



Neural Pocket Inc.

FY2022 Q3 Financial Result Briefing Meeting

November 14, 2022

Event Summary

[Company Name]	Neural Pocket Inc.	
[Company ID]	4056-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	FY2022 Q3 Financial Result Briefing Meeting	
[Fiscal Period]	FY2022 Q3	
[Date]	November 14, 2022	
[Number of Pages]	29	
[Time]	12:00 – 12:35 (Total: 35 minutes, Presentation: 27 minutes, Q&A: 8 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Roi Shigematsu	Chief Executive Officer
	Ryosuke Tane	Director, Chief Financial Officer

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Presentation

Toyoda: It is time for us to begin. Thank you all for taking time out of your busy schedules today to participate in the Neural Pocket Inc.'s financial results briefing for Q3 of the fiscal year ending December 31, 2022.

I'm Toyoda, and I will be the moderator today. Thank you very much.

Today's presentation will be based on the financial results presentation material disclosed on our IR site on November 11.

I will explain the flow of today's event.

First, Shigematsu, Chief Executive Officer, will give a 30-minute presentation on business overview and performance. After that, we will have a question-and-answer session until 1:00 PM at the latest. Both Shigematsu, Chief Executive Officer, and Tane, Director and Chief Financial Officer, will answer your questions.

Chief Executive Officer Shigematsu will now give an overview of our business and performance.

CEO Shigematsu, please go ahead.

Shigematsu: Everyone, thank you for taking time out of your busy schedules to join me for an explanation of our financial results.

Regarding the current financial results, we feel that, in a few words, we have gained momentum. In particular, we are feeling a positive response to the growth and evolution of our business model in Japan, and at the same time, we believe that we are now ready to take a leadership role overseas as our business in Japan has become more solid.

This week we announced our overseas expansion, and we hope that this will serve as a catalyst to promote the use of AI in Asia and other countries in the future. We feel that we would like to build momentum from now on.

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2022年12月期 第3四半期ハイライト



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Now, I would like to present the contents of the financial statements.

As for progress, sales grew by 141%. Sales have increased approximately 2.4 times YoY, and we hope to continue this momentum aggressively in the coming year and beyond.

Next is profit. Although we were in the red in H1, we are almost certain of a final profit in H2. Third parties, EBITDA and net income are now available, and although we had planned for an abundant profit in Q4, we are now one quarter ahead of schedule and in the black.

Accordingly, we have started to expand our business overseas and established a company in Bangkok, Thailand. We have conducted the actual dispatch of people to do business locally and also to accelerate the local work in the future.

M&A activities implemented last year, and this year are progressing well. As we announced the last time, we have established a company called Neural Marketing Inc., which we believe will become one of our core businesses and an area of growth in the future.

The market overview was explained in the previous Q2 financial results, so we will omit it.

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多くのグローバルトップ企業でエッジAI技術の導入が加速

 <p>NVIDIA DRIVE AGX Xavier</p> <p>低遅延性と通信環境に影響を受けない安全性の実現に向け、自動運転用エッジデバイス開発を加速</p> 	 <p>深層学習に特化し、低消費電力で高速推論を実現するエッジ向けチップEthos NPUシリーズ提供</p> 
 <p>メタバース機器の低遅延性処理用に、エッジ化の研究成果を多数発表</p> 	 <p>エッジ端末で高速にAI実行するための技術を保有するXNOR.ai社を2億USDにて買収</p> 
 <p>スマートフォンでエッジAI専用チップを標準搭載、性能も年々高度化</p> 	 <p>イメージセンサ統合型エッジAIチップを実用化、リアルタイムでの画像認識やメタデータ変換を実現</p> 

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Finally, AI companies will not simply sell AI engines, but will form such a platform, in which AI programs, hardware technology to connect them, and various communication technologies will be integrated to display them.

We believe that the advancement into the area of display, such as connecting with consumers to change their behavior, is beginning to be recognized.

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当社はエッジAIを通じて社会のスマートシティ化を実現する – リアル空間のデータを循環・活用させるエッジAIプラットフォームへ



In the past, we have often sold individual items, such as DigiPark, DigiFlow, DigiThrough, and DigiLook, as shown on the left, one by one.

The reason why we are expanding into Thailand now is that we can offer these things as a series of packages. I feel that such new products and services, such as living in a safe city, are linked as a new experience for consumers.

Behind the scenes, the goal was to have a function that would circulate the data in the middle of the slide, and I believe that we have achieved this.

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スマートシティ化の急拡大が期待されるアジア地域から、AI技術のプラットフォーム化が進展すると考える - 当社サービスのアジア展開を進めていく

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



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Next is expansion into Asia.

We have announced our expansion into Thailand, and I will repeat a number of the reasons here.

The first is that we have already achieved sufficient results in Japan. We have been able to generate stand-alone profits in Japan. Having done that, the profits generated here would then be used for the next investment. I believe that is the next role we are expected to play.

Since we are a venture company, we feel that our goal and expectation is to use the profits we generate more and more for investment rather than to stop our growth by raising profits abundantly. In this context, Asia is attractive because of its proactive approach to urban development and AI investment, as I mentioned the previous time.

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2022年12月期 第3四半期 ハイライト – 飛躍的事業成長の継続と海外進出実施



*1 2022年9月30日時点の正社員の合計。役員（取締役・監査役・執行役員）、パート・アルバイト、業務委託、インターン等は含まない。当社完全子会社のニューラルマーケティング株式会社を含む。

*2 2022年9月30日現在 取得済16件、国内出願中9件、国際出願中4件の合計。

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As mentioned earlier, sales here are growing. The profit rate is maintained at about 70%, although the current level is slightly higher than before. As we continue to grow, it is important to secure our sales growth rate and gross profit margin as our most important indicators.

As for selling, general, and administrative expenses, there is no change in our policy of making larger investments at this point by aggressively investing in new businesses. In the midst of M&A activities in which we have made new investments, our policy is consistent in that we will continue to conduct businesses with high gross profit margins, in other words, businesses with high cash-generating capacity.

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タイ法人設立で東南アジアで活発なグリーンフィールド型開発への参画狙う

ニューラルポケットタイ（バンコクオフィス）の様子と拠点所在地のCRC Tower



社名	Neural Group (Thailand) Co., Ltd.
代表者	竹中一真 CEO, Managing Director
所在地	36th Floor, Office number 11, CRC Tower, All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok, Thailand 10330
設立	2022年11月
出資比率	ニューラルポケット株式会社100%
設立背景	日本国内でスマートシティを実現するための独自のAIサービスを多数開発、提供してきた実績をもとにタイを中心とする東南アジア地域での事業拡大を目指す。特に東南アジア各国では広大な規模で新しい街をつくる「グリーンフィールド」型の開発がさかんであり、大規模開発に参画することを狙う。

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This is the Thai business.

We have registered an office in CRC Tower, which is in front of Lumpini Park.

In this context, returning to the earlier discussion of Thailand, here is some additional, helpful information in why we are now looking at Southeast Asia. It is still true that compared to Japan, the ASEAN countries are smaller in terms of GDP, but in terms of their population growth and money spent on urban development, they are actually very large.

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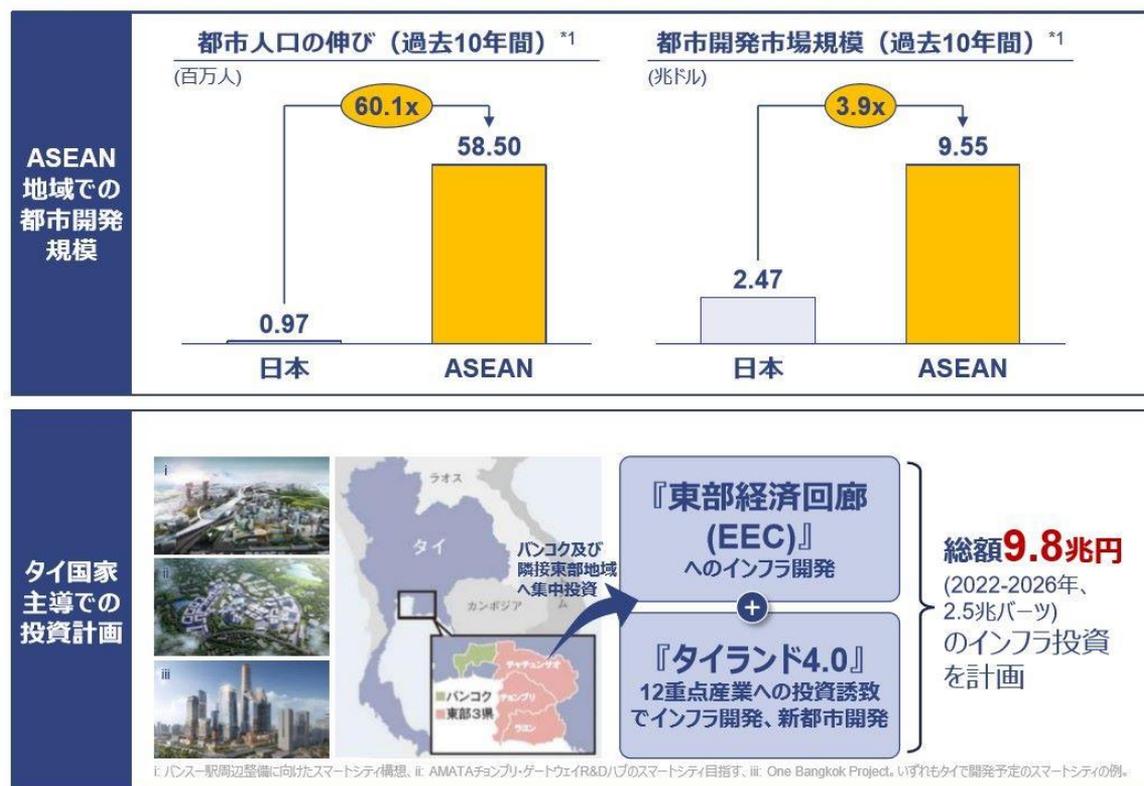
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タイをはじめとする東南アジア地域では活発なインフラ開発投資を見込む



*1: 『海外都市開発事業の展開に向けて～スマートシティのビジネス創発～』、野村総合研究所発表 (2014年12月16日)

I'm sure you investment funders will see this a lot. If you simply look at the size of the market, you may not notice, but if you look at the urban development function and other areas we are focusing on, the investment is actually larger than that of the Japanese market.

In fact, see the bottom of the slide. What is being done is large-scale urban development, or greenfield urban development as it is called, in which an entire large city is built in the midst of nature. This is characteristic of Southeast Asia.

In this context, the Eastern Economic Corridor, the EEC, and Thailand 4.0 are being formulated as national policies. The Thai style is to have the government take the lead in these activities, and in the process, actually attract private investment. So, instead of the government directly paying for the project, the government called for conglomerates and real estate companies to invest in the project and [inaudible] town planning.

In Southeast Asia, there are many large conglomerates, so the amount of investment is said to be roughly on the order of JPY10 trillion for the activities of these two alone. In Japan, urban development is usually JPY100 to 200 billion, so this is one order of magnitude difference.

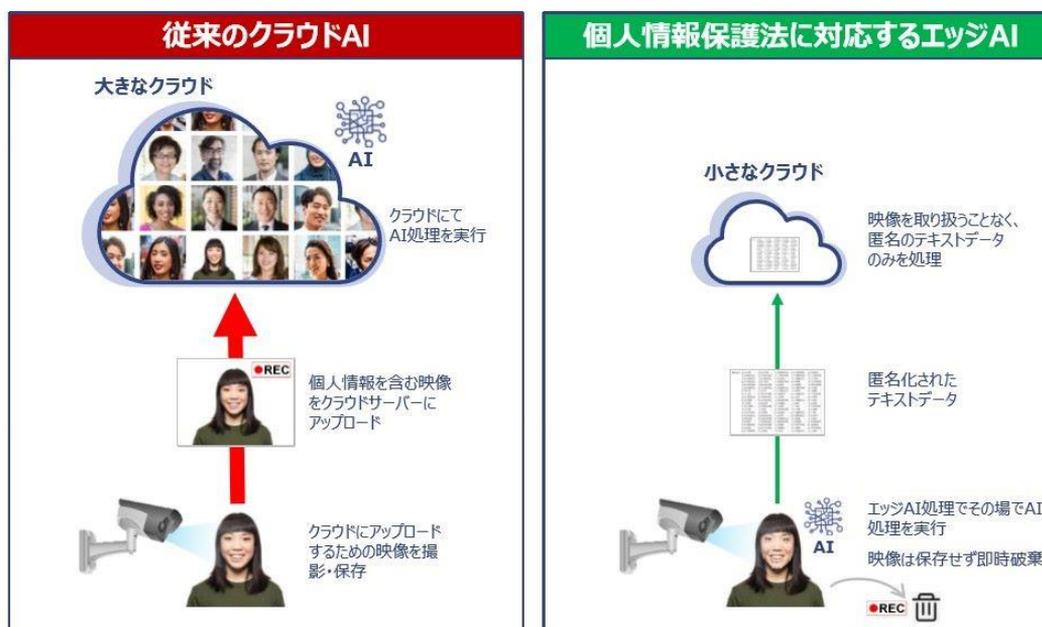
In these areas, new technologies are naturally required, and we would like to take a leadership role. Southeast Asia, especially Thailand, is characterized by an extremely high awareness of personal information.

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タイで2022年新施行された個人情報保護法に対応する上で、エッジAIは重要技術



- タイでは2022年6月1日から個人情報保護法（PDPA^{*1}）が施行され、個人データの管理・処理に責任を持つ人や組織は、個人データの収集、使用、開示について、データ所有者の同意が必須
- 個人情報利用の理由や目的について、データ所有者への通知必要となり、従来のクラウドAI活用に大きな課題

*1: <https://www.thaipbsworld.com/personal-data-protection-law-comes-into-force-on-june-1/>

Especially with AI, the Personal Data Protection Act, or PDPA, as you can see at the bottom of the slide, this law has come into effect, and there are high personal information provisions of a European standard, and this is what it says.

Conventional cloud technology records video and uploads the recording directly to a cloud server. Then, this kind of personal information is stored on the cloud server, and AI is run to create data. This was the traditional method used for marketing.

We are using edge technology on the right side of the slide.

The reason why this is essential from a PDPA perspective is that when this footage is actually captured, there is an AI in the hardware of that camera, and personal information is immediately converted into metadata, and the footage is discarded. Then, the data sent to the cloud is only text data, which means that it is anonymous information. It goes up onto the Internet as data without personal information.

This is beneficial not only from the viewpoint of personal information, but also of cost because it reduces the size of the required cloud infrastructure. These will be used in large-scale urban development in Southeast Asia.

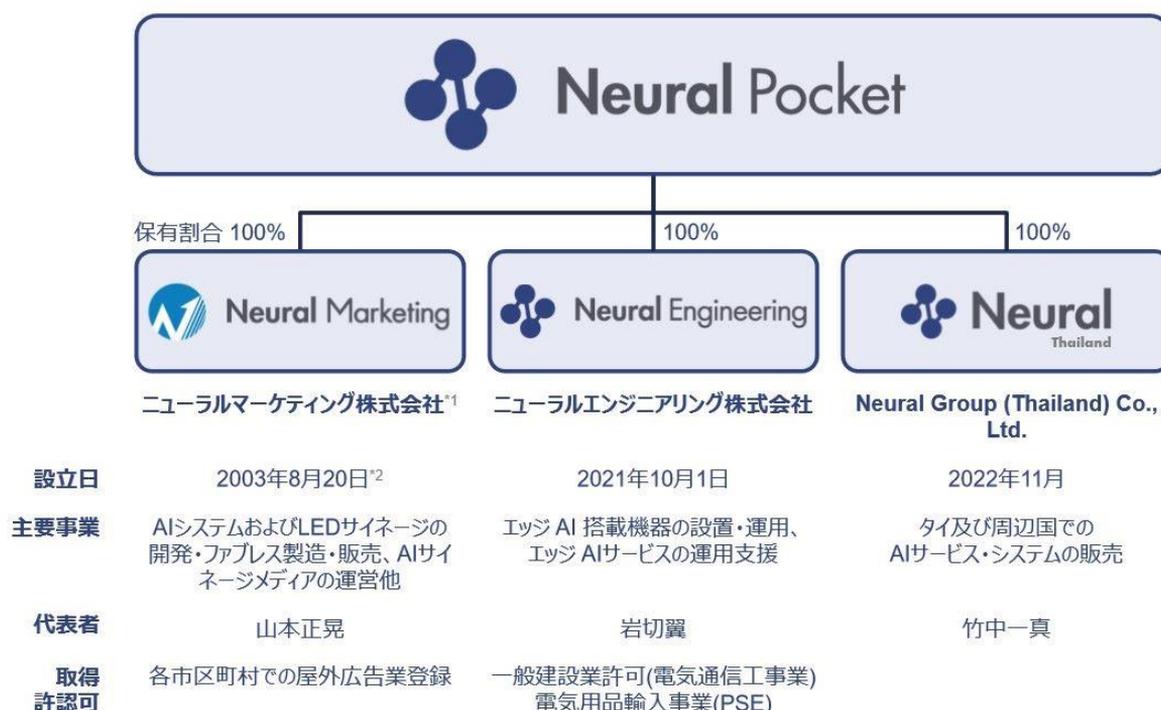
In short, I would like you to think of it as a new generation of AI technology. In this sense, the affinity between urban development and edge technology in Southeast Asia is very high, and I believe this is the reason why we are highly evaluated in Thailand.

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当社グループ体制（2022年11月11日現在）



^{*1} 株式会社ネットテン、株式会社フォーカスチャネルが2022年8月1日に合併、9月1日に現社名に商号変更。
^{*2} 商号変更前のネットテン株式会社の設立日。2022年9月1日よりニューラルマーケティング株式会社へ商号変更。

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Our corporate structure as a mechanism is as shown.

There are now three wholly owned subsidiaries under the Neural Pocket Group. One is Neural Marketing, which I mentioned at the last financial results meeting. These include DigiLook, LED vision, Focus Channel, condominium advertising signage, and other businesses.

Neural Engineering Inc. is a company that defines the requirements for technical operations, installation, and maintenance, such as the installation of edge equipment.

Third, we have established a company called Neural Group (Thailand) Co., Ltd. This is a company that will lead the implementation of the business in Thailand, as it is done in Japan, from the neural platform to the actual use of AI engines as well as the linkage of AI services to new consumer experiences, in large-scale urban development projects.

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2022年12月期 四半期別の業績推移と通期イメージ



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This is the performance for the most recent quarters.

Net sales and income increased. We had expected to be in the black by EBITDA. We had thought that net income would be in the red in Q3, but it turned out to be in the black this time.

In Q4, we will announce the sales of the activities conducted in Q1, Q2, and Q3 [inaudible] later in the final results. We do not yet know if these Q4 sales will directly translate into the first [inaudible], but for Q2, we believe it will be one of our largest performances in our past quarters.

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グループ全体で国内外14拠点 – 全国各地でのスマートシティ実現に必要な体制構築



*1 ニューラルエンジニアリング株式会社はニューラルポケット株式会社本社と同一拠点内。
 *2 2022年8月1日に株式会社ネットテン及び株式会社フォーカスチャネル統合、2022年9月1日に「ニューラルマーケティング社」に商号変更。
 *3 2022年11月にタイ支社 (Neural Group (Thailand) Co., Ltd.) 設立。

This is the branch structure.

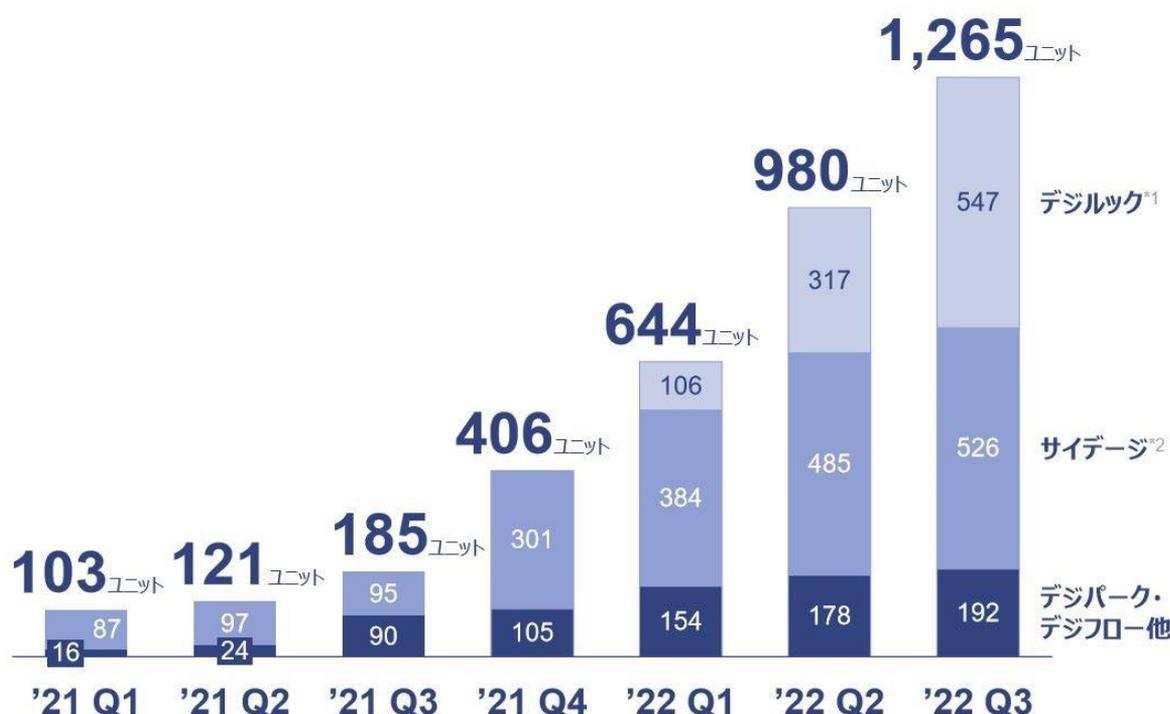
We have 14 offices in Japan and overseas, and this time we have established a branch office in Thailand as our 14th office.

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デジタルソリューションサービスの累計設置・導入ユニット数の拡大



^{*1} ニューラルマーケティング株式会社が当社グループ参画後に設置したLEDサインージ台数。 ^{*2} マンションサインージメディアのフォーカスチャネルとして設置したマンションサインージの他、商用導入あるいは試験設置をしているサインージの台数合計。

In fact, here are some of the KPIs for digital solutions in Japan in that context.

Digital solution sales increased in terms of the number of units installed.

DigiLook is an LED vision system, and in addition to its growth, there is also this signage, the so-called digital signage, which is placed in condominiums and other commercial facilities, and Focus Channel is also here. This service, which uses AI cameras on top of digital signage to analyze viewing and consumer behavior, has also increased.

DigiPark and DigiFlow are car solutions.

We believe that all services, including parking and traffic surveys, the so-called digitization services, have increased in a well-balanced manner.

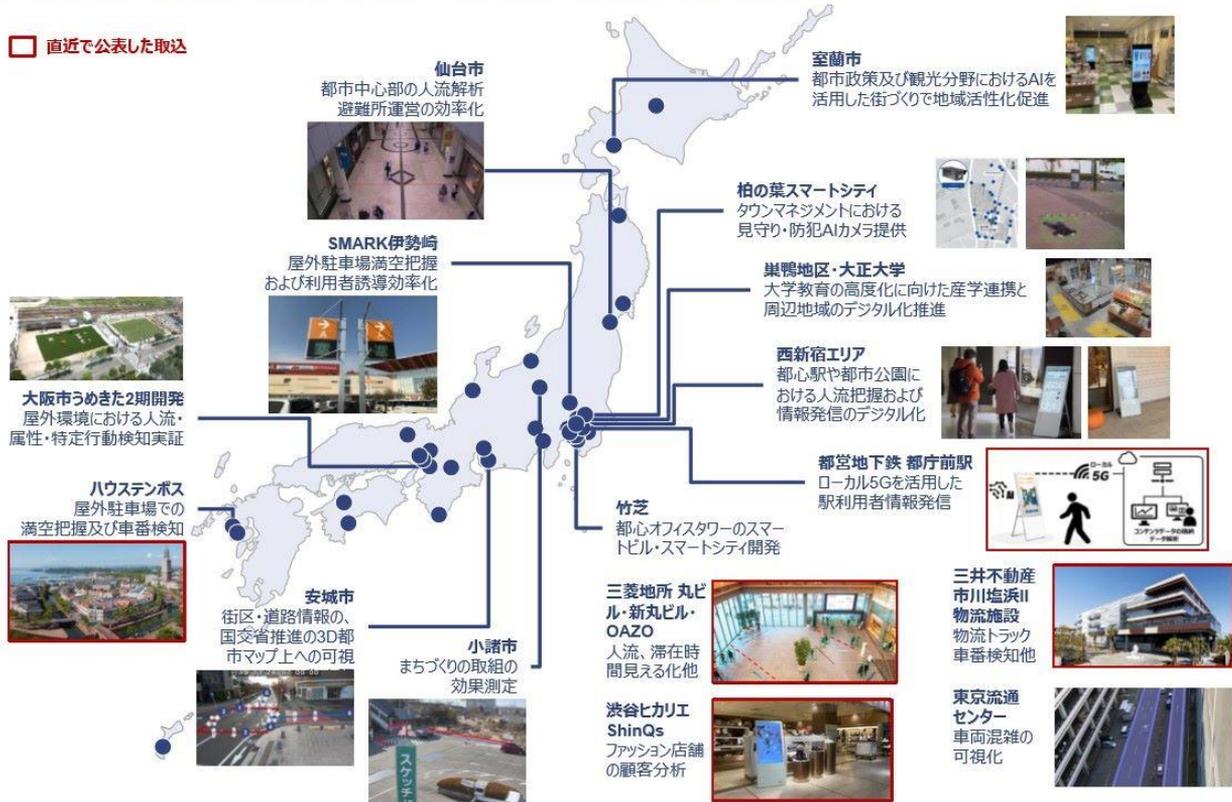
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多くの街づくりの中でデジソリューションサービスの導入進む

□ 直近で公表した取込



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As for the actual involvement in community development in Japan, the areas enclosed in red lines are those that have increased this quarter. We believe that we have achieved mostly nationwide coverage, from Hokkaido in the north to Okinawa in the south.

A new addition allows tracking of the fullness of the parking lot at Huis Ten Bosch theme park in Kyushu, and not only to keep track of the fullness of the parking lot on site, but also to view this kind of up-to-date information from the Huis Ten Bosch website at all times, 24 hours a day, 365 days a year.

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三菱地所 新丸ビル・丸ビル・丸の内北口ビル内の人流検知

👍 大手町の3棟ビル内のイベントスペース、各種出入口、エスカレーター乗り降り口等に既に設置されたカメラ映像のエッジAI処理で通行人数、通行方向の検知し、来場者数や館内滞在者数の見える化を実現。さらに、三菱地所のデータベースと連携することで、館内他取得情報とも結び付け、館内イベント・レイアウト・季節の変動による人流への影響を分析に使用。

『デジフロー』を導入した丸ビル¹

丸ビル内での人流検知の様子、3棟に渡り出入口を中心に合計25箇所以上で見える化



エッジAIカメラで来場者数、館内滞在社数、通行方向の見える化を実現

¹ビル写真は三菱地所株式会社提供

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In terms of stable commercial operations, Huis Ten Bosch in the south, and buildings in the center of Tokyo, such as the Shin-Marunouchi Building and Marunouchi Oazo in the Marunouchi area are also utilizing it, as well as Shibuya Hikarie.

In Shibuya, the range of activities has expanded to include the installation of such signage and the analysis of customers at fashion stores, distribution facilities, and activities in partnership with the Tokyo Metropolitan Government.

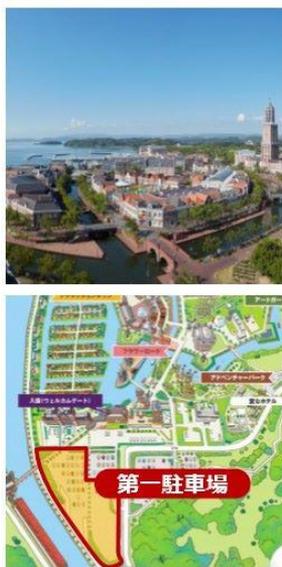
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ハウステンボス大型駐車場の見える化

『デジパーク』『デジスルー』を導入したハウステンボス^{*1}



ハウステンボス 第一駐車場の出入口に設置したエッジAIカメラ（合計4台設置）と混雑状況を可視化した来場者向けの表示画面



数台のカメラで大型駐車場の混雑状況見える化と車番検知を実現

*1 施設全体写真およびマップはハウステンボスご提供

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Please refer to the financial statements again for each of these.

Huis Ten Bosch, for example, is equipped with cameras like this. Because the actual crowds can be seen, for example, on the website before visiting commercial facilities and amusement parks, visitors can be told which parking lot to go to first and choose the time to go based on how crowded it will be.

We believe that this has become integrated into daily life while utilizing AI technology.

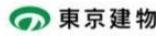
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デジソリューション導入のお客様の声

東京建物様 SMARK伊勢崎 ご導入事例



古澤様の自己紹介をお願い致します。



オープンオペレーションの担当として、現場のニーズを取り上げ、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
首都圏施設及び事業開発グループ長
古澤 新一郎

デジパークの導入効果はわかりましたか？



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庫に移動していただけるようになりました。満空灯とLEDサインボードを見て、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、パッと見て自動的にわかるようになったと好評いただいています。



LEDサインボード
満空表示灯

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。

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なことです。デジパークの管理者用タッチボードでは、あらかじめ定めた区画ごとに時間帯別の混雑度が分かれます。これと施設内の状況を照らし合わせて分析し、何が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示す傾向があった場合、誘導員の配置や警備の巡回ルートを変更して混雑を効率化するといった判断を、データをもち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直すことで、新しい気づきが生まれるといった価値ができていくのではないかと考えています。

日々の駐車場オペレーションの中で利用され、顧客体験の向上やオペレーション改善に寄与

参照：当社ホームページで2022年11月2日より公開 <https://digijsolution.neuralpocket.com/usecase/tokyotatemono>

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In this context, such an AI, which was released last week, has been operating 24 hours a day, 365 days a year for a long time. We have received many comments from our customers that they are beginning to feel the benefits of this operation more and more as it continues for a longer period of time.

This has been installed at SMARK Isesaki, which is managed by Tokyo Tatemono Co., Ltd., for quite some time, about two years now.

In this context, the introduction of DigiPark, shown on the right side, has had an impact on customers, such as the ability to smoothly guide vehicles to parking spots, which is directly linked to this sort of increased sales, or the fact that the guidance staff can work more efficiently and easily. The use of the system also improves productivity of on-site operations, and so on.

I believe that these things have been integrated.

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フォーカスチャンネルメディアの概要

約19万人の首都圏富裕層にリーチ可能



マニション
サイネージ広告
業界1位

FOCUS CHANNEL

- **視聴数（インプレッション）**
コロナ禍でも安定したリーチ数
- **視聴頻度**
生活動線にあり、居住者全員に
繰り返し訴求
(1枠あたり想定視認回数: 150万
回/月)
- **ターゲティング**
富裕層が多く居住するハイグ
レードマンションに集中的に訴求

👍 属性が特定されている、都心マンションの感度の高い居住者に対し、繰り返し安定的に訴求可能な差別化されたメディアを確立。首都圏を中心に既に約19万人へのリーチを実現で、マンションサイネージとして圧倒的なシェアを実現。

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As for Focus Channel, the quantity is currently about 450 installed units. Our coverage in Tokyo continues to be number one. New advertisements of all kinds are coming in at the end of this year, as well as in the coming Christmas season.

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居住者のライフスタイルに寄り添うコンテンツを日々配信

富裕層のプライベート空間にて、ライフスタイルに応じたコンテンツ放映

このマンションにお住まいの男性の方へ
ビジネスがうまくいく!?
朝10秒の顔習慣

肌の印象が変わる
10日間
始まる。91%!!

今なら550円で始められる!
※ 詳しくは、QRまたは検索を! ※

VARON マンション
VARON MEN'S SKIN CARE

ヴァロン様
(男性用スキンケア)

いつでも
最大5%
還元

貯まるお店が増えます。

三井住友カード様
(クレジットカード)

自に開発したZAMETスイング

500球打つより40分のマンツーマン

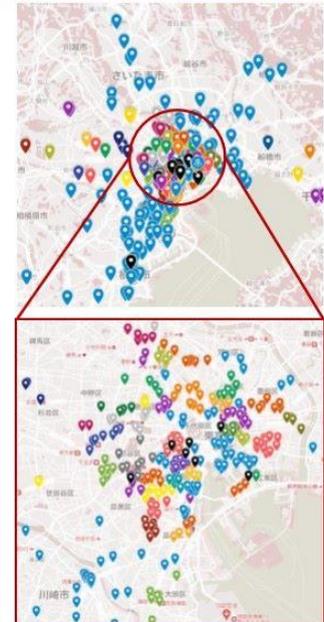
ZAMET様
(ゴルフスタジオ)

the Healthy Life!

レンジで温めるだけで
本格的な食事が楽しめる!

ナツシユ様
(宅配専用ヘルシーフード)

エリア限定広告の配信



CMSシステム開発で都心を中心に地域密着のエリア限定広告配信開始、居住者へ地域情報を提供可能に

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Until now, the main advertisements were large advertisements from large corporations, but in private condominiums where many wealthy people live, there is a new need from the residents of the condominiums for not only national advertisements, but also local advertisements, or information about the local area. There is a growing need for local residents and local stores to distribute such local information to the condominiums they live in or near their own stores.

It may be easier to understand if you think of it as an electronic version of *Hot Pepper*, a monthly free coupon magazine. We feel that the aggregation of such local information, in other words, the provision of such local information in an aggregated manner, is beginning to become a new value of Focus Channel. Currently, Focus Channel is being developed in Tokyo, but as it expands nationwide, it will be used as a medium to provide information on each region of Japan.

In addition, there is a growing need for local producers and local governments to promote their local specialties in Tokyo and the greater Tokyo metropolitan area, for example, the hometown tax, which has been increasing again recently. We are also seeing an increase in the number of such items being submitted through Focus Channel.

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デジルクック : LEDサイネージの導入実績は全国1万箇所以上で国内トップ^o

**全国10,000か所を超える、
国内トップの導入実績**


No.1
 LEDビジョン
 国内販売1位



Google My Maps

DigiLook

- **圧倒的な導入実績**
大企業・官公庁・商業施設・個人商店といった多様な業種への導入実績
- **圧倒的な安定稼働実績**
寒冷地域や高温多湿地域も含む全国での安定稼働実績
- **柔軟な契約形態**
リース契約やクレジット・キャッシュ一括買取などを柔軟に対応

👍 大企業・官公庁・商業施設・個人商店といった様々な業種にわたり、全国で圧倒的な導入実績を保有。当社グループ参画後は、大規模法人や大型施設への導入も加速で、遠隔でのコンテンツ配信やAI検知機能を付加した高機能商品の開発も推進中。

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We have realized, and hope to accelerate, the dissemination of such a variety of information through Focus Channel. At the same time, I mentioned local and regional information, and I think it is also important to expand the value of the media through cooperation with other media.

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タクシーサイネージ「GROWTH」との連携発表

GROWTH

THE TOKYO TAXI VISION

- 国内最大級のタクシーサイネージメディア「THE TOKYO TAXI VISION GROWTH」（株式会社ニューステックロロジー運営）との連携開始（2022年10月20日発表）
- 居住空間から移動空間まで、都内富裕層の生活圏で一気に通貫して情報届ける『エグゼクティブリーチプラン』を販売開始
- 「GROWTH」のオリジナル情報番組HEADLIGHTとのタイアップ広告も提供

フォーカスチャンネル メディアシートより



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We have announced a business alliance with GROWTH from News Technology Inc., which currently holds about half of the cab advertising market share.

For example, we are also working to show advertisements seen in cabs in a more advanced form or in a different form in condominiums, connecting them as a new advertising experience. I think it will become increasingly important for people to see information they learned in their condominiums one more time in the cab, and to collaborate with other advertising media in this way.

DigiLook is fine.

So, in summary, I would like to say that we believe that Q3 was a strong one, as I mentioned at the beginning of this report.

Another thing I mentioned was the evolution of the business model that we have been promoting for the past two years since listing on the stock exchange, especially the shift from fee-based to unit-based services, where AI companies take the initiative in providing services under their own leadership rather than receiving contract development fees from the so-called large companies.

In the two years we have been doing this, we have been trying to generate profits even on a unit basis, to generate a high profit ratio, and wherein particularly, to generate profits by producing a gross profit, a high gross margin ratio, and to use the profits generated in this way to feed the next stage of growth by concentrating on investment. We are feeling a positive response in that area as well.

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AI業界の成長を支えるAI技術そのものも急速に進化

クラウドAI

従来のアプローチ



エッジAI

当社が注力するアプローチ



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Furthermore, I mentioned that edge technology is not only inexpensive, but also supports the mission of protecting personal information, which is an important mission for the use of AI in the global arena. I think that AI technology is beginning to penetrate both domestically and internationally.

In this context, we have announced our determination to aggressively pursue growth not only in Japan, but also in overseas markets, not simply by establishing one new base, but as a core business area that we will focus on. I mentioned that we are getting a good response here as well.

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AI業界の産業化が進行、当社も次のステージへ



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In order to further expand scale in the future, we will utilize Neural Marketing, and from next year onward, we will actively and safely conduct M&A with a broad perspective, both in Japan and overseas, in order to further enhance our value.

That is all from me.

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Question & Answer

Toyoda [M]: We are now moving onto the question-and-answer session. Shigematsu, Chief Executive Officer, and Tane, Director and Chief Financial Officer, will answer your questions. We will limit the number of questions to two per person.

Well then, [inaudible].

Participant [Q]: [inaudible] First, let me confirm something about sales. There is a bit of a gap between the QoQ sales growth rate and the QoQ unit growth rate, [inaudible].

Shigematsu [A]: I think [inaudible] is a little bit closer here, but in fact this unit [inaudible].

Participant [Q]: In the [inaudible] part, I think there is a part where the sales level [inaudible] will go up, but I wonder if there is a jump here because customers receive the initial installation costs and that part will also come in to some extent, or if there is a fixed part that is accumulating. I think it is both, but in considering the performance for the next fiscal year and beyond, I would like to get some more hints as to how much is the fixed portion.

Shigematsu [A]: Yes, that's right. That said, many of the fixed locations have seen a considerable increase in new installations at the end of the year. In fact, in terms of the fixed portion, if I were to speak of our ability to continuously produce to some extent, I would say that between Q3 and Q4 is probably our current steady-state ability, as I will discuss again in the final financial results.

The reason why the figures for Q1 and Q2 are a little low is not because of our poor performance in Q1 and Q2, but because some of our activities, such as the recognition of sales after the introduction of digital solutions and the start of stable operations, the so-called accounting recognition criteria, are a little closer to Q4 than Q1.

So, in that sense, I am not sure if we can call it fixed. In terms of a somewhat stable start to the next fiscal year and beyond, I would say that the actual value is between the third and fourth.

Participant [Q]: Thank you.

Secondly, can you tell us about Thailand? As for how to build a business, would you secure a solid sales force like in Japan before developing your business, or would you focus on developing alliances with Japanese companies in the region? I also think it is difficult to be specific about what is being considered now in terms of the sense of the sales perspective [inaudible].

Shigematsu [A]: We are currently discussing and moving forward with a business alliance like [inaudible]. This is true in Japan as well, but in any country where you go, it is basically the local companies that are running the business.

In Thailand, of course, there are many Japanese companies that have production bases, so the number of Japanese companies that actually see Thailand as a market and do business in Thailand is surprisingly small, as we have found when we visit offices. Therefore, the first step is to work with local companies, and we are also planning to establish our own sales structure to some extent like in Japan as well.

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I'm sorry, but having a 100-person team like in Japan is naturally [inaudible], so I'm going to return to my original point. In Thailand, we are considering the image of Thai companies and our Thai employees working together safely as a local company.

Although we do not have much information to disclose at this point regarding the sales perspective, at some earlier point in the process, we hope to bring it to the same level as the current level in Japan. A little over JPY3 billion for the current fiscal year, to that extent, we would like to have the same technology as in Japan at some earlier date, but we will announce the actual specific figures in the financial results.

Participant [M]: I understood the content well. Thank you.

Toyoda [M]: Thank you. Does anyone have any other questions?

Since there are no additional questions, this concludes the question-and-answer session.

Thank you for attending today's Neural Pocket Inc. Q3 financial results meeting for the period ending December 31, 2022. We will now close the meeting.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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