



Earnings Briefing Materials for the Fiscal Year Ending June 30, 2021

August 10, 2021

User Local, Inc. (Securities code: 3984)

<https://www.userlocal.jp/>



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- 2 Company Outline**
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- 4 Future Focus Areas**

1

Full Year Highlights (FY6/21)

FY6/21 Full Year Highlights

- **Business domain expanded through development of new AI services**

Started providing "cheating prevention AI" and "personal information anonymization AI" services

- **Proportion of AI engineers at the company increased**

Increased the proportion of AI engineers among in-house engineers to **70%**

- **Net sales continued to grow by improving R&D capabilities and supporting DX promotion**

Net sales **20.8mn yen (25.2% YoY)**

Operating profit **8.5mn yen (24.4% YoY)**

Expanding the Areas where Big Data and AI are Utilized

Existing areas



Data aggregation and visualization



Social media operation support



Website UX measurement



Automated responses



Content assessment



Image recognition



Public administration support



Fraud detection



Privacy protection

Future areas



Automatic text processing



Robot controls



Sales and marketing support



E-commerce customer service support



Education support



Internal management tools

Expansion of the Areas where Big Data and AI are Utilized

Natural language processing

AI text mining

Quantitative and qualitative analysis of large amounts of text data

Personal information processing AI

Automatic anonymization of personal information contained in electronic documents

Text emotion recognition AI

Reading emotions from text input



Voice processing

Voice emotion recognition AI

Reading of emotions from voice input

Voice meeting minutes service

Automatic creation of online meeting minutes



Image processing

Handwritten character recognition AI

Recognizes handwritten characters on documents, etc.

Expression inference AI

Reading emotions from facial images

Facial recognition AI

Age and gender identification from facial images



Video processing

Position inference AI

Estimating a person's posture from images and videos

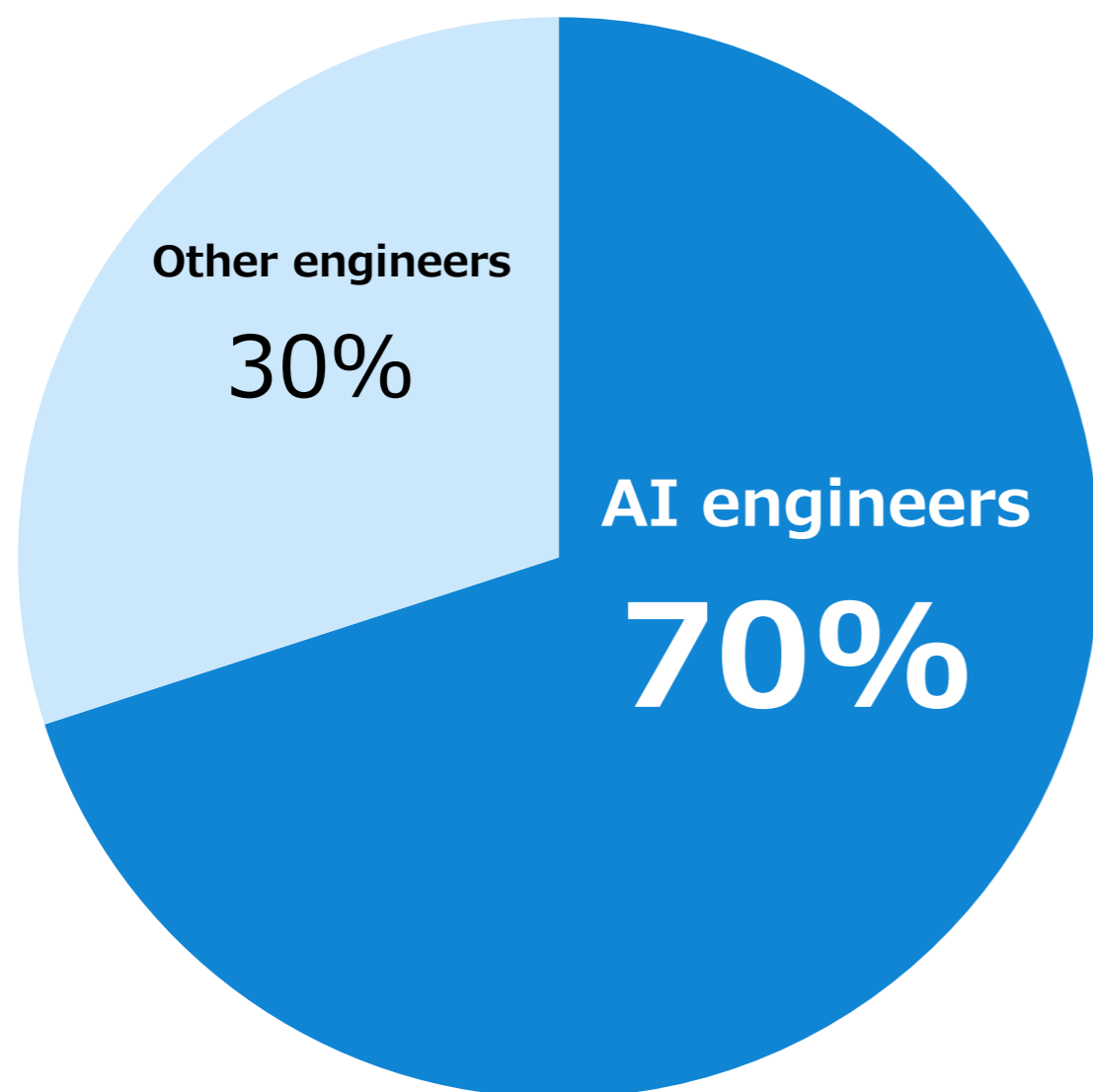
Line of sight inference AI

Estimating where a person in a video is looking



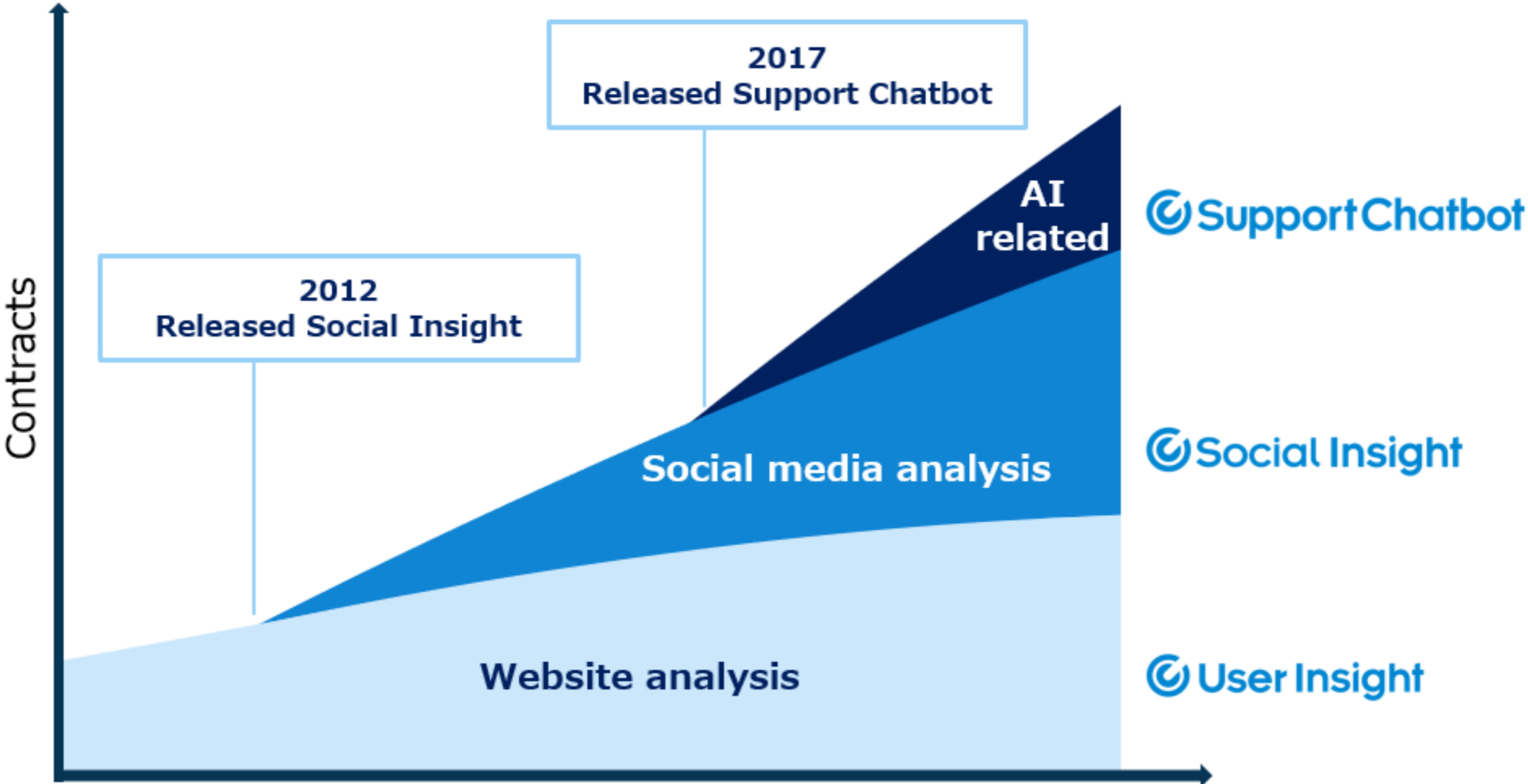
Achieved 70% AI Engineer Ratio

Strengthening hiring and in-house training of AI engineers to respond to the progress of AI technology and needs for social implementation

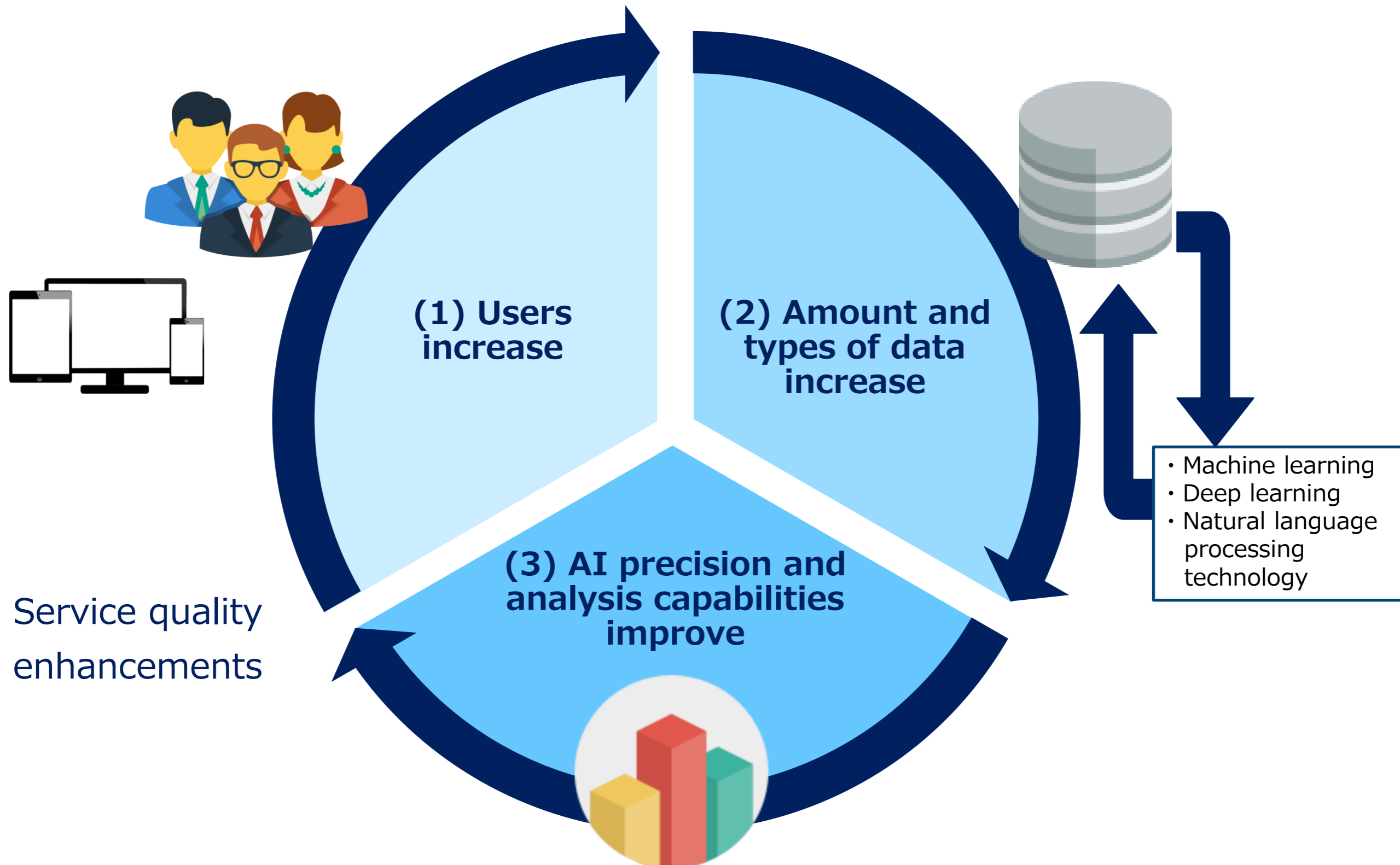


- **Promoting R&D of AI algorithms**
- **Implementing developed algorithms in existing and new services**

Number of Contracts Increasing in line with Increase in Services



Virtuous Cycle of Algorithm Improvement from Increase in Users



Increasing Importance of DX Promotion

People's social activities and patterns of consumption have changed as a result of COVID-19



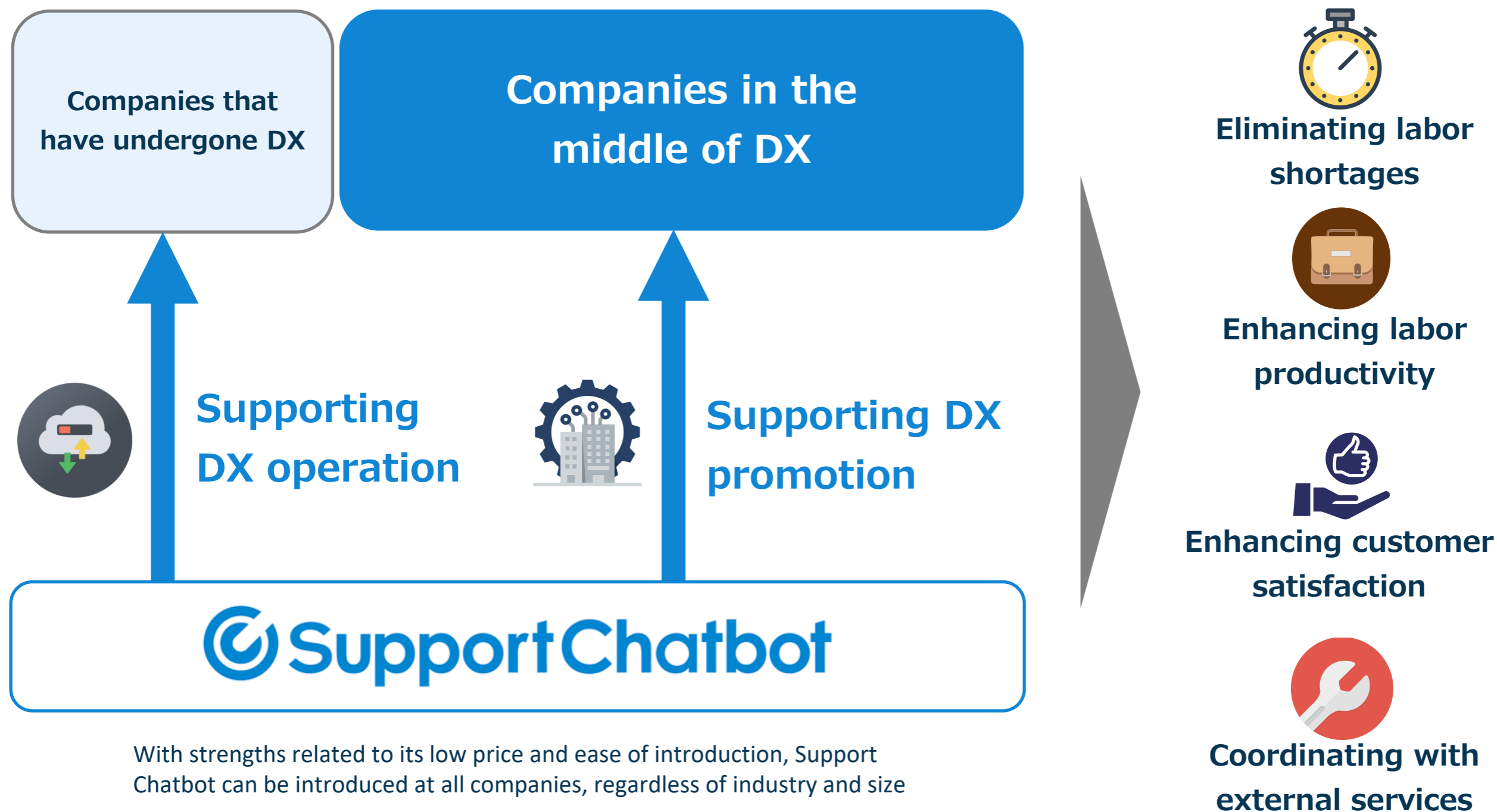
The utilization of digital technologies is becoming essential for responding to changes in the business environment and continuing to generate new value

DX (Digital Transformation)

When companies respond to rapid changes in the business environment and utilize data and digital technologies to transform products, services, and business models based on the needs of customers and society, while at the same time transforming operations themselves, teams, processes, and corporate culture, and thereby establishing competitive superiority

Support Chatbot Supports DX Promotion

Democratizing AI and contributing to the promotion of its introduction at many companies



DX Promotion with Chatbots

Achieving DX (digital transformation) by automating helpdesk operations with AI

Customer support and customer service operations

E-commerce, recruitment, real estate, finance, education, etc.



Support operations can become more efficient while also improving customer satisfaction by providing immediate support 24 hours a day. Individual customer service is also possible when combined with manned chat.

Support for internal inquiries

Information systems, personnel, general affairs, accounting, etc.



Eliminate communication costs by quickly answering questions related to internal procedures and operational regulations, such as expense applications.

Enhancing Functions for DX Promotion

Strengthening coordination with external communication tools such as Teams and Zoom in response to rising demand for chatbots in the remote work environment created by COVID-19

 Support Chatbot



Teams



Zoom



LINE
WORKS



LINE



Slack



Google
Chat



Messenger



Chatwork

December 2020

Promoting DX at companies through coordination with Google Calendar

① 予定の確認

今後の予定を教えてください

今後の予定は以下の通りです

- 12/20 15:00 ミーティング
- 12/20 18:00 報告会
- 12/21 11:00 商談
- 12/21 15:00 ミーティング
- 12/21 18:00 報告会
- 12/22 9:00 朝礼
- 12/22 15:00 ミーティング

② ミーティング調整

ミーティングを設定したい

日時
2020/12/20

参加者
Aさん、Bさん

場所
会議室C

以下の時間でセットできます

- 12/20 10:00~
- 12/20 11:00~
- 12/20 12:00~
- 12/20 16:00~

③ 予定の作成

予定を追加したい

タイトル
説明会

日時
2020/12/23 11:00

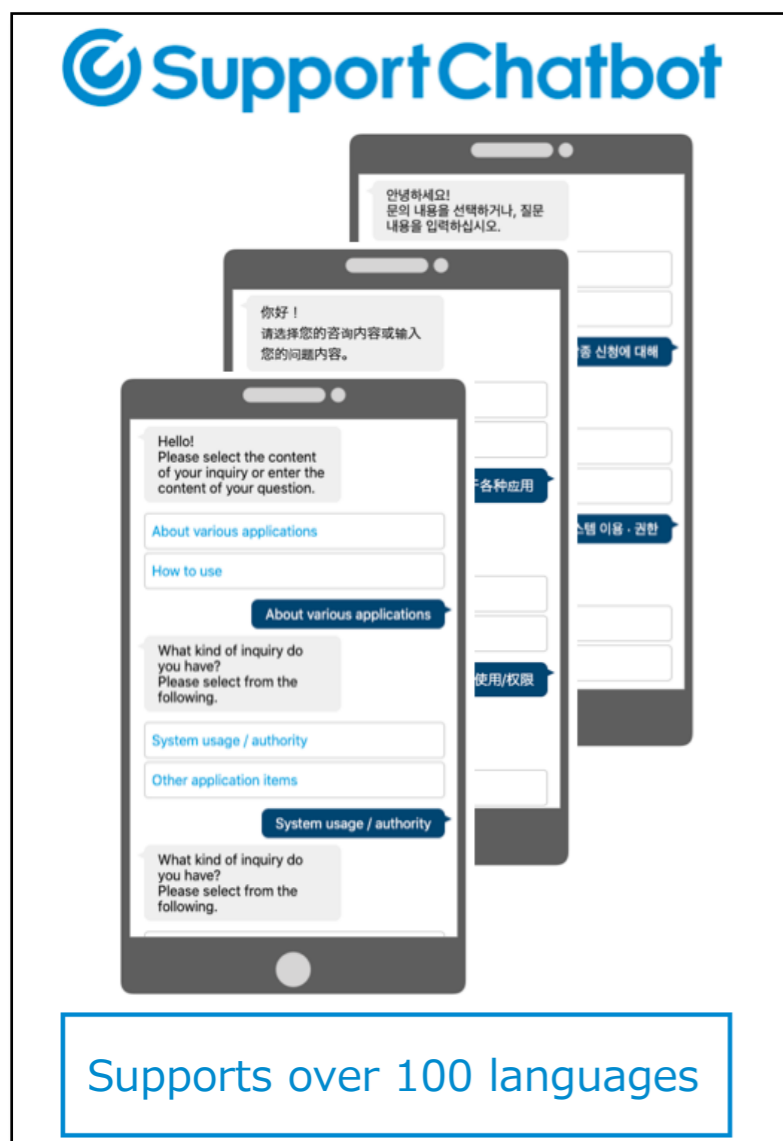
2020/12/23 12:30

予定を作成しました

Making it possible to change calendar schedules with chatbots and arrange meeting times

Enhancing Functions for DX Promotion

Supporting automatic translation into over 100 languages Multi-language support function enables global customer support



Problem

Inquiries to local governments, e-commerce websites, and corporate helpdesk operations sometimes require responses in a variety of languages, and Japanese alone is not sufficient

Solution

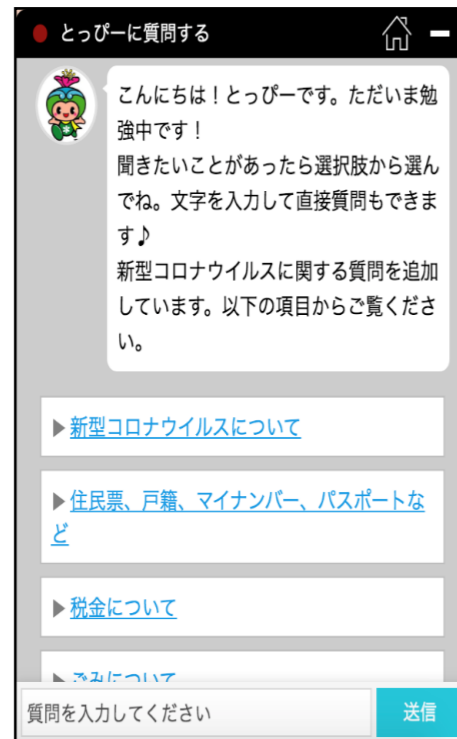
With the multi-language support function, a FAQ created in Japanese can be automatically translated into more than 100 languages including English, Chinese, and Korean (*Supports Google Translate)

With no need to create Q&As for each language, time is saved and costs are reduced, supporting many foreign users

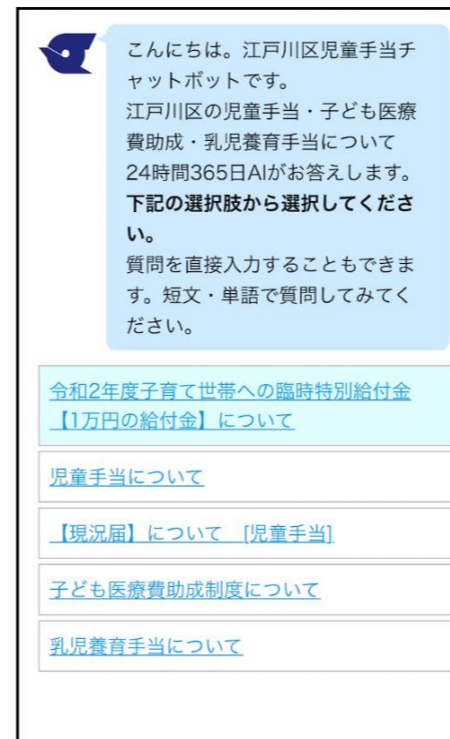
User Local Chatbots Also Used at Government Agencies, Local Governments, and Universities

Government Agencies / Local Governments

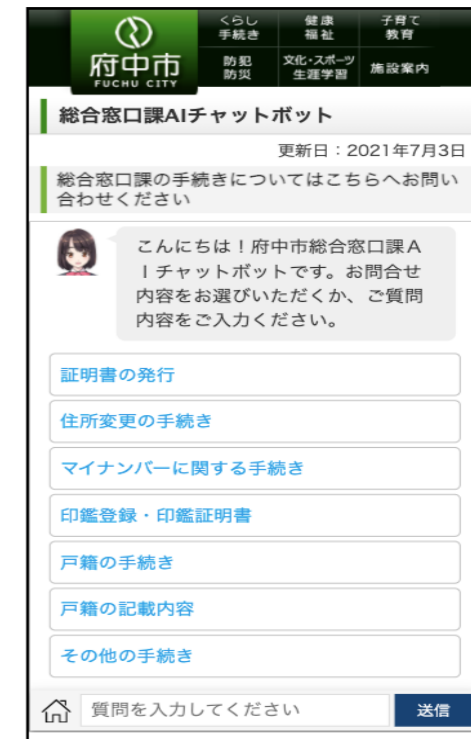
Tondabayashi City, Osaka



Edogawa Ward, Tokyo

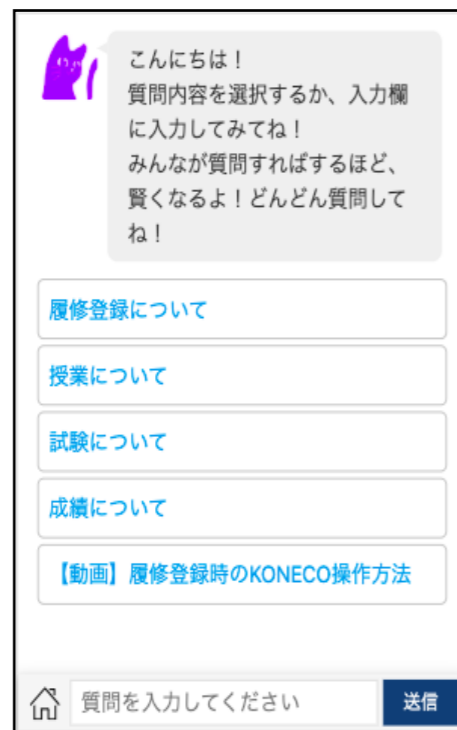


Fuchu City, Tokyo

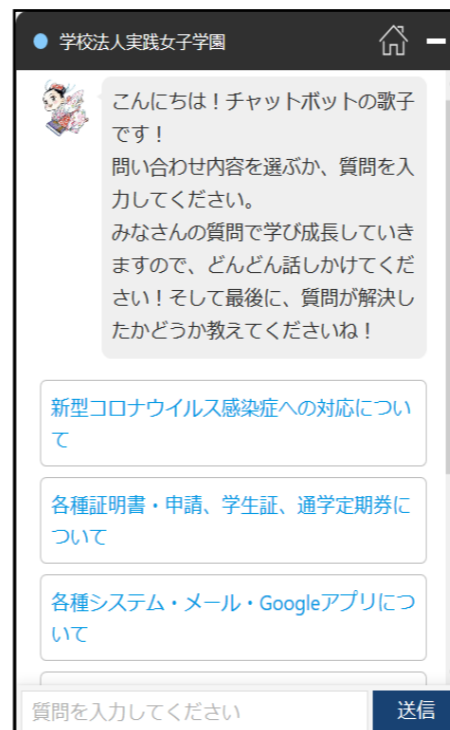


Universities

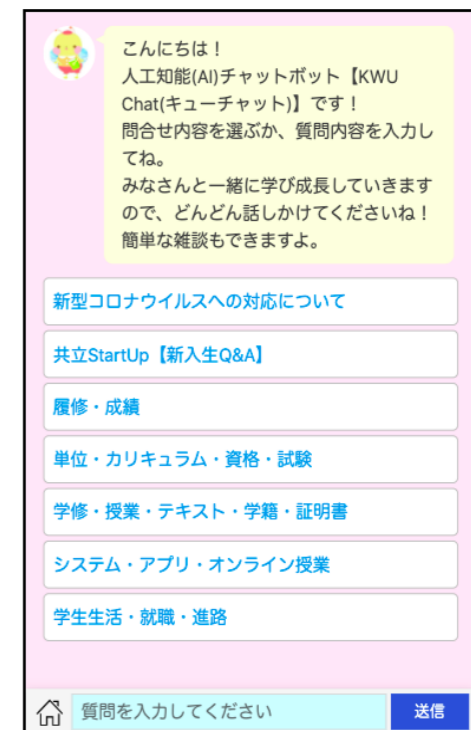
Komazawa University



Jissen Women's University

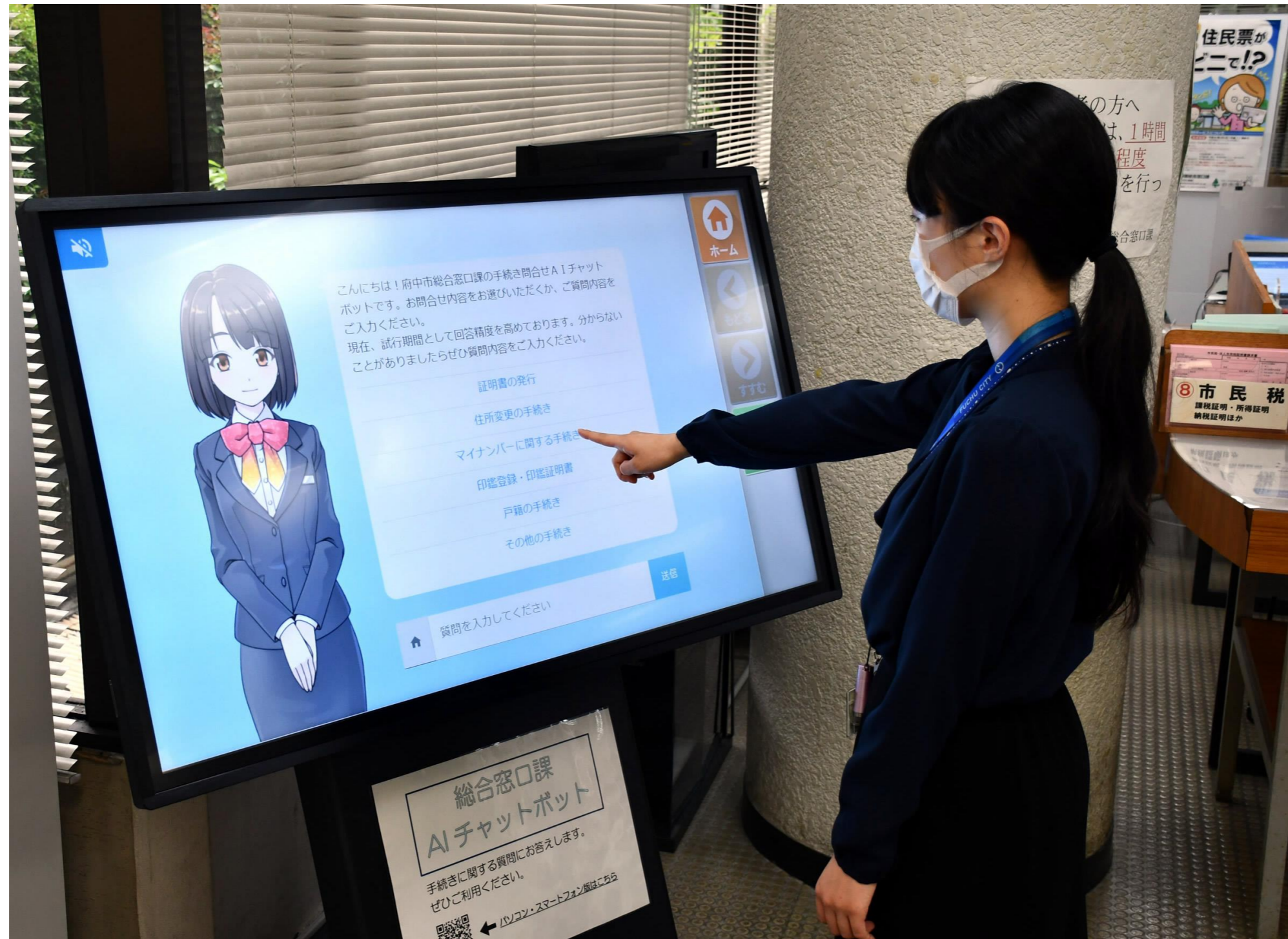


Kyoritsu Women's University / Kyoritsu Women's Junior College



User Local Chatbots Also Used at Government Agencies, Local Governments, and Universities

Fuchu City, Tokyo



2

Company Outline

Management Philosophy

**Driving global evolution by
combining big data and AI**

**Solving social and corporate issues with data analysis and
AI technologies**

Company Outline

Name	User Local, Inc.
Businesses	Big data analysis, AI
Paid-in capital	1,165mn yen (as of June 30, 2021)
Employees	76 (as of June 30, 2021)
Head office	Shiba 5-20-6, Minato Ward, Tokyo
History	<p>2008 Releases "User Insight" access analysis tool</p> <p>2012 Releases "Social Insight" social media analysis tool</p> <p>2017 Releases "Support Chatbot" support operations support system</p> <p>2017 Shares listed on TSE Mothers</p> <p>2019 Listing changed to TSE First Section</p>

Management and Governance Structure to Drive Global Evolution



Representative Director **Masao Ito**

Graduated from the Graduate School of Global Information and Telecommunication Studies, Waseda University
Assumed his current role while at graduate school, after serving as a writer at Nikkei Business Publications, Inc.; Engineer, Producer, and in the New Business Development Office at Rakuten, Inc.; and Representative Director at Minna no Shushoku Co., Ltd.



Director and COO **Kazuyuki Watanabe**

Graduated from the Faculty of Law, Politics and Economics, Chiba University
Assumed his current role after working at Rakuten, Inc.



Director and CFO **Daisuke Iwamoto**

Graduated from the Graduate School of Strategic Business Administration, Chuo University
Assumed his current role after working at METAWATER Co., Ltd.



Outside Director **Ryota Matsuzaki**

Representative Director of Kibidango, Inc.
Outside Director of Synchro Food Co., Ltd.



Outside Director **Taku Ito**

Attorney, Midosuji LPC
Outside Director of People Co., Ltd.



Executive Officer **Shunsuke Mikami**

Graduated from Master's Program in Computer Science, Systems and Information Engineering, Graduate School of Science and Technology, University of Tsukuba



Executive Officer **Hiroshi Hongo**

Graduated from Graduate School of Frontier Sciences, University of Tokyo

User Local Strengths Driving Innovation

1 Providing in-demand services

Observing user behavior using tools developed in-house and creating services tailored to current demands

2 Virtuous cycle of algorithm improvements

As the number of users increases, the amount and types of data increase, thereby enhancing AI precision and analysis capabilities

3 Securing tech personnel

User Local is a youthful company, with an average employee age of 28, and many employees with post-grad degrees working on R&D

4 R&D of Big data and AI

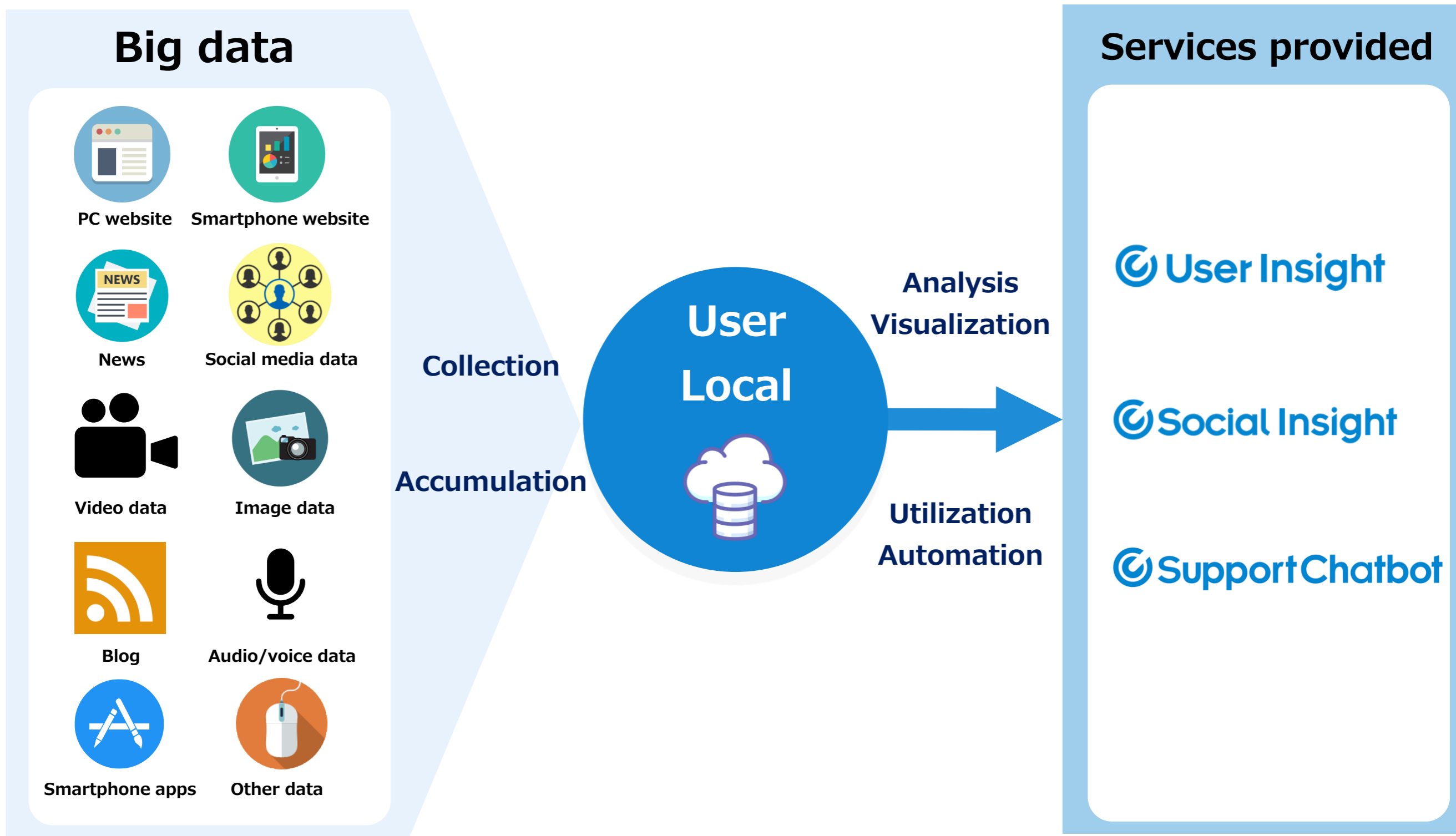
Promoting the enhancement of our AI algorithms, the application of our algorithm to existing services, and the new development of AI services

5 Continuous stable growth based on high profitability

Achieving continuous stable growth based on high profitability and low-cost operations with a client base of well over 2,000 companies in a wide-range of industries



"Accumulation" → "Analysis" → "Visualization" of Large Amounts of Data

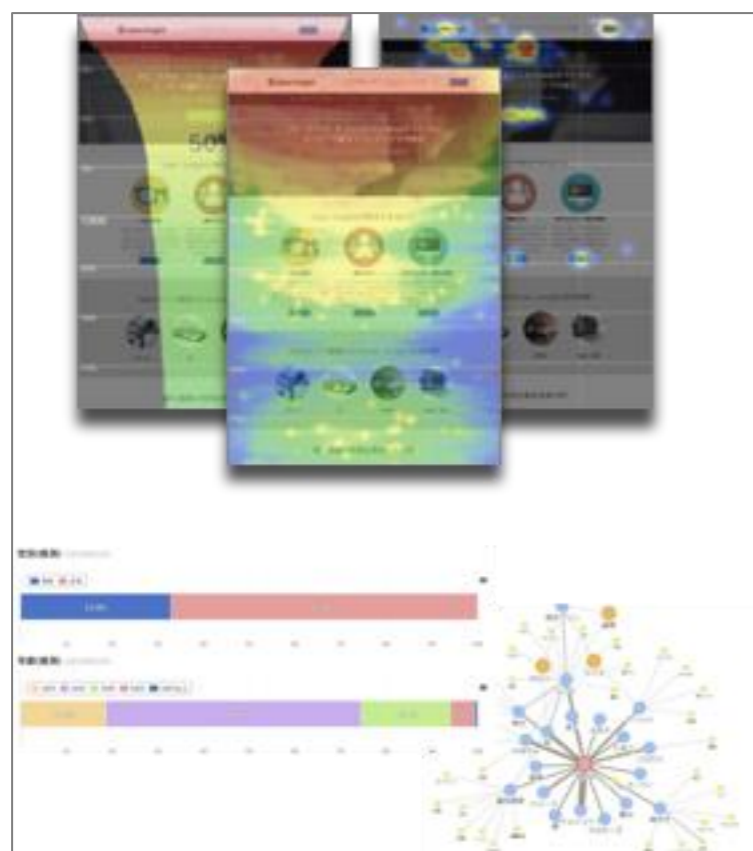


Business Development in Growth Markets of Big Data and AI

Marketing support with big data technologies

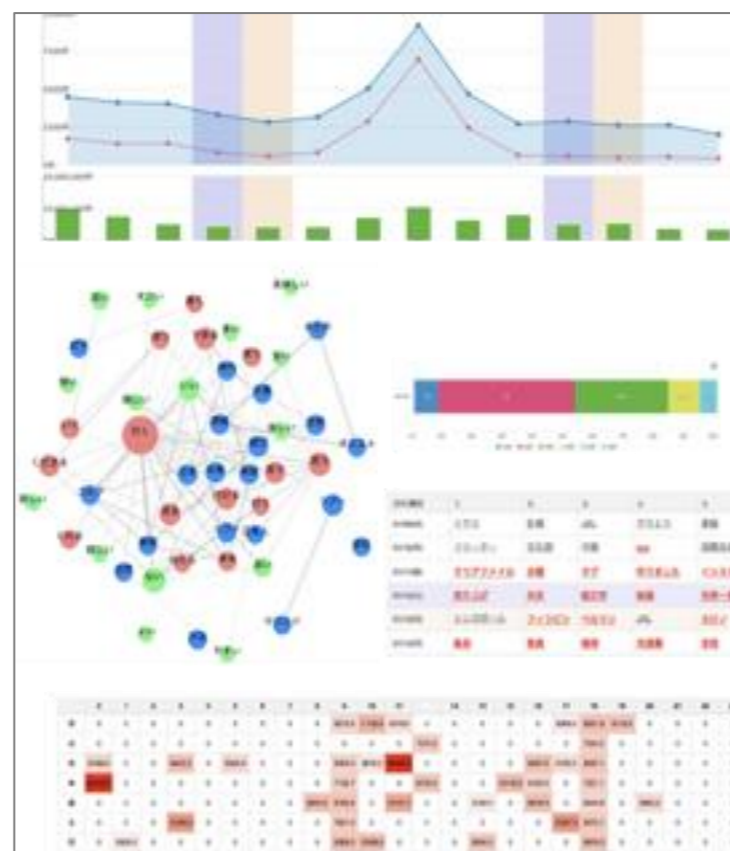
 **User Insight**

Website analysis



 **Social Insight**

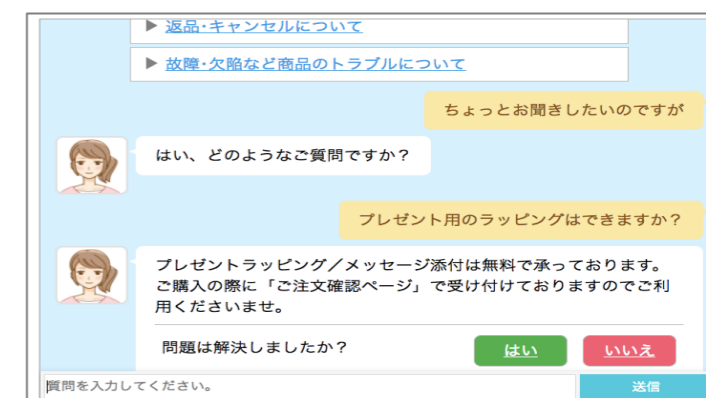
Social media analysis



Support automation with AI

 **Support Chatbot**

Chatbot



The screenshot shows a chatbot interface with a user asking about shipping and returns. The chatbot responds with information about free shipping and returns, and asks if the problem is solved. The interface includes a search bar, a text input field, and a send button.



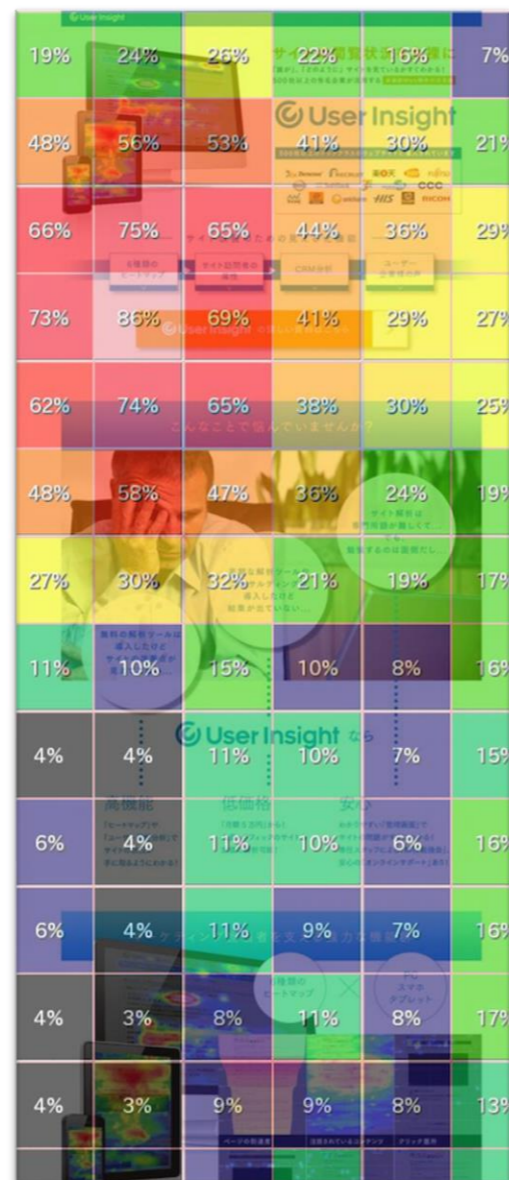
The screenshot shows a chatbot interface with a user asking for more information about User Local. The chatbot responds with a link to the company website. The interface includes a search bar, a text input field, and a send button.

Access analysis tools to make PC and smartphone websites easier to use

Where was users' attention focused?



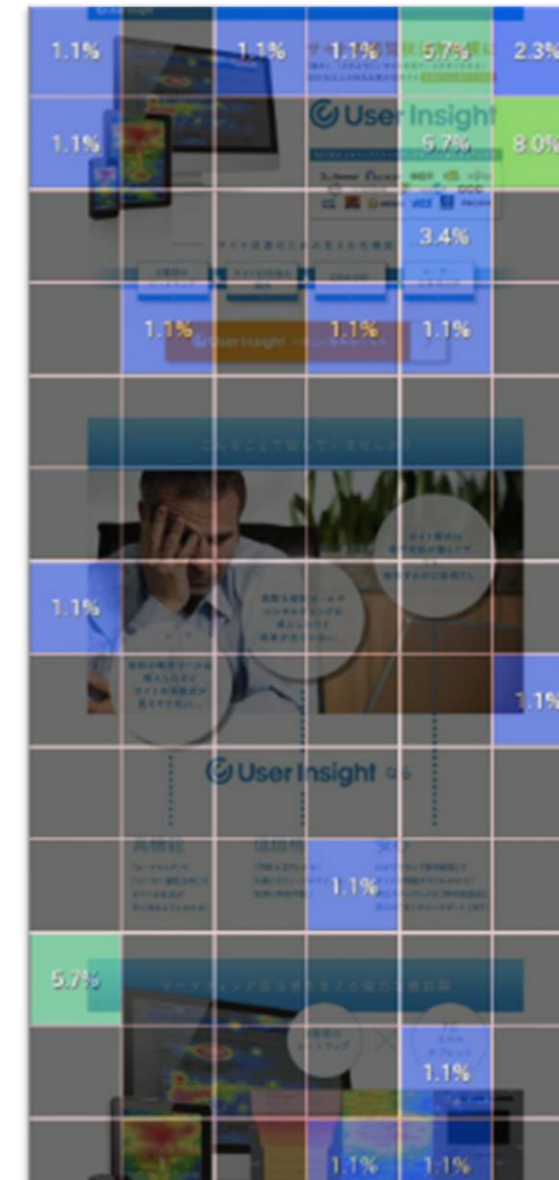
Viewing ratio per area



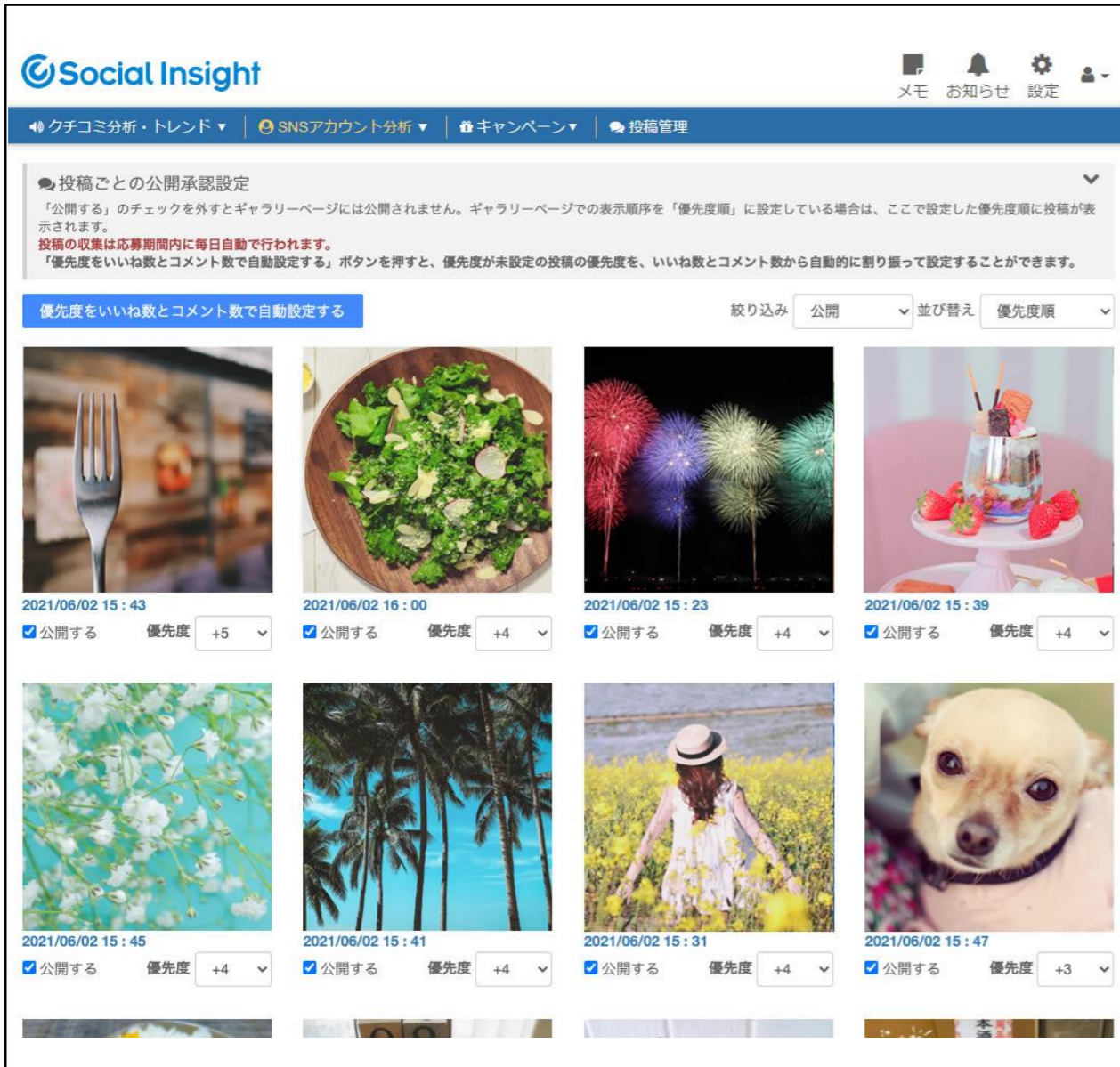
How much did users read?



Areas clicked



Social analysis tool that supports everything from social media operation to social media analysis



The screenshot displays the Social Insight interface for post management. At the top, there's a navigation bar with the Social Insight logo and icons for memo, notification, settings, and user profile. Below this is a menu with options like 'クチコミ分析・トレンド', 'SNSアカウント分析', 'キャンペーン', and '投稿管理'. A section titled '投稿ごとの公開承認設定' provides instructions on how to manage post visibility and priority. The main area shows a grid of eight image posts, each with a '公開する' (Publish) checkbox, a '優先度' (Priority) dropdown menu, and a timestamp. The posts include a fork, a salad, fireworks, a dessert, white flowers, palm trees, a person in a field, and a dog.

New functions to meet the increasingly diverse and complex needs of corporate social media operations

- (1) Post management plug-in for hashtag campaigns on Instagram
- (2) Scheduled photo and video posting on Instagram
- (3) Twitter instant win campaign
- (4) Detailed analysis of video data through connection with YouTube Analytics

Functional Updates

User Insight



AI recommends webpages for improvement

User Insight suggests webpages that have seen a sharp increase in traffic and webpages that may have issues



Content optimization function

Displays elements of content necessary to achieve top search rankings based on the differences with competitor websites

Social Insight



Support for scheduled posts on various platforms

Reduce the burden on account managers tasked with multiple platforms



Campaign automation

Automates social media campaigns, drastically reducing the workload required for procedures such as winner selection

Enhancement of Marketing Support Services

Enhancement of automation functions to enable the broad utilization of automatic marketing tools

Analysis tools

**Measurement, analysis,
visualization**

Listening

Promotional campaign
effectiveness measurement

Content valuation



Automatic marketing tools

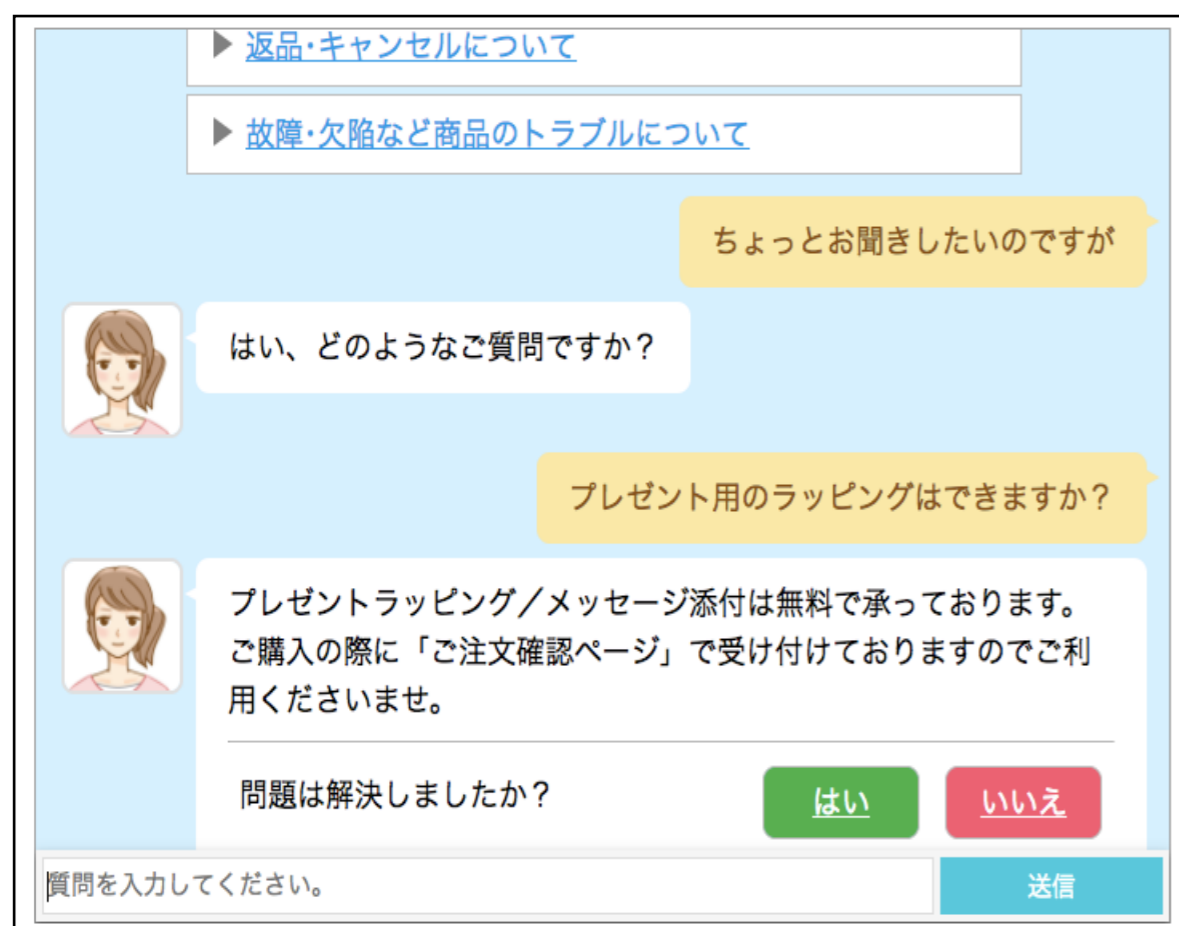
Utilization and automation

Automatic alerts, report creation

Automatic promotional campaign
functions

Content optimization

AI tool to automate inquiry response operations and support increases in efficiency and user satisfaction



24-hour real-time responses

Also able to respond to demand related to inquiries from internal parties working at home

Can also work with expanded functionality to enhance the efficiency of support operations as a whole
(Voice, animation, and FAQ websites)

Suitable for Various Industries and Operations

Internal use

External use



Information systems helpdesk

- ▶ [返品・キャンセルについて](#)
- ▶ [故障・欠陥など商品のトラブルについて](#)



Responding to e-commerce and reservation website inquiries



Call center response operations



General affairs, personnel, and accounting operations



Sales and marketing support



Public institution contact point responses

ちよっとお聞きしたいのですが

はい、どのようなご質問ですか？

プレゼント用のラッピングはできますか？

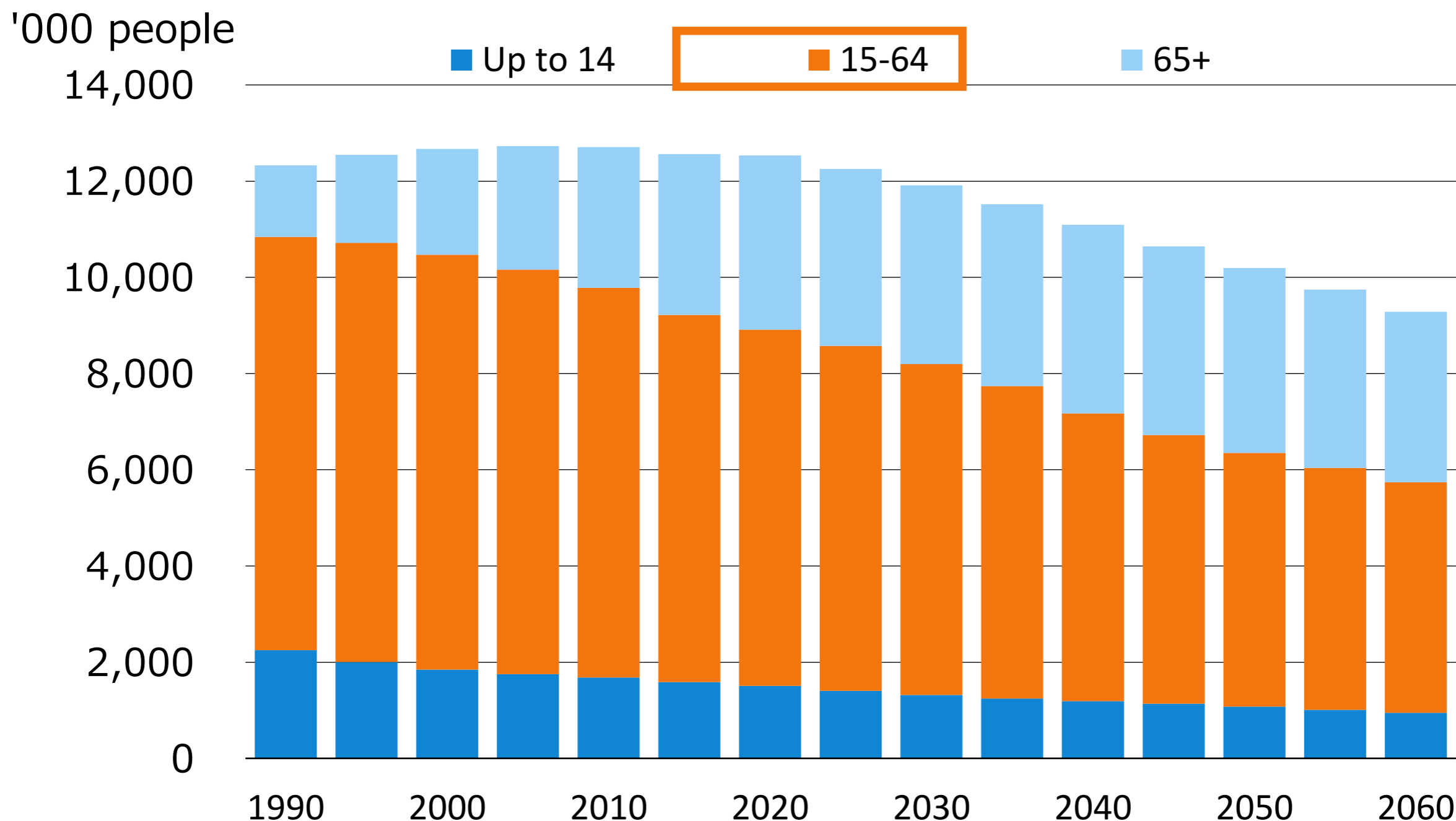
プレゼントラッピング/メッセージ添付は無料で承っております。ご購入の際に「ご注文確認ページ」で受け付けておりますのでご利用くださいませ。

問題は解決しましたか？

はい いいえ

かしてください。

Declining Domestic Labor Force is Becoming a Serious Issue



Source: "National Census Results," Statistics Bureau of Japan up to 2015, and "Population Projection for Japan," National Institute of Population and Social Security Research from 2020 onward

Response to Issues Related to the Structure of Society in Japan

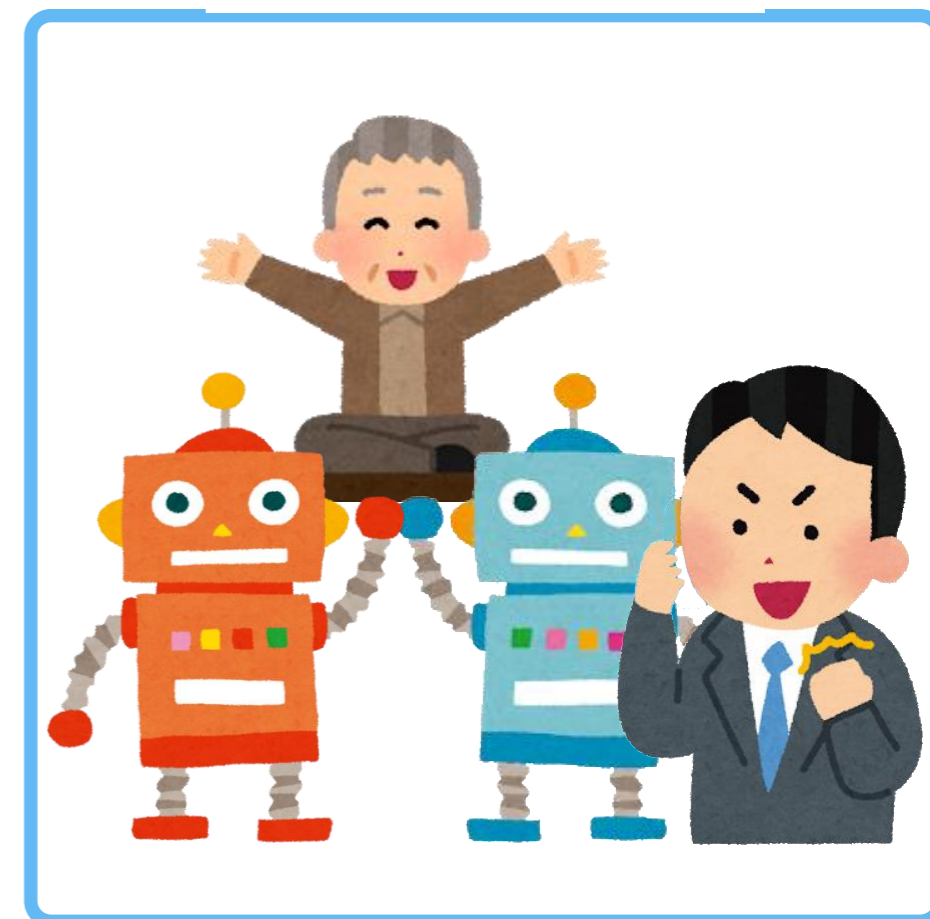
Society until the 20th century



Future projection





Enhancing labor capabilities with Ai



In response to the projected decline in the domestic working population, User Local aims to use data and AI to enhance productivity and achieve automation

Introduced by Well Over 2,000 Companies in a Broad Range of Industries, Thanks to Superior Service Capabilities

	Introduction examples			
Government agencies, etc. Government agencies, local governments, educational institutions, etc.				
Manufacturers Electronic devices, automobiles, food products, etc.				
				
ICT Software, information communications, etc.				
				
Financial institutions Banks, securities, etc.				
Media Publishing, newspaper companies, etc.				
Other				

3

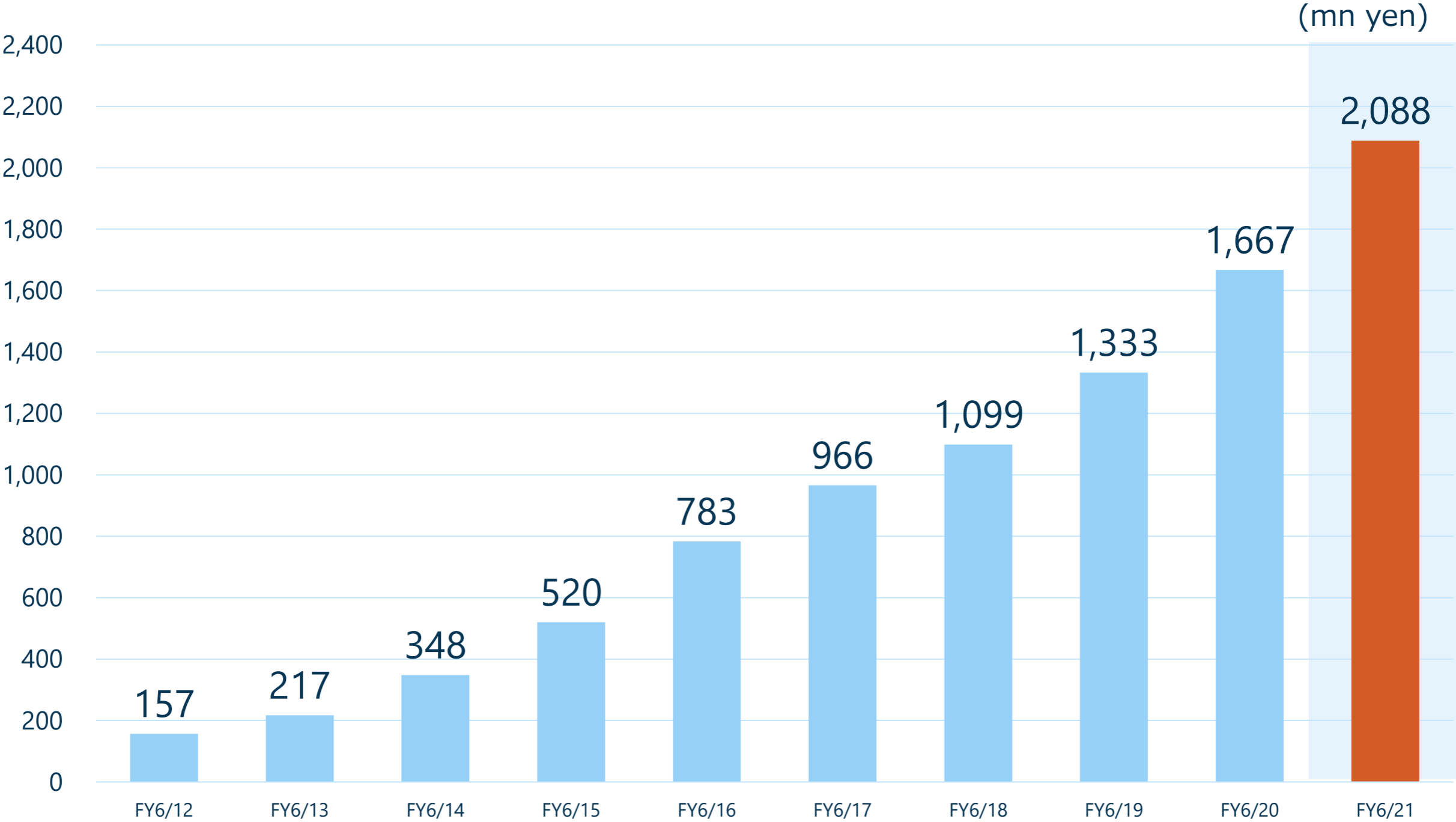
Full Year Financial Results and Earnings Forecasts

Outline of Earnings Performance in FY6/21

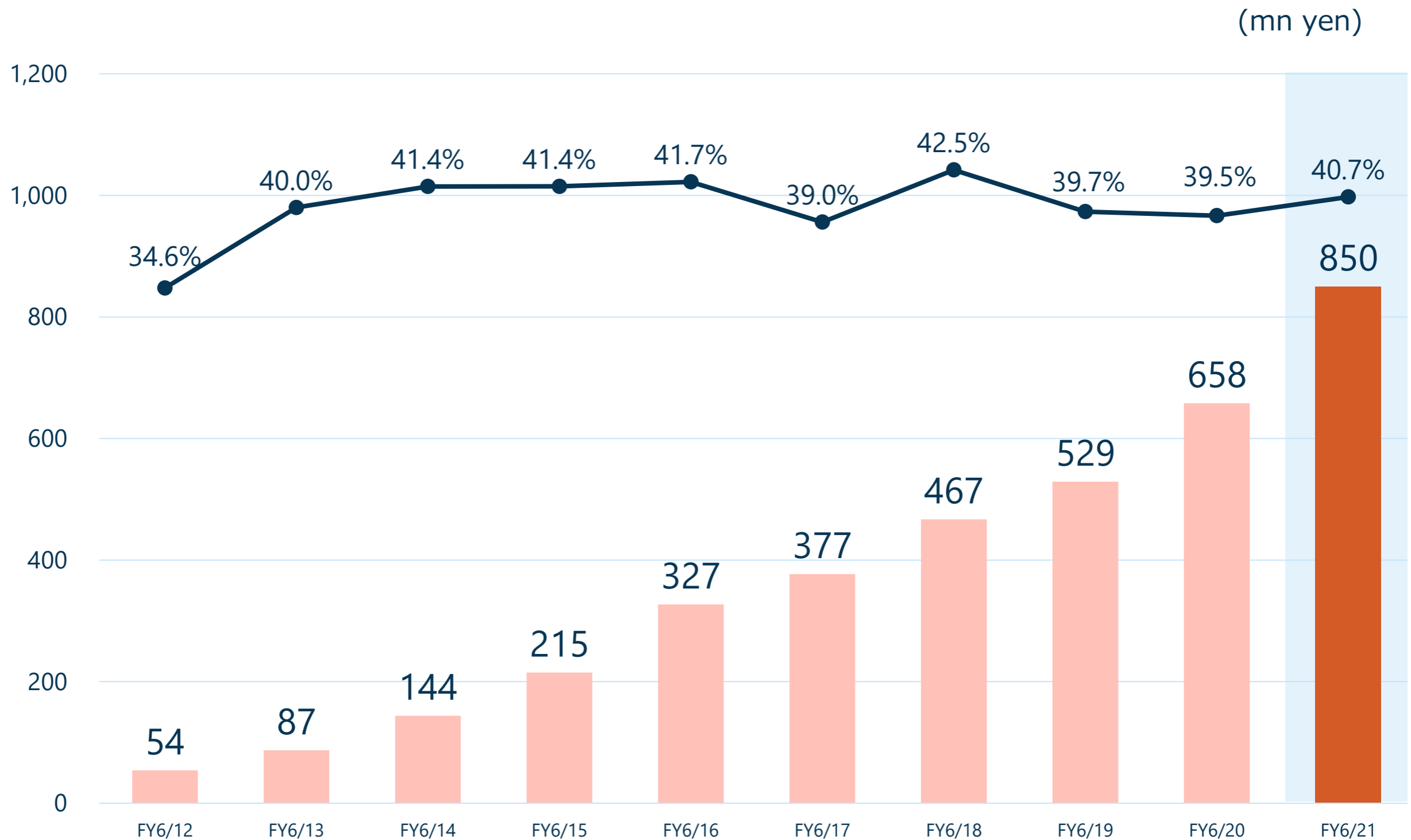
Net sales increased **25.2%** YoY, and operating profit increased **24.4%** YoY

(mn yen)	FY6/20	FY6/21	YoY change
Net sales	776	2,088	+25.2%
Operating profit	360	854	+24.4%
Ordinary profit	330	850	+29.3%
Profit	206	615	+46.6%

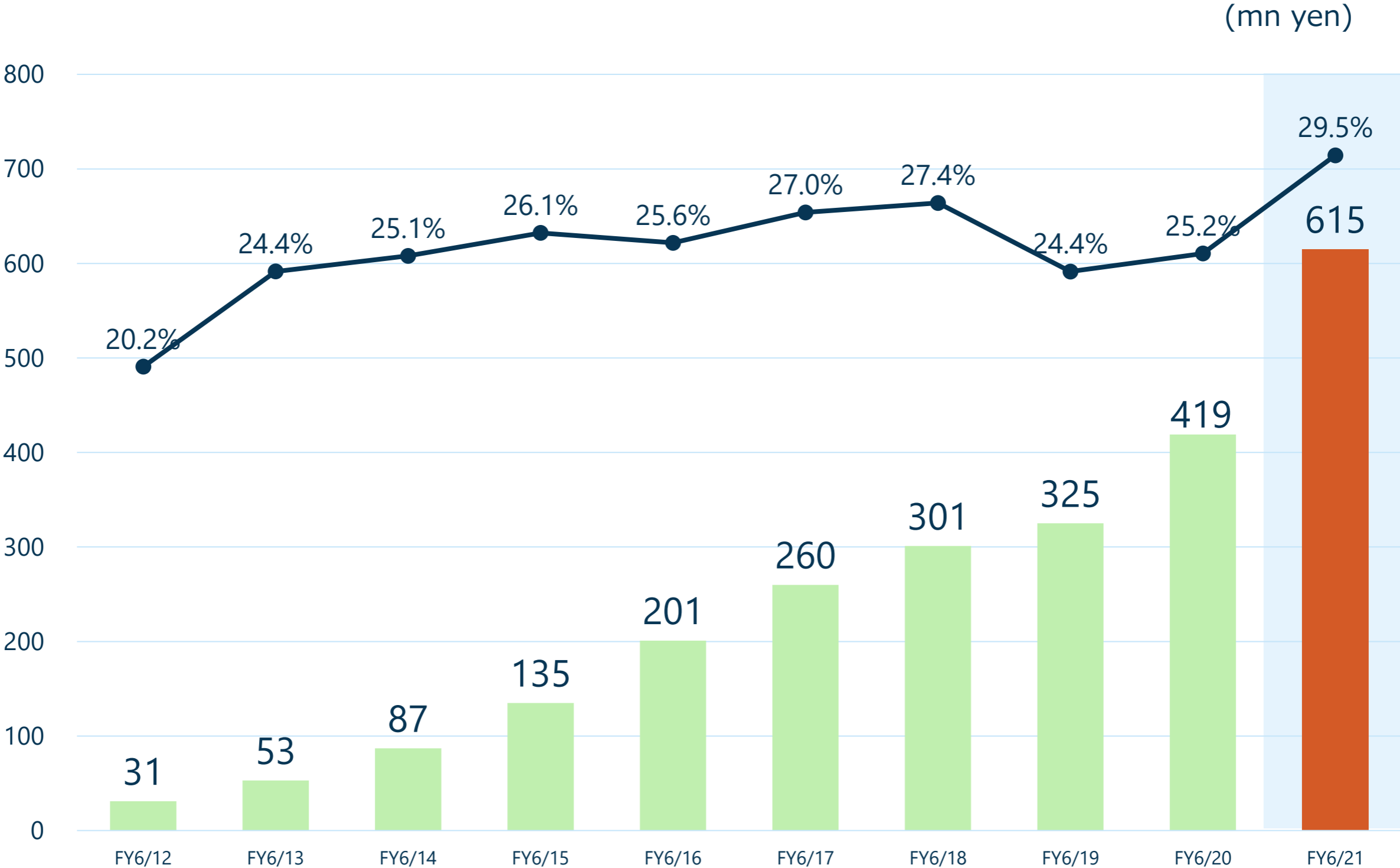
FY6/21 Net Sales



FY6/21 Ordinary Profit and Ordinary Profit Margin



FY6/21 Profit and Net Profit Margin



FY6/21 Financial Position

Net assets increased **768 mn yen**, and the equity ratio remained high, at **89.2%**

(mn yen)	FY6/20 (June 30, 2020)	FY6/21 (June 30, 2021)	Amount of YoY change
Current assets	4,211	4,939	+728
Non-current assets	207	337	+130
Total assets	4,419	5,277	+858
Current liabilities	481	571	△90
Non-current liabilities	-	-	-
Total liabilities	481	571	△90
Net assets	3,938	4,706	+768

FY6/22 Earnings Forecasts

Made good progress toward full-year targets for sales and each stage of profit

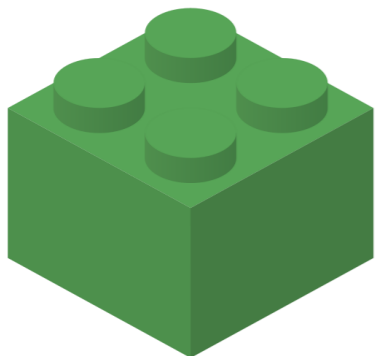
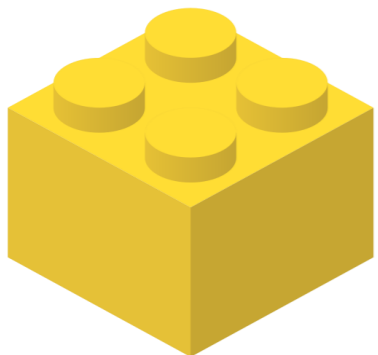
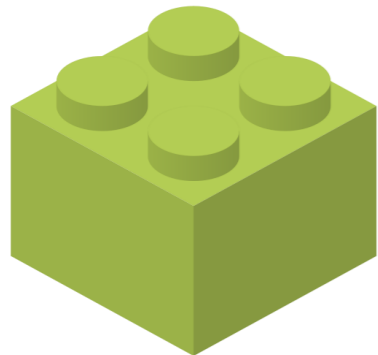
(mn yen)	FY6/22 earnings forecasts	YoY change
Net sales	2,504	20.0%
Operating profit	984	15.2%
Ordinary profit	984	15.7%
Profit	679	10.4%

4

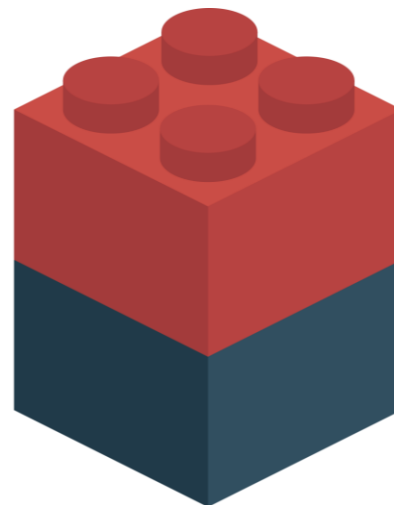
Future Focus Areas

Create Products from New Combinations of Individual AI Algorithms

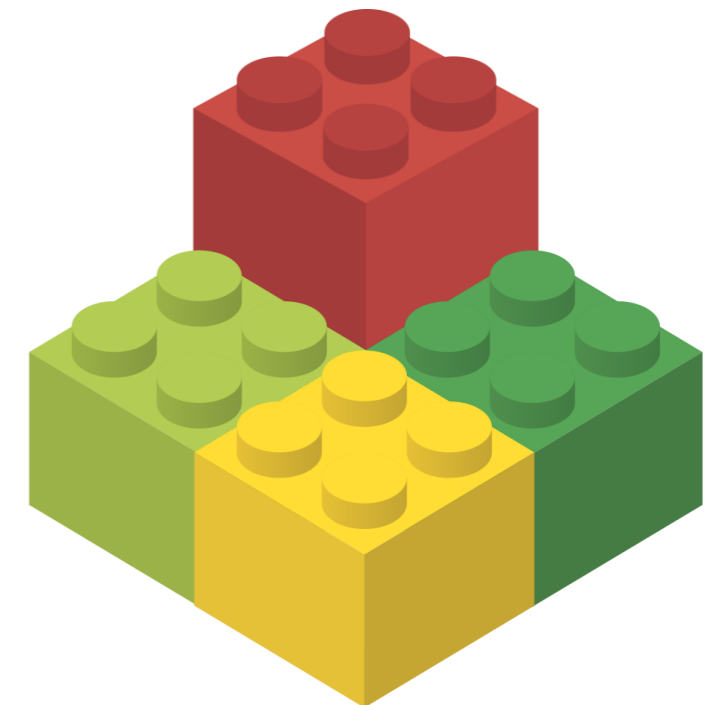
Individual AI algorithms



Big data and processing infrastructure already held



More sophisticated versions of existing products



Existing product line-up

New AI services

Three Focus Areas

(1) Expansion of in-house AI algorithms

(2) Application of AI algorithms to existing services

(3) New development of AI services

Three Focus Areas

(1) Expansion of in-house AI algorithms

(2) Application of AI algorithms to existing services

(3) New development of AI services

Expansion of In-house AI Algorithms (Language and Image Processing)

Position inference AI

Automatic detection of skeletal movement



Line of sight inference AI

Automatic detection of changes in where one is looking



Expression Inference AI

Reading of emotions from facial images



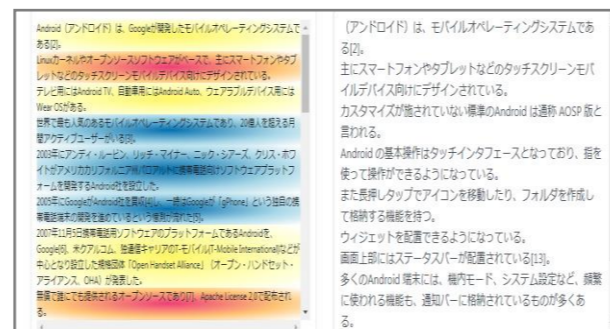
Facial recognition AI

Age and gender identification from facial images



Automatic text summarization AI

Extraction of key passages from text



Personal information processing AI

Processing of personal information



Three Focus Areas

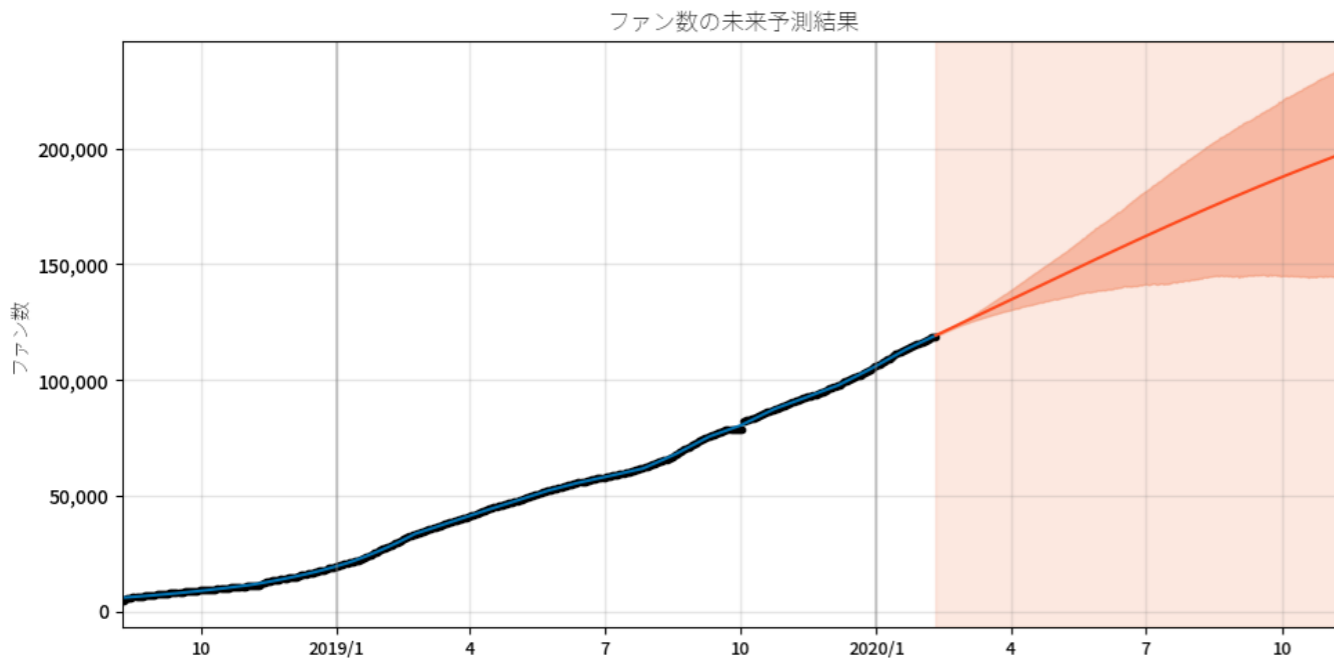
(1) Expansion of in-house AI algorithms

(2) Application of AI algorithms to existing services

(3) New development of AI services

Introduction of AI Algorithms in Big Data Analysis Products

Automatic forecasting of future growth in page views and fan numbers



Optimization of content based on hashtag recommendations

Social Insight

AIハッシュタグレコメンド

ハッシュタグ数: 2
#カフェラテ #カフェ

関連するハッシュタグを探す クリップボードにコピー

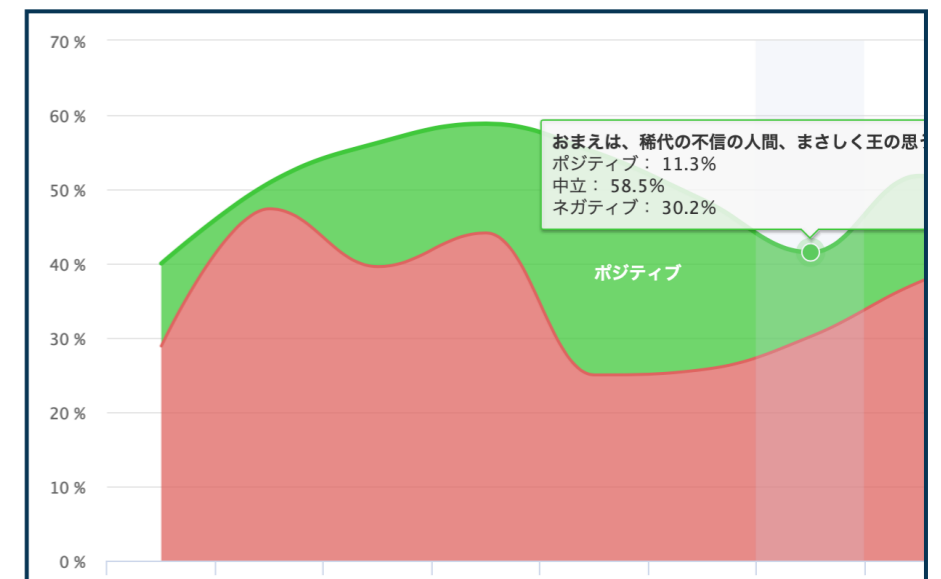
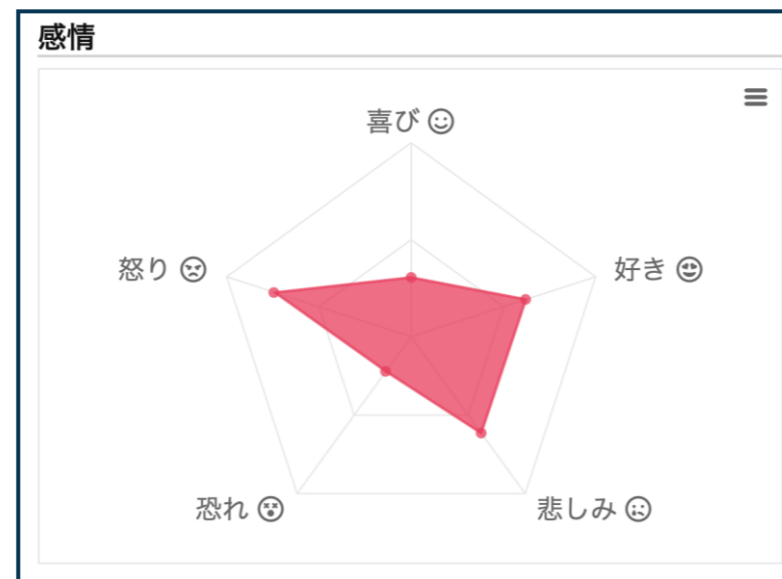
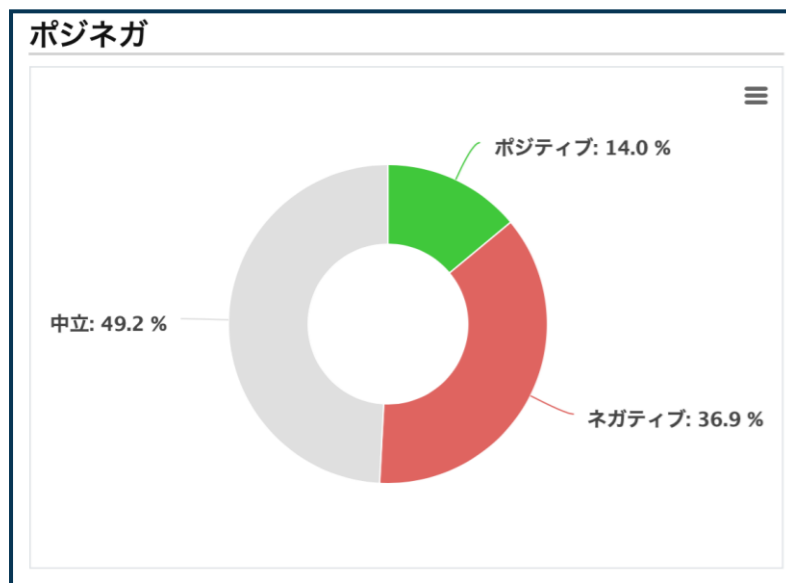
関連ハッシュタグを選択

ハッシュタグ	スコア	男女比	オススメ度	操作
+ #カフェ巡り	■■■■■	■■■■■	★★★★★	一覧に追加
+ #cafe	■■■■■	■■■■■	★★★★☆	一覧に追加
+ #コーヒー	■■■■■	■■■■■	★★★★★	一覧に追加
+ #ラテアート	■■■■■	■■■■■	★★★★★	一覧に追加
+ #coffee	■■■■■	■■■■■	★★★★★	一覧に追加
+ #スタバ	■■■■■	■■■■■	★★★★☆	一覧に追加

Strengthening User Insight and Social Insight analysis capabilities

Introduction of AI Algorithms in Text Mining Tools

Application of emotional recognition based on deep learning to text mining



In text mining tools, AI processes the results of surveys and comment and review text to support marketing

Three Focus Areas

(1) Expansion of in-house AI algorithms

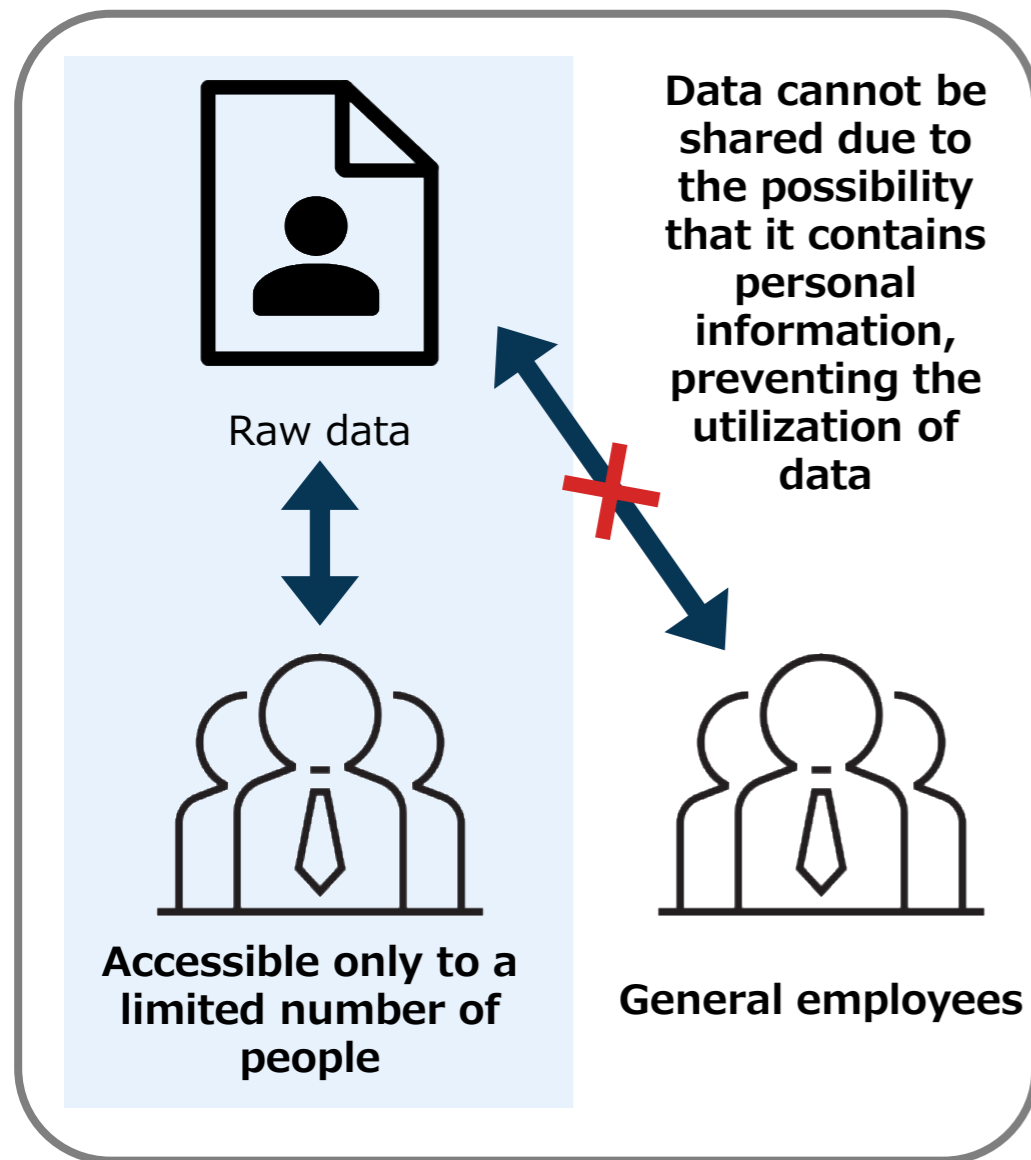
(2) Application of AI algorithms to existing services

(3) New development of AI services

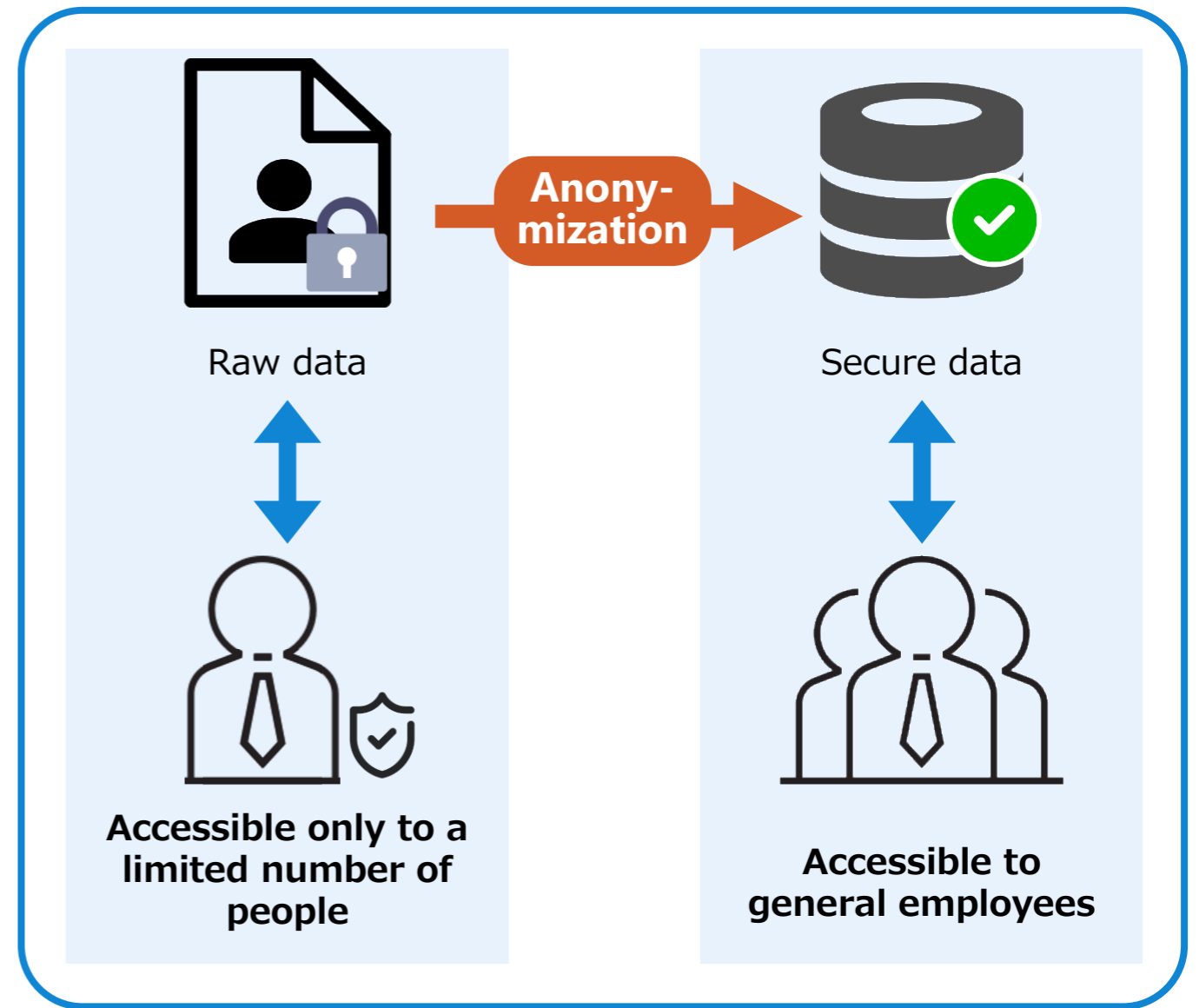
Personal Information Anonymization AI

AI automatically anonymizes personal information contained in electronic documents

Before



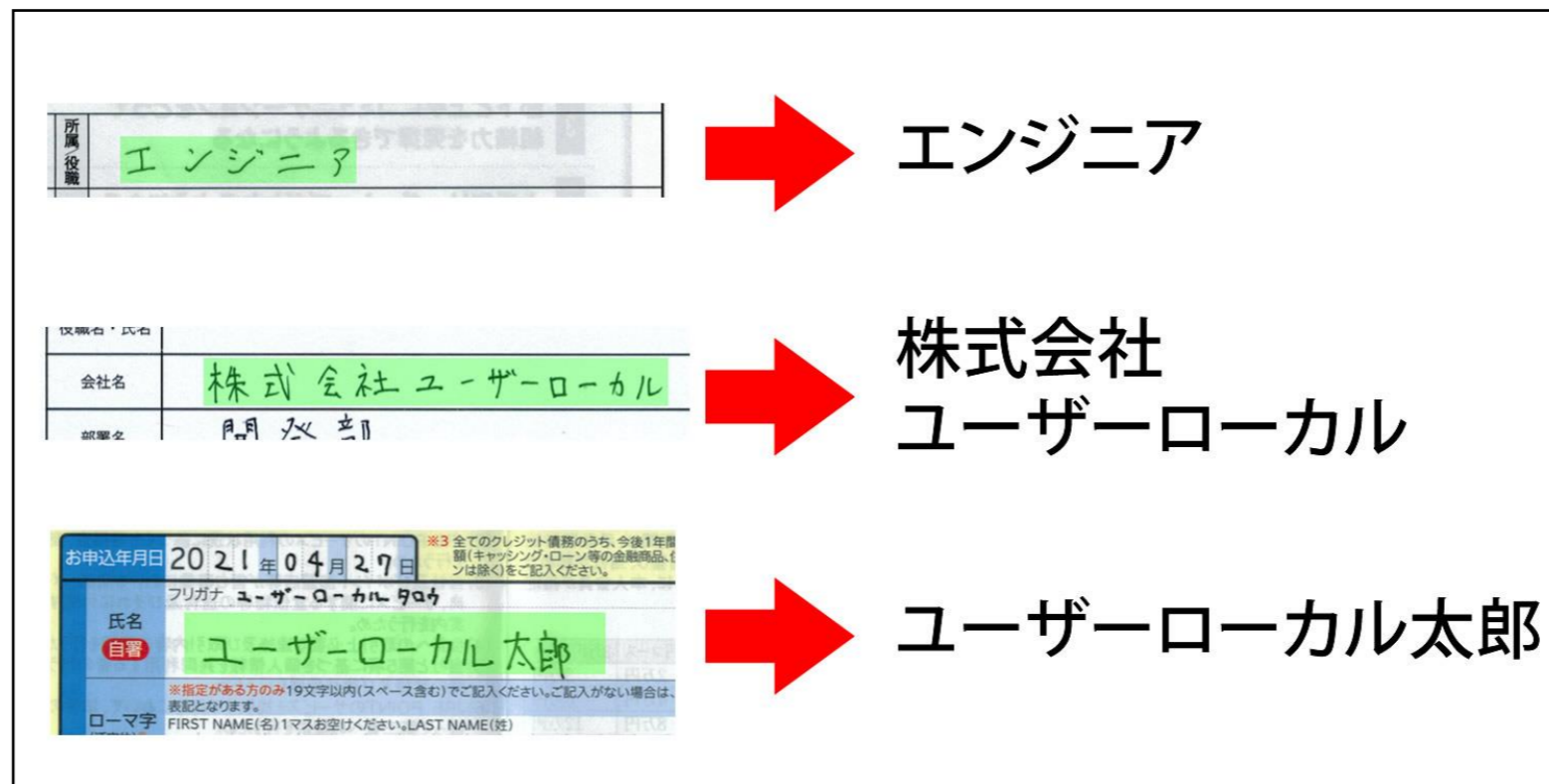
After



Promotes data utilization by securing data

Handwritten Character Recognition AI

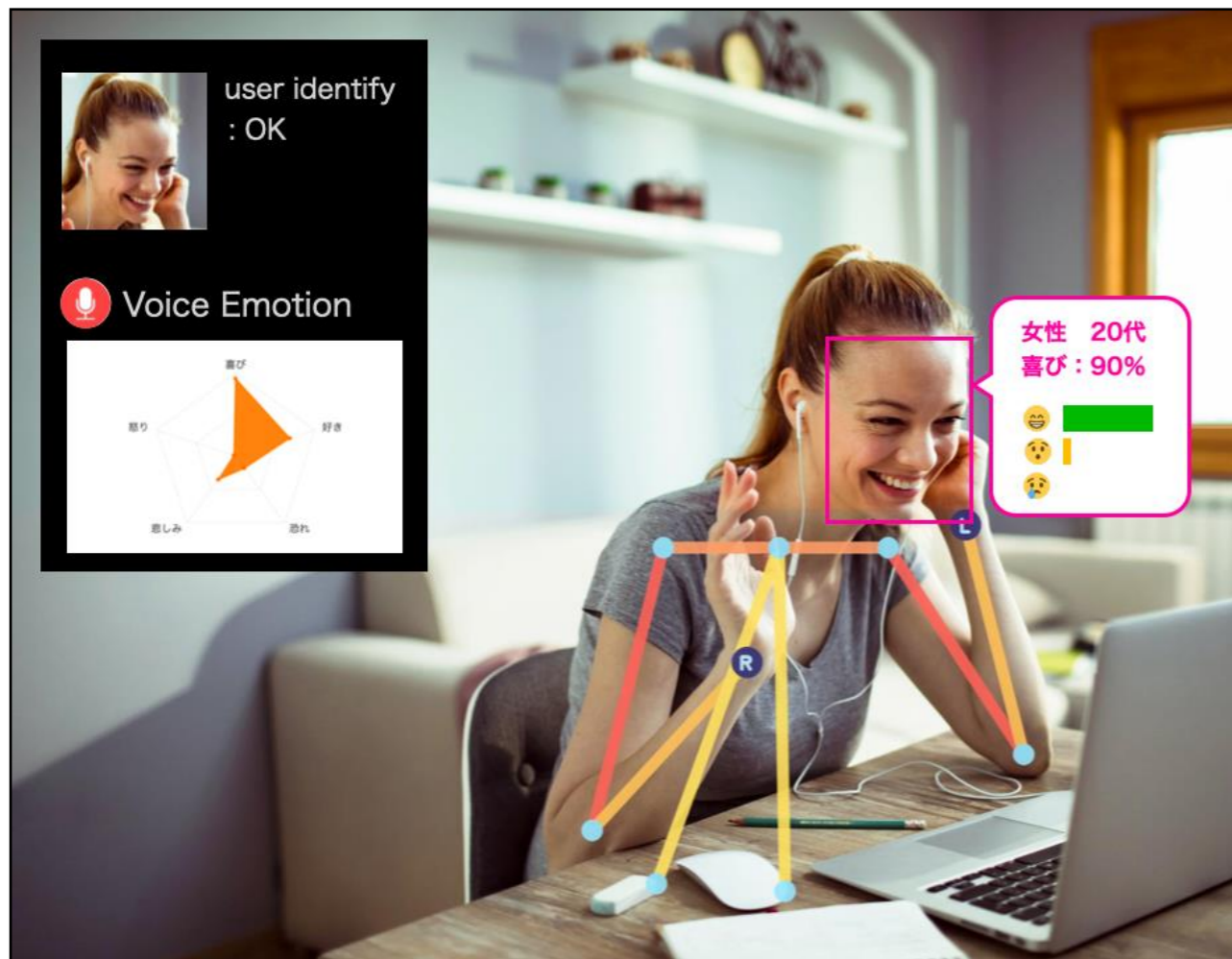
AI recognizes Japanese handwritten characters and converts them into text data



- (1) OCR AI based on advanced deep learning technology is available to anyone free of charge
- (2) AI can recognize even cursive and abbreviated characters characteristic of handwritten characters
- (3) As it is provided as a Web API, the character recognition function can be incorporated into in-house systems

Character Analysis AI

All-in-one AI capable of analyzing people's actions, expressions, attention, voice, and other information in a cross-sectional, multifaceted manner



By combining multiple functions, these AIs can be used in various industries

(Main utilization examples)

Store and facility visitor analysis

Age inference

Gender inference

Emotion inference

Identify verification

Movie, game, and other content assessment

Emotion Inference

Attention and head position inference

Voice and emotion recognition

Assessment of communication operations

Emotion inference

Voice and emotion inference

Sports, medicine, and healthcare fields

Position inference

Education field

Position inference

Emotion inference

Attention and head position inference

Text emotion recognition

Crime prevention and monitoring

Position inference

Emotion inference

Character Analysis AIs: Example Usage



Voice Emotional Recognition AI for Reading Emotions from Voices

User Local has begun offering a "voice recognition AI" free of charge. This AI uses deep learning to read emotions from voices


音声感情認識AI

😊 音声の感情を認識

ディープラーニングを用いた解析AIが、入力された音声から感情を読み取ります

🎤 音声を録音

認識結果

怒りの感情が強い音声です

🐦 結果をシェア

入力された音声

▶


音声ファイルのアップロード

クリックまたはファイルをドロップしてアップロード

※ wavまたはmp3ファイルにのみ対応しています。
 ※ アップロードできる音声の長さは1~30秒以内です。

感情の強さ ?



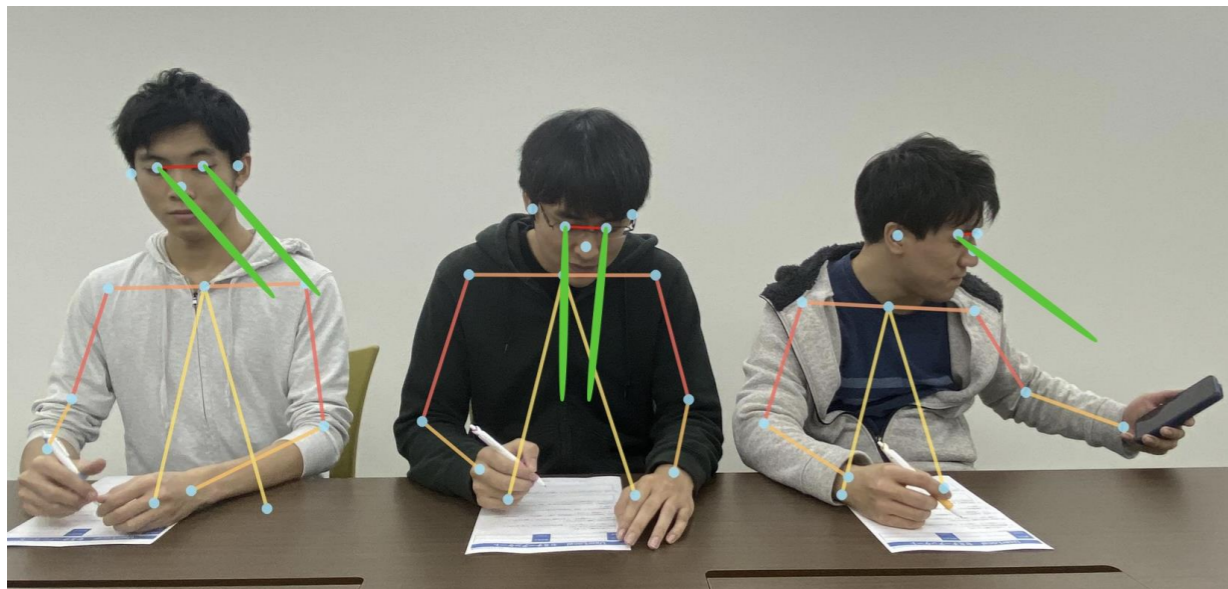
User Local

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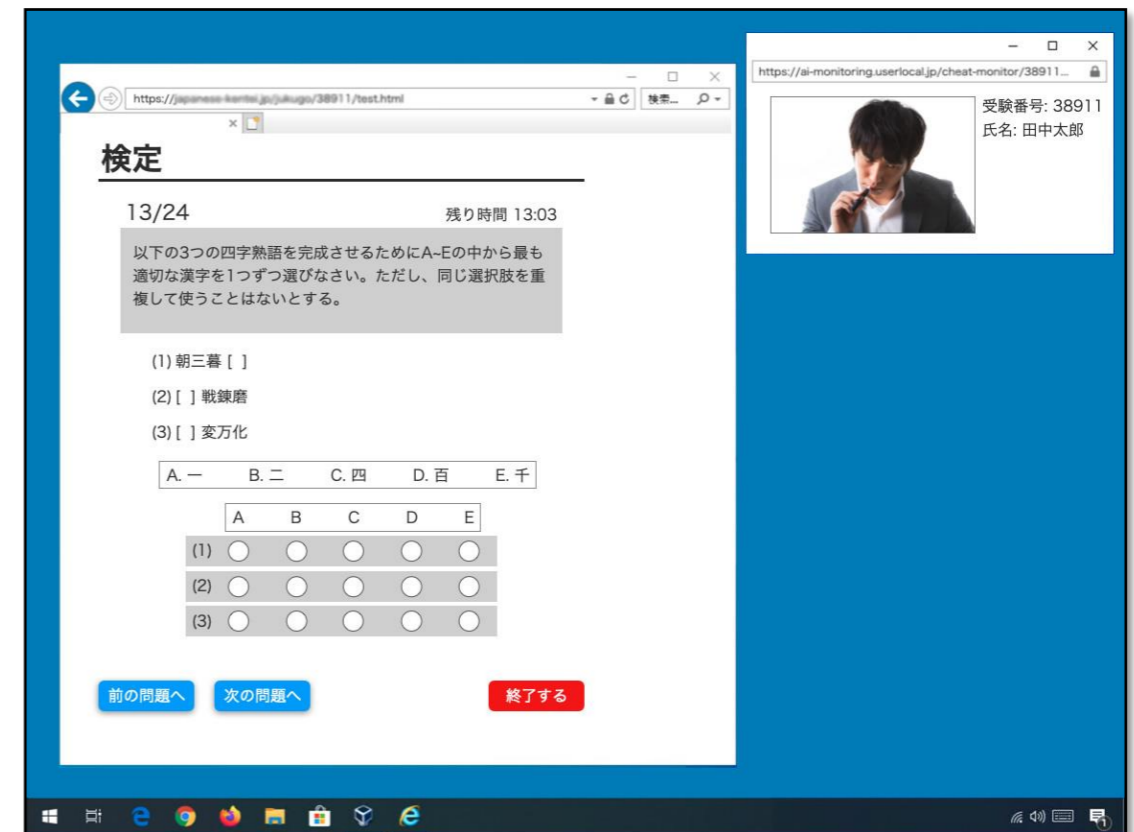
Cheating Prevention AI

Deep learning technology identifies cheating in exams

For on-site exams



For online exams



Camera video is used to automatically detect identity fraud and cheating by using attention inference, skeletal inference, and facial detection AI

Other AI Services

UserLocal テキスト自動分類AI

テキスト自動分類

ニュース分類

料理のカテゴリの文章です

入力された文章

春の七草や餅などを具材とする塩味の粥で、その一年の無病息災を願って1月7日に食べられる。正月の祝膳や祝酒で弱った胃を休める為とも言われる。この行事は、平安時代には行われていたが、室町時代の汁物の原型ともされている。七草粥は七草すべてが使用されるわけではなく、また地方によっても食材が異なる場合がある。気候や降雪の関係で七草が摘めない東北地方では、七草を

Twitterでシェアする

>>分類ページに戻る

AI for automatic classification of document categories

If document data is entered on a web browser, the AI automatically assesses what category the content matches and visualizes this information in a radar chart

Self-driving AI training

User Local holds seminars on developing skills for self-driving software development and deep-learning technology application

Future Measures to Accelerate the Growth of User Local in a Non-continuous Manner

Continuously strengthen product lifecycles to create new corporate value



(1) R&D
(Creation of new services)



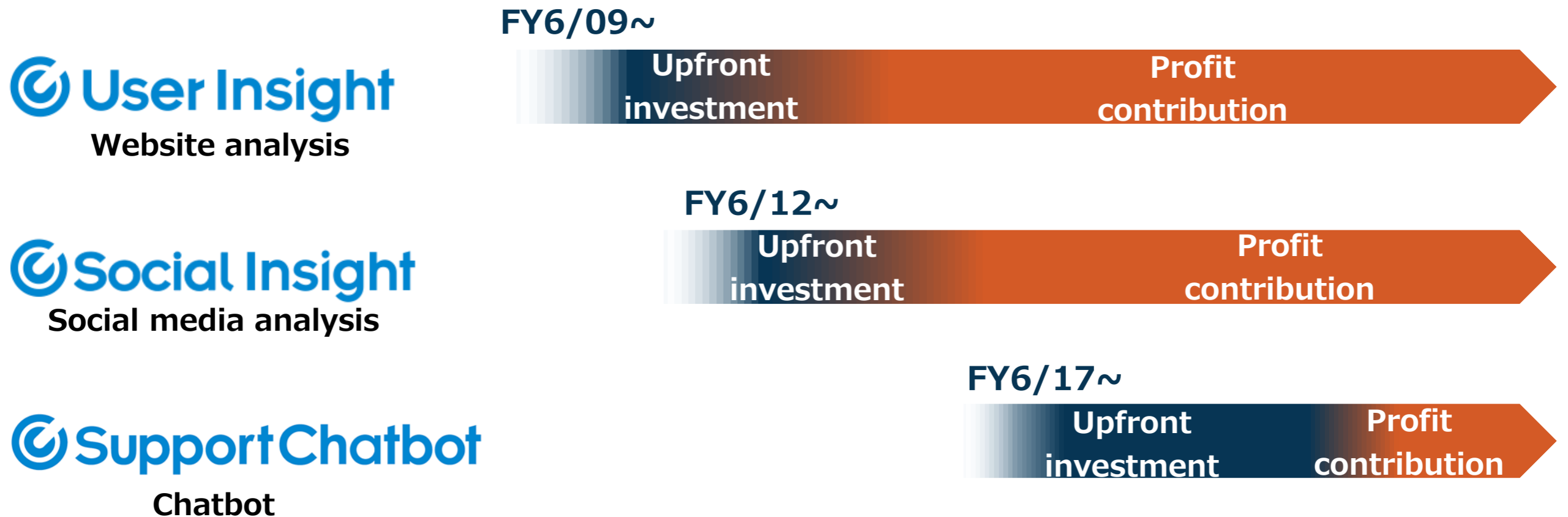
(2) Hardware Investment
(Servers, SSDs, and GPUs)



(3) Actively expanding sales
(Strengthening personnel and boosting awareness)

Product Lifecycles

Entering new fields becomes possible with the growth of existing services



Chatbot profit growing

Promoting the "Democratization of AI"

Current status

Certain companies overseas have a monopoly on supply

Only companies with significant financial resources can utilize AI

Only some engineers can enjoy the benefits of AI

Target

Drive evolution toward a world where citizens enjoy the benefits of automation and enhanced efficiency from AI

ESG and SDG Initiatives

Enhance corporate value over the long-term by actively focusing on issues related to ESG and SDGs

Main initiatives

Related SDGs

Environment

Introduction of energy-saving facilities
Move toward paperless operations



Social

Social contribution through tools developed in-house
Nurturing of diverse human resources



Governance

Thorough implementation of information security measures



Caution Regarding These Materials

User Local, Inc. (the "Company") created these materials to aid investors' understanding of the Company and circumstances currently surrounding the Company.

The information herein is based on generally accepted economic, social, and other trends and certain assumptions judged reasonable by the Company, but it may be subject to change without notice owing to changes in the business environment and other factors.

The materials and information provided in this announcement include so-called "forward-looking statements."

These statements are based on current assumptions that include a degree of projection, forecasting, and risk. They contain uncertainties that may lead to results that differ substantially from the content of these statements.

These risks and uncertainties include general industry and market circumstances, together with general domestic and international economic circumstances, including changes in interest rates and foreign exchange rates.

The Company bears no obligation to update or amend the "forward-looking statements" herein, even in the event of new information or events occurring in future.



Origins of the company name

"User Local" incorporates the idea of a place where various tools are kept, in the same way as the `"/usr/local"` folder on a hard disk. At the same time, it also incorporates the idea of a "company that is close (local) to users."