Earnings Briefing Materials for FY2022 2Q 2021.07.01-2021.12.31

February 9, 2022

User Local, Inc.（Securities Code : 3984）

https://www.userlocal.jp/

Contents

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Business Highlights (FY2022 Q2)

Highlights

・Improve R&D Capabilities and DX Promotion lead to Sales expansion

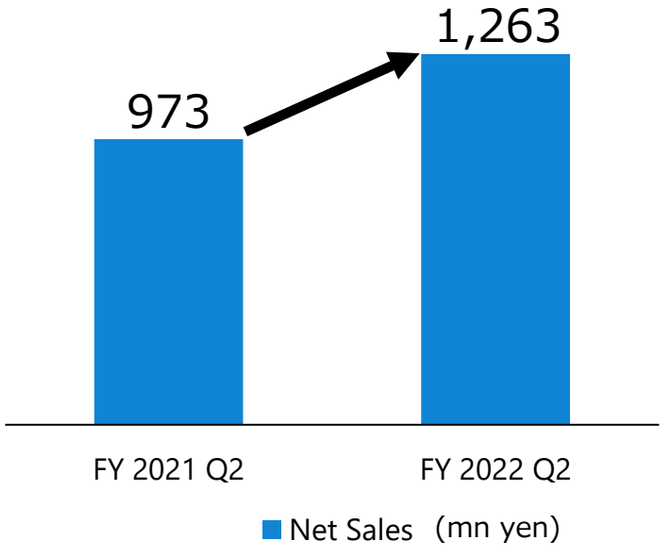
・Steady progress made against full-year earnings forecast

Net Sales

12.6 billions of yen

Progress against full-year earnings forecast: **+50.4%**

Change from the same period of the previous year: **+29.8%**

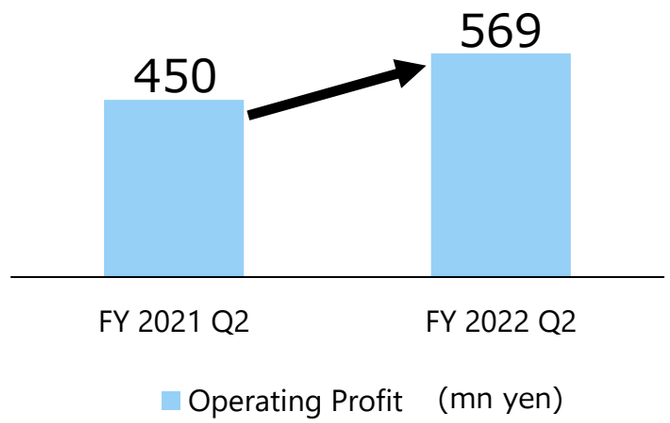


Operating Profit

5.6 billions of yen

Progress against full-year earnings forecast: **+57.8%**

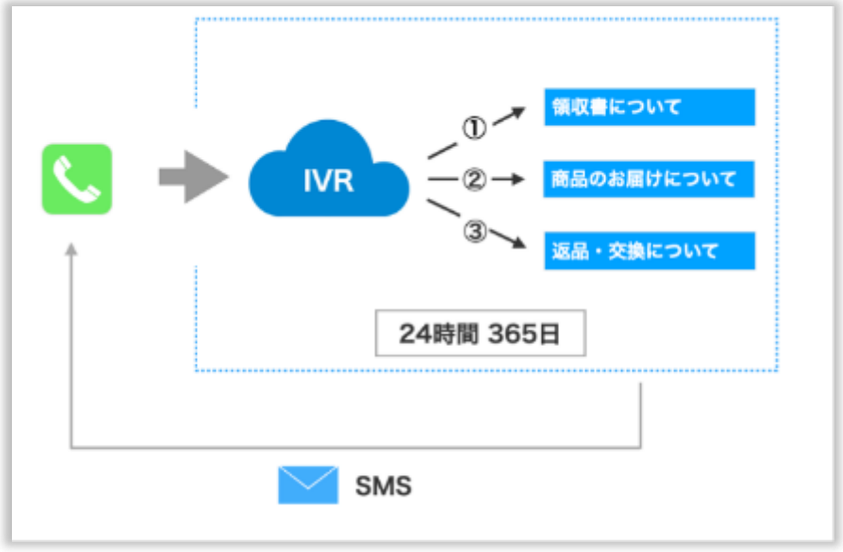
Change from the same period of the previous year: **+26.4%**



Highlights

● Business domain expanded through development of new AI services

「Automated Telephone Inquiry Response AI」「Handwritten Character Recognition AI」



● Proportion of AI engineers at the company increased

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

2

Business Strategies

Management Philosophy

Driving global evolution by combining Big data and AI

Solving social and corporate issues with data analysis and AI technologies
Aiming for a society where everyone can benefit from automation and efficiency

Our Strength for Innovation

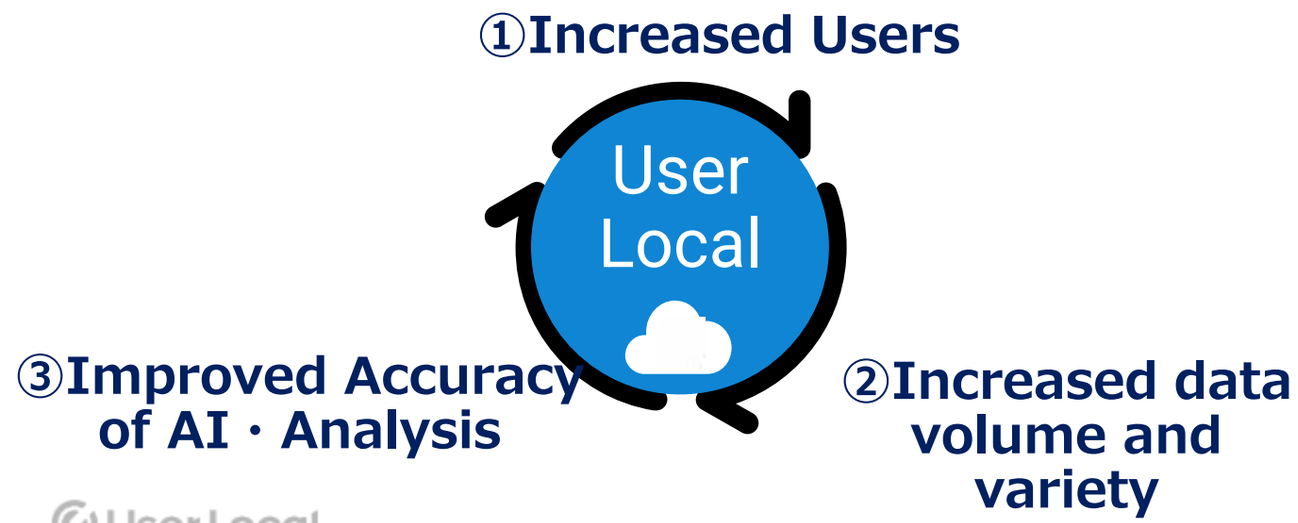
AI × Big Data × SaaS

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

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

Big data

PC website

Smartphone website

News

Social media data

Video data

Image data

Blog

Audio/voice data

Smartphone apps

Other data

Collection

Accumulation

User Local

Analysis
Visualization

Utilization
Automation

Services provided

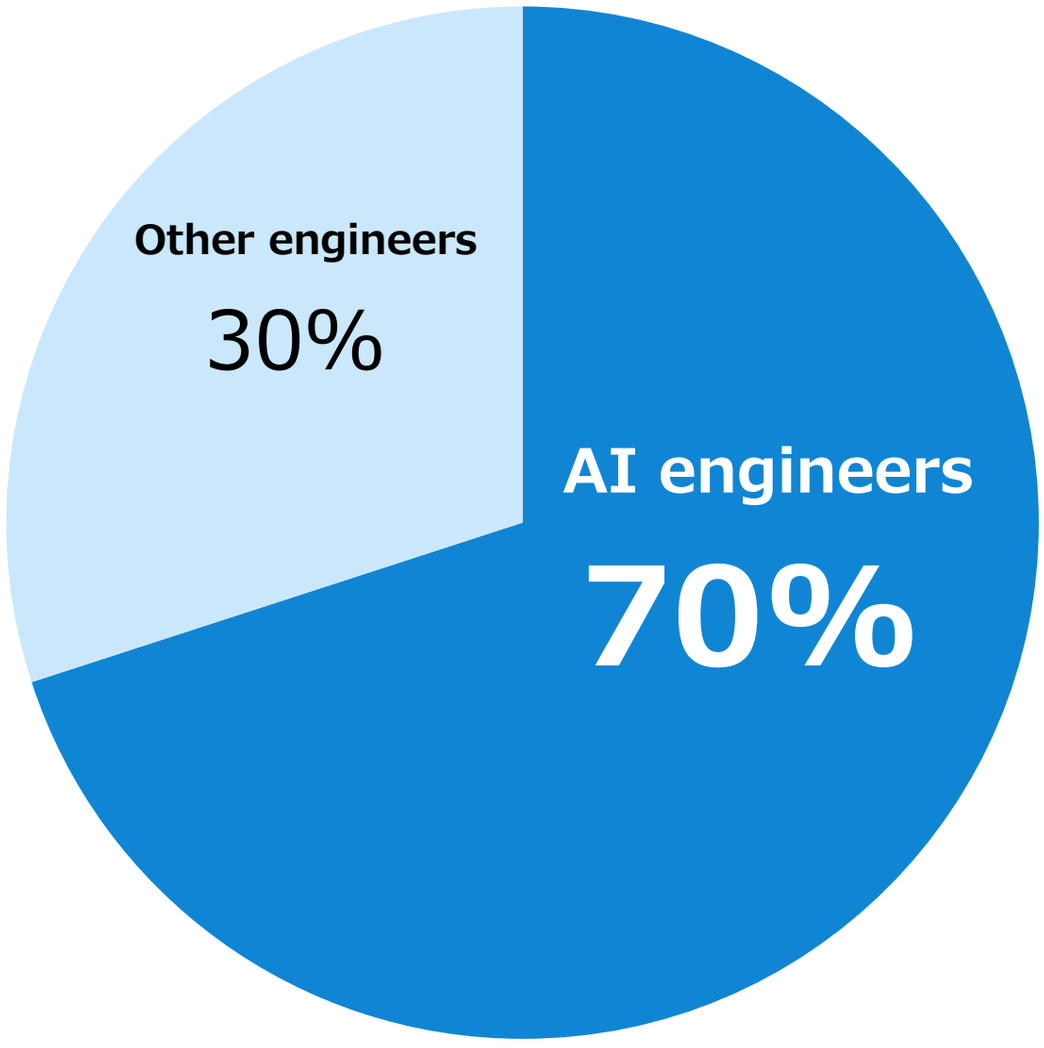
User Insight

Social Insight

SupportChatbot

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



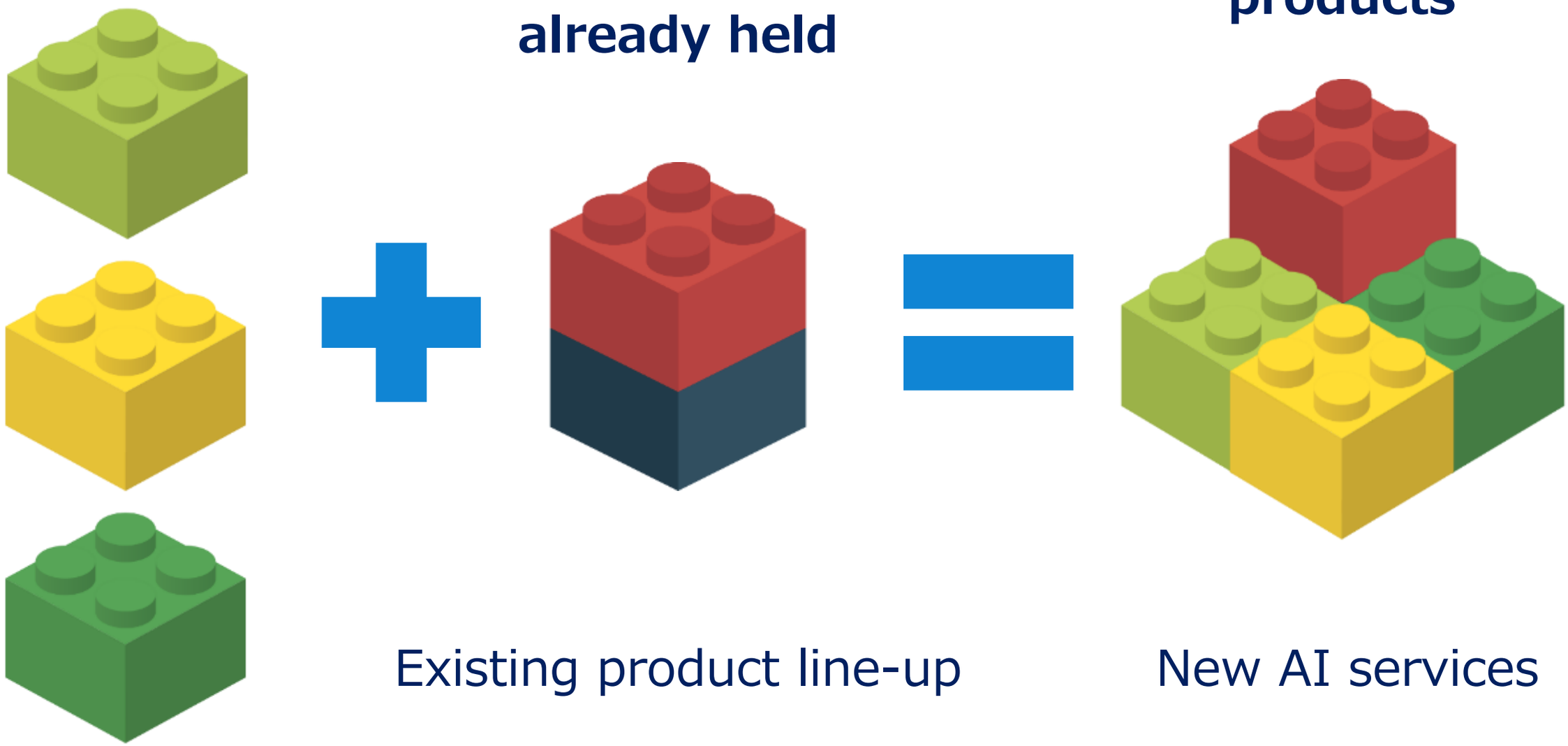
- Promoting R&D of AI algorithms
- Implementing developed algorithms in existing and new services
- An average age of 28 Engineering team

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

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

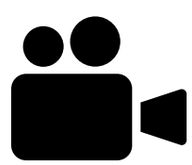
Video processing

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



Product Lifecycles

Entering new fields becomes possible with the growth of existing services

User Insight
Website analysis

FY6/2009~

Upfront investment → Profit contribution

Social Insight
Social media analysis

FY6/2012~

Upfront investment → Profit contribution

SupportChatbot
Chatbot

FY6/2017~

Upfront investment → Profit contribution

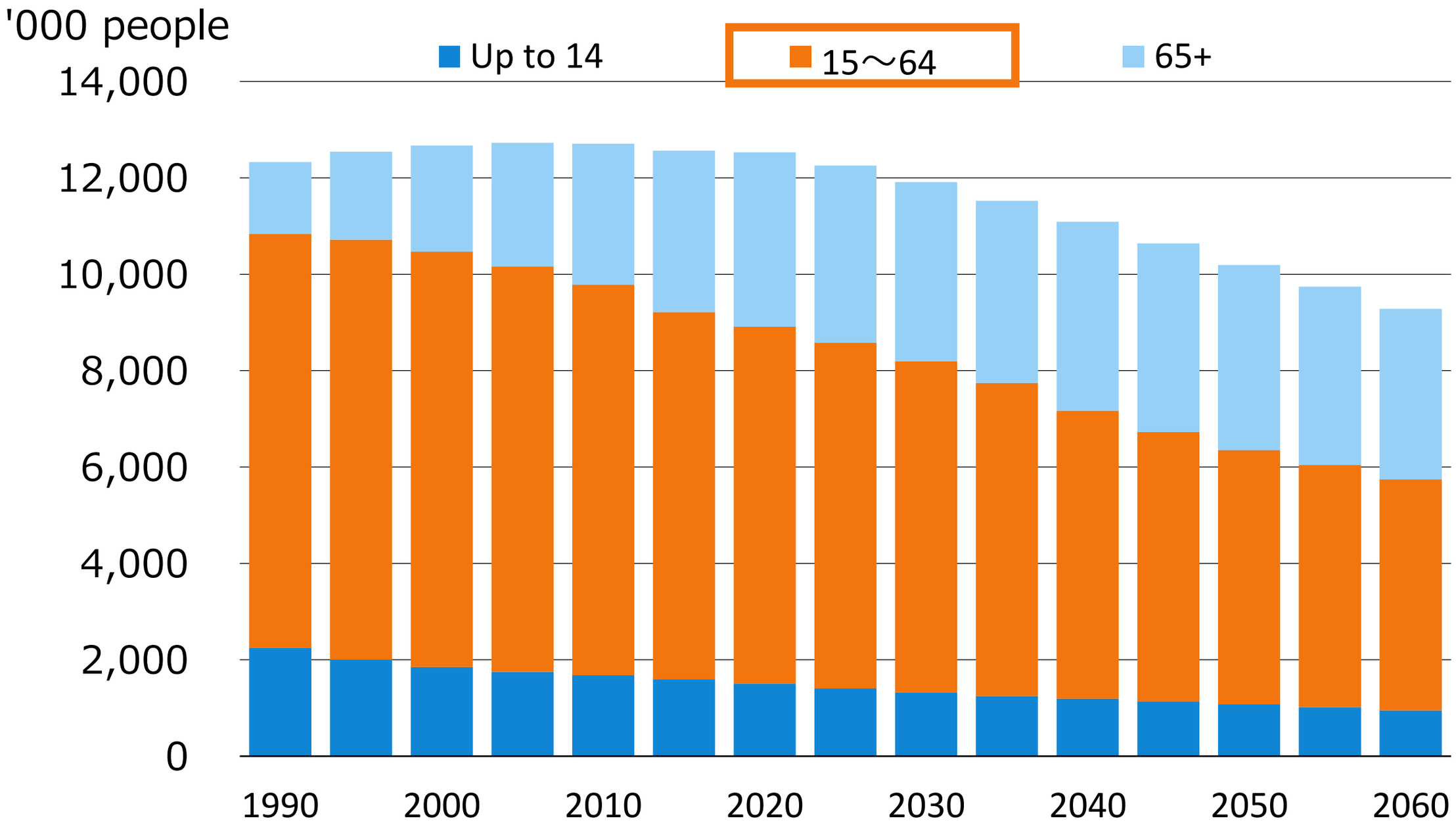
Continuously strengthen product lifecycles to create new corporate value

①R&D
(Creation of new services)

②Hardware Investment
(Servers, SSD, and GPUs)

③Actively expanding sales
(Strengthening personnel and boosting awareness)

Declining Domestic Labor Force is Becoming a Serious Issue



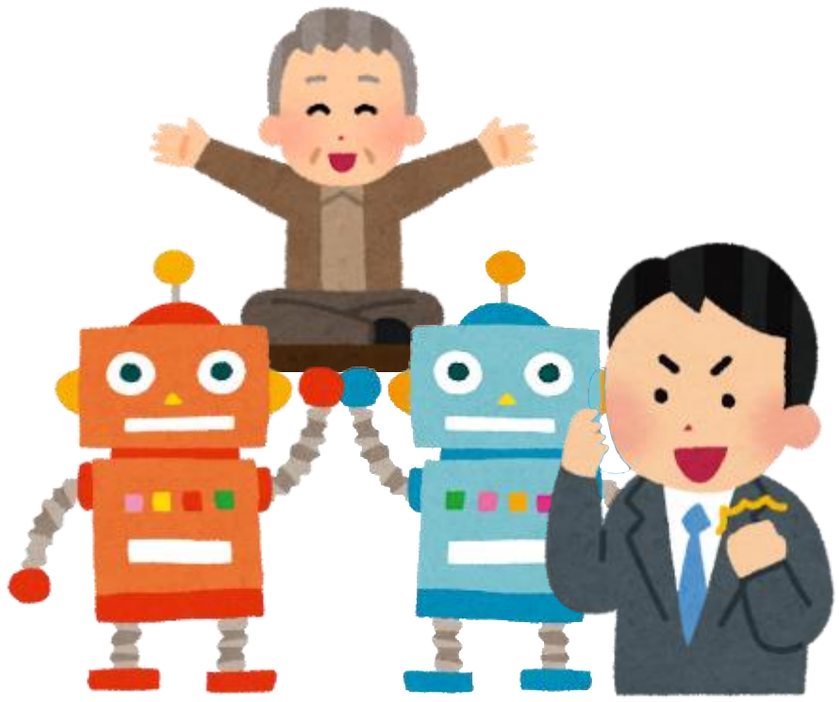
Source: "National Census Results," Statistics Bureau of Japan up to 2015, and "Population Projection for Japan," National Institute of Population and Social Security Research from 2020 onward

Response to Issues Related to the Structure of Society in Japan

Society until the 20th century

Future projection

Enhancing labor capabilities with AI

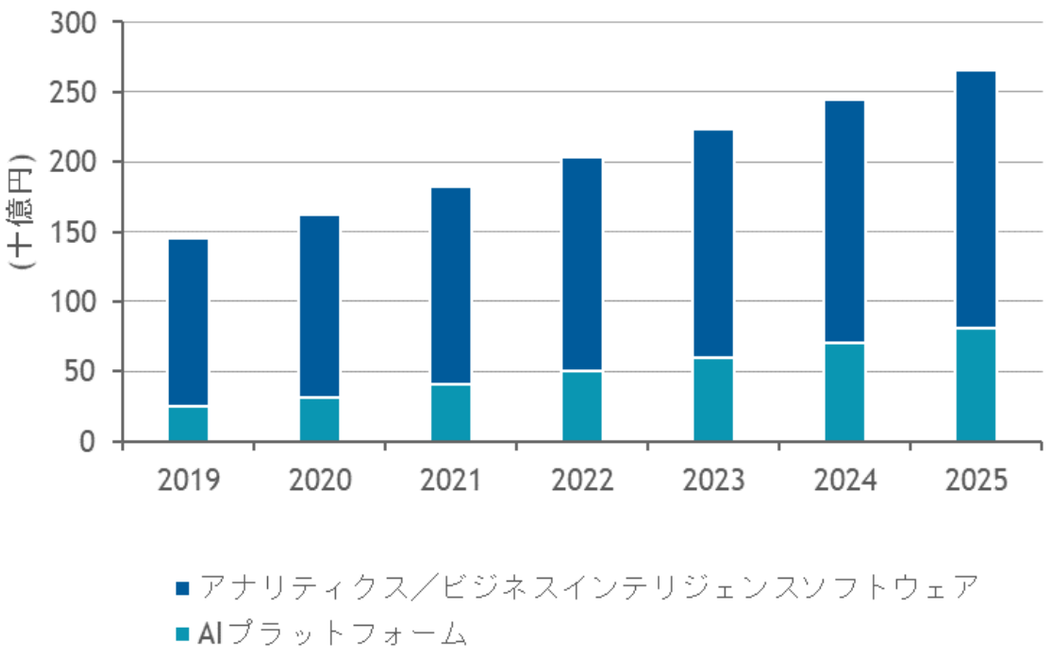


In response to the projected decline in the domestic working population, User Local aims to use data and AI to enhance productivity and achieve automation

Market Needs

【Domestic Analytics ／AI Platform market forecast 】

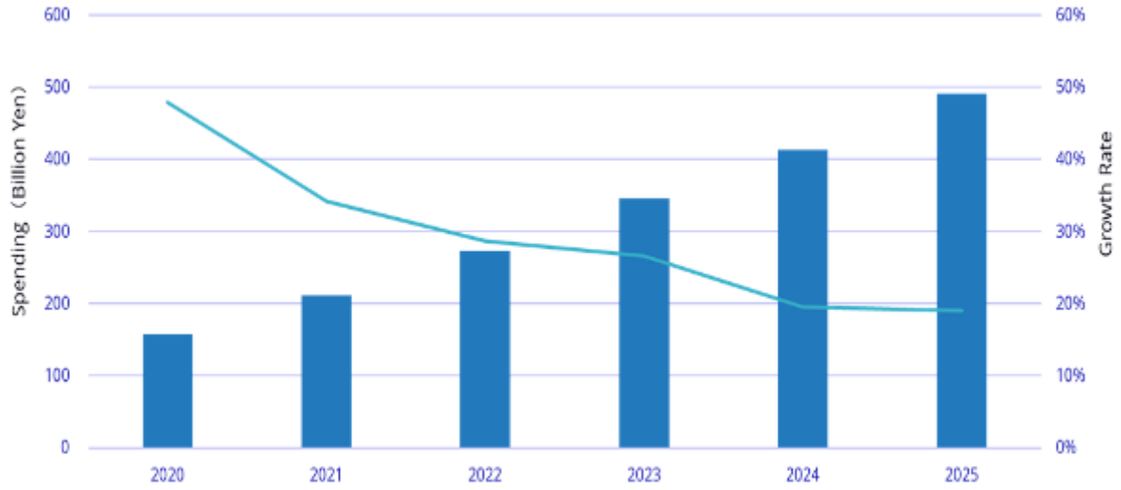
In 2020, the domestic analytics/AI platform market will grow 12.1% YoY in terms of revenue value, to 162.675 billion yen ※1



※1Source: IDC　Japan Press Release「 Domestic Analytics ／AI Platform market forecast 」（2021/6/29）

【Domestic AI system market forecast】

From 2020 to 2025, CAGR(Compound Annual Growth Rate will remain at 25.5% and to 490.981 billion yen in 2025.　※2



※2 Source: IDC　Japan Press Release 「 Domestic AI system market forecast 」（2021/6/2）

Market Needs : Growing importance of DX and AI promotion

The Corona disaster has changed the social activities and consumption behavior of people

In order to respond to changes in the business environment and continue to create new value, the use of digital technology will become indispensable

DX domestic market research

Exceeding 3,000 billion yen by FY2030

DX domestic market (Investment amount)	2019	Forecast for 2030	Compared to 2019
Transportation	219 B yen	905 B yen	4.1 times
Finance	151 B yen	584 B yen	3.9 times
Manufacturing	97 B yen	450 B yen	4.6 times
Distribution	36 B yen	237 B yen	6.5 times
Medical / long-term care	58 B yen	188 B yen	3.2 times
Real estate	16 B yen	90 B yen	5.6 times
Other industries	55 B yen	209 B yen	3.8 times
Sales / marketing	100 B yen	259 B yen	2.6 times
Customer service	57 B yen	119 B yen	2.1 times
Total	**791 B yen**	**3,042 B yen**	**3.8 times**

AI domestic market

Expected in 2020	Compared to 2019	2025 forecast	Compared to 2019
1,108 B yen	115.4%	**1,935 B yen**	**2.0 times**

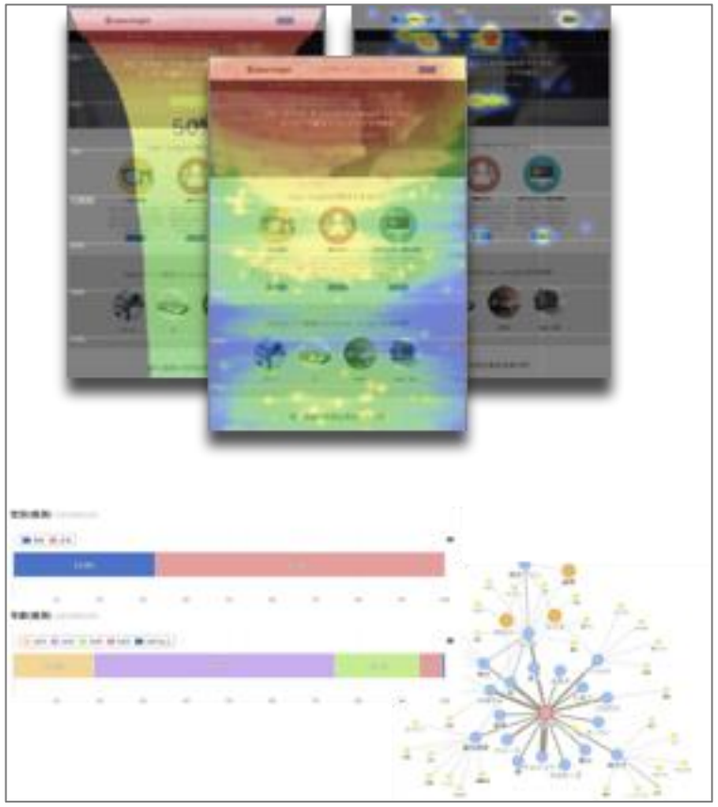
The use of AI will further increase as one of the elemental technologies for companies to achieve digital transformation, and is expected to reach 1,935 billion yen in FY2025, 2.0 times the FY2019 level

Business Development in Growth Markets of Big Data and AI

Marketing support with big data technologies

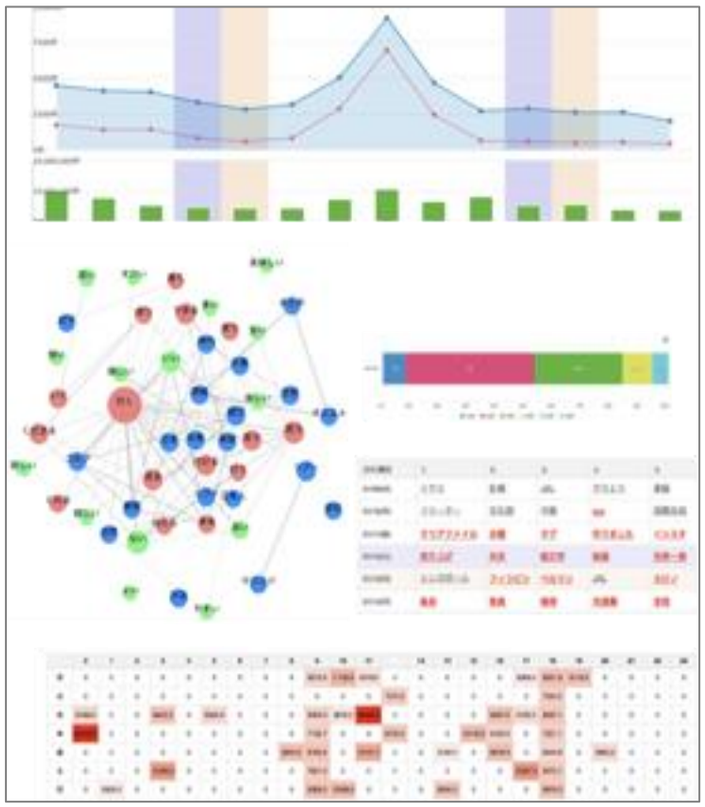
User Insight

Website analysis



Social Insight

Social media analysis



Support automation with AI

SupportChatbot

Chatbot

Expanded automation functions
to be widely used as an automated marketing tool

SupportChatbot AI for the best query experience

A tool that automates the inquiry handling process to support efficient operations and improve user satisfaction

SupportChatbot Support for DX promotion

Elimination of labor shortages, improvement of labor productivity, and increase of customer satisfaction

Companies realized DX

Companies in the process of converting to DX

DX application support

DX Promotion Support

SupportChatbot

Customer Support Customer Service Operations

Support for internal inquiries

External service Coordination

OUR STRENGTH IS OUR LOW PRICE AND EASE OF IMPLEMENTATION. IT CAN BE INTRODUCED TO ANY COMPANY REGARDLESS OF INDUSTRY, TYPE OF BUSINESS, OR SIZE.

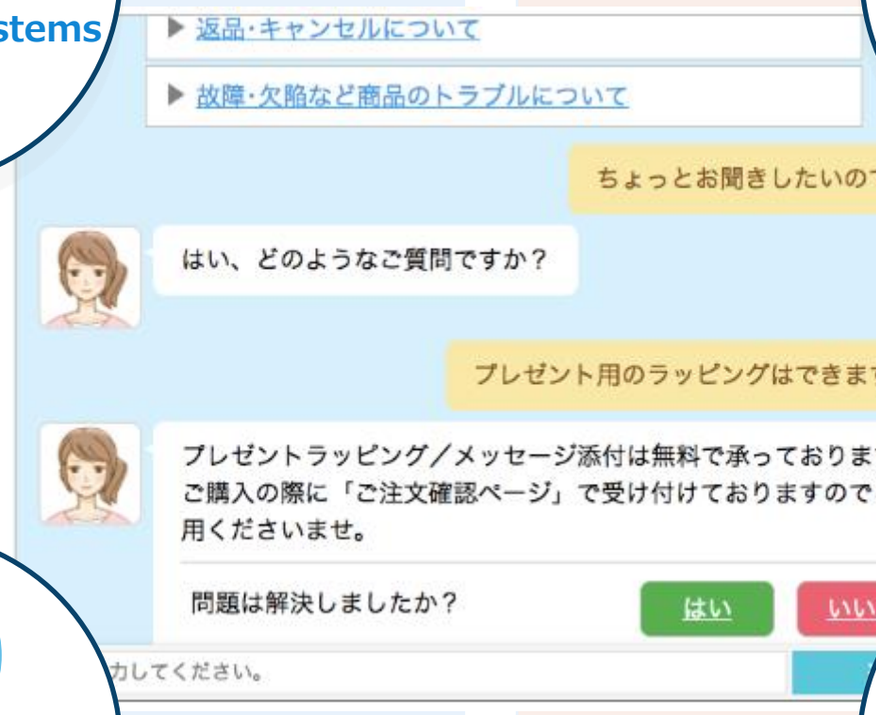
SupportChatbot Suitable for Various Industries and Operations

Internal Use

Information systems helpdesk

General affairs, personnel, and accounting operations

Sales and marketing support



External Use

Responding to e-commerce and reservation website inquiries

Call center response operations

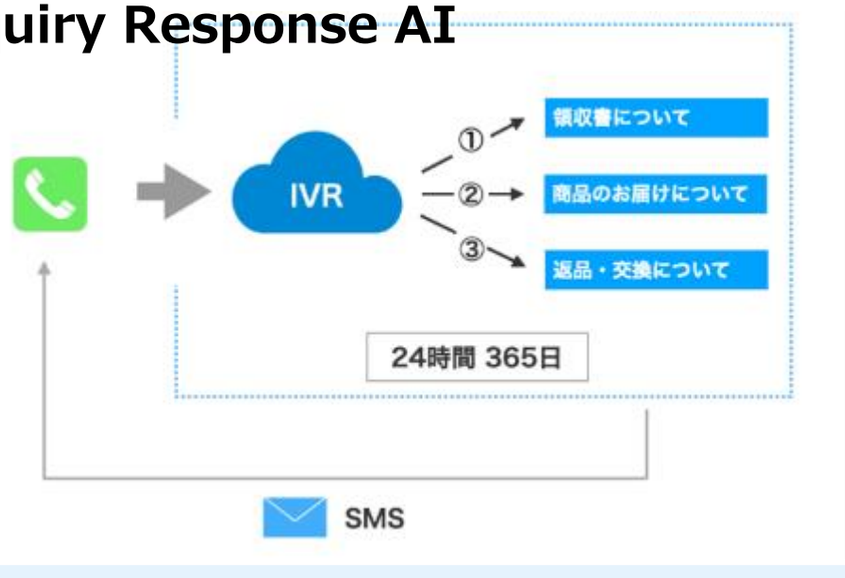
Public institution contact point responses

SupportChatbot Expanding the use of Chatbot functions

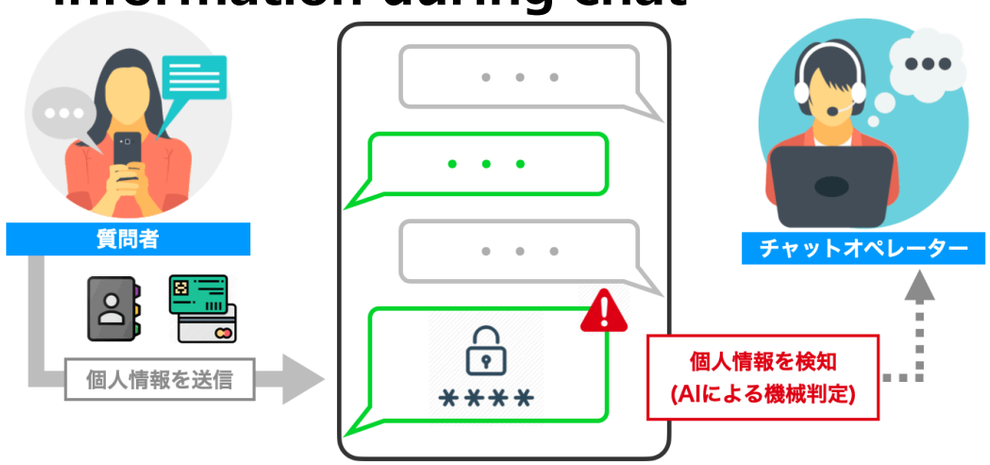
Strengthening coordination with external communication tools

Kintone
Teams
Zoom
LINE WORKS
LINE
Webサイト
Slack
Google Chat
Messenger
Chatwork

Launch of Automated Telephone Inquiry Response AI



Automatic detection of personal information during chat



Support for automatic translation into over 100 languages

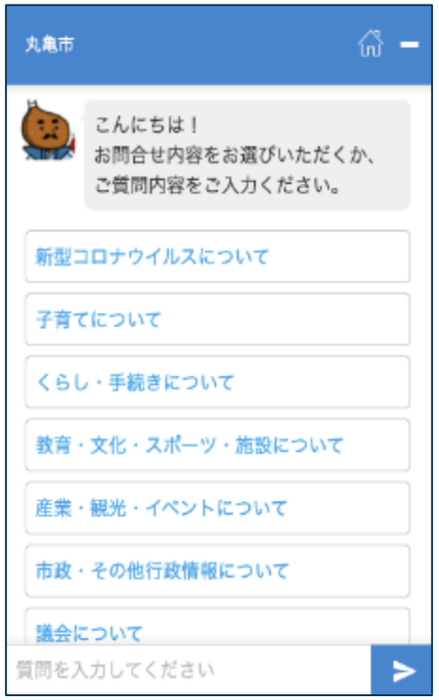
Multi-language support functions enable global customer support.

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

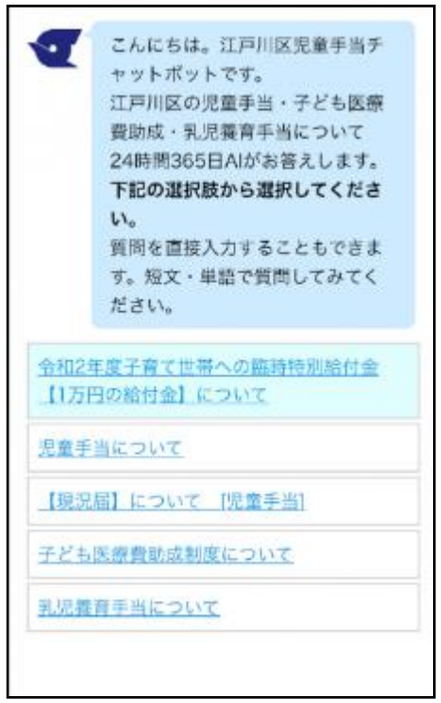
SupportChatbot

Government Agencies / Local Governments

Maruoka City, Kagawa



Edogawa Ward, Tokyo



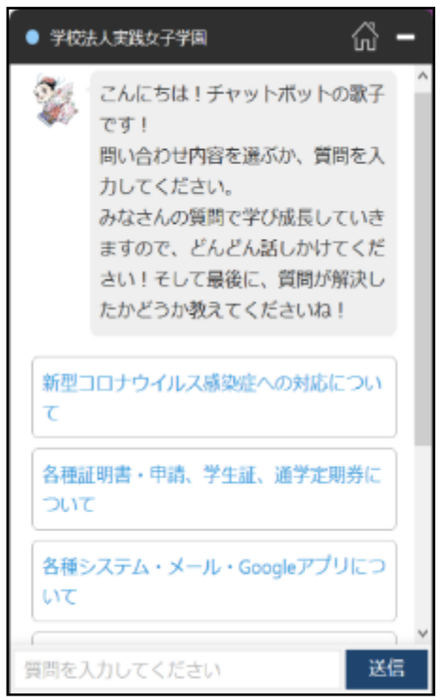
Fuchu City, Tokyo

First to offer Chatbots on Digital Signage

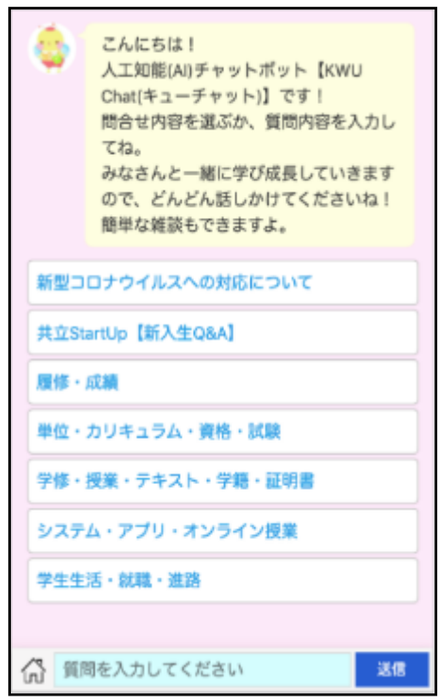
Universities

Komazawa University

Jissen Women's University



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



User Insight

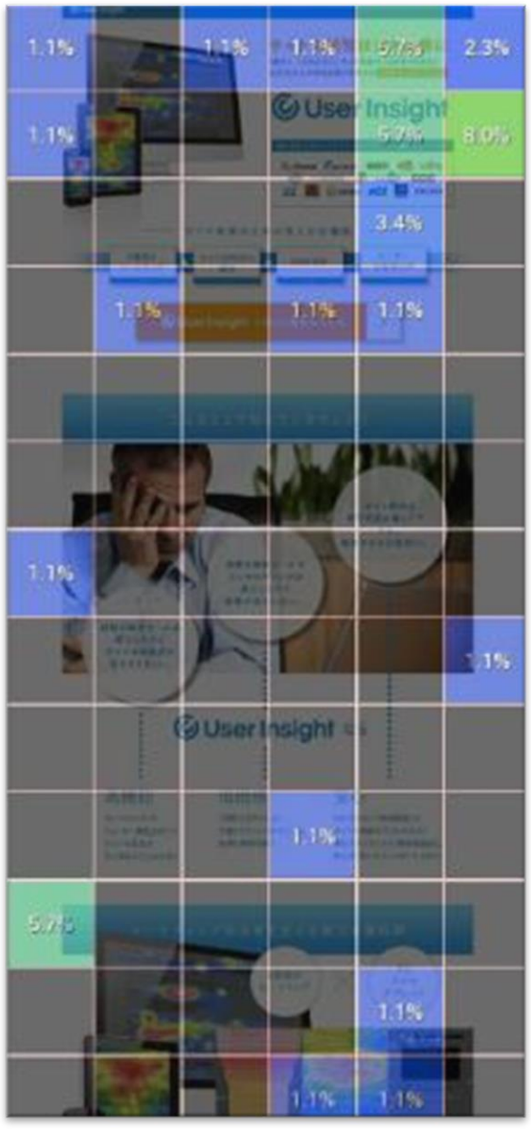
Access analysis tools to make PC and smartphone websites easier to use

Where was users' attention focused?

Viewing ratio per area

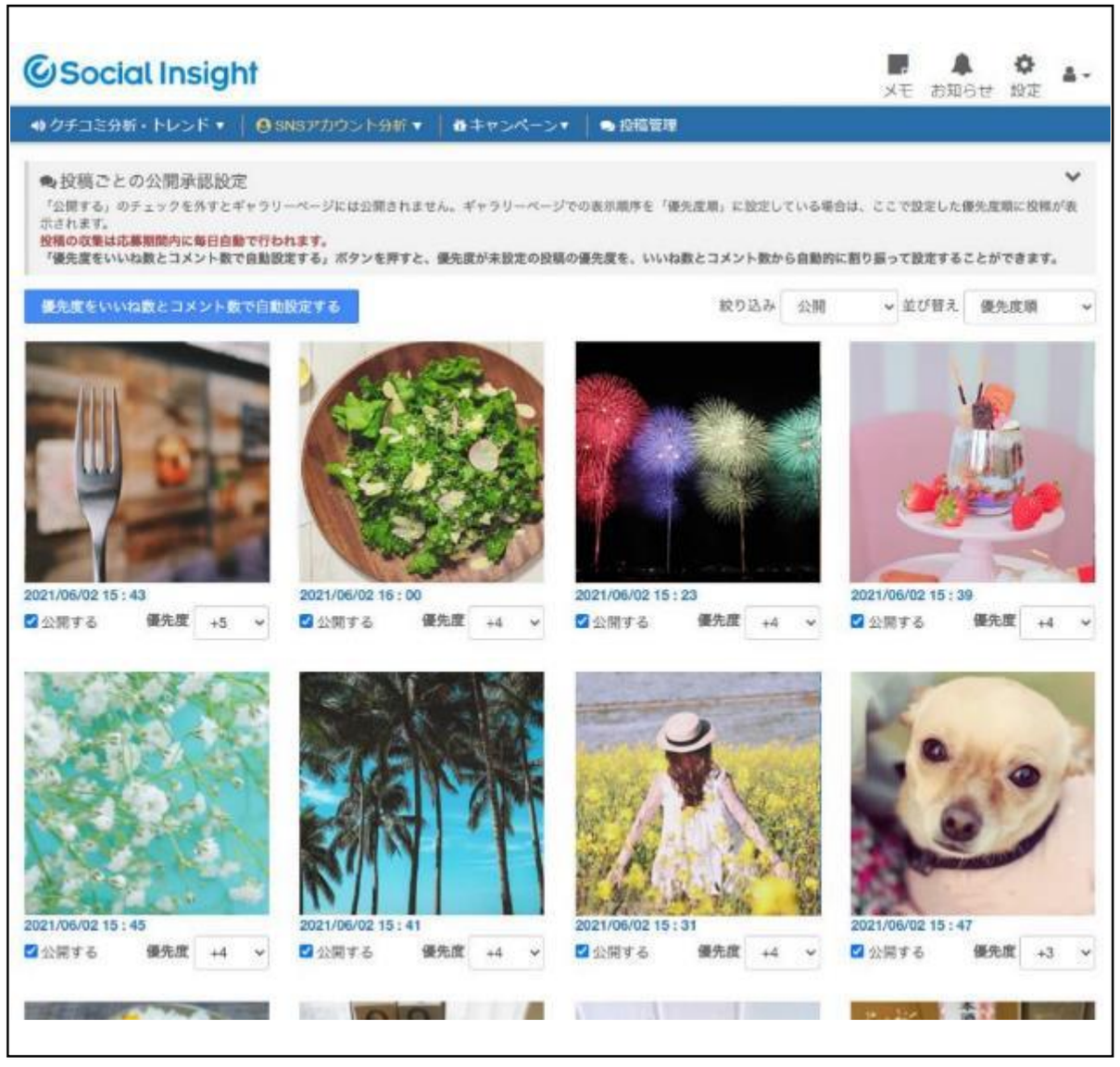
How much did users read?

Areas clicked



Social Insight

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



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

Deployed in more than 2,000 companies in a wide range of industries

Example of Customers

Government Agencies
Local Governments
Universities

首相官邸 / 総務省 MIC Ministry of Internal Affairs and Communications / 厚生労働省 Ministry of Health, Labour and Welfare / 丸亀市 MARUGAME CITY / 府中市 FUCHU CITY

Manufacturer
Electronic devices, automobiles, food, etc.

Panasonic / SAPPORO / SUNTORY / SHISEIDO / NISSAN / SEVEN&I HOLDINGS / Wacoal

ICT
Software, Information and communication, etc.

LINE / SoftBank / Rakuten / J:COM / dwango / YAHOO! JAPAN / GungHo

Financial Institutions
Banks, securities, etc.

ゆうちょ銀行 / JCB 世界にひとつ、あなたにひとつ。 / 大和ネクスト銀行 Daiwa Next Bank / マネックス証券

Media
Publishing, newspapers, etc.

Benesse / 日経BP社 / DIAMOND online / J.LEAGUE.jp

Others

dinos / GDO / LIXIL

3

Financial Results for FY2022 Q2

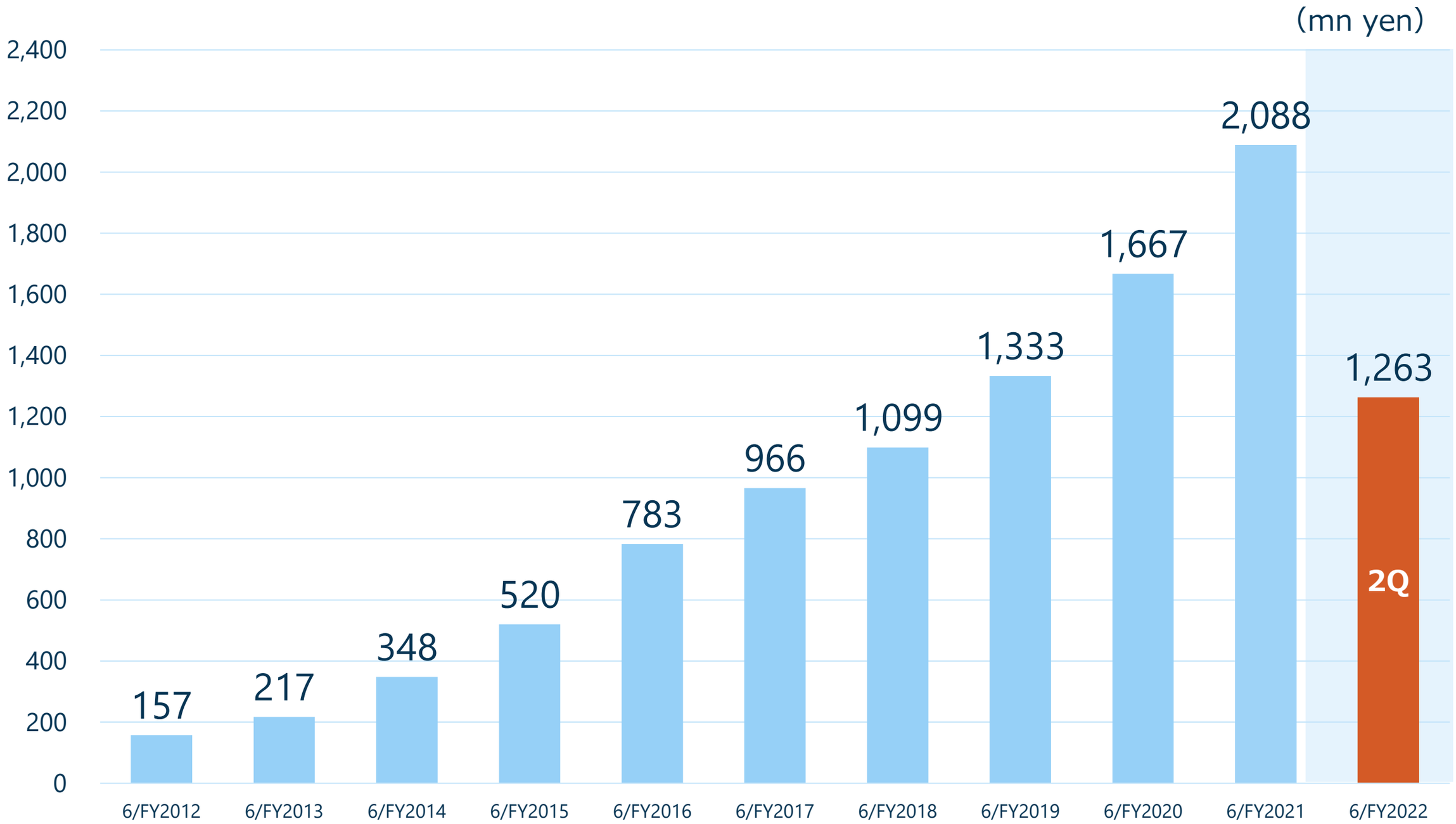
Outline of Earnings Performance in FY2022 Q2

Net sales increased **29.8%** YoY, and operating profit increased **26.4%** YoY

(mn yen)	FY2021 Q2	FY 2022 Q2	YoY change	FY2022 Forecast	Progress rate
Net sales	973	**1,263**	+29.8%	2,504	50.4%
Operating profit	450	**569**	+26.4%	984	57.8%
Ordinary profit	447	**567**	+26.8%	984	57.6%
Profit	279	**391**	+40.1%	679	57.6%

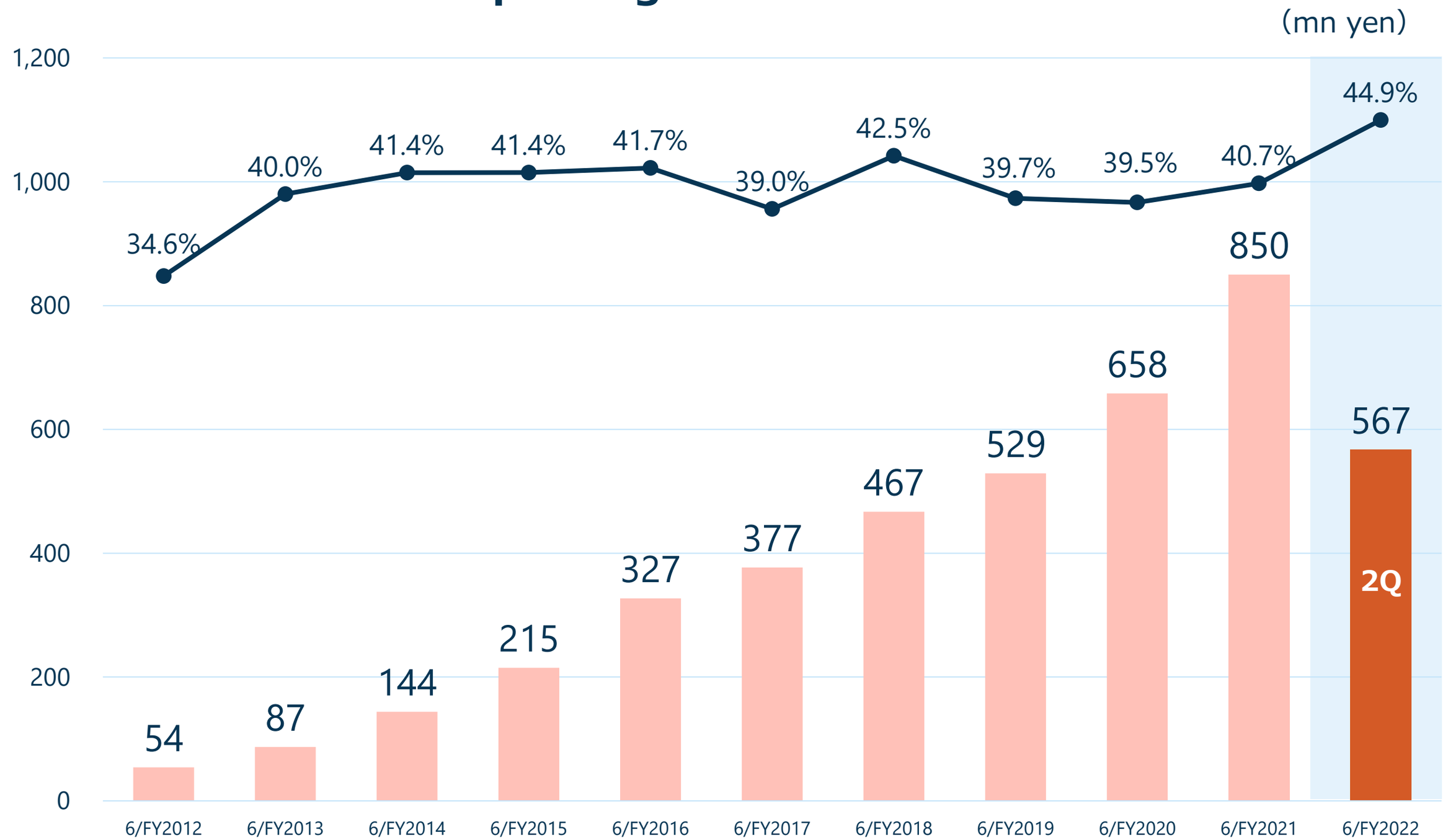
FY2022 Q2 Net Sales

Achieved increase in sales and profit



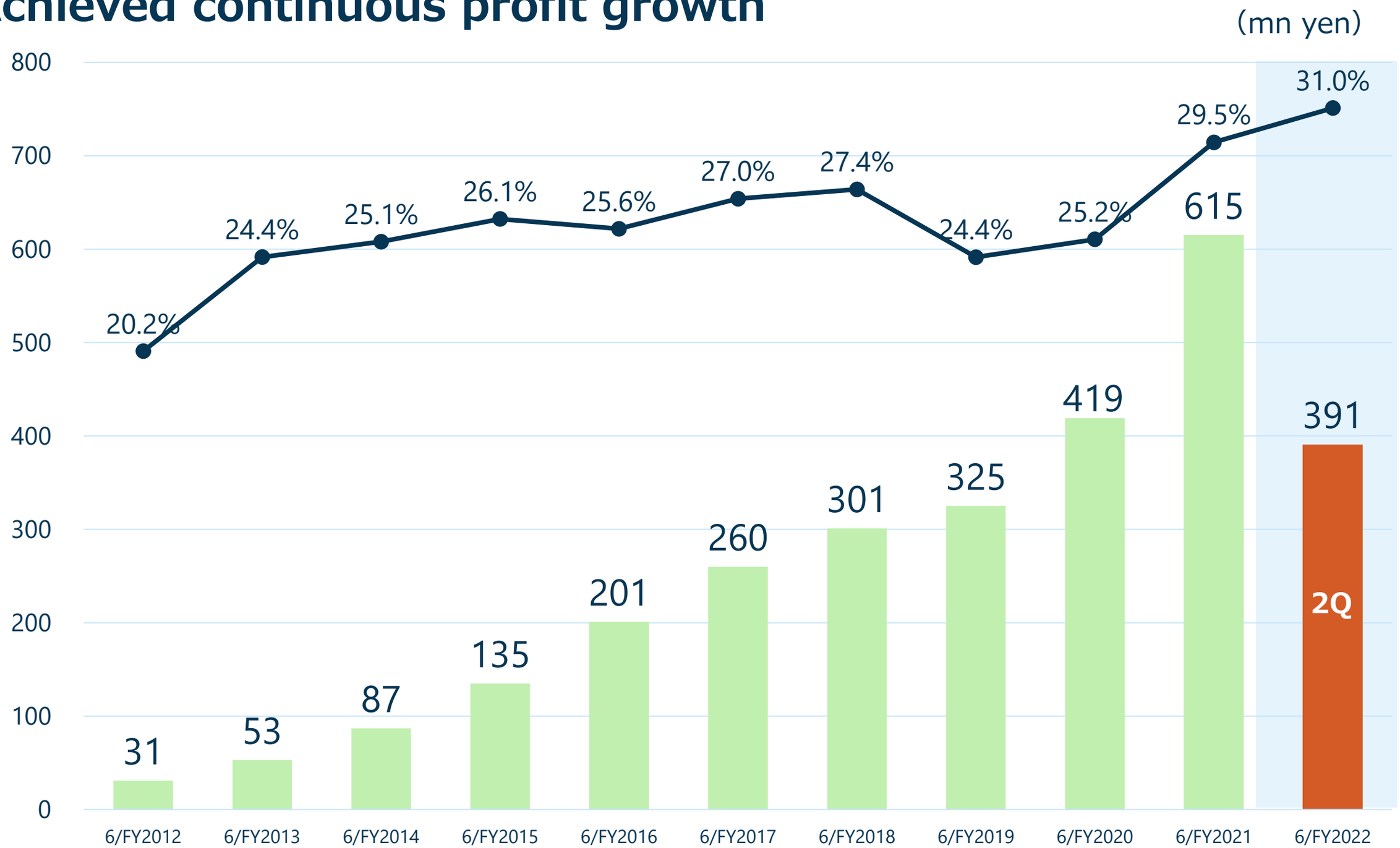
FY2022 Q2 Ordinary Profit and Ordinary Profit Margin

Achieved continuous profit growth



FY2022 Q2 Profit and Net Profit Margin

Achieved continuous profit growth



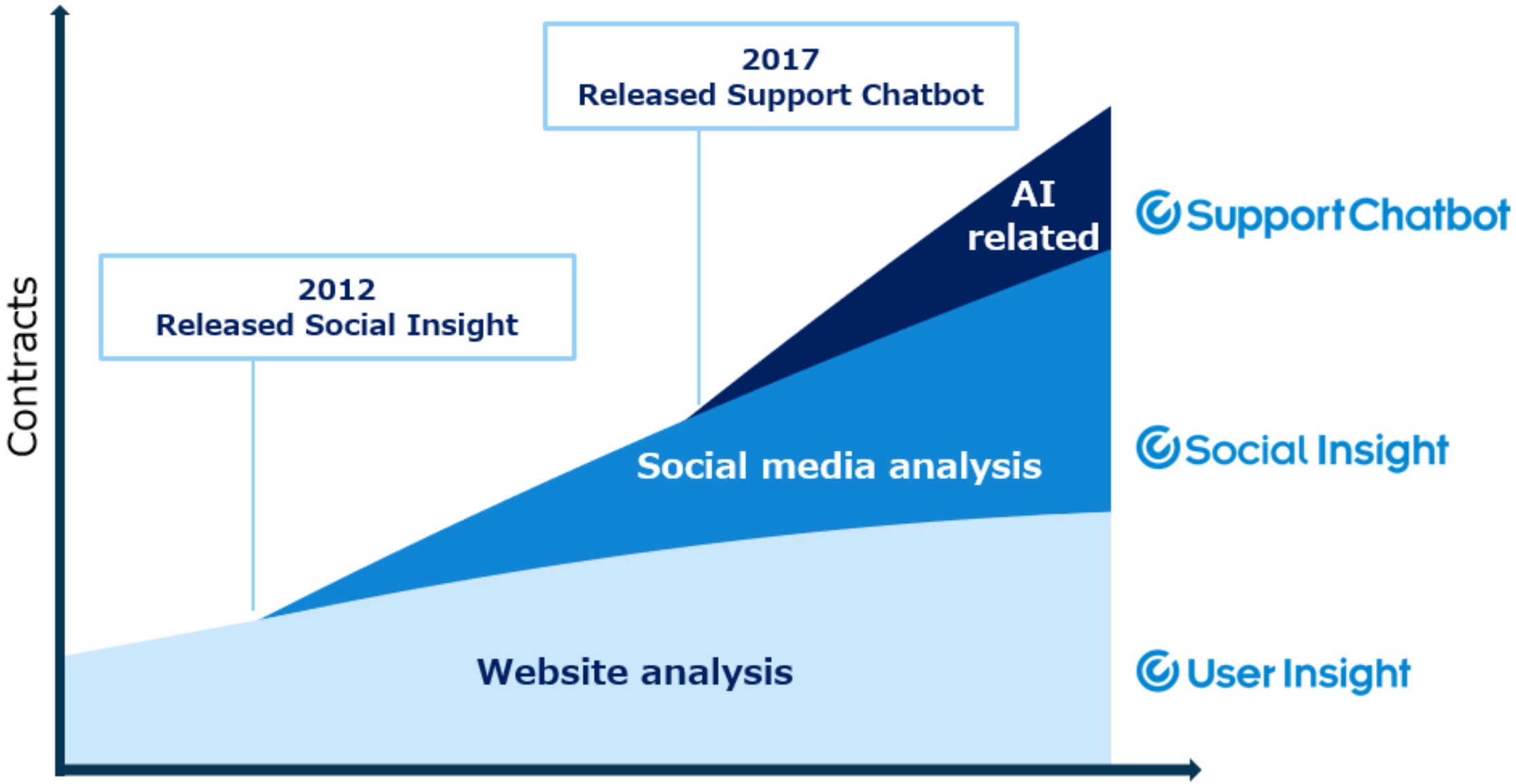
FY2022 Q2 Financial Position

Net assets increased **430 mn yen**, and the equity ratio remained high, at **89.9%**

(mn yen)	**6 / FY2021 (June 30, 2021)**	**FY2022 Q2 (December 31, 2021)**	**Amount of YoY change**
Current assets	4,939	5,278	+339
Non-current assets	337	437	+100
Total assets	5,277	5,715	+438
Current liabilities	571	578	+7
Non-current liabilities	-	-	-
Total liabilities	571	578	+7
Net assets	4,706	5,136	+430

Number of Contracts Increasing in line with Increase in Services

Achieve continuous growth due to stable profit structure



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Future Focus Areas

Three Focus Areas

① Expansion of in-house AI algorithms

② Application of AI algorithms to existing services

③ New development of AI services to solve social issues

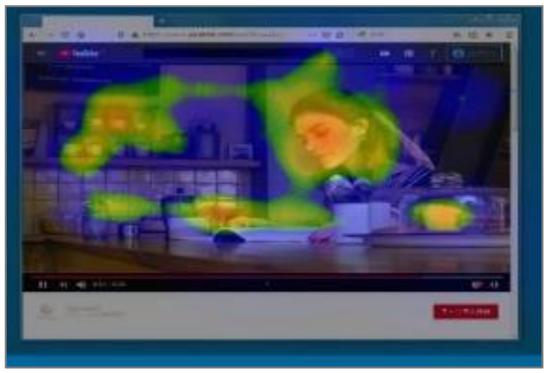
①Expansion of In-house AI Algorithms (Language and Image Processing)

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

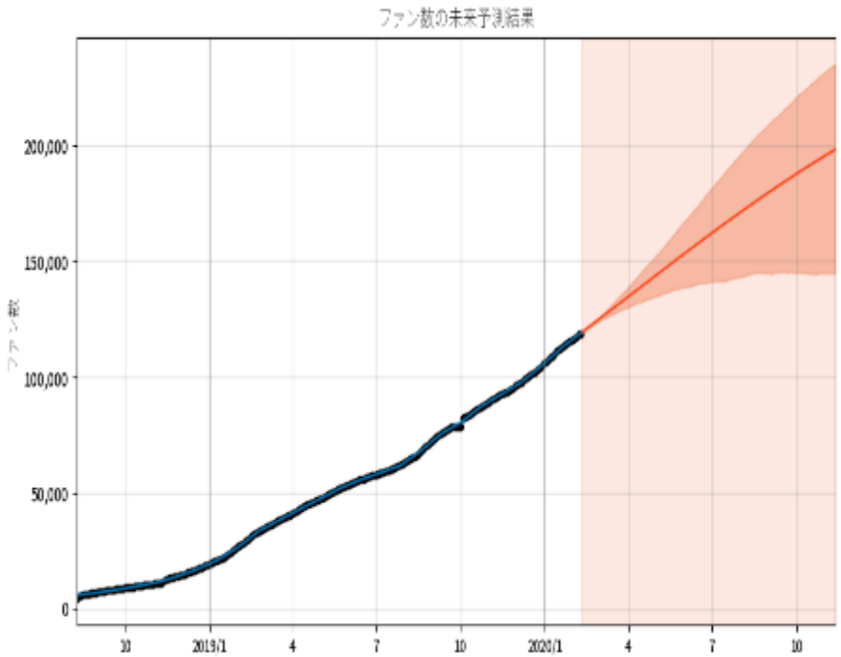
Extraction of key passages from text

Personal information processing AI

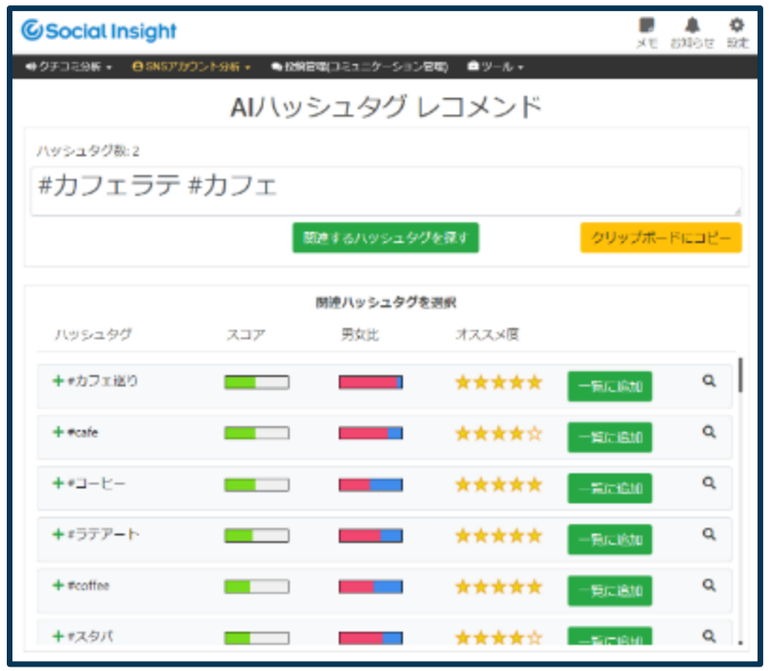
Processing of personal information

② Application of AI algorithms to existing services

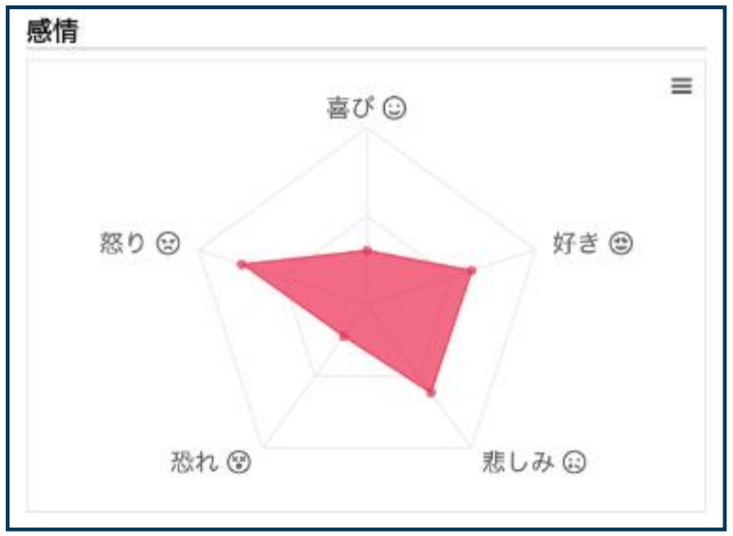
Automatic forecasting of future growth in page views and fan numbers

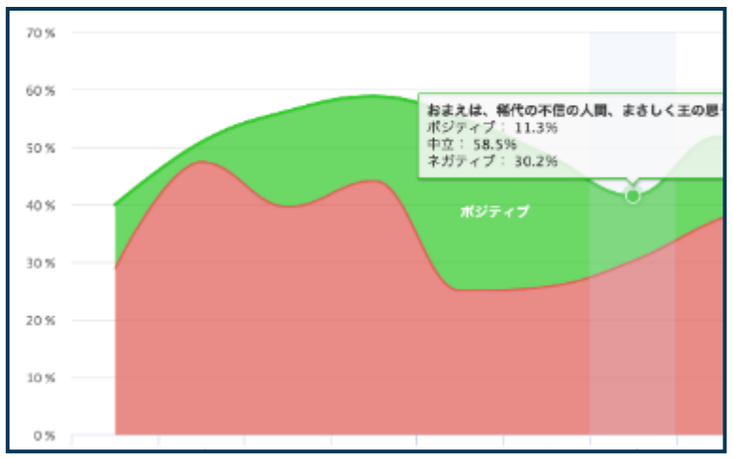


Optimization of content based on hashtag recommendations



Application of emotional recognition based on deep learning to text mining





Strengthening User Insight and Social Insight analysis capabilities to be widely used as an automated marketing tool

③New development of AI services to solve social issues

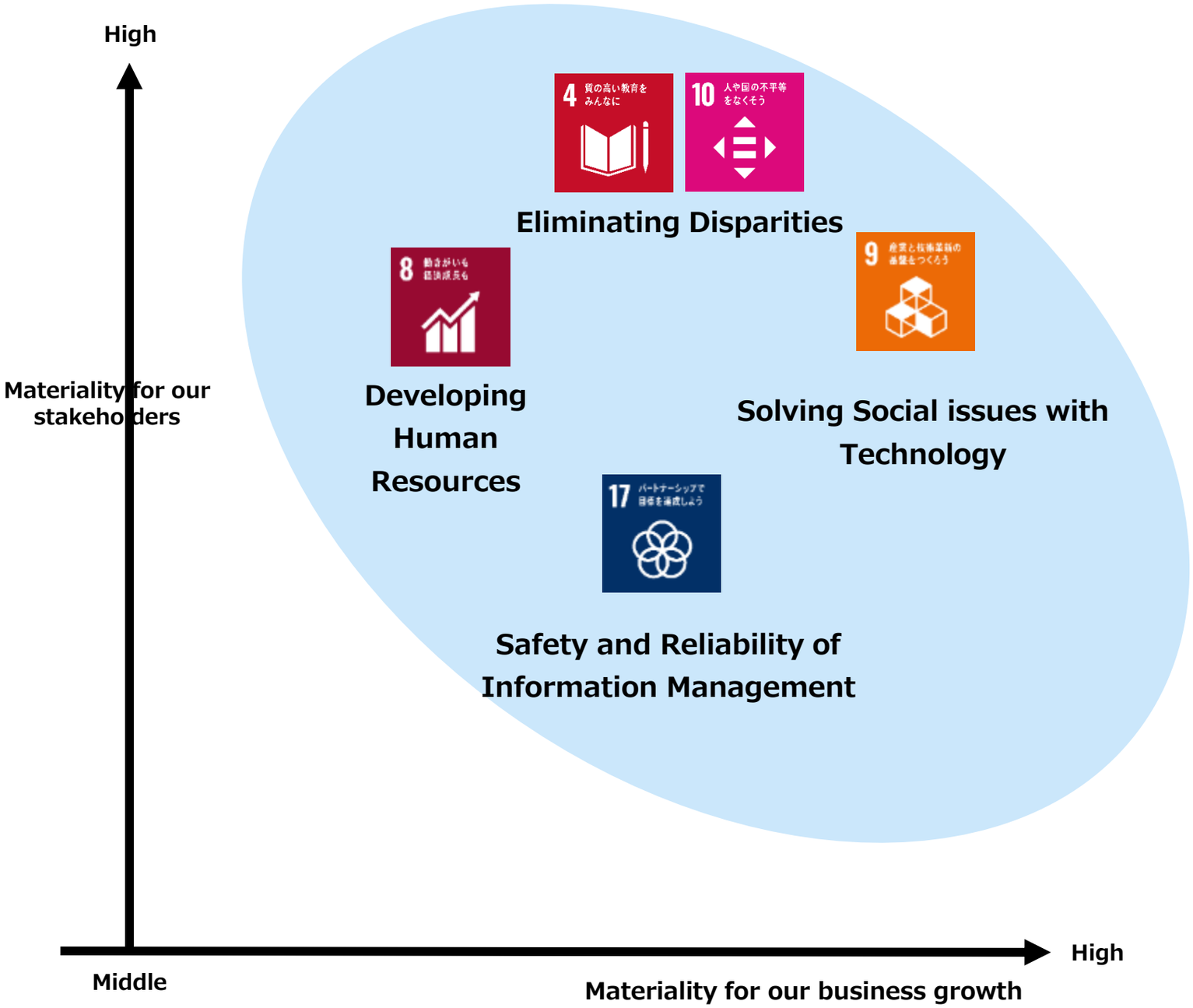
Driving global evolution by combining Big data and AI

Solving social and corporate issues with data analysis and AI technologies
Aiming for a society where everyone can benefit from automation and efficiency

SDG goals to be achieved based on our management philosophy

Materiality for our sustainable management and the relationship with SDGs

We have identified our focus areas to achieve the SDGs goals



Solve these social issues through our business initiatives

Eliminating Disparities

Realizing a society in which everyone can benefit from AI technology

Social issues

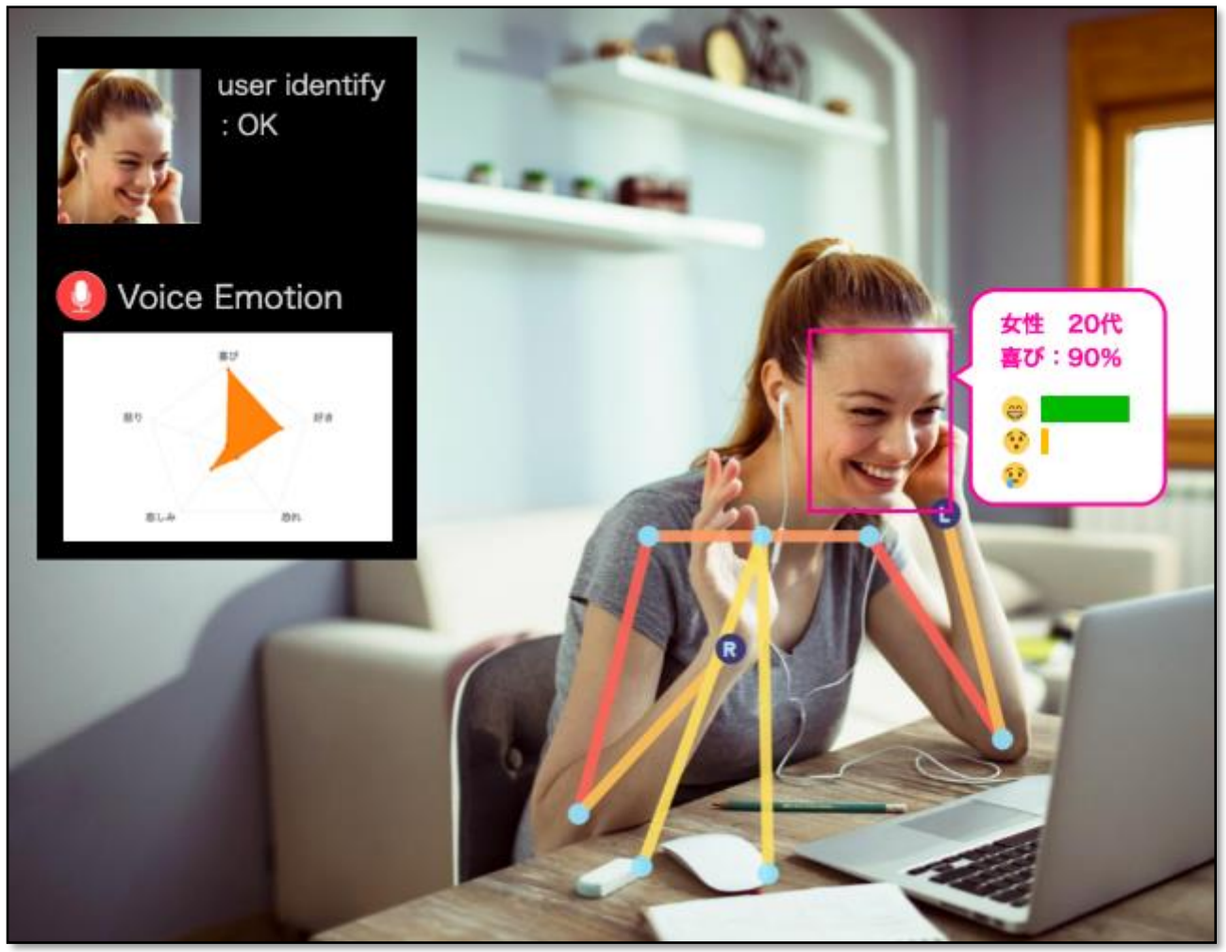
Only major domestic and foreign companies and a few well-funded companies are able to effectively use AI technology

Solving the issues

- **Free provision of AI algorithms**
- **Free provision of Handwritten Character Recognition AI**
- **Free release of SNS account data**

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

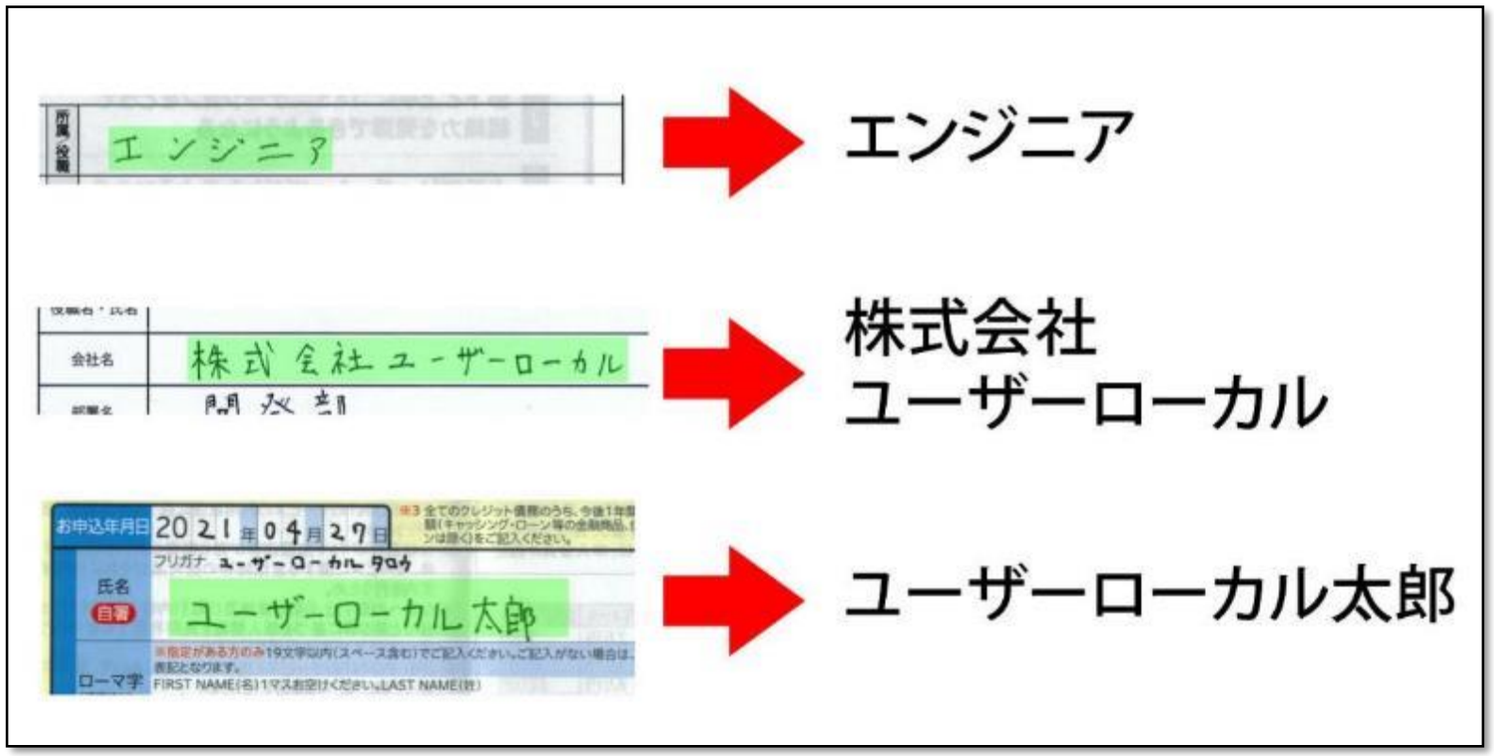
- Position inference
- Emotion inference
- Attention and head position inference
- Text emotion recognition

Crime prevention and monitoring

- Position inference
- Emotion inference

Handwritten Character Recognition AI

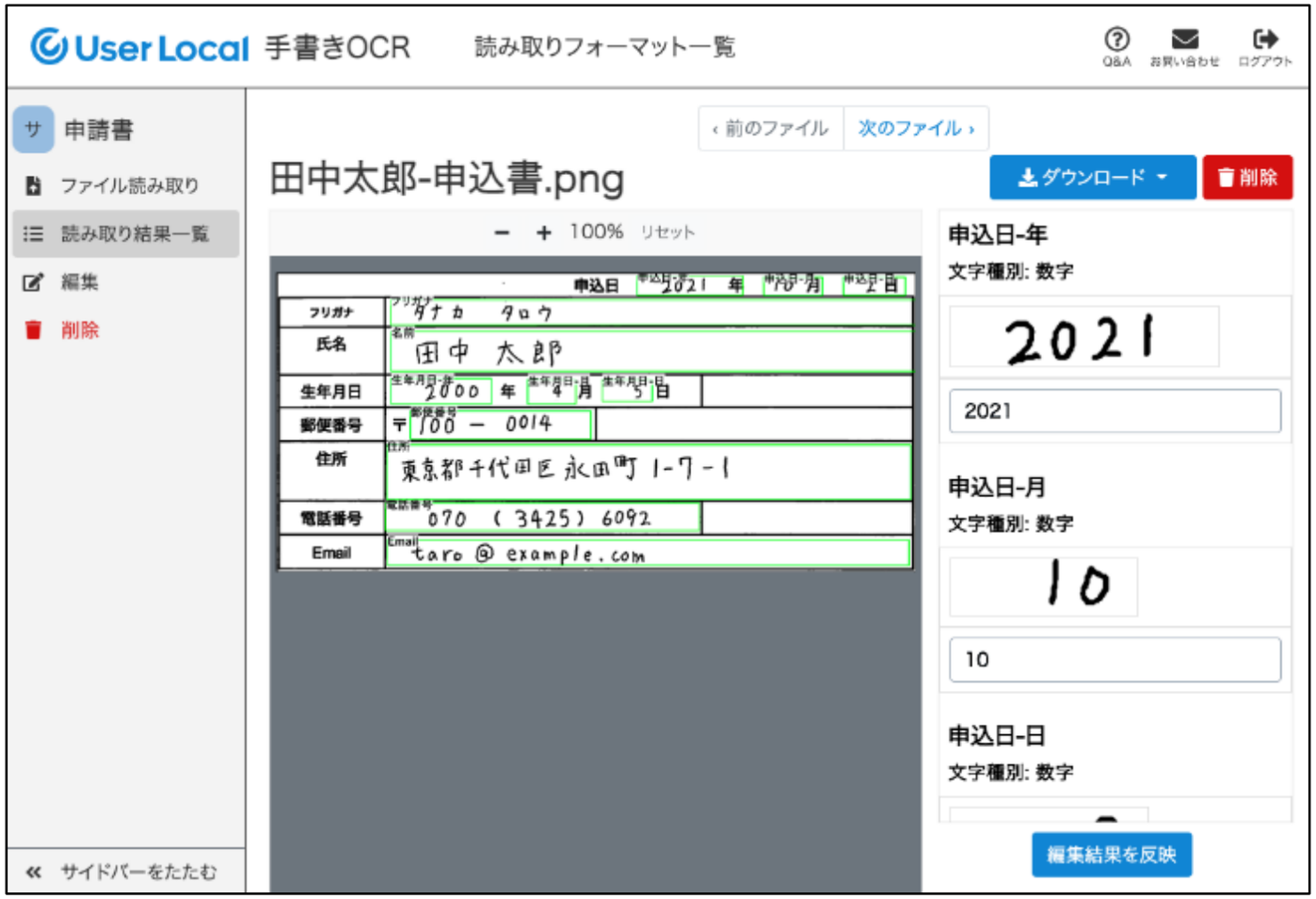
AI recognizes Japanese handwritten characters and converts them into text data



(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

Handwritten OCR tools

Free OCR tool to support conversion of handwritten documents into electronic data



(1) OCR AI based on advanced deep learning technology is available to anyone free of charge
(2) OCR AI can start reading with specifying which areas you want to recognize using a web browser and simply uploading a form file (PDF, JPEG)
(3) Character recognition results can be downloaded as spreadsheet data

Solving Social issues with Technology

Realizing more convenient and affluent lifestyles by continuously providing highly versatile services that can be used in a wide range of areas

Social issues

Digital transformation (DX) is not progressing

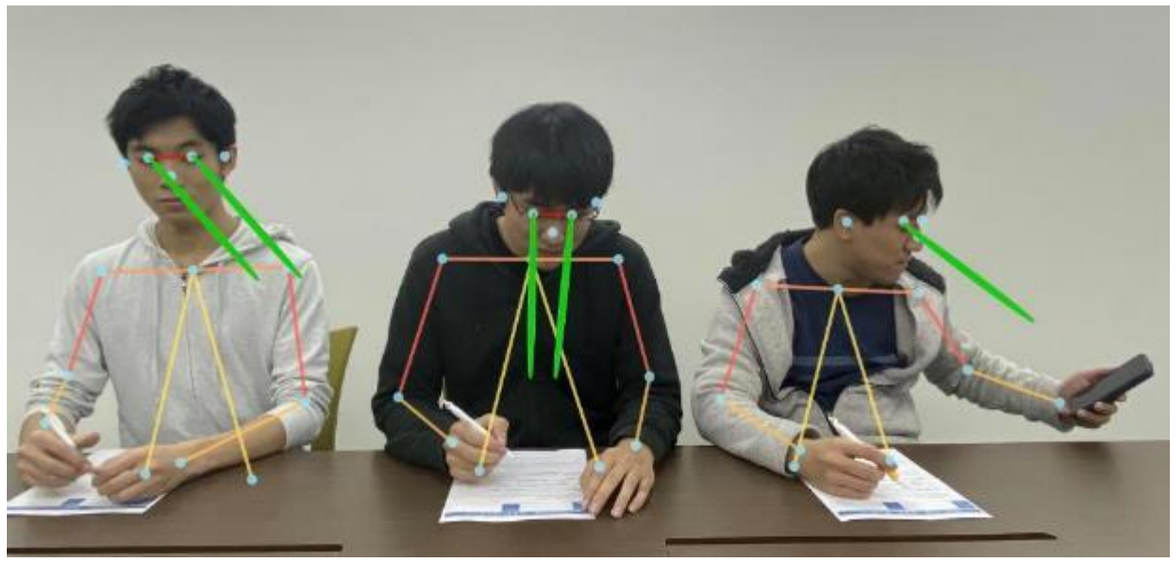
Solving the issues

- **Provide high-quality, easy-to-introduce services through SaaS business**
- **Promoting DX in school education by providing Cheating Prevention AI**
- **Providing tools for research institutions**

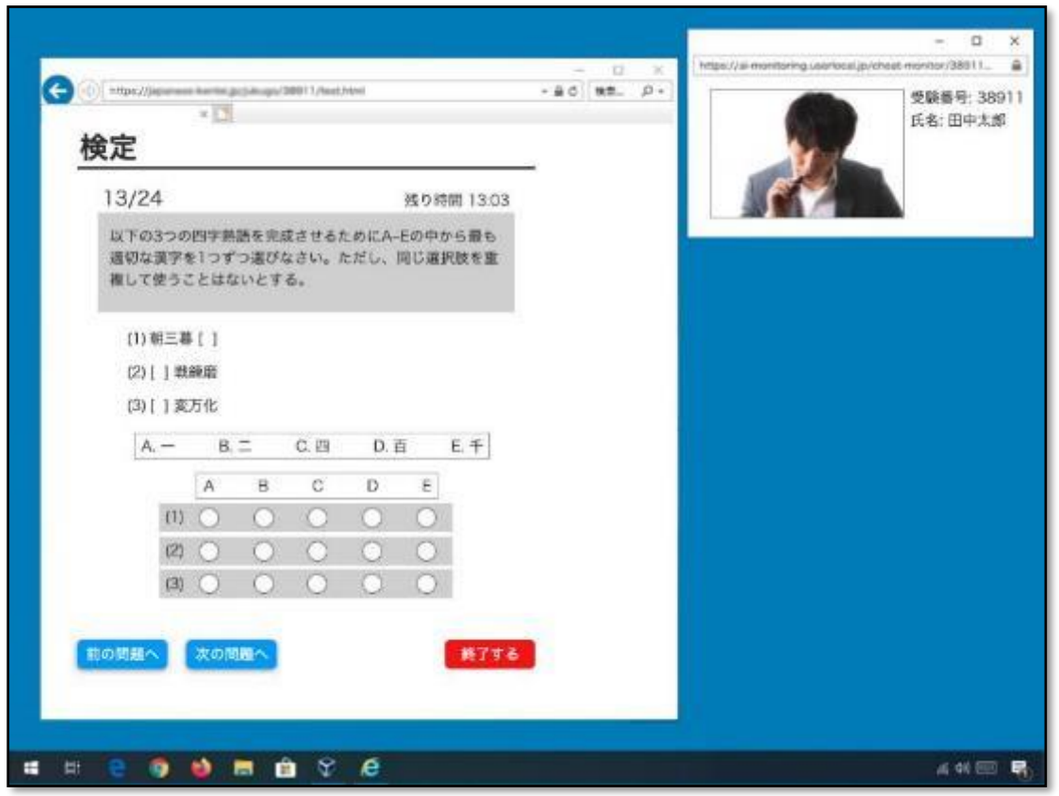
Cheating Prevention AI

Deep learning technology identifies cheating in exams

For on-site exams



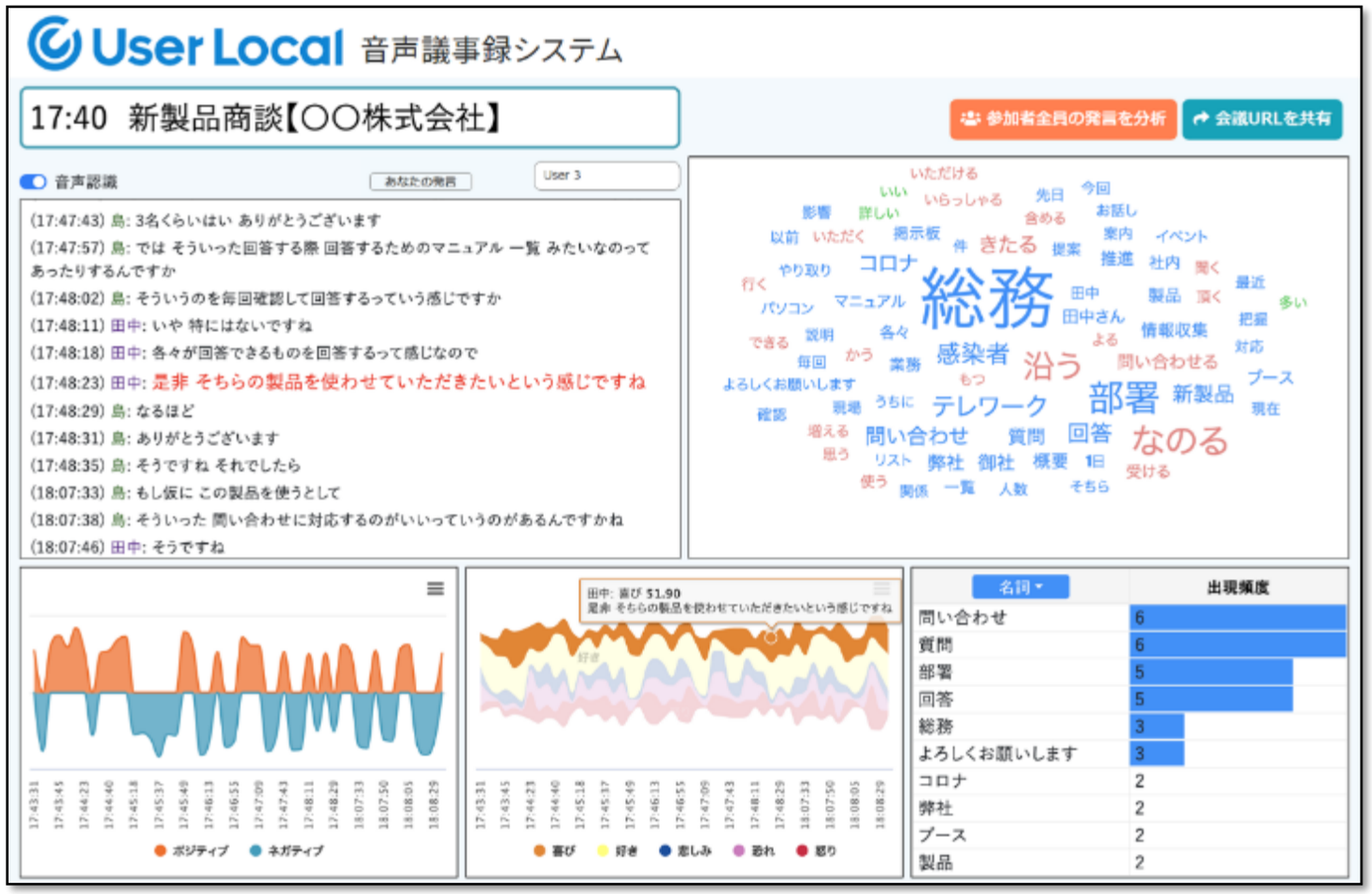
For online exams



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

Automatic Online Meeting Minutes Creation Service

Not only can this service automatically create minutes of online meetings, which previously required significant work, but it can also visualize the flow of the meeting with text mining technology

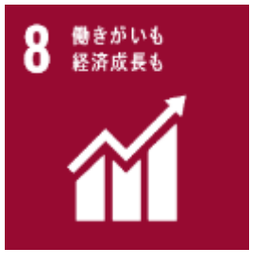


(1) Capable of voice recognition of multiple speakers
(2) Visualizes what sort of topics came up frequently during the meeting with text mining
(3) Able to assess the emotions and positive/negative sentiment in chronological order with deep learning

Voice Emotional Recognition AI for Reading Emotions from Voices

Deep learning can classify emotions read from voice into seven categories, and each component can be quantified and graphed

Developing Human Resources



Contributing to the discovery and development of advanced AI human resources through education for students who are expected to play active roles in the AI field and support for educational sites and research institutions

Social issues

Shortage of engineers in Japan

Solving the issues

- **Lecture activities in the Universities**
- **AI education for students**

Safety and Reliability of Information Management

Contributing to a society in which everyone can use information services safely

Social issues

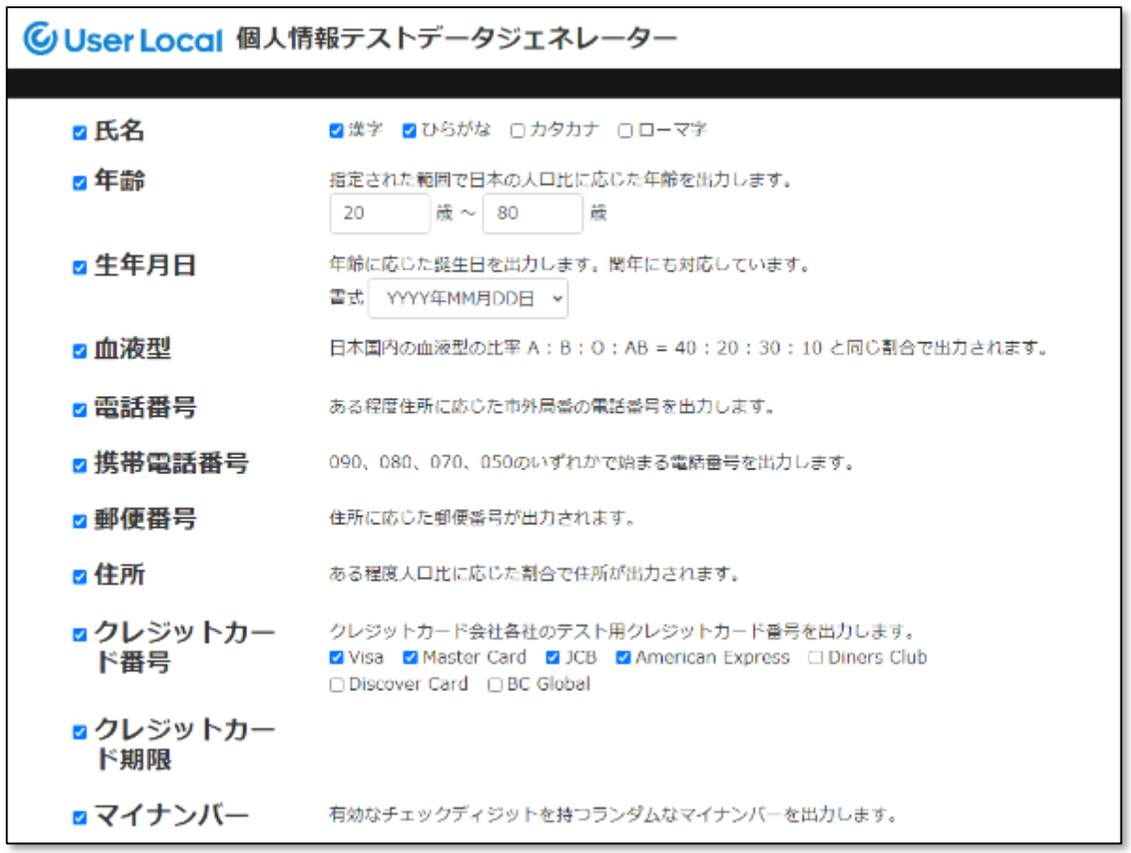
Increasing the importance and risks of information management with the development of information technology

Solving the issues

- Provision of free tools for companies working on personal information protection measures
- Information Security Initiatives

Test Data Generator of Personal Information

Automatic generation of pseudo-personal information data for system testing with a single click



	A	B	C	D	E	F	G
1	氏名	生年月日	メールアドレス	携帯電話番号	郵便番号	住所	会社名
2	山口 茂男	1991/5/20	shigeo_yamaguchi@	050-3638-389	189-1487	東京都江戸川区平井1-	株式会社モリタ
3	岸田 友康	1958/5/16	kishidatomoyasu@e	070-4117-432	224-2764	神奈川県横浜市港北区	テック株式会社
4	吉岡 政之	1961/4/5	yoshioka45@exampl	050-2789-753	889-2168	宮崎県日向市江良町1-	有限会社加藤
5	丸本 美幸	1985/5/10	marumoto510@exar	090-4673-841	149-7385	東京都世田谷区野沢1-	フジタ株式会社
6	許斐 太郎	1975/1/26	konomi126@exampl	090-4883-138	174-4862	東京都渋谷区東3-2-11	株式会社ティー
7	本間 則幸	1994/6/17	honma617@example	090-9412-412	160-4957	東京都昭島市昭和町2-	有限会社ドリー
8	菊島 祥子	1975/1/2	kikushima_shoko@e	090-7942-273	122-9645	東京都江戸川区南小岩	株式会社リリー
9	牛込 丈士	1968/3/28	ushigome_328@exar	070-5212-906	337-0652	埼玉県さいたま市大宮区	株式会社すまい
10	松本 真弓	1990/2/4	mayumi_matsumoto	090-8391-400	472-8855	愛知県名古屋市南区大	藤工務店株式会
11	吉岡 勝	1976/11/4	yoshioka_masaru@e	070-0567-484	202-7792	東京都中央区銀座1-1-	株式会社佐藤工
12	古賀 直子	1960/3/30	naoko_koga@exampl	090-0306-123	138-1043	東京都渋谷区神宮前4丁	株式会社ドリー
13	千葉 昭	1953/6/30	chiba_akira@exampl	050-1777-650	582-4145	大阪府大阪市北区天神	すまいる株式会
14	山本 香織	1975/8/1	yamamoto81@exam	080-6909-112	463-1634	愛知県一宮市栄2-4-20	株式会社リリー
15	斎藤 里佳子	1961/4/12	saito_rikako@examp	050-3649-231	085-5008	北海道北見市東三輪3丁	株式会社すまい
16	冨樫 光平	1994/1/28	togashi128@exampl	070-3777-225	560-6341	大阪府大阪市淀川区西	有限会社佐藤工
17	小野 信博	1980/12/28	ono_1228@example.	090-9526-350	721-2008	広島県福山市大門町1-	有限会社ドリー
18	平林 香織	1986/3/30	kaorihirabayashi@ex	090-8930-314	204-8076	東京都東大和市仲原2丁	株式会社フジタ
19	吉村 善光	1955/9/11	yoshimitsu_yoshimu	050-2694-930	207-3282	東京都杉並区阿佐谷北	有限会社ティー
20	門脇 誠子	1941/6/20	kadowaki_seiko@exa	070-6912-592	193-0192	東京都台東区松が谷4丁	有限会社アイテ
21	竹村 緑	1957/6/7	takemura_67@exam	050-5736-156	320-5341	栃木県宇都宮市大曽2-	有限会社ドリー

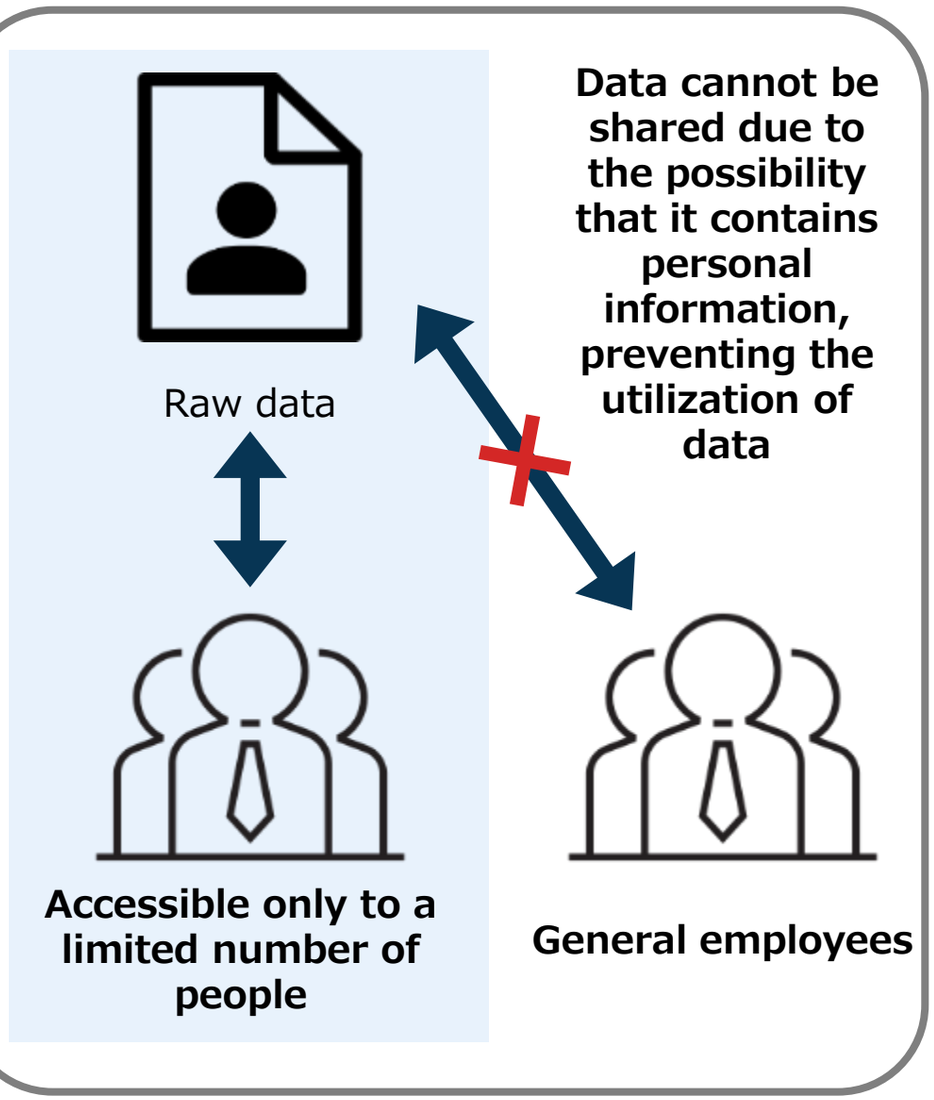
※Dummy data

It can generate a large amount of dummy data immediately and can be used for quality inspection and security check in system development

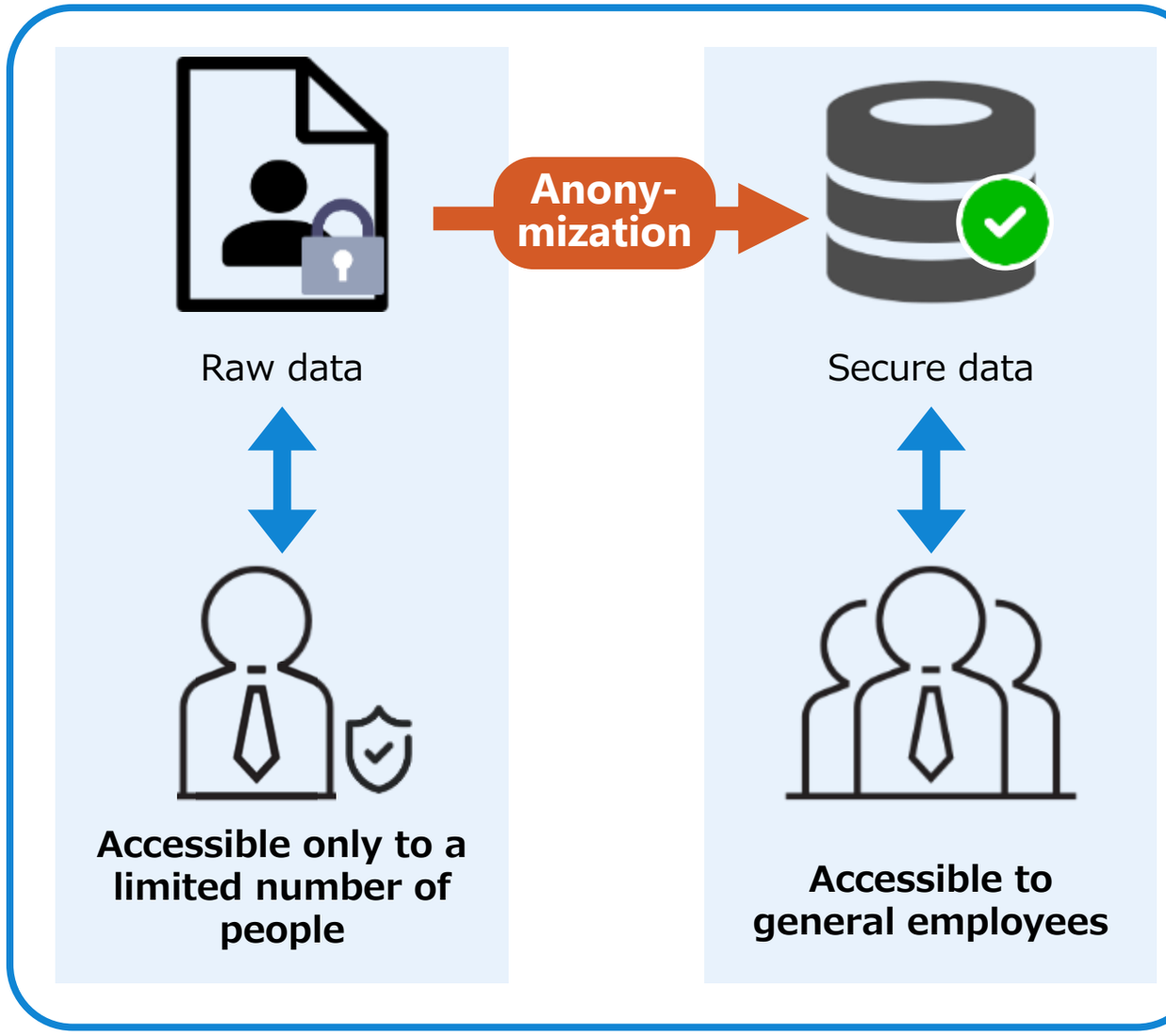
Personal Information Anonymization AI

AI automatically anonymizes personal information contained in electronic documents

Before



After



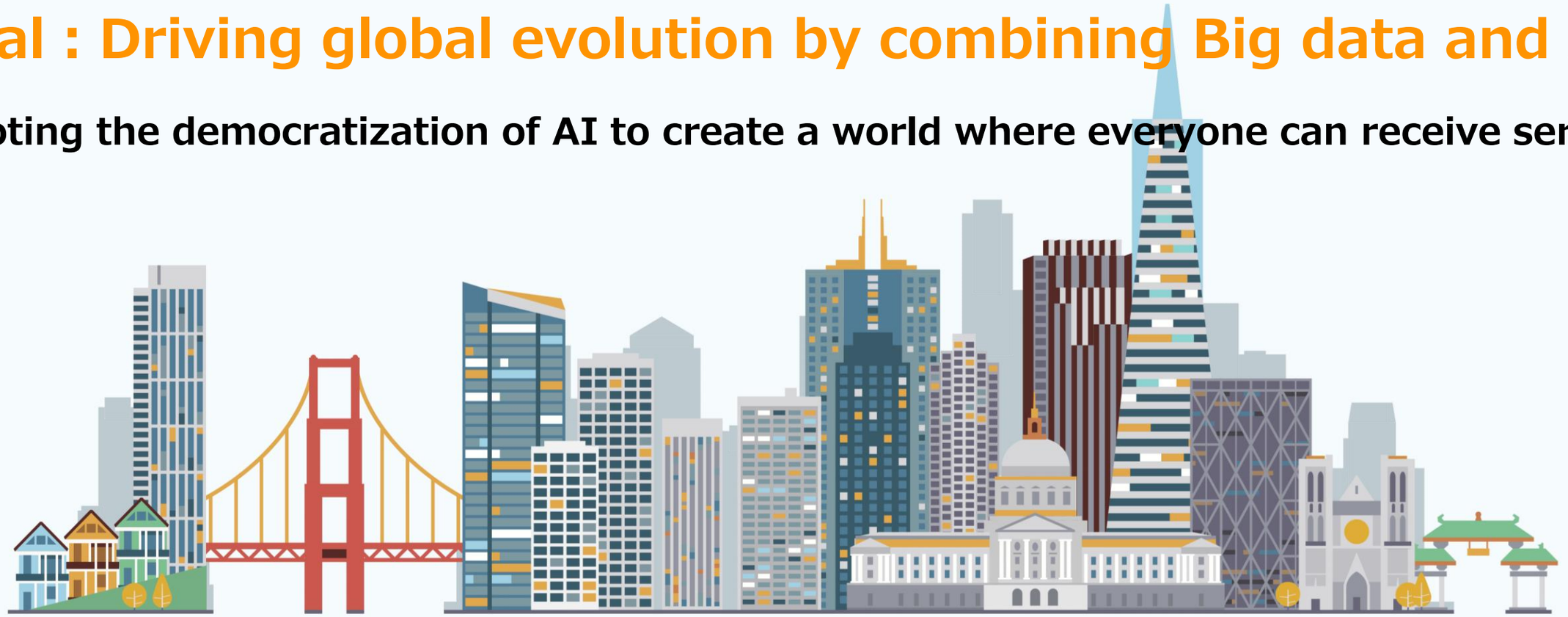
Promotes data utilization by securing data

Environment : Promote Business with Consideration for Sustainability

Use of a data center that uses 100% green power
Promotion of paperless system （ Web-based invoicing, etc ）

Social : Driving global evolution by combining Big data and AI

Promoting the democratization of AI to create a world where everyone can receive services



Automated responses

Social media operation support

Data aggregation and visualization

Website UX measurement

Image recognition

Content assessment

Privacy protection

Public administration support

Fraud detection

Education support

Robot controls

E-commerce customer service support

Management and Governance Structure

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

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	Osaki 2-11-1, Shinagawa Ward, Tokyo
History	2008 Releases "User Insight" access analysis tool 2012 Releases "Social Insight" social media analysis tool 2017 Releases "Support Chatbot" support operations support system 2017 Shares listed on TSE Mothers 2019 Listing changed to TSE First Section

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."