Neural Pocket

Financial Results Briefing Material FY2021 Q1 (ended Mar 31st, 2021)

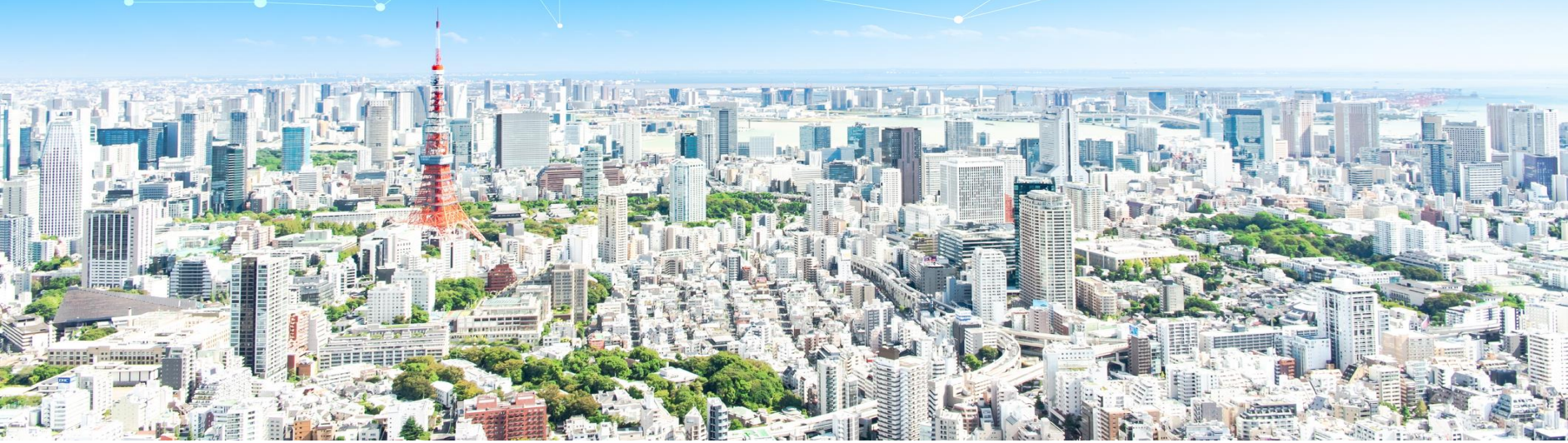
Neural Pocket Inc.
May 14th, 2021

- **Business Overview**
- FY2021 Q1 Business Progress
- Performance Highlights and Growth Strategy

The future we envision

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

“AI Smart City Revolution”



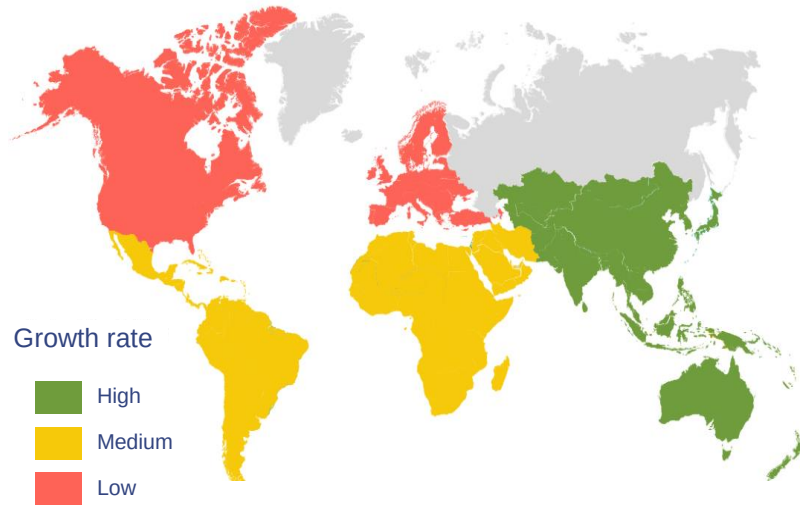
A large new Smart City market is being created

Global Smart City market size is approx. $1-2 trillion USD

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

Asia is the source of growth for smart cities

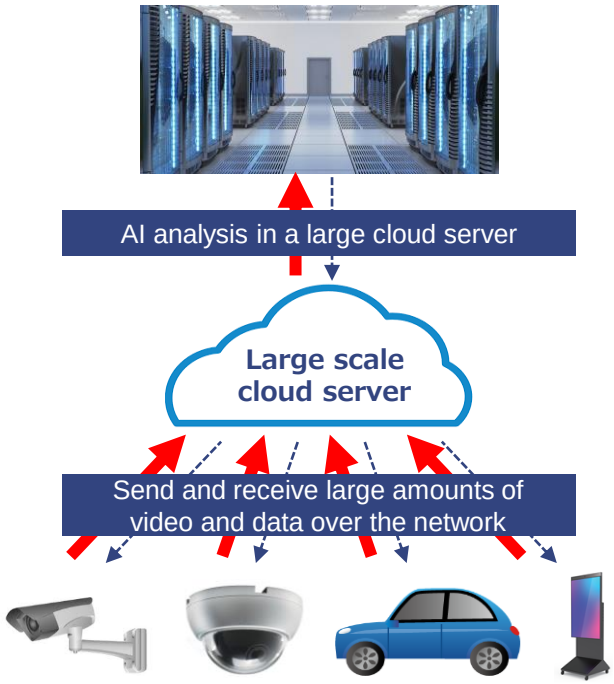
Smart City Market Growth Rate by Region (2019-2024)



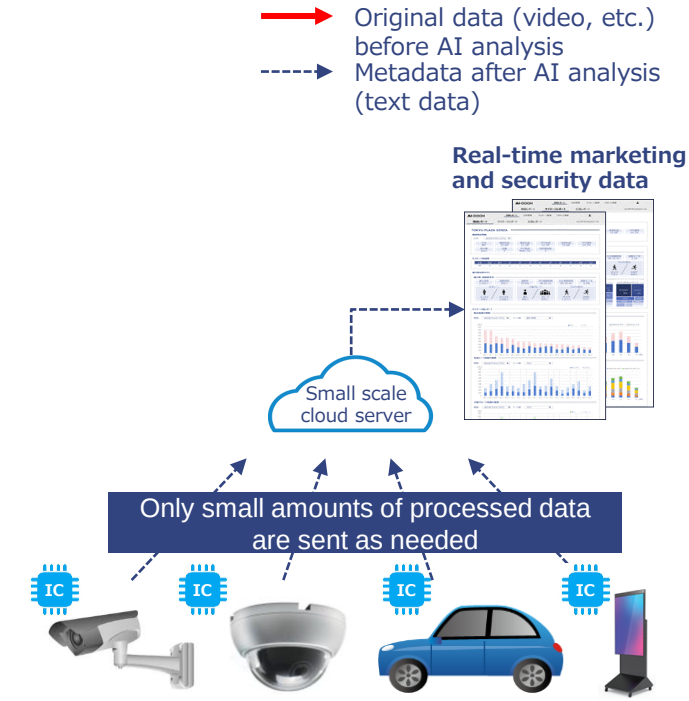
Source: Mordor Intelligence

Edge AI is a technology that overcomes many of the problems traditional Cloud AI faces

Cloud AI
Conventional approach



Edge AI
Our approach



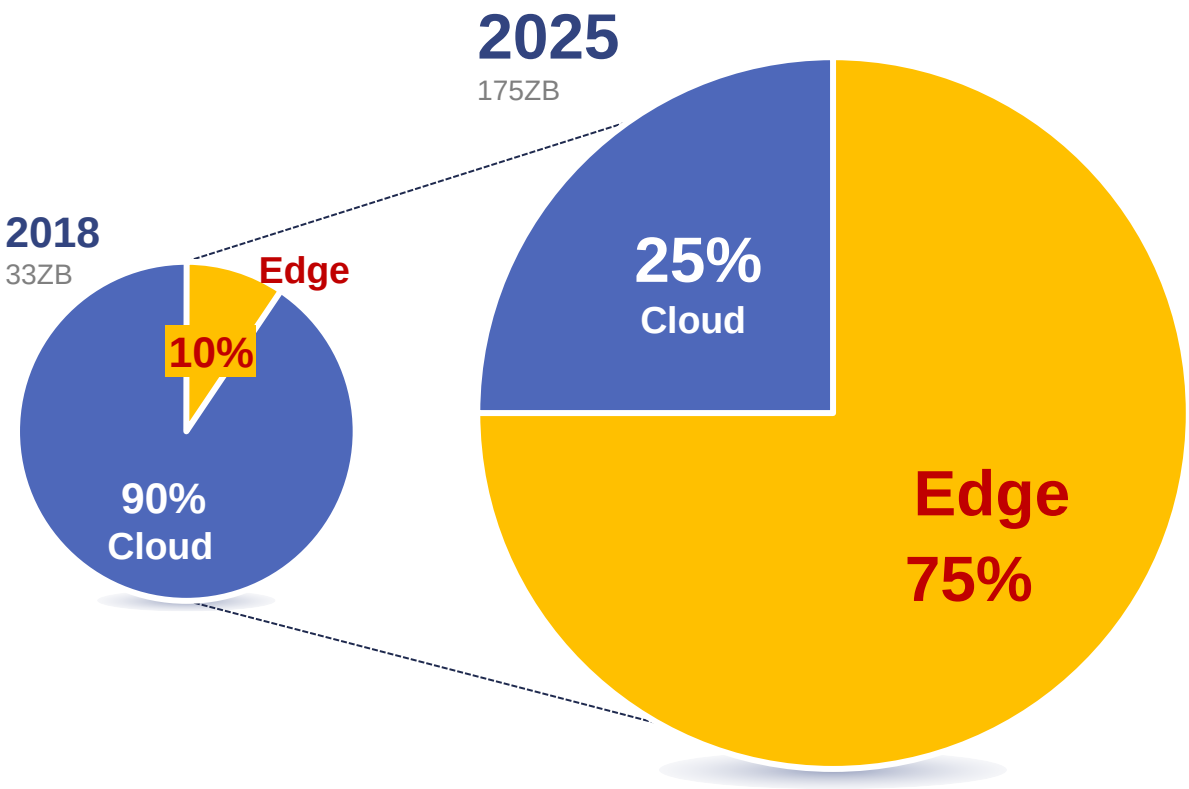
- **High costs** (Communication and maintenance)
- **High latency** (High network load)
- **High electricity consumption**

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

Also greatly contributes to privacy protection

A large macro trend from the Cloud to the Edge is expected

Edge vs Cloud share forecast *1*2



Growth forecast
(2018→2025)

Edge

40x growth
(CAGR*3 69%)

Cloud

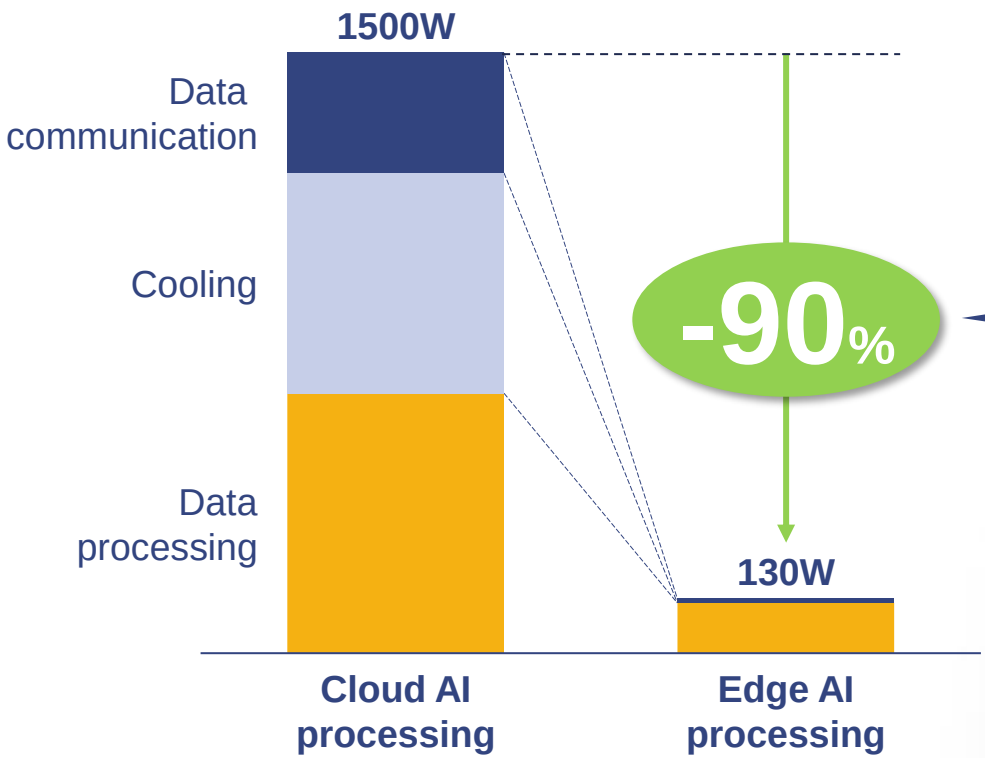
1.5x growth
(CAGR*3 6%)

- As data volumes explode, processing data in the cloud becomes more and more inefficient
- In response, computer power is being rapidly pushed from the Cloud onto the Edge

*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 Compound annual growth rate`

Edge AI technology contributes to carbon neutrality and SDGs

Power consumption for AI processing per 100 cameras*1



Low power consumption contributing to the reduction of CO_2 emissions

Comparison of power consumption when AI processing (object detection) for 100 cameras is performed in a cloud vs edge system, respectively. Company research.
Cloud AI： Object detection at 4FPS on NVIDIA V100 (112 TFLOPS, 8 GPUs), parallel processing 679 cameras, which is the theoretical limit calculated assuming a 20% GPU utilization efficiency. Video data transfer rate per camera is assumed to be 450MB per hour.
Edge AI： Object detection at 4FPS with NVIDIA JetsonTX2, parallel processing 12 cameras, which is the theoretical limit calculated assuming a 20% GPU utilization efficiency. Metadata transfer per camera is assumed to be 3.6MB per hour.
Total power consumption is converted to a value per 100 cameras to compare the two methods.

We provide AI enabled services that contribute to the reduction of CO_2 emissions and the pursuant of SDGs

DEEP LEARNING
BUSINESS AWARDS 2020
ディープラーニング ビジネス活用アワード

Awarded for contribution to the reduction of waste of clothes and improvement of gross profit margin of apparel companies (contribution to SDGs)

We have developed and provide six smart city-related AI services

People Flow, Crime Prevention

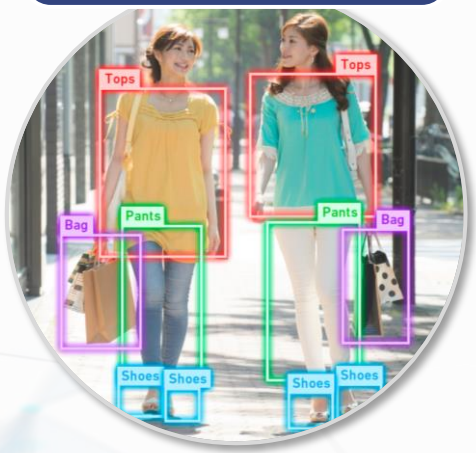
Parking and Mobility

3D City Maps

Signage Advertisements

WFH Security

Fashion Analysis



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Domestic and overseas smart city-related engagements

Domestic

Tawara-motocho, Nara Pref.
Tourism promotion through visualization of usage of tourism facilities

Muroran City
Regional revitalization through AI-based urban planning and tourism

Muroran City

Ministry of Land, Infrastructure and Transport and Tourism

Osaka City Umekita 2nd Phase Development
Outdoor people flow, attributes, and behavior detection

New Analyzing people flow in a city center shopping arcade

Local development and regional revitalization through ICT smart city initiative

Enabling smart city through city block/ mobility interlinking with edge AI

Sugamo District
Industry-university collaboration for the advancement of education and digitalization in surrounding area

大正大学 スガモで育む日本の未来。
Taisho University

Automation and optimization of boarding surveys on public buses

Smart compact city through AI-based security and monitoring system

Congestion visualization in government operated large venue halls

Urban redevelopment through transportation visualization

Anjo City
Visualization of live road info onto 3D city maps

Smart building and smart city development in central Tokyo

Ministry of Land, Infrastructure and Transport and Tourism

anjo

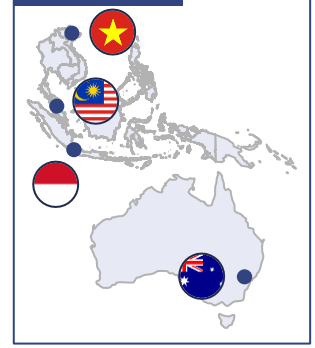
PLATEAU by MLIT

Kamakura City
Preventing over-tourism and overcrowding by visualizing congestion and traffic

Optimization of facility operations at roadside station by identifying parking space availability and analyzing vehicle data

Kamakura

Overseas



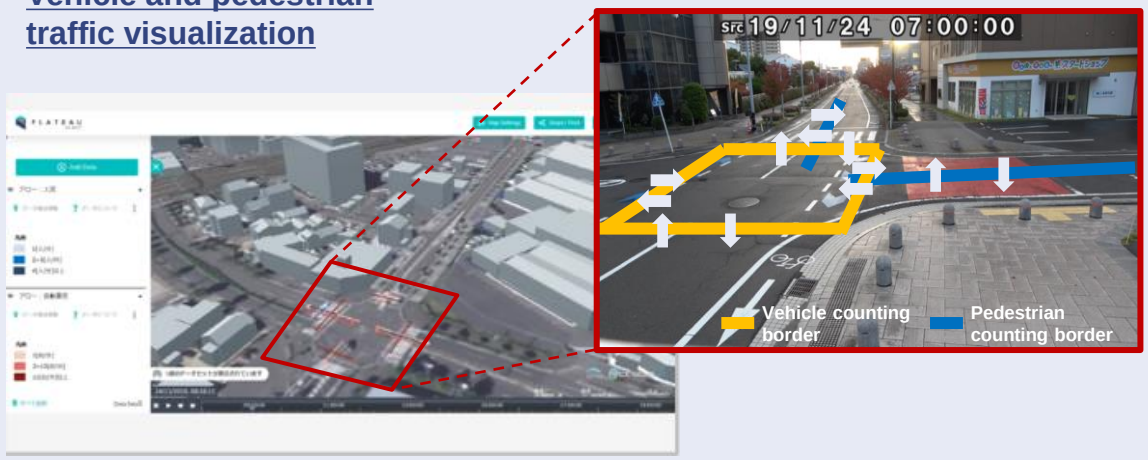
Neural Pocket

Joined 3D city model project promoted by the Ministry of LITT*1

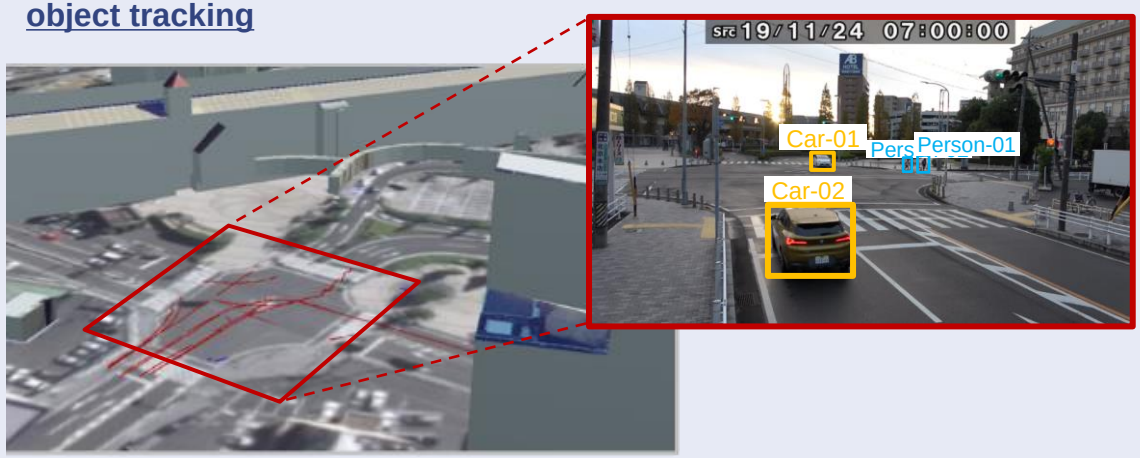
PLATEAU by MLIT

- Joined **3D city model project "PLATEAU"** promoted by the **Ministry of LITT**[*1] as a project partner
- **Visualization of urban activities** in Anjo City
- Analysis of camera footage to display people flow and vehicle traffic within **live 3D city model**

Vehicle and pedestrian traffic visualization



Map position plotting via object tracking



*1 Ministry of Land, Infrastructure, Transport and Tourism

Neural Pocket

Collaboration agreement with Taisho University

Taisho University
大正大学
スガモで育む日本の未来。

Saizeriya RISTORANTE E CAFFÈ

A “Park City” of greenery and water
三鷹市 MITAKA CITY

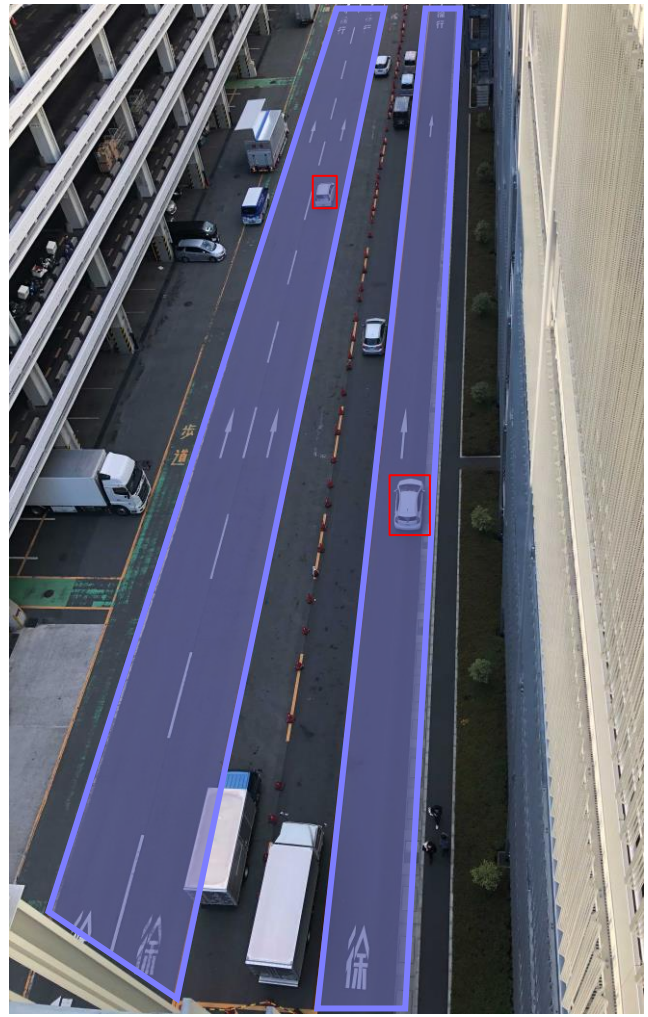
- Signed **industry-university collaboration agreement** with Taisho University
- Promote **data utilization** and **digitization** in university education and research activities
- In addition to campus smartification, promoting digital transformation across Sugamo district, surrounding the campus
- “Saizeriya (large restaurant chain)" and "Mitaka City" also joined as third-party partners to pursue collaboration

Installation of “Digi-Park” to Tokyo Ryutsu Center

TRC
Tokyo Ryutsu Center
A MITSUBISHI ESTATE Group Company

- **Installed "Digi-Park,"** an AI parking and vehicle management solution, in Tokyo Ryutsu Center’s Logistics Center*1
- **Visualization of on-site traffic** through camera images enabling efficient facility operations

On-site traffic detection



*1 東京都大田区平和島にある東京流通センターの運営する物流センター

Neural Pocket

Optimizing training data collection and AI detection accuracy with CG technology

Neural Pocket (TSE: 4056) unity (NYSE: U)

【Conventional approach】
Collect training data one by one

Picture #1

Picture #2

Picture #3

Picture #4

Detection accuracy
80% level*1

【Approach utilizing CG (Computer Graphics)】
Generating countless training data from a single CG

Angle

Background

Other variables

Image quality
Distance
Brightness
Color
Various noises
⋮

Dramatic accuracy improvement

95% reduction in required time

**Time to collect training data*

Detection accuracy
100% level*1

Image of bat detection

*1 See examples published within https://blogs.unity3d.com/2021/04/09/boosting-computer-vision-performance-with-synthetic-data/

Neural Pocket

Compliance with AI development and data security policies

Compliance with government issued guidelines for data acquisition and AI development

総務省 Ministry of Internal Affairs and Communications

経済産業省 Ministry of Economy, Trade and Industry

IoT Promotion Consortium

Ministry of Internal Affairs and Communications

Ministry of Economy, Trade and Industry

カメラ画像利活用
ガイドブック

(Camera Image Utilization Guidebook)

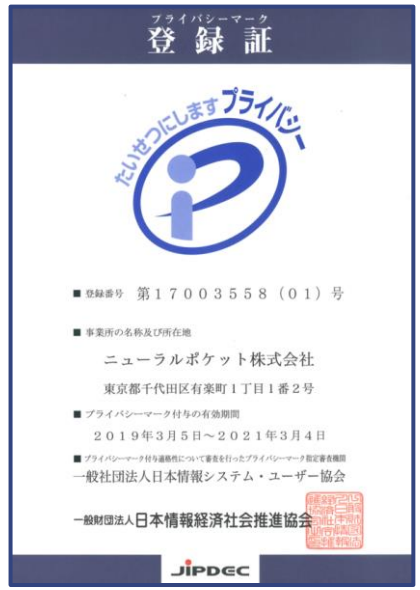
平成 30 年 3 月
ver2.0

IoT 推進コンソーシアム
総務省
経済産業省

Certified information security management system in place to manage and protect data

Privacy Mark

Japan Industrial Standards (JIS)



プライバシーマーク
登録証

たいせつにします プライバシー

■ 登録番号 第17003558（01）号

■ 事業所の名称及び所在地
ニューラルポケット株式会社
東京都千代田区有楽町１丁目１番２号

■ プライバシーマーク付与の有効期間
２０１９年３月５日～２０２１年３月４日

■ プライバシーマーク付与適格性について審査を行ったプライバシーマーク指定審査機関
一般社団法人日本情報システム・ユーザー協会

一般財団法人日本情報経済社会推進協会

JIPDEC

Certified since Mar 2019

ISO/ISMS Certification

International standard

bsi.

Certificate of Registration

情報セキュリティマネジメントシステム

ニューラルポケット株式会社
〒100-0006東京都千代田区有楽町一丁目1番2号東京ミッドタウン日比谷三井タワー32階

IS 740155

0047795423-000

For and on behalf of BSI:

代表取締役社長 坂本 真理

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最新更新日： 2021-05-06
発効日： 2021-05-06
失効期限日： 2024-05-05

IAF ANAB UKAS

...making excellence a habit.

International certification newly acquired in May 2021

Status of Patent Acquisition

Domestic Granted

Cumulative

12 patents

2 patents newly granted in Q1 2021 (As of Mar. 2021)

Domestic Pending

Cumulative

10 patents

（As of Mar. 2021）

International Pending

In preparation

4 patents

（As of Mar. 2021）

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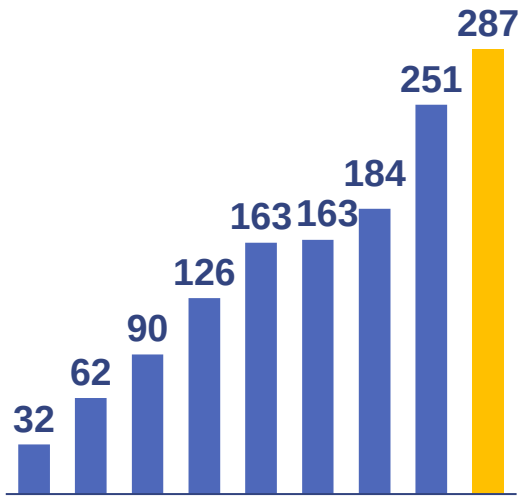
FY2021 Q1 ended Mar. quarterly trajectory

Net Sales

(百万円)

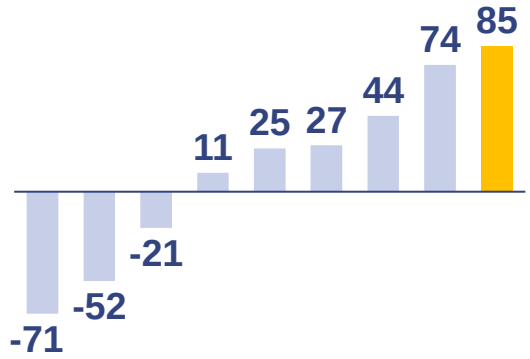


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1

FY2019 (ended Dec. 2019) | **FY2020** (ended Dec. 2020) | **FY2021** (ending Dec. 2021)

Operating Profit

(百万円)

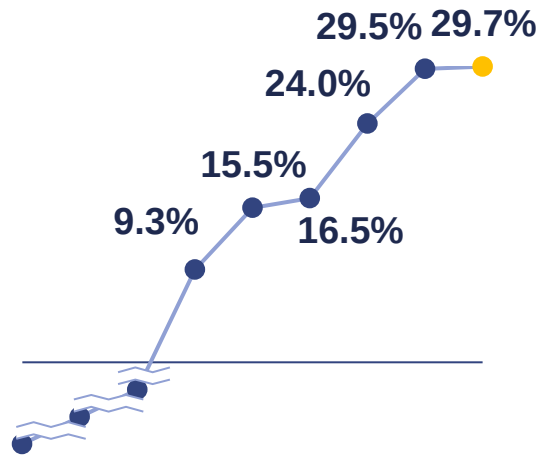


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1

FY2019 (ended Dec. 2019) | **FY2020** (ended Dec. 2020) | **FY2021** (ending Dec. 2021)

Operating Profit Margin

(%)



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1

FY2019 (ended Dec. 2019) | **FY2020** (ended Dec. 2020) | **FY2021** (ending Dec. 2021)

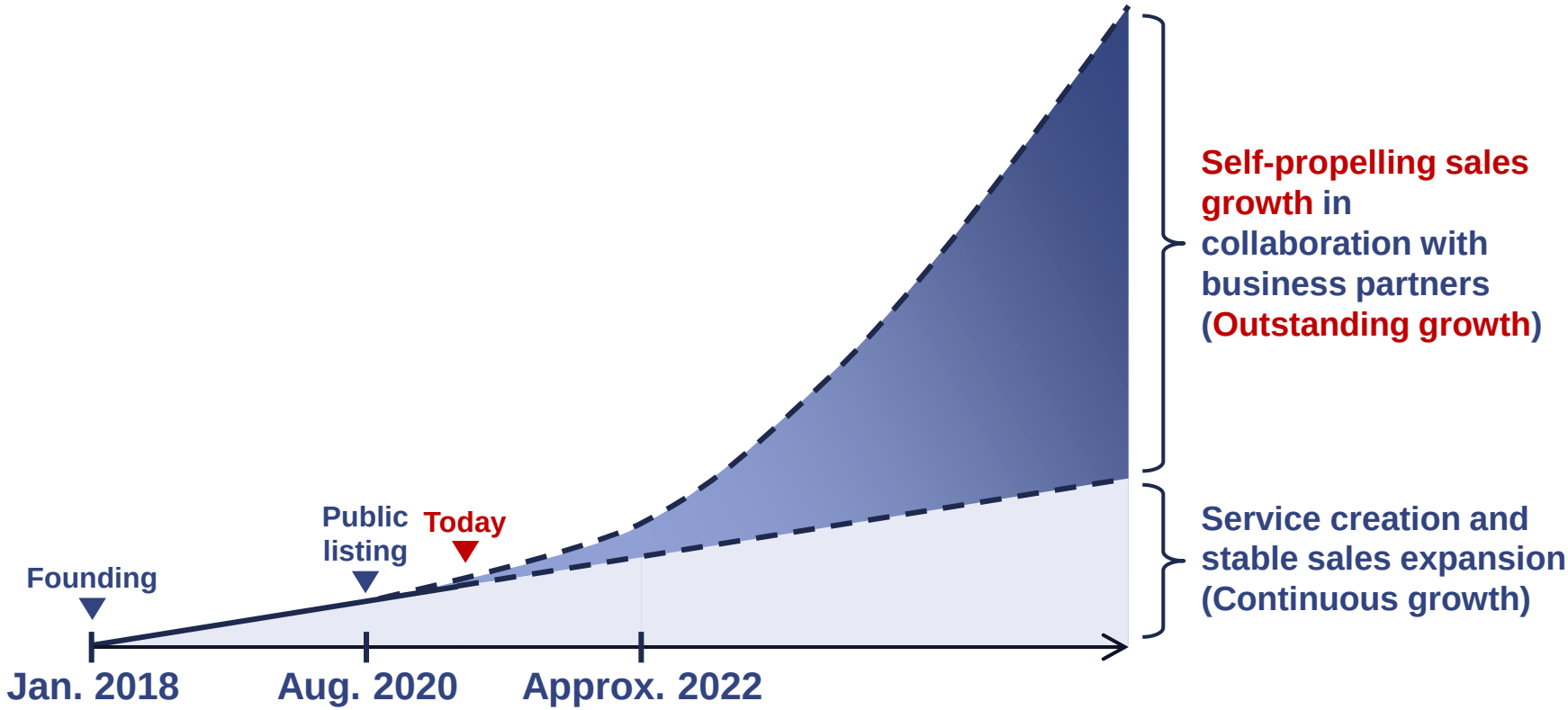
FY2021 Q1 ended Mar. Statement of Income

(million JPY)	FY2020 Q1 ended Mar.	FY2021 Q1 ended Mar.	Increase (amount)	Increase (percentage)
Net sales	**163**	**287**	**+124**	**+76.4%**
Operating profit	**25**	**85**	**+60**	**+237.4%**
% of net sales	*15.5%*	*29.7%*		
Ordinary profit	**24**	**84**	**+59**	**+246.2%**
% of net sales	*14.9%*	*29.3%*		
Net profit	**24**	**83**	**+59**	**+244.8%**
% of net sales	*14.9%*	*29.1%*		

FY2021 Q1 ended Mar. Balance Sheet

(million JPY)	FY2020 Q4 ended Dec.	FY2021 Q1 ended Mar.	Increase (amount)
Total current assets	**1,673**	**1,780**	**+106**
Cash and cash deposits	*1,424*	*1,455*	*+30*
Total non-current assets	**247**	**263**	**+16**
Total assets	**1,920**	**2,044**	**+123**
Total liabilities	**714**	**695**	**(18)**
Interest bearing debt	*564*	*563*	*(1)*
Total net assets	**1,206**	**1,348**	**+142**

Future growth strategy (Illustration of business growth)



Business Creation	Deepening of Business Model	Business Expansion with Scale
• Build corporate platform • Identify value proposition • Develop services	• Commercialize services • Extend business partnerships • Define business segments and KPIs	• Announce mid-long term management plan • Disclose business segments and start monitoring KPIs

Management policy for FY2021

From fee-based to unit-based sales

In addition to expansion through individual contracts with companies/ governments, we aim to accelerate sell-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

Disclaimer

Handling of the material

This document contains forward-looking statements. These statements are based solely on the information available at the time the statements were made. Furthermore, such statements are not guarantees of future results and are subject to risks and uncertainties. Actual results may differ materially from those projected in the future due to changes in the environment and other factors. Factors that may affect the actual results described above include, but are not limited to, domestic and international economic conditions and trends in relevant industries. We are under no obligation to update or revise any of the future information contained in these materials in the event that new information comes to light or future events occur. The information contained in these materials relating to matters other than the Neural Pocket is quoted from public information and Neural Pocket has not verified and does not guarantee the accuracy or appropriateness of such information.

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