



February 21, 2022

Company Name	Neural Pocket Inc.
Representative	Roi Shigematsu, Chief Executive Officer
Code No.	4056, Tokyo Stock Exchange
Contact	Ryosuke Tane, Chief Financial Officer (TEL:+81-3-5157-2345)

### **Announcement regarding acquisition of shares of NETTEN Inc. (Subsidiary acquisition)**

Neural Pocket Inc. (hereinafter referred to as "the Company") hereby announces that it has decided by resolution of the Board of Directors on February 21, 2022, to make NETTEN Inc. (hereinafter referred to as "NETTEN") a subsidiary of the Company by acquiring all of its shares (hereinafter referred to as "the Acquisition"). On the same day, the Company decided to borrow funds for the Acquisition. Please refer to the "Announcement Regarding Debt Financing" dated February 21, 2022 for details of the debt financing.

#### **1. Purpose of the Acquisition**

With the mission of "Update the world for a better tomorrow" our company aims to solve social issues by digitizing real spaces by spreading AI cameras with eyes throughout the city.

In addition to launching a signage advertising service in 2019, the Company is also promoting the provision of human flow analysis, crime prevention and disaster prevention solutions using signage devices for local governments, real estate developers and commercial facilities.

NETTEN installs and sells outdoor electronic signboard (full-color vision) to retailers, restaurants, and government agencies. NETTEN sells electronic signboards of various sizes and forms, from large electronic signboards installed on buildings to small standalone electronic signboards. NETTEN has nine sales offices nationwide and has sold and installed more than 10,000 units to approximately 7,000 companies to date.

The shift from traditional outdoor signboard to electronic signage is progressing rapidly, and the outdoor electronic signboard market is expected to grow at an average annual rate of 10.4%<sup>Note 1</sup>. The average annual growth rate of the outdoor electronic signboard market is expected to be 10.4%<sup>Note 1</sup>. Although NETTEN's business results for the fiscal year ended July 21, 2021 were flat compared with the previous fiscal year due to the impact of the curtailment of face-to-face sales by COVID-19 pandemic, the average annual growth rate of net sales for the past three years has been 12.2%, reflecting the tailwind of the market. As of the end of the six-month period ending July 21, 2022, cumulative sales (from July 21, 2021 to January 20, 2022) are 953 million yen (equivalent to 1,906 million yen on an annual basis <sup>Note 2</sup>).

With NETTEN as a member of the Group, the Company will expand its system to promote and operate AI-equipped outdoor electronic signboard and AI signage by utilizing NETTEN's strong nationwide sales network, diverse electronic signboard installation know-how, and maintenance system.

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Note 1: "Digital Signage Market Research 2021", Fuji Chimera Research Institute, Inc.

Note 2: Annualized sales is calculated by multiplying 953 million yen of cumulative sales (from July 21, 2021 to January 20, 2022) by 2 (=12months/6months).

## 2. Overview of NETTEN

(1)	Name	NETTEN Inc.			
(2)	Address	2-2-24 Sentai, Sumiyoshi-ku, Osaka			
(3)	Name and title of representative	President and Representative Director Takashi Ueda			
(4)	Description of business	Sales of digital LED signboard, web design service			
(5)	Capital	10 million yen			
(6)	Date of establishment	August 20, 2003			
(7)	Shareholders and their shareholding ratio	Takashi Ueda (100%)			
(8)	Relationship between the Company and NETTEN	Capital relationship	None applicable		
		Personnel relationship	None applicable		
		Business relationship	None applicable		
(9)	Operating results and financial position over the past 3 years				
		million yen			
	Fiscal year	FY2018/7	FY2019/7	FY2022/7	FY2021/7
	Net assets	517	644	776	903
	Total assets	1,886	2,207	2,550	2,864
	Net asset per share	2.58	3.22	3.88	4.51
	Net sales	1,263	1,470	1,816	1,785
	Operating profit	88	169	245	195
	Ordinary profit	86	190	245	204
	Net profit	50	126	131	126
	Net profit per share	0.25	0.63	0.65	0.63
	Dividend per share	-	-	-	-

Growth for the fiscal year ended July 2021 were flat due to the impact of curtailed face-to-face sales caused by voluntary restraint from going out due to COVID-19 pandemic.

Cumulative sales for the fiscal year ending July 2022 (from July 21, 2021 to January 20, 2022) are 953 million yen (equivalent to 1,906 million yen on an annual basis).

Note: Annualized sales is calculated by multiplying 953 million yen of cumulative sales (from July 21, 2021 to January 20, 2022) as of the end of the six-month period by 2 (=12months/6months).

*Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.*

### 3. Overview of the seller

Name	Takashi Ueda
Address	Osaka
Relationship between the Company and the seller	Not applicable

### 4. Number of shares to be acquired and number of shares held before and after the acquisition

Number of shares held before the share transfer	- shares (Number of voting rights: -) (Percentage of voting rights: -%)
Number of shares to be acquire	200 shares (Number of voting rights: 200)
Acquisition costs	Share acquisition cost: 2,400 million yen Consulting fees (approximate): 19 million yen Total (approximate): 2,419 million yen  In addition to the above consideration for the common stock, the Company plans to pay 100 million yen as additional consideration to Mr. Takashi Ueda, President and Representative Director of NETTEN, the seller, subject to the completion of the corresponding items stipulated in the share transfer agreement concluded between the Company and Mr. Ueda.  In addition, after the acquisition of the shares, NETTEN plans to transfer the securities and loan receivables (approximate total amount: 10 million yen) held by NETTEN to Mr. Ueda as severance payment, but there is no plan to pay any money.
Number of shares held after the share transfer	200 shares (Number of voting rights: 200) (Percentage of voting rights: 100%)

### 5. Schedule of the Share Acquisition

Date of resolution of the Share Acquisition by the Board of Directors	February 21, 2022
Signing date of the Share Purchase Agreement	February 21, 2022
Closing date of share purchase pursuant to the agreements.	February 21, 2022

### 6. Outlook

As stated in the "Business Plan and Potential for Growth" disclosed on December 24, 2021, the Company has set

*Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.*

aggressive M&A as one of its growth strategies. By making a consolidated subsidiary, the Company expects to accelerate the development of new services utilizing outdoor signage. The impact of this share acquisition on the Company's consolidated business results for the fiscal year ending December 31, 2022 is currently under scrutiny and will be announced as soon as the scrutiny is completed.

The Company's consolidated earnings forecast for the fiscal year ending December 31, 2022, in Financial Results for the Fiscal Year Ended December 31, 2021 disclosed on February 10, 2022, does not take into account the impact of this matter.

# Netten Inc. company overview

## Company Overview



**Company name:** NETTEN Inc.  
**Founded:** Aug, 2003  
**Representative:** Takashi Ueda, CEO  
**Headquarters:** Sentai 2-2-24, Sumiyoshi-ku, Osaka  
**Business overview:** Sales of digital LED signboards to retail stores, corporations, and government offices (89%), website services (10%), and others (1%)  
**Locations:** Osaka HQ, Osaka Sales HQ, Tokyo, Yokohama, Sendai, Niigata, Hiroshima, Nagoya, Fukuoka (Total of 9 locations)  
**Total # of staff:** 140  
**Track record:** Served LED signages to 7,000+ customers, cumulatively installed 10,000 LED signages with #1 market share domestically



Osaka HQ



Total of 9 locations with focus around Osaka and Tokyo region

## LED Signboard – Installation examples

# DigiLook

※Brand name of LED electronic signboards sold and installed by NETTEN, Inc.

### Building wall installation



### Stand-type



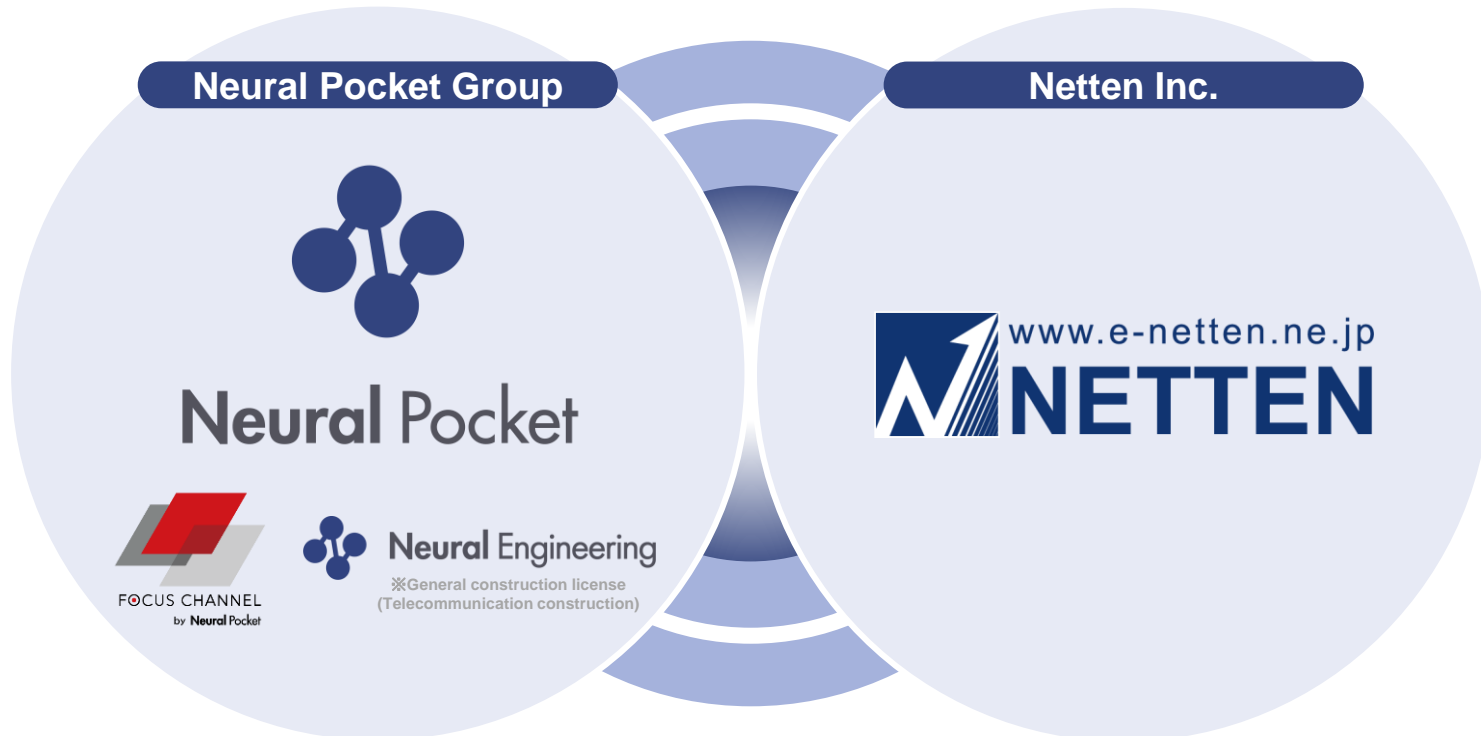
### Pillar-type



### Protruding-type



# Synergies with NETTEN Inc.



**Key products**

**AI digital signage, smart city AI solutions**

**Digital LED signage**

**Customers, Sales network**

**Large corporations, government agencies**

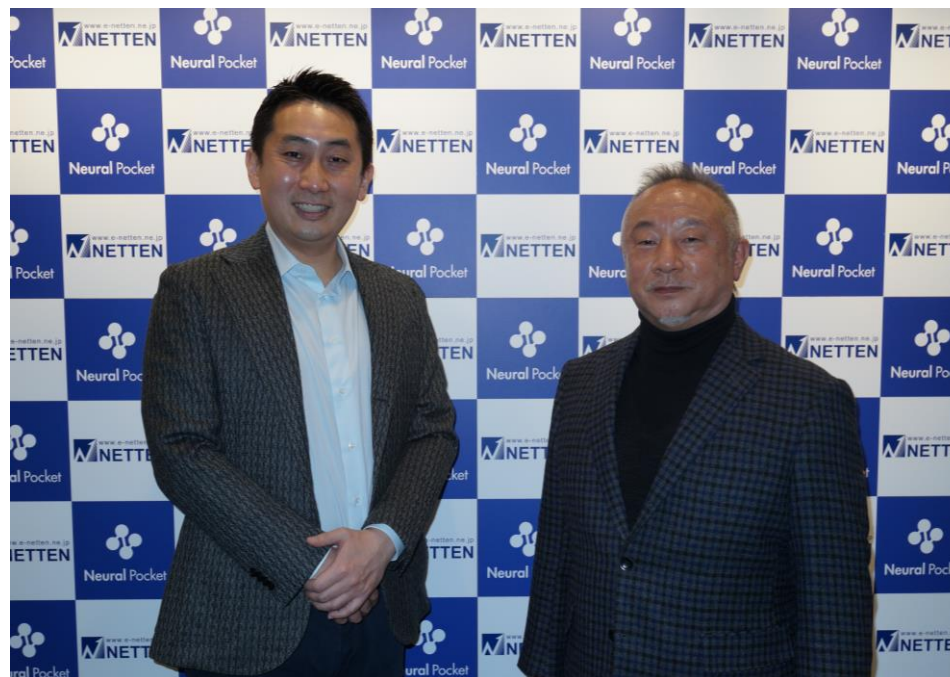
**Small-medium size corporations**

**Tech**

**AI algorithm, content distribution network, construction license**

**Fabless design of LED hardware, digital content production**

## Signing ceremony held on Feb. 21<sup>st</sup>



Left: Roi Shigematsu (CEO, Neural Pocket), Right: Takashi Ueda (CEO, NETTEN Inc.)

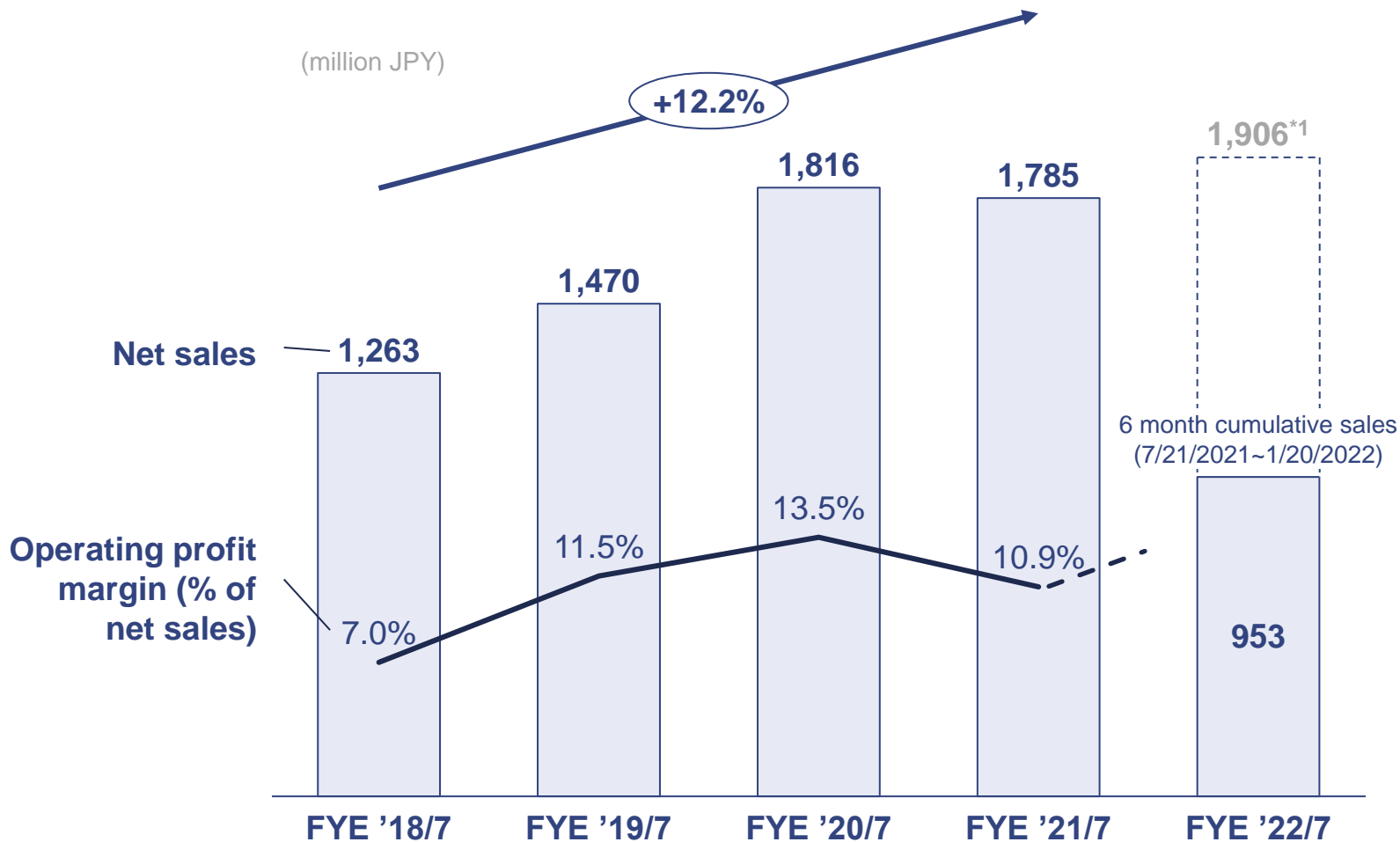
### Remarks from Neural Pocket Inc., CEO, Roi Shigematsu

Since its founding in 2018, Neural Pocket has been implementing smart city initiatives implementing AI technology under the mission of "updating the world for a better tomorrow". Today, by joining forces with NETTEN Inc., the largest outdoor LED vision company, we will be able to provide comprehensive indoor and outdoor smart city solution services. In addition, by making the most of NETTEN's nationwide sales and marketing network of more than 7,000 customers, we will accelerate the shift to smart cities in Japan and overseas.

### Remarks from NETTEN Inc., CEO, Takashi Ueda

We have been engaged in the outdoor signage business for many years, and as PCs are connected to the Internet and now smartphones are also connected to the Internet, we have been providing added value by connecting our outdoor color vision to the Internet and changing the display in real time. Moving forward, we are confident that we can make a further leap into a greater business by utilizing Neural Pocket's AI technology and advertising distribution technology, including the use of AI cameras.

# NETTEN Inc. business performance: Steady growth trend continues



Temporary slowdown due to limitations in face-to-face sales due to COVID-19

\*1 Annualized net sales calculated by multiplying cumulative net sales through Jul 21<sup>st</sup>, 2021 – Jan 20<sup>th</sup>, 2022 multiplied by 2 (= 12/6).



# Impact on Neural Pocket Group net sales

(million JPY)

