



Financial Results

FY2020 Q3

Neural Pocket Inc.
November 13, 2020

Introduction

- We appreciate our shareholders, business partners, and community members for their continued support of Neural Pocket.
- Thanks to your support, Neural Pocket was listed on the Tokyo Stock Exchange Mothers this year, in its third year of operation. We believe that listing on the stock market will contribute to diversification of our funding sources and improve our credibility, which will both support our future growth and development.
- We wish this document helps all stakeholders deepen their understanding of our business and financial results through the disclosure of the following three items herein
 - (1) Social issues and our value proposition**
 - (2) Financial highlights for FY2020 Q3**
 - (3) Future business growth strategy**
- We will continue to work together with stakeholders both within Japan and abroad to achieve sustainable and outstanding growth and to enhance enterprise and shareholder value. We kindly ask for your continued support and encouragement.

Contents

- **Our value proposition**
- Financial highlights
- Future growth strategy

We enjoy extraordinarily convenient online experiences today

Instant access to rich information



Transparent availability information



**Convenient
online
experience**

Sharing services and internet media



Work-from-home culture



As the value of real world experiences are being revaluated, there are still unmet needs in physical spaces

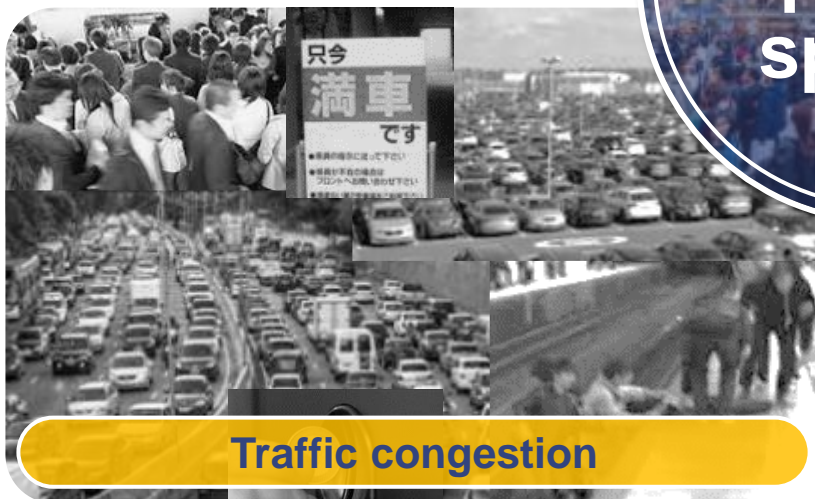
Gathering unorganized information



Waiting time and manual searching



Challenges in physical spaces



Traffic congestion



Security and health risks

Neural Pocket provides digital services for physical spaces to enhance our real world experiences through introducing intelligent AI cameras

“AI Smart City Revolution”



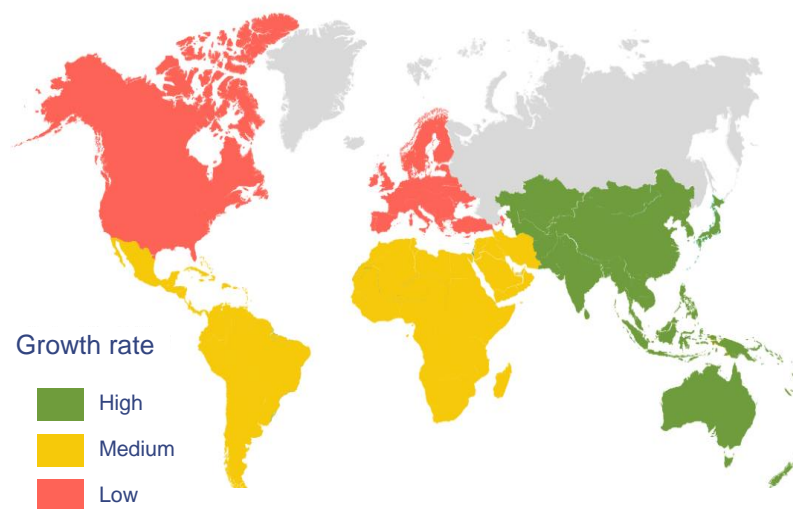
A new major market is being created in the field of smart cities

Global Smart City market size is approx. 100-200 trillion yen

Asia is the source of growth for smart cities

Research Company / Report Name	Global Market Size*1
Allied Market Research Smart Cities Market by Functional Area : Global Opportunity Analysis and Industry Forecast, 2018 – 2025	In 2025 2.4T USD
Mordor Intelligence Smart Cities Market - Growth, Trends, and Forecast (2020 - 2025)	In 2025 1.7T USD
IMARC Smart Cities Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2020-2025	In 2025 1.0T USD
Markets And Markets Smart Cities Market by Smart Transportation, Smart Buildings, Smart Utilities, Smart Citizen Services - Global Forecast to 2023	In 2023 0.7T USD

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



Source: Mordor Intelligence

Neural Pocket has developed services that enable smart cities

People Flow, Crime Prevention



Parking and Mobility



3D City Maps



Signage Advertisements



WFH Security



Fashion Analysis



People flow and crime prevention services are essential for smart cities

Face recognition for security and lost child detection

The diagram illustrates a face recognition system. On the left, a person's face is overlaid with a green wireframe mesh. Below this, a 'NEURAL POCKET Face-Track card' shows a photo of the same person. A central monitor displays '人物データ登録' (Person Data Registration) and '人物データ登録' (Person Data Registration) buttons. To the right, a smartphone is shown with a photo of a child, labeled 'スマートフォンの写真から迷い子さがし' (Search for lost child from smartphone photo). A red arrow points from the smartphone to the monitor, and another red arrow points from the monitor to a red box labeled '人物検知' (Person Detection), which is connected to a red smartphone icon labeled 'AI通報' (AI Reporting).

Measurement of people flow in outdoor public spaces

The diagram shows a street scene with red rectangular markers indicating pedestrian flow. Below the scene is a bar chart titled 'Average number of pedestrians per hour'. The x-axis represents hours from 0 to 23, and the y-axis represents the number of pedestrians from 0 to 4000. A red dashed horizontal line is drawn at approximately 2000 pedestrians per hour. The chart shows a peak in pedestrian flow around 17:00.

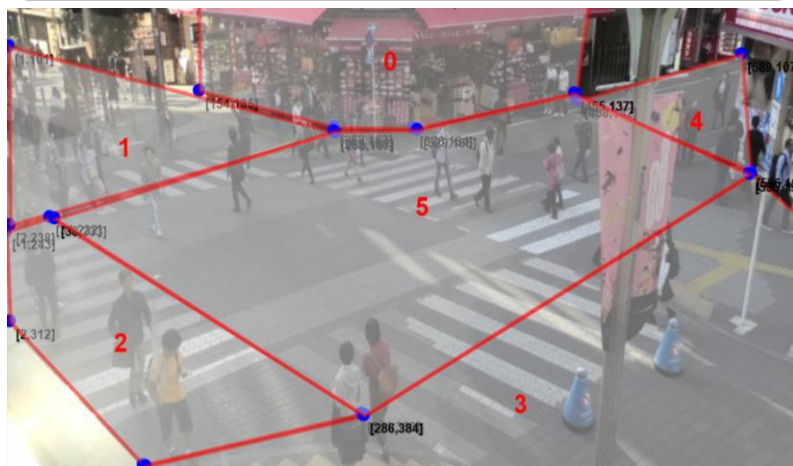
Hour	Average number of pedestrians per hour
0	1000
1	500
2	200
3	100
4	100
5	200
6	500
7	1500
8	2500
9	3000
10	3200
11	3100
12	3000
13	2800
14	2500
15	2200
16	3800
17	4000
18	3500
19	2500
20	1800
21	1200
22	800
23	1000

Identification of people flow with temperature detection



People flow detection is the most basic technology in urban smart cities and is used across all services

Monocular camera for people flow and depth detection (patented)



Human flow and density detection in large facilities

A dashboard for human flow and density detection in large facilities. The dashboard is divided into four main sections: 'カメラ1' (Camera 1), 'カメラ2' (Camera 2), 'カメラ3' (Camera 3), and '人流計画グラフ' (Human Flow Planning Graph). The 'カメラ1', 'カメラ2', and 'カメラ3' sections show live video feeds of people moving through a facility. The '人流計画グラフ' section shows a bar chart of human flow over time, with the x-axis representing time from 15 to 0 and the y-axis representing flow from 0 to 20. The chart shows a peak in flow around 17:00. The top right corner of the dashboard displays 'ソーシャルディスタンス検知' (Social Distancing Detection), 'Home', 'ICS', 'Config', and '3132-6888'.

Parking and mobility services are universal across countries

Real-time occupancy detection using AI cameras



Commercial parking SMART Isesaki operated by Tokyo Tatemono (left: daytime, right: nighttime)



Logistics facilities managed by Prologs

Parking management system screen

Smart Parking | Parking status | Area Setting | Facility Registration | User A

NP Parking | LIVE | 18:23 Apr 23rd, 2020

Parking area information

Area analysis summary

Area selection	Site A	Site B	Site C	Site D	Site E	Site F
Availability per area	~100%	~70%	~50%	~30%	~30%	~30%
Availability	Full	Congested	Available	Open	Open	Open
Total spaces	24	120	130	80	110	70

Entry/ Exit analysis summary

Area selection	Site A	Site B	Site C	Site D	Site E	Site F
Queue length	23	17	10	3	1	2

Select period
Date: Apr 23rd, 2020

Exit/ Entry report
Parking status per site

Area: Site A, Site B, Site C, Site D, Site E, Site F

Entry/ Exit queue status (average queue length)

2020/4/23

Proprietary parking management system software

Automatic generation of license plate learning data through computer graphics

Camera angle | Long distance | Motion blur

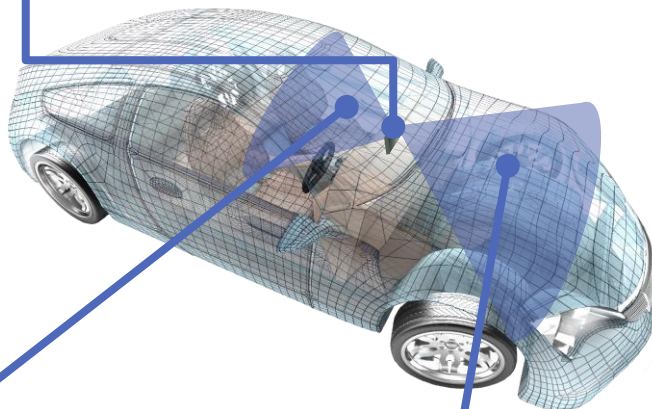
Dirt | Mud spatter | Block noise

Vehicle shadow | Color fade | Combination of all

3D city mapping services accelerate mobility services



Collects anonymized data from 100,000+ users on a daily basis, to then be provided to customers

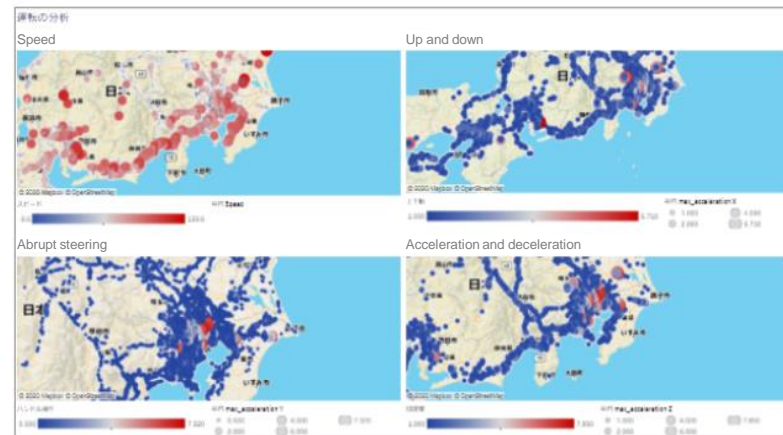
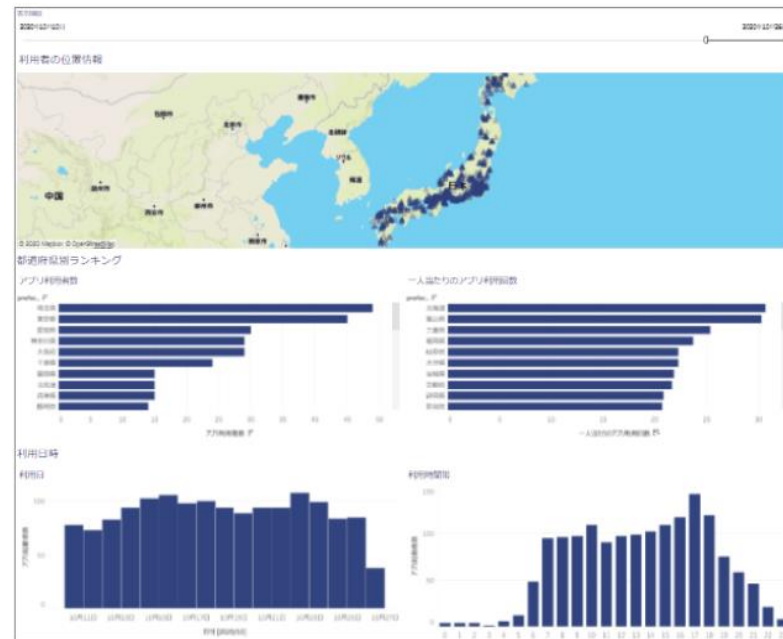


Sensors built into smartphone

- GPS (Latitude and longitude)
- Speed
- Acceleration:
 - X-axis: Depressions and holes in the road
 - Y-axis: Sudden steering
 - Z-axis: Sudden acceleration and braking
- Altitude
- Slopes

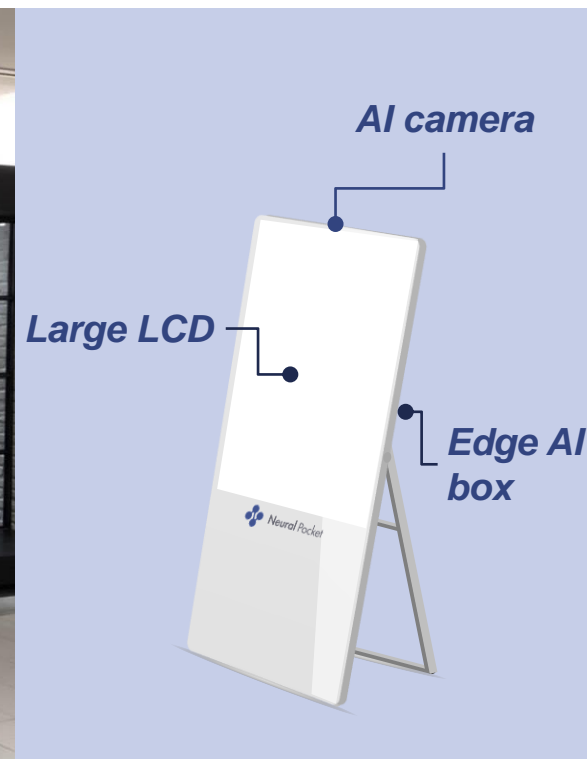
AI analysis through external camera info ¹⁾

- **Information on surrounding objects :** Cars/trucks/buses (license plates, colors, distances, size), bicycles, motorcycles, traffic lights, signs, pedestrians, railroad crossings, parking lots, parking prices, gasoline prices
- **Road information:** Missing traffic lines, road widths, and other falling objects
- **Weather information:** Wiper behavior and raindrops



1: Includes functions which are not yet implemented

Our AI signage connects real advertisements to the Internet



Original advertising and content management system (CMS)



Guest traffic analysis conducted within signage



Edge computing enables automatic data collection w/o obtaining personal information

RemoDesk ensures safety and security for WFH operations

Utilize built-in PC camera

Built-in camera



Utilize external camera

External camera



Remote monitoring to ensure WFH governance

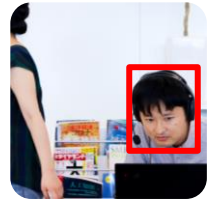


Examples of detection items

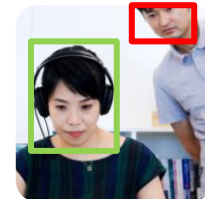
Absence



Spoofing



Peeking



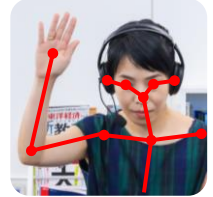
Smart phone usage



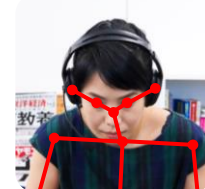
Eating



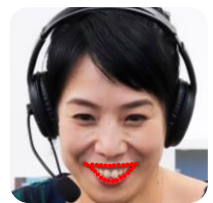
Raising hand



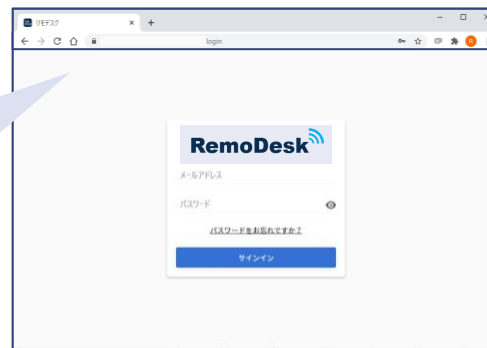
Concentrated, engaged



Smile vs fatigue

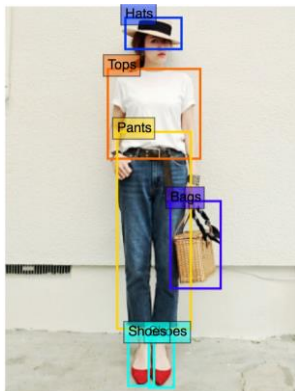


- By simply **logging into the link** from a web browser, the user's **PC's camera access is obtained**, and the AI detection is operated at the **edge within the PC** utilizing the user's PC CPU, **maintaining user privacy**.
- No footage shared outside of PC



Fashion analysis enables product planning, EC marketing, and O2O*

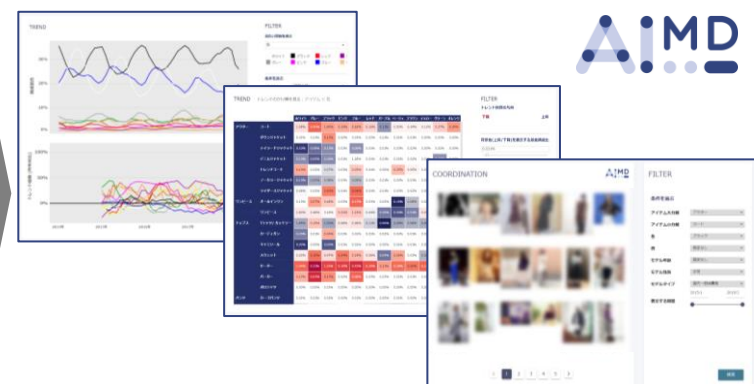
Item detection from social media



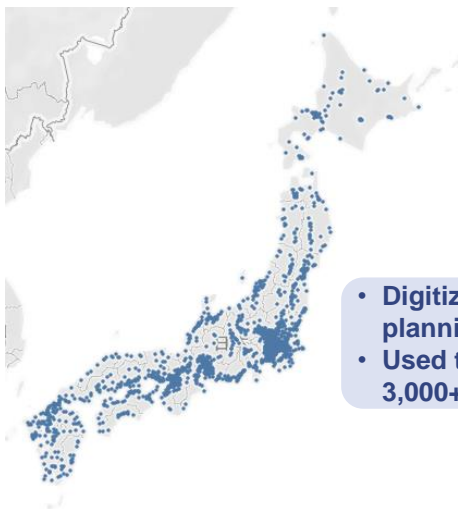
Automatic classification of detected items

モデルプロフィール	アイテム分類	色彩分類
コレクションから一般消費者までのカテゴリ分類	トップス シャツ フラワス 和風シャツ セーター パーカー Tシャツ/カットソー スウェット カーディガン タンクトップ キャミソール アウター テラードジャケット ノーカラージャケット デニムジャケット ライダースジャケット ブルゾン タウガン コート レンタコート ボトムス デニムパンツ カーゴパンツ ムギパン スラックス ワンピース/スカート スカート ワンピース オールインワン	ホワイト ブラック グレー ブラウン ベージュ グリーン ブルー パープル アイボリー ピンク レッド オレンジ
10代 20代 30代 40代以上 年齢区分		模様分類 無地 ボーダー ドット ストライプ チェック 花柄

Trends over seasons and years



Contributions across the country



- Digitizing apparel product planning
- Used to plan products for 3,000+ stores nationwide

Winner of Deep Learning Business Award



Awarded for contribution to the reduction of incinerated clothing waste and improvement of gross profit margins at apparel co. (contribution to ESG)

AI MD engine also used to analyze consumer personas (business vs casual) in public spaces

* An abbreviation for Online to Offline, a marketing strategy that links online and offline to promote purchasing activities.

Sales strategy 1: Installation to independent sites

Neural Pocket Installation Examples



(Previously released)



Universe of Neural Pocket AI service installation sites (# of locations within Japan*1)

Parking Lots
5.2 M
(locations)

Retail Stores
1.0 M
(stores)

Commercial Buildings
200 K
(buildings)

Call Centers
900 K
(seats)

Sat Navs
6.1 M
(units)

Vending Machines
4.1 K
(units)

⋮

⋮

⋮

*1 Source of each: Number of parking spaces: Surveyed by the Japan Parking Association, National Parking Status Survey 2019; Number of car navigation systems: surveyed by the Japan Electronics and Information Technology Industries Association; Number of retail stores: from the Ministry of Economy, Trade and Industry's commercial statistics; Number of buildings: Ministry of Land, Infrastructure, Transport and Tourism's Stock Building Statistics, Non-residential buildings: Estimated average gross floor area per building (10,000 m2); Number of call centers: surveyed by the Call Center Human Resources Evaluation System Promotion Consortium; Vending machines: surveyed by the Japan Vending System Manufacturers Association.

Sales strategy 2: Installation to urban development and governments

Domestic

Promoting regional revitalization through urban development using AI in the field of tourism and urban policy

Regional development and regional revitalization through an ICT smart city project

Smart building/ smart city development for downtown office tower

Visualization of people flow, persona, and behavior detection outdoors operated by a local municipality

Urban redevelopment through transportation visualization

Building a smart-compact city

Eliminating over-tourism by visualizing congestion

Visualizing congestion at a large event hall managed by the municipality

Overseas

Greenfield large scale smart city development

Large scale urban development

Urban redevelopment

Affiliations

(Examples of smart city related organizations)

Smart city activities at more than 10 locations

*Note: Areas circled in red are project sites where the Neural Pocket is engaged in activities.

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FY2020 Q3 Key Highlight Summary

Growth Sustainability

Revenue and Profit Growth

over the last seven quarters

Revenue Growth

+104%
YoY Growth

FY2019 Q3 vs FY2020 Q3

Profitability

24%
OP margin

Patents

7 approved
10 (+3) submitted

(): increase vs FY2020 Q2

Free Float Weight

Free Float Weight
15.2%+^{*1}

Employees

35 employees^{*2}
(+10)

(): vs Dec 2019

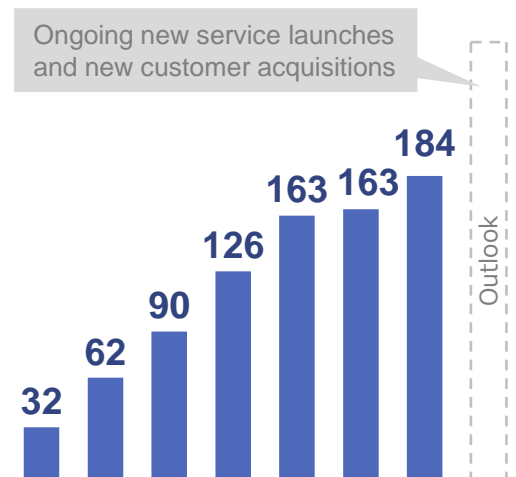
^{*1} The sum of the shares offered or sold through IPO and shares recently sold by major shareholders. 497,200 shares offered through public offering, 215,800 shares sold through public offering (including over-allotment), and 1,488,600 shares sold by major shareholders, as recognized by the company's own research, as a percentage of the 13,971,200 shares outstanding as of October 31.

^{*2} As of September 30.

FY2020 Q3 Financial Performance

Net Sales

(millions of yen)



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

FY2019

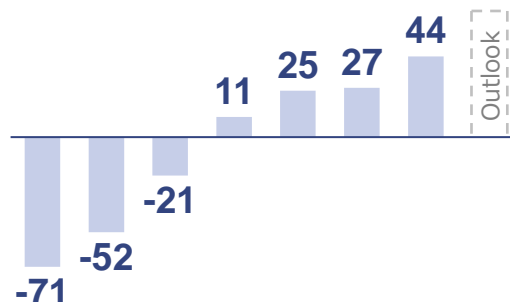
(ended Dec 2019)

FY2020

(ending Dec 2020)

Operating Profit

(millions of yen)



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

FY2019

(ended Dec 2019)

FY2020

(ending Dec 2020)

Operating Profit Margin

(percentage)



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

FY2019

(ended Dec 2019)

FY2020

(ending Dec 2020)

Business progressing in accordance to the annual plan

FY2020 Q3 Statement of Income

(millions of yen)	FY2019	FY2020		FY2019	FY2020	
	Q3 results	Q3 results	YoY	Q1-Q3 results	Q1-Q3 results	YoY
Net sales	90	184	+103.9%	185	511	+176.5%
Gross profit	57	162	+181.1%	118	466	+293.0%
GP margin	63.8%	87.9%	+24.2pt	64.2%	91.2%	+27.1pt
Operating profit	-21	44	-	-144	96	-
OP margin	-	24.0%	-	-	18.9%	-
Ordinary profit	-22	30	-	-150	75	-
Net profit	-22	30	-	-151	75	-
NP margin	-	16.4%	-	-	14.7%	-

FY2020 Q3 Financial Results Forecast

(millions of yen)	FY2019	FY2020	
	Full-year results	Full-year forecasts	YoY
Net sales	311	776	+149.4%
Operating profit	-133	165	-
OP margin	-	21.3%	-
Ordinary profit	-139	139	-
Net profit	-139	115	-
NP margin	-	14.9%	-

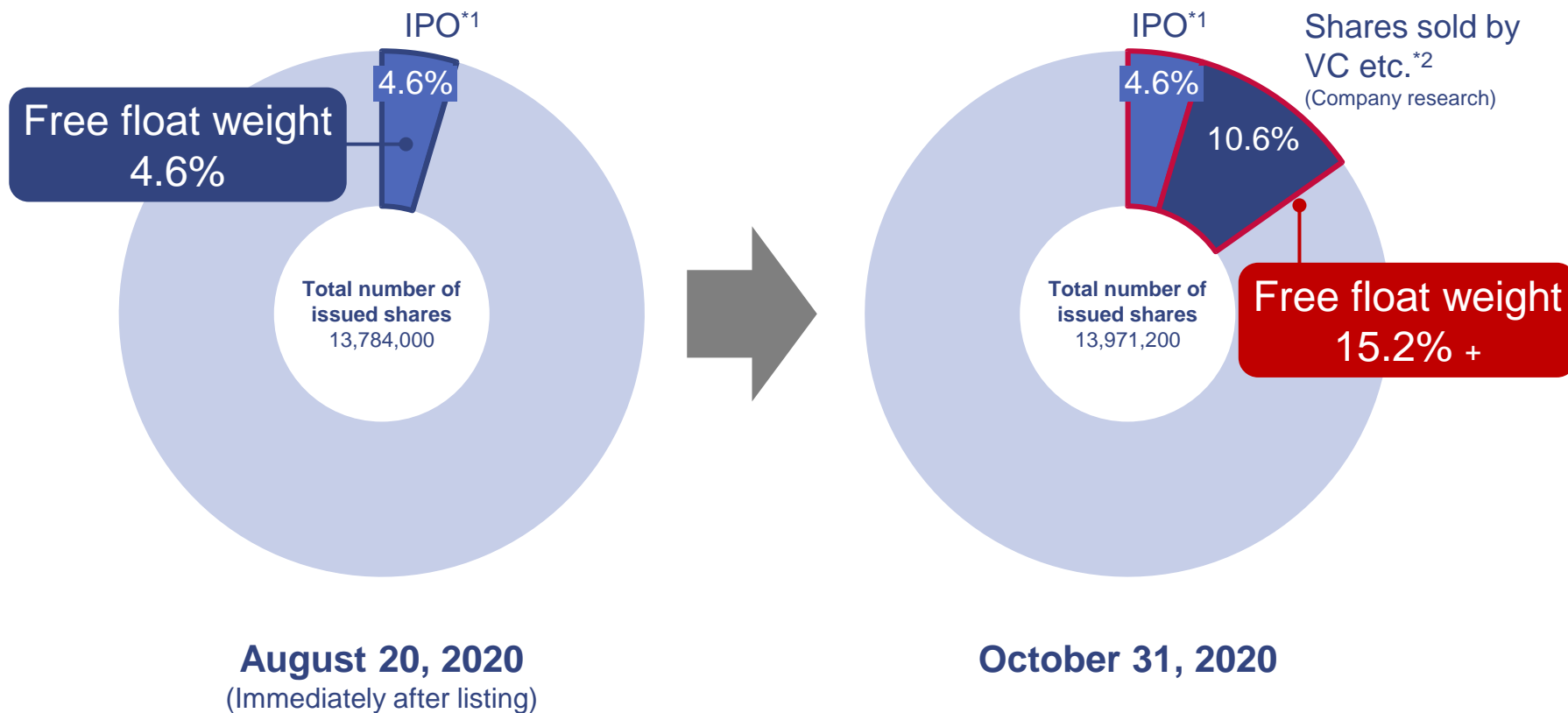
FY2020 Q3 Balance Sheet

(millions of yen)	FY2019	FY2020	
	As of Dec 31	As of Sep 30	vs 2019 Dec 31
Total current assets	919	1,528	+608
Cash and deposits	825	1,371	+545
Total non-current assets	137	205	+68
Total assets	1,056	1,734	+677
Total liabilities	431	617	+185
Interest bearing debt*	378	565	+187
Total net assets	625	1,117	+491

- IPO +411 million yen
- Interest bearing debt +187 million yen
- etc.

*Interest-bearing debt is the sum of short-term debt, current portion of long-term debt and long-term debt.

Latest Free Float Weight



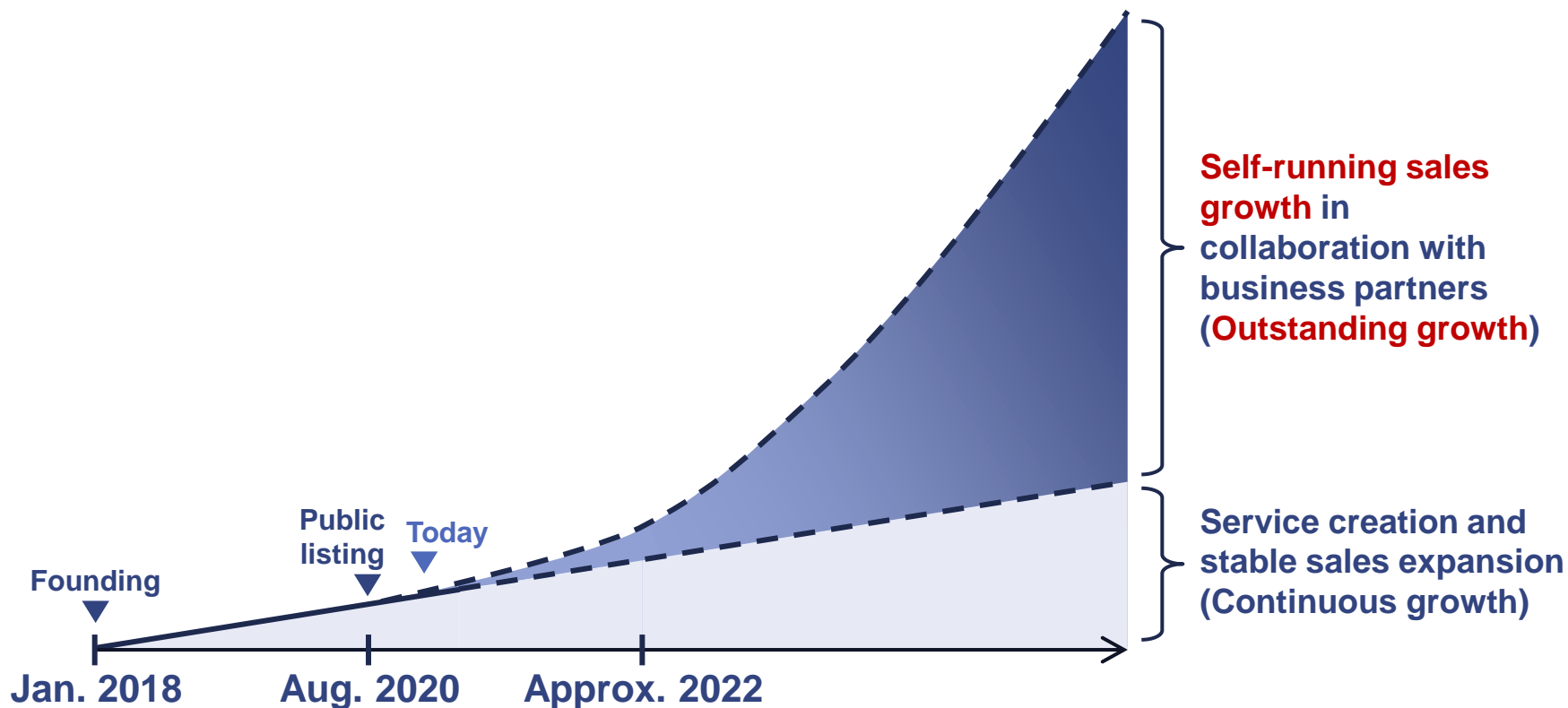
*1 Total 415,000 shares offered and 215,800 shares sold (including over-allotment) as a percentage of the 13,784,000 shares outstanding as of August 20.

*2 Company has confirmed 1,488,600 shares sold by major shareholders as of Oct 31.

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- **Future growth strategy**

Future growth strategy



Business Creation

- Build corporate platform
- Identify value proposition
- Develop services

Deepening of Business Model

- Commercialize services
- Extend business partnerships
- Define business segments and KPIs

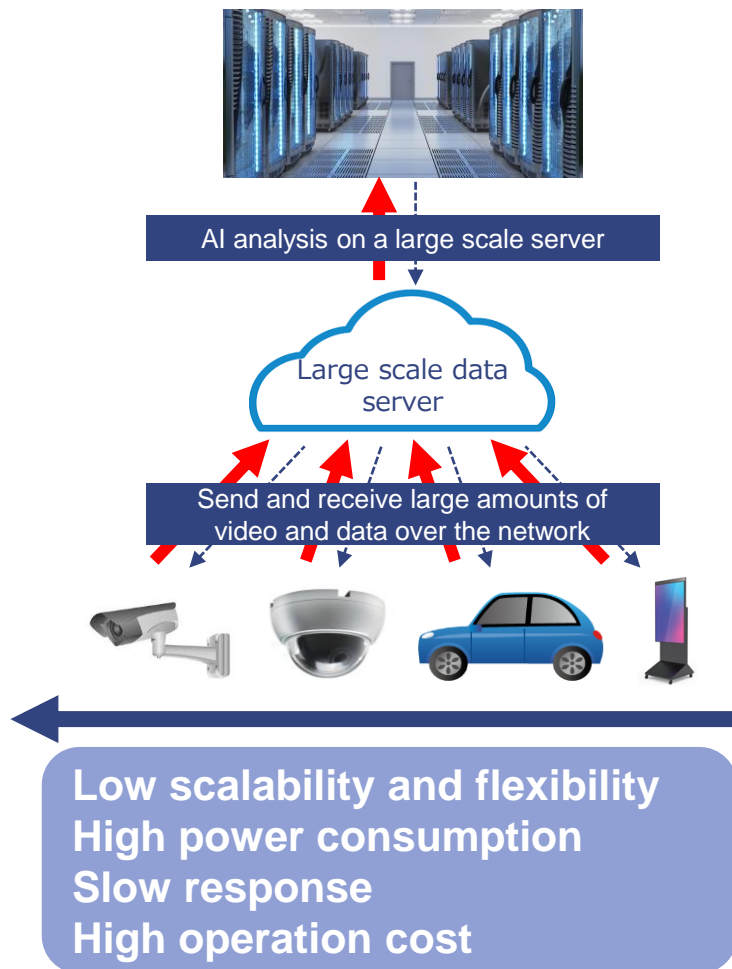
Business Expansion with Scale

- Announce mid-long term management plan
- Disclose business segments and start monitoring KPIs

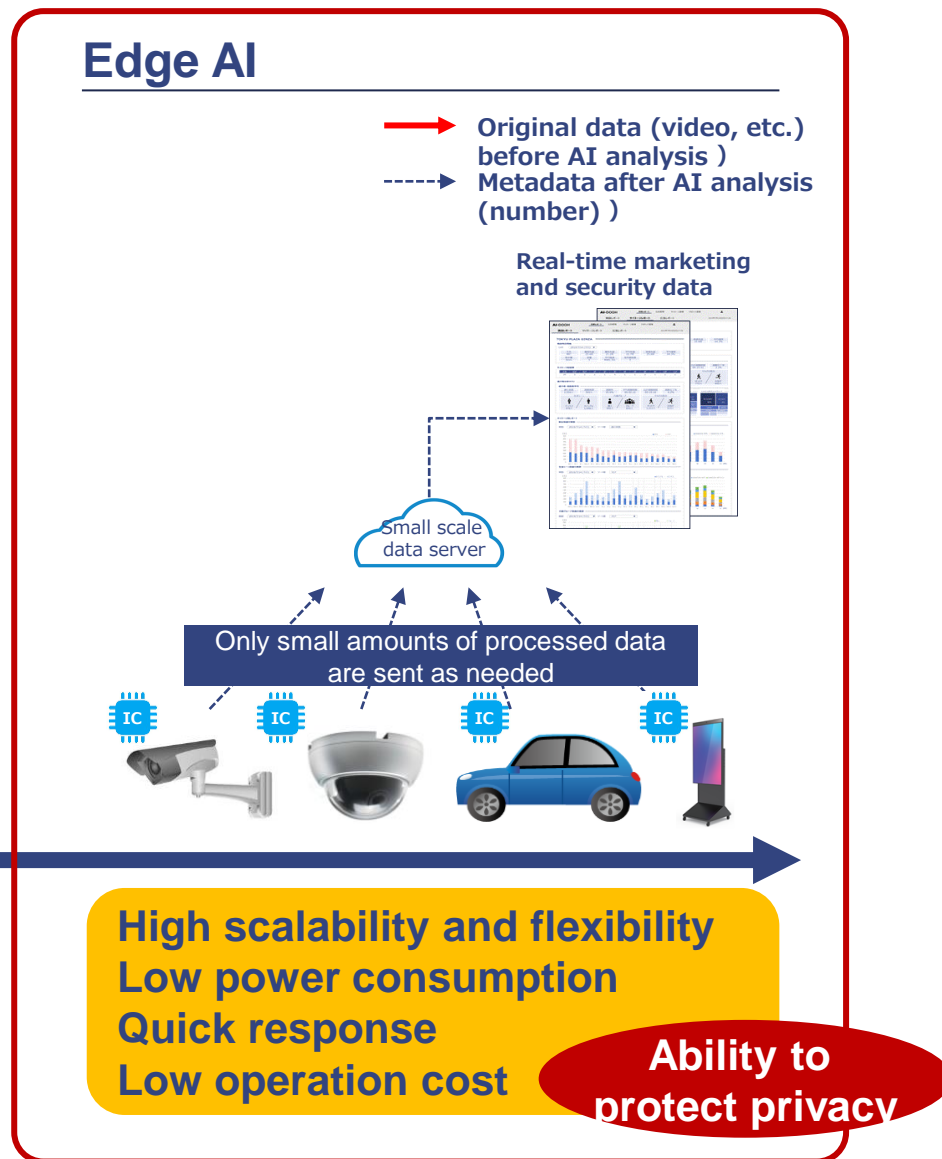
Appendix

Edge AI can operate AI compactly and protect personal information

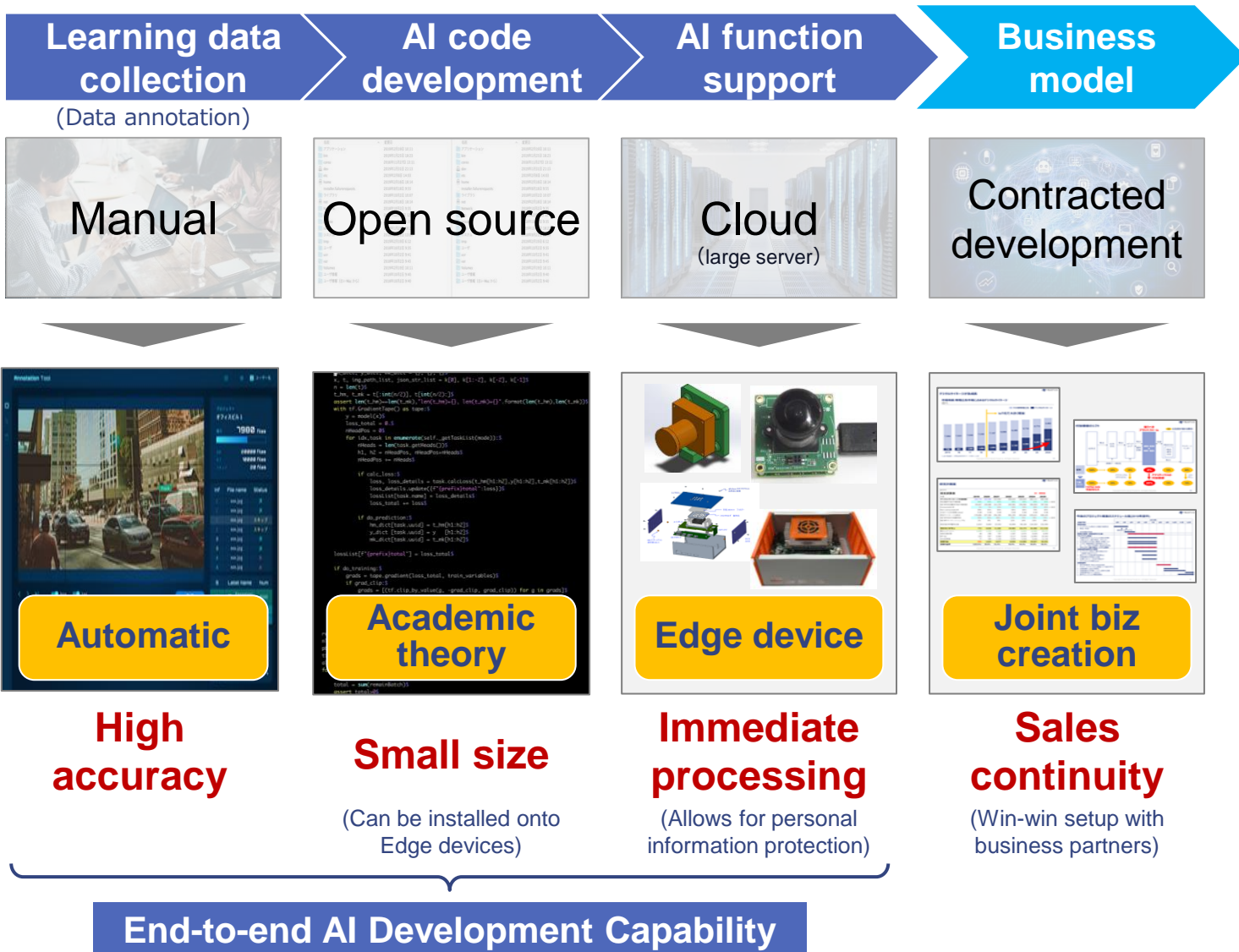
Cloud AI



Edge AI



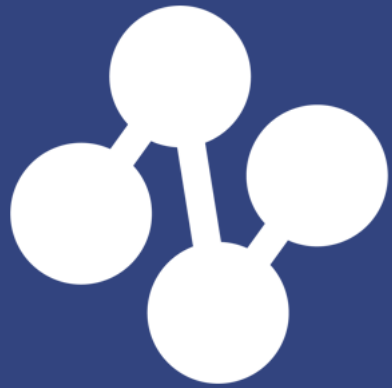
End-to-end AI development capabilities are our root source of competence



Disclaimer

Handling of the material

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Neural Pocket