier in Q2, that the performance of overseas companies was very poor, which delayed Q4, and that was why we couldn't get it there again.

I am curious if other companies can get on the dotted line above, instead of being here.

In the short term, our shareholders are expecting a lot from us, and they are urging us to go for it. However, in our opinion, we should not have taken those fees and connected them to new fees to prepare for the kind of growth that is expected from [next] year to 2022.

We have also been asked if it was not clear at the time of Q2. At the time of Q2, we did not think that the situation with the coronavirus and the international situation were that serious. But, in Q4 the situation has become quite tense.

Revision of financial forecast for FY2021 ending Dec.

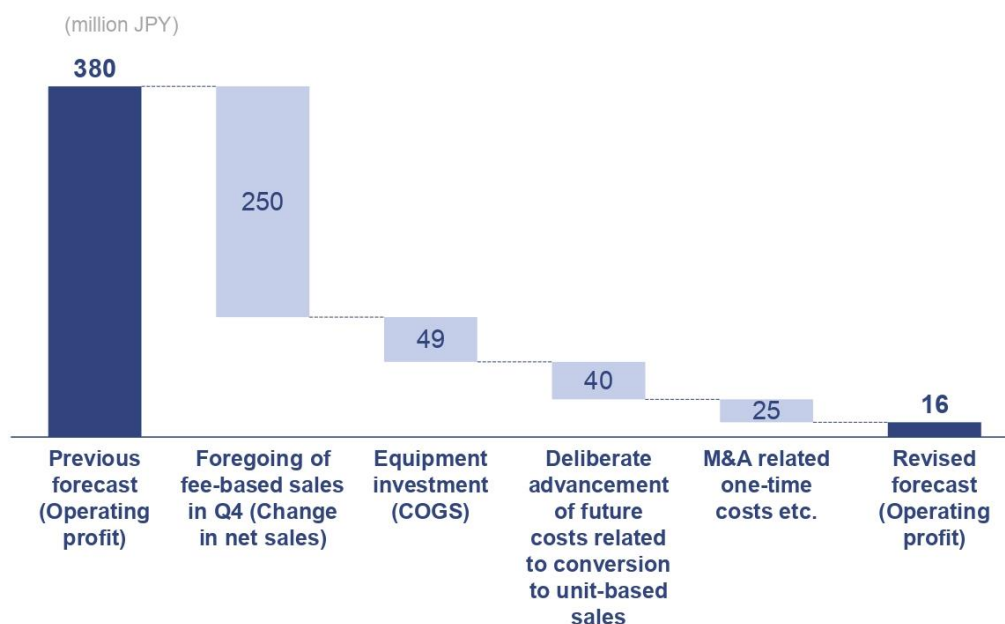
 We plan to invest progressively to achieve rapid growth in FY2022. To allow for accelerated growth in FY2022, we expect to forego a portion of fee-based sales in Q4 within the range of remaining in the black.

(million JPY)	FY2020 ended Dec. results	FY2021 ending Dec. previous forecast	FY2021 ending Dec. revised forecast	Increase Amount vs previous f/c	Increase Percentage vs previous f/c
Net sales	762	1,256	1,006	△250	△19.9%
Operating profit <small>% of net sales</small>	170 <small>22.3%</small>	380 <small>30.3%</small>	16 <small>1.6%</small>	△364	△95.8%
Ordinary profit <small>% of net sales</small>	148 <small>19.4%</small>	370 <small>29.5%</small>	11 <small>1.1%</small>	△359	△97.0%
Net income <small>% of net sales</small>	147 <small>19.3%</small>	280 <small>22.4%</small>	9 <small>0.9%</small>	△271	△96.9%

Under such circumstances, our income has decreased by about 250 million yen in the short term. Of course, a 250 million yen change in sales is important for a company whose sales are only 1 billion to begin with, but what is more important is to invest management resources in doubling revenues going forward to achieve growth in the future. We are making this announcement because we are determined to put in place a system that can meet the expectations of our shareholders, who are scolding us here.

Operating profit bridge (Previous forecast vs revised forecast)

👉 Full-year forecast has been revised due to the forgoing of a portion of fee-based projects in Q4, growth investments, and M&A associated costs, to allow for future growth beyond FY2022.



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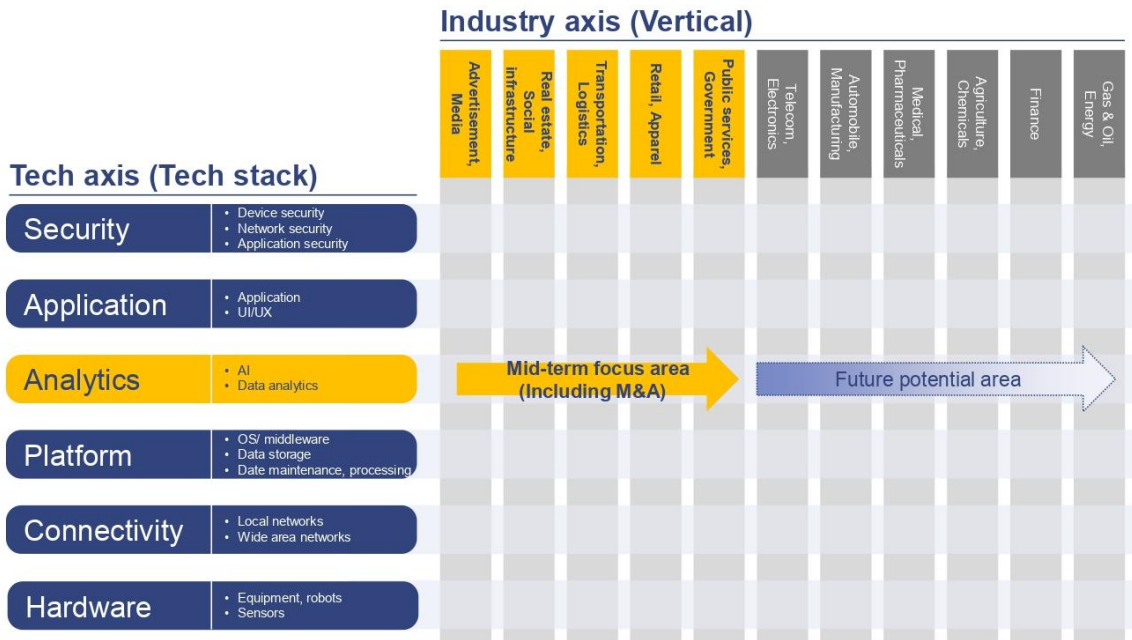
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In this context, I would like to explain if there is a question about profit decreasing more than the decrease in sales. Marginal profit has decreased by 250 million yen as a result of the decrease in sales due to the postponement of a portion of fee-based sales.

We are also making investments such as one-time M&A expenses and some investments in equipment. We expect to arrive at this time at the minimum level that will allow us to maintain a profit.

Direction of business growth leveraging business characteristics

Characteristics of AI companies that originate from the technology axis, is that they can readily expand services and execute M&As across industries, to then become comprehensive AI service providers. In addition to organic growth, we plan to proactively pursue opportunities in peripheral areas that can accelerate our core business and also progressively consider acquisitions of companies that are ahead of us in such verticals.



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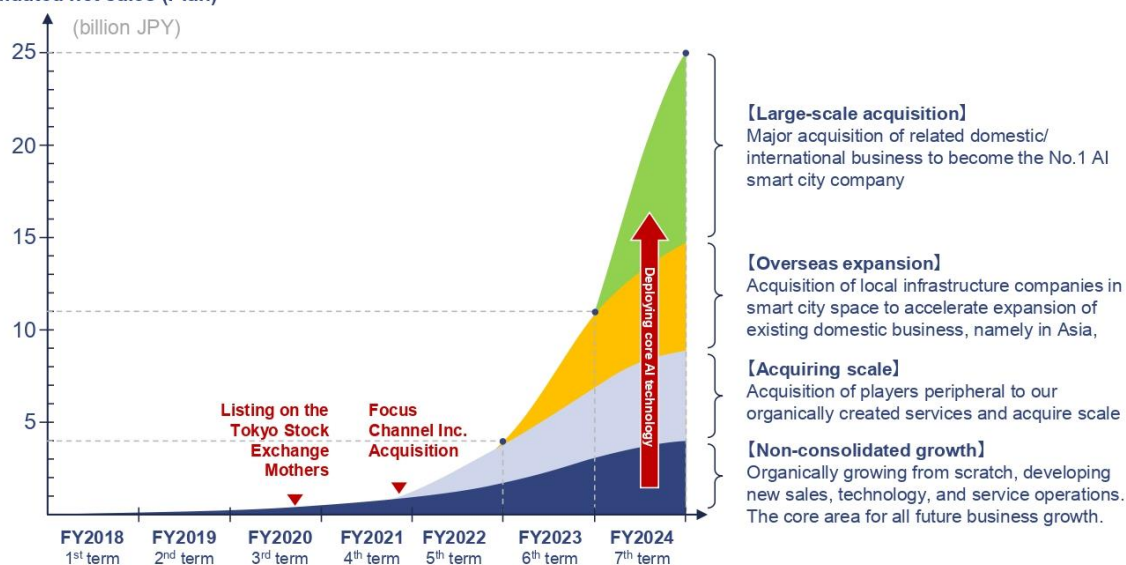
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AI companies are technology-driven companies, but in addition to the unit-based proliferation of AI solutions for signage systems and social infrastructure, which we have been developing and scaling up, we have also launched an M&A strategy to aggressively acquire related companies that are competitors. This is one of the main themes for next year. This is one of our main themes for next year.

Plan to accelerate and scale business growth

👉 We aim to achieve growth by leveraging our core edge AI technologies and services, and acquiring related services in Japan and overseas in an orderly manner. On Nov. 1, 2021, we consummated our first M&A through the acquisition of Focus Channel Inc. In addition to organic business growth, we plan to execute roughly two M&As per year creating synergies that will contribute to business expansion.

Consolidated net sales (Plan)



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In this context, in terms of the dramatic growth we have been talking about for around 2022, we believe that the stand-alone business will grow as we have been talking about.

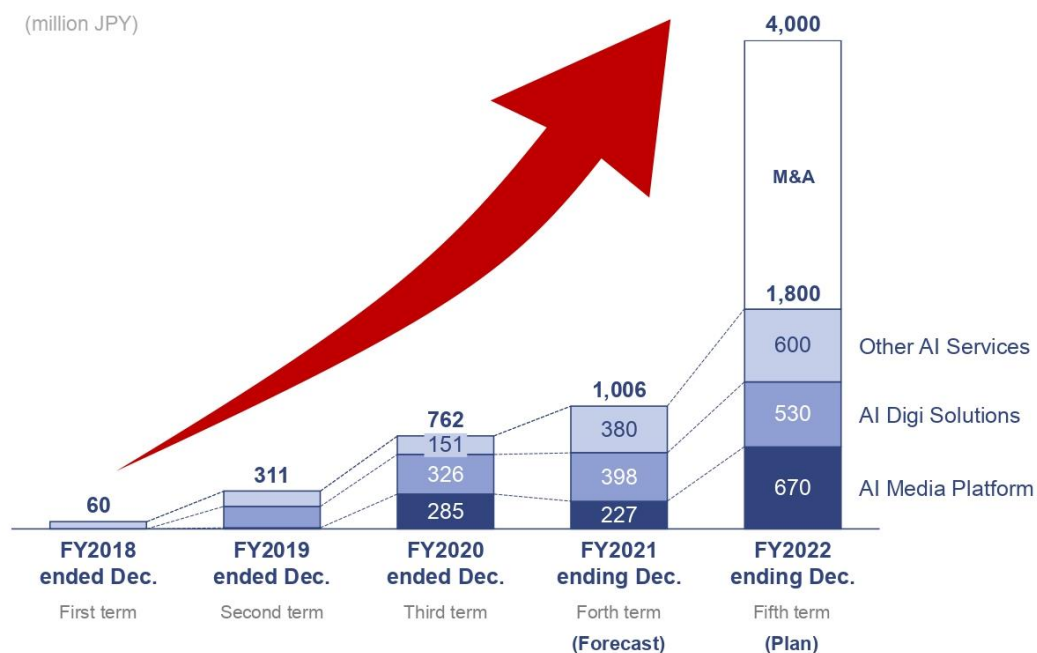
The thin blue area called Acquiring sales is an area where our existing system of the stand-alone business can be directly converted horizontally. For example, a signage system is just a signage system, but if it is a CMS or an IT solution, AI has not yet been fully incorporated. We would like to purchase the aspects that can be expanded horizontally.

We have set out a business plan for the next 3 years. The idea behind this plan is that, although many analysts in the AI industry have various ideas, the boom in the AI industry is probably already decreasing at this point. I think that the players will be settled in about 3 years to 5 years. If a company hasn't scaled in 3 years, it will have to exit the market. We believe that the wave of AI that existed about 2 years ago, which was driving our business, is no longer there at all.

In the past, it would have been commonplace to see JPY100 or JPY200 million spent on a project such as introducing AI, conducting PoC, contract development, or detecting defects in a factory inspection system. At this point in time, we are not doing that kind of contract development. I wonder if there are any companies in the industry that can survive for the next 5 years in this kind of contract development and some fee-based alliances. On the contrary, I think that the management theme of the AI companies that are surviving today is to what extent they have created their services, and whether they have the systems and operations in place to be able to scale them up 10x or 100x. That is what we are trying to do. I believe that we should continue to be a frontier in this field.

Aiming for sales growth: Forecast for FY2021 and plan for FY2022

 In FY2022, we aim to quadruple the size of its business. In addition to organic service growth, the we plan to enlarge existing operations through rolling up similar, related competing companies through M&As.



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Next year's plan, which will be released as a business plan after the end of Q4, is expected to generate JPY1.8 billion in sales on a non-consolidated basis, as I have just explained. In fact, most of the sales here are unit-based, which was derived from a the bottom-up accumulation of our current sales pipeline. This figure is about JPY1.8 billion.

In addition, we will announce a business plan of about JPY4 billion in 3 months, in which we will aggressively implement M&As.

That's all. Thank you for your kind attention. If you have any questions, I would be happy to take them.

Question & Answer

Moderator: We will now move on to the Q&A session. Mr. Shigematsu, Chief Executive Officer, and Mr. Tane, Director and Chief Financial Officer, will answer your questions.

Mr. Kobayashi from Mizuho Securities Co., Ltd., if you will, please speak up.

Kobayashi: Thank you very much for your explanation. I would like to make 2 points first.

First, I would like to ask a question about the future concept of fee-based and unit-based sales, which you showed on page 72 of the document. For example, in the fiscal year ending December 2022, will the fee-based business almost disappear, and will the unit-based business account for a large portion of sales?

Shigematsu: Yes, that's a very good question. We are expecting steady growth in the unit-based, but fee-base will not actually decrease so much, and therefore it will not drop to 0. The reason for this is that in Q4 although we have been proactive in foregoing projects, it is also true that there are fee-based alliances that are expected to develop into bigger opportunities in the future, and some of these alliances are included in the JPY1.8 billion plan that I mentioned earlier.

Since, certainty of our current sales pipeline have not been completely finalized, we cannot disclose the figures at this time. We will disclose the fee-based and unit-based sales targets once they are finalized. We would like to consider disclosing these figures in the forecast next year.

Kobayashi: Thank you very much. The second question I have is about the outlook for the AI Media Platform business. Thank you for the segment disclosure.

On this point, with 2,000 projection units to be installed at the end of the next fiscal year, depending on the unit-price setting, the projection of JPY670 million in sales may seem a little conservative if we assume that 2,000 units will be installed. I'd like to know more about the assumptions you made in making this projection.

Shigematsu: Very well, thank you. In terms of these 2,000 units, the run rate will be a little higher than the 670 million figure. Since we will be installing the units and aim to finish the year with 2000+ units, the numbers disclosed are not particularly conservative. Sales per unit are between JPY400,000 and JPY500,000 annually, therefore multiplying this number with 2000 ends up being higher than the projected 670 million figure.

So, it's not that we're looking at it conservatively at all, it's purely simple multiplication and this is the area that we've reached. I would certainly consider disclosing the ARR, as is often the case with SaaS companies, if necessary. Our logic is to use bottom-up multiplication.

Kobayashi: Thank you very much. I'm sorry. I would like to follow up on this point if I may. In the area of signage, I think there are 2 categories: FOCUS CHANNEL companies and those that have just started full-scale operations, but what about the growth next year? In terms of the number of units, which one should be seen as the image that will grow more strongly?

Shigematsu: Simply put, we are thinking of integrating them into FOCUS CHANNEL. So, in terms of the number of units planned for the Neural Pocket alone, please wait a bit longer.

Kobayashi: Sorry, I was looking at page 34. Thank you.

Shigematsu: In this case, all 214 units are actually part of FOCUS CHANNEL, but the 20 units that we have accumulated, and which we said we would increase within this year, are under the Neural Pocket name. As

for that, you can consider that most of the 2,000 units that are under the FOCUS CHANNEL plan. At the moment, we would like to concentrate all the sales within FOCUS CHANNEL.

As you know, we are working with SoftBank on digital signages but I plan to account for the additional revenues as upside to be conservative. We have recently extended/ renewed the existing contract and will continue such efforts next year, too. But since we have just announced a downward revision of this year's results, we do not want to disappoint our shareholders, and we have decided to be more conservative with our projections and have only accounted for the additional revenues from SoftBank Corp. as upside and not included in our base case of 1.8 billion JPY.

Kobayashi: Thank you very much. I understand very well. That's all from me. Thank you very much.

Moderator: Thank you very much. So, Takashi Miyazaki from Goldman Sachs Japan Co., Ltd., please speak up.

Miyazaki: My name is Miyazaki from Goldman Sachs Japan Co., Ltd. I would like to ask 1 or 2 questions.

The reason for the downward revision this time was, as you explained, largely due to customer circumstances, but I would like to confirm that you are not being taken over by someone else in terms of competition.

I think you said that there is a possibility that there will be some fee business in the next fiscal year and beyond, but are there any concerns that the counterparties that you have been discussing preparations with may have lost their motivation due to the impact of the economy?

On the other hand, I'd like to know if the needs for your services are increasing as the impact of the coronavirus is easing.

In terms of competition, you mentioned that you would be working with a strong competitor in this acquisition. I would like to ask you about the competition. On the other hand, could you please update us on the status of the competition to see if the advantage is increasing? Please.

Shigematsu: Yes, of course. First, on page 15.

You asked whether the competition has taken over, and I can say that it hasn't taken over at all. To be honest, I don't think any of our competitors are doing well, who are in this kind of fee-based business.

I said earlier that the fee business will remain, but the only thing that will remain is the apparel business that I mentioned here, so to speak. We have been in the apparel business since the foundation of our company, and we have been selling AIMD unit-based products for a long time. But what happens to the fee-based products is that additional needs surrounding the fee-based projects arise such as a need to build an AIMD system that can integrate AIMD and stay operational for 10 years. That's just an example of how our fee-based business expands.

In terms of our internal financial controls, we sell licenses for the AIMD part as unit-based revenue, but the peripheral system part is a fee-based revenue and still factors as part of our sales.

I mentioned earlier that only one would remain, but the contract with SoftBank and the other for AIMD will be the only main contracts that are fee-based. So, these are the 2 that will remain.

The fashion part will be a recurring contract from next year onward. Conversely, I would like to talk about the other parts of our business. As for the AI Digi Solutions and AI Media Platform, our policy is basically not to conduct fee-based business in this area.

Thirdly, you asked about the competitive environment. First, in terms of competition, the AI Media Platform was featured in the last issue of *Nikkei Business*, and today it is being reprinted in the *Nikkei* e-edition. In the area of convenience stores, FamilyMart is working on such solutions and their efforts could be considered as a potential competitor. Dentsu and DOCOMO are also working on digital signages. I imagine that analysts may see them as a competitor, but they don't use AI for anything in particular, so I don't consider them as direct competitors in this particular market.

There are also a lot of companies that are in the digital signage space, constituting a very fragmented market. We aim to roll up such competitors as necessary. We don't have any major competitors at the moment, but there are many companies in this area that could create synergies if integrated. As for the competition regarding the social infrastructure DigiPark and DigiFlow, I don't think there is anyone else working on outdoor parking lots as we have been doing. We expect that most of our sales will come from DigiPark, but regarding DigiFlow, we are particularly interested in analyzing the flow of people in indoor shopping malls, analyzing the flow of people in stores, and analyzing the flow of people in restaurants. I think there are probably 4 or 5 companies that offer such services, so there is a lot of competition in this area for DigiFlow.

As for our company, we haven't established the number 1 position within the DigiFlow market, and we are just one of multiple players. Does this answer your question?

Miyazaki: Thank you very much, I understand now.

Moderator: Thank you very much. Would anyone like to ask a question? Now, Mizuho Securities, Mr. Hori, please speak.

Hori: This is Hori from Mizuho Securities. I'm looking forward to working with you.

Just one point, you mentioned that you are expecting M&A in your forecast for the next fiscal year, but at this point, what is the angle of that? We have already had 1 small-scale M&A deal this fiscal year, and this is expected to be twice as large as the growth in the next fiscal year on a non-consolidated basis. Are you saying that you have a budget for the time being, and you don't know whether you will see the effects of M&A and new consolidations from the beginning of the fiscal year? Or are you saying that you have already made a lot of progress, are very certain, have narrowed down your focus, and are already expecting to see the effects from the beginning of the next fiscal year? I'm not sure what angle to take and I was wondering if you could tell me what you think at this point.

Shigematsu: I understand. I would like to point out that there is no insider information, such as that there is a partner who has already committed to an M&A at this point, or that there is no particular agreement between an external party, or that there is an assumption of a contract. However, when it comes to JPY2.2 billion through M&As, there are many companies that we will only buy very selectively. Our business domain is actually very broad, and we have received support from various companies such as M&A intermediaries, financial institutions, and securities companies. If our goal is to simply carry out M&As, this JPY2.2 billion target is not that difficult.

On the contrary, I think we need to have thorough discussions around whether acquiring such companies under the Neural Pocket umbrella generates meaningful synergies. The companies that we will aim to acquire are stable companies that do not have AI or digital technology at this point in time. But by adding digitalization and technology to them, they can rapidly become networked. So that is our target. Moreover, they are in the vicinity of the business we are playing in today, and their involvement will lead to an increase in the overall value of our company. For example, we acquired FOCUS CHANNEL, and as I mentioned earlier, we will continue to integrate the advertising business and signage business into FOCUS CHANNEL. In other words, in this peripheral area, the signage area as well as the annual results of the signage are the same. We are considering acquiring and integrating further peripheral companies into FOCUS CHANNEL in rapid succession.

As I mentioned earlier, the signage market itself is large, so we need to focus on how the new FOCUS CHANNEL will contribute to our goal of becoming number 1 in the digital signage field.

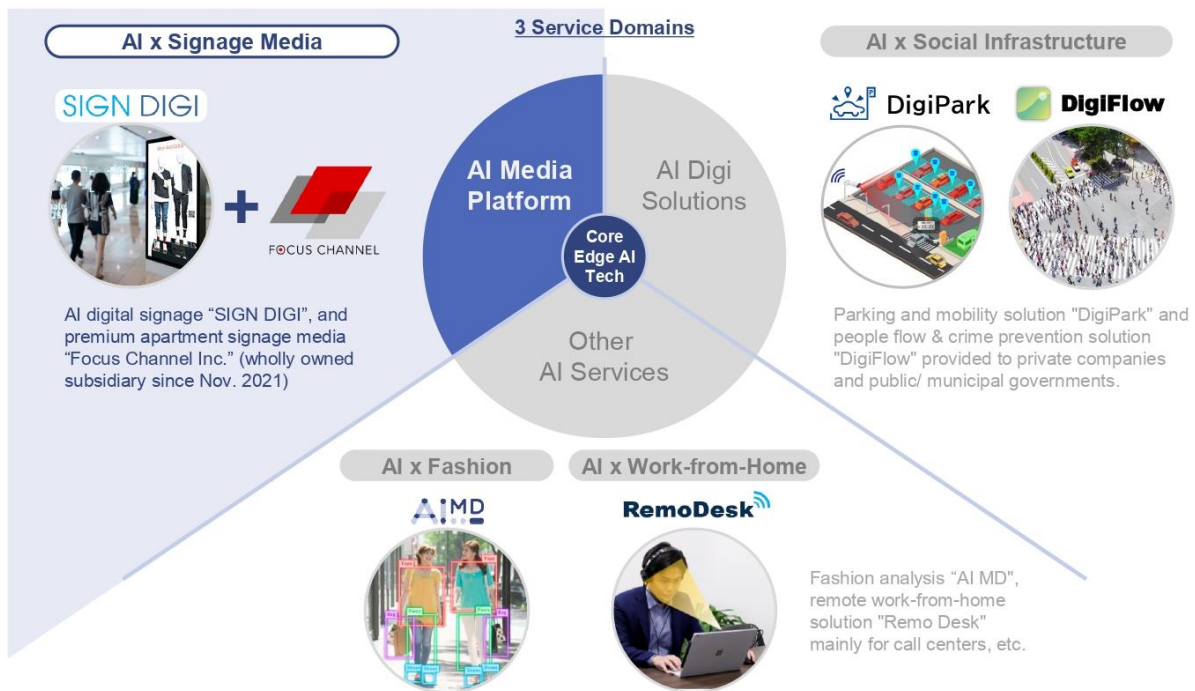
There are a lot of players in the market, and they are all fragmented. So, we must be careful with this budget of JPY2.2 billion so that we don't end up making a spur-of-the-moment decision that will make it difficult to connect it to tangible value.

You also inquired about our M&A target list. When I say available list, I mean there is quite a long list. So, we will be selective, but in regards to implementing, the plan is to be prompt without taking too much time. It took about a month from the time we met the Focus Channel until we signed a contract. It took us about a month from the time we received the initial inquiry to the actual signing of the deal. In terms of speed, we decided to do it the moment we met a good company, so discernment is important.



Business progress for AI Media Platform domain

👍 After steadily growing the installation base for "AI Media Platform" the business recently greatly progressed through the acquisition of Focus Channel Inc. in Nov. 2021. We will continue installation at an accelerated pace, aiming to become one of the largest digital signage media companies in Japan.



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Hori: I see. Basically, you explained that you are going to buy commercial channels and incorporate your technology into them to achieve scalability, but if I look at the slide on page 28, what areas are you going to concentrate on?

Shigematsu: These 2 areas, the upper left and upper right, are the peripheral areas of the so-called FOCUS CHANNEL, which is in the upper left; this is the most important priority. On the other hand, in terms of DigiPark and DigiFlow, though there is still a possibility that the targets will change, I hope that DigiPark has something enticing to offer in this area.

Mr. Miyazaki, you wanted to know about our competitors in the DigiFlow field. I mentioned that there are 4 or 5 companies in this area, but in the DigiFlow area, there are not yet any monopolistically successful

companies. We have no desire to buy a company that is still in the process of development, so I think that the main focus of our business will be DigiPark. We will disclose these targets in a timely manner as soon as they are clear.

Hori: Yes, I understand, thank you.

Moderator: Thank you very much. Is there anyone who would like to ask a question? We have reached the end of the scheduled time, so this will be the end of the Q&A session. Thank you for joining us today for Neural Pocket Corporation's Q3 financial results meeting for the fiscal year ending December 31, 2021. We will now adjourn the meeting.

Shigematsu: Thank you very much.

[END]