



Neural Pocket Inc.

FY2023 Q1 Financial Results Briefing Meeting

May 15, 2023

Event Summary

[Company Name]	Neural Pocket Inc.	
[Company ID]	4056-QCODE	
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[Number of Pages]	24	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Roi Shigematsu	Chief Executive Officer
	Ryosuke Tane	Director, Chief Financial Officer
[Analyst Names]*	Ryo Kobayashi	Mizuho Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Toyoda: It's time to start. Thank you very much for joining us today for Neural Pocket Inc.'s financial results briefing for Q1 of the fiscal year ending December 2023.

I am Toyoda, and I will be the moderator today. Thank you for joining us.

Today's presentation will be based on the financial results presentation material disclosed on our IR website on May 12. Also, please understand that no video recording of this briefing will be permitted.

First, let me outline the program for today's session. Mr. Shigematsu, Chief Executive Officer, will give a 30-minute presentation on business overview and performance. After the explanation, we will have a question and answer session until around 1 PM. Questions will be answered by both our CEO, Mr. Shigematsu, and Mr. Tane, Director and Chief Financial Officer.

Thank you very much for your patience. Our CEO, Mr. Shigematsu, will now provide an overview of our business and financial results. Mr. Shigematsu, please.

Shigematsu: Ladies and gentlemen, thank you very much for gathering here for the presentation of our Q1 financial results.

This is our sixth year from January this year, and it has been about three years since we were listed on the stock exchange, but I think the AI industry as a whole has gotten over the long-lasting effects of COVID-19.

I am aware that citizens and consumers who have been working in such a closed environment are now enjoying such content and experiences in the real world as a whole, and I believe that the environment is now in a place where we can promote such new enjoyment and encounters through the use of deep learning technology and cameras.

At the same time, the AI industry, especially in the area of generative AI, has become more active than it has been in about 10 years. It has been a long time since the emergence of deep-layer image technology and voice recognition, such as Siri, and there has been a long period of social research activities on the use of deep learning. In addition to the rapid progress of industrialization in the imaging field, such as the one in which we are engaged, I believe that there is a fairly active movement to incorporate new generation systems into the industry. We would like to accelerate our business development in a wide range of areas centering on Asia.

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FY2023 Q1 ended Mar. highlights



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I would now like to explain the contents of the financial statements. Here you see the highlights. The Q1 sales growth announced this time shows a moderate growth of about 17% compared to Q1 of last year.

On the corporate side, we simultaneously announced a capital and business alliance with Sony Corporation. We believe that this is a big step for us to make a leap forward in what we have been doing, and we as a company feel that it is a good response and a big step toward further scaling in the future.

At the same time, we have been working on overseas expansion since the end of last year. We have established a consolidated subsidiary in Thailand to conduct our business, and in this quarter, we announced a partnership with CP Group, a major conglomerate, and we feel that we are making progress step by step with these local Thai companies. Although the establishment of the overseas office was five to six years after our office in Japan, I believe that the momentum is now beginning to improve.

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Announced capital and business alliance with Sony Corporation^{*1,2}



^{*1} For more details, please refer to the company's press release dated April 26, 2023, "Notice of Business Alliance with Sony Corporation, Conclusion of Share Subscription Agreement, and Issuance of New Shares through Third-Party Allotment (available only in Japanese)"

^{*2} Outline of Sony Corporation: Kimio Maki, Representative Director and CEO; Headquarters: 1-7-1 Konan, Minato-ku, Tokyo; wholly owned subsidiary of Sony Group Corporation; Entertainment Technology & Services business; approximately 8,500 employees; FYE March 2022 sales: 1,425,640 million yen; net income: 143,753 million yen.

First, I would like to start with the capital and business alliance. We have announced what we can in a timely disclosure. In the capital alliance, we increased capital by 690,000 shares through a third-party allotment, raising JPY670 million worth of funds. This payment has been completed, and the capital alliance has been established.

As a result, Sony Corporation supports us by becoming our third-largest shareholder with a 4.56% stake in the Company.

On the other hand, we have also entered into a separate business alliance, and we are considering collaboration in a wide range of areas.

The first is the exchange of human resources. We aim to achieve a large scale by combining Sony Corporation's talent and other personnel with the engineering capabilities and sales structure we have built up to date.

At the same time, in terms of services, in addition to the AI solutions and digi-solutions that we have been developing, we expect to further enhance our services, such as Focus Channel and DigiLook services that integrate AI and signage, by linking them with Sony Corporation's technologies and services.

In working with Sony Corporation, Japan's leading technology company in terms of technology, we believe that there will be great value in combining our new technology of AI, especially in edge computing, which we pride ourselves on, with the world-leading technology of such a large company.

We will be announcing a wider range of areas of collaboration in the future, but for now, we have announced the signage business using AI signage and AI-based human attitude detection.

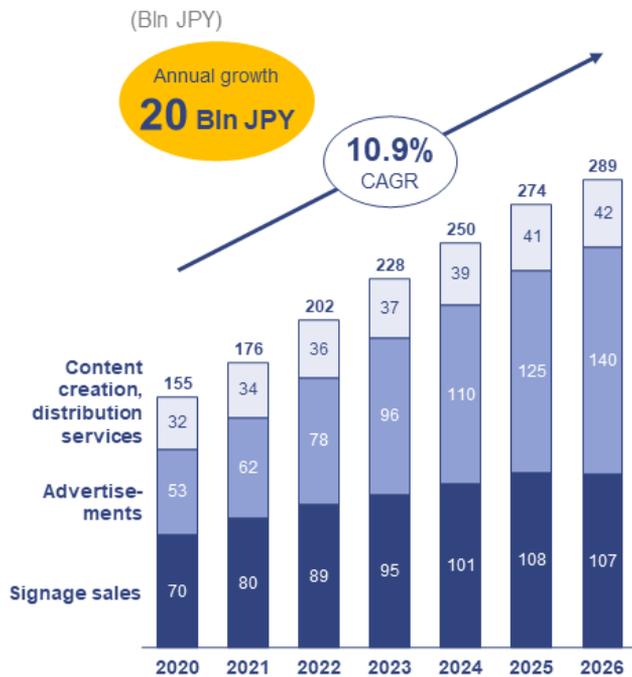
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Aim of capital and biz alliance: Signage industry experiencing tail winds

Domestic digital signage market trend¹



¹ From "Digital Signage Market Research 2021" published by Fuji Chimera Research Institute, Inc. in February 2021.

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Key growth drivers of Digital Signage Market

1 Digital substitution of labor

- Tasks traditionally performed by people automated or digitized
- Evolution of devices that do not require human intervention from communication to payment

2 Shift from Online to Offline

- Post Covid shift from online advertising to physical spaces
- Creation of a new advertising market that fuses the Web and the physical world is also underway

3 Shift from paper posters

- Replacement of traditional paper posters and static signage
- More widespread use of dynamic signage that transmits digital content that can be flexibly changed

Digital signage and AI signage have been our focus areas since the Company was founded, and these are the three reasons why we are focusing on them.

The left side shows the market size and growth process in Japan. The domestic digital signage market has been growing at an annual rate of more than 10%. The reason for this is actually quite simple, as you can see on the right side. The 10% means that a market of JPY20 billion is formed every year in this mature Japan, and such an industry is very rare. The reason for this is actually quite simple if you look at the right side, and there are three key factors.

First, a major macro trend is that a wide range of marketing activities that used to be conducted in person are gradually being digitally transformed into human services and sales promotions at a faster pace due to the declining birth rate, aging population, and shrinking workforce.

People no longer explain new products verbally and in person unless they really need to do so these days. On the contrary, digital alternatives, such as advertising it on the Internet or on digital signage, have been accelerating so far. This is one of the reasons.

In this context, as number two says, in the past few years, marketing on the Web or digital marketing has been very active. Advertisements were concentrated in major media such as GAFAs and other curated news media.

In such a situation, the growth on the Web and social media has slowed down, and there are two places for the growth to be channeled. One of these is video, especially on TikTok.

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The other is the real world. They are getting out into the real world like our business, or in other words, shifting from the web to the real world.

This is the third point. Our company is mainly engaged in the real world, and in the real world, paper posters have been used in the past. The advantages of paper posters are that they are easy to understand, but they are time-consuming to replace, and their effectiveness is not easy to measure.

By making it into digital signage, its effectiveness can be seen in impressions and conversions with AI cameras like this. Also, the content of an online CMS ad-serving system can be changed immediately, and it can play videos and as well as show photos. As I mentioned earlier about TikTok videos, watching commercials on video is easy to understand.

We understand that the growth of digital signage has been driven by a combination of these three factors.



Aim of capital and biz alliance: Signage biz and our vision

- Creating new advertising market and exciting urban spaces through the dev. of next-generation digital signage using AI technology
- Business development in Japan and Southeast Asia
- Develop and commercialize new businesses through collaboration with Sony through personnel/ services/ technology exchange

Challenges of conventional ad signage

- Difficult for advertisers to understand advertising effectiveness
- Difficulty in fine-tuning audience targeting
- Long lead time before ad submission
- Not a smooth path to purchase for viewers (e.g., no payment, difficult to take home display information).



Conventional Digital Signage Ads

Added value our tech can provide

- Maximize advertising effectiveness by acquiring viewer information (that was technically impossible in the past)
- Detailed targeting with networked signage
- Simplified and speedy ad submission
- Interactive signage with two-way comm. (e.g., payment, smartphone integration)



Next Gen Digital Signage Ads

Female
Age: 20s
Fashion: Casual
Location: A123B

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In this business alliance, we will use AI technology to make new digital signage content more consumable and create an exciting urban space.

We believe that there is no particular difference between the businesses in Japan, Asia, and other regions overseas and that there is a great affinity between such development in Japan and global development in Southeast Asia and other regions.

In this context, Sony Corporation is basically a company that operates its business in many parts of the world, and although we have recently started operations in Thailand, I believe that this will be an opportunity for us to increasingly implement this kind of global scaling, not limited to Thailand.

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Aim of capital and biz alliance: AI-based human attitude detection biz

- As remote communication becomes more commonplace, work with Sony to explore and commercialize new services on a phased basis
- Plans to develop new technology to interact with people through attitude detection and language generation AI using deep learning



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On the other hand, this is AI-based attitude detection of the human body. During the pandemic, in terms of recent innovations in generative AI, we have developed many such products, and in addition to video generation, we believe that we are now in an environment that facilitates development in language generation, which we have not done much of in the past.

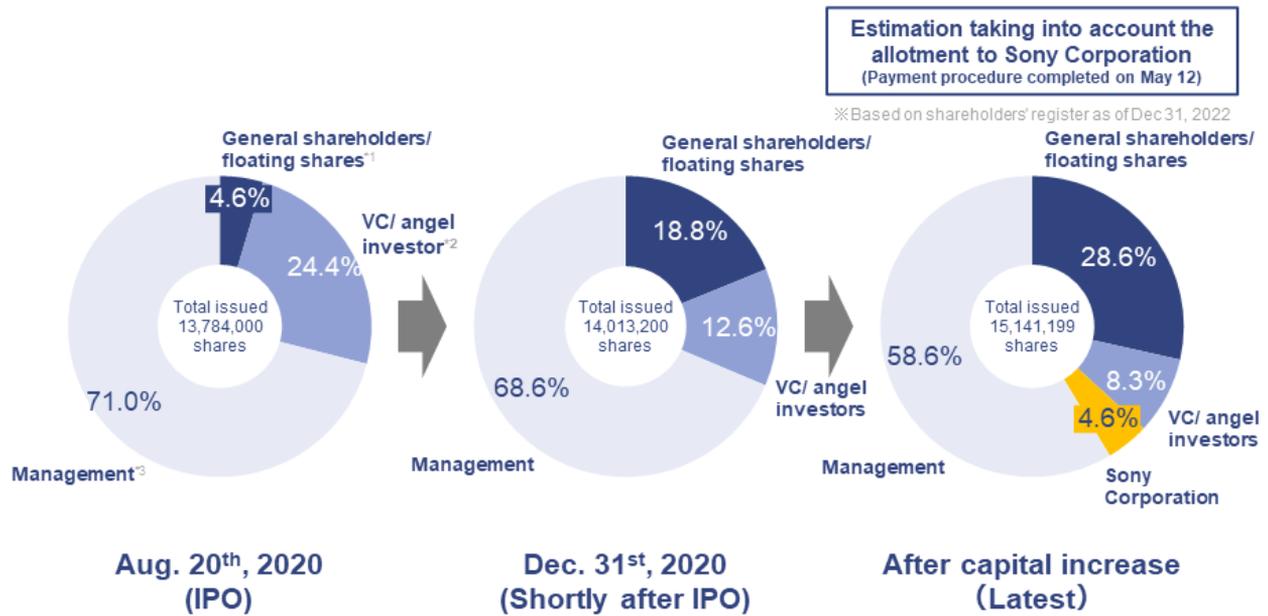
We do not have a specific presentation about this at this time, but we would like to work on this area.

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



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.

These led to this shareholder composition as announced.

This is prior to this capital increase or the end of December 2020. The shareholder composition after the listing is in the middle. The total number of shares outstanding was approximately JPY14 million, of which 18.8% were floating shares and 12.6% were pre-listing investors.

If you look at the far right-hand side, you can see the latest situation, and this is the shareholder composition after taking into account Sony Corporation's allocation on April 26. The shareholder composition of shareholders other than Sony Corporation is not exactly as of today, as it is based on the shareholder register as of the end of December last year in 2022. I would like you to understand that this is an overview of the shareholders as of the end of last year, which is the latest, plus this capital increase. On this basis, the diversification of shareholders has expanded, as you can see.

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Highlights from FY2023 Q1 ended Mar.



*1 As of Mar 31st 2023. Excludes executives (Full-time board directors, auditors, executive officers), part-time employees, subcontractors, interns. Includes full-time employees from subsidiaries, Neural Engineering Inc. and Neural Marketing Inc.

*2 As of Mar 31st 2023. Total of i) granted 17, ii) applying domestically 8, and iii) granted 1, iv) applying internationally 3.

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Next are the highlights of the Q1 financial results. As I mentioned earlier, our business growth was 17%.

With regard to profitability, our short-term emphasis on gross profit is 64%. The number of group employees is 227. As disclosed in last year's forecast for the current term, we announced that we would hire approximately 70 employees, and we have almost completed the implementation of this plan.

Since there are more costs involved, the Q1 profits may seem a little low, but in this area, recruitment is progressing as planned in the business.

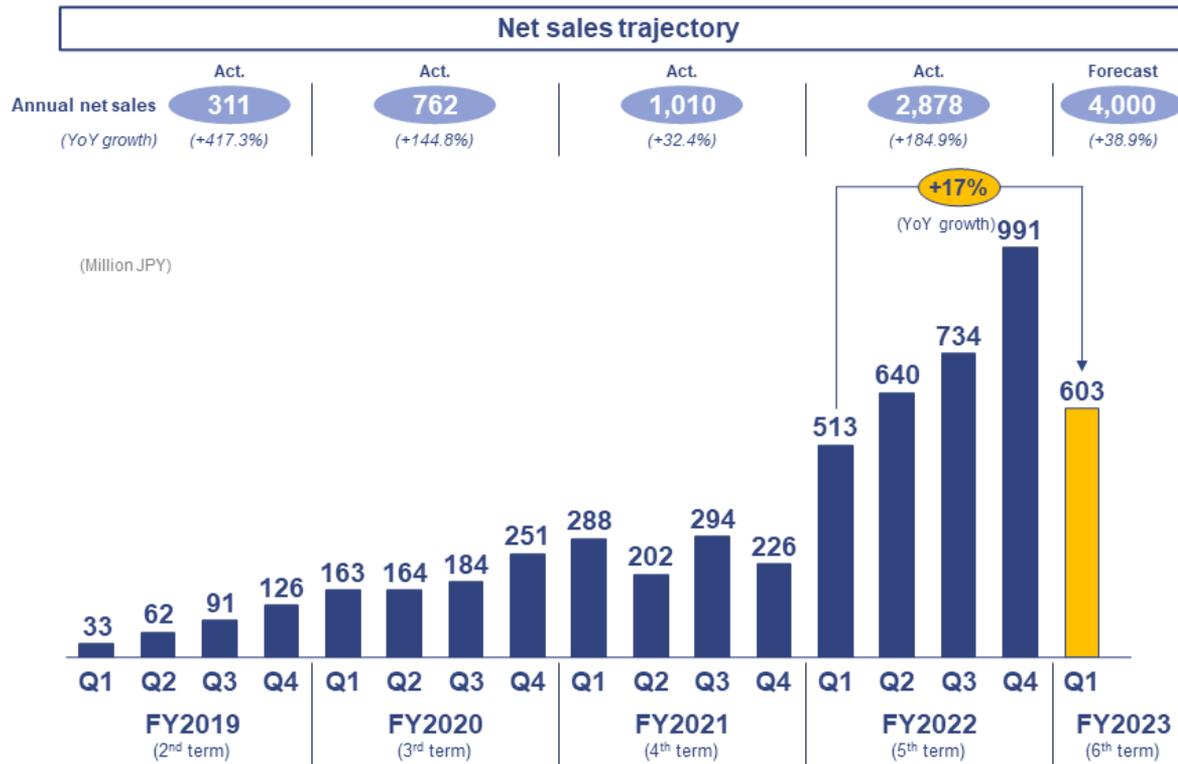
In addition to the business alliance with the CP Group mentioned earlier, we are actively promoting our business in Southeast Asia in cooperation with Japanese and local government agencies. We hope you will find the details in our IR, as we are announcing many of them every step of the way.

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Business progressing toward full-year sales of 4.0 billion yen where sales are weighted toward the second half of the year,



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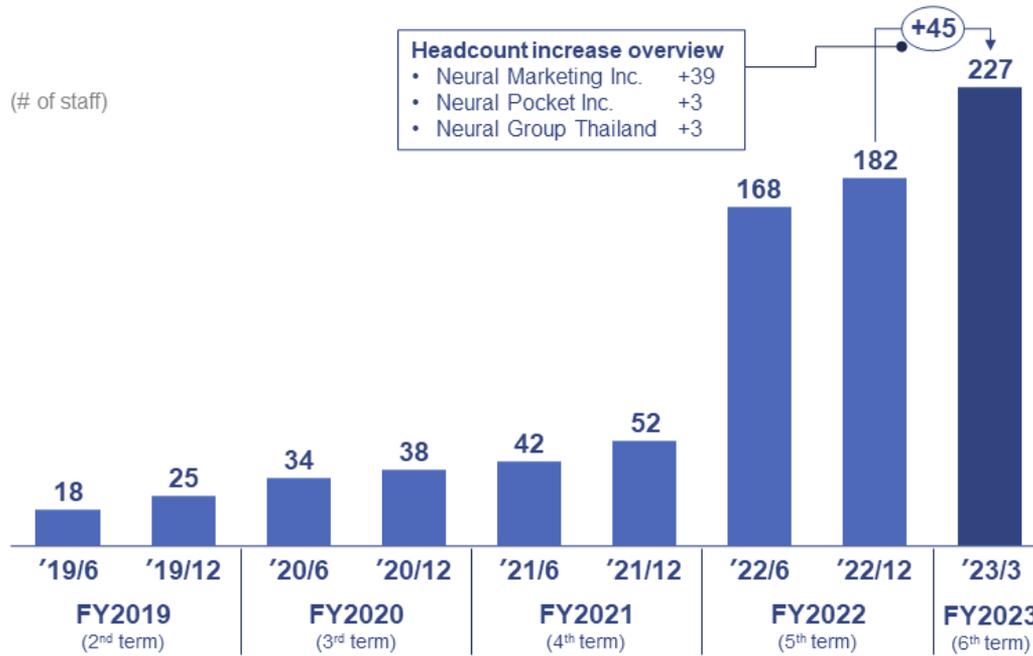
As for sales, page 11 shows the quarterly trends from between Q2 and Q4 last year. In our current business model, sales increase as the quarter progresses, and although they are still rising and falling from Q1 to Q4, we would like to make this a more stable business that rises from Q1 to Q2, Q3, and Q4 in the future.

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Trajectory of full-time employees*1: Plan to expand intensively in the first half of FY2023, with focus on the sales force of Neural Marketing. Moderate hiring expected in the second half of FY2023.



*1 As of Mar 31st, 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.

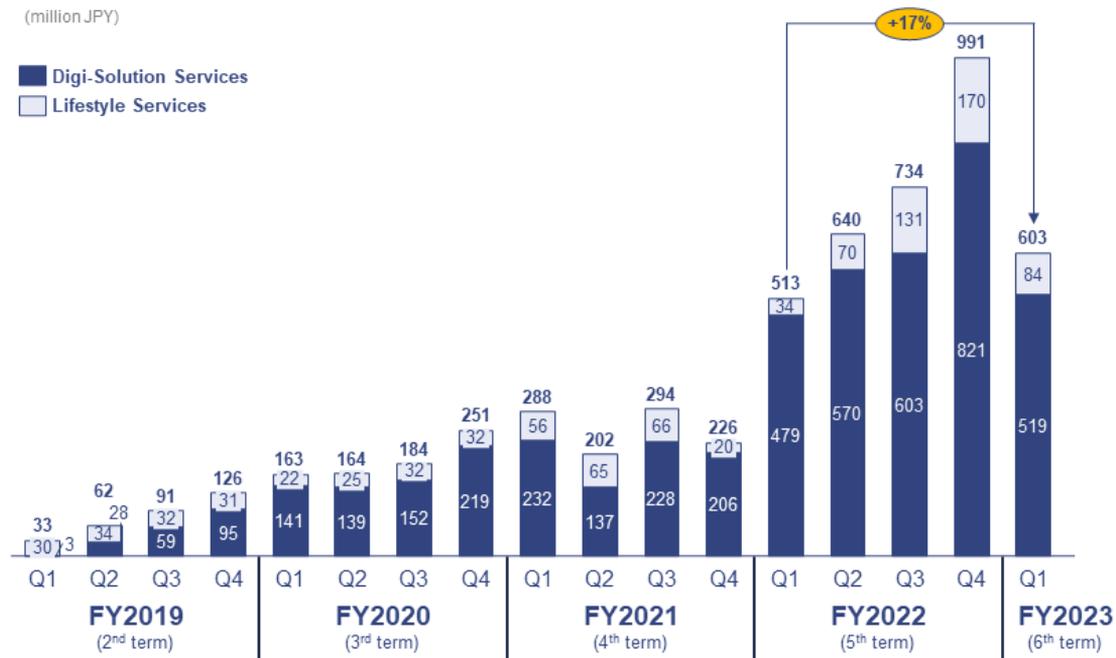
The number of employees is here.

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Net sales by service domain



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As for the business domains, we disclosed them separately as lifestyle innovation and digital solutions, as we have done in the past, but the composition ratio has not changed that much.

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FY2023 Q1 ended Mar. consolidated statement of income

(million JPY)	FY2022 Q1 ended Mar.	FY2023 Q1 ended Mar.	Increase Value	Increase Percentage
Net sales	513	603	89	+17.4%
Gross profit % of net sales	351 68.5%	387 64.3%	36	+10.2%
EBITDA % of net sales	-41 -8.1%	-188 -31.2%	-146	-
Operating profit % of net sales	-118 -23.2%	-227 -37.7%	-108	-
Net income % of net sales	-126 -24.6%	-189 -31.5%	-63	-

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EBITDA, operating income, and net income were negative in Q1, but we expect sales to pick up rapidly from Q2 onward, as they did last year.

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FY2023 Q1 ended Mar. consolidated balance sheet

Estimation after taking into account the capital increase through the allotment to Sony Corporation announced on Apr 26

(Million JPY)	FY2023 Q1	FY2023 Q1
	As of Mar 31 st	Post capital increase*1 As of Mar 31 st (pro forma)
Total current assets	1,641	2,304
Cash and cash equiv.	913	1,576
Total non-current assets	1,738	1,738
Total assets	3,380	4,042
Total liabilities	3,100	3,100
Interest bearing debt	2,712	2,712
Total net assets	279	941

*1 Based on the balance sheet as of March 31, 2023, the estimated net amount of 662,490,000 yen (669,990,000 yen paid in for the third-party allotment to Sony Corporation announced on April 26 minus 7,500,000 yen in estimated issuance costs) was added to cash and net assets to estimate pro forma balance sheet

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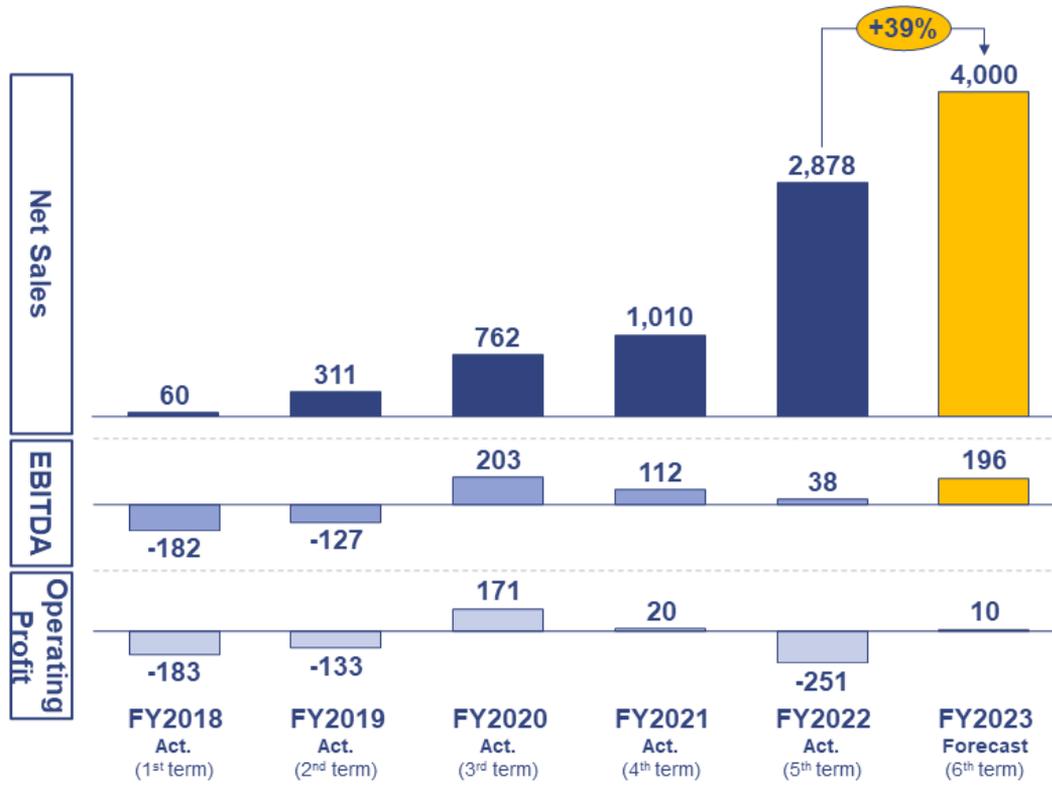
As for the balance sheet, the increase in capital this time has increased cash and deposits and strengthened net assets.

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FY2023 forecast – Planning to achieve 40% YoY organic growth, whilst profitability is planned at around breakeven



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There are no changes to the budget for this fiscal year.

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FY2023 ending Dec. business growth themes

<div style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: #e6f2ff;">  <h3>Neural Pocket Group</h3> <ul style="list-style-type: none"> • Management theme for FY2023 is “Scale and profitability” <ul style="list-style-type: none"> → Scale unit-based revenue while maintaining high gross profit margins → Achieve OP profits for the year whilst making investments to fuel future growth • Continue to actively pursue capital or business alliances with global co. in Japan and abroad </div>	<div style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: #e6f2ff;">  <h3>AI Digi-Solution</h3> <ul style="list-style-type: none"> • Horizontal expansion across both the public and private sectors and install a total of 400 cumulative units by the end of FY2023 (260 units installed as of the end of Q1) • Participate in large-scale urban/ smart city development in Thailand and Southeast Asia out of our Thailand office </div>
<div style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: #e6f2ff;">  <h3>Neural Marketing</h3> <ul style="list-style-type: none"> • Further bolster sales team by hiring over 70 sales personnel against a backdrop of over 10%^{*1} market growth (39 hires as of end of Q1) • Establish 6 new locations: Okinawa, Minami-Kyushu, Shikoku, Hokuriku, North Kanto, and Hokkaido (As of the end of Q1, new locations opened in Sapporo and Takamatsu.) • Target to install ad signages, or LED ad vision's in 50 new locations^{*2} </div>	<div style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: #e6f2ff;">  <h3>Lifestyle/ Innovation</h3> <ul style="list-style-type: none"> • Stable continuation of ongoing apparel business • Proactive in-house development of new areas that could become future pillars of our business <ul style="list-style-type: none"> → Demand forecast AI, dress-up AI → Logistics container loading optimization and satellite image analysis → Gaming using AI technology, etc </div>

*1 Growth rate of the domestic digital signage sales and advertising sales market. Based on "Digital Signage Market Research 2021" published by Fuji Chimera Research Institute, Inc. in February 2021.
*2 Since expenses for such signages have already been recognized in FY12/2022 prior to installation, costs associated with additional installation are limited.

Finally, I would like to report a little on the progress of each of our businesses. Our consolidated group still focuses on scale and profitability this fiscal year. We believe that if we work on it, we will have a good year.

More specifically, we will achieve both a profit for the full year and an increase in capital for the future, mainly personnel.

As I have mentioned before, we will actively promote capital and business alliances with global companies in Japan and overseas.

We are pleased to announce our first collaboration with Sony Corporation, but we will continue to receive support from top companies in Japan and overseas, and our strategy of globalization in cooperation with such companies will not change, so we will continue to be proactive about it.

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Digi-Solutions unit installation (cumulative)



*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.

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As for AI digital solutions, the number of units is steadily increasing. The same is true in Neural Marketing.

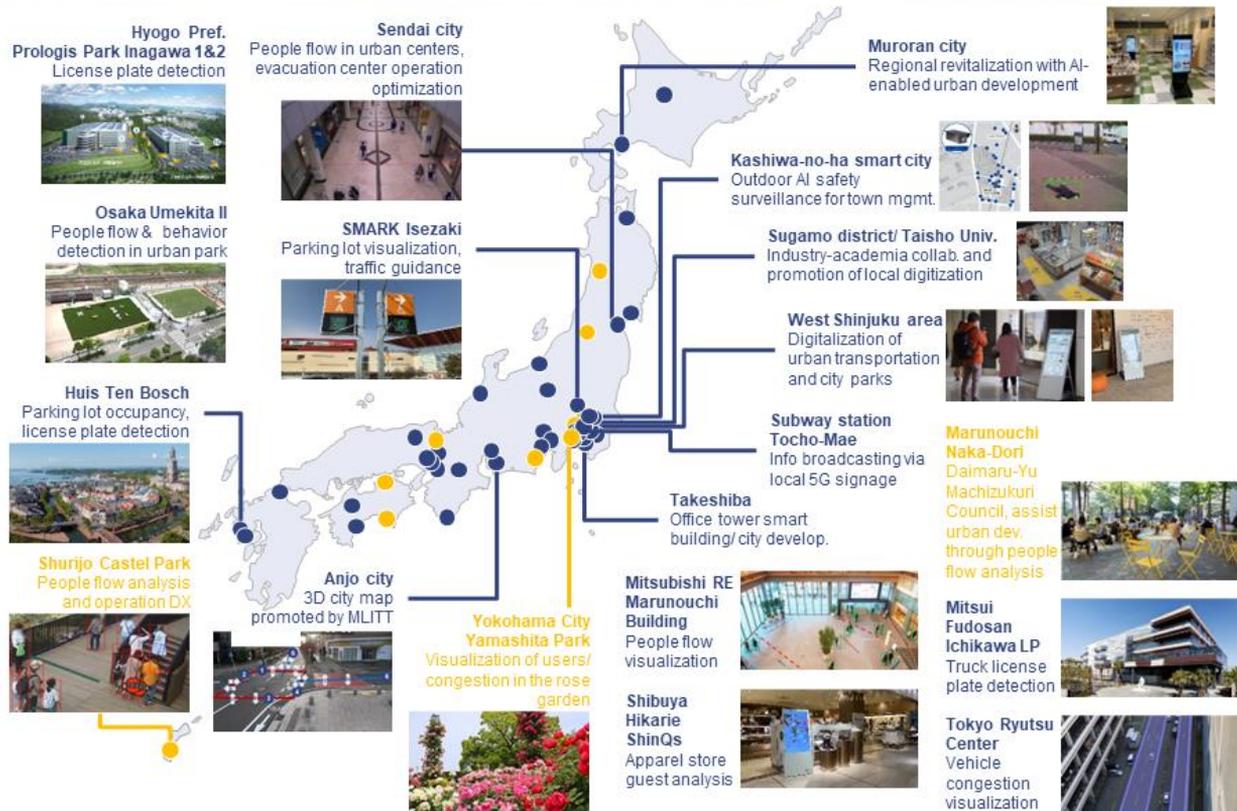
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Digi-Solution services introduced across Japan

● Key locations recently installed



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As for Digi-solutions, as shown on page 21, the number of installations continues to grow throughout the country. Although Shurijo Castle has been announced this time, AI services are now in actual operation in a wide range of areas throughout Japan, from Okinawa to Hokkaido.

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DigiFlow recent case studies

Okinawa Shurijo Castle Park (Apr. '24)

Support for DX facility management and operations

In collaboration with the Okinawa Memorial Park Office, Okinawa General Bureau, Cabinet Office, Okinawa Prefecture, and the Okinawa Churashima Foundation, we analyzed human flow in an urban park.



Marunouchi Nakadoori, Tokyo (Apr. '24)

Urban development through visualization of human flow

Supporting "safe and secure community dev. using digital tech" through introduction of AI cameras in collab. with Otemachi/Marunouchi/Animachi District Machizukuri Council



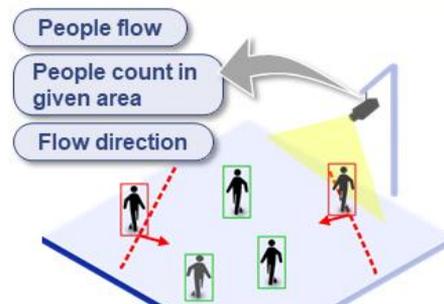
Yokohama City, Yamashita Park (Mar. '23)

Visualization of congestion and listing on public web pages

Improvement of facility operation and visitor satisfaction by monitoring the number of visitors to the Garden Necklace Yokohama hosted by the City of Yokohama and disseminating information on congestion.



People flow analysis by DigiFlow



This time, we are particularly focusing on Shurijo Castle in Okinawa, Yamashita Park in Yokohama, and a central street called Naka-dori in Marunouchi, Tokyo.

In particular, as you all know, Shurijo Castle in Okinawa has been in need of reconstruction due to the recent accident and other such factors. They are actively working on the restoration, during which tourists and citizens can visit it.

In this context, the prefecture will present the status of its recovery to visitors in an easy-to-understand manner. We are aiming for visitors to get involved in the recovery process together, to see and feel the recovery, and in that context, we are exploring the kinds of exhibitions we should make to really encourage visitors to visit the exhibition.

We are also regularly using AI cameras to analyze the situation and improve guidance in areas where guidance is inadequate. We are planning to realize a new form of reconstruction that integrates AI in the future.

The upper right is about Marunouchi Naka-dori Avenue. This is a green space in the middle of Marunouchi, Tokyo, on Naka-dori Avenue, a place for relaxation in the middle of the city. There are numerous spots on the street where people can sit at these tables to rest, talk, and enjoy the space.

The Town Planning Council has been working on ways to change the town planning process and has devised a way to display such exhibits, but now they have started activities to make the town planning process easier to understand by using AI cameras to see how this place is being used.

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The bottom left is a different project, and they promote the rose garden in Yamashita Park in Yokohama City. Enjoying these flowers is one of the pleasures of the after-pandemic, but with flowers and nature, the time of year when people want to visit and the time of year when they are in bloom must be well coordinated. Flowers do not bloom for people's convenience.

So, our aim this time is to maximize encounters with flowers in the venue, even though it is naturally crowded at such a good time of the year.

The venue is large, and there are many different kinds of flowers, but by using a smartphone to see in real-time which areas are more crowded and which areas are more open and easier to see flowers, visitors can encounter and enjoy new flowers in a limited amount of time. This is being carried out using AI technology.



Variety of projects in action across private/ public/ academia in Thailand

Partnership with w/ CP Group - Egg Digital Inc.



- Partnership with Egg Digital, the digital marketing arm of CP Group, one of Thailand's largest conglomerates
- Update physical spaces with AI technology within and beyond CP Group

Agreement w/ KOSEN-KMITL, Thailand's National College of Tech.



- Support for training AI engineers at KOSEN-KMITL, the first company to introduce a Japanese-style technical college education system in Thailand
- HR support based on the Thai government's industrial upgrading policy, Thailand 4.0

Adopted for JICA*1 project



- Case study of smart city implementation using AI edge cameras in Thailand & other SE Asian countries
- Enhance infrastructure and transportation with endorsement from JICA

*1 Japan International Cooperation Agency: A governmental agency that namely delivers ODA (Official Development Assistance) for the government of Japan and is chartered with assisting economic and social growth in developing countries, and the promotion of international cooperation.

Finally, I would like to touch on some of the recent initiatives in Thailand.

One of them involves the CP Group, Egg Digital, Inc., and our Thai subsidiary, Neural Group (Thailand) Co., Ltd. The announcement was made as a first step in the collaboration between the Thai CP Group and TRUE, a telephone company area, and the Neural Group in Japan or in the Asian region. We will expand our efforts in Asia through this kind of collaboration.

Second, we recently announced an agreement with a technical college in Thailand. The Japanese government is supporting Japanese-style technical colleges in Thailand. The Thai government has also identified digitalization as a priority area in its national policy of Thailand 4.0.

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Japan has developed such AI technologies by various engineers, and we have also been developing edge AI and other areas centering on video, and we will continue to share such know-how with new students.

By utilizing this in education, we will go beyond the exchange between Japan and Thailand to develop human resources in the academic field and, by extension, create an ecosystem in which these human resources can intern at our company, play an active role, and then teach the next generation of students at the college of technology.

As part of our role as a venture company, we will, of course, expand our business through cooperation with the CP Group, as shown on the left. In addition to this, we would like to contribute to society and train the next generation of human resources beyond the framework of our business.

Lastly, as for the JICA project on the right, the Japanese government and JICA are naturally supporting the promotion of the use of new technologies and the development of smart cities in Southeast Asia. As our company is involved in this framework, we would like to do our best to contribute to such inter-governmental and related organizations' activities.

In this context, of course, it is important to use AI in consideration of personal information, as written in the middle of the right-hand side of this page, in order to contribute to the country and to the industry. In Thailand, the momentum for such a service has been very high, and the law has been developed since last year. We would like to introduce more and more AI cameras, a service that takes such personal information into consideration and is safe for Thai people's personal information. We would like to contribute to both Thailand and Japan by doing so.

This is about Q1, so this is all I have to say. As I mentioned at the beginning, this is our sixth year, and I feel that the momentum in the AI industry is growing, so we are determined to fulfill our responsibility and do our best for another year.

That's all from me.

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Question & Answer

Toyoda [M]: We will now move on to the Q&A session, and the questions will be answered by Mr. Shigematsu, CEO, and Mr. Tane, Director and CFO. Each person may ask up to two questions.

Now, Mr. Kobayashi of Mizuho Securities, please speak.

Kobayashi [Q]: Thank you for the opportunity to ask questions. I am Kobayashi of Mizuho Securities. Thank you very much for your presentation.

I would like to ask two questions, and as I missed the first part, I am very sorry if you have covered it already, but I would like to ask you about your relationship with Sony Corporation in my first question. I think that within the Sony Group, this would fall under the ET&S segment, which includes, for example, the business related to human attitude detection and signage. What is the background behind the selection of the ET&S segment?

Sony has Sony AI, and there is also I&SS, which is engaged in edge AI. We would also like to know if there is any possibility of collaboration with Sony AI or I&SS in the future. I would like to ask you to follow up on the background and aims of your discussions with Sony Corporation, which has an ET&S segment, and also to ask about the possibility of future collaboration with Sony AI or I&SS. That is my first question. I would appreciate it if you could answer one question at a time. Sorry, I messed up a bit.

Shigematsu [A]: We have some understanding of the strategies of Sony Corporation and the Sony Group, but I would like you to understand that we are not in a position to explain them from our standpoint.

However, in this case, the investment was made by a joint stock company, not by a venture capital firm, and I understand that there will be a wide range of business collaborations in the future. From our standpoint, it is difficult for us to talk about the strategies of such partners, but we understand that this is a very positive collaboration.

Kobayashi [Q]: Thank you. Secondly, regarding the Q1 sales progress and the future quarterly sales, the Q1 sales are JPY600 million, but would it be correct to say that sales will increase in each quarter, as in previous years, toward Q3, Q4, and H2?

In addition, I would like to ask again if there is any particular area of business that you would like to show us this fiscal year.

Shigematsu [A]: Last year, we shifted from a fee-based to a unit-based service and have basically been following a policy of not doing contracted development on a fee basis. We have already disclosed the unit's installation results recently, but basically, such teams provide services to introduce AI solutions to various places, such as parks, as I showed in the previous example.

Due to the nature of such a business, we are not overly conscious these days of what happens to sales inspections during a quarter in terms of the Company's operations. Last year we had a bit of a restless sales run-up, and I think it will be like that again this year.

We have received feedback that this kind of restlessness is not good for the capital market, so we will further deepen our business model to make it more recurring in the future. I think that this fiscal year's business development will be similar to last year's.

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To answer your second question, where we would like you to focus our attention this year, we do not anticipate any particular business growth this year that will probably jump significantly beyond what was budgeted or that will exceed the budget by 50% or double it.

Rather, what is important is the content. Even within the same sales, I feel that the important theme for this year is to integrate the seemingly disparate areas of Digi-Solutions and Focus Channel, Digi-Solutions and Digi-Look, edge AI technologies such as LED vision, AI signage and ad delivery systems, ad business, and so on.

Last year, we had two M&A transactions in particular, and the integration of these transactions is progressing well. In this context, we are actively hiring this term, and we will continue to hire more and more people and expand our business.

We believe that it is important this year to deepen our business from a disparate business to one that integrates and offers more easily understood value to our customers, and we will proactively disclose information on synergies in H2 as they become more easily understood. I am looking forward to disclosing the details in H2.

Kobayashi [M]: Thank you very much. This was very helpful. That's all from me.

Toyoda [M]: Thank you very much. Does anyone have any further questions? Since there seem to be no other questions, we will conclude the question-and-answer session.

Thank you very much for joining the financial results briefing for the Q1 of the fiscal year ending December 2023 of Neural Pocket. I would like to close the meeting now.

[END]

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