The above Images were created with the assistance of DALL·E 3

Financial Results Briefing Material
FY2023 Q3 (ended Sep 30th, 2023)

Neural Group Inc.
Nov. 10th, 2023

Translation of original Japanese version

Effective June 1, 2023, Neural Pocket Inc. has changed its name to Neural Group Inc.

- **Company profile and strengths**

- Upgrading business model and profitability

- Appendix

Management team intro

Founder & CEO
Roi Shigematsu

- Partner, McKinsey & Company, Tokyo Branch, Frankfurt Branch and Chicago Branch, prior to founding the Company in 2018
- Member of the Advisory Board of the Faculty of Engineering, Graduate School of Engineering, The University of Tokyo (current), Member of Keizai Doyukai
- M.S. (Engineering), The University of Tokyo

Advisor
Yutaka Matsuo

- Professor, Artificial Engineering Research Center, Graduate School of Engineering, The University of Tokyo
- President, Japan Deep Learning Association; Expert Member, Council for the Realization of New Capitalism; Chairman, AI Strategy Council
- Outside Director of Softbank Group
- Advisor of the Company since 2018

CFO
Ryosuke Tane

- After working at McKinsey & Company, worked at Bain Capital (PE fund) on corporate acquisitions and post-acquisition integration
- General Manager, Finance & Administration Division; Director, Neural Group (Thailand) Co.
- MBA from Stanford University Graduate School of Business

CTO
Takahiro Mikami

- Research and development at Nomura Research Institute, engaged in research in areas such as image recognition model ResNet, natural language model LSTM, etc
- Joined the company in 2020 and assumed the position of CTO in 2023
- PhD. in Science from the University of Tokyo, where his research focused theoretical physics

Managing Executive Officer
Masaaki Yamamoto

- Engaged in technology development and new business development for 15 years at Sony, joined our company in 2019
- General Manager of Marketing Business Division, President and Representative Director of Neural Marketing, Inc.
- M.S. in Mechanical and Space Systems, Tokyo Institute of Technology

Managing Executive Officer
Tsubasa Iwakiri

- Joined the Company in 2019 after working for Accenture, Inc.
- General Manager, Digi-Solutions Business Division; President and Representative Director, Neural Engineering Co.
- Graduated from Doshisha University, Faculty of Life Science and Medical Sciences, Department of Biomedical Engineering

Company highlights

GOOD DESIGN AWARD
2023

- Listed on the Growth Market of the Tokyo Stock Exchange since August 2020

- IPO in 2.5 years since inception, the **fastest listing among 500 companies in the past five years**[1]

- May 2023 Technology Company Sales Growth Ranking Award (214% sales growth over two periods)

- Out of which, achieved **2nd highest growth rate among listed companies**

- Engineers from 7 countries developing many proprietary AI libraries[2]

- **20 related patents held, 25 including pending applications**[3]

- Develop and provide numerous **unique edge AI-enabled services**

- **Awarded Good Design Award** as a service that supports daily life and improves efficiency through data analysis.

Providing various edge AI services with operations throughout Japan and in Southeast Asia

Neural Group (Thailand) Co,. Ltd.

Sapporo Branch

Sendai Branch

Nagoya Branch

Neural Marketing, Abeno Harukas Osaka Sales HQ

Hiroshima Branch

Fukuoka Branch

Miyazaki Sub-Branch

Takamatsu Branch

Neural Marketing Osaka HQ

Tokyo HQ

Neural Marketing Tokyo HQ

Across Japan Southeast Asia

12 locations

Group employees

265 *1

NEURAL

Membership in public/private organizations related to AI and smart cities

Smart City related

Ministry of Internal Affairs and Communications, JAPAN — MIC	Ministry of Land, Infrastructure, Transport and Tourism	TOKYO METROPOLITAN GOVERNMENT — TDPF Tokyo Data Platform
Japan Platform for Driving Digital Development: JPD3	Smart City Public-Private Partnership Platform	Kamakura City Smart City Public Private Sector Research Association
OSAKA SMARTCITY PARTNERS FORUM	PLATEAU by MLIT	MaaS Social Implementation Promotion Forum

Industry groups

Keidanren
Japan Business Federation

Japan Deep Learning Association

OCCI The Osaka Chamber of Commerce and Industry

JCSC Japan Council of Shopping Centers

Michi-no-Eki

SENDAI BOSAI TECH

Japan Parking Association (General Incorporated Association)

JILS Public-Service Corporation JAPAN INSTITUTE OF LOGISTICS SYSTEMS

MFLP &LOGI Solution

Collaboration with corporations

MONET CONSORTIUM

NTT PC COMMUNICATIONS Innovation LAB

NVIDIA NVIDIA METROPOLIS

aws Startup Ramp Member

Overseas

日本タイ協会 THE JAPAN THAILAND ASSOCIATION

JETRO *JETRO Members, Japan External Trade Organization*

Promoting edge AI technology with governments and private companies

AI technology

- **G7 Ministerial Conference on Digital Technology in Takasaki, Gunma:** Corporate exhibit
- **Public-private partnership conference for overseas expansion of startups, co-hosted by the Ministry of Economy, Trade and Industry and Keidanren:** Speaker
- **Advantech Corporation's Tokyo AI Forum - Manufacturing DX and Smart City:** Speaker
- **Tokyo Data Platform Convention:** Professional Advisor
- **AI Innovation AWARD2022:** Awarded "Future envisioned by Smart Cities"
- **The 59th Computer Vision Study Group at Kanto:** Speake
- **Cyber Security Convention 2023 hosted by the Korean government** Exhibit

Urban planning

- **PARKING NOW, official magazine of the All Japan Parking Association** Article contribution
- **Parking Reform Promotion Council** Speaker
- **LOGISTICS TODAY Seminar** Speaker
- **Shibuya Ward Kitaya Park Jinnan Market** Thinking about the future of Shibuya Park! Speaker
- **Muroran City DX Promotion Forum** Panelist for "Connected Smart City" session
- **"Roadside Station Murayama" Development Basic Plan Study Citizens' Meeting** Advisor

Collaboration with Academia

- **Seminar on the use of the Kashiwanoha Urban Design Center for urban planning hosted by the University of Tokyo's Center for Future Vision Research** Guest speaker
- **Taisho University "How AI Image Analysis is Used in Society"** Guest Lecturer
- **Seminar at Sasin Graduate School of Mngmt., Chulalongkorn University** Speaker
- **KOSEN-KMITL (Bangkok)** Regular lecturer based on cooperative agreement
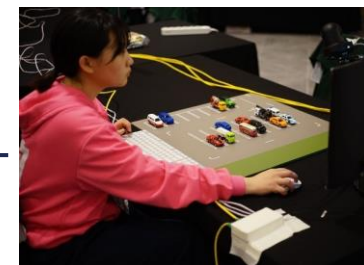
Overseas

- **Government of Thailand & PTT Group Event "Zest Thailand 2023"** Presented

Others

- **"DigiPark" awarded Good Design Award 2023**
- **Deloitte Tohmatsu Technology Fast 50 2022 Japan** Awarded top 10 in Japan ranking

We develop proprietary AI libraries/ edge-related implementation technologies to enable AI smart cities

People attribute analysis

Gender/ age estimation

Facial recognition
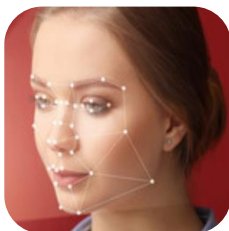
Line-of-sight detection

Fashion analysis
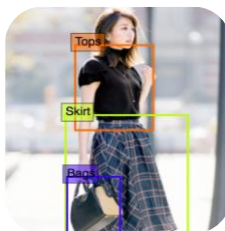
People emotion and thought analysis

Facial expression, emotion analysis

Voice/ emotion analysis

Natural language processing

People movement and behavior analysis

Congestion analysis

Vacancy detection
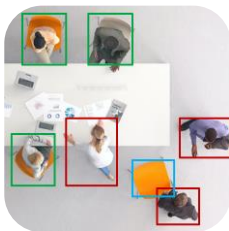
Safe monitoring

Intrusion detection crime prevention

Vehicle analysis

Traffic analysis

Parking occupancy

License plate detection

Technologies related to social implementation of AI

Edge AI

Edge security

Ad delivery optimization

AI-enabled product recommendation

Data analytics

Digital signage integration

Mobile app integration

AI technology is evolving along with the industry's growth

NEURAL

Cloud AI
Conventional approach

AI analysis in a large cloud server

Large scale cloud server

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

Shift

Edge AI
Our approach

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

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

Real-time marketing and security data

Small scale cloud server

IC IC IC IC

Only small amounts of processed data are sent as needed
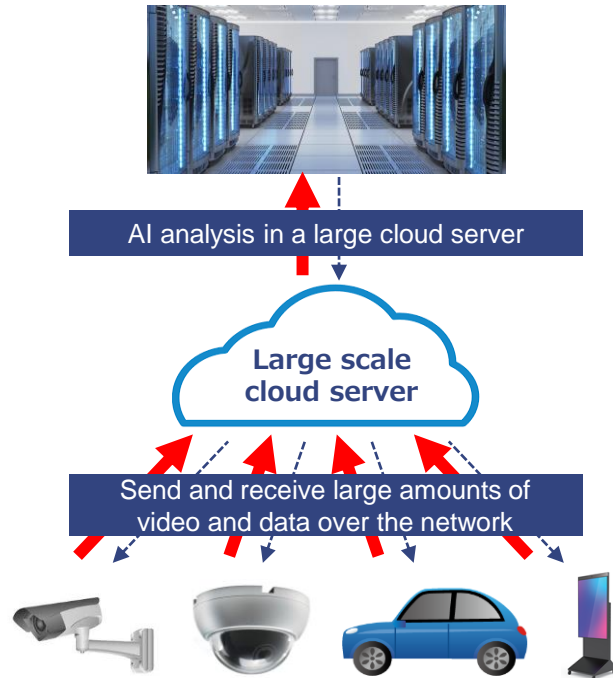
- **High costs** (Communication and maintenance)
- **High latency** (High network load)
- **High electricity consumption**

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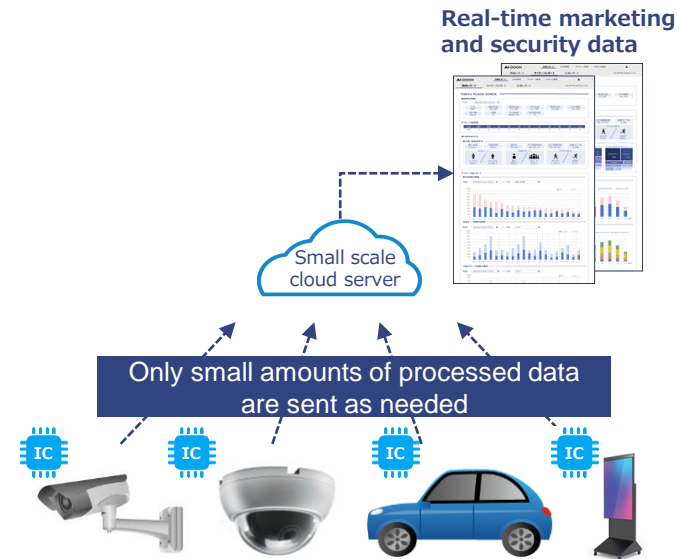
- **Low costs**
- **Low latency**
- **Green/ low electricity consumption**

Also greatly contributes to privacy protection

Established unique and comprehensive service offering leveraging edge AI capabilities

Visualization of physical spaces	→	Broadcasting in physical spaces	→	Monetization in physical spaces

Edge AI Camera	Digital Signage	OOH Advertisement

Digi Flow **Digi Park**

DigiLook

AI MEDIA PROVIDER
FOCUS CHANNEL

Edge AI camera installations in over 70 cities/ locations across Japan and SE Asia	Installation, operation, and maintenance of LED signages at more than 10,000 locations	Owner and operator of digital signage media with installation base of 450+ locations

Digi-Solutions unit installation growth (cumulative)

103
87 / 16

121
97 / 24

185
95
90

406
301
105

644
106
384
154

980
317
485
178

1,265
547
526
192

1,531
806
496
229

1,738
1,024
454
260

1,988
1,254
456
278

2,286ユニット
1,520 DigiLook[1]
473 SignDigi[2]
293 DigiPark/ DigiFlow etc.[3]

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

FY2021 ended Dec. | **FY2022** ended Dec. | **FY2023** ended Dec.
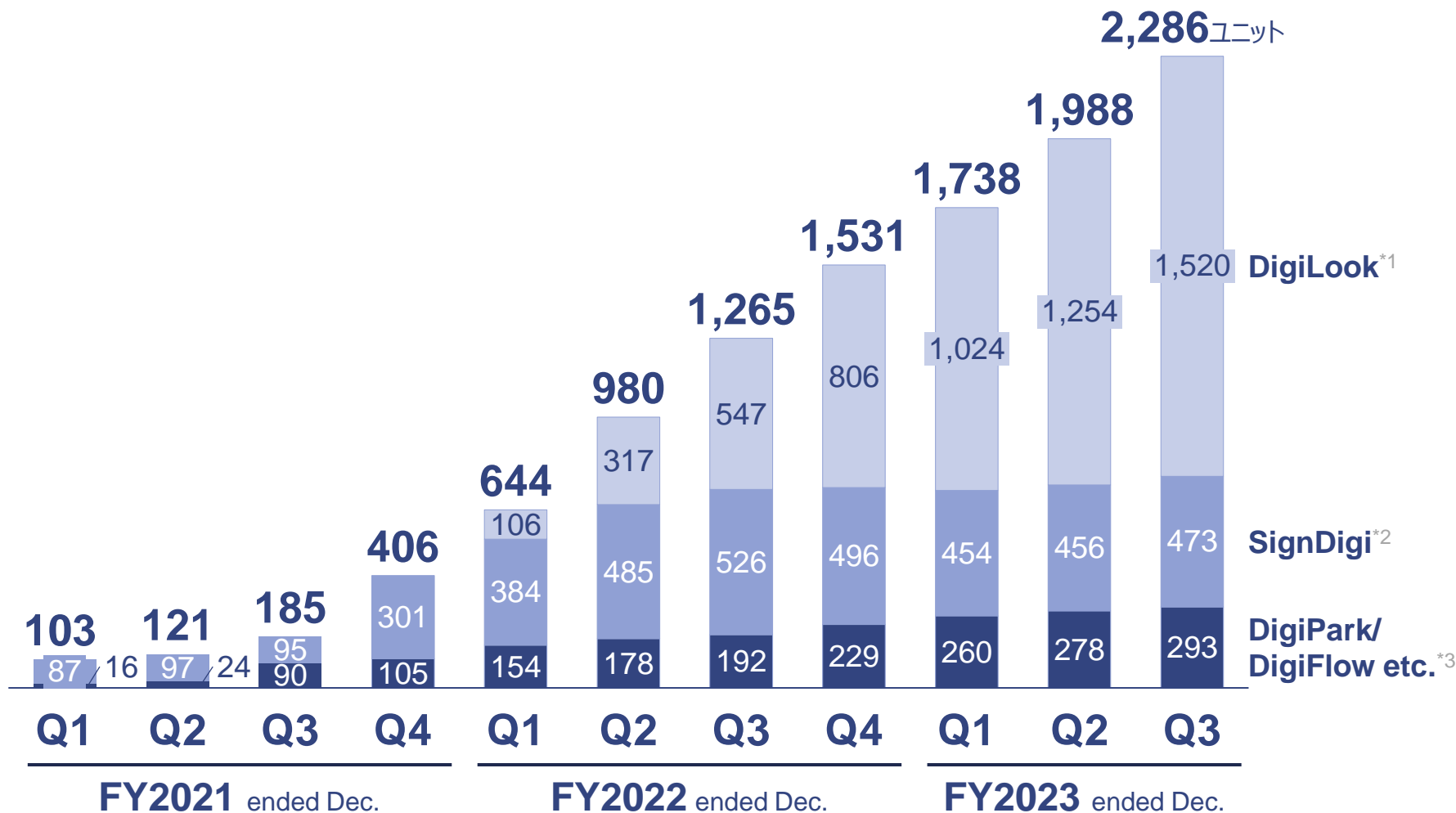
*1 LED signages installed (# of locations) by Neural Marketing Inc., post acquisition by Neural Pocket.   *2 Mainly Focus Channel digital signages installed in apartments. Also includes other signages installed for commercial use or trial installations unrelated to Focus Channel.   *3 Number of edge box units installed for DigiPark/ DigiFlow, etc. A single edge box is often connected to multiple cameras to run AI detection.

Extensive track record of edge AI camera installations in Japan/ Overseas

Thailand 🇹🇭
Traffic analysis at 3 Lotus's stores

Sendai city
Visualization of human flow for facility operations

Muroran city
Regional revitalization with AI-enabled urban development

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

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

SMARK Isezaki
Parking lot visualization, traffic guidance

Osaka Umekita II
People flow & behavior detection in urban park

West Shinjuku area
Digitalization of urban transportation and city parks

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

Marunouchi Naka-Dori
Daimaru-Yu Machizukuri Council, assist urban dev. through people flow analysis

Huis Ten Bosch
Parking lot occupancy, license plate detection

Takeshiba
Office tower smart building/ city develop.

Anjo city
3D city map promoted by MLITT

Mitsubishi RE Marunouchi Building
People flow visualization

Mitsui Fudosan Ichikawa LP
Truck license plate detection

Yokohama City Yamashita Park
Visualization of users/ congestion in the rose garden

Shibuya Hikarie ShinQs
Apparel store guest analysis

Tokyo Ryutsu Center
Vehicle congestion visualization

Shurijo Castel Park
People flow analysis and operation DX

Top share in Japan with 10,000+ examples of sales/ installations

DigiLook
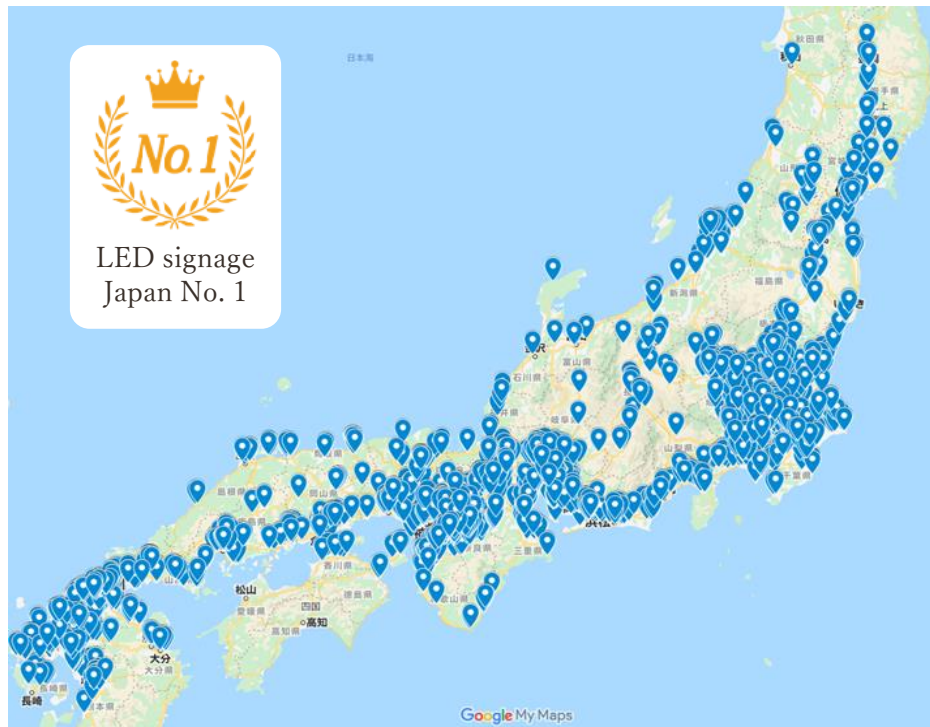
LED signage Japan No. 1

➤ **10,000+ installation track record**
Experience in a wide variety of industries, including large corps, government offices, commercial facilities, and merchant stores

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

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

Soccer stadium

Sports event

Chain retail

Police station

Government facility

Advertising operation business on large LED display launched Oct. 2023

👉 We launched an ad management business as a dedicated agency (media rep), utilizing our know ledge and sales network in ad sales, ad broadcasting, and operation through our Focus Channel operations

In charge of LED vision sales, installation, advertising distribution and media rep

9.6m

約69.1m²

7.2m

Neural responsible of media reps (Examples of partner agencies)

dentsu ·HAKUHODO· 東北博報堂

ADK jeki

河北新報社 tbc東北放送 株式会社 第一広告社

Examples of Advertising Sponsors

DIO CLINIC

MARUHAN

Human Wave ヒューマン ウェイブ

Llarge LED vision system at BiVi Sendai Station East Exit, an urban commercial facility adjacent to JR Sendai Station

As a full-time advertising sales agency, we are currently airing advertisements in partnership with 20+ Sendai-local advertising companies

Quantifying advertising effectiveness with AI cameras

NEURAL

👉 Quantitatively proved that providing information on exhibits in Shurijo Park improves traffic flow and increases average time spent in the park.

View of people flow analysis

Guidance signage

Video signage

入場者に対する展示エリア進入率
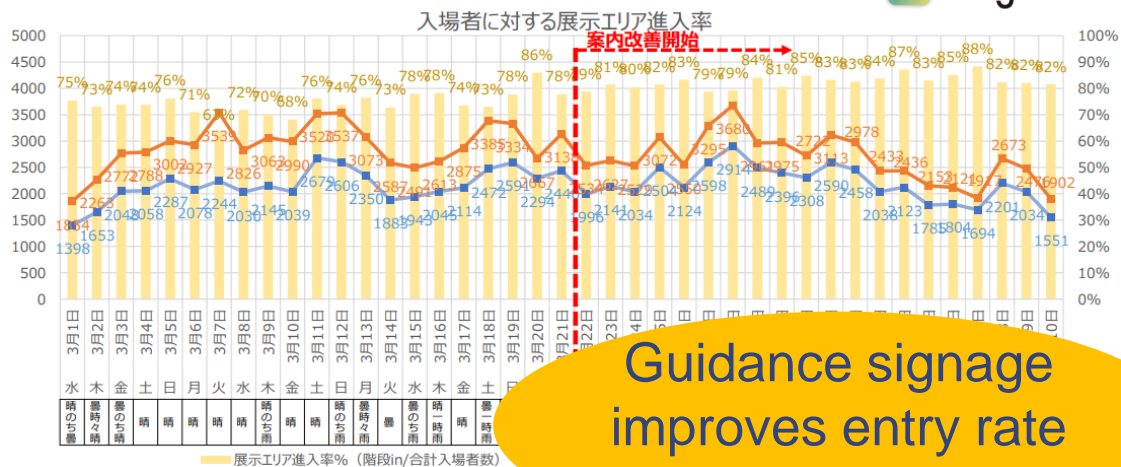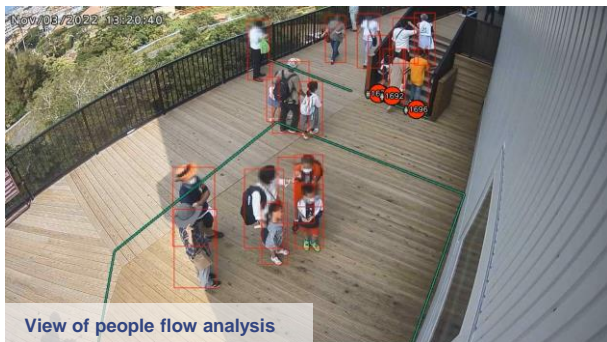
Guidance signage improves entry rate by approx. 10%

展示　1日平均滞在時間（秒）
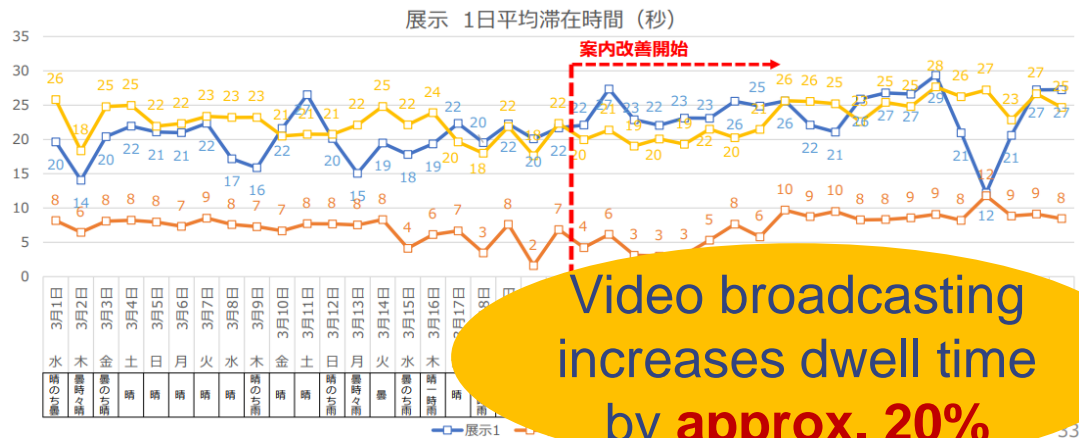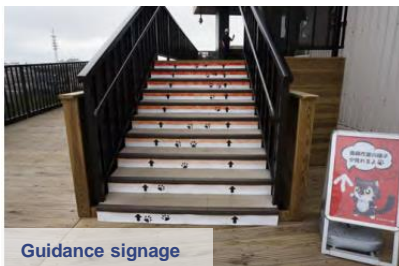
Video broadcasting increases dwell time by approx. 20%

※日本工営㈱ 作成資料を含む
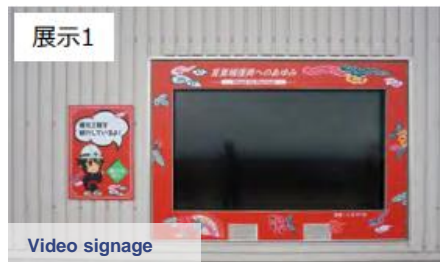
Apartment signage media "Focus Channel"

Characteristics of apartment signages

Ave resident household income, 10 million JPY

High fidelity targeting of audience

Stable persona and reliable viewing

Ad effectiveness easily measured from address info

Coexistence with airing of facility info

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

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

Number of units in parentheses

Mitsubishi Estaet
- 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)

Focus Channel can reach 200,000+ affluent people in the Tokyo area

AI MEDIA PROVIDER
FOCUS CHANNEL

Apartment Signage
Ads Market No. 1
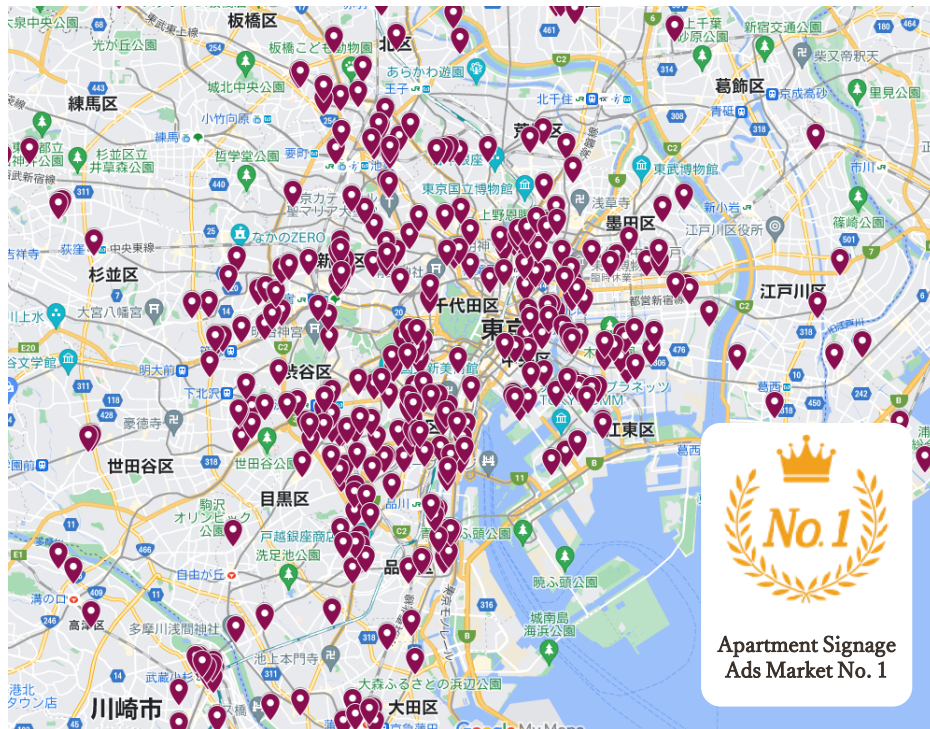
➢ **View count (Impressions)**
Steady reach regardless of seasons and externalities

➢ **View frequency**
Located in living spaces and repeatedly appealing to all residents (View count per add slot: 1.5 million/ month)

➢ **Targeting**
High-grade apartments where affluent consumers reside
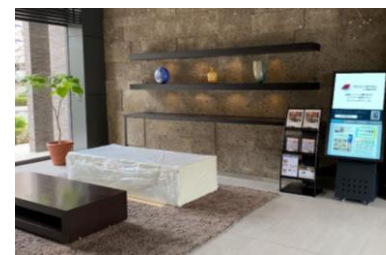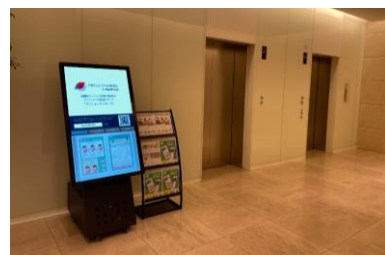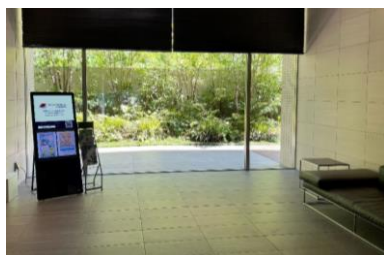
Focus Channels examples of broadcasted advertisements

Launched new web page business using AI tech (Launched in May 2023)

NEURAL

Generative Web *powered by ChatGPT*

Generative Web powered by ChatGPT

Function 1
Blog generation

Function 2
Auto language translate

Function 3
Auto reply to reviews

Function 4
SEO automization

AI-powered CMS maximizes the effectiveness of web pages with no technical knowledge required and no hassle

- **Launched new webpage product, combining extensive sales capabilities of Neural Marketing (100% subsidiary) and AI development capabilities of Neural Group Inc.**
- **Sales starting in May 2023, enabling rapid commercialization of generated AI**

Entered Thailand market last year and introducing AI Smart City solutions

With METI Minister Nishida at an event sponsored by METI, the Embassy of Japan, and True Group (Bangkok)

Traffic volume analysis in city center Bangkok

Meeting with the Governor of Bangkok

Collaboration with Egg Digital, the digital marketing arm of CP Group, one of Thailand's largest conglomerate

People Flow Analysis in Bangkok
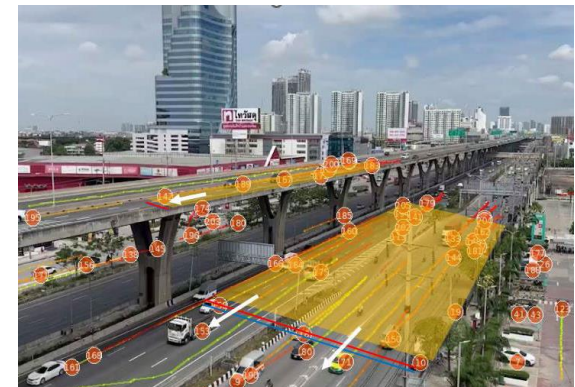
Traffic congestion visualization (Bangkok city center) being promoted with CP Group

Various media coverage in Thailand

- Company profile and strengths

- **Upgrading business model and profitability**

- Appendix

Announced strategy for business model transformation in spring 2021

※Excerpted from FY2021 Q1 Financial Results Briefing Material (Published on May 14, 2021)

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	【Theme 2】 Towards easy-to-use AI services	【Theme 3】 Commitment to AI technology dev.
Expand required elements such as sales, maintenance and support, and bidding rights for government through partnerships or mergers and acquisitions as needed.	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.	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.

Overview of business model transition

Fee-based business model

Neural Pocket

AI licensing and contracted development

↓

Handful of large corp.

Profitability ◎
GP margin 90%

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

Unit-based business model

NEURAL

空間の見える化
デジフロー
デジパーク

空間での情報発信
DigiLook

空間での収益化
FOCUS CHANNEL

Many customers and users

Profitability ○
GP margin 65%

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

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

Progress of shift from fee-based sales to unit-based sales

Focus on fee-based sales

Transition to unit-based sales

Details on following page

FY'19 – FY'23 Ave. annual growth rate

(百万円)

	FY2018 1st term	FY2019 2nd term	FY2020 3rd term	FY2021 4th term	FY2022 5th term	FY2023 6th term (Forecast)
Total	60	311	762	1,010	2,878	3,200
Unit-based sales		83	182	474	2,474	2,758
Fee-based sales		228	581	536	405	442

Unit-based sales 139.8%

Fee-based sales 18.0%
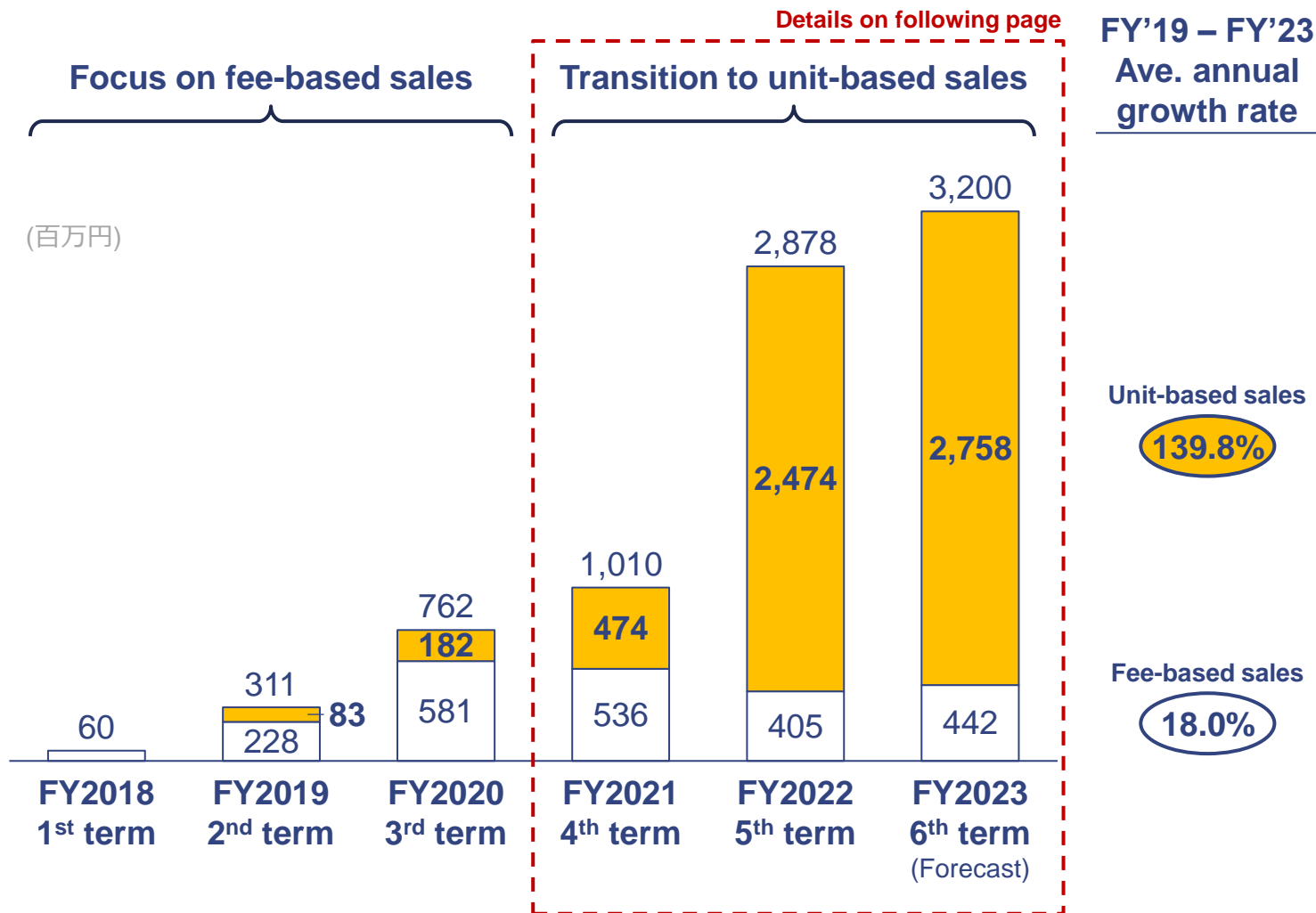
Business model transition and reflection on past results

Capabilities acquired

- With edge AI technology at its core, **building out a comprehensive service group** that "visualizes," "monetizes," and "broadcasts information" in physical spaces
- Constructing a business portfolio that **achieves high gross margins and allows for business growth at scale**

Scaling business

Scaling and cross-selling services and growing org by 72+ staff

AI display and ad cross sales

BtoB sales cross sales

Building out sales network

Significant expansion of services and sales network through M&A

FOCUS CHANNEL   NETTEN

AI service development

Developing unique services using edge AI and selling directly to both public and private users

Digi Park   Digi Flow

Announced business model transition

2021

AI service sales expansion and monetization

2024

2023

2022

Revised earnings due to decision to forego fee-based projects for large clients

Goodwill impairment loss recorded upon subsidiary merger between Focus Channel and NETTEN Inc.

Impairment loss on fixed assets (servers, etc.) and software assets, and write-down of inventories

Fixed cost optimization activities

Revised results to reflect the impact of taking longer than planned to establish a framework for large-scale organic growth

- Actively investing in the development of ever-evolving edge AI technologies, and succeeded in building world-class capabilities and a stable operating system
- Incurred impairment losses of obsolete technologies

Temporary investment for growth

Quarterly revenue trajectory

Focused on fee-based business

Transition to unit-based business model

	Full year results	Full year results	Full year results	Full year results	Full year forecast
Revenue	**311**	**762**	**1,010**	**2,878**	**3,200**
(YoY growth)	(+417.3%)	(+144.8%)	(+32.4%)	(+184.9%)	(+11.2%)

(YoY growth)

+12%

(million JPY)

33	62	91	126	163	164	184	251	288	202	294	226	514	640	734	991	603	772	819	

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

FY2019	**FY2020**	**FY2021**	**FY2022**	**FY2023**
(2nd term)	(3rd term)	(4th term)	(5th term)	(6th term)
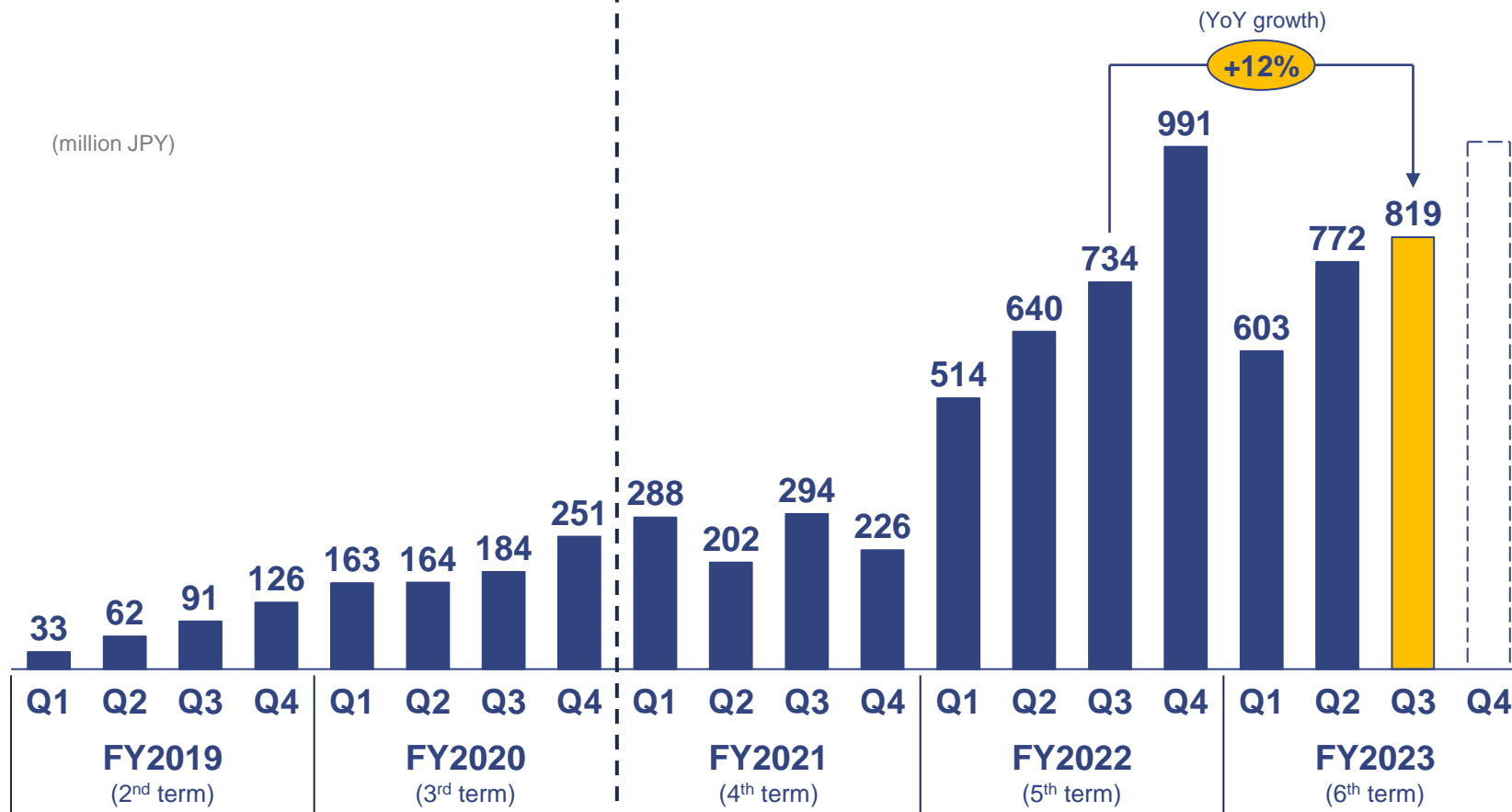
Sales ramp up trend for FY2023 and performance review

- Experienced delays in devising a sales management system covering 12 locations nationwide, ramping up productivity for newly hired personnel, the training of management personnel including middle-level managers, and sharing of sales know-how
- However the revenue growth curve follows original budget

Sales growth planned at the beginning of the year
(Annual sales of 4.0 billion JPY)

F/C Revision

Actual sales
(Annual sales of 3.2 billion JPY)

(million JPY)

1,193
1,109
959
752

603
772
819

Revenue

Revenue (Forecast)

Q1 actual | Q2 actual | Q3 actual | Q4 forecast

FY2023 review and results through Q3

	Original plan	Results	vs Plan
Hiring	• Hiring 70 sales staff and rapidly growing team	• Achieved net increase of 72 staff out of 3,757 job applications (Results from Jan through Sep)	◎
Ramping up productivity of new hires	• Ramp up within 3 months of employment	• Ramping up over 8-9 months, including replace/ reassignment • Accumulated training know-how	△～○
Setting up system to enable greater scalability	• Promptly establish sales mgmt. system for biz expansion across 12 branches	• Full year to train mgmt. staff, and share sales knowledge • On track to establish system by end-of-year	△～○

Although it took more time than planned, we are on track to establish a sales system to scale our AI services and achieve positive operating income

Cost efficiency improvement underway lowering break-even revenue

Break-even revenue as of Q1-Q3
(360Mln JPY/M or 1,085Mln JPY/Q)

Break-even revenue target for FY2024
(330Mln JPY/M, 975Mln JPY/Q)

◀ 1,085

◀ 975

819

772

603

Revenue

| Q1 Act. | Q2 Act. | Q3 Act. | Q4 F/C |
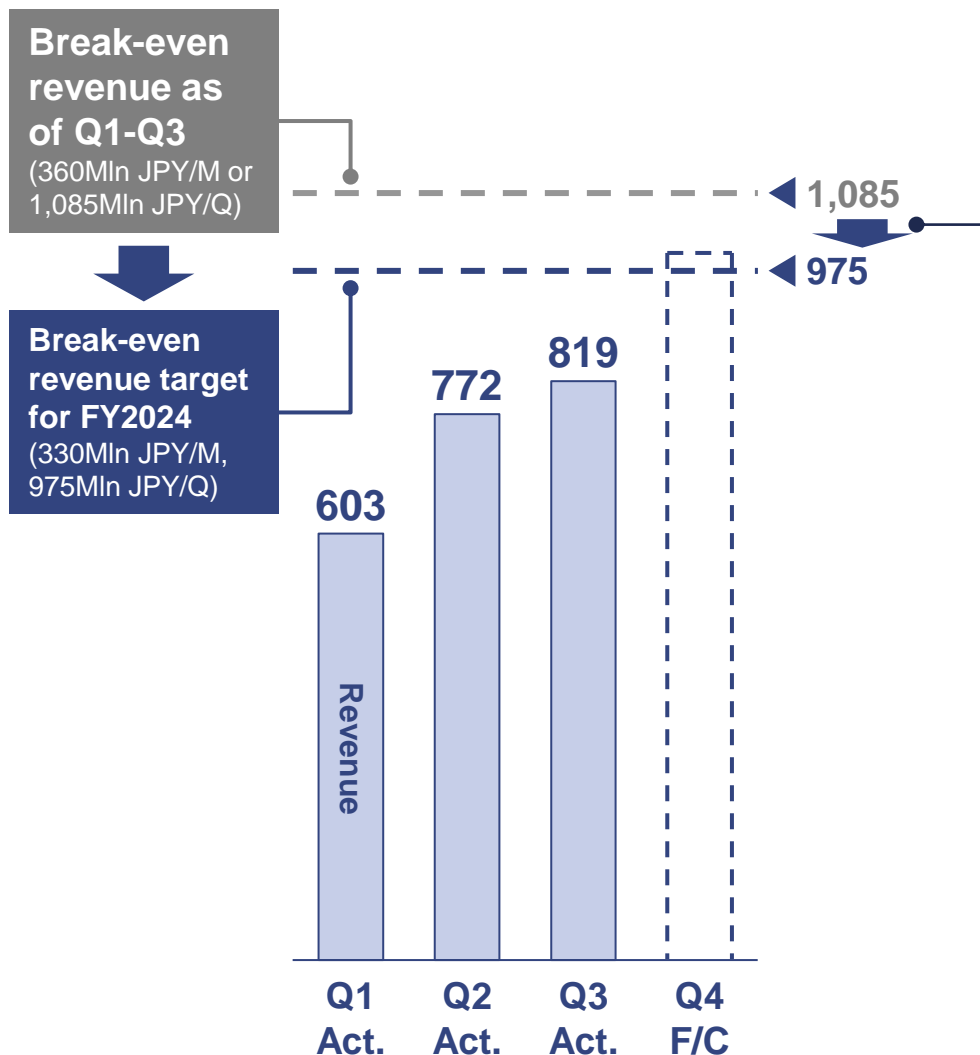
Cost optimization measures currently underway

- Equipment procurement cost optimization

- Sales productivity improvement

- Review of outsourcing and partial in-house production

- Revamping management processes for indirect expenses (travel, entertainment, etc.) in line with the expansion of the organization's size

- Streamlining HQ expenses

SG&A expenses: Q2 actual 728M yen ⇨ Q3 706M yen (decrease starting)

Operating profit trajectory: Reaching breakeven level in Q4
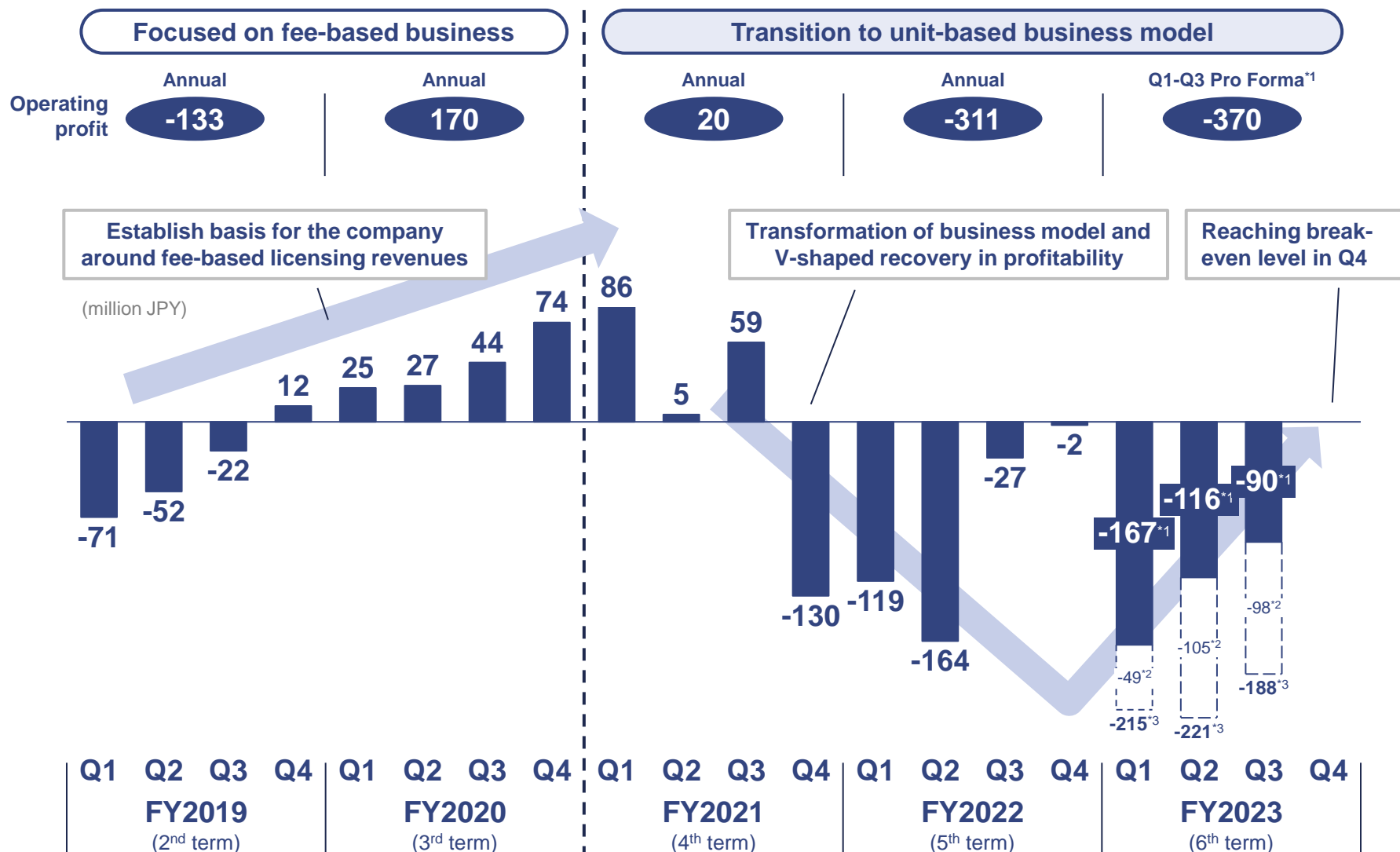
Focused on fee-based business

Transition to unit-based business model

Operating profit	Annual **-133**	Annual **170**	Annual **20**	Annual **-311**	Q1-Q3 Pro Forma[1] **-370**

Establish basis for the company around fee-based licensing revenues

Transformation of business model and V-shaped recovery in profitability

Reaching break-even level in Q4

(million JPY)

	FY2019 (2nd term)				FY2020 (3rd term)				FY2021 (4th term)				FY2022 (5th term)				FY2023 (6th term)			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Value	-71	-52	-22	12	25	27	44	74	86	5	59	-130	-119	-164	-27	-2	-167[1]	-116[1]	-90[1]	

Q1 FY2023: -49[2], -215[3]
Q2 FY2023: -105[2], -221[3]
Q3 FY2023: -98[2], -188[3]

30

Under the new unit-based business model, our marginal profit margin is as high as 56%

Relationship between revenue and operating income (FY2023 results)

Monthly
Operating profit
(million JPY)

Marginal profit margin

56%

$y = 0.5632x - 203.62$
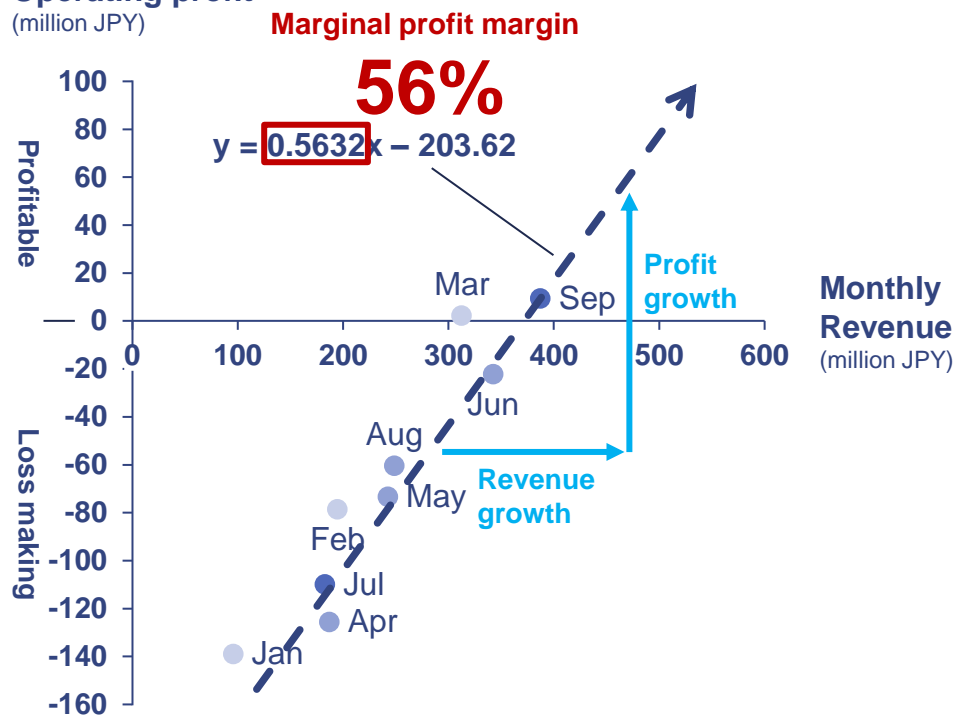
Business model with high marginal profit

- For every 100 increase in sales, operating profit increases by 56% (**= marginal profit margin = 56%**)

- Business model in which **profit growth sensitively follows sales growth** due to high gross profit margins

- Sales are expected to **reach break-even level in FY2023 Q4** due to sales growth trend

Company progressing towards profitability post biz model transition

Net sales (dark)
Operating profit (light)

Company inception → **Biz centered on providing AI licenses to large companies**

Biz transition → **Transition from providing AI licenses to selling AI services**

FY2023 ending Dec. → **AI service sales expansion**

(million JPY)

In addition to sales growth, lowering break-even revenue through cost optimization

FY18 1st term	FY19 2nd term	FY20 3rd term	FY21 4th term	FY22 5th term	FY23 6th term (forecast)	FY24 7th term	FY25 8th term	FY26 9th term
60	311	762	1,010	2,878	3,200			
-183	-133	171	20	-311	-630			

Reflection
Construction of the company's basis, business structure mainly consisting of short-term profits from a few large customers

Reflection
One-time losses resulting from foregoing highly profitable one-time sales in an effort to achieve sustainable business growth and profitability

3 year outlook
FY2024 forecast to return to operating profitability for the full year; from FY25 onward, plan to scale operating profits

Building an exciting and inspiring future with AI

NEURAL

Neural Group Inc.

The company name "Neural Group" expresses our desire to provide unconventional services that transcend boundaries in a wide range of fields enabled by cutting-edge AI technologies. We will utilize edge AI across both real and virtual spaces to realize an exciting future globally, covering various applications such as AI cameras, digital advertisements, fashion apparel and more.

- Company profile and strengths

- Upgrading business model and profitability

- **Appendix**

Company overview

Company name	Neural Group Inc. (TYO: 4056) *Changed corporate name from Neural Pocket Inc. on Jun 1st, 2023*
Established	Jan. 22nd, 2018
Representative	Roi Shigematsu
Listed exchange	Tokyo Stock Exchange Growth Market (listed since Aug. 20th, 2020)
Headquarters	Tokyo Midtown Hibiya, Hibiya Mitsui Tower 32F, 1-1-2, Yurakucho, Chiyoda-ku, Tokyo, JAPAN
Locations	▪ AI Test Field (Shinagawa Seaside Canal Tower 21F, 4-12-6 Shinagawa-ku, Tokyo) ▪ Thai Office (CRC Tower, All Seasons Palace, Wireless Road, Lumpini, Bangkok, 10330） ▪ 10 other offices across Japan
Group Companies (100% sub.)	▪ Neural Marketing Inc. (Rep. Masaaki Yamamoto) ▪ Neural Group (Thailand) Co., Ltd. (Rep. Kaz Takenaka) ▪ Neural Engineering Inc. (Rep. Tsubasa Iwakiri)
Employees	265 (Group total as of Sep 30th 2023, excluding directors, part-time and outsourced employees)
Business overview	AI engineering business utilizing image/video analysis and edge computing technology based on proprietary AI algorithms
Affiliated organizations.	▪ Nippon Keidanren (Japan Business Federation) ▪ Japan Deep Learning Association and others

Management team

	Name	Career overview
Board Directors	Representative Director **Roi Shigematsu**	Former Partner at McKinsey, working in 11 countries including Japan, Germany, and the U.S as leader in IoT and AI field. Founded Neural Pocket in January 2018 with the goal of realizing the digitization of the real world through AI. He holds a Master's degree in Engineering from the University of Tokyo and is currently a member of the Advisory Board of the School of Engineering.
	CFO Director **Ryosuke Tane**	He was engaged in private equity investing at Bain Capital Japan. After serving as the Tokyo General Manager of Oyo Technology and Hospitality Japan, he joined Neural Pocket. He currently overseas the group's corporate division and also leads M&A activities. He holds an MBA from Stanford University's Graduate School of Business.
	Director **Masaaki Yamamoto**	After being involved in the development of DVDs and head-mounted displays at Sony, he led several new businesses and internal startups. After joining the company, he worked in the R&D department and is currently the president of Neural Marketing, Inc. He holds a master's degree from Tokyo Institute of Technology
	External Director **Yoichi Yamagishi**	After working in the investment banking division of Nomura Securities Co., Ltd. in M&A advisory and public underwriting, he was appointed as General Manager of Public Underwriting Department of Mizuho Securities Co. After retiring from Mizuho Securities, he served as an outside director of D.L.E. Inc. and Laox Co. He is a certified public accountant.
	External Director **Maiko Hasumi**	After working for Fuji Television Network, Inc. and Fidelity Investment Trust Co. currently fund manager at Ever Rich Asset Management. Currently director and member of the Audit Committee of Z Holdings Corporation (formerly Yahoo! Japan), etc. Appointed outside director of Neural Pocket in 2021. Holds an MBA from Stanford University's Graduate School of Business.
Auditors	Full-time auditor **Miho Takemura**	After working at Ernst & Young Shin Nihon LLC (EY Ernst & Young Shin Nihon LLC), where she mainly audited securities companies and other financial institutions, she worked as a full-time auditor at IRIDGE Co. Certified public accountant.
	Auditor **Toshiki Wakamatsu**	After working at Sato Sogo Law Office, he opened Saltus Law Office. He has served as a director of Orchestra Holdings Inc. and Voicy Inc. and has been a corporate auditor of Neural Pocket since 2019. Attorney. Specializes in a wide range of corporate legal matters, including corporate law and the FIEA.
	Auditor **Hajime Shirai**	After working at Arata Audit Corporation (PwC Arata LLC), Frontier Management Inc. and Deloitte Touche Tohmatsu LLC, he established Grintee Inc. Ltd. Appointed as a corporate auditor of Neural Pocket in 2020. Certified public accountant.
Advisor	Professor **Yutaka Matsuo**	Professor at the Artificial Intelligence Research Center, Graduate School of Engineering, the University of Tokyo. He is a leading expert in the field of AI and deep learning in Japan. He is also the chairman of the board of the Japan Deep Learning Association and an outside director of Softbank Group Corp.

Six key services provided by Neural Group

Digi Flow

Analyzing people flow in the city using AI cameras

Digi Park

Unique parking solution using AI cameras

AIMD
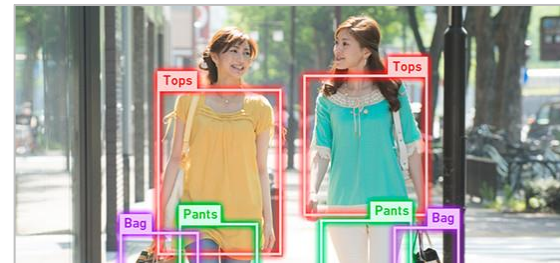
World's first fashion trend analysis enabled with deep learning

AI MEDIA PROVIDER FOCUS CHANNEL
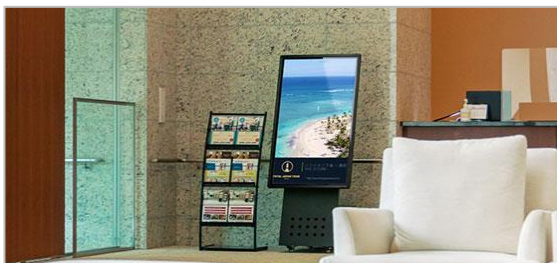
Digital signage media in 450 luxury apartments in Tokyo region

DigiLook

10,000+ LED signage units installed (#1 share in Japan)

Generative Web powered by ChatGPT

Web page creation and editing service using ChatGPT

Neural Group (as of Sep 30th, 2023)

	Neural Marketing Inc.	Neural Engineering Inc.	Neural Group (Thailand) Co., Ltd.
Established	Aug 20th, 2003[*1]	Oct 1st, 2021	Nov 4th, 2022
Business	Development, fabless manufacturing and sales of AI systems and LED signage, operation of AI signage media, etc.	Installation, operation, and development of Edge-AI enabled services	Sales of AI services and systems in Thailand and neighboring countries
Representative	Masaaki Yamamoto	Tsubasa Iwakiri	Kazuma Takenaka
Licenses	Outdoor advertising registration in multiple municipalities	General construction permit, Electr. goods import permit (PSE)	

*1 On Sep 1st, 2022 the company name was changed from NETTEN Inc. to Neural Marketing Inc. The date of incorporation of NETTEN Inc. is stated.

Organization: Since Jan 2022, the company has established a divisional system organized by product/ service

Board of Directors

CEO

| Technology Development Division | Marketing Division | Digi-Solution Division | Lifestyle Division | Financial Management Division |

Neural Marketing

Neural Engineering

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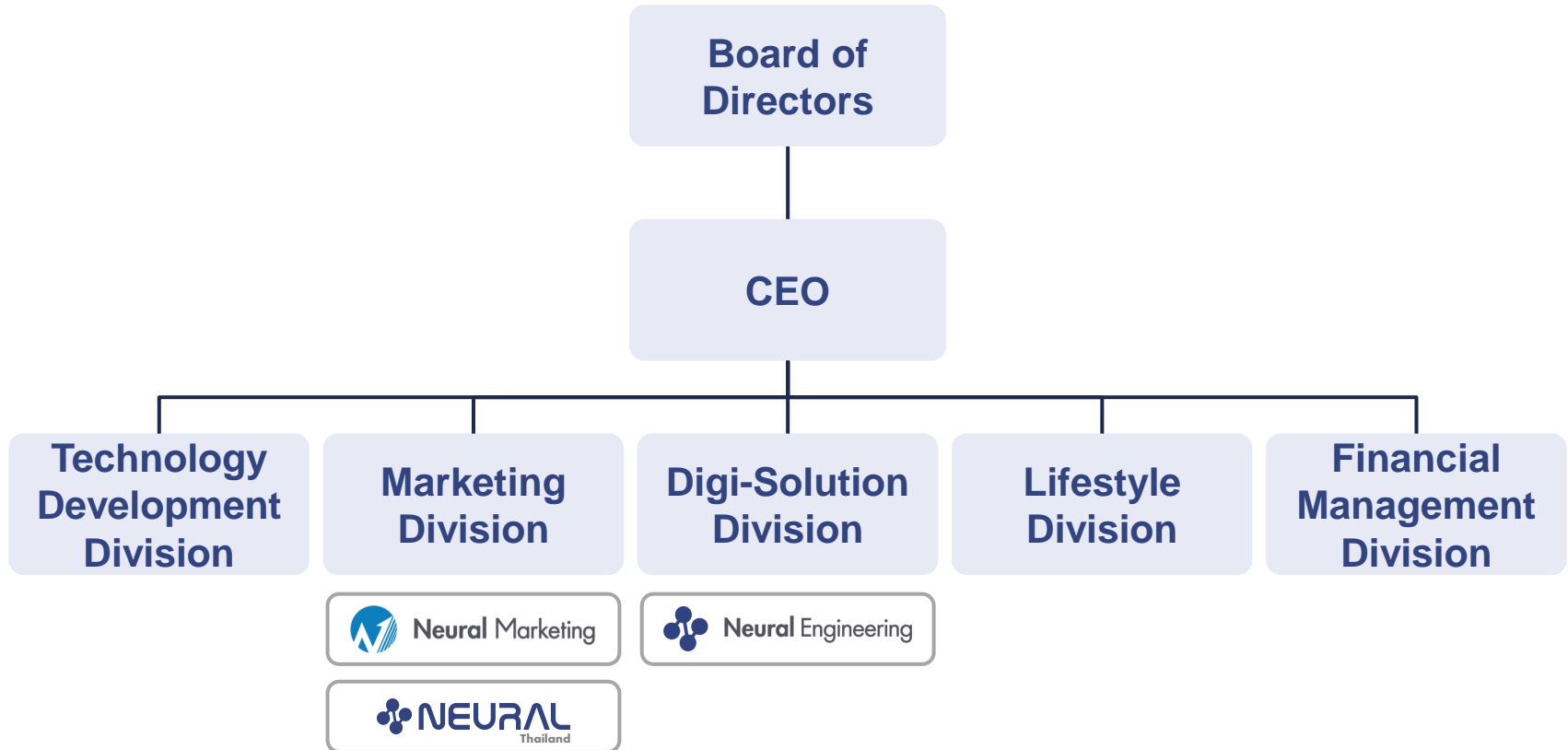
Promoting capital and business alliances with operating companies while ensuring share liquidity by expanding floating shareholders

※Based on shareholders' register as of Jun 30, 2023

General shareholders/ floating shares*1
4.6%

VC/ angel investor*2
24.4%

Total issued 13,784,000 shares

71.0%

Management*3

General shareholders/ floating shares
18.8%

12.6%

Total issued 14,013,200 shares

68.6%

VC/ angel investors

Management

General shareholders/ floating shares
29.9%

8.3%

Total issued 15,147,199 shares

57.2%

4.6%

VC/ angel investors

Sony Corporation

Management

Aug. 20th, 2020 (IPO)

Dec. 31st, 2020 (Shortly after IPO)

Sep. 30th, 2023 （Latest）

Continue to actively pursue further capital alliances with global companies

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

Trajectory of full-time employees[1]: Rapidly expanded headcount for sales staff within Neural Marketing Inc. through H1 achieving hiring plans

Headcount increase breakdown
- Neural Marketing Inc.   +72
- Neural Group Inc.   +7
- Neural Group Thailand   +4

⇨ Aggressive investment in sales personnel in the first half of the fiscal year. Limited hiring in the second half of the fiscal year.

(# of staff)

+83

	'19/6	'19/12	'20/6	'20/12	'21/6	'21/12	'22/6	'22/12	'23/6	'23/9
Staff	18	25	34	38	42	52	168	182	257	265

FY2019 (2nd term)	FY2020 (3rd term)	FY2021 (4th term)	FY2022 (5th term)	FY2023 (6th term)

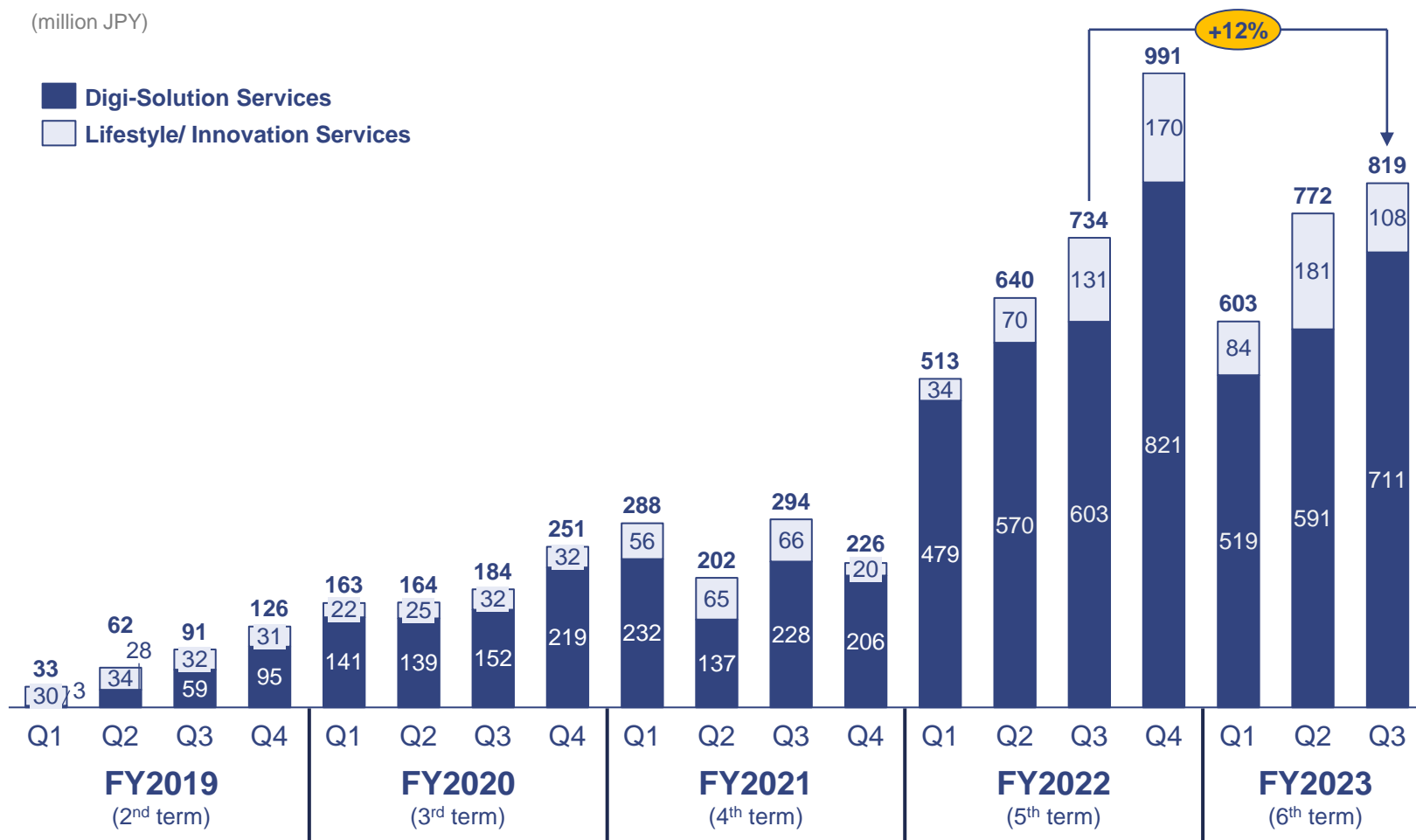*1 As of Sep 30th 2023. Excludes executives (full-time board directors, auditors, executive officers), part-time employees, subcontractors, interns. Includes full-time employees from subsidiaries, Neural Engineering Inc., Neural Marketing Inc.

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Quarterly net sales trajectory per service domain

Net sales trajectory

(million JPY)

Digi-Solution Services
Lifestyle/ Innovation Services

+12%

	FY2019 (2nd term)				FY2020 (3rd term)				FY2021 (4th term)				FY2022 (5th term)				FY2023 (6th term)		
Total	33	62	91	126	163	164	184	251	288	202	294	226	513	640	734	991	603	772	819
Lifestyle	30 / 3	28	32	31	22	25	32	32	56	65	66	20	34	70	131	170	84	181	108
Digi		34	59	95	141	139	152	219	232	137	228	206	479	570	603	821	519	591	711
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3

FY2023 Q3 ended Sep. consolidated Statement of Income

(million JPY)	FY2022 Q1-Q3 ended Sep.	FY2023 Q1-Q3 ended Sep.	Increase Value	Increase Percentage
Net sales	**1,887**	**2,194**	**+306**	**+16.2%**
Gross profit	**1,285**	**1,425**	**+139**	**+10.9%**
% of net sales	*68.1%*	*65.0%*		
EBITDA	**-61**	**-494**	**-432**	**-**
% of net sales	*-3.3%*	*-22.5%*		
Operating profit	-309	-624	-314	-
% of net sales	*-16.4%*	*-28.5%*		
Net income	-872*1	-601	+270	-
% of net sales	*-46.2%*	*-27.4%*		

*1 Includes a one-time impairment loss of 624 million yen recorded in FY2022 Q2

FY2023 Q3 ended Sep. consolidated balance sheet

NEURAL

(million JPY)

	FY2023 Q2 As of Jun 30th	FY2023年 Q3 As of Sep 30th
Total current assets	**1,972**	**1,769**
Cash and cash equiv.	1,198	979
Total non-current assets	**1,788**	**1,711**
Total assets	**3,761**	**3,480**
Total liabilities	**3,013**	**2,962**
Interest bearing debt	2,650	2,542
Total net assets	**747**	**518**

Continue to actively pursue capital and/ or business alliances with global corporations

Revision of financial forecast for FY2023 ending Dec.

👉 While the company achieved large-scale new hires, there were delays in the ramp-up of productivity of new sales hires, establishing sales management systems, and KPI management compared to initial expectations. Financial forecasts have been revised to reflect such delays.

(million JPY)	FY2022 ended Dec. results	Announced on Feb 10th, 2023 FY2023 ending Dec. previous forecast	Announced on Nov. 10th, 2023 FY2023 ending Dec. revised forecast	Increase Amount vs previous f/c	Increase Percentage vs previous f/c
Net sales	**2,878**	**4,000**	**3,200**	**-800**	**-20.0%**
Gross Profit	**1,849**	**2,650**	**2,100**	**-550**	**-20.8%**
% of net sales	64.3%	66.3%	66.5%		
EBITDA	**-22**	**196**	**-440**	**-636**	**-**
% of net sales	-0.8%	4.9%	-13.8%		
Operating profit	-311	10	-630	-640	-
% of net sales	-10.8%	0.3%	-19.7%		
Net income	-909	-100	-630	-530	-
% of net sales	-31.6%	-2.5%	-19.7%		

Disclaimer

Handling of the material

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