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Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]

Company name: Neural Pocket Inc.
 Stock exchange listing: Tokyo
 Code: 4056
 URL: <https://www.neuralpocket.com/en/index.html>
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 Schedule date of filing quarterly securities report: May 14, 2021
 Schedule date to commence dividend payment: -
 Preparation of supplementary materials on financial results: Yes
 Schedule of quarterly financial result briefing session: Yes (for institutional investors and analysts)

1. Financial results for the three months ended March 31, 2021 (January 1, 2021 - March 31, 2021)

(1) Operating results

(% denotes year-to-year increase/decrease rate)

	Net sales		Operating profit		Ordinary profit		Quarterly net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2021	287	76.4	85	237.4	84	246.2	83	244.8
March 31, 2020	163	401.5	25	-	24	-	24	-
	Quarterly net profit per share		Diluted quarterly net profit per share					
Three months ended		Yen		Yen				
March 31, 2021		5.95		5.64				
March 31, 2020		1.82		-				

Note: The Company conducted a 1000-for-1 stock split of common stocks as of April 15, 2020, by the resolution of the Board of Directors meeting on March 27, 2020. The "quarterly net profit per share" and "diluted quarterly net profit per share" are calculated assuming that the said stock split was conducted at the beginning of the previous fiscal year.

(2) Financial condition

	Total assets	Net assets	Equity capital ratio
As of	Millions of yen	Millions of yen	%
March 31, 2021	2,044	1,348	66.0
December 31, 2020	1,920	1,206	62.8

Reference Equity capital As of March 31, 2021 1,348 million yen As of December 31, 2020 1,206 million yen

2. Dividend situation

	Annual dividends				
	1Q	2Q	3Q	Year-end	Total
Fiscal year ended December 31, 2020	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2021	-	-	-	-	-
FY 12/2021 (expected)	-	0.00	-	0.00	0.00

Note: Revision of recently announced dividend expectation : None

3. Financial results forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 - December 31, 2021)

(% denotes year-to-year increase/decrease rate)

	Net sales		Operating profit		Ordinary profit		Net profit		Net profit per-share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full term	1,256	64.7	380	122.5	370	149.5	280	90.0	19.98

Note: Revision of recently announced dividend expectation : None

* Notes

- (1) Application of specific accounting treatment in preparation of quarterly financial statements : None
- (2) Accounting policy changes, accounting-based estimate changes, revision-based restatements
1. Accounting policy changes due to revision of accounting standards : None
 2. Accounting policy changes other than 1 above : None
 3. Changes in accounting-based estimates : None
 4. Revision-based restatements : None

(3) Total number of issued shares (common stocks)

1. Total number of issued shares at the end of the period (including treasury shares)

March 31, 2021:	14,132,200 shares
December 31, 2020:	14,013,200 shares

2. Total number of treasury shares at the end of the period

March 31, 2021:	65 shares
December 31, 2020:	32 shares

3. Average number of shares during the period (quarterly cumulative)

Three months ended March 31, 2021:	14,068,588 shares
Three months ended March 31, 2020:	13,369,000 shares

Note: The Company conducted a 1000-for-1 stock split of common stocks as of April 15, 2020, by the resolution of the Board of Directors meeting on March 27, 2020. The "total number of issued shares at the end of period", "total number of treasury shares at the end of period" and "average number of shares during the period" are calculated assuming that the said stock split was conducted at the beginning of the previous fiscal year.

* The quarterly short form results report is not subject to quarterly review by certified public accounts or accounting firms.

* Proper use of financial results forecasts, and other special matters

(Note to forecasts on the results of operations and other items)

Forward-looking statements, including the forecasts stated in these materials, are estimated based on the information that the Company is able to obtain at the present point in time and assumptions which are deemed to be reasonable. However, actual results may be different due to various factors.

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1. Qualitative information in this quarterly account closing

(1) Explanation of operating results

The Company's mission is "Update the world for a better tomorrow". In the first quarter, we independently developed and provided services making up smart cities, led by "people flow and crime prevention," "parking spaces and mobility," "3D city maps," "signage advertisement," "work-from-home security" and "fashion analysis."

As a result of the foregoing, net sales for 1Q FY2021 were ¥287,827 thousand (76.4% increase over the same period of the previous year) with operating profit of ¥85,518 thousand (237.4% increase over the same period of the previous year), ordinary profit of ¥84,340 thousand (246.2% increase over the same period of the previous year), and net profit of ¥83,767 thousand (244.8% increase over the same period of the previous year).

Since our company has only one business segment, AI Engineering, by-segment entries are omitted.

For further details on our account closing content, please refer to the "2021Q1 Financial Results Briefing Materials" in our IR site updated on May 14, 2021.

Reference: [URL:https://www.neuralpocket.com/ir/library/](https://www.neuralpocket.com/ir/library/)

(2) Explanation of financial position

Assets

Current assets at the end of the first quarter of the current fiscal year were ¥1,780,311 thousand an increase of ¥106,923 thousand compared to the end of the previous fiscal year. This was mainly due to an increase of ¥30,474 thousand in cash and deposits and an increase of ¥27,309 thousand in notes and accounts receivable-trade. As a result, total assets amounted to ¥2,044,132 thousand, an increase of ¥123,136 thousand from the end of the previous fiscal year.

Liabilities

Current liabilities at the end of the first quarter of the current fiscal year were ¥585,379 thousand, a decrease of ¥17,757 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease of ¥6,832 thousand in accounts payable-trade. As a result, total liabilities amounted to ¥695,639 thousand, a decrease of ¥18,897 thousand from the end of the previous fiscal year.

Net assets

Total net assets at the end of the first quarter of the current fiscal year were ¥1,348,492 thousand, an increase of ¥142,034 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings.

(3) Explanation of financial results forecasts and other forward-looking statements

The forecast figures in this document are based on the information available at the time of preparation, and actual results may differ from the forecast figures due to various factors.

2. Quarterly financial statements and principal notes

(1) Quarterly balance sheet

(Thousands of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	1,424,812	1,455,286
Notes and account receivable-trade	192,310	219,620
Merchandise	37,763	88,349
Work in process	1,639	—
Others	16,862	17,054
Total current assets	1,673,388	1,780,311
Non-current assets		
Property, plant and equipment	71,014	71,494
Intangible assets	105,729	121,701
Investments and other assets	70,861	70,624
Total non-current assets	247,606	263,820
Total assets	1,920,995	2,044,132
Liabilities		
Current liabilities		
Accounts payable - trade	67,169	60,337
Short-term borrowings	450,000	450,000
Current portion of long-term borrowings	3,420	3,420
Income taxes payable	948	571
Others	81,597	71,050
Total non-current liabilities	603,136	585,379
Total liabilities		
Long-term borrowings	111,400	110,260
Total non-current liabilities	111,400	110,260
Total liabilities	714,536	695,639
Net assets		
Shareholders' equity		
Share Capital	18,547	47,792
Capital surplus	1,362,723	1,391,969
Retained earnings	△174,656	△90,888
Treasury shares	△156	△380
Retained earnings	1,206,458	1,348,492
Total net assets	1,206,458	1,348,492
Total of liabilities and net assets	1,920,995	2,044,132

(2) Quarterly statement of income

(Thousands of yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Net sales	163,200	287,827
Cost of sales	10,890	38,181
Gross profit	152,309	249,645
Selling, general and administrative expenses	126,963	164,126
Operating profit	25,345	85,518
Non-operating income		
Interest income	3	7
Others	97	2
Total non-operating income	101	9
Non-operating expenses		
Interest expenses	1,082	1,187
Total non-operating expenses	1,082	1,187
Ordinary profit	24,365	84,340
Profit before income taxes	24,365	84,340
Income taxes - current	72	572
Total of income taxes	72	572
Quarterly net profit	24,292	83,767

(3) Notes to the quarterly financial statements

(Note on going concern assumptions)

Not applicable

(Notes on material changes in shareholders' equity amount)

For the three months period ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

1. Dividend payment amount

Not applicable

2. Of dividends related to the nine months period as of the record date, the dividend effect origin date follows the final day of the period.

Not applicable

3. Material changes in shareholders' equity

As a result of the exercise of stock acquisition rights, capital stock and capital reserve increased by ¥29,245 thousand each.

As a result, capital stock and capital surplus amounted to ¥47,792 thousand and ¥1,391,969 thousand, respectively, at the end of the first quarter of the current fiscal year.

(Significant subsequent events)

Not applicable