



Financial Results Briefing Material

FY2021 Q3 (ended Sep 30th, 2021)

Neural Pocket Inc.
Nov 12th, 2021



- **Business Overview and FY2021 Q3 Highlights**
- Business Progress Per Service Domain
- Mid-Term Business Growth Strategy

Company mission

**“Update the world
for a better tomorrow”**

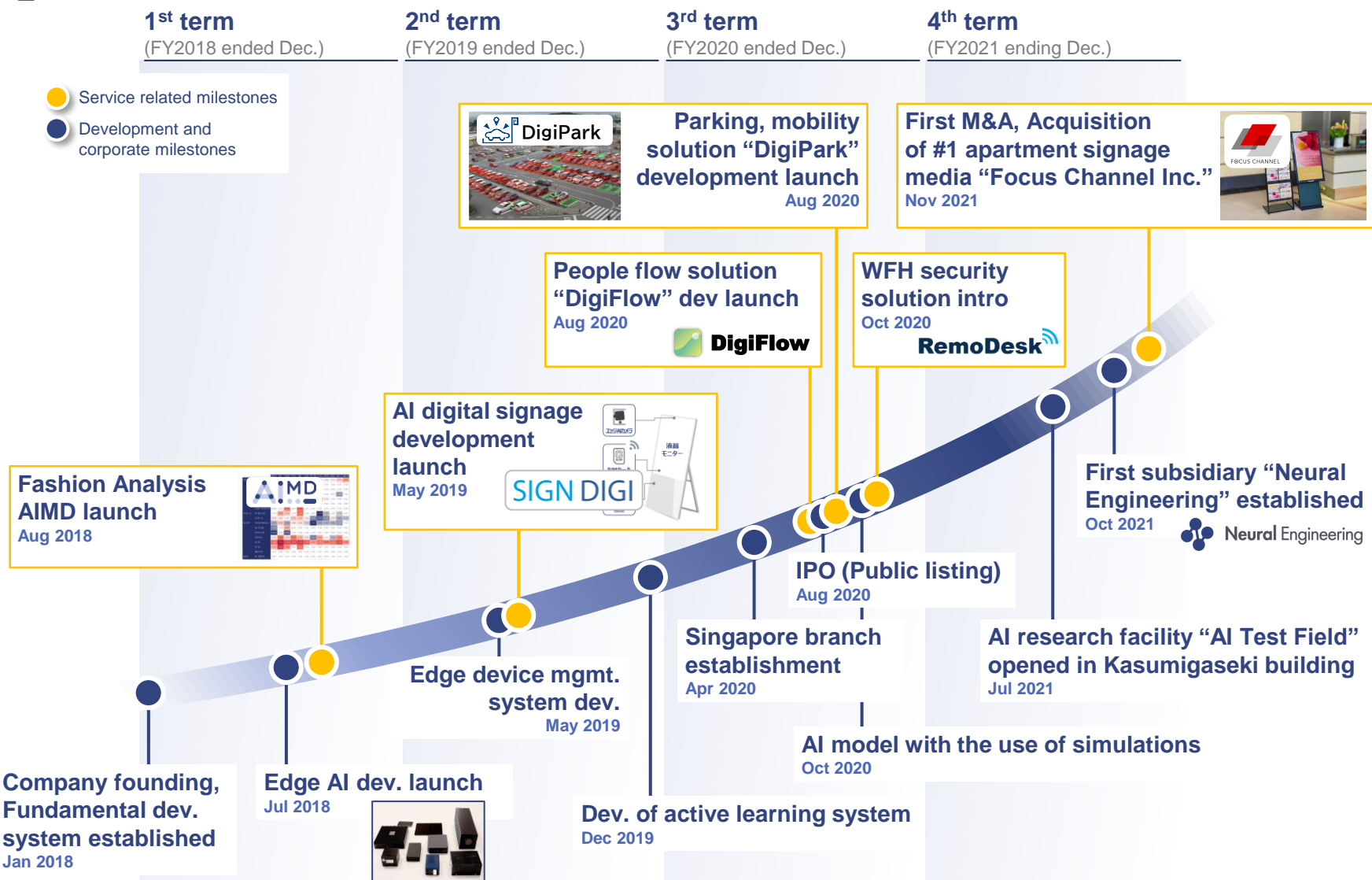


Our management team

	Name	Career overview
Board Directors	 CEO 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.
	 CTO Yuichi Sasaki	Worked on the discovery of the Higgs boson at CERN in Switzerland. After working for an AI venture, he joined Neural Pocket. He reads more than 1,000 research papers per year in a wide range of research fields and contributes to the development of the latest technologies. He is a driving force behind the company's research and development. Doctor of Science, University of Tokyo.
	 COO Han Zhou	After working at McKinsey's Japan office and China office, he joined Neural Pocket. Trilingual in Japanese, Chinese and English. Leads Business Strategy Department leveraging connections with major companies in Japan and overseas and his sales skills. He has contributed to the company's business expansion. Graduated from Osaka University, Faculty of Economics.
	 CFO Ryosuke Tane	He was engaged in private equity investment at Bain Capital Japan. After serving as the Tokyo General Manager of Oyo Technology and Hospitality Japan, he joined Neural Pocket. He has contributed to the development of the company's management base from a financial perspective, and also leads M&A activities. He holds an MBA from Stanford University's Graduate School of Business.
	 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!), etc. Appointed outside director of Neural Pocket in 2021. Holds an MBA from Stanford University's Graduate School of Business Administration.
Auditors	 Full-time auditor Miho Takemura	After working at Ernst & Young ShinNihon LLC (EY Ernst & Young ShinNihon 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	 Prof. 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.

History of Neural Pocket

👉 We have been developing our core technology and deploying unique AI services in rapid succession since inception.



Applying proprietary AI libraries to enable smart cities

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

“AI Smart City Revolution”



Smart City-related AI service market expected to reach 1T USD

👉 The industrial market related to AI in general is expected as 87 trillion yen in Japan (2030). In addition, the Smart City market, is expected to be worth 100 trillion yen worldwide, with massive investments into the space.

Collective AI market size across industries^{*1, 2}

Domestic

0.8T USD



2030年

Wholesale, retail, lifestyle related, advertising, transportation & mobility

Smart City market size

Global

Research company/ Report name	Global market size
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 And Region - Global Forecast to 2023	In 2023 0.7T USD

*1 Source: Report from EY Soken (Creation and disruption that AI will bring to management)

*2 Calculated using 113 JPY/ USD exchange rate

We develop proprietary AI-enabled image recognition technology

👉 Through the development of proprietary detection logic and generation of original training data, the company has a large number of compact, high-quality proprietary AI libraries adequate for installation in edge devices.

Marketing

Age, gender



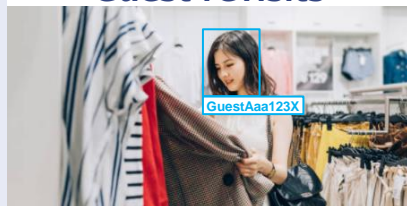
Line of sight, view rate



Crowd analysis

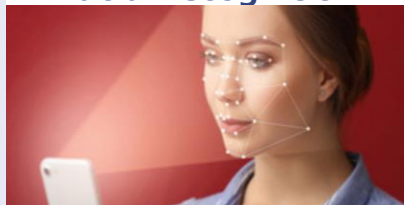


Guest revisits



Security

Facial recognition



Intruder detection



Safety monitoring



Pedestrian flow, count



Mobility

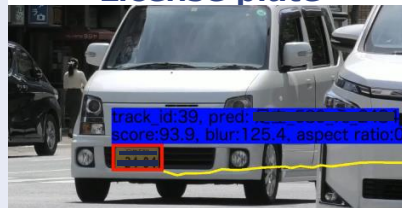
Vehicles, road signs



Parking lot occupancy



License plate

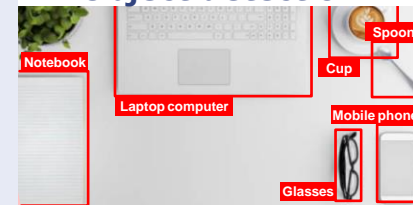


Traffic analysis

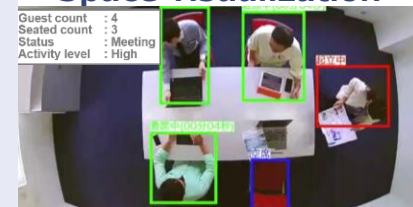


Operations

Object detection



Space visualization



Fashion, equipment



Emotion recognition

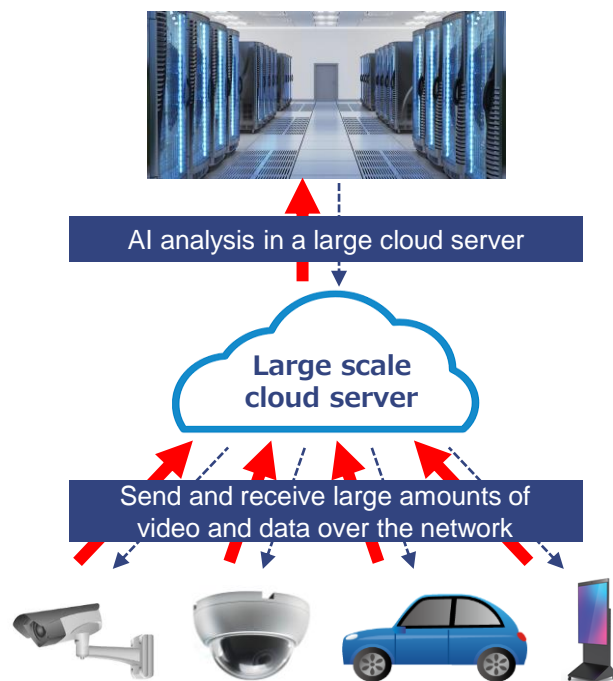


Edge AI can overcome many issues traditional Cloud AI faces

👉 We have focusing on the development of "edge AI" which has many advantages over traditional cloud AI, namely low cost, low latency, low power consumption, and enhanced privacy protection.

Cloud AI

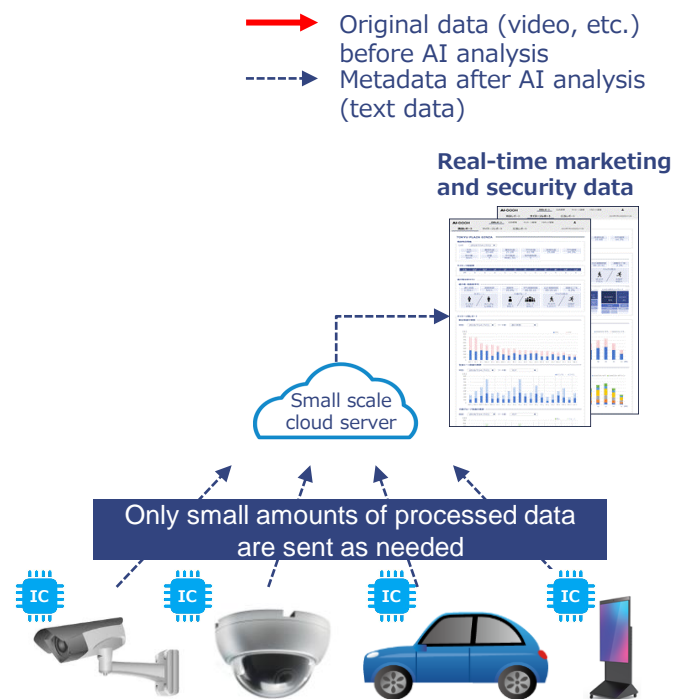
Conventional approach



- **High costs** (Communication and maintenance)
- **High latency** (High network load)
- **High electricity consumption**

Edge AI

Our approach



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

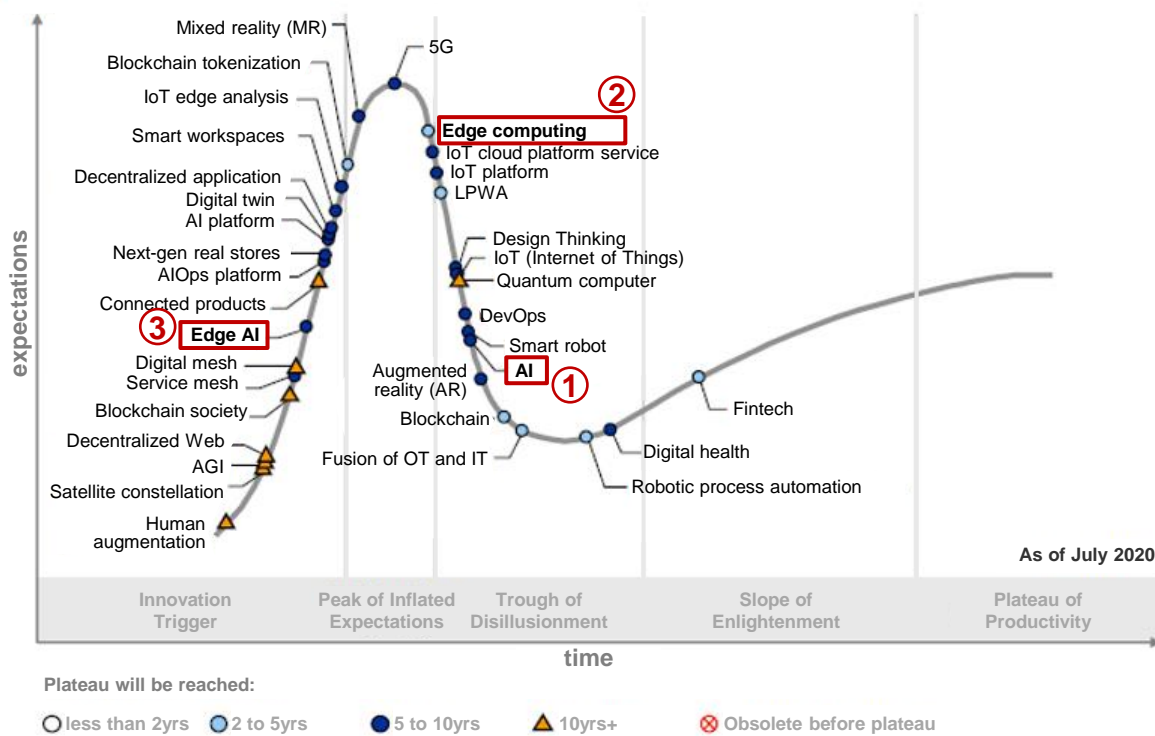
Also greatly contributes to privacy protection

Technological evolution of AI and the positioning of "Edge AI"



While AI, which has been attracting attention since 2012, has settled down, "edge AI" is still in its infancy and is expected to undergo further technological innovation and mass adoption.

Technology trend by Gartner*1



AI technology evolution and the implications for Neural Pocket

- ① Since the development of deep learning in 2012, AI has continued to evolve and the **evolution of the technology has eased**
- ② The **generalization of edge computing** has progressed through technological innovation by NVIDIA and other edge device manufacturers
- ③ On the other hand, there are only a few companies globally that have the ability to develop **compact, high-quality AI** that can be installed on edge devices, making **"Edge AI" an area ripe for innovation where first-mover advantage can still be captured**

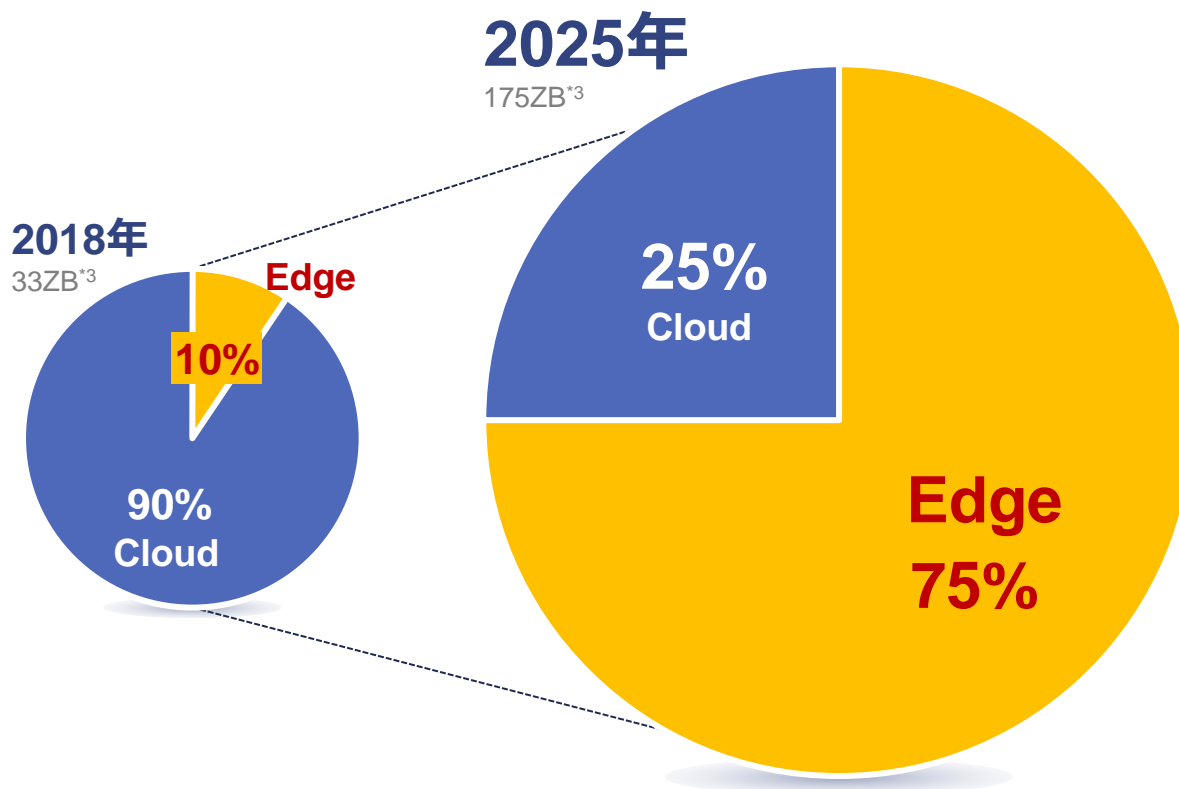
*1 Gartner regularly publishes the above emerging technology hype cycle schematic. Web URL: <https://www.gartner.co.jp/ja/newsroom/press-releases/pr-20200910>

Rapid expansion of Edge is expected

 The growth of the edge data is expected to significantly outpace the growth of the cloud, with an annual growth rate of 69%.

Edge vs Cloud share forecast ^{*1*2}

Through 2018 to 2025



Growth forecast

Through 2018 to 2025



*1 Source for Edge share: What Edge Computing Means for Infrastructure and Operations Leaders, Gartner (Oct 2018).

*2 Source for amount of data: Data Age 2025 Whitepaper, IDC (Nov 2018), accounts for all data created, captured, and replicated globally

*3 Zeta byte. Units of data. Equivalent to 10⁹ TB (terabyte).

*4 Compound annual growth rate.

FY2021 Q3 key highlights



Sales growth has continued to progress whilst maintaining a high profit margin. In addition, we continue to construct the business's foundation to further scale our business, including the execution of our first M&A.

Revenue growth

Q1-Q3 cumulative
Net Sales 784M JPY

Net sales growth
+53%

FY'21 Q1-Q3 vs FY'20 Q1-Q3

Profitability (Gross profit)

Q1-Q3 cumulative
Gross profit 643M JPY

Gross profit margin
82%

Employees^{*1}

46 employees
(+11)

(): vs Sep. 2020

Patents

Cumulative^{*2}

27 patents
(+10)

(): vs Sep. 2020

M&A

Company's 1st M&A

Deal #1
"Focus Channel Inc."
became a 100% subsidiary

*1 As of Sep 30th, 2021. Does not include executives, part-time staff, interns. Also does not include wholly owned subsidiary Focus Channel Inc. since transaction consummated on Nov. 1st.

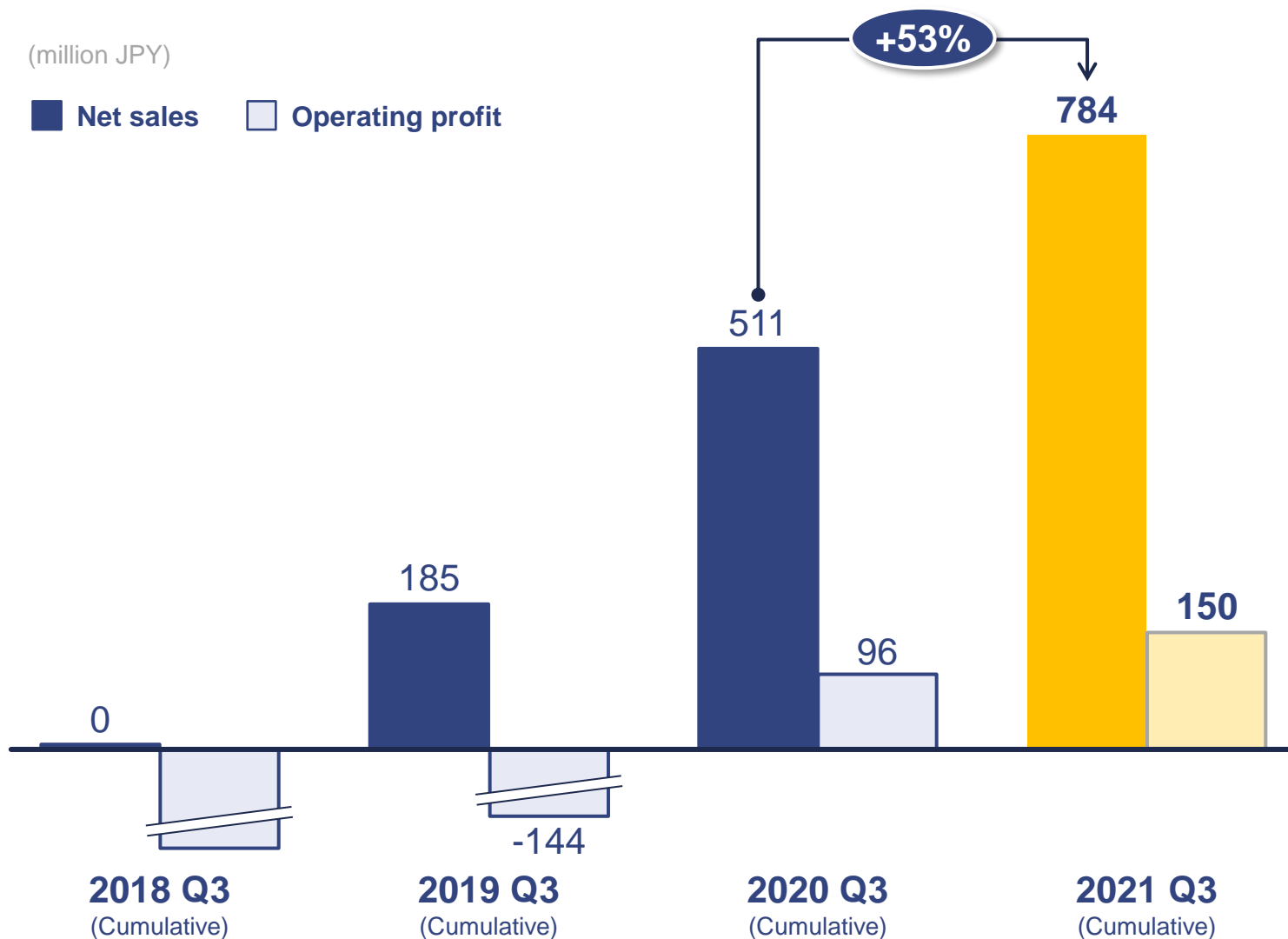
*2 Total of i) granted 13, ii) applying domestically 10, iii) applying internationally 4.

FY2021 Q3 ended Sep. performance trajectory

 In FY2021 Q3 cumulatively, sales grew 53% compared to last year. Achieved steady growth in both sales and operating income.

(million JPY)

Net sales Operating profit



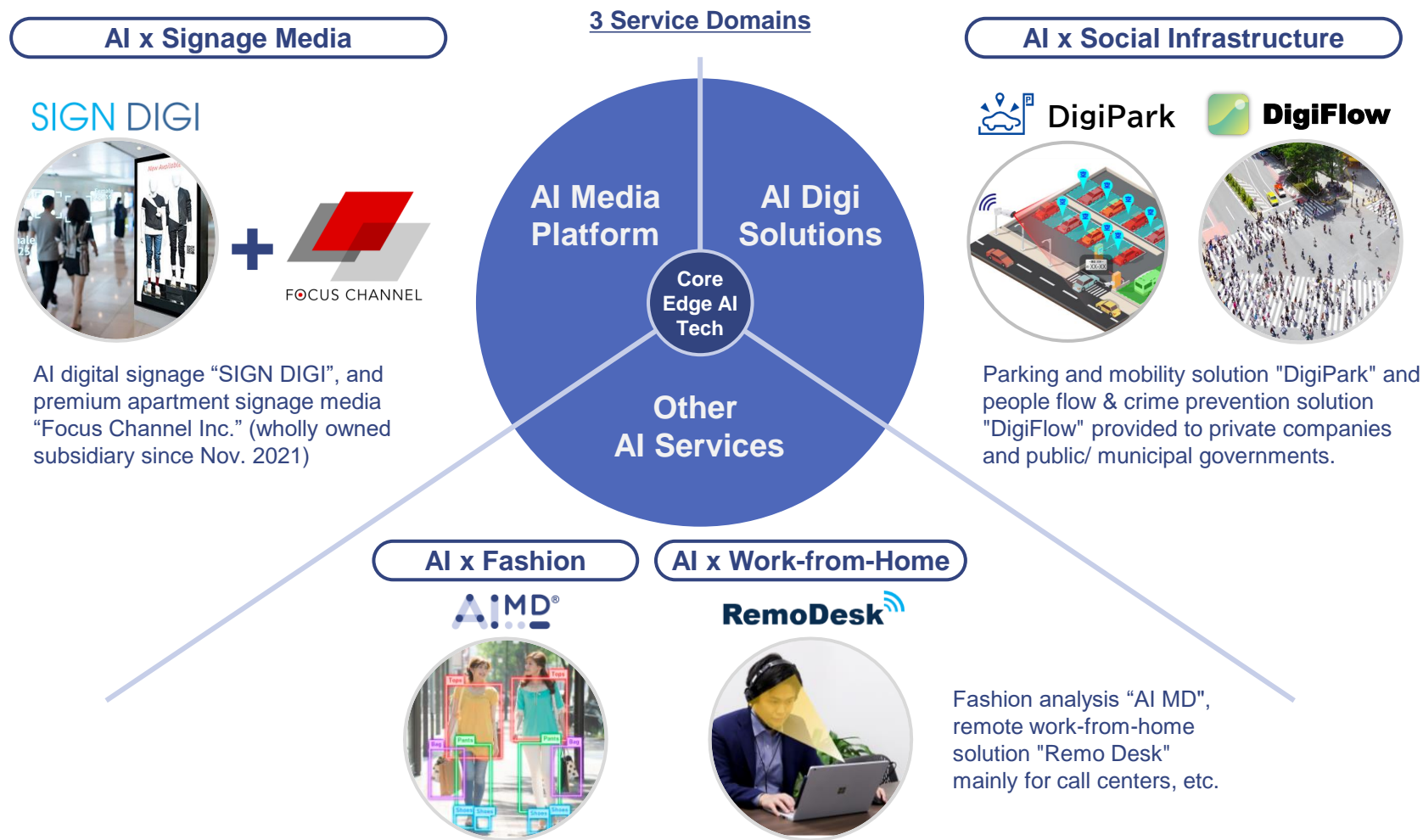
FY2021 Q3 ended Sep. Statement of Income

 Achieved steady sales and profit growth while maintaining high profit margins.

(million JPY)	FY2020 Q3 ended Sep. (cumulative)	FY2021 Q3 ended Sep. (cumulative)	Increase Amount	Increase Percentage
Net sales	511	784	+272	+53.3%
Gross profit % of net sales	466 91.2%	643 82.0%	+176	+37.8%
EBITDA^{*1} % of net sales	115 22.6%	208 26.5%	+92	+79.6%
Operating profit % of net sales	96 18.9%	150 19.2%	+53	+55.5%

Applying edge AI technology to 3 domains to create unique value

👉 We are enabling a more convenient society through applying our core edge AI technology to various domains. Our two main service domains are "AI Media Platform" and "AI Digi Solutions".



Revenue trajectory per service domain

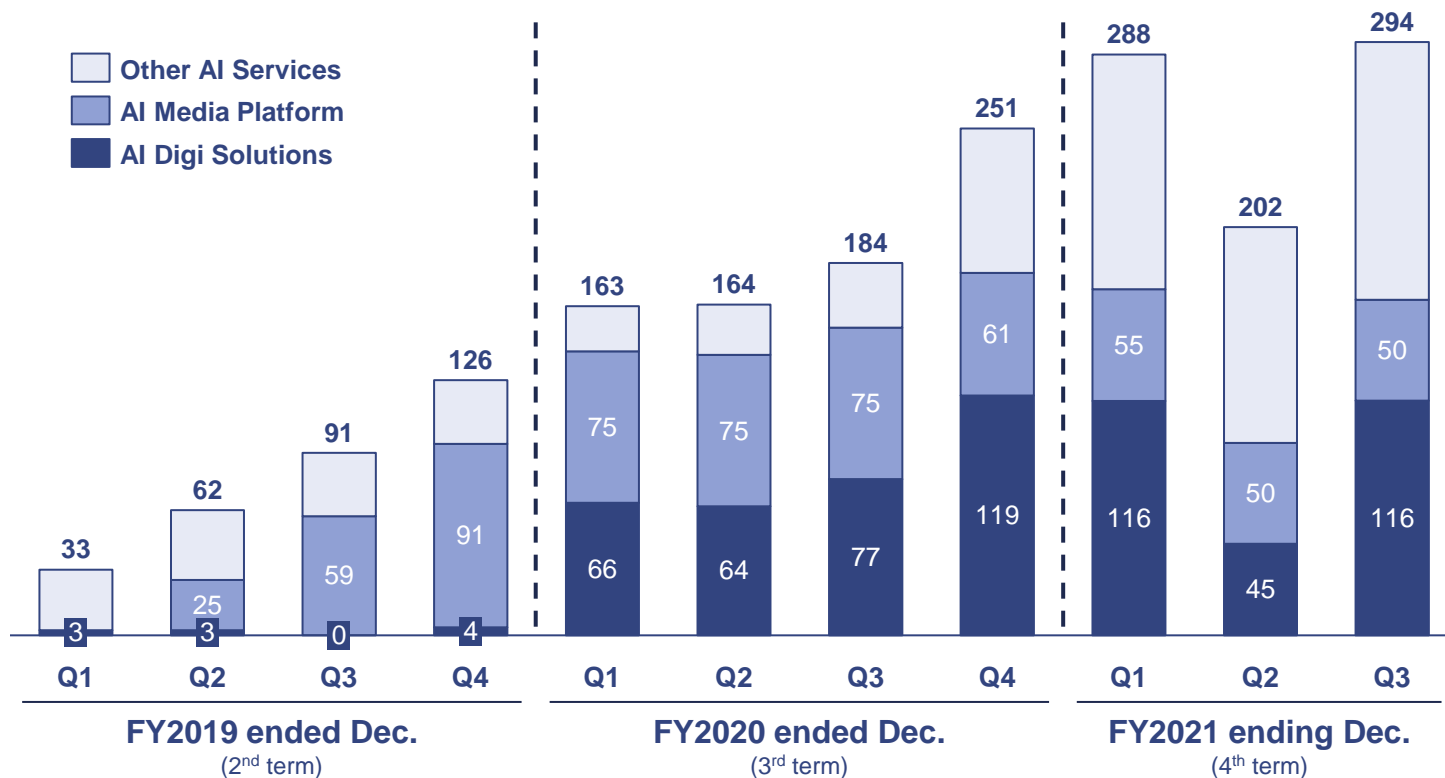


Since inception, the company has achieved steady sales growth while promoting the development of various seeds that constitute "AI Media Platform" and "AI Digi Solutions". Through FY2021, we are selectively promoting activities to evolve these seed technologies into scalable business.

Fundamental development of AI libraries and AI logic

Establishment of AI services and system development

Fortification of AI services and progress towards business scalability



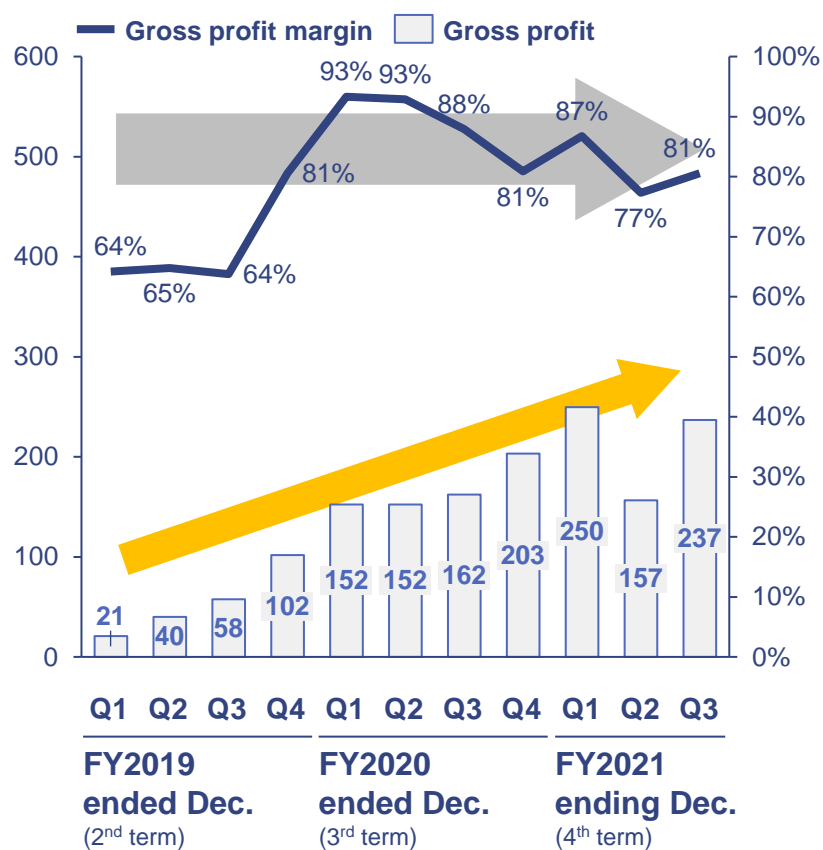
Quarterly trajectory of gross profit and EBITDA



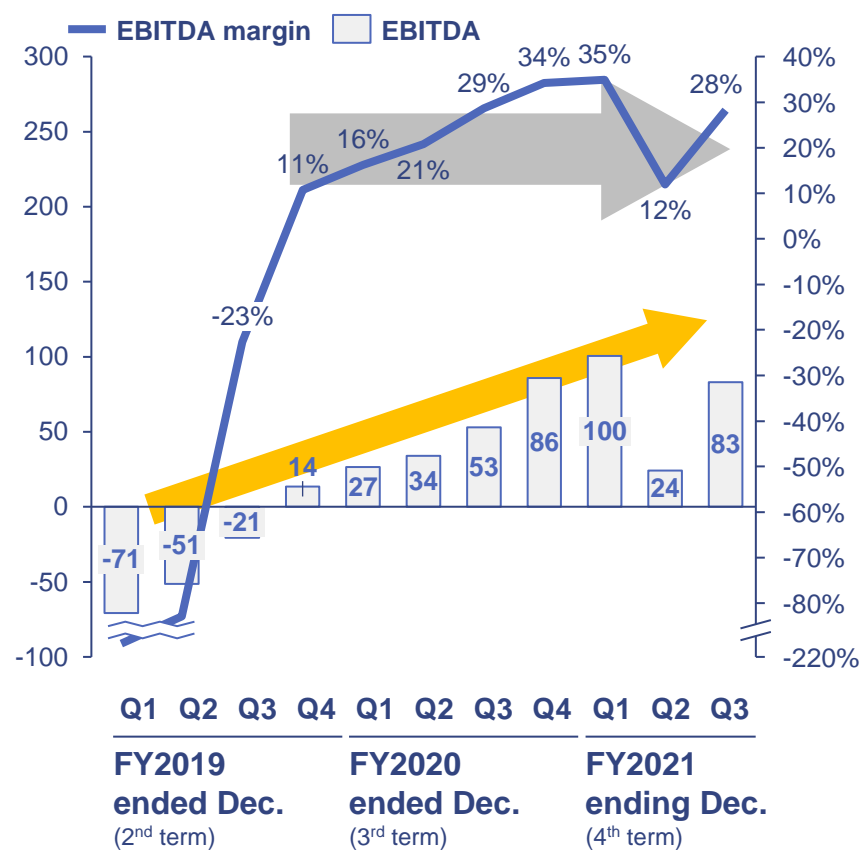
Promoting revenue growth while maintaining high gross profit margin and EBITDA margin. Going forward, we plan to prioritize sales growth while maintaining current profitability.

Gross Profit

(million JPY)



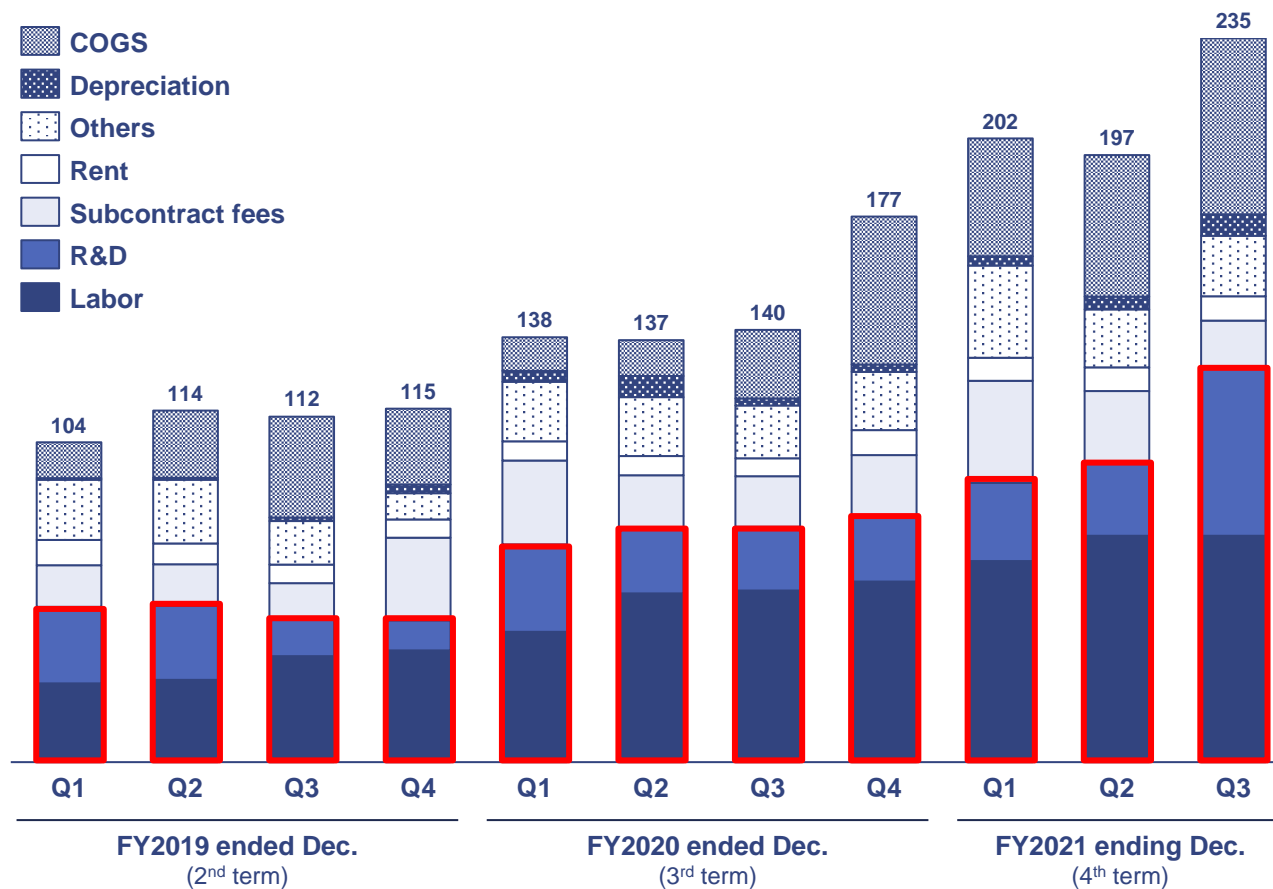
EBITDA



Quarterly cost (COGS and SG&A)



Approximately half of total costs are allocated to technology development and service development (personnel and R&D costs).



Customer base*1

We have constructed a solid customer base providing services across a wide range of industries, mainly to major corporations, public institutions and local governments.

Advertising



Real Estate



Public services, Government



IT, Telecom, Trading Co.



Apparel, Retail



*1 Suppliers, business partners, and collaborators.

Public app at many public organization sponsored events

 Participation in events to promote our visibility and presence in the field of AI-enabled urban development.

AI technology

- **Soft Bank World 2021**
- **Japan Council of Shopping Centers Business conference**
- **JR East Mobility Transformation Consortium**
- **The Telecommunications Association Broadband and Ubiquitous Computing Research Committee**

Urban planning

- **Panasonic/ Life Solutions “Project PLATEAU Ver1.0”**
- **Urban Renaissance Agency UR People, Town, and Life Symposium “Creating a Town of Sports and Health”**
- **Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism 1st Expert Workshop 2021**

Collaboration with academia

- **Yokohama “f” College Special lecture**
- **Aoyama Gakuin University Special lecture**
- **Tokyo Keizai University Special lecture**
- **Taisho University Special lecture**
- **DCON2022 (Technical College Deep Learning Contest) Review board**

Apparel

- **Senken Shinbun “Fashion DX Day 2021”**
- **Ministry of Economy, Trade and Industry The 5th Study Group on Sustainability in Textile Industry**

Others

- **Aomori City “Oha☆Star” Lectures for entrepreneurs**
- **NTT Docomo Ventures Start-up Academy**
- **WIRED STARTUP LOUNGE “The Art of Innovation -Mirror World”**



List of member organizations

 Leading AI smart city activities as an active member of various industry associations.

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

Kamakura City Smart City Public Private Sector Research Association

MaaS Social Implementation Promotion Forum

Industry groups

Keidanren
Japan Business Federation




Japan Deep Learning Association



JCSC
Japan Council of Shopping Centers



OCCI The Osaka Chamber of Commerce and Industry



Michi-no-Eki

Collaboration with corporations



ONE SHIP
SoftBank Business Partner

SoftBank
5G Consortium



MONET CONSORTIUM



NVIDIA
NVIDIA METROPOLIS



NTT PC COMMUNICATIONS
Innovation
LAB

Trajectory of employees*1: Continue to strengthen personnel to ensure sustainable growth

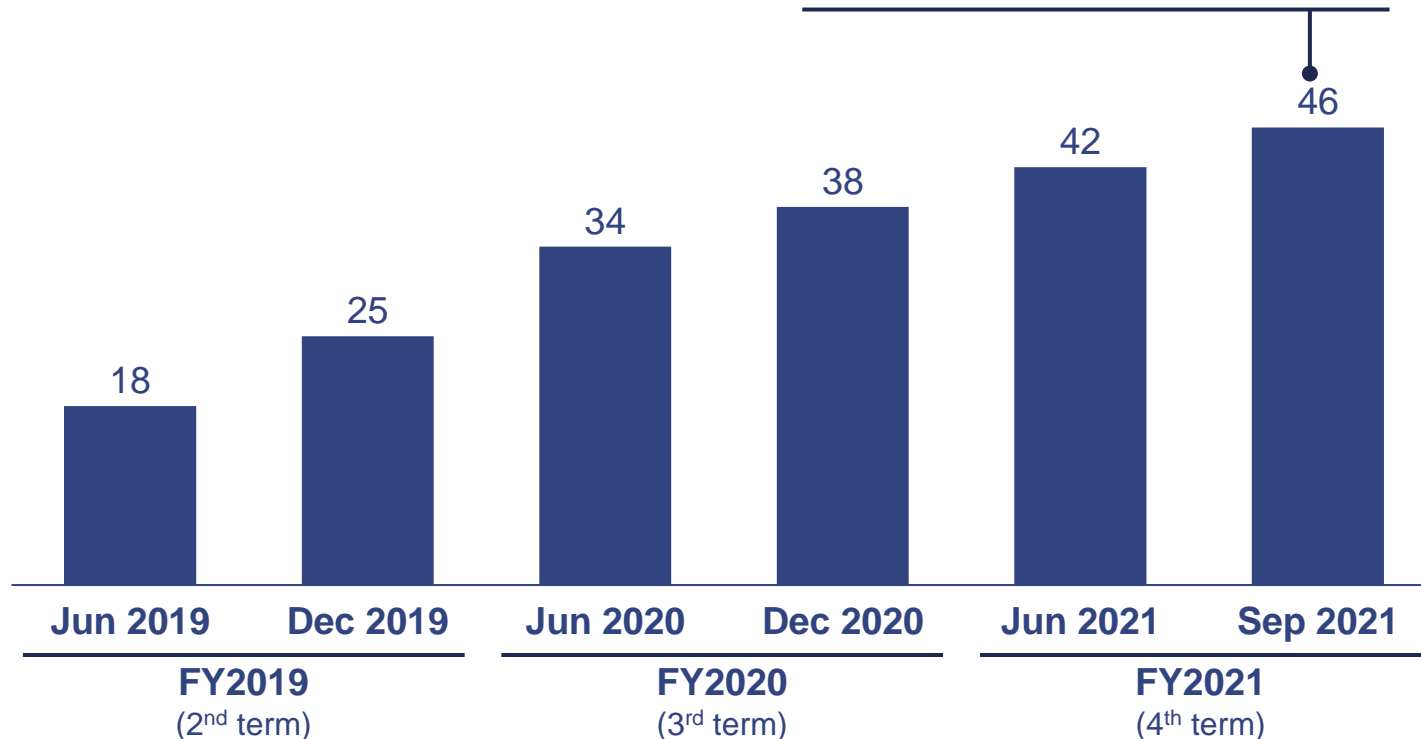


Since inception, the organization has been steadily expanding with a focus on engineers. The ratio of engineers among the total workforce is around 70%, where we attract excellent AI talent globally.

31 engineers, from **7** countries



※Japan, UK China, South Korea India, France, Russia



*1 Full-time employees. Does not include executives, part-time staff, interns. Also does not include wholly owned subsidiary Focus Channel Inc. since transaction consummated on Nov. 1st.

Profile of the development functions and technical personnel who support our technology development



A team of engineers with diverse backgrounds support the development of functions such as AI logic research and development, edge operation systems, ad content management systems, front-end, back-end, quality control, cyber security, etc. enabling for our company's integrated product development.

Technology development team has diverse AI product development capabilities



Engineers team with diverse backgrounds

CTO



Head of Technology, Executive Officer



AI System Leader



Head of Quality Assurance



AI Digi Solutions Business Lead



AI Ads Business Leader



AI Logic Development Leader



Tech Strategy Leader

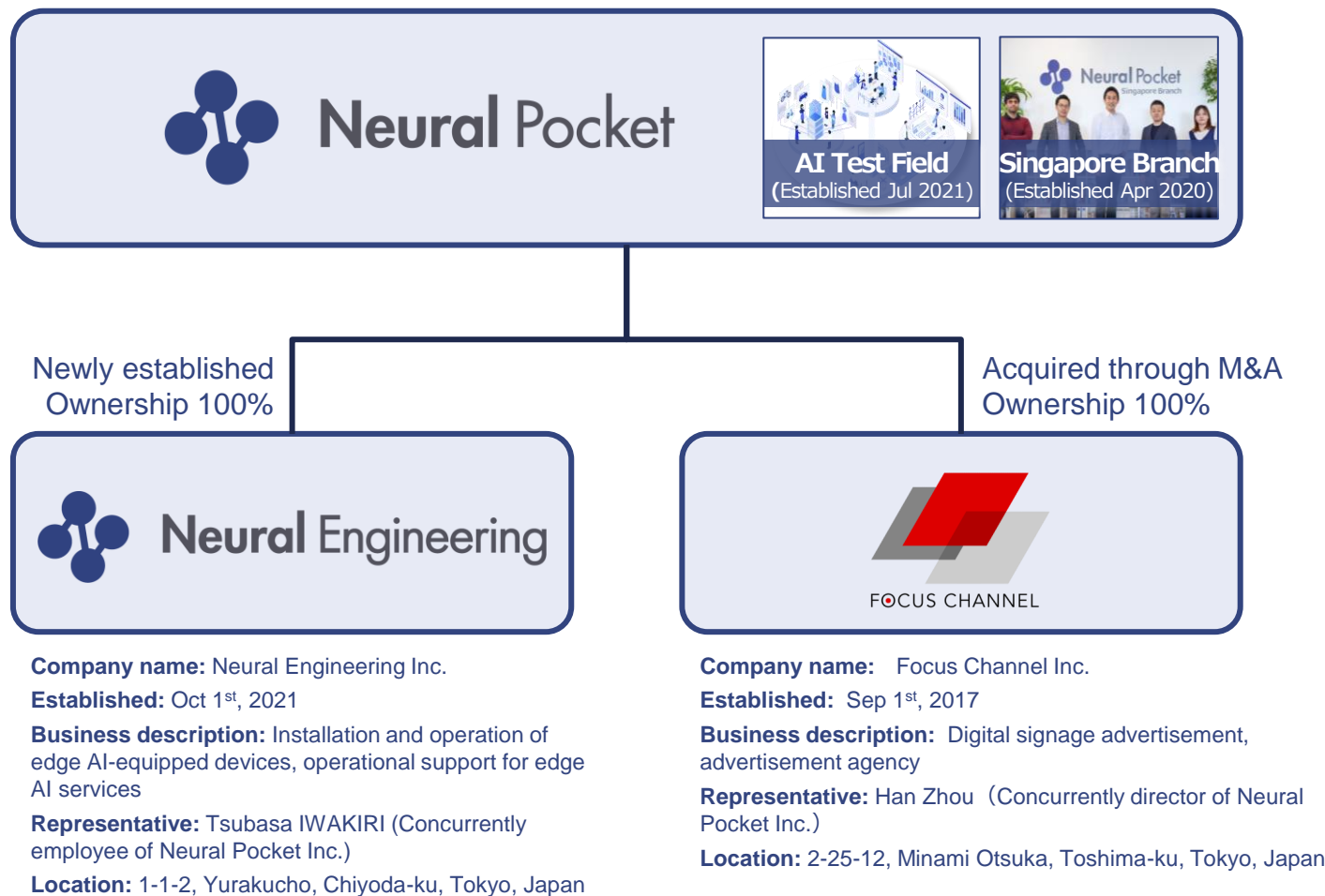


Edge Operation System Lead




Company group structure

👉 In Oct. we established a subsidiary, Neural Engineering Inc., and in Nov. we acquired 100% of the shares of Focus Channel Inc. to make it a wholly owned subsidiary, transforming Neural Pocket from a non-consolidated company to a group company. Consolidation of financial results are scheduled to begin from FY2021 Q4.



Patent acquisition status

 Strategically acquiring patents regarding core technologies to increase service defensibility. Also applied for international patents for particularly important technologies, in foreseeing overseas business development.

Domestic Pending

Currently applying for
10 patents
(±0)

(): increase from Sep. 2020

Domestic Granted

Have been granted
13 patents
(+6)

(): increase from Sep. 2020

International Pending

Currently applying for
4 patents
(+4)

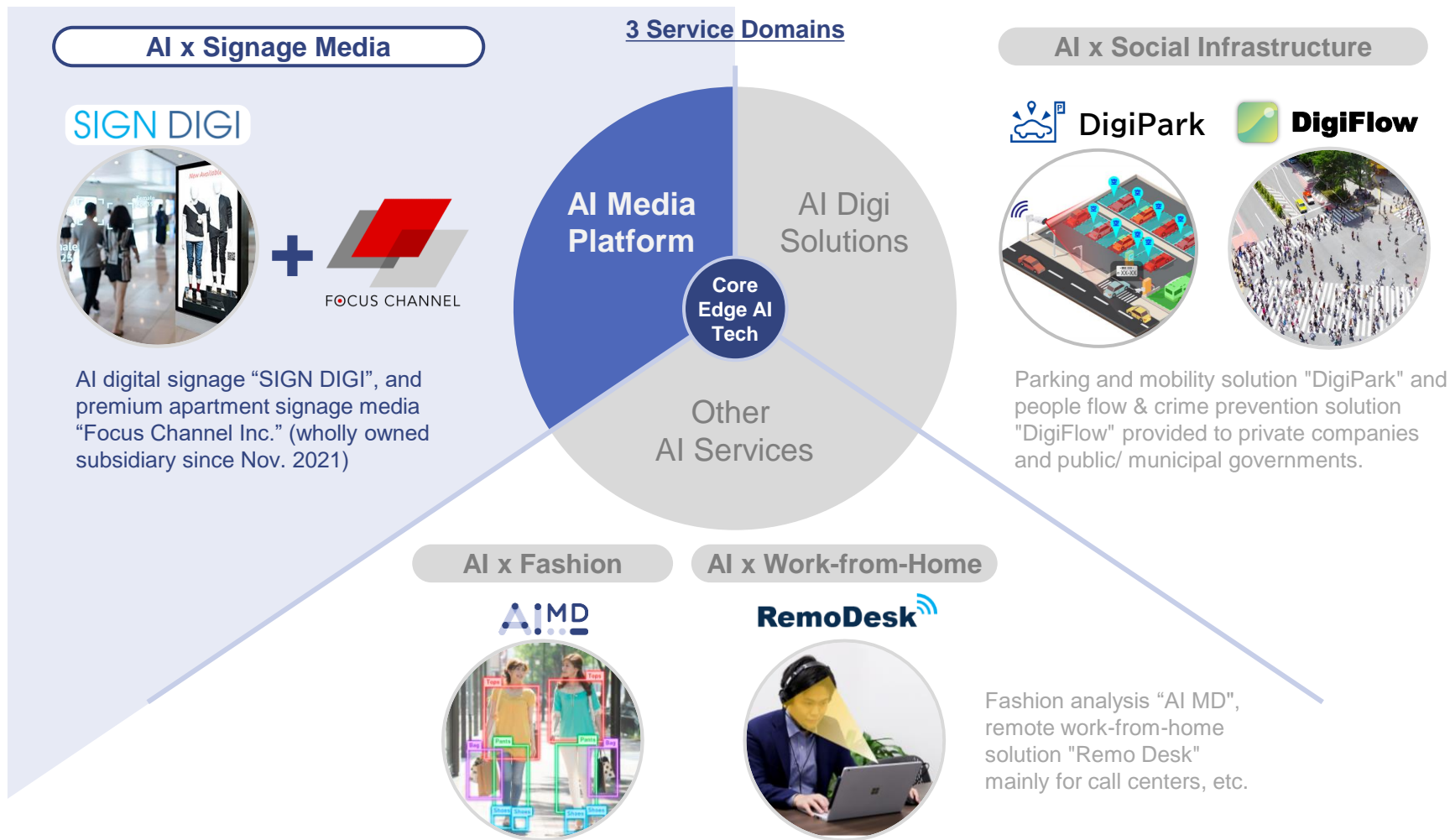
(): increase from Sep. 2020



- Business Overview and FY2021 Q3 Highlights
- **Business Progress Per Service Domain**
 - **AI Media Platform**
 - AI Digi Solutions
 - Other AI Services
- Mid-Term Business Growth Strategy

Business progress for AI Media Platform domain

👉 After steadily growing the installation base for "AI Media Platform" the business recently greatly progressed through the acquisition of Focus Channel Inc. in Nov. 2021. We will continue installation at an accelerated pace, aiming to become one of the largest digital signage media companies in Japan.

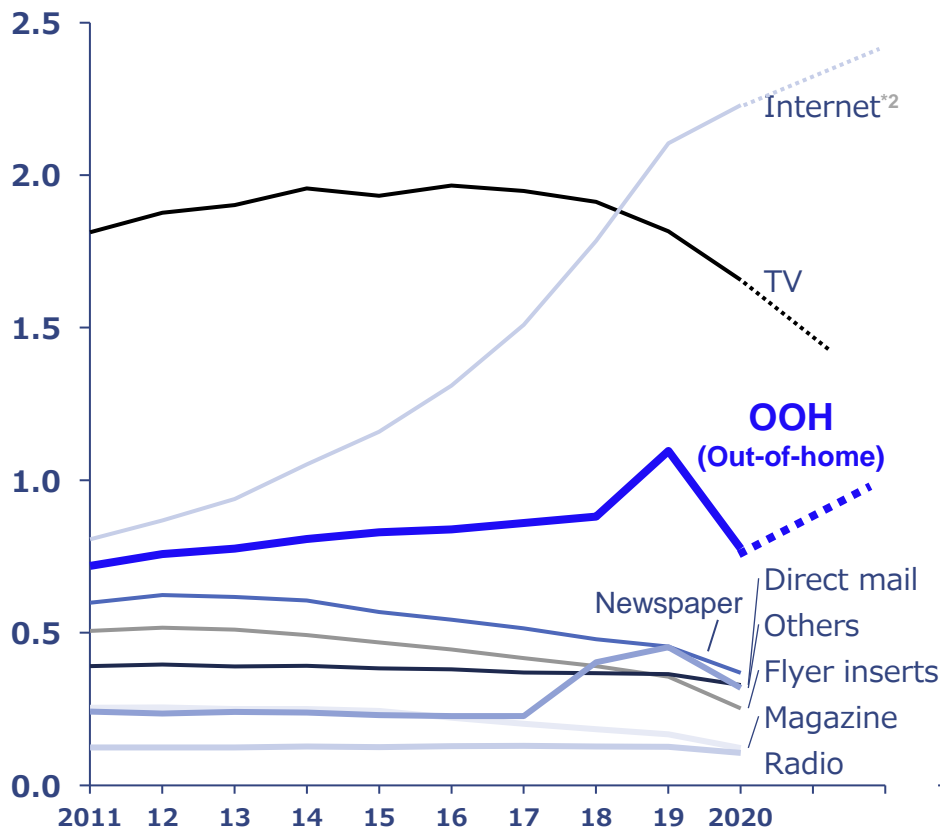


Market environment: Digital signage expects significant growth

👉 Outdoor advertising (OOH advertising) is the third largest market after TV advertising, and within that, digital signage is a very attractive market, especially with significant growth expected in the future.

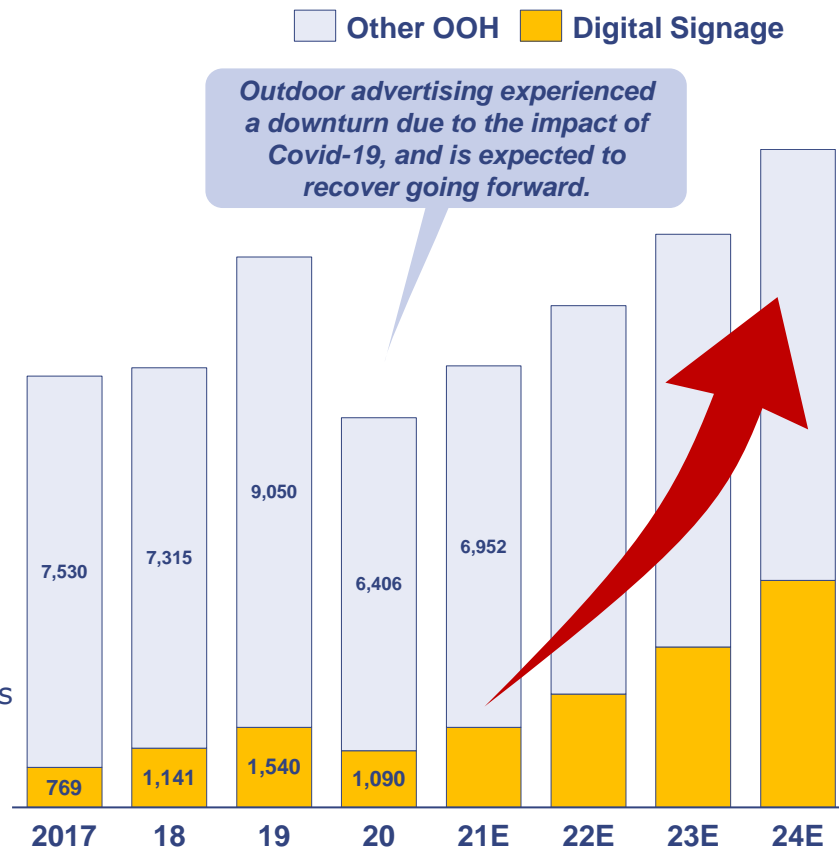
Domestic advertising market trend^{*1}

Trillion JPY



Digital signage market within OOH^{*1}

100 million JPY

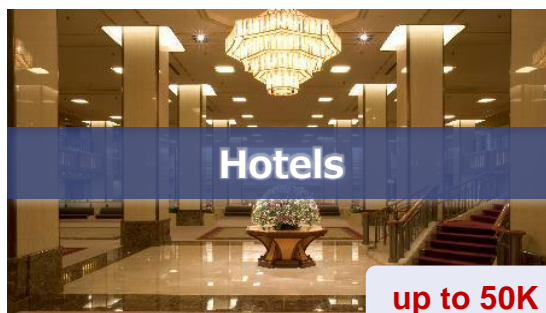
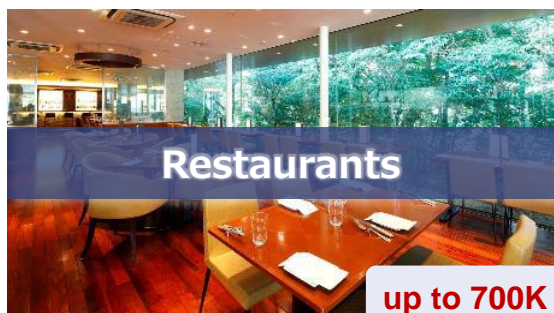
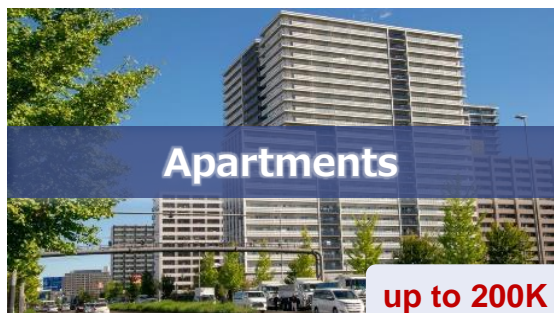


¹ Company estimate. (Source: "Japan's Advertising Expenditure in 2020" by Dentsu Inc. and "Survey on Digital Signage Market in 2020" by Yano Research Institute. Outdoor advertising and digital signage markets are estimated to continue to grow at a CAGR of 3 years after 2020.

² Internet includes various types of online advertising, such as click ads and ads on online video services.

Market environment: Huge existing potential for digital signage installation across various urban locations

 There is an inexhaustible list of potential locations for digital signages to be installed across the city. Growth is expected both through increase in share among existing OOH advertising*¹ and further additional OOH market expansion.



*1 Out-of-home advertising. The form of advertising that is found outside of a consumer's home. Includes everything from billboards to bus shelters, benches etc.

Characteristics of Neural Pocket's AI signage

👉 We developed AI signage equipped with (1) remote control and management functions for advertising and (2) effectiveness measurement functions that solve current issues in the outdoor advertising market.



Remote management and replacement of contents

Analysis and dashboard display of guest views

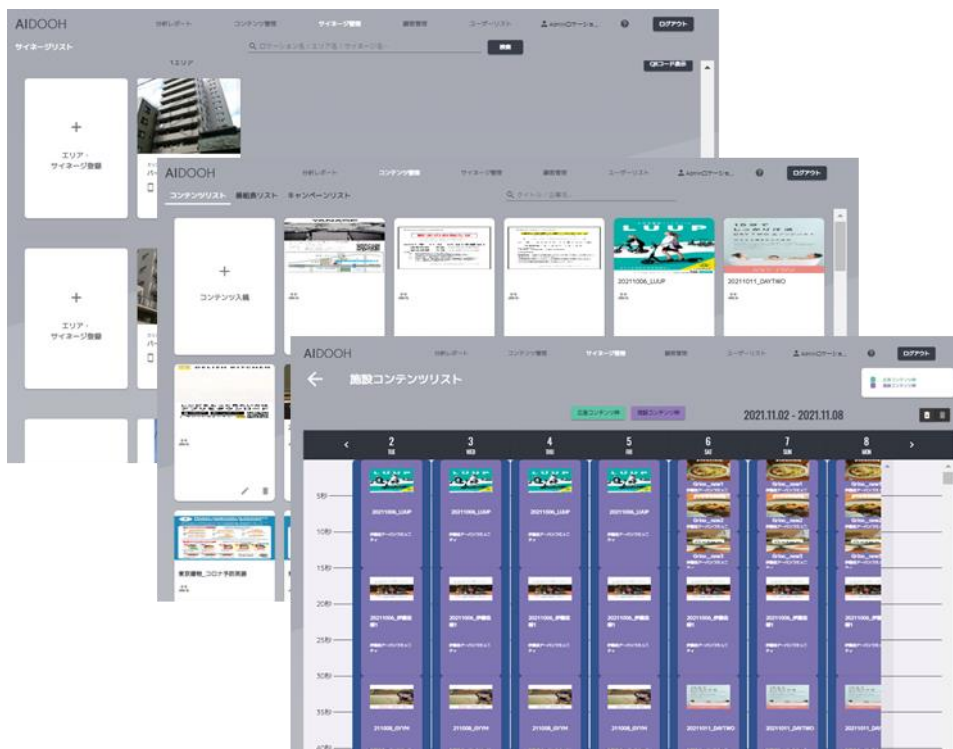


Remote content distribution and signage terminal management

Our in-house content management system (CMS) enables remote control of all signage terminals at once, ensuring smooth content distribution and stable operation. IoT signage operation at the world's highest level is achieved.

Proprietary content management system (CMS)

Constant online connection with SIM line allows for specification of contents to be delivered to each terminal without visiting the site: realizing highly IoT-oriented digital signage operation.



AI Signage operation monitoring

Proprietary AI terminal operation status monitoring tool ensures stable operation at the world's highest level: Automatic remote reboot and other responses.

STB稼働状況一覧							
登録端末数	通知対象端末数	正常稼働端末数	異常稼働端末数				
50	49	49	0				
#	STB ID	NW接続時刻	広告配信時刻	人流検定時刻	NW	広告	設置場所
50	80000392	2021/11/08-15:51:13	2021/11/08-15:51:47	2021/11/08-15:49:50			
49	80000348	2021/11/08-15:51:40	2021/11/08-15:50:43	2021/11/08-15:50:28	✓	✓	
48	80000293	2021/11/08-15:51:14	2021/11/08-15:50:23	2021/11/08-15:51:35	✓	✓	
47	80000398	2021/11/08-15:51:30	2021/11/08-15:51:54	2021/11/08-14:37:57	✓	✓	
46	80000282	2021/11/08-15:51:24	2021/11/08-15:51:55	2021/11/08-15:51:58	✓	✓	
45	80000395	2021/11/08-15:51:37	2021/11/08-15:50:51	2021/11/08-15:51:57	✓	✓	
44	80000083	2021/11/08-15:51:24	2021/11/08-15:51:32	2021/11/08-15:52:00	✓	✓	
43	80000079	2021/11/08-15:51:35	2021/11/08-15:51:50	2021/11/08-15:51:59	✓	✓	
42	80000067	2021/11/08-15:51:09	2021/11/08-15:51:43	2021/11/08-15:51:27	✓	✓	
41	80000399	2021/11/08-15:51:32	2021/11/08-15:51:03	2021/11/08-15:51:44	✓	✓	
40	80000404	2021/11/08-15:51:11	2021/11/08-15:51:42	2021/11/08-15:51:26	✓	✓	
39	80000402	2021/11/08-15:51:38	2021/11/08-15:50:57	2021/11/08-15:51:55	✓	✓	
38	80000401	2021/11/08-15:51:23	2021/11/08-15:51:53	2021/11/08-15:51:42	✓	✓	
37	80000400	2021/11/08-15:51:15	2021/11/08-15:51:53	2021/11/08-15:46:39	✓	✓	
36	80000403	2021/11/08-15:51:52	2021/11/08-15:51:46	2021/11/08-15:51:42	✓	✓	
35	80000255	2021/11/08-15:51:13	2021/11/08-15:51:55	2021/11/08-15:51:40	✓	✓	
34	80000282	2021/11/08-15:51:21	2021/11/08-15:51:54	2021/11/08-15:51:50	✓	✓	
33	80000363	2021/11/08-15:51:48	2021/11/08-15:51:58	2021/11/08-15:51:56	✓	✓	
32	80000416	2021/11/08-15:51:34	2021/11/08-15:51:58	2021/11/08-15:51:49	✓	✓	
31	80000260	2021/11/08-15:51:29	2021/11/08-15:51:59	2021/11/08-15:51:59	✓	✓	
30	80000337	2021/11/08-15:51:41	2021/11/08-15:51:41	2021/11/08-15:51:41	✓	✓	

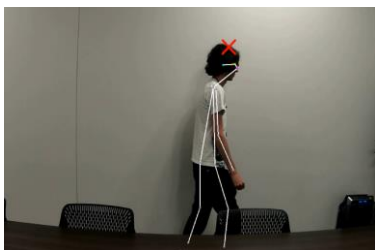
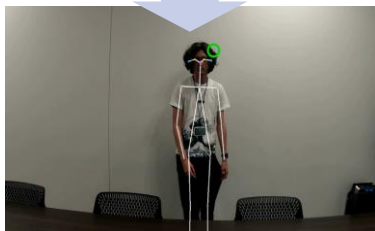
Stable operation rate of AI signage
(Past 6 month average through
May to November 2021)

99.5%

Measuring the effectiveness of OOH advertising with AI cameras

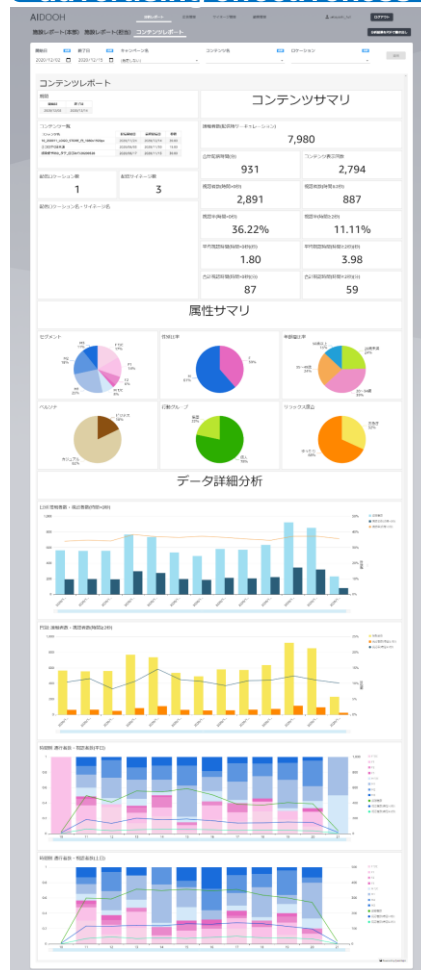
👉 Edge processing makes it possible to analyze and measure the effectiveness of outdoor advertising while respecting privacy, and will enable marketing analysis at the level of Internet advertising.

AI viewing analysis



Privacy maintained through edge AI processing

Visualization of advertising effectiveness




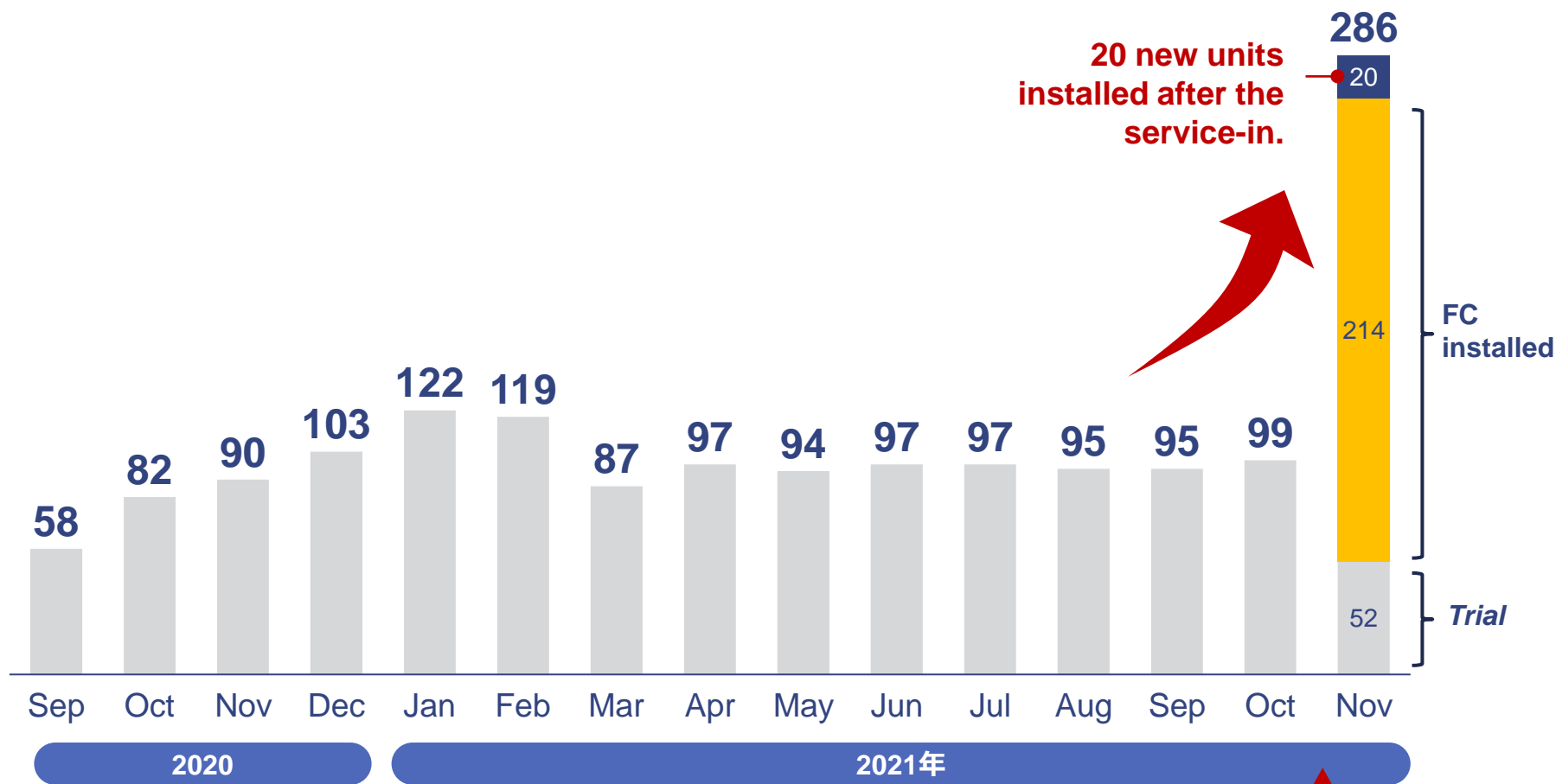
Enables marketing similar to Internet advertising

AB test comparison between multiple content

Comparison of viewer ratings for each advertisement by time slot

Number of units of signage installed to date

 In addition to the official launch of the service in November 2021, the number of installed units increased rapidly with the acquisition of Focus Channel Inc.



Focus Channel (FC) became a wholly owned subsidiary

Full-scale entry into the digital signage business through the acquisition of Focus Channel Inc.

👉 Expanded signage installation to high-grade residential apartments in addition to previously installed commercial facilities and office buildings.

Characteristics of apartment signages



Ave resident household income, 10 million JPY

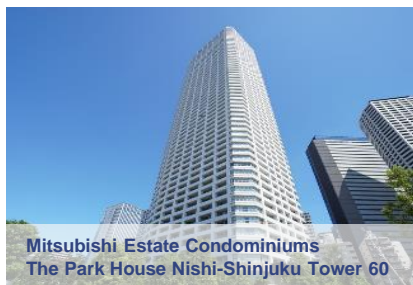
High fidelity targeting of audience

Stable persona and reliable viewing

Ad effectiveness easily measured

Coexistence with airing from address info of facility info

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



Number of units in parentheses

Mitsubishi Estate

- 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)

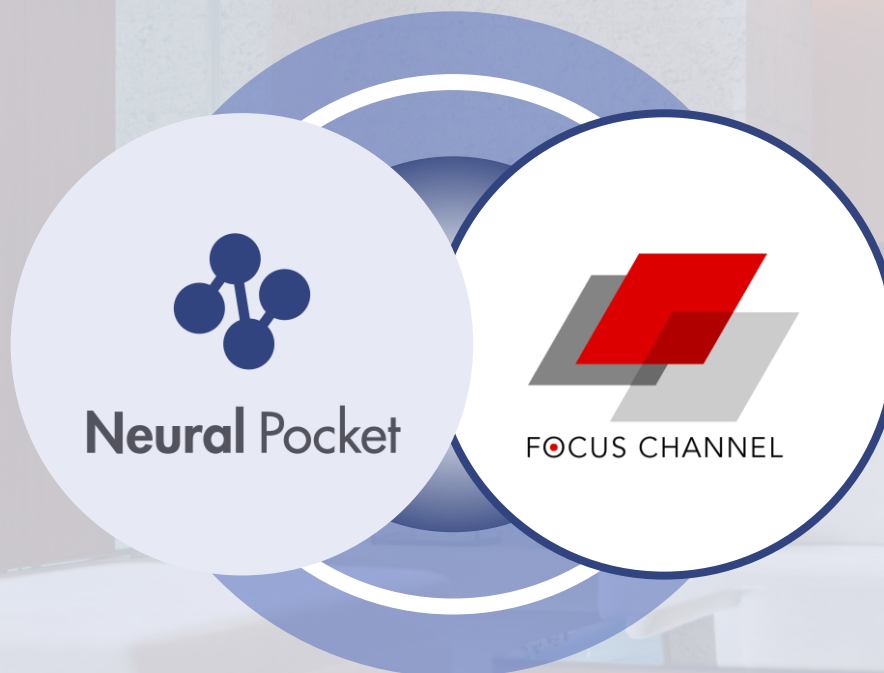
Creating significant business synergies within the Neural Pocket group

 By combining the strengths of both Neural Pocket and Focus Channel, there are significant opportunities to create business synergies within the signage media domain, starting with high grade apartment signages.

**Unique AI signage
with viewer analysis**

**Stable and efficient
content delivery
system that realizes
stable and efficient
operations**

**Extensive network
cultivated through AI
signage and smart
city business**



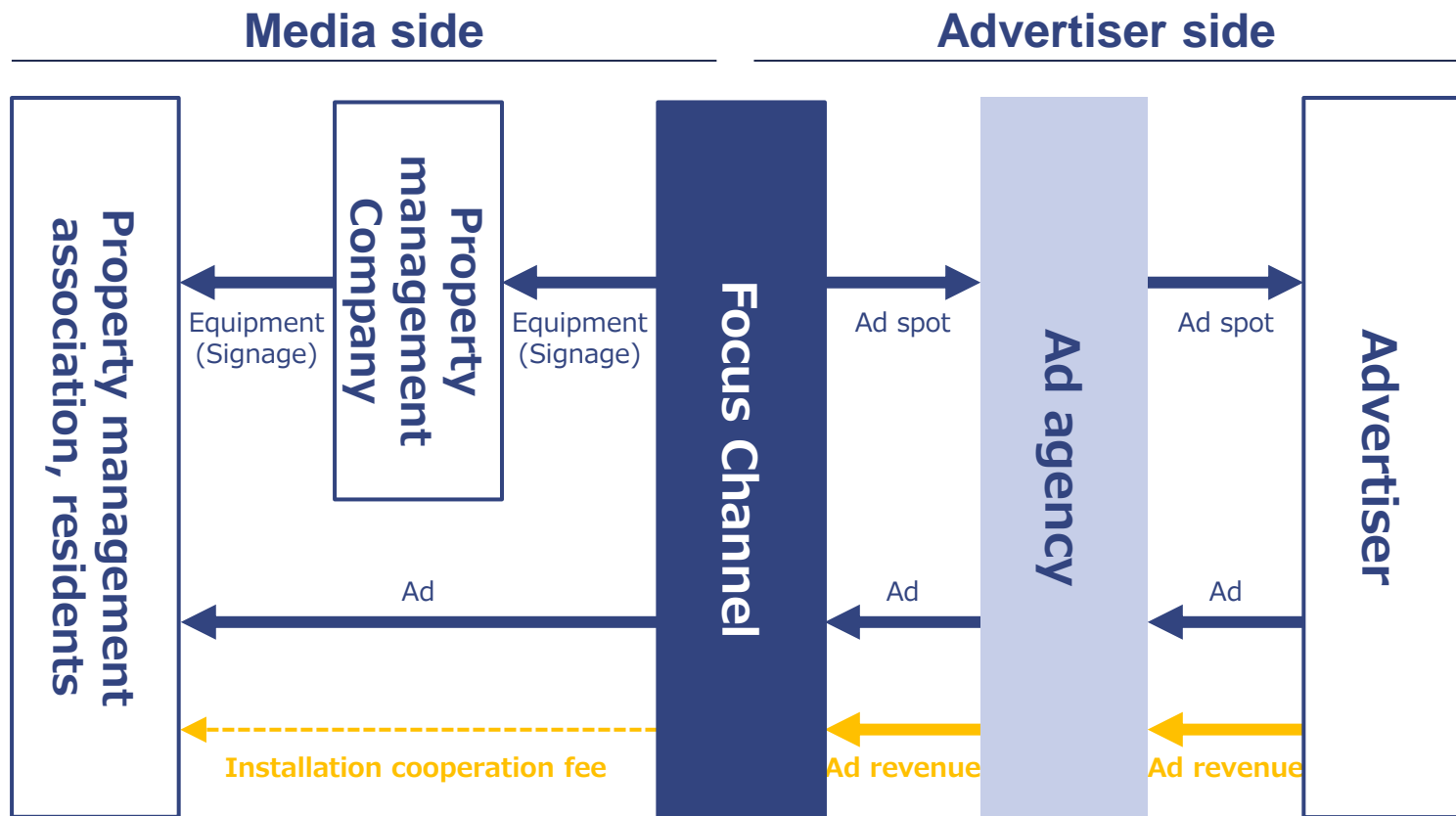
**One and only in high
grade apartments
with vast number of
devices with large
reach**

**Know-how of
signage installation
and advertisement
delivery operation**

**Network with ad
agencies and active
sales force**

Business scheme: Example for apartment signages

👉 In the signage business, by becoming the media owner, the company can take a more proactive role in managing the media, collaborating with advertising agencies, and expanding the business at an accelerated speed.



Examples of advertising agencies handling media



A gateway to purchasing
for urban living spaces.

AI MEDIA PROVIDER



FOCUS CHANNEL
by Neural Pocket



Delivering content to residents of high-end urban apartments. We will deliver your message to sensitive residents of urban apartments.

The company operates in over 220 condominiums, mainly in Tokyo. A lifestyle proposal media that delivers sophisticated content according to the interests of consumers.

Impression

Outstanding reach even through Covid-19 emergency state

Frequency

High advertising effectiveness due to high frequency of views

Targeting

Appeal to the entire household without bias



No.1 Apartments Signage Advertiser (Company research)



Locations

220
buildings

Household reach

50,000
households

Population reach

110K~
※As of Oct 2021



※ Illustration of installation sites (excerpt)

Located in popular areas, mainly in the 23 wards of Tokyo. Expanding business to apartments in popular areas.

List of apartments installed (excerpt)

■ Chuo-ku

- The Tokyo Towers (Mid Tower)
- The Tokyo Towers (Sea Tower)
- Kachidoki The Tower
- Park Tower Harumi
- The Harumi Residence

■ Minato-ku

- Shibaura Island Cape Tower
- Global Front Tower
- Cosmopolis Shinagawa
- Park Court Akasaka The Tower
- City Tower Takanawa

■ Shingawa, Meguro-ku

- Shinagawa Seaside Residence
- Oase Shinagawa Residence
- Prime Maison Shirokanedai Tower

■ Others

- The park house Nishishinjuku tower 60
- Tokyo Sur House
- Residia Tower Kamiikebukuro
- Park City Musashikosugi Station Forest Tower
- Pacific Royal Court Minatomirai Urban Tower
- City Tower Musashi Kosugi

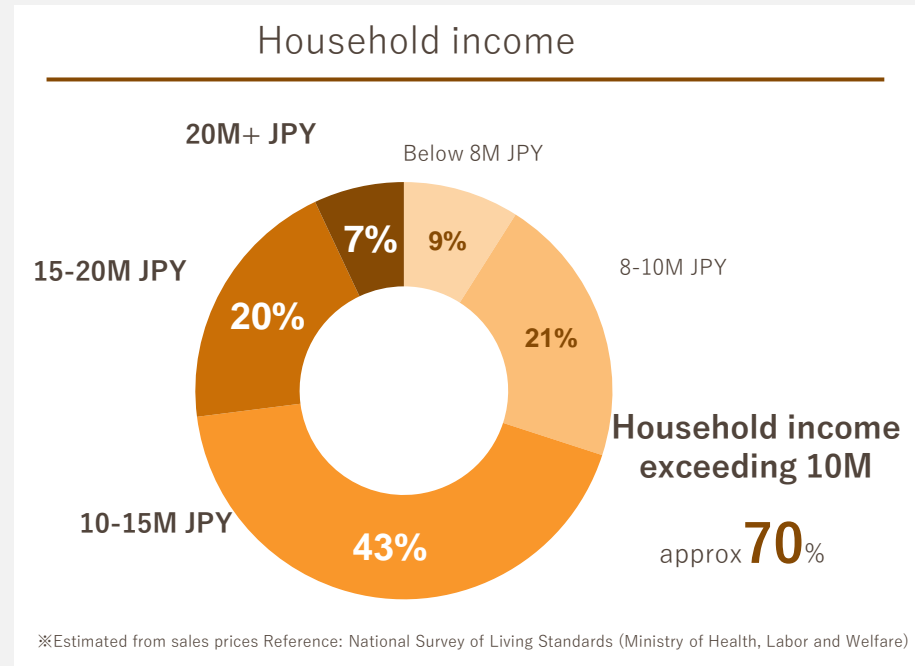


Locations (Apartment list)

The Tokyo Towers (Mid Tower)	Urban Flats Shibaura (Esty Maison Shibaura)	Esty Maison Oshima	The Park Habio Shinagawa-Togoshi	Royal Parks Hanakoganei
The Tokyo Towers (Sea Tower)	Esty Maison Azabu Nagasaka	Comforia Toyosu	Residia Higashi Shinagawa	Price Hill
Kachidoki The Tower	Comforia Tamachi	Comforia Kameido South	Oase Shinagawa Residence	The Park House Yokohama Shin-Koyasu Garden
Park Tower Harumi	Diems Azabu Raccoonagicho (Park Habio Azabu Raccoonagicho)	City Tower Ariake	Belle Face Mishuku	Park Court Yamashita Park
Harumi Terrace	Park Habio Akasaka Tower	Brillia Ariake Sky Tower	Esty Maison Daizawa	Pacific Royal Court Minatomirai Ocean Tower
The Harumi Residence	Akasaka Hikawa-cho Residence	Park Habio Monzennakacho	Comforia Komaba	Pacific Royal Court Minatomirai Urban Tower
KDX Odenma Residence	Residia Toranomon	KDX Residence Toyosu	Residia Sangenjaya	
The Park Habio Nihonbashi Hakozakicho	Residia Tower Nogizaka	MFPR Court Kiba Koen	The park habio sangenjaya terrace	
KDX Residence Nihonbashi Suitengu	Residia Current Minami Aoyama	Royal Parks Toyosu	Belle Face Hongo Yumicho	Royal Tower Yokohama Tsurumi
KDX Residence Nihonbashi Hakozaki	City Current Minami Aoyama	Cosmo The Canal Tokyo East	Comforia Bunkyo Kasuga	Residence The Musashi Kosugi Rieto
Residia Mitsukoshimae	Park Axis Nishi Azabu Stage	Resident Place Nishi-Kasai	Belle Face Higashi Jujo	Court Musashi Kosugi The Classy
Residia Nihonbashi Bakurocho	Park Axis Azabu-Sendenzaka	Acuras the park house nishishinjuku tower 6th	Comforia Takinogawa	TowerPark City Musashi Kosugi Mid Sky Tower
Residia Tsukushima II	MFPR Court Akasaka-mitsuke	The Park Habio Shinjuku	Royal Parks Riverside	Park City Musashi Kosugi The Garden Towers East
We Will Hatchobori	Park Axis Akasaka-mitsuke	KDX Residence Higashi Shinjuku	Green Forest Park Arena	
Residia Ginza East	City Tower Takanawa	D Marks Nishi-Shinjuku Tower	Royal Parks Nishi Arai	Brillia Musashi Kosugi
Prime Maison Ginza East	KDX Residence Hanzomon	KDX Residence Nishi-Shinjuku	Royal Parks Ceasar	Rieto Court Musashi Kosugi East Tower
Esty Maison Ginza	Spacia Akihabara	PRIME Maison Ichigaya-Yamabushicho	Esty Maison Akihabara	Proud Tower Musashi Kosugi
Cosmopolis Shinagawa	Park Habio Iidabashi	Esty Maison Higashi Shinjuku	Comforia Asakusabashi	City Tower Musashi Kosugi
Park Court Akasaka The Tower	Residia Kudanshita	Comforia Shinjuku East Side Tower	Park Habio Akihabara	Park City Musashi Kosugi The Garden Towers West
Global Front Tower	Residia Suidobashi	Residia IchigayaThe Park Habio Waseda	Park Habio Akihabara Est	THE KOSUGI TOWER
Shibaura Island Cape Tower	CITY CURRENT Otemachi	Kawadacho Garden / Club Floor	The park habio Ueno Residence	Park City Musashi Kosugi Station Forest Tower
AQUACITY Shibaura	Residia Suidobashi	Kawadacho Garden / Tower 1	The park habio ueno-okachimachi	Park City Musashi Kosugi The Grand Wing Tower
Albru Takanawa	Forecity Akihabara	Kawadacho Garden / Tower 2	Residia Ueno Okachimachi	
KDX Residence Shirokane I	KDX Daikanyama Residence	CONTRAL nakameguro	Park Axis Motoasakusa Stage	Kosugi 3rd Avenue The Residence
KDX Residence Shirogane II	KDX Residence Nishihara	KDX Residence Jiyugaoka	Residia Suginami Honancho	The Tower & Parks Denentoshi Mizonokuchi
KDX Residence Minami-Azabu	KDX Residence Ebisu	Residia Yutenji	Tokyo Sir House	Verista Mizonokuchi
KDX Residence Shibakoen	PRIME Maison Ebisu	Residia Tower Nakameguro	TK Denenchofu Ladies Flats	Raydiant City Mukogaoka Yuen (Italy District)
KDX Residence Azabu East	Esty Maison Sasazuka	The Park Habio Meguro	Belle Face Kamata	City Terrace Kawasaki-Suzukimachi Grand Seasons
KDX Residence Nishi Azabu	PRIME Maison Shibuya	MFPR Meguro Tower	Comforia Nishi Kamata	City Terrace Kawasaki-Suzukimachi Gardens
Residia Tower Azabujuban	Park Habio Shibuya Honmachi Residence	Louvre Meguro Fudomae	Forecity Shin-Kamata	Musashiurawa SKY&GARDEN
Urban Park Azabujuban	Comforia Sasazuka	Shinagawa Seaside Residence	KDX Residence Oyama	City Tower Ageo Ekimae
Residia Nishi Azabu	Comforia Harajuku	KDX Residence Togoshi	Hilltop Square	Royal Parks Funabashi
Clio Mita La Mode	Comforia Kitasando	KDX Residence Shinagawa Seaside	Park Square Narimasu	Residia Ochanomizu III
Lexington Square Shirokane-Takanawa	Park Habio Ebisu	Residia Shimaduyama	THE ITABASHI Terrace	Crevia Executive Monzennakacho
Central Crib Roppongi 1	Residia Hiroo II	Belle Face Meguro	City Terrace Kaga	Residia Meguro IVPark Cube Ueno
Central Crib Roppongi 2	Residia Ebisu II	Esty Maison Shinagawa Seaside I	Residia Tower Kamiiebukuro (tower building)	Brillia 1st Motoasakusa
Central Crib Roppongi 3	Park Axis Daikanyama	Esty Maison Shinagawa Seaside II	Residia Tower Kamiiebukuro (Park Tower)	Park Axis Bunkyo Stage
Roppongi MK Art Residence	MFPR Yoyogi Tower	Esty Maison Shinagawa Seaside III	ba apartment	Brillia 1st Tower Kachidoki_1
White Tower Hamamatsucho	D Claudie Ivan Hatsudai	Sti Maison Higashi Shinagawa	Residia Mejiro	Park Cube Higashi Shinagawa
JUN HANABI	Forecity Tomigaya	Esty Maison Oi-Sendenzaka	West Park Tower Ikebukuro	Park Axis Kamata Station Gate
Residence Shirokane Corolle	Beacon Tower Residence	Comforia Meguro Chojyamaru	Comforia Higashi Ikebukuro WEST	
Residence Shirokane Park Front	The Toyosu Tower	Prime Maison Shirokanedai Tower	The Park Habio Sugamo	
Wat's Shirokane	ORIZON MAREUUR Court Kinshicho		Royal Parks Wakabadai	
PRIME Maison Shirokane-Takanawa	Arden Kiyosumi Shirakawa		City Terrace Akishima	
	Ecology Toyocho Pro-Century		Residia Itabashi	

Repeatedly reach fashion-conscious and highly motivated business people.

70% of the respondents live in urban condominiums with annual household incomes of 10 million yen or more. Since most of the condominiums are for families, there is little bias in the ratio of men and women, and the entire household is targeted. The brand can be repeatedly promoted to this segment through highly visible digital signage.

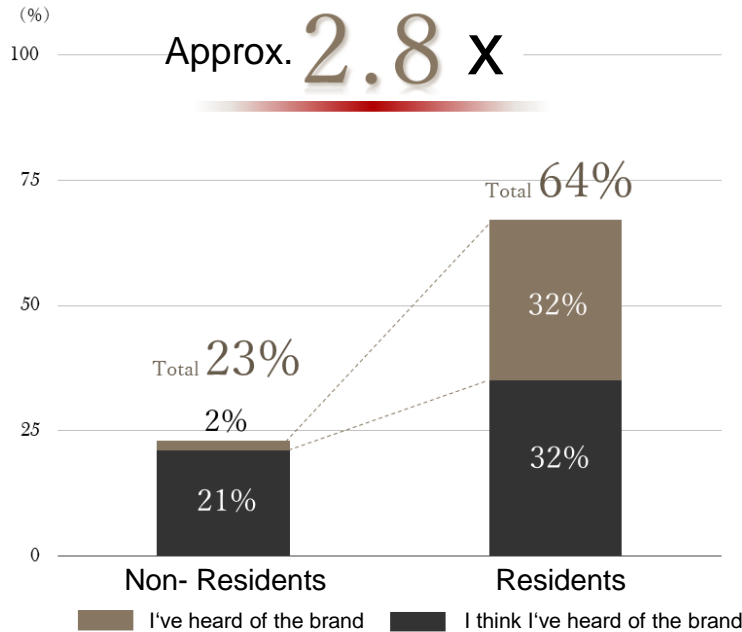


In order to increase user view rates we deliver sophisticated content that meets the lifestyles of apartment residents alongside advertisements.

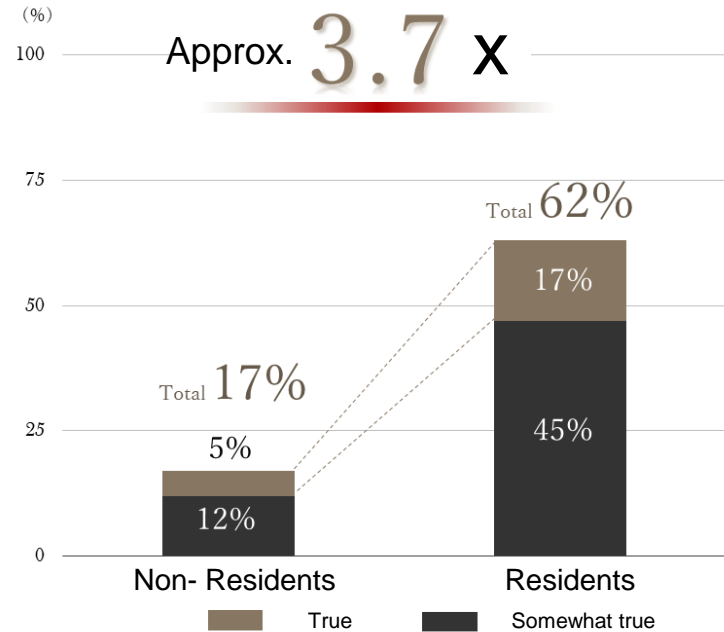


A high brand lift can be obtained, contributing to the recognition and understanding of products and services.

Cognitive impact regarding advertising



Understanding of services and products promoted



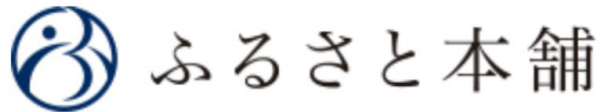
Research conducted: Jun 2021, Conducted by Macromill

A variety of advertisers have placed advertisements.

株式会社 阪急阪神百貨店



朝日新聞



and more...

“The targeting effect is significant and leads to much better results than via other advertising.”



“We were able to deliver advertising that directly appealed to the target audience. and succeeded in developing our business.”

株式会社 阪急阪神百貨店

“We have seen the effect of signage in attracting customers, and we continue to place signage every year.”



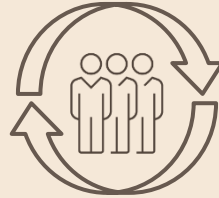
Impression

Stable impressions with no influence of Covid-19



Frequency

Located in the line of daily activities and can repeatedly appeal to all residents.



Targeting

Advertising possible in high-grade apartments where conventional posting is unallowed



Measurable

Cross-referencing with address allows for highly accuracy measurement of effectiveness




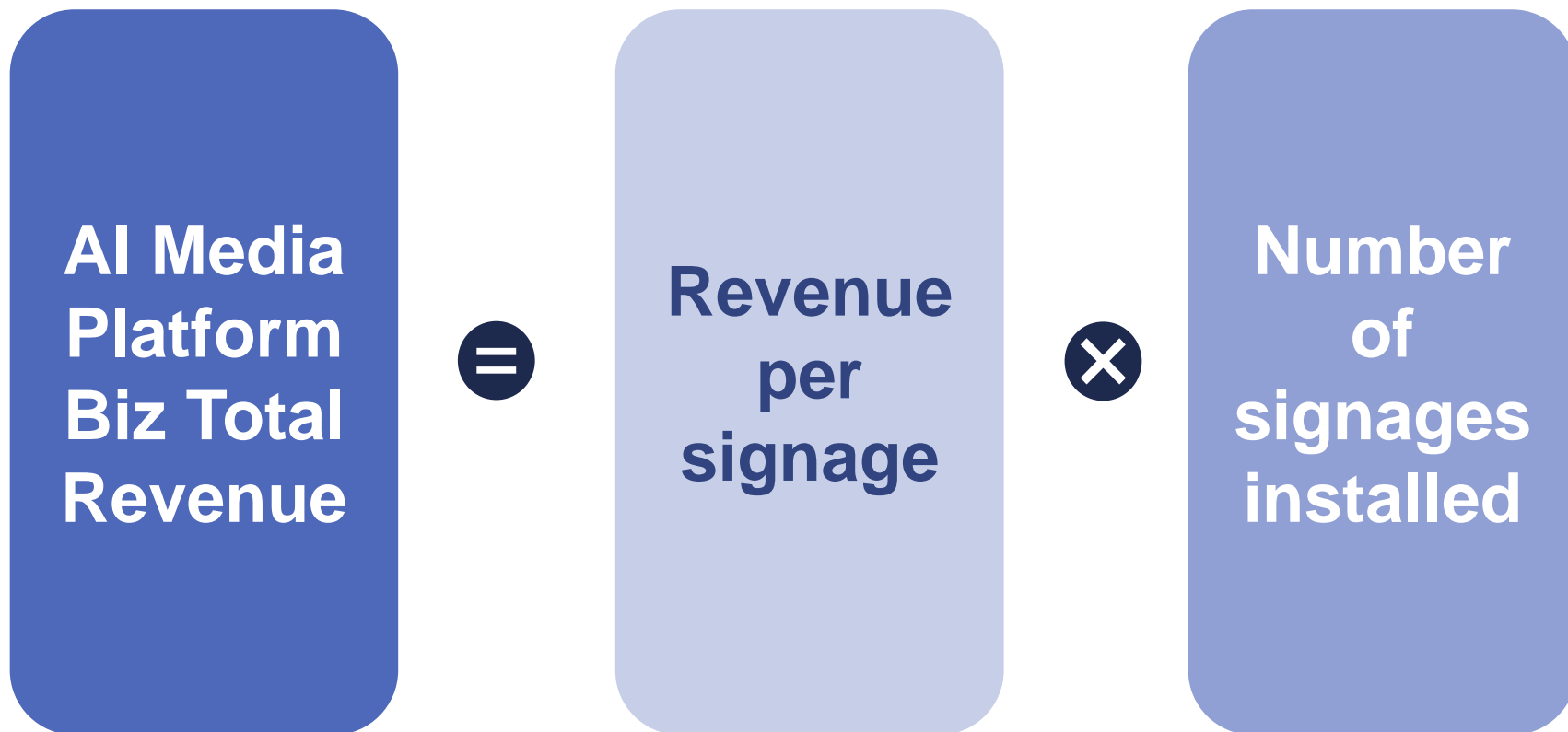
Reasonable

Pinpoint and efficiently address distinctive demographics



Revenue drivers for AI Media Platform business

 Revenues are based on advertising revenue, which can be broken down into revenue per signage, multiplied by the total number of signages installed for KPI management.

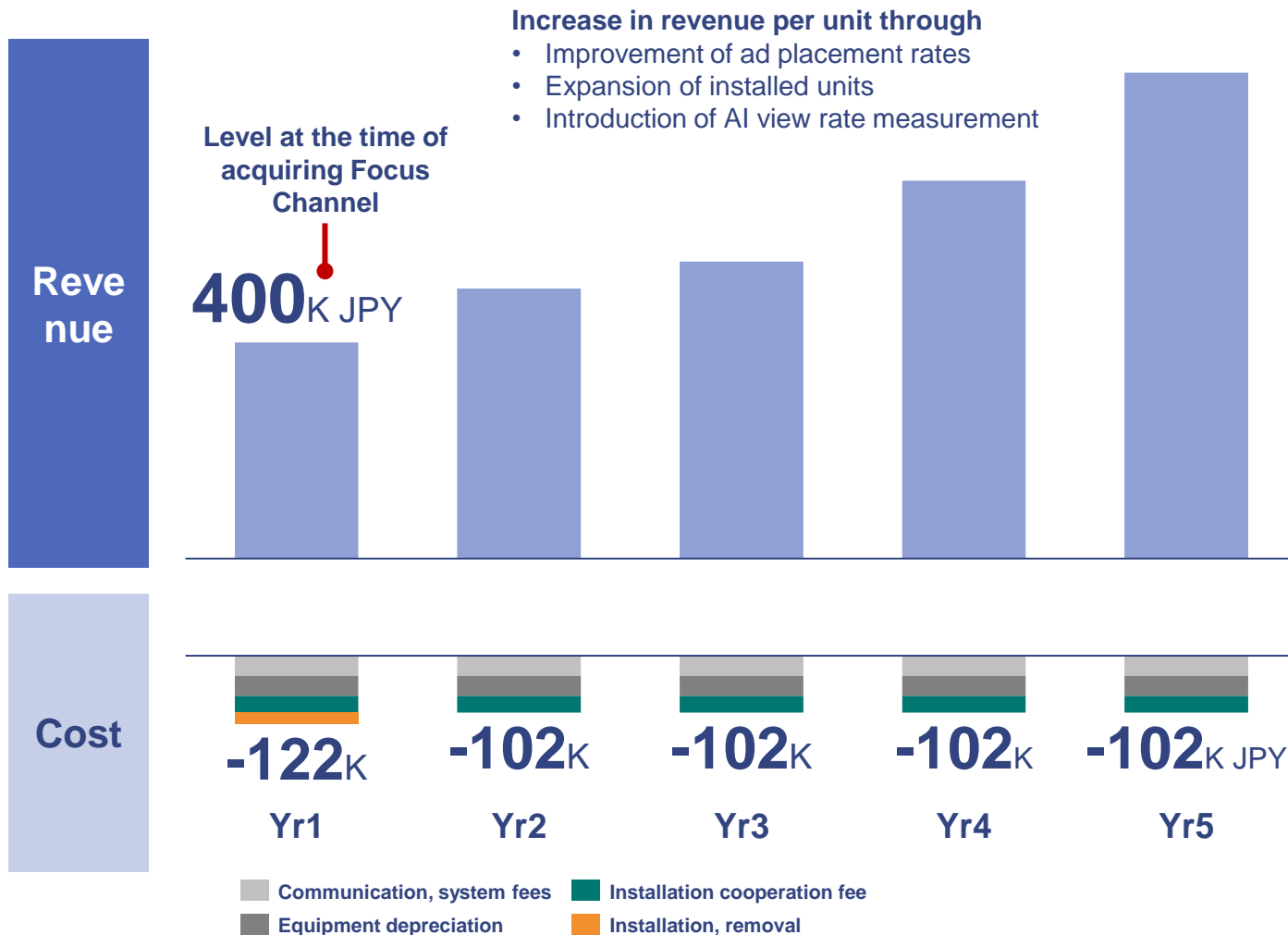


- Main source of revenue through pure advertising
- Assumes net sales after deducting advertising agency commissions

- Number of signages installed across locations
- As Nov 2021, approx. 230 unit

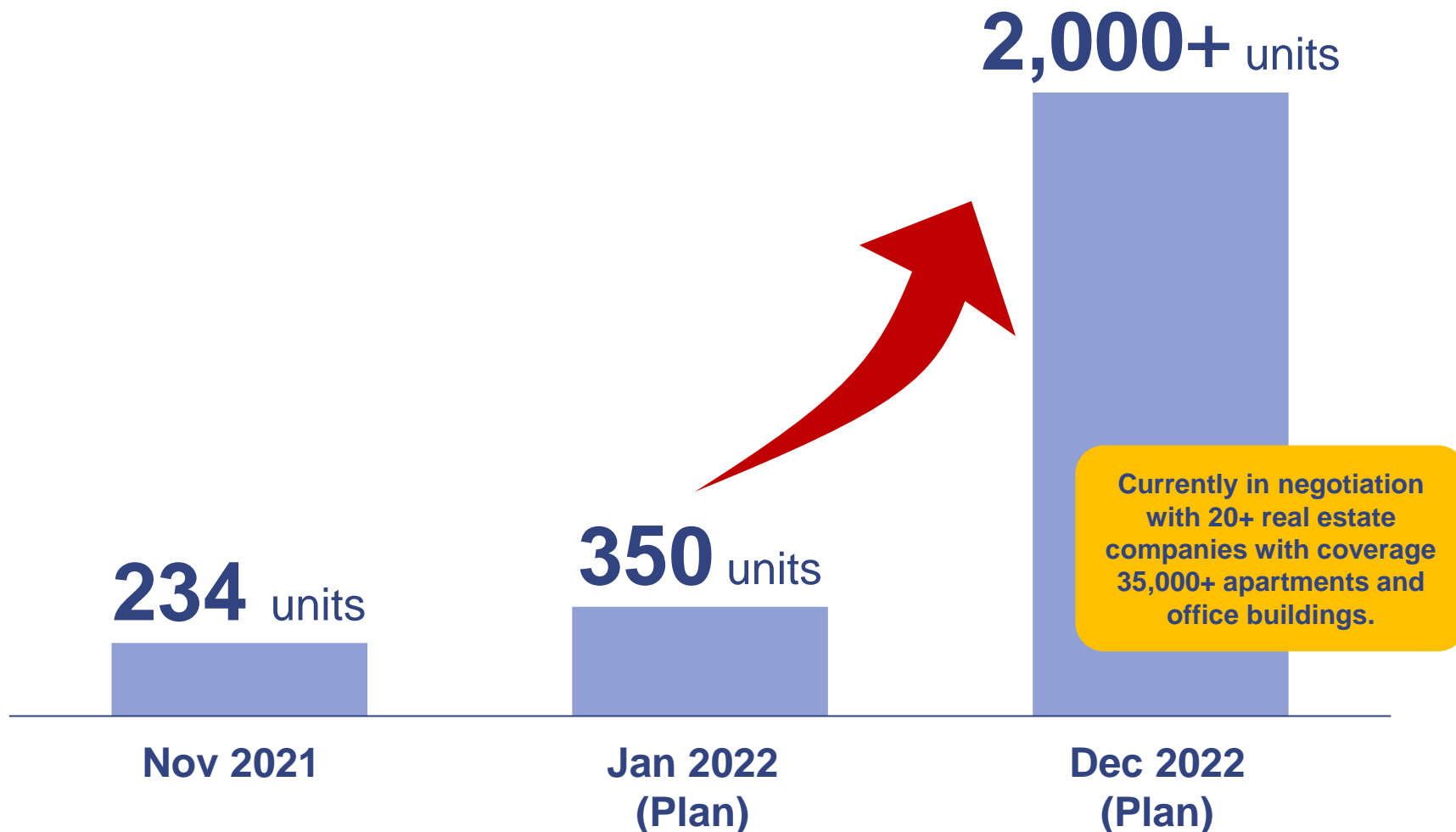
Revenue per signage trajectory

👉 In terms of revenue per unit of signage, there is an opportunity to increase sales. On the other hand, since the cost side is basically fixed, the profit ratio will improve year by year as sales per unit grows.



Number of installed signages

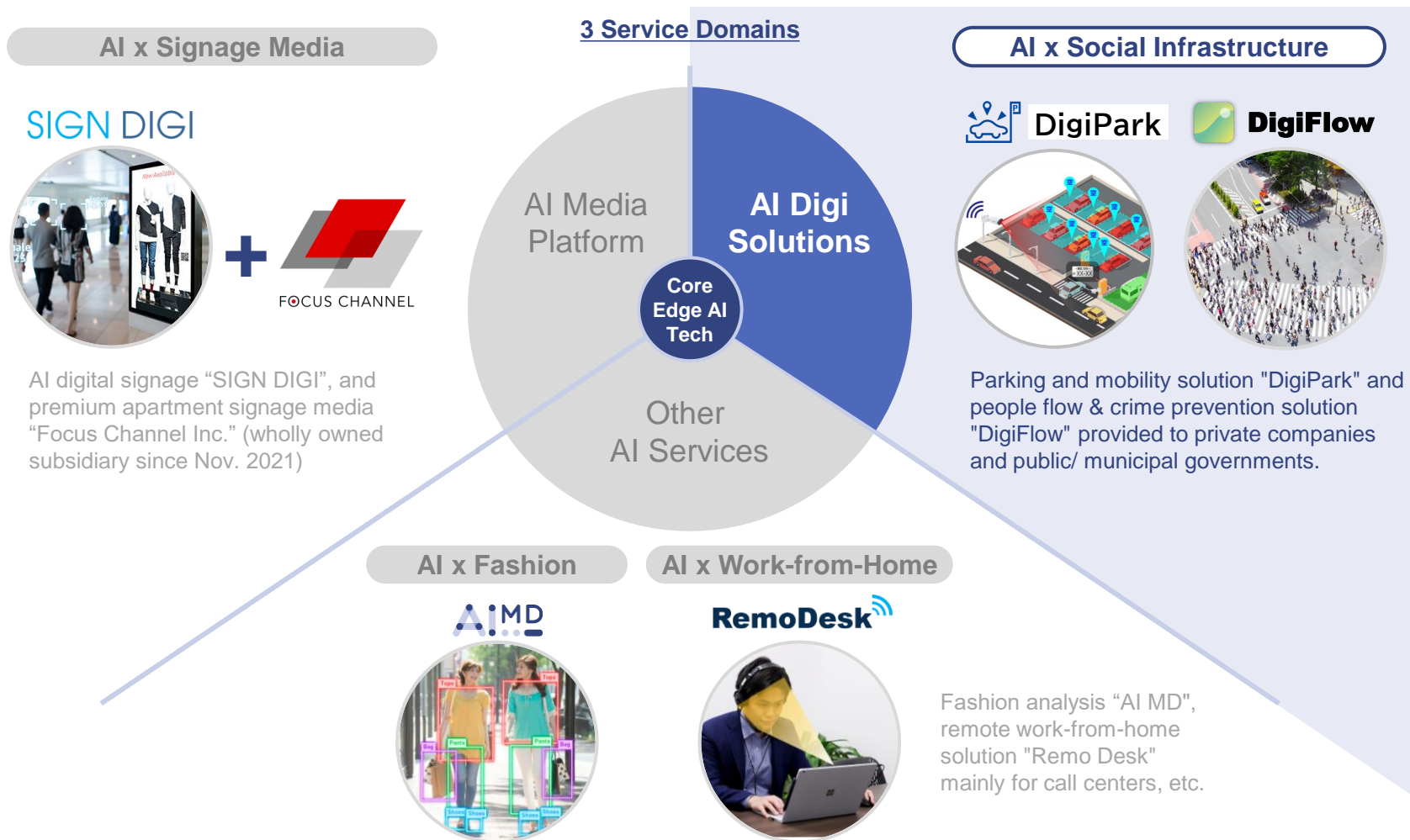
👉 We aim to expand the business by adding 2,000 units in high-end apartments and office buildings, mainly in the Tokyo and Kansai area. By doing so, we aim to increase the media value and rapidly create one of the largest outdoor advertising medias in Japan.



- Business Overview and FY2021 Q3 Highlights
- **Business Progress Per Service Domain**
 - AI Media Platform
 - **AI Digi Solutions**
 - Other AI Services
- Mid-Term Business Growth Strategy

Business progress for AI Digi Solutions

👉 “AI Digi Solutions” is expanding its track record of actual implementation beyond demonstration experiments in both the private and public sectors. We have also established a subsidiary, Neural Engineering, to accelerate efforts for nationwide implementation.



Overview of AI Digi Solutions

 We currently offer a variety of AI detection functions under two product lines, DigiPark and DigiFlow. Setup is designed according to the site's needs and provides solutions with stable quality.

AI detection menu

AI device offering (partial list)

DigiPark



Occupancy



License Plate

AI edge device setup



DigiFlow



People flow, vehicle flow



Intruder detection



Seating occupancy


AI Camera



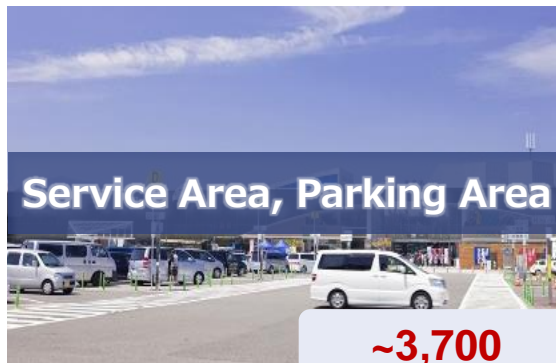
Stable operation rate of AI edge devices and cameras (Past 6m average through May - Nov 2021)

98.5%

Market environment: There are a huge market where AI Digi Solutions can be used in urban spaces

 A huge market is identified for AI Digi Solutions across various location types, where the potential number of locations for further installation is enormous.

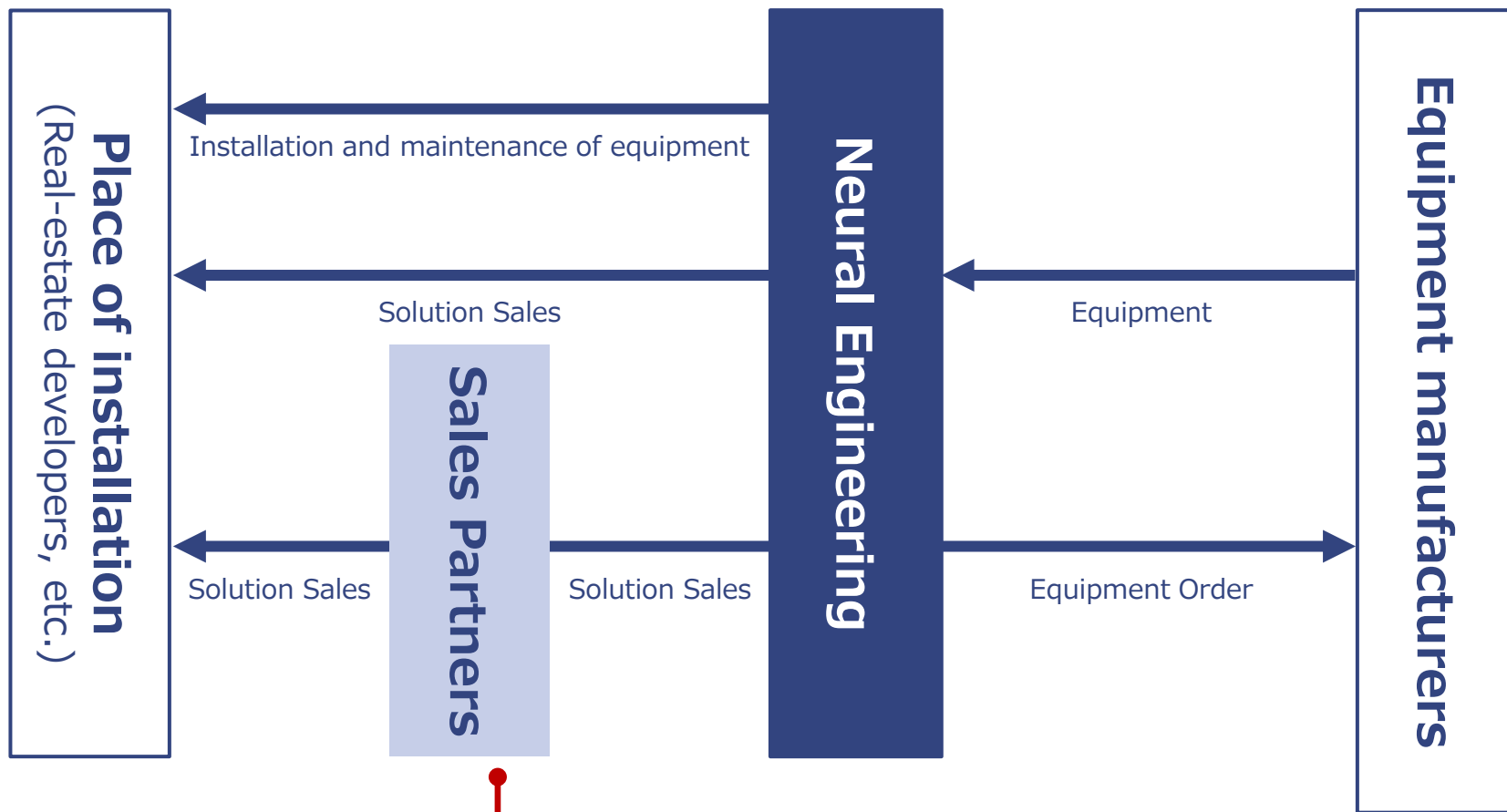
Number of potential installation sites by location type where AI Digi Solutions has already been installed



Business Scheme : Utilizing Neural Engineering, a subsidiary, to develop the business



AI Digi Solutions often involves installation in parking lots and other installation locations. The company plans to expand the number of installation sites over a wide area by utilizing its subsidiary, Neural Engineering, and by collaborating with sales partners.



Examples of Solution Providers
(Excerpts.)



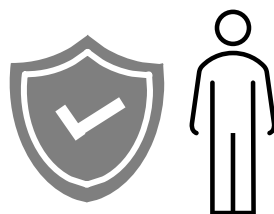
Features of our AI Digi Solutions

 By taking advantage of the features of edge AI, it is possible to achieve high recognition accuracy at a low running cost while protecting privacy.



Privacy protection

Analyzed camera images are **immediately** erased in the device



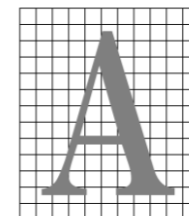
Running costs

Only send data after AI processing, **reducing communication and server costs**

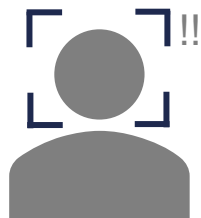


AI recognition accuracy

On-the-fly processing of high-resolution images from the camera, with high AI recognition



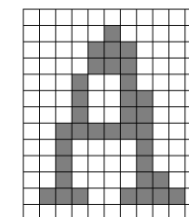
Uploading camera images to the **cloud for processing**




Video transmission is required, **limiting the ability to reduce communication and server costs.**



Image quality deteriorates **due to compressed transmission of video, limiting AI analysis.**

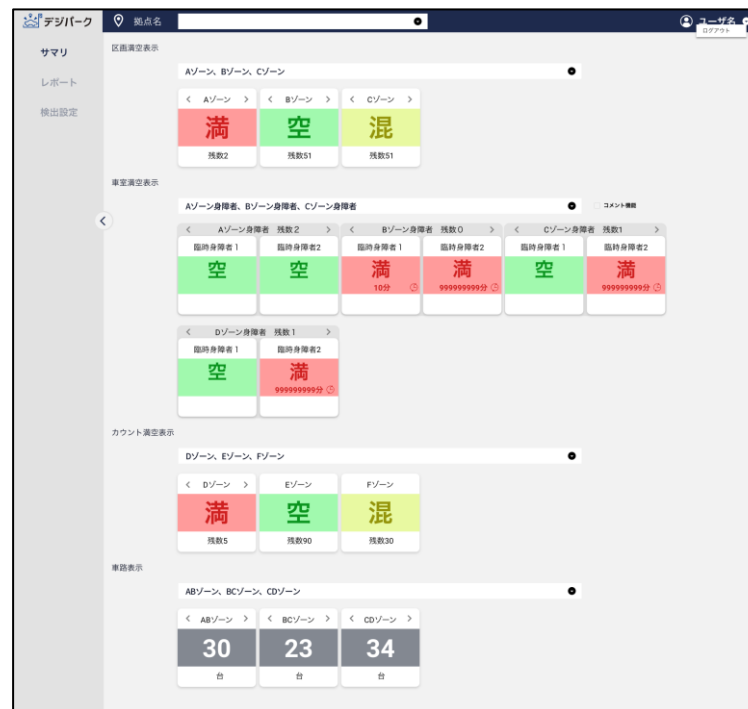
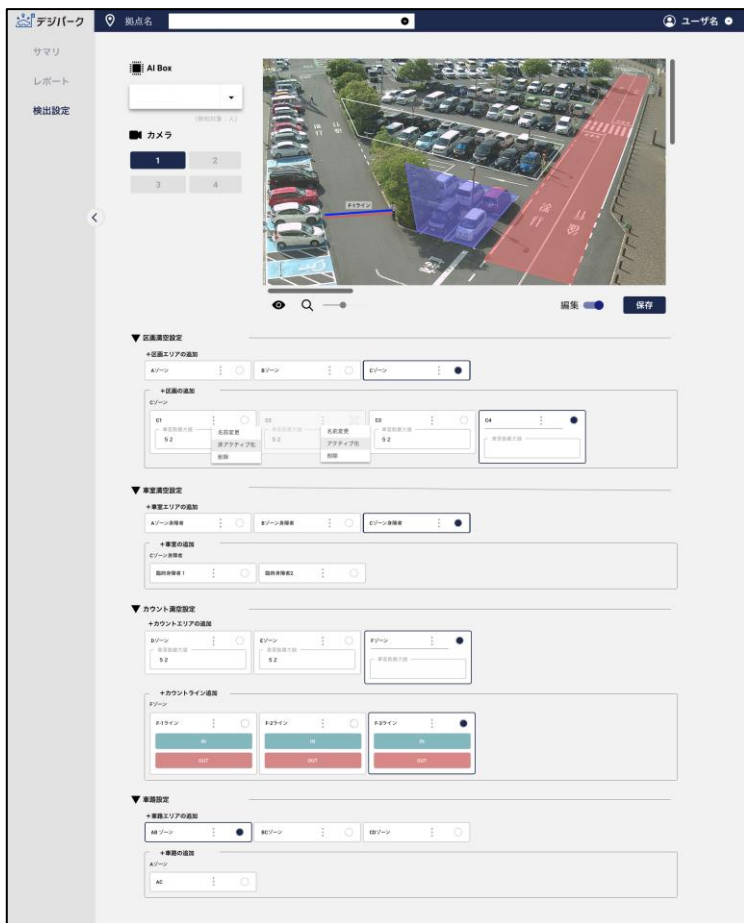


Parking management solution: DigiPark

 With DigiPark, customers can freely set up the parking spaces they want to detect with simple and intuitive operations on their side, and can monitor the usage of parking spaces in real time without complicated construction or operations.

Easy detection area setting

Real-time visualization of vehicle compartment and roadway emptying



DigiPark: Use case at at “SMARK Isesaki (commercial facility)”, operated by Tokyo Tatemono

In the use case at SMARK Isesaki, the results of the AI camera monitoring of full-occupancy are (1) freely viewable on the facility's website, and (2) smoothly guided by outdoor signage and full-occupancy lights installed at the site, leading to an improved customer experience for users.



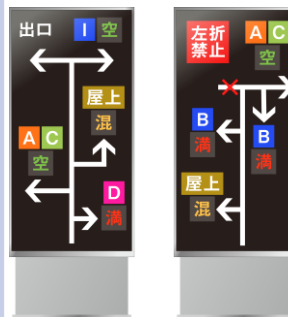
Actual image of AI camera detection



Check the facility's website for crowds in advance.




On-site vehicle guidance with outdoor signage ※



※ Actual operation of outdoor signage and skylights is scheduled to start around February 2022.

DigiPark: Use case at “Logicross Ebina (logistics facility)”, operated by Mitsubishi Estate

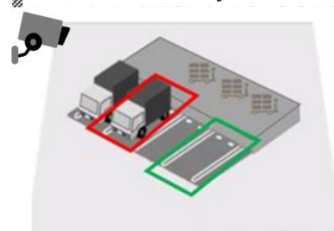
 In the use case of this system at Logicross Ebina, the status of truck berth usage and reception was visualized using security camera images, leading to smooth guidance and work instructions, which is useful for improving the operational efficiency of the logistics companies that occupy the logistics facilities.



AI truck berth fill-occupancy management

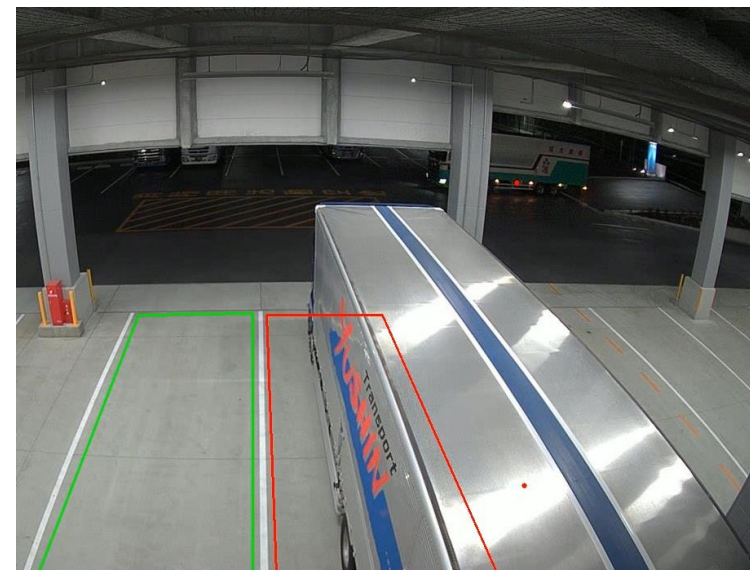
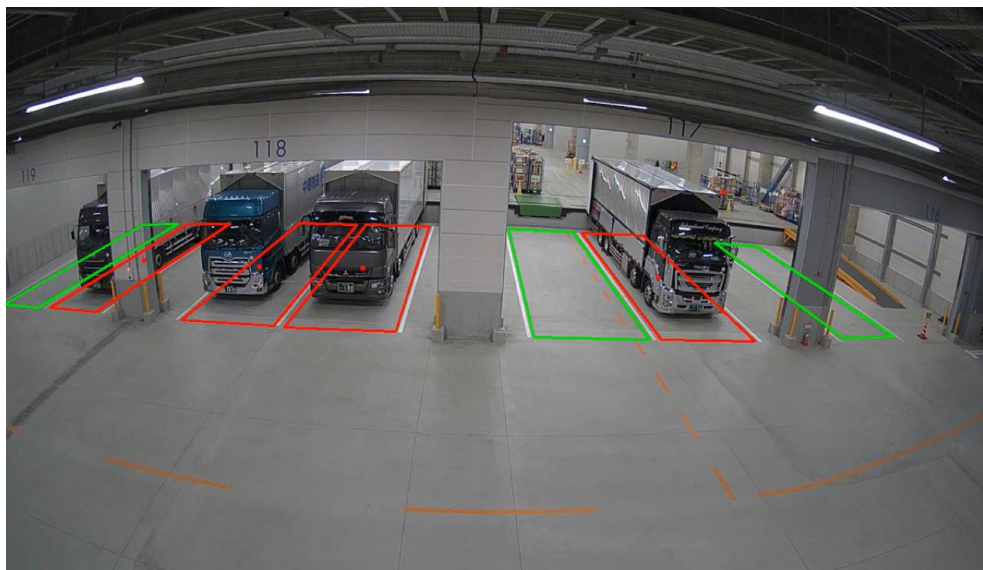


Real-time analysis for daily warehouse operations



Used in daily warehouse operations, such as eliminating truck driver waiting time

Identifying areas for improvement in truck allocation and loading/unloading operations

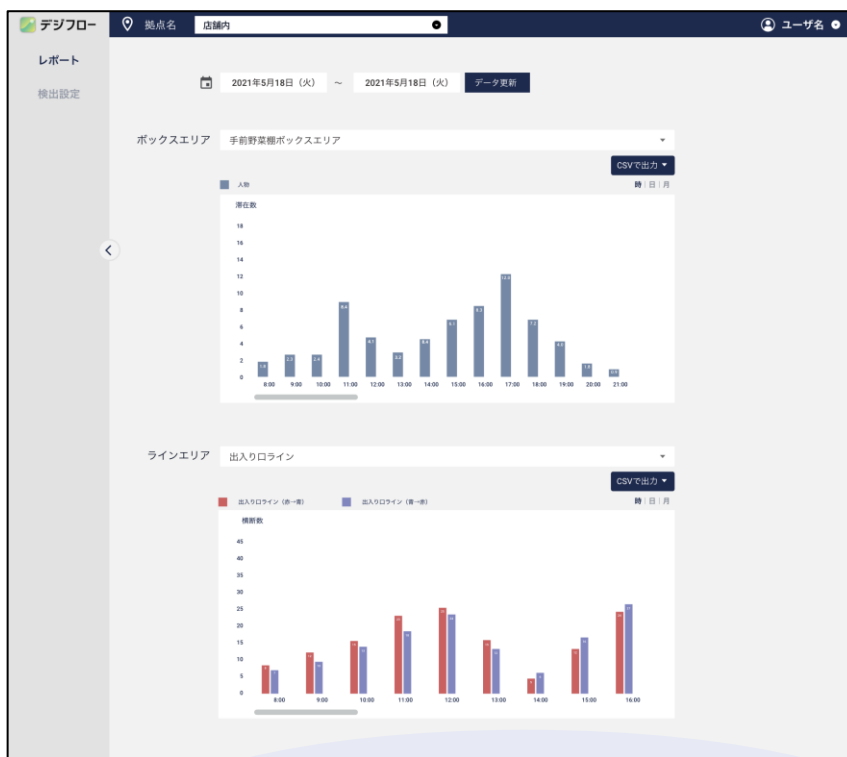
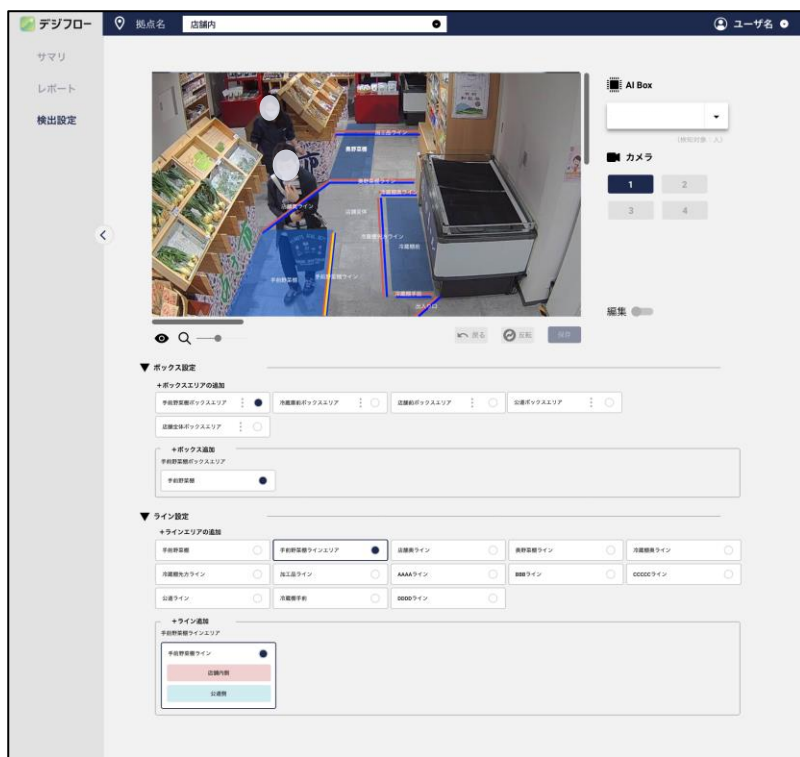


People Flow Analysis solution: DigiFlow

With DigiFlow, customers can freely set the area and content they want to be detected by simply operating the system intuitively and easily, and can use various functions such as human movement and intrusion detection in the designated area without complicated construction or work.

Easy configuration of detection area and content

Easy to use for human flow monitoring, intrusion detection



Linkage with external devices and systems such as patrol lamps and outdoor signage according to use cases

DigiFlow :Case study of implementation in "Kashiwanoha Smart City" in collaboration with Mitsui Fudosan

👉 In the case of the installation in the Kashiwanoha Campus Station area, approximately 30 AI cameras have been installed in the district to provide services for monitoring and safety in the town, and to improve the livability and comfort of residents and visitors.

Camera Map

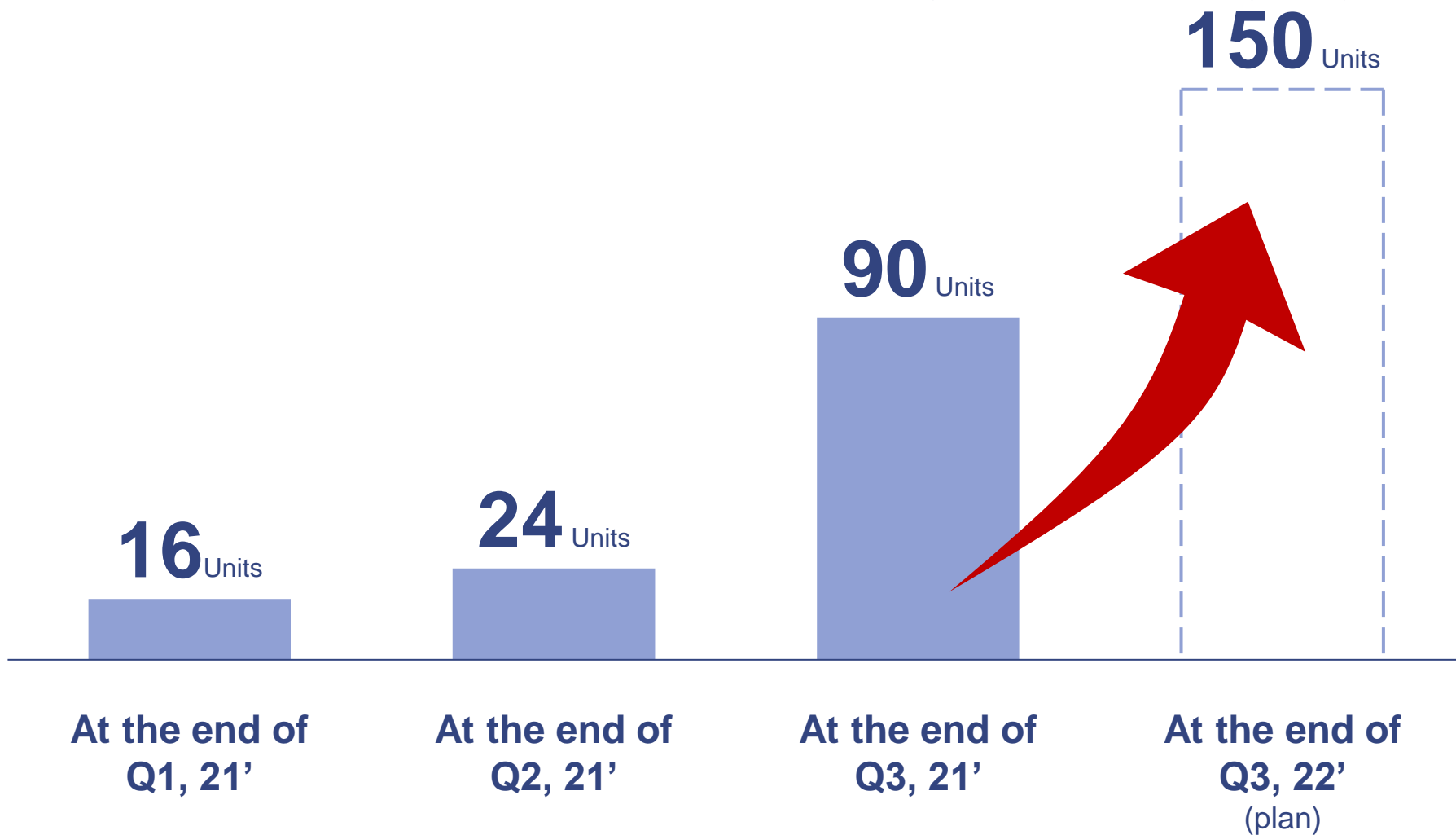


AI libraries to be installed in the project



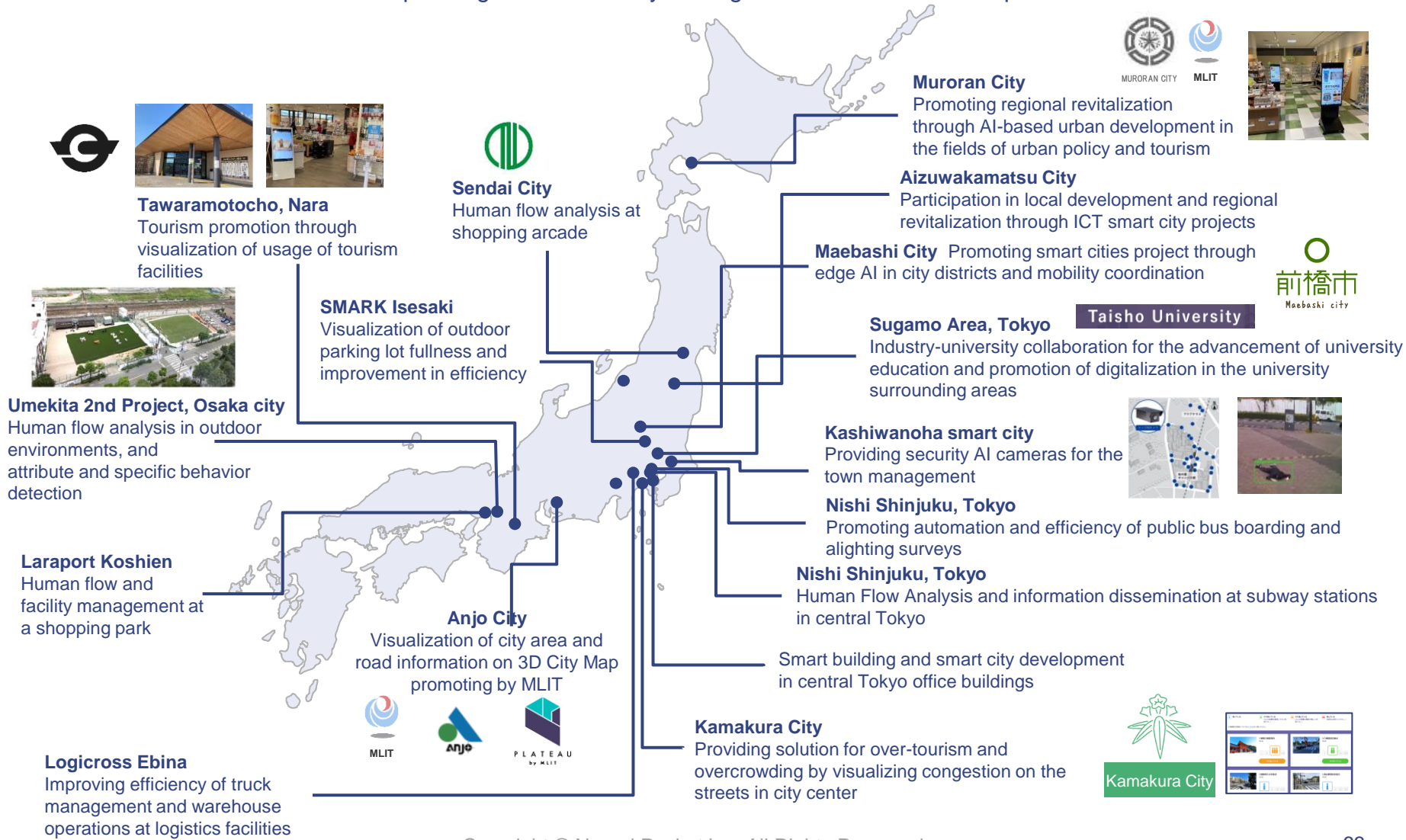
Cumulative number of AI Digi Solutions units installed and deployed to date and future plans

 Digipark/Digiflow are steadily increasing the number of units installed in 2021, and from 4Q21 onward, we will further expand the scale of installation and installation by utilizing the established Neural Engineering.



AI Digi Solutions and other services are being adopted and implemented in many urban development projects.

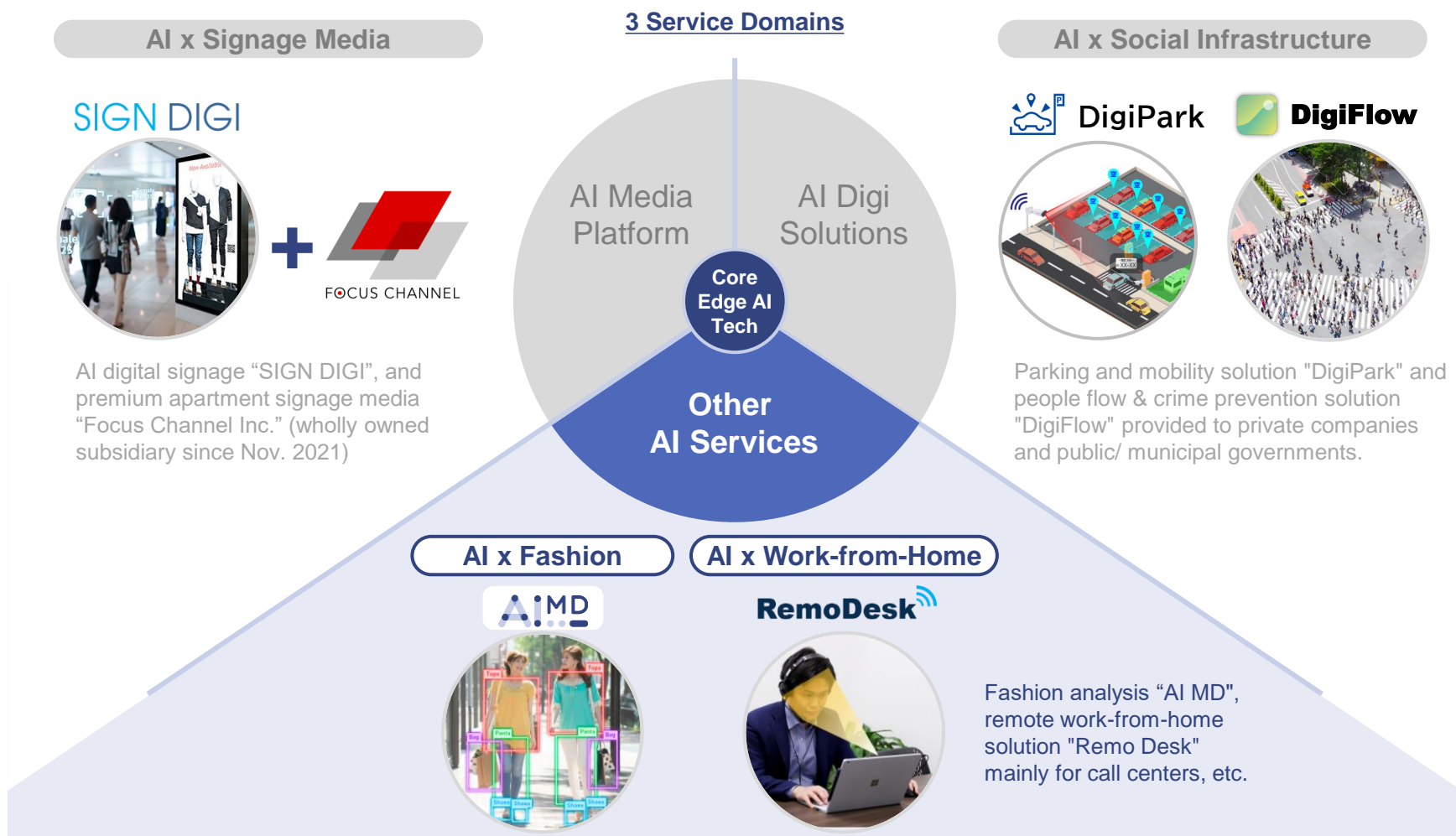
The introduction of AI solutions for both private and public sectors are progressing in many areas, and the use of AI solutions is expanding in actual facility management and urban development nationwide.



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Business progress for Other AI Services

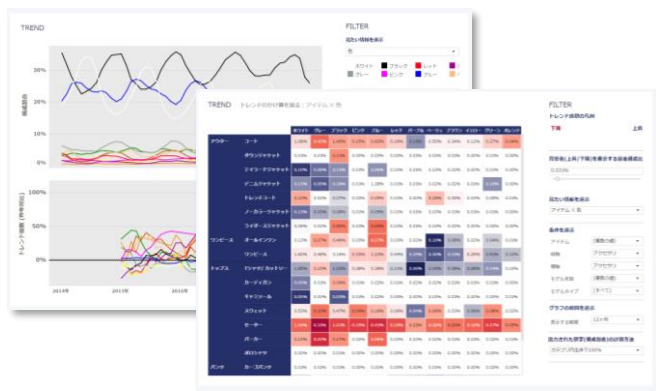
 Business was steady across both fashion and work-from-home solutions. We will continue to refine each solution and work towards expanding customer adoption.



AI MD and RemoDesk are steadily expanding deployment

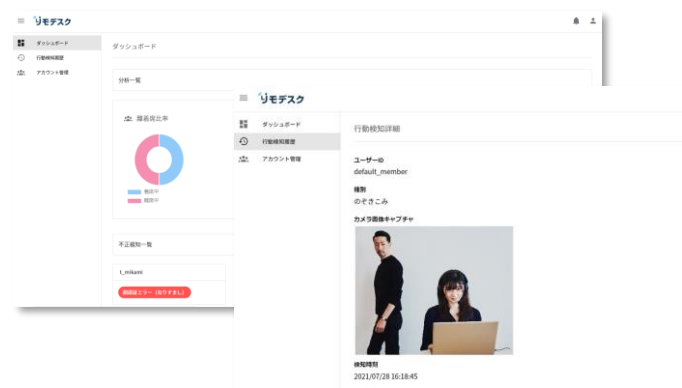
 We continue to promote new sales and upsell to existing customers for both AI MD and RemoDesk.

AI:MD®



- AI MD continues to be introduced by existing customers
- Provision of recommendation engine for apparel EC derived from AI MD is accelerating
- Trial introduction of AI signage for apparel stores underway

RemoDesk



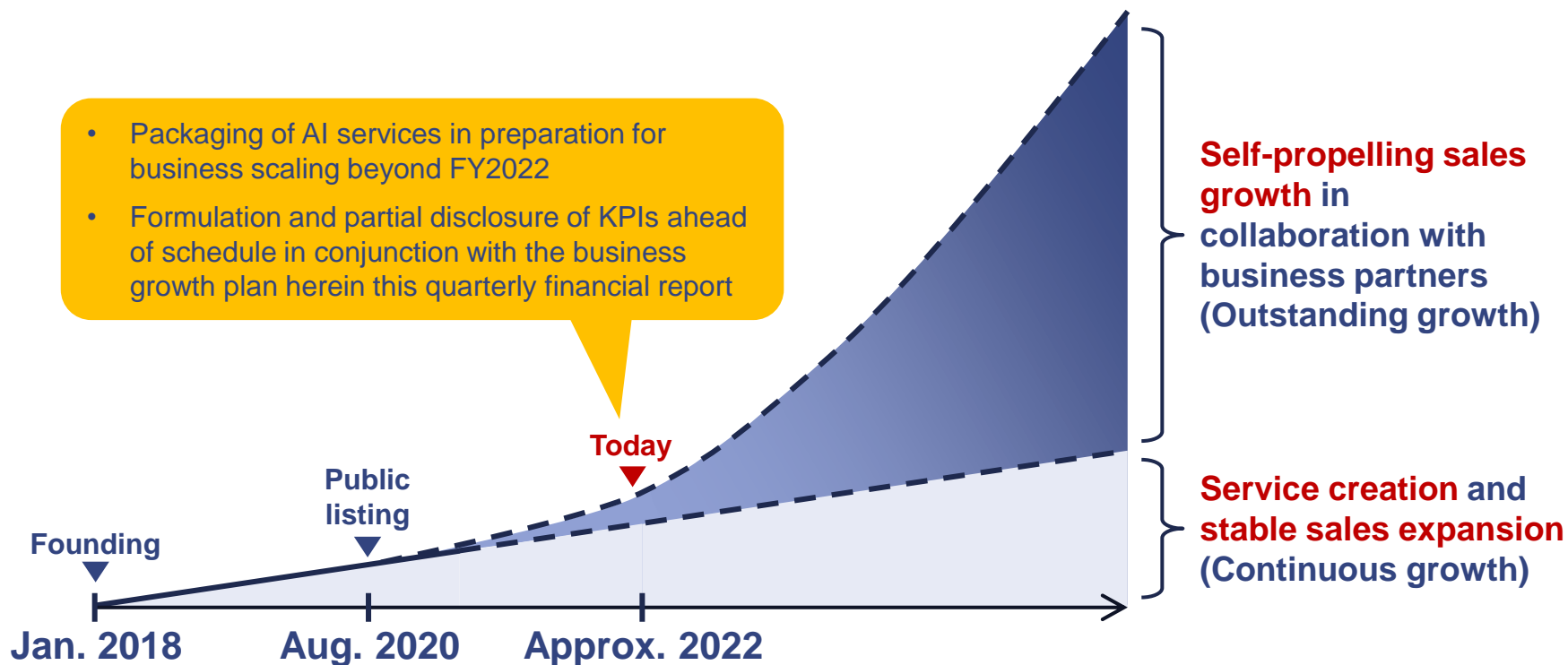
- After the official launch of the SaaS and API versions in the first half of 2021, the adoption of RemoDesk by major telecommunications carriers and call center operators is gradually expanding.

- Business Overview and FY2021 Q3 Highlights
- Business Progress Per Service Domain
- **Mid-Term Business Growth Strategy**

Our vision for business growth



We have pursued our business growth vision ever since being publicly listed. Growth plan is described within this quarterly report.



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

Management policy for FY2021



For FY2021, business is being promoted with focus on prioritizing the deepening of the business model and the completion of services versus short-term sales growth. As a result we are establishing a system aimed towards the expansion of sales for generalized services/ solutions.

From fee-based to unit-based sales

In addition to expansion through individual contracts with companies/ governments, we aim to accelerate self-propelling sales from generalized services

【Theme 1】

Expansion of co-creation partners

Expand required elements such as sales, maintenance and support, and bidding rights for government through partnerships or mergers and acquisitions as needed.

【Theme 2】

Towards easy-to-use AI services

Pursue ease-of-use of services designed around customer needs.
Aim to achieve 10,000-unit service system, with high AI service quality and operational stability.

【Theme 3】

Commitment to AI technology dev.

Collect and accumulate the industry's leading level of data.
Continue to invest in the dev. of optimal AI logics using proprietary learning technologies, including CG.

Comparison of SaaS and AI players

👉 The adoption of SaaS services has grown, triggered by accelerated digitization and cost reviews in the workplace initiated by the spread of telework due to Covid-19 and other factors. Meanwhile, the timing is ripe for AI companies to rethink the value they provide.

Domestic SaaS stock's trend

Index with 1 being the closing stock price on Jan 4, 2021

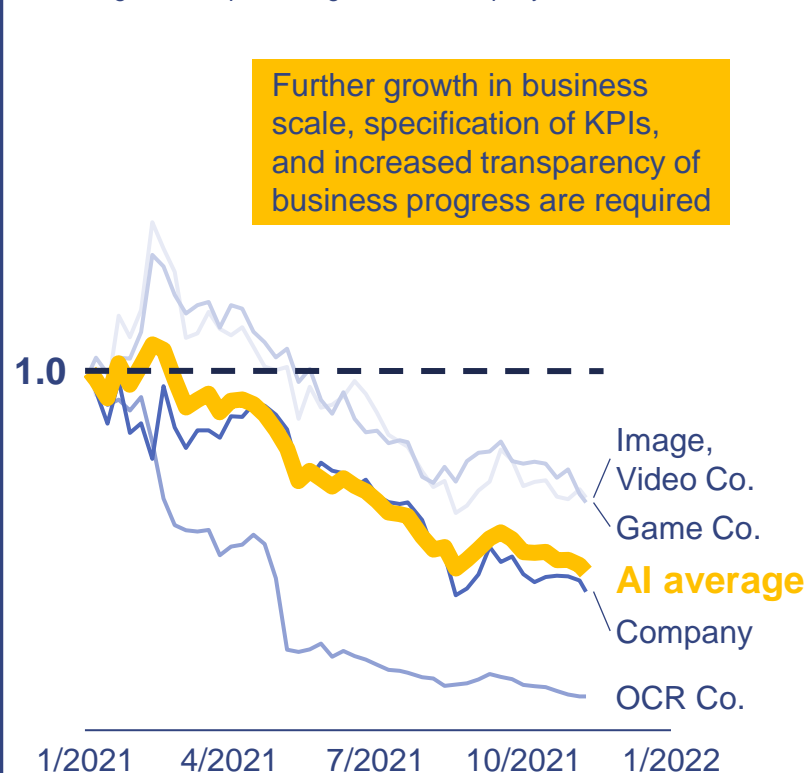
*Average is a simple average of each company's index



Domestic AI stock's trend

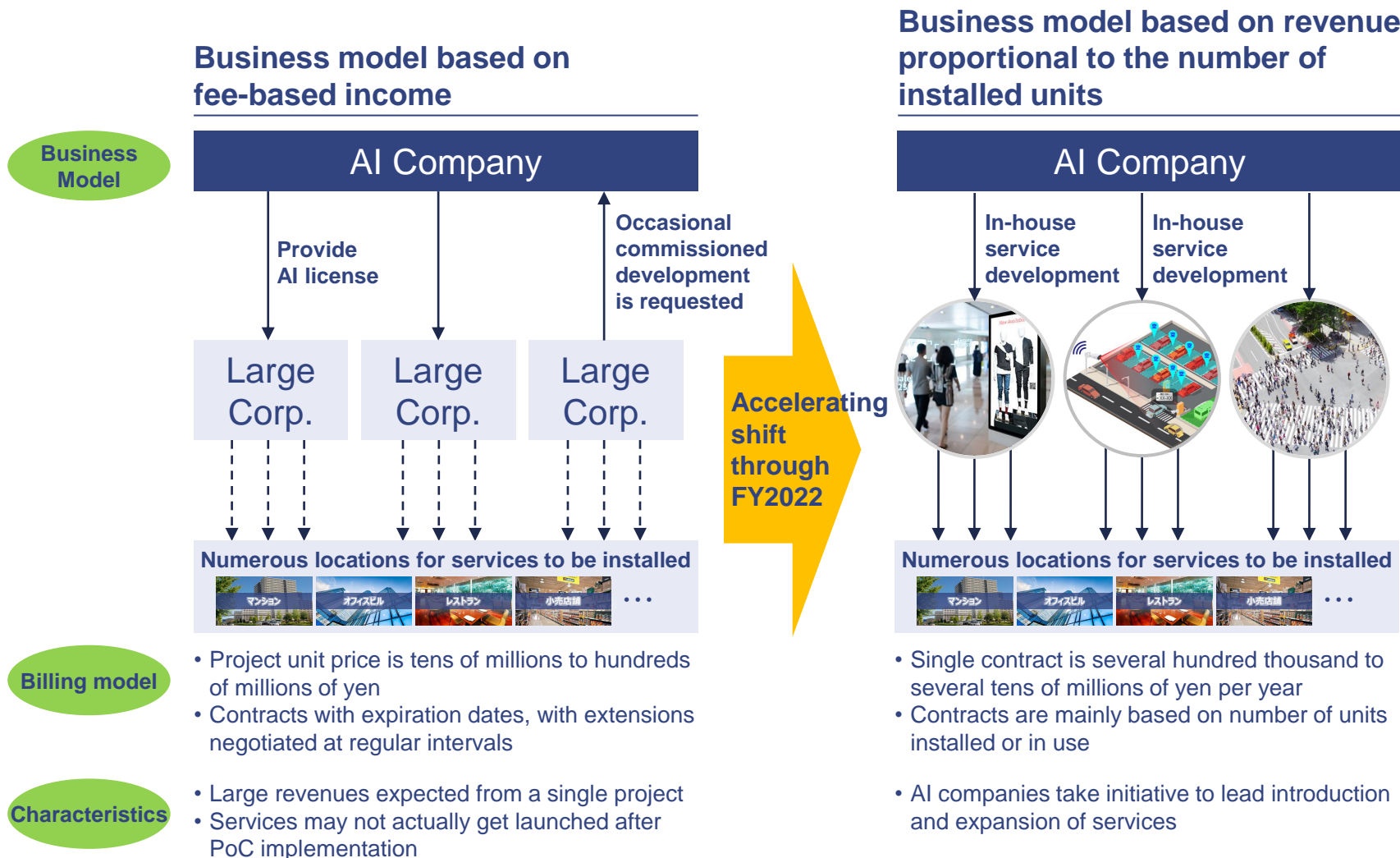
Index with 1 being the closing stock price on Jan 4, 2021

*Average is a simple average of each company's index



Evolution of our business model

Promoting a strong shift away from fee-based revenues to unit-based revenues through FY2021. Accelerating the provision of improved AI services through direct contact with customers' needs as unit-based services grow.



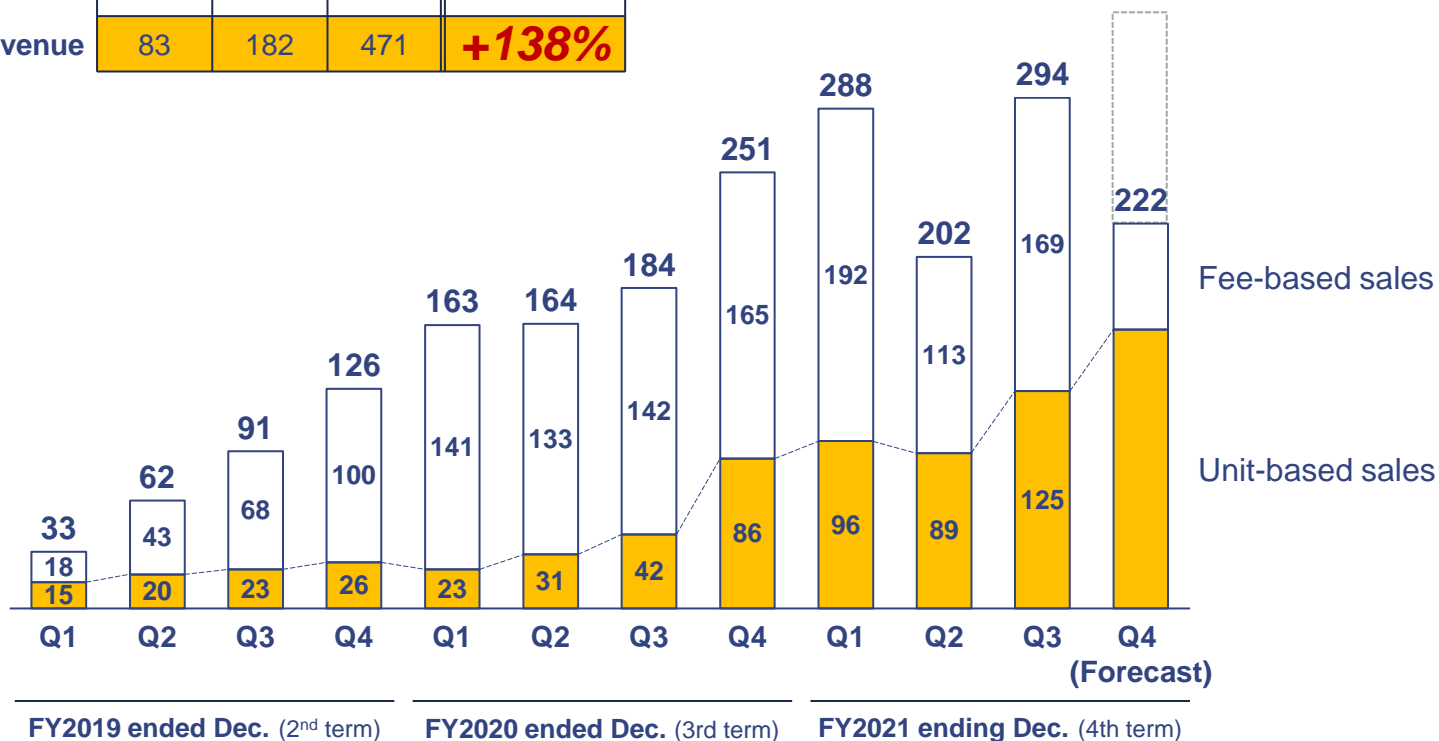
Trajectory of fee-based vs unit-based sales

👉 Since the completion of AI services in 2021, unit-based sales growth (+138% annually) has surpassed fee-based sales growth (+53% annually). In light of the establishment of an accelerated growth planned for 2022 and beyond, some fee-based projects for Q4 have been foregone or postponed and internal resources will be allocated to develop in-house services.

(million JPY)

	FY2019 Actual	FY2020 Actual	FY2021 Forecast	CAGR*1 FY19-21
Fee-based revenue	228	580	534	+53%
Unit-based revenue	83	182	471	+138%

Foregoing some fee-based projects to achieve the 2022 business plan. Allocating personnel to the development of our own services




*1 Compound annual growth rate.

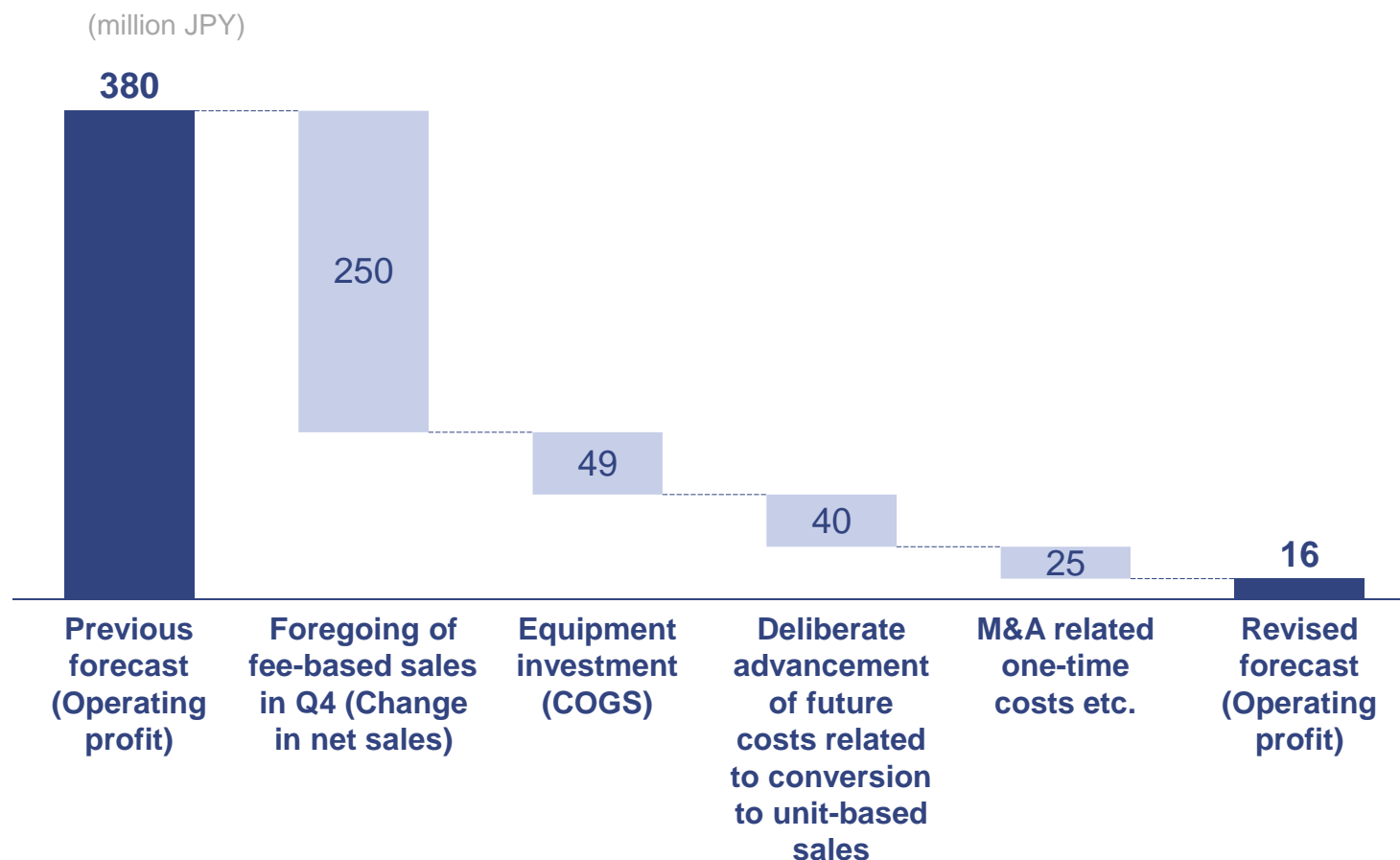
Revision of financial forecast for FY2021 ending Dec.

 We plan to invest progressively to achieve rapid growth in FY2022. To allow for accelerated growth in FY2022, we expect to forego a portion of fee-based sales in Q4 within the range of remaining in the black.


(million JPY)	FY2020 ended Dec. results	FY2021 ending Dec. previous forecast	FY2021 ending Dec. revised forecast	Increase Amount vs previous f/c	Increase Percentage vs previous f/c
Net sales	762	1,256	1,006	△250	△19.9%
Operating profit % of net sales	170 22.3%	380 30.3%	16 1.6%	△364	△95.8%
Ordinary profit % of net sales	148 19.4%	370 29.5%	11 1.1%	△359	△97.0%
Net income % of net sales	147 19.3%	280 22.4%	9 0.9%	△271	△96.9%

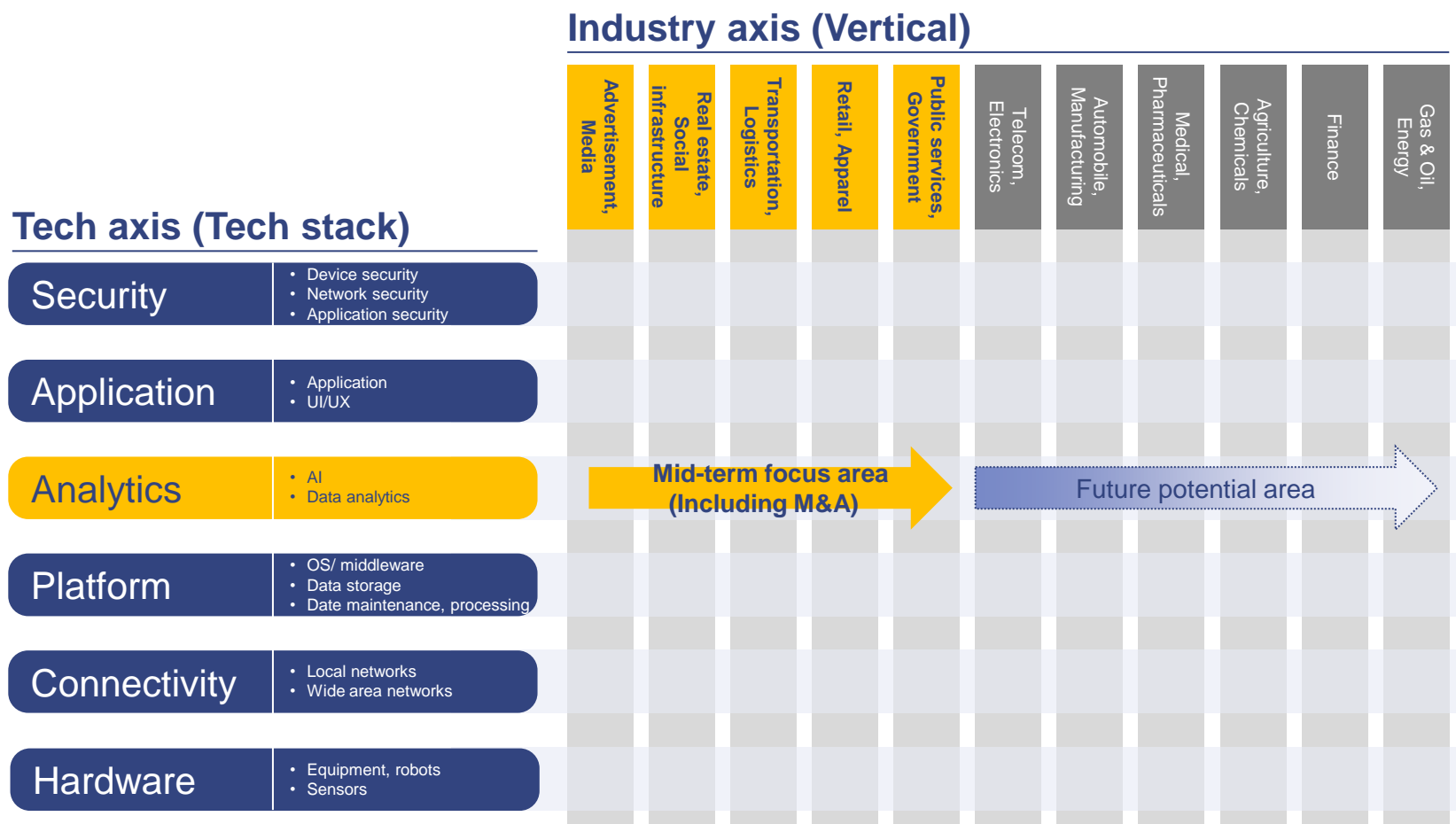
Operating profit bridge (Previous forecast vs revised forecast)

 Full-year forecast has been revised due to the forgoing of a portion of fee-based projects in Q4, growth investments, and M&A associated costs, to allow for future growth beyond FY2022.



Direction of business growth leveraging business characteristics

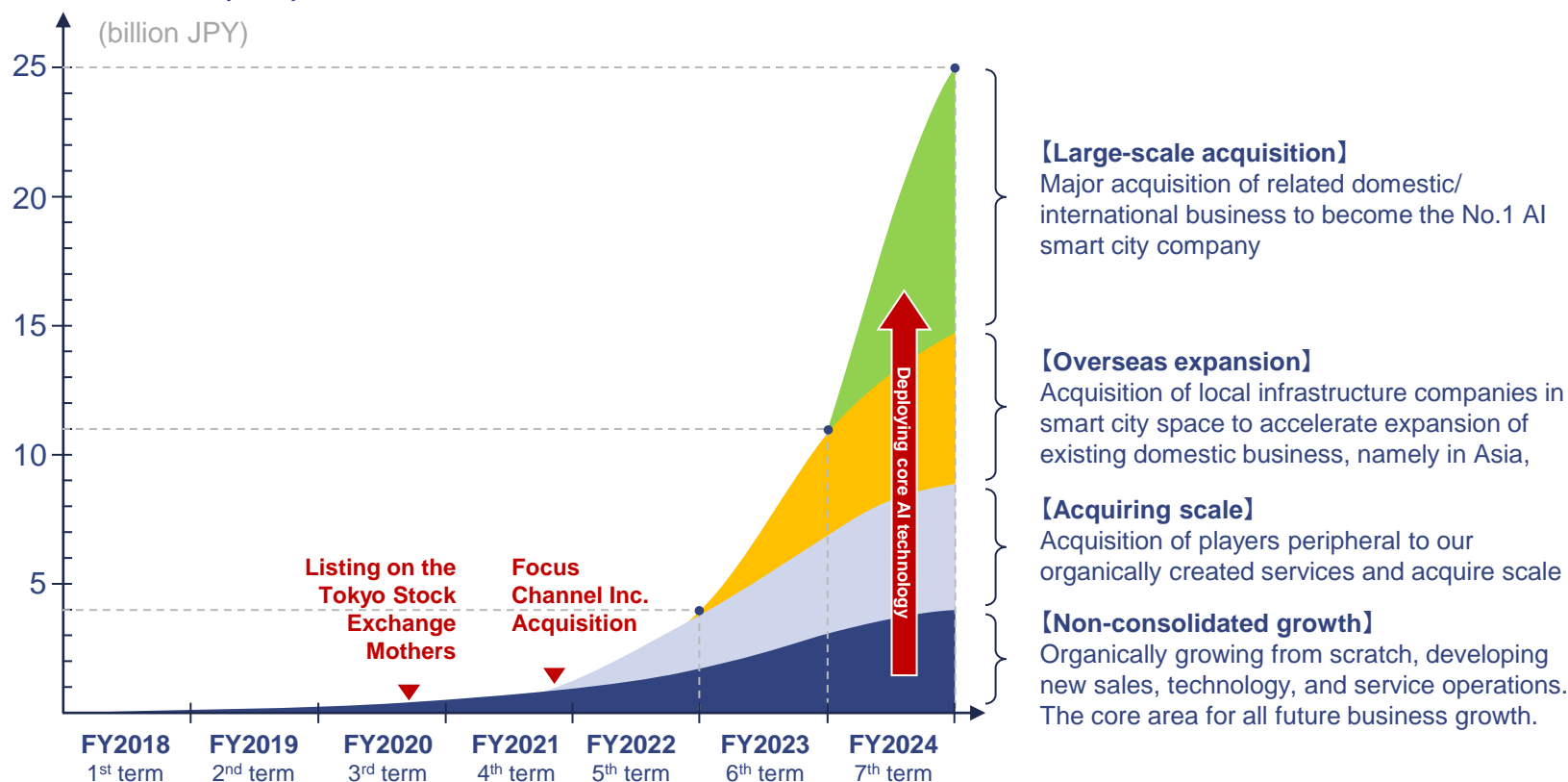
 Characteristics of AI companies that originate from the technology axis, is that they can readily expand services and execute M&As across industries, to then become comprehensive AI service providers. In addition to organic growth, we plan to proactively pursue opportunities in peripheral areas that can accelerate our core business and also progressively consider acquisitions of companies that are ahead of us in such verticals.



Plan to accelerate and scale business growth

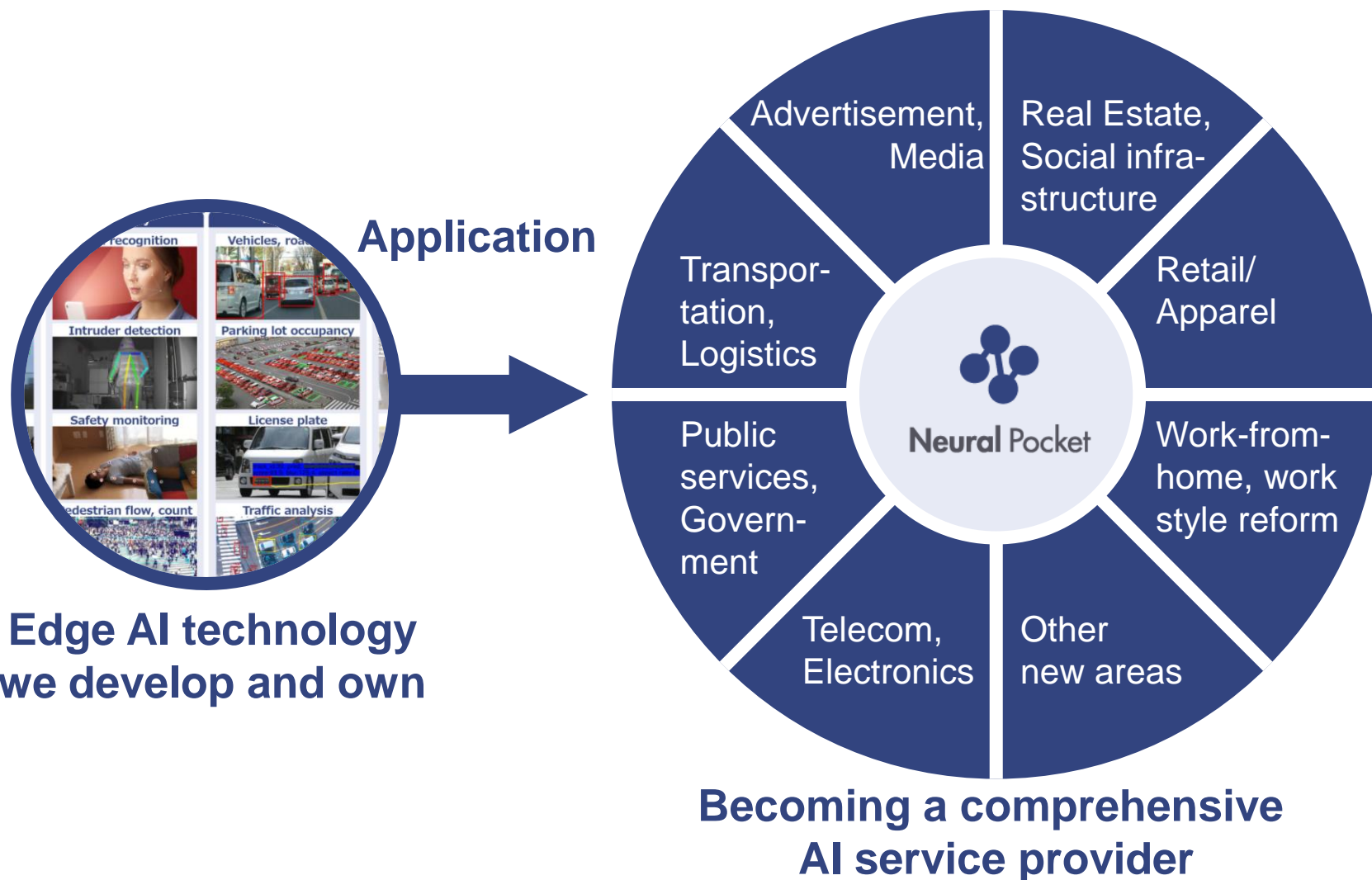
👉 We aim to achieve growth by leveraging our core edge AI technologies and services, and acquiring related services in Japan and overseas in an orderly manner. On Nov. 1, 2021, we consummated our first M&A through the acquisition of Focus Channel Inc. In addition to organic business growth, we plan to execute roughly two M&As per year creating synergies that will contribute to business expansion.

Consolidated net sales (Plan)




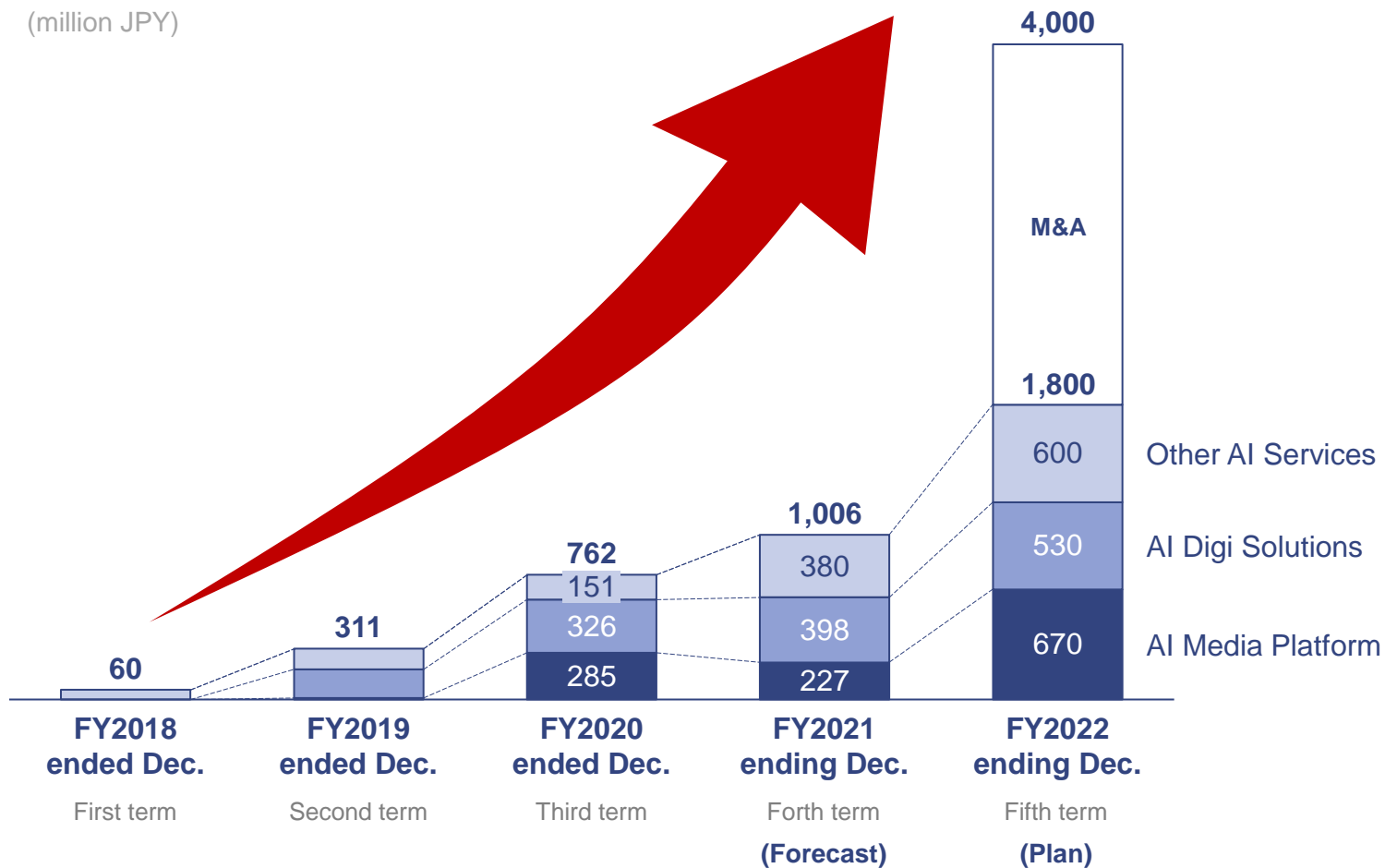
Aiming to become a comprehensive AI service provider

 Through applying our diverse edge AI technologies across multiple domains, we aim to become a comprehensive AI service provider



Aiming for sales growth: Forecast for FY2021 and plan for FY2022

 In FY2022, we aim to quadruple the size of its business. In addition to organic service growth, the we plan to enlarge existing operations through rolling up similar, related competing companies through M&As.



Expert M&A team that allows for our M&A strategy



Team of experts with diverse experience in M&As in place to formulate investment strategies and execute transactions.

Investment strategy team's background and past experience

CEO		Experienced over 10 M&A diligence and PMI ^{*1} (post acquisition integration) projects in Japan and the US.
CFO		Formulation of investment themes, sourcing of potential investment targets, execution of LBOs ^{*2} and post-investment executive management.
Diligence lead		Experienced in corporate valuation from accounting, financial and tax perspective. Certified Public Accountant.
Financing lead		Wide ranging experience in corporate analysis, product structuring, and financing.
Financials lead		Led M&A financing, syndications and corporate reviews across Japan and Singapore.
Investment structure staff		Designed more than 20 investment structures.
PMI (Post-merger integration) staff		Experienced multiple PMI ^{*1} and governance improvements post acquisition. Experience in subsidiary management.

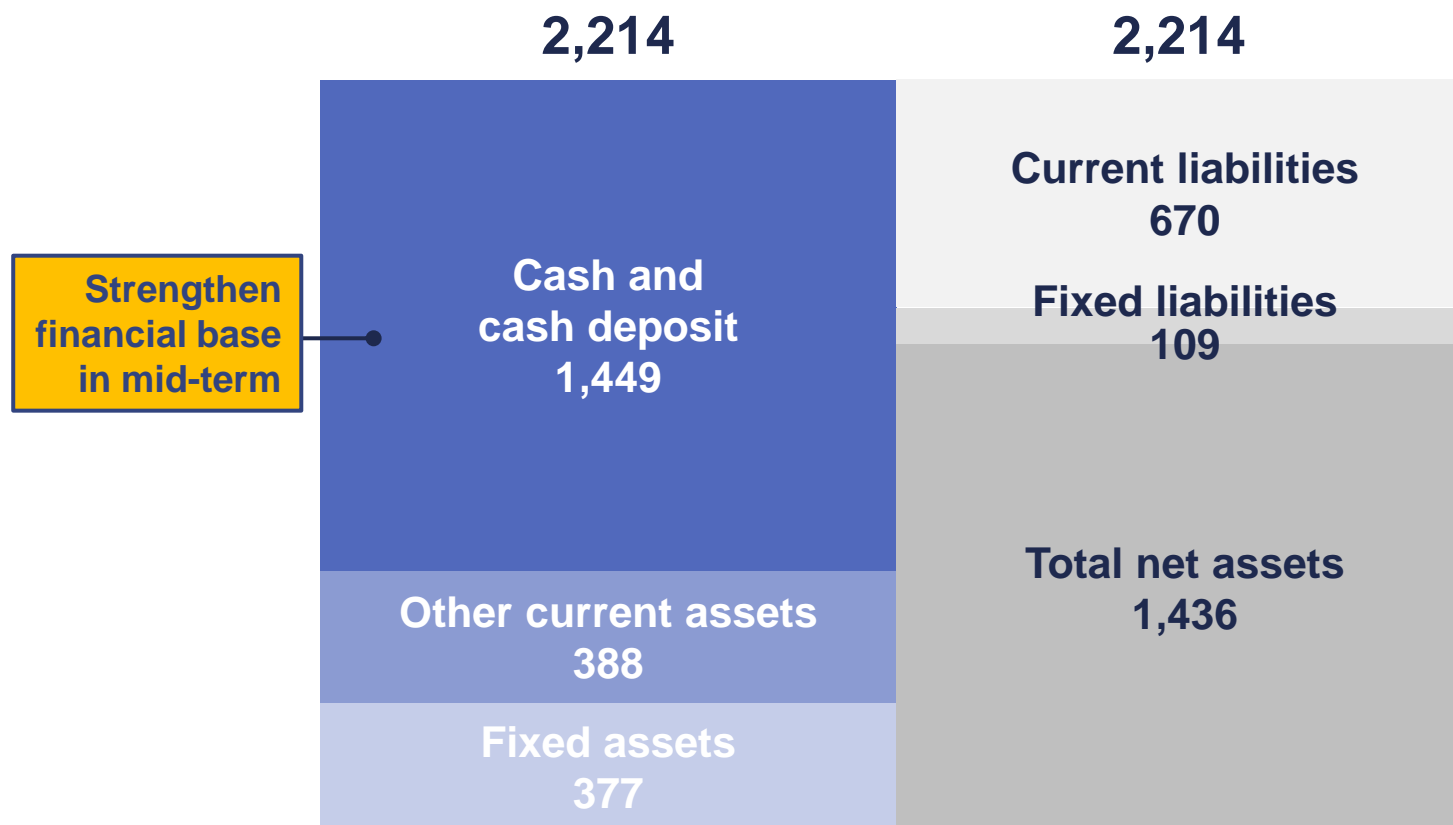
*1 Post-merger integration. The process of unifying two entities and their assets, people, tasks, and resources with the aim to maximize value.

*2 Leverage buyout. Typically refers to acquisitions carried out by financial sponsors utilizing borrowed money from 3rd party lenders.

FY2021 Q3 ended Sep. Balance Sheet

 Existing need to strengthen the company's financial base over the medium term to allow for further progressive investment in company growth, including M&A activity.

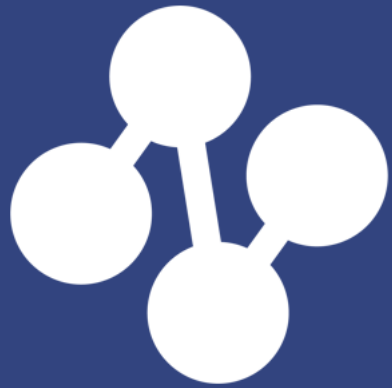
(million JPY)



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Handling of the material

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