NEURAL

The above Images were created with the assistance of Bing Image Creator

Financial Results Briefing Material
FY2023 (ended Dec 31st, 2023)

Neural Group Inc.
February 14th, 2024

Translation of original Japanese version

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

FY2024 ending Dec. (6th term) full year financial and strategic highlights

Establish AI services and business model

- 【**Business Model**】 Established a series of services for **"visualizing," "broadcasting information," and "monetizing"** of physical spaces through edge AI cameras, digital signages, and ad distribution networks. As a result successfully shifted from a fee-based to a unit-based business model.

- 【**R&D**】 Established a system in which **cutting-edge AI technology is rapidly implemented and updated remotely**. This not only improves cost efficiency, but also contributes to **strengthened barriers to entry, and ensured customer continuity**.

- 【**Partnership**】 Issued new shares to Sony Corporation, Kyodo News, and Cross Plus Inc. **strengthening partnerships to expand sales of edge AI services.**

Earnings review and forecast for FY2024

- Through FY2021-23, the company achieved **4.2x sales expansion or an annualized sales growth rate of 61%**[*1]. At the same time invested in R&D, personnel, and material costs, and incurred temporary operating losses.

- FY2024: Planning to grow sales by 16% YoY, **regain quarterly operating profits by Q3**, and become **profitable in operating income for the full year**.
  (※Based on the results of consecutive downward revisions of business performance through FY21-FY23, the company is announcing a conservative case as its forecast for FY24)

  - The effects of cost efficiency improvements, which were initiated in FY2023 Q3, have **already started to realized from FY2023 Q4**.

  - Planning to complete various efficiency measures by the end of June, and expect to achieve **quarterly operating profits from Q3**, achieve **quarterly net income during H2**, and achieve **operating profit for the full year**.

  - Quarterly operating profit margin of **10% level in Q4**

*1 Calculated based on compound annual growth rate (CAGR) from sales of 762 million yen in FY20220 to sales of 3,178 million yen in FY2023.

- **Company profile and strengths**

- Business model and FY2023 performance

- 2021-23 three-year review and 2024 outlook

- 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.

Singapore Branch

Sapporo Branch

Sendai Branch

Nagoya Branch

Neural Marketing, Abeno Harukas Osaka Sales HQ

Hiroshima Branch

Fukuoka Branch

Miyazaki Sub-Branch

Tokyo HQ

Neural Marketing Tokyo HQ

Takamatsu Branch

Neural Marketing Osaka HQ

Across Japan Southeast Asia

13 locations

Group employees

256*1

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

Smart City related

- Ministry of Internal Affairs and Communications, JAPAN — MIC
- Japan Platform for Driving Digital Development: JPD3
- OSAKA SMARTCITY PARTNERS FORUM

- Ministry of Land, Infrastructure, Transport and Tourism
- Smart City Public-Private Partnership Platform
- PLATEAU by MLIT

- TOKYO METROPOLITAN GOVERNMENT — TDPF Tokyo Data Platform
- MaaS Social Implementation Promotion Forum
- 一般社団法人 スマートシティ社会実装コンソーシアム SMART CITY SOCIAL IMPLEMENTATION CONSORTIUM

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
- General Incorporated Association Japan Parking Association
- ISCO IT Innovation and Strategy Center Okinawa
- JILS Public-Service Corporation JAPAN INSTITUTE OF LOGISTICS SYSTEMS
- CONSEO 衛星地球観測コンソーシアム Consortium for Satellite Earth Observation
- MFLP &LOGI Solution

Collaboration with corporations

- MONET CONSORTIUM
- NTT PC COMMUNICATIONS Innovation LAB
- NVIDIA NVIDIA METROPOLIS
- aws Startup Ramp Member

Overseas

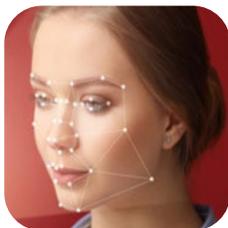- 日本タイ協会 THE JAPAN THAILAND ASSOCIATION

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
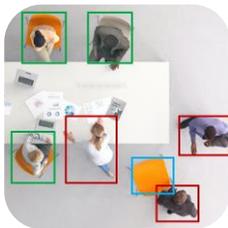
Safe monitoring

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

We develop and provide services that leverage the strengths of Edge AI

Cloud AI
Conventional approach
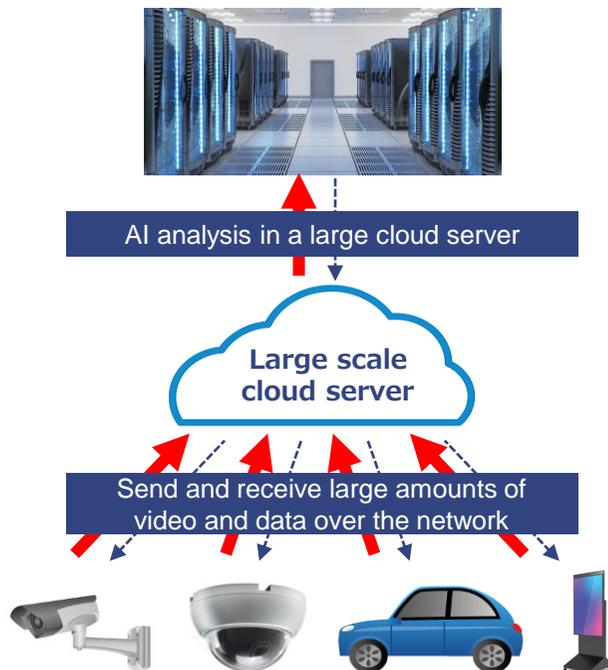
AI analysis in a large cloud server

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

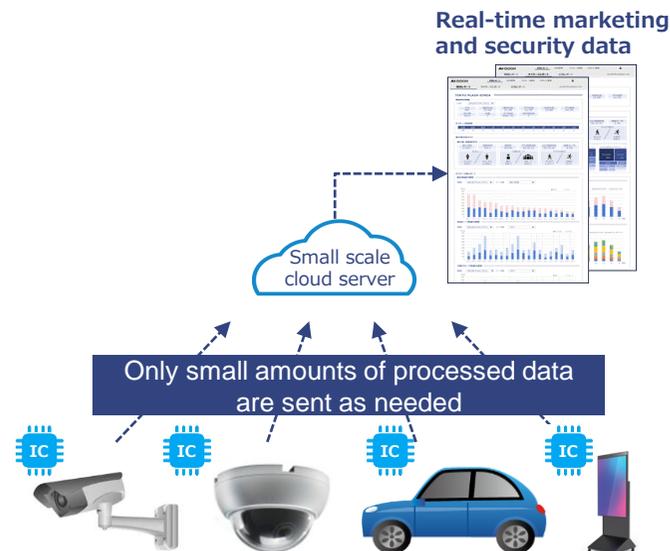Small scale cloud server

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

Our AI libraries operate and run universally across various standard environments (processor, OS, programming language)

Processor	NVIDIA JETSON Xavier NX	NVIDIA JETSON Nano	NVIDIA JETSON TX2
OS	Linux	Linux	Linux
Language	python · Rust	python · Rust	python

Processor	intel · arm	QUALCOMM	QUALCOMM
OS	Linux	iOS · android	Linux
Language	python	Swift · Java	python

We incorporate the latest developments in edge AI into our existing services contributing to building further barriers to entry
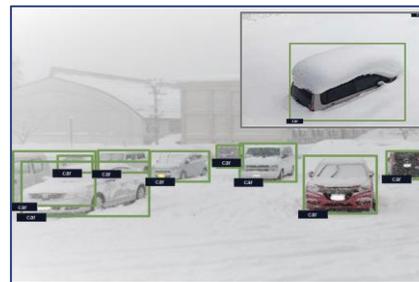
Image Generation AI
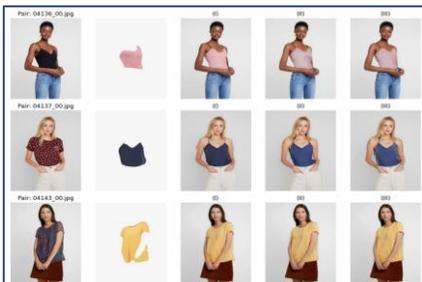
- **In-house production of image gen AI models**
- Enables the generation of a variety of content and applies it to creative ad production

Multi-tasking AI model

- Development of a multi-tasking AI model to integrate separate AI models
- **Multitasking to reduce memory usage by ~50%**

AI accuracy research

- Ongoing AI accuracy research and application to our commercial services
- **Stable detection** including abnormal environments

Edge AI voice system

- Real-time analysis of user voice within edge devices
- **Developing new edge AI service** that provides feedback to users through natural language analysis

Accelerated next-gen dev
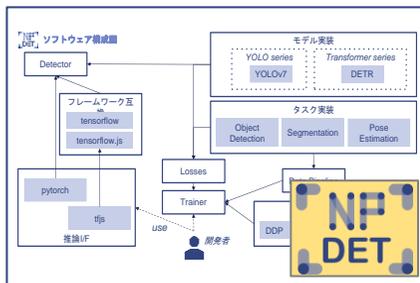
- Develop platform to support R&D of new AI models
- Capable of incorporating latest algo with **~1/10th of the man-hours** required by conventional methods

Neural Platform

- Real-time management of numerous edge AI devices connected online
- **Automatically update programs and AI models remotely**

- The **latest edge AI technology** is rapidly implemented and **incorporated into our commercial services through remote updates**

- AI models and development are **standardized across services** allowing for generic services, contributing to **lower implementation costs/ profitability**

- These factors contribute to **high barriers to entry and customer continuity**

- Company profile and strengths

- **Business model and FY2023 performance**

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- Appendix

Neural Group is improving the value of physical spaces with edge AI

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Installed Edge AI cameras in 70+ cities/ locations across Japan

Digi Park
Digi Thru
Digi Flow

Visualize
Edge AI camera

Deploying Edge AI in physical spaces

Broadcast
Edge AI signage

Monetize
Ads, news media

Capital alliance with Kyodo News (Dec. '23)
Leveraging Edge AI to create outdoor media that combines advertising and news.

Installation and maintenance of LED signages in +10,000 locations

DigiLook

Owner & operator of digital signage media installation in 450+ locations

AI MEDIA PROVIDER
FOCUS CHANNEL

13

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 surveillance for town mgmt.

Kawaguchi Tachikawa Park
People flow, event impact measurement

Sugamo/ 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

Yokohama City Yamashita Park
Measuring congestion in the rose garden

Sasebo City
People flow and advertising biz

Komoro City
Measuring effectiveness of community efforts

Mitsubishi RE Marunouchi Building
People flow visualization

Mitsui Fudosan Ichikawa LP
Truck license plate detection

Shurijo Castel Park
People flow analysis and operation DX

Prologis Park Souka
Truck license plate detection

Tokyo Ryutsu Center
Vehicle congestion visualization

Social Issues we are addressing with our Edge AI services

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Local gov' and administration	Roadside station , SA, PA*1	Commercial facility	Logistics facility

Digi Park
Parking lot occupancy

Traffic congestion relief, overtourism

• Reduce congestion in tourist facilities and areas • Identify parking violations • Vehicle guidance • Parking duration analysis • Optimization of parking lot staff	• Utilization for SA/PA to address management issues • Vehicle guidance • Parking duration analysis • Capacity analysis by vehicle type	• Parking duration analysis • Parking staff optimization • Vehicle guidance • Parking violation detection • Facility congestion relief	• Visualization of truck congestion • Visualization of berth loading operations • Streamlined truck guidance • Empty berth visualization

Digi Thru
License plate detection

Tourism promotion, marketing

2024 issue

• Visitor origin analysis by region • Migration analysis of tourist spots • Repeat visitation rate analysis of users in the region • Stay duration analysis	• Facility Visitation Area Percentage Analysis by Prefecture • Data analysis of time spent for different origins • Repeat visitation rate analysis • Parking duration analysis	• Origin region analysis • Parking duration analysis • Visualization of vehicle exit times • Facility repeater analysis • Entry/exit automation and blacklist detection	• Truck arrival and departure log • Automation of truck reception operations, entry/exit procedures • Visualization of cargo waiting and loading/unloading time • CO_2 emission reduction

Digi Flow
People flow analysis

Revitalization

Labor efficiency improvement

• Quantitative ad effectiveness measurement • Visualize liveliness of town • Reduce congestion in tourist facilities and areas • Live congestion detection in parks		• Parking lot staff optimization • Responding to the difficulty in hiring parking lot guides • Safe passage for residents around commercial facilities	• Logistics facility staff optimization • Facility operation mechanization and labor savings • Support for safe truck loading and unloading

*1 SA: Service area, PA: Parking area

Market tailwinds: New government policies encouraging private company AI camera usage via tax break

The Order and the Tax Reform Syllabus for 2024 (Dec 22nd 2023, Cabinet decision)

(6) With regard to the specific measures for the tax base of fixed property tax and city planning tax for certain houses and depreciable assets acquired by business operators certified under the Act on the Promotion of Comprehensive and Efficient Distribution Operations based on a comprehensive efficiency improvement plan, the following revisions shall be made and the applicable period shall be extended for two years.

In addition to **adding license plate analysis AI cameras, etc.** to the list of attached machinery and equipment subject to application , the **tax base for license plate analysis AI cameras, etc. will be reduced** to one-half of the price for the first five years.

AI cameras recognized as eligible for property tax reductions
Accelerates client companies' adoption of AI cameras

Congestion monitoring in large-scale commercial facilities

Digi Park

One camera monitoring more than 100 parking spaces in an outdoor flat parking lot
(Camera installed at 25m above ground)
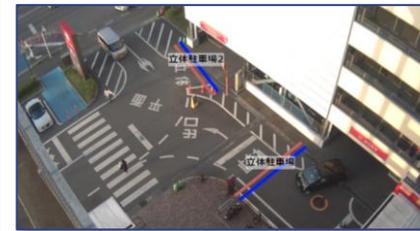
Congestion analysis by monitoring parking lot traffic (i.e, enter and exit vehicle count)

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1 Occupancy monitoring

Data used to improve day-to-day operations and evaluate new measures

2 Web interface integration

Data publicly broadcasted on webpage

3 Traffic guidance w/ live data

Real-time data displayed to users

Intuitive tools to visualize cumulative parking lot usage

Digi Park

Actual AI camera footage of parking lot

Intuitive visualization of usage and inappropriate parking for each car compartment by creating a heat map of cumulative usage
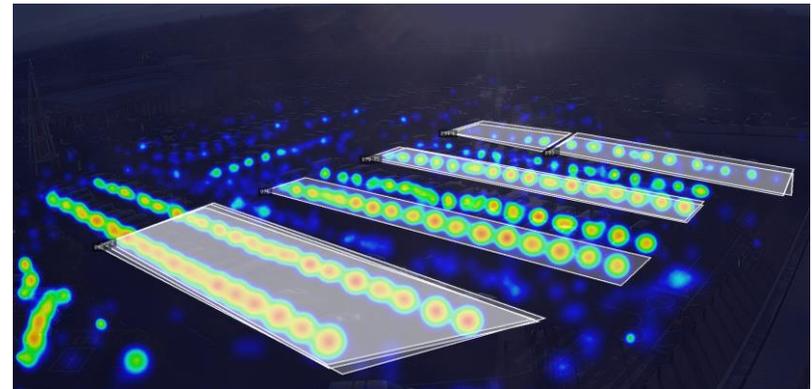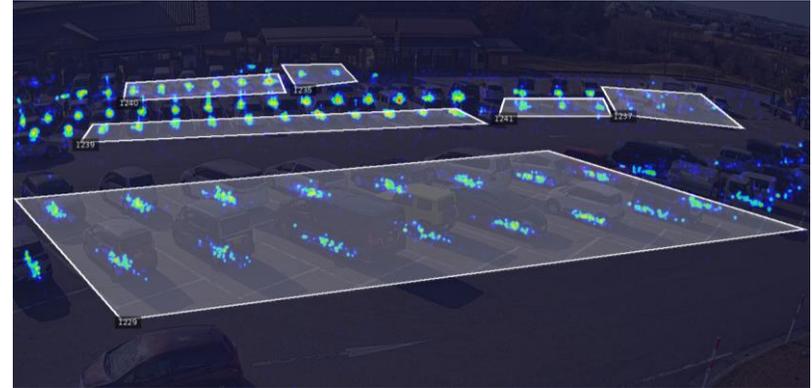
Visualization of detailed usage status for individual parking compartments, supporting daily operations and optimal parking lot design

Vehicle detection in during heavy snowfall

Operation of AI camera in heavy snowfall region
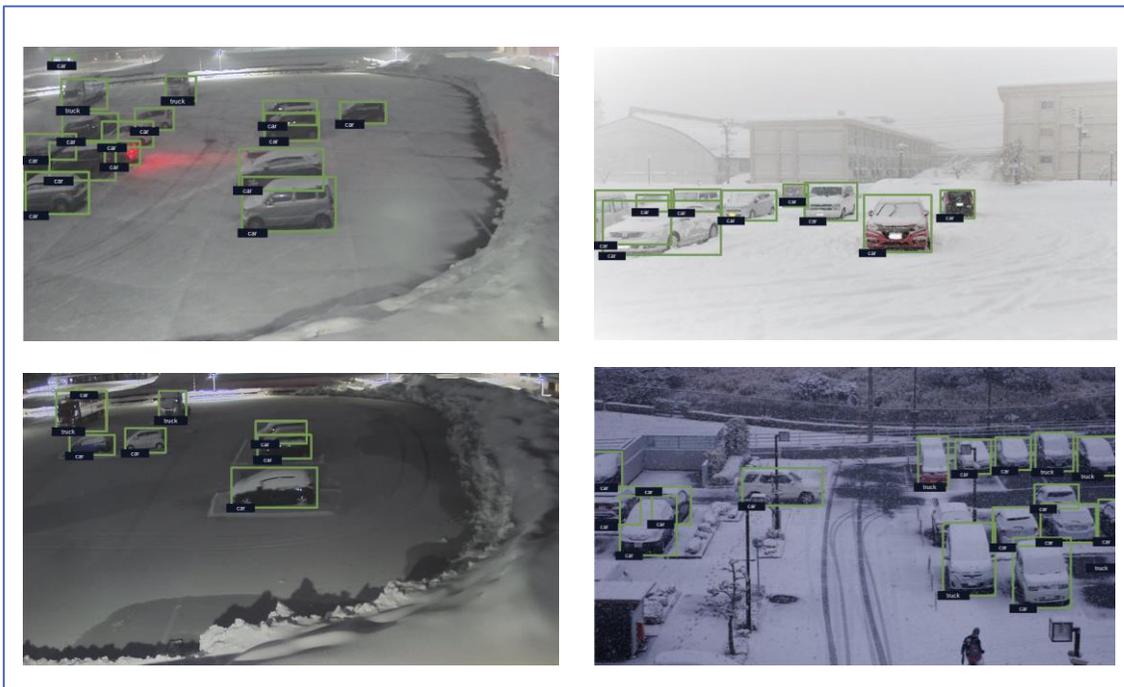
Highly accurate and precise detection even when snow is so thick that only the windows can be seen and most of the vehicle body is hidden.

Proven track record in heavy snowfall areas where detection is possible even during snowfall[1]

Parking duration and availability visualization

Digi Park

Visualization of parking time per compartment

Visualize parking duration

Signage displaying parking status (! mark indicates non-truck parking in the truck berth)

Parking lot avaialability

Automatic inappropriate usage detection

Capable of classifying vehicle types (e.g., regular vehicles vs trucks)
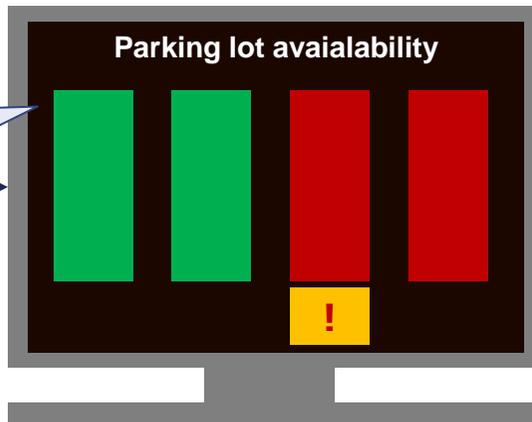
Track record of installations in logistics facilities, contributing to solving the 2024 problem by digitizing and automating fleet management

Visualization of vehicle movement and stay through license plate detection

Reading license plates when vehicle pass detection line

多摩 500
さ 46-49

Web user interface with external integration capabilities

Assuming ~20km/h
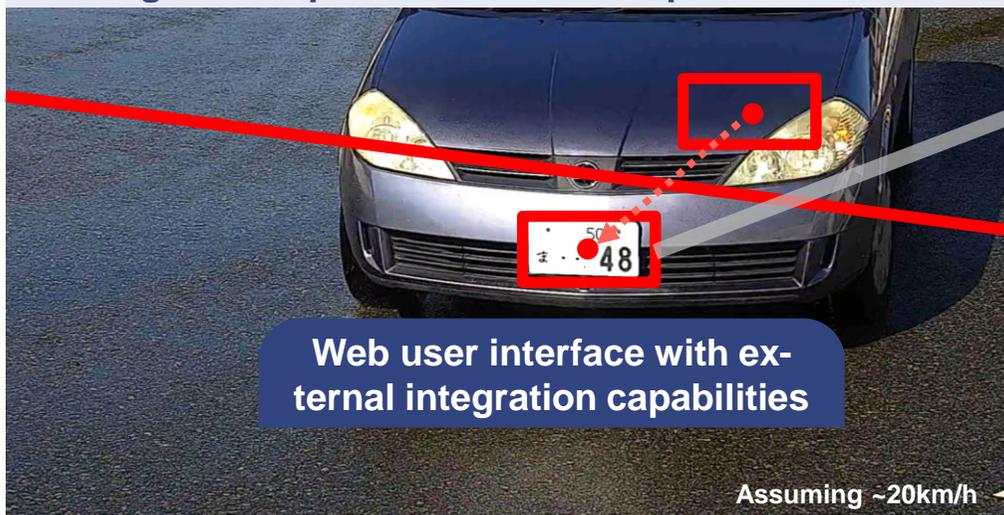
Detected data
- Registered region
- 4 digit #
- Class #
- Hiragana
- Device/ camera ID
- Vehicle passing time
- Vehicle direction

Logging transit time and stay duration per vehicle

1 Web user interface with external integration capabilities

Regular data push

End user cloud

Downloadable in csv format

Integrate data with external systems

2 Analyze dwell time by vehicle type/ time of day

24H/ 365D data analysis

3 Detection of registered/ unregistered vehicles

Pre-registration, real-time visitor notification

Real-time people flow analysis, area intrusion detection with immediate notification

Digi Flow

People flow analysis by line count

Measurement line

Measurement line

Multiple lines can be set up to count direction and volume of guests/ customers

Visualization of time spent in an area

Measurement Area

Multiple areas can be set up to detect people in a given area and visualize time spent

1 Web user interface with external integration capabilities

Capable of analyzing mid- to long-term people flow data with web user interface

2 Real-time congestion visualization

Web-based linkage of real-time congestion, both indoors and outdoors

3 Intrusion detection and immediate notification

Ensure safety and optimize resources for guiding facility entrances and exits

Visualizing "comfort" of users by heat-mapping the flow of people in physical venues

Digi Flow

AI camera detection in parks and stores
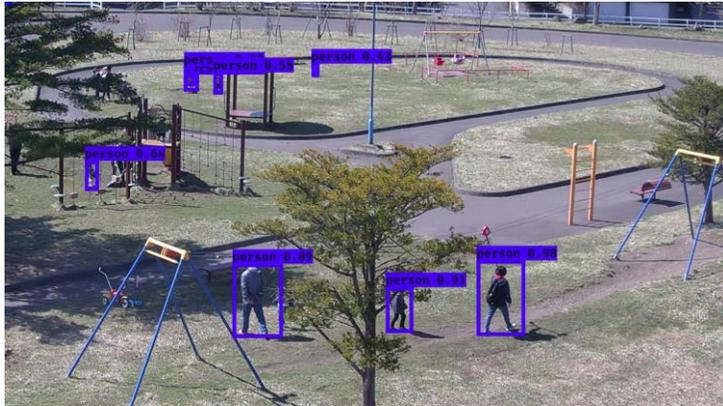
Heat map of facility usage and congestion
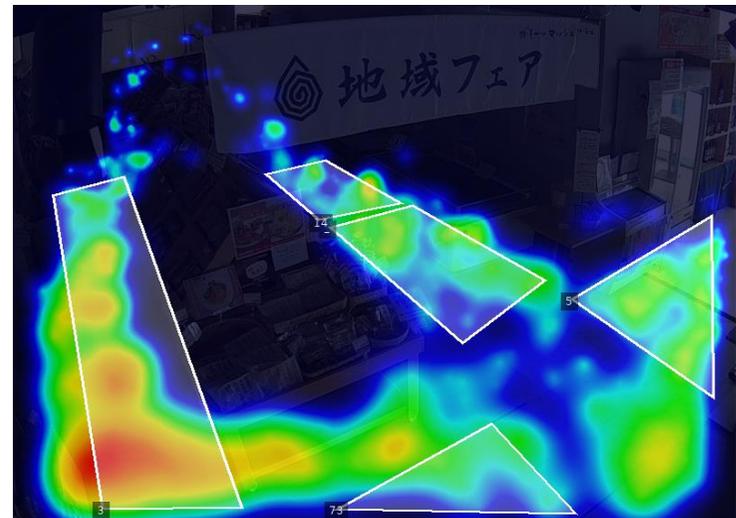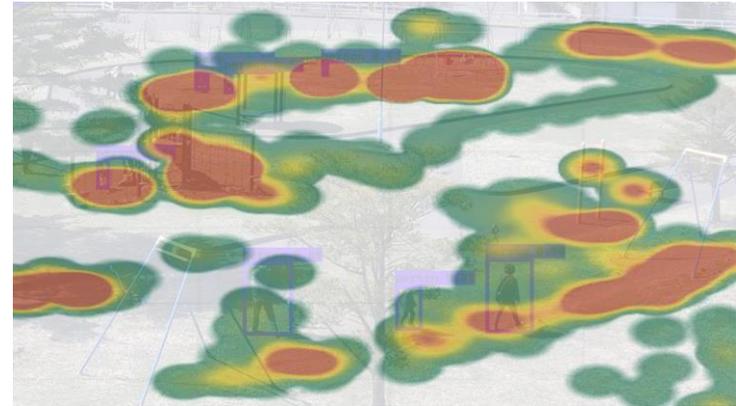
Supporting effective wayfinding, event displays, and traffic flow design

施設駐車場の誘導員の省人化を支援

Digi Flow

👉 Substituting AI cameras for guiding staff duties at facility exits to alert people of entrance/exit safety and optimize operations

✓ **Detects exiting vehicles and pedestrians, provides alerts**
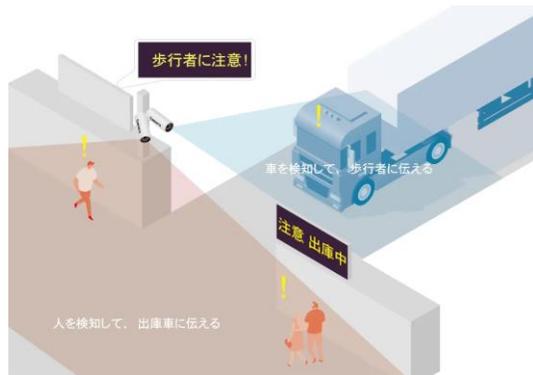
10 million yen+ cost efficiencies can be achieved by streamlining guidance personnel

Please proceed with caution

BEWARE Pedestrian incoming
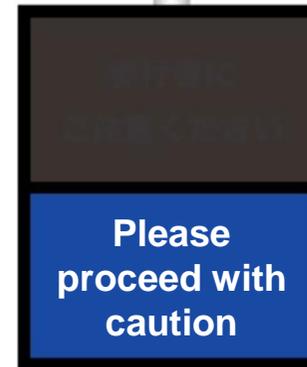
AI cameras to potentially replace understaffed guidance personnel, streamlining operations/ costs

Approx. 11 million yen per year for a guidance staff

Quantifying advertising effectiveness with AI cameras

Digi Flow

👉 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
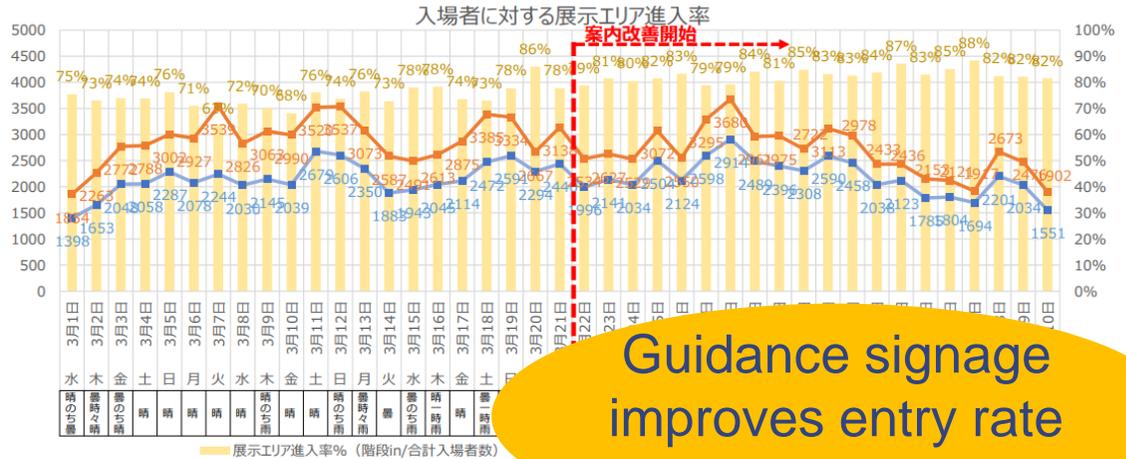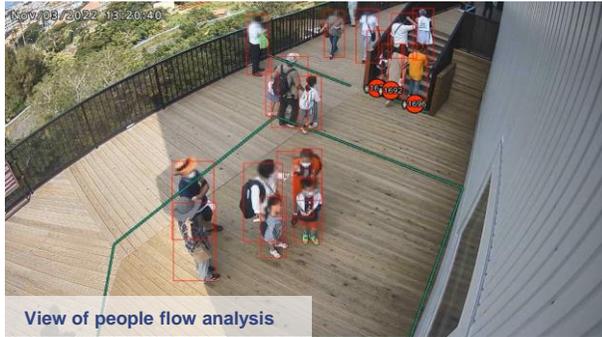
Guidance signage improves entry rate by approx. 10%

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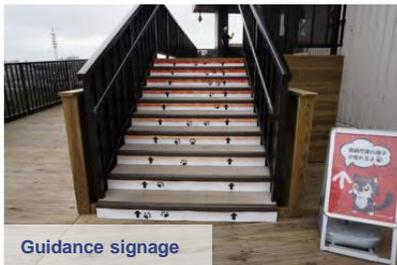
Video broadcasting increases dwell time by approx. 20%

※日本工営㈱ 作成資料を含む

埼玉県川口市 都市公園における人流解析

Digi Flow

- Conducted long-term analysis of human flow[1] in an urban park adjacent to Kawaguchi Station in Saitama Prefecture in an effort towards realizing Kawaguchi City's "Kawaguchi Station Area Community Development Vision"
- In addition to **"visualization of daily usage,"** data measurements of **"event specific traffic"** is expected to be used as base data for future measures
- Utilization of privacy-conscious edge AI technology to support **revitalization of local community development**

Guest count **Stay duration** **Direction of movement**

Digi Flow

Count line

Area where stay duration is measured
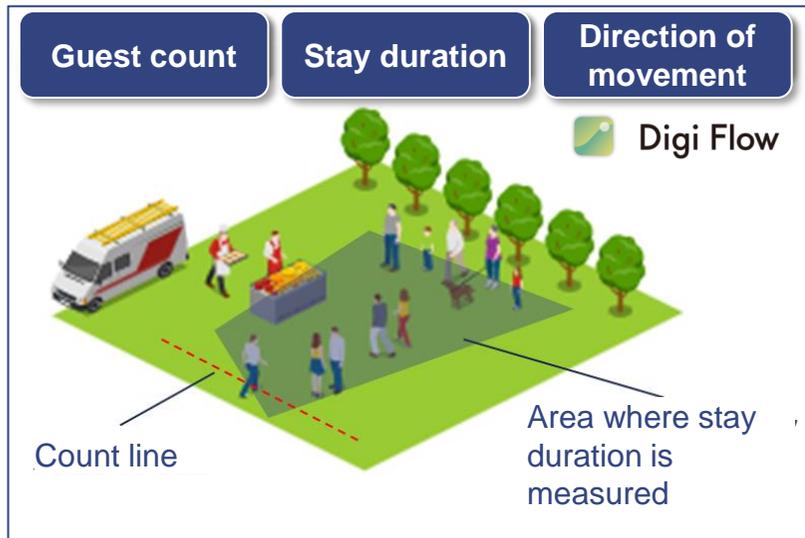
Image of people flow analysis by DigiFlow introduced and acquired data

Traffic increase during event

View of park
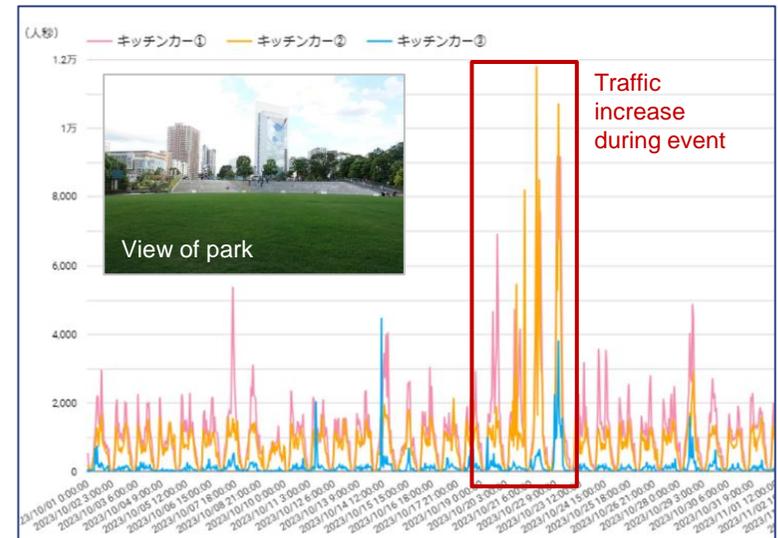
Example of obtained data (total hourly dwell time from October 1~31)

*1 In collaboration with Fukuyama Consultants (HQ: Fukuoka City), DigiFlow, a people flow analysis system using edge AI technology was installed in Kawaguchi West Park (Kawaguchi CIty) from August through December 2023 to monitor the number of people using the park's plaza, which is located along the flow line from the train station.

Top share in Japan with 10,000+ installation track record

DigiLook

- ➢ **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   **Futsal stadium**   **Chain retail**   **Police station**   **Basketball World Cup in Okinawa**
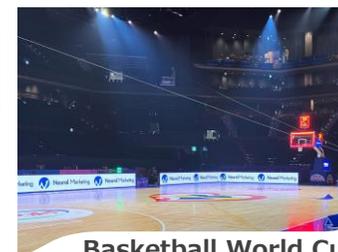
Focus Channel reaches 250,000 affluent residents in Tokyo every day
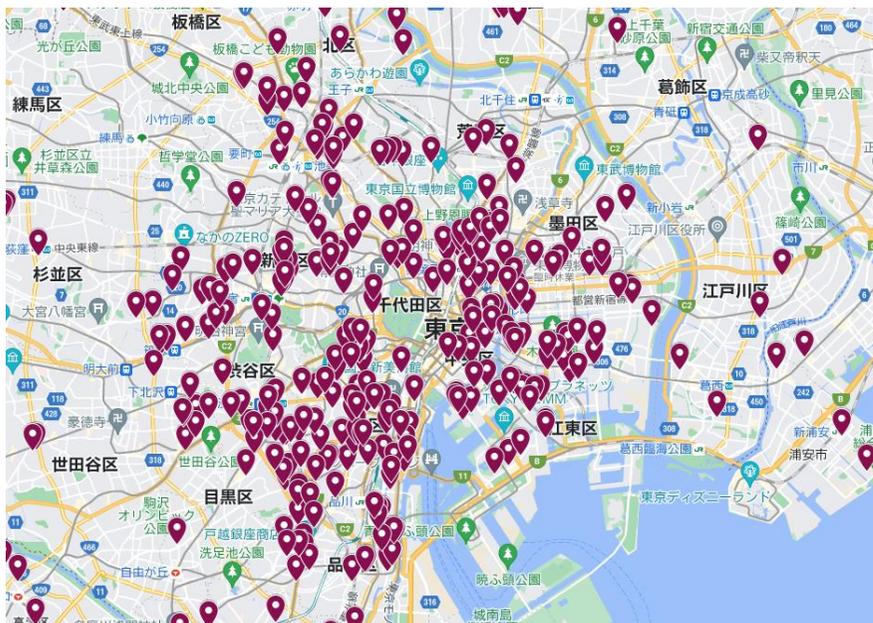
AI MEDIA PROVIDER
FOCUS CHANNEL

➤ **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
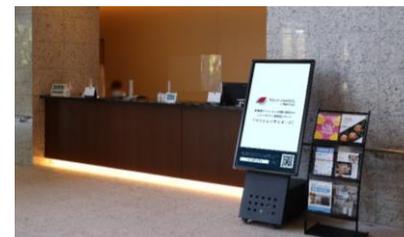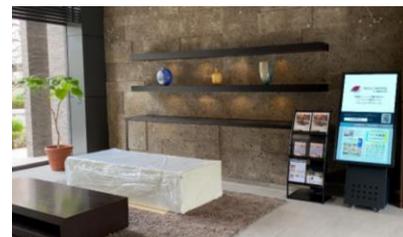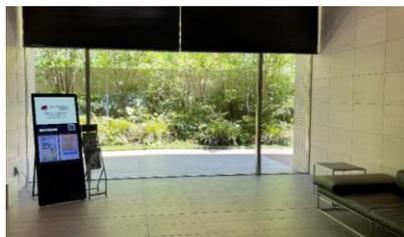
Apartment signage media "Focus Channel"

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)

Examples of broadcasted advertisements via Focus Channels (from large to local companies)

Number of repeat submissions from advertisers increased by 2.6 times after providing advertisers with AI viewership reports
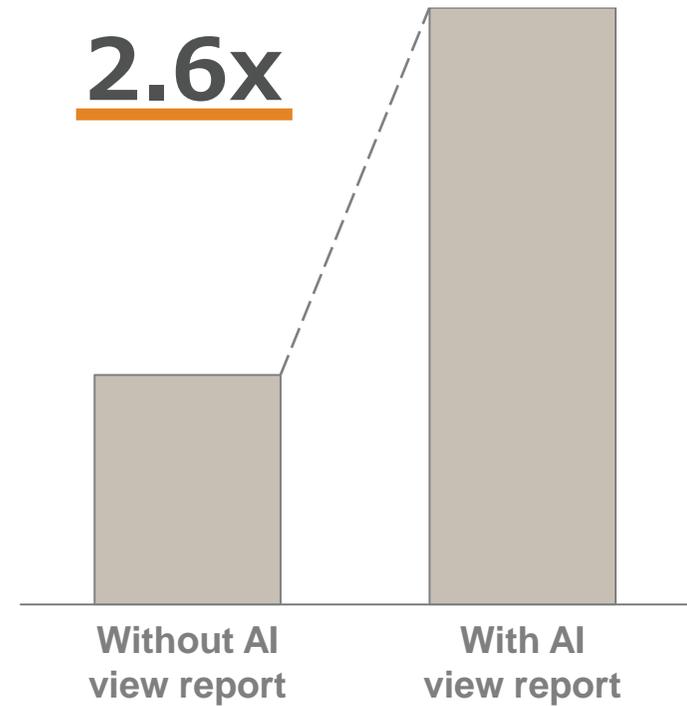
Advertising operation business on large LED display launched Oct. 2023

👉 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

Example of large outdoor LED vision system (Sendai BiVi Vision)

Large-scale LED ad board installed at the east exit of Sendai, operated and managed by the company
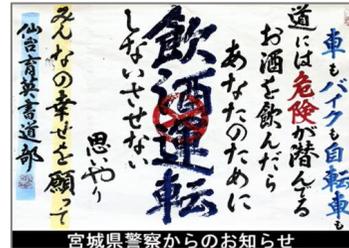
Activities at a large outdoor advertising vision in Sendai: Certificate of Appreciation from the local Miyagi Prefectural Police

Free airing of traffic advertisements on the large advertising screen at the east exit of Sendai Station, which is installed and operated by the Company

The awarding of a letter of appreciation at Miyagi Prefectural Police (February 2024; right: Mr. Shibuya, Sendai Branch Manager, Neural Marketing, Inc.)

Growing new web business using AI technology launched in May 2023

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**

Forming capital alliances with major corporations to allow for collaboration and pursue product-related synergies

	Sony Corporation	**Kyodo News**	**Cross Plus**
Time of announce-ment	**Apr. 2023**	**Dec. 2023** *Actual capital increase in Jan. 2024	**Dec. 2023** *Actual capital increase in Jan. 2024
Back-ground	• **Exchange of personnel, services and technology** (mainly acceptance of Sony personnel) • **Develop new services** related to signage and human attitude detection based on AI technology	• Kyodo News Digital is Japan's largest provider of digital signage content • Promote collaboration in **services and advertising media utilizing signage**	• Collaboration in the apparel industry, including AI fashion trend analysis • In addition to expanding existing services, company aims to **develop new AI services**

Total 870 MJPY
Third-party allotment of new shares

- Company profile and strengths

- Business model and FY2023 performance

- **2021-23 three-year review and 2024 outlook**

- Appendix

Succeeded in business model transition over 3 years (FY'21-'23)

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

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

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

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**

Cost competitiveness

Completed services allows for scaling without the need for major investment. Started activities to improve profitability

Completion of service group construction

Improve cost efficiency to achieve profitability

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

AI service sales expansion and monetization

Announced business model transition

▼

2021

2022

2023

2024

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

Six years of sales growth and business model transformation since company inception

Focus on fee-based biz

（Contracted development and AI license sales）

(million JPY)

Business model transformation from fee-based to unit-based sales

(Sales and provision of proprietary AI services)

+61% CAGR

FY2018 1st term	FY2019 2nd term	FY2020 3rd term	FY2021 4th term	FY2022 5th term	FY2023 6th term
60	311	762	1,010	2,878	3,178
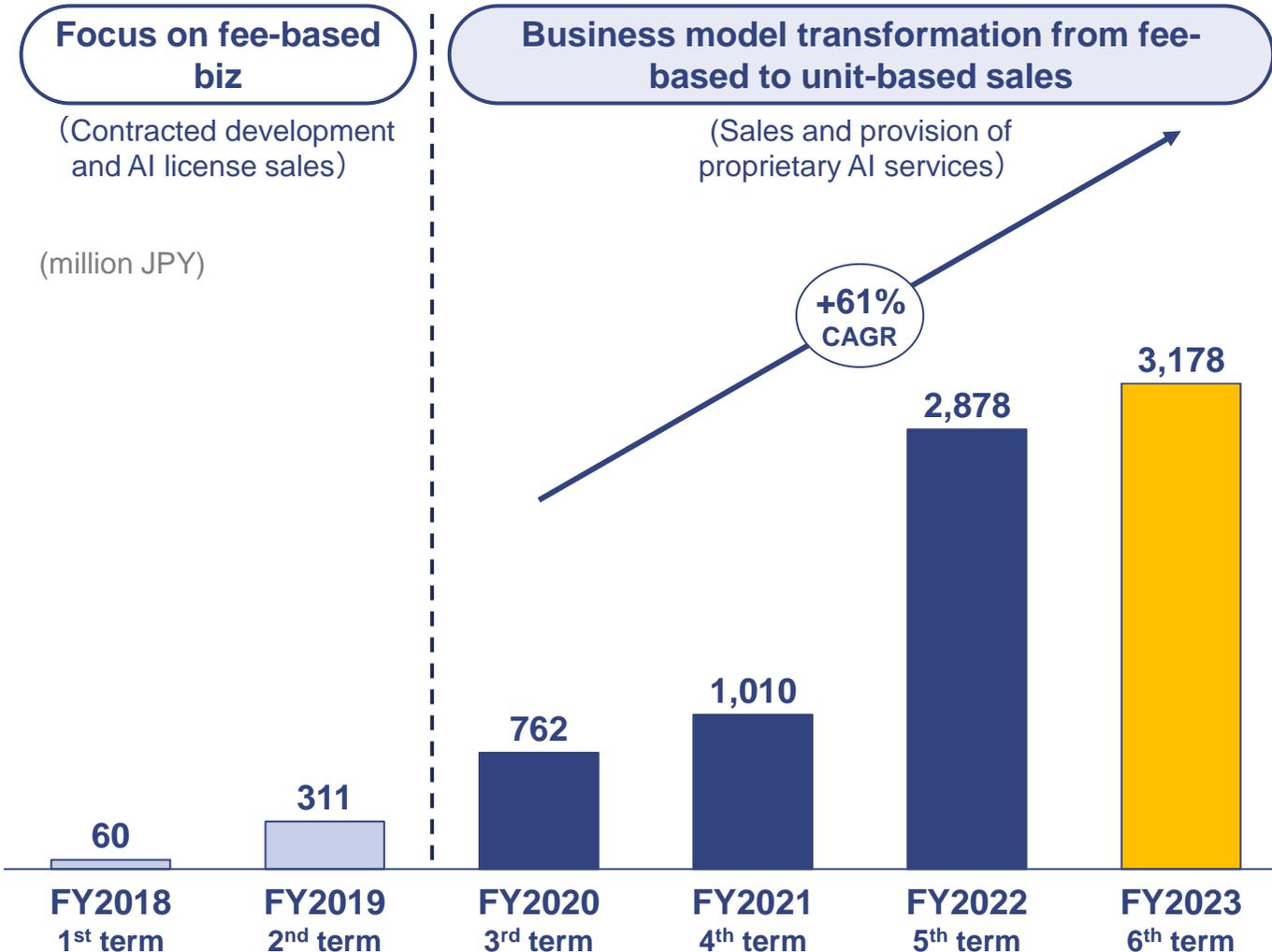
FY2023 ended Dec. Business results

(million JPY)	FY2022 ended Dec. results	FY2023 ended Dec. results	YoY value	YoY percentage	FY2023 ended Dec. forecast
Net sales	**2,878**	**3,178**	**+299**	**+10.4%**	**3,200**
Gross profit	**1,849**	**2,063**	**+213**	**+11.5%**	**2,100**
% of net sales	*64.3%*	*64.9%*			*65.6%*
EBITDA	**-22**	**-490**	**-468**	**-**	**-440**
% of net sales	*-0.8%*	*-15.4%*			*-13.8%*
Operating profit	-311	-658	-347	-	-630
% of net sales	*-10.8%*	*-20.7%*			*-19.7%*
Net income	-909	-650	+259	-	-630
% of net sales	*-31.6%*	*-20.5%*			*-19.7%*

Despite a short-term increase in expenses and an operating loss resulting from the business model shift, the company expects to return to operating profitability in FY2024 (more details on the next page)

While continuing to expand sales, we are simultaneously streamlining COGS and SG&A through various initiatives

NEURAL

	FY2023 H2	FY2024 H1	FY2024 H2
SG&A Optimization (Organizational efficiency)	【R&D】 Platform consolidation, task automation through R&D	Sustained impact (i.e., realization of cost savings)	
	【Rent and HQ costs】 Integration and optimization of domestic locations	Sustained impact (i.e., realization of cost savings)	
		【Operating expenses】 Optimization of sales efforts and expenses	Sustained impact (i.e., cost savings)
COGS Optimization (Strategic partnerships with suppliers)	【Procurement costs】 Reduction in cost of goods for our services (*Impact will appear after the completion of the use of the old price stock, currently about 6 months later)	Sustained effects of measures from FY2023 H1	Sustained effects of FY23 H2
		【Construction costs】 Reduction of outsourcing costs related to equipment installation	Effect sustained

Some effects began to realize starting Q4

Simultaneous progress on realization of FY23 measures and promotion of FY24 measures

Most measures expected to be completed in H1, full realization of cost saving efforts

We have already made significant progress in the second half of FY2023 for SG&A spend through optimizing R&D and Sales efforts

(million JPY)

-56
(Annualized 225M JPY)

728
706
672

販管費

| Q2 Results | Q3 Results | Q4 Results | Q1 Plan | Q2 Plan | Q3 Plan | Q4 Plan |

FY2023 results

FY2024 plan (illustrative)
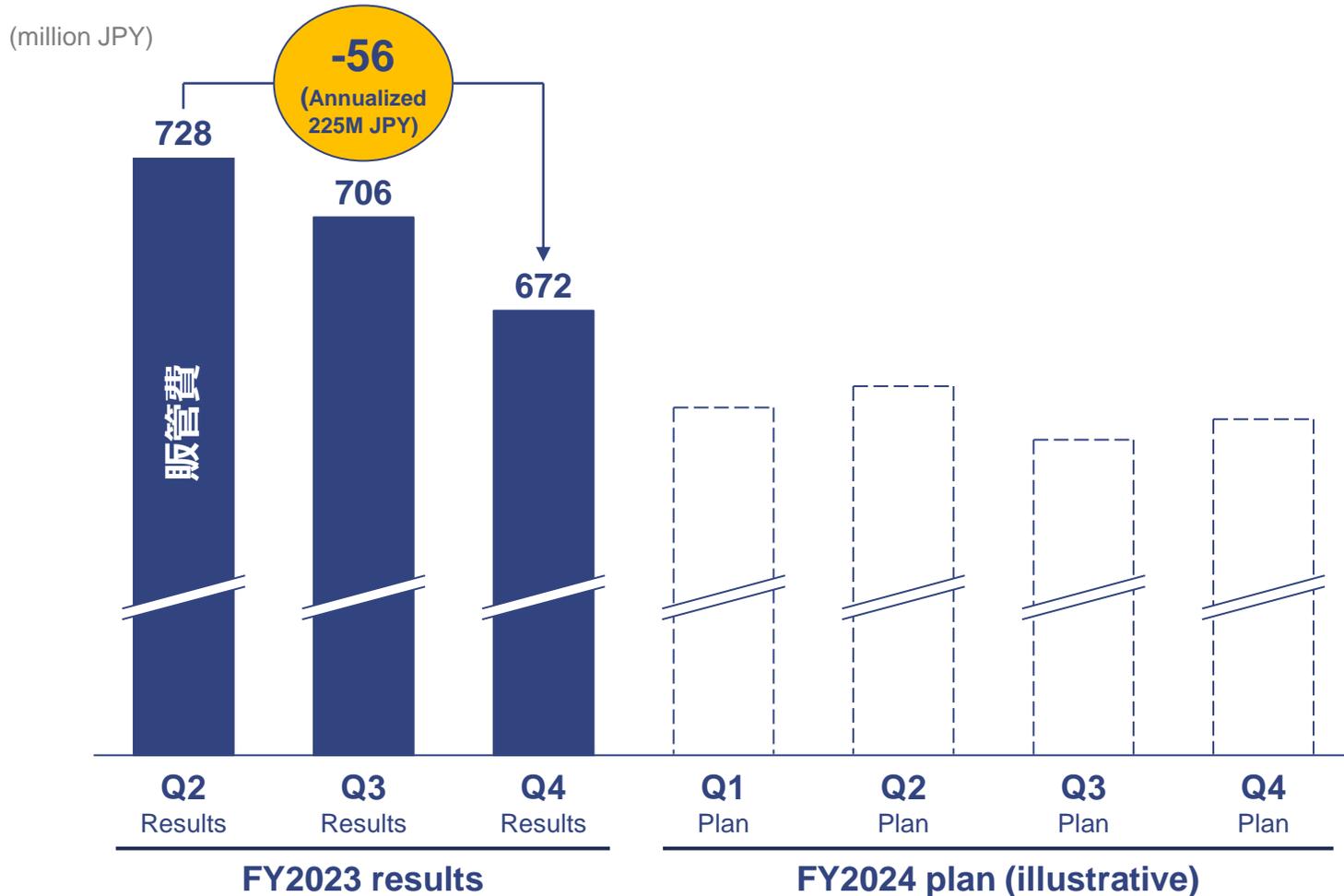
Promoting win-win relationships such as entering strategic partnerships with suppliers and strengthening the company's cost competitiveness

Agreements on procurement/ construction

Procurement:
Strategic Alliance signed on January 24, 2024

Construction:
Starting Jan, agreeing on new prices w/ partners nationwide

(% of net sales)

36.0%

34.5%

COGS

31.1%
FY2024 plan

| H1 Results | H2 Results | H1 Plan | H2 Plan |

FY2023 ended Dec. results

FY2024 plan (illustrative)
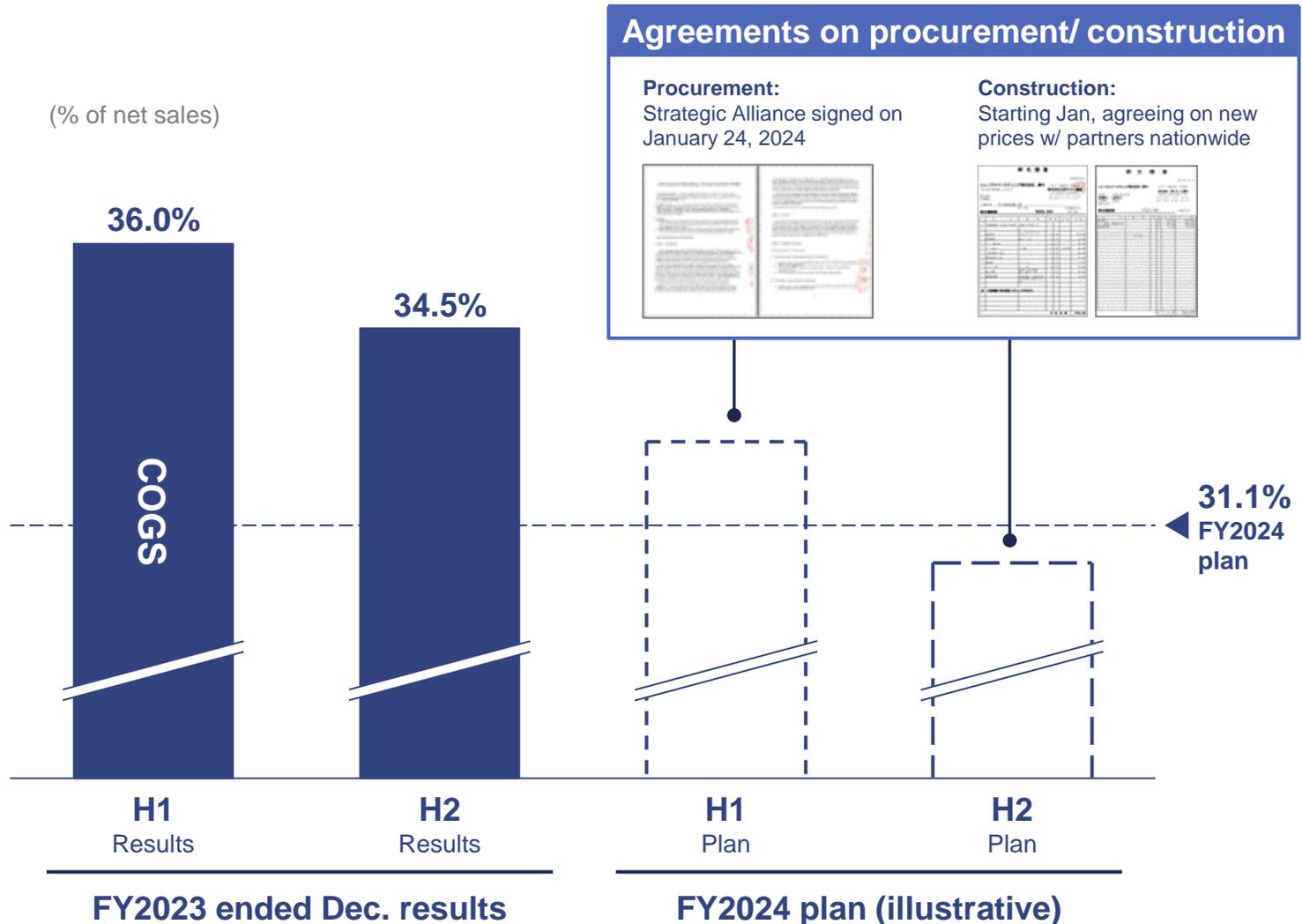
Post biz model transition, the company is progressing towards profitability

Company inception

Biz Transition

FY2023 ended Dec.

- ■ Net sales
- □ Operating profit

Biz centered on providing AI licenses to large companies

Transition from providing AI licenses to selling AI services

AI service sales expansion

(million JPY)

Return to profitability from this fiscal year

	60	311	762 / 171	1,010 / 20	2,878	3,178	3,700 / 30
	-183	-133			-311	-658	

FY18 1st term	FY19 2nd term	FY20 3rd term	FY21 4th term	FY22 5th term	FY23 6th term	FY24 7th term (Forecast)	FY25 8th term	FY26 9th term

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, aim to increase operating margin and net income generation

45

2024年12月期では今後の持続的な利益体制の構築実現を目指す

- **Completion of business model transition** in FY2023 ended Dec. and established structure to promote business scale expansion without large upfront investments

- Generate profits by improving operating efficiency and strengthening cost competitiveness, which we have been promoting since the second half of FY2023 to **realize sustainable profitability**

FY2024 Profitability Milestones

A Operating profits for the full year

B Quarterly profits from Q3 and onwards

C Quarterly operating profit margin at 10% level in Q4

D Quarterly net income generation during H2

FY2024 ending Dec. Forecast (consolidated)

(million JPY)	FY2023 ended Dec. results	FY2024 ending Dec. forecast	Increase Value	Increase Percentage
Net sales	**3,178**	**3,700**	**+522**	**+16.4%**
Gross profit	**2,063**	**2,550**	**+487**	**+23.6%**
% of net sales	64.9%	68.9%		
EBITDA	**-490**	**180**	**+670**	**-**
% of net sales	-15.4%	4.9%		
Operating profit	-658	30	+689	-
% of net sales	-20.7%	0.8%		
Ordinary profit	-686	0	+687	-
% of net sales	-21.6%	0.0%		
Net income	-650	-120	+530	-
% of net sales	-20.5%	-3.2%		

- **Based on the results of consecutive downward revisions of business performance in FY21-FY23, the company is announcing a conservative case as its forecast for FY24**
- **Planning to complete implementation of various cost optimization measures by Q2, and to achieve quarterly profitability in each of Q3 and Q4**
- **Expecting operating margin at 10% level in Q4**
- **Projecting a loss in final profit for the full year due to income taxes, but net income is expected to be in the black by the end of the second half of the fiscal year**

- Company profile and strengths

- Business model and FY2023 performance

- 2021-23 three-year review and 2024 outlook

- **Appendix**

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 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	▪ Thai Office (CRC Tower, All Seasons Palace, Wireless Road, Lumpini, Bangkok, 10330) ▪ Singapore Branch (9 Straits View, Marina One West Tower, #06-07) ▪ 10 other offices across Japan
Group Companies	▪ Neural Marketing Inc. (Rep. Masaaki Yamamoto, 100% subsidiary) ▪ Neural Engineering Inc. (Rep. Tsubasa Iwakiri, 100% subsidiary) ▪ Neural Group (Thailand) Co., Ltd. (Rep. Kaz Takenaka, 74% subsidiary)
Employees	256 (Group total as of Dec 31st 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.

Neural Group (as of Dec 31st, 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 structure (as of Dec 31st, 2023)
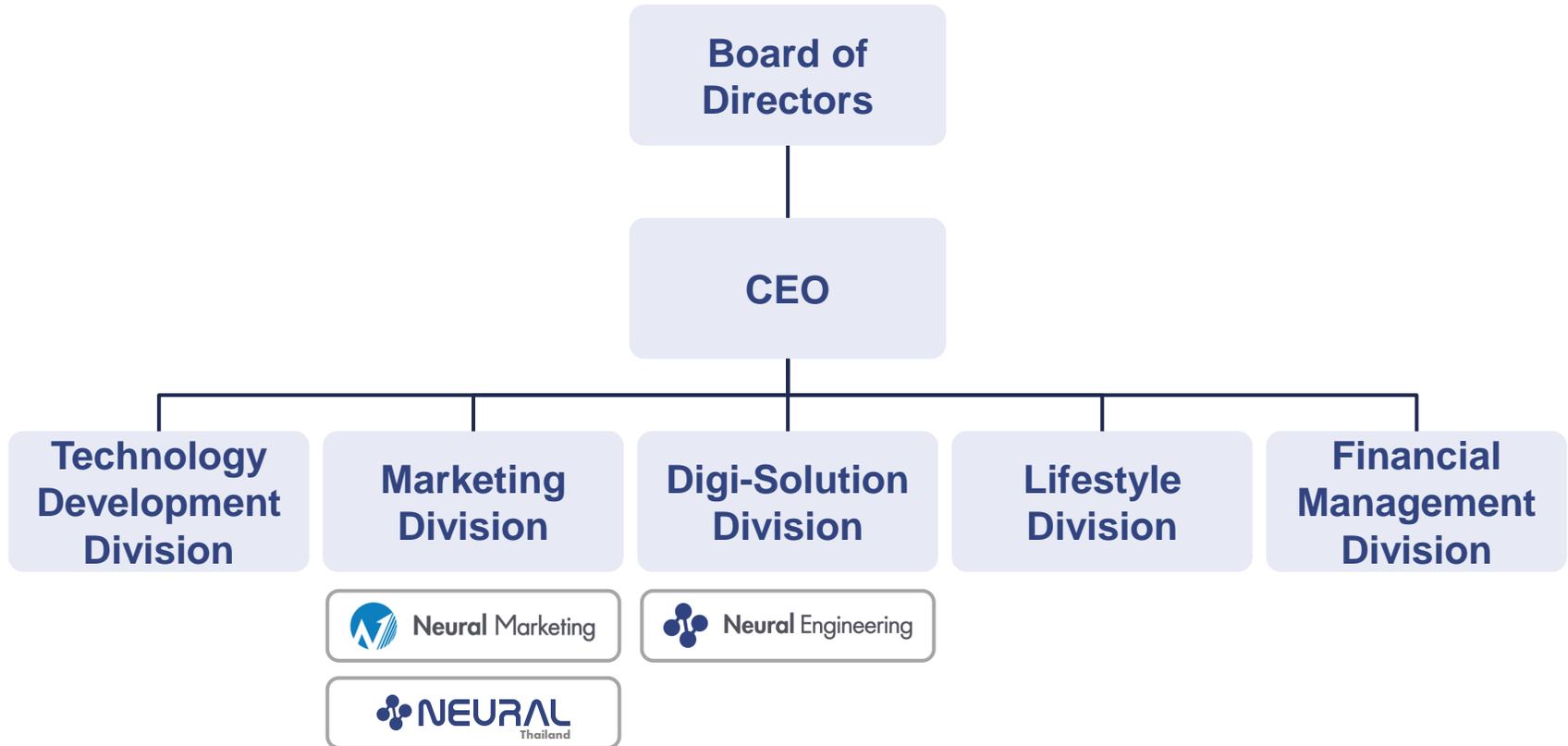
Promoting capital and business alliances with major companies while ensuring share liquidity

Note: Reflects the capital increase through third-party allotment to Kyodo News and Cross Plus, which was contracted and announced on Dec 22 and paid in on Jan 10, based on the shareholder register as of December 31, 2023.

General shareholders/ floating shares[1]

4.6%

VC/ angel investors[2]

24.4%

Total issued
13,784,000 shares

71.0%

Management[3]

Aug. 20th, 2020 (prior to IPO)

General shareholders/ floating shares

18.8%

12.6%

Total issued
14,013,200 shares

68.6%

VC/ angel investors

Management

Dec. 31st, 2020 (shortly after IPO)

General shareholders/ floating shares

30.7%

56.5%

Total issued
15,331,031 shares

8.2%

0.6%

0.6%

4.5%

VC/ angel

Management

Sony Corporation

Cross Plus   **Kyodo News**

Jan 31st, 2024 (Latest)

Partnerships with operating companies to expand sales of edge AI services

*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.

Quarterly net sales trajectory per service domain

Net sales trajectory

(million JPY)

■ Digi-Solution services
□ Lifestyle/ Innovation services

	FY2019 (2nd term)				FY2020 (3rd term)				FY2021 (4th term)				FY2022 (5th term)				FY2023 (6th term)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	33	62	91	126	163	164	184	251	288	202	294	226	513	640	734	991	603	772	819	984
Lifestyle/Innovation	[30]3	28	[32]32	[31]	[22]	[25]	[32]	[32]	56	65	66	[20]	34	70	131	170	95	186	96	68
Digi-Solution		34	59	95	141	139	152	219	232	137	228	206	479	570	603	821	508	586	723	916

FY2024 ended Dec. consolidated balance sheet

Pro forma calculated taking into account the capital increase through the allotment to Kyodo News and Cross Plus Inc. announced on Dec 22, 2023

(million JPY)	FY2024 ended Dec. 2024	FY2024 ended Dec. 2024 Considering capital increase[1]
	As of Dec 31st	As of Dec 31st pro forma
Total current assets	**1,628**	**1,824**
Cash and cash equiv.	821	1,017
Total non-current assets	**1,662**	**1,663**
Total assets	**3,291**	**3,487**
Total liabilities	**2,823**	**2,828**
Interest bearing debt	2,419	2,419
Total net assets	**467**	**663**

[1] Estimated amount of 196,000,192 yen, calculated by the amount paid in (200,000,192 yen) minus the estimated cost of issuance (4,000,000 yen), was added to cash and cash equivalents and net assets to calculate the pro forma balance sheet.

Digi-Solutions unit installation growth (cumulative)

Cumulative installation units by quarter:

	FY2021				FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	103	121	185	406	644	980	1,265	1,531	1,738	1,988	2,286	2,644 ユニット
DigiLook[1]	16	24	90	301	106	317	547	806	1,024	1,254	1,520	1,835
SignDigi[2]	87	97	95	105	384	485	526	496	454	456	473	499
DigiPark/ DigiFlow etc.[3]				154	178	192	229	260	278	293	310	

*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.

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

Disclaimer

Handling of the material

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