



Financial Results Briefing Materials for FY2023 Q2

February 8, 2023
User Local, Inc. (Securities Code:3984)
<https://www.userlocal.jp/>

- 1 Business Highlights (FY2023 Q2)** P. 3
- 2 Company Profile·Business** P. 8
- 3 Financial Results for FY2023 Q2** P.26
- 4 Future Focus Areas** P.33

1

Business Highlights (FY2023 Q2)

Highlights (FY2023 Q2)

Improve R&D Capabilities and DX Promotion lead to **Record profits achieved**

Net Sales

¥ 1,569 million

+24.3 % YoY

Operating Profits

¥ 669 million

+17.6 % YoY

EBITDA

※EBITDA=Operating Profits + Depreciation Costs

¥ 680 million

+16.4 % YoY

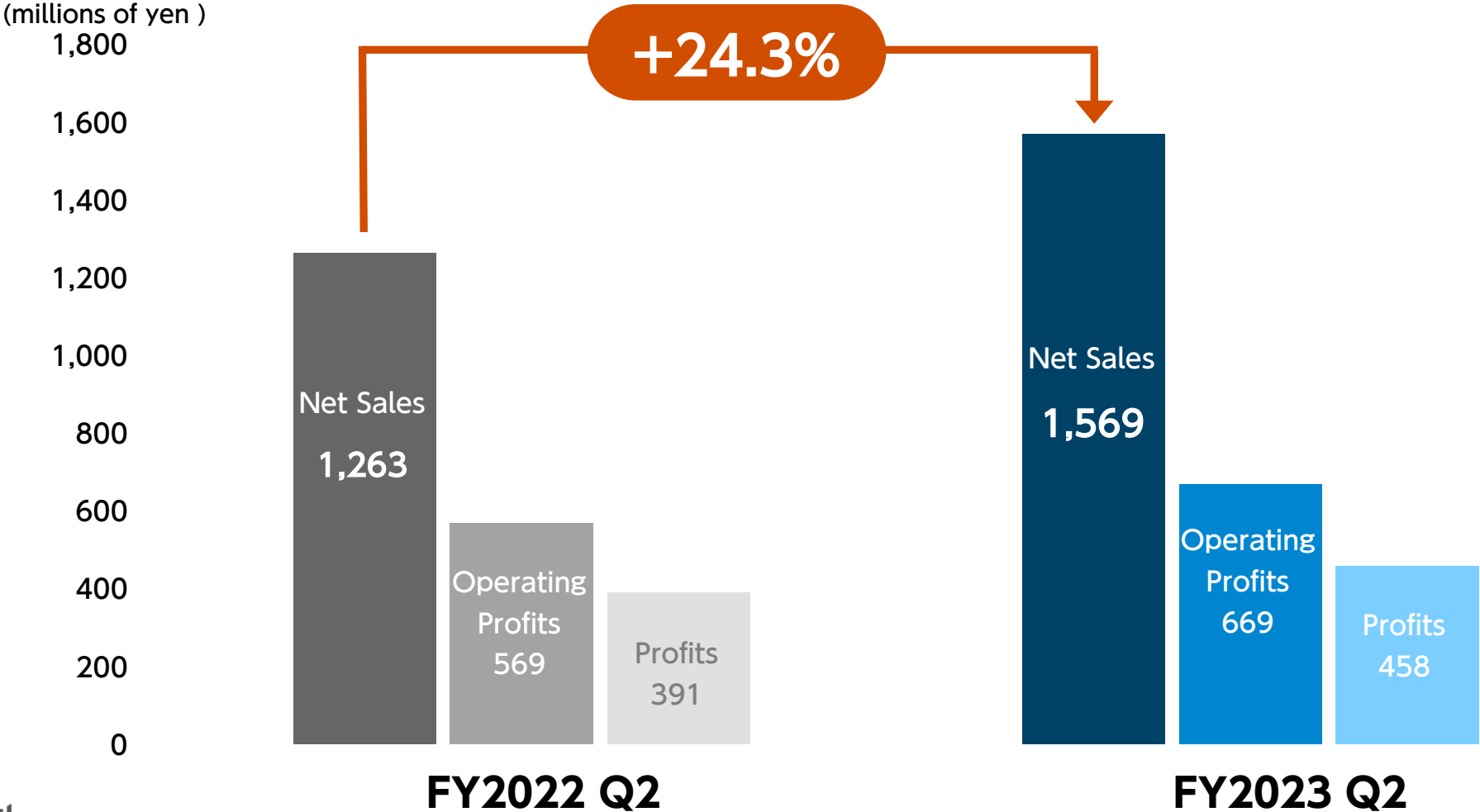
Profits

¥ 458 million

+17.1 % YoY

Compared to Previous Period

Net sales increased 24.3% from the previous year, **reaching a record high**



Overview of Financial Results for FY2023 Q2

(millions of yen)	FY2023 Forecast	FY2023 Q2 Results	Progress Rate
Net Sales	3,236	1,569	+48.5%
Operating Profit	1,178	669	+56.8%
Ordinary Profit	1,178	662	+56.2%
Profit	813	458	+56.3%

Recent Product Introductions (Government and Public Office)

Mutsu City, Aomori

Introduced a Support Chatbot that can automatically answer frequently asked questions from citizens regarding procedures at City Hall, childcare, etc. on the city's website and in the menu of the official LINE account.



Administrative Problem Solving Project of Aichi Prefecture

Provided a Support Chatbot as part of a chatbot demonstration experiment conducted as part of AICHI X TECH *

*This is a project that aims to solve administrative issues faced by each department within the prefectural government by utilizing ICT in cooperation with Aichi Prefecture and companies.



2

Company Profile · Business

Company Outline

Name	User Local, Inc.
Businesses	Big data analysis, AI
Capital	1,185 million yen (as of June 30, 2022)
Employees	85 (as of June 30, 2022)
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 system 2017 Shares listed on TSE Mothers 2019 Listing changed to TSE First Section] 2022 Transition to Prime Market



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
Graduated from Graduate School of Business, Cornell University
Representative Director of Kibidango, Inc.
Outside Director of Synchro Food Co., Ltd.



Outside Director Taku Ito
Graduated from the Faculty of Law, University of Tokyo
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

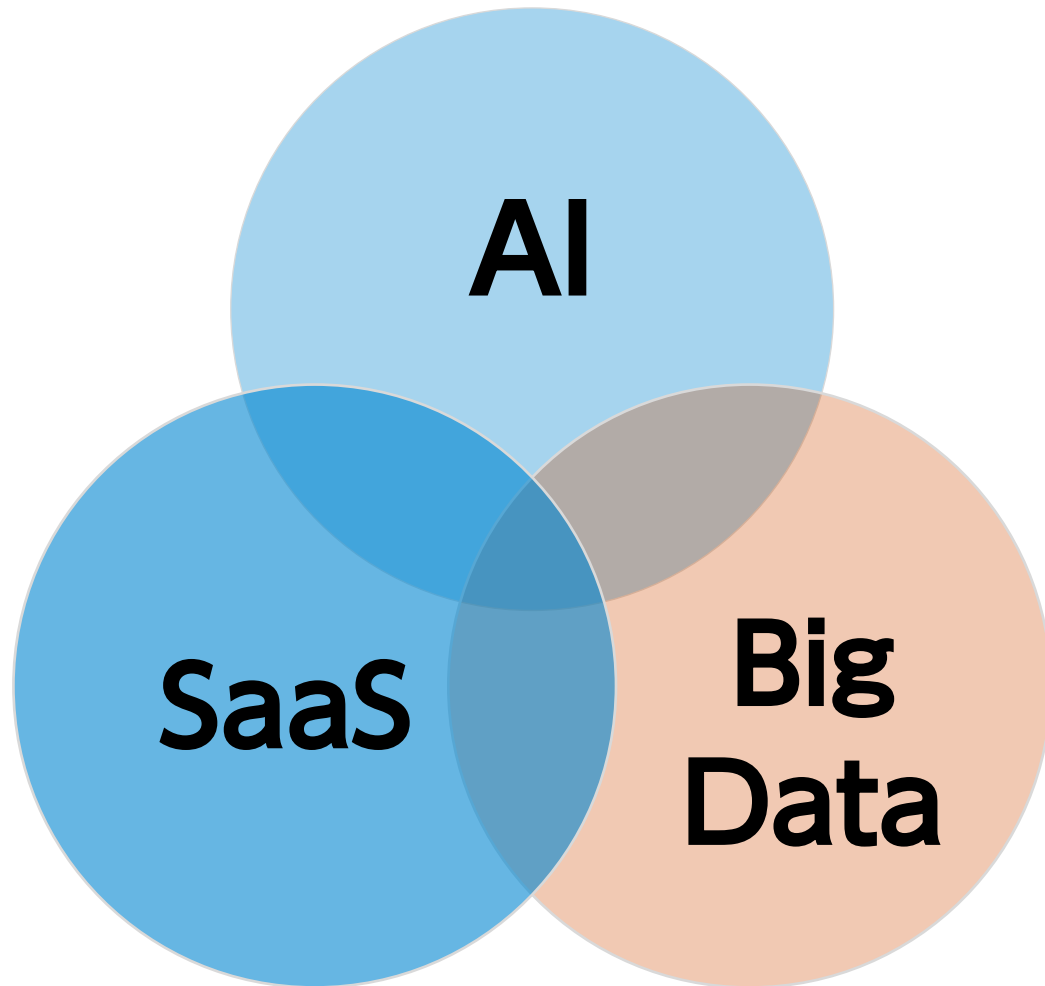


Executive Officer Hiroshi Hongo
Graduated from Graduate School of Frontier Sciences, University of Tokyo

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

Providing AI and Big Data services in SaaS



Advanced Big Data Analysis
and Natural language
processing technology based
on analysis of over 6 billions
SNS conversation data
Providing proprietary AI
services in SaaS* format

*SaaS= [Software as a Service]

Our Five Strength for 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

5. Continuous stable growth based on high profitability

Achieving continuous stable growth based on high profitability with a broad corporate client base and low-cost operations

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

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



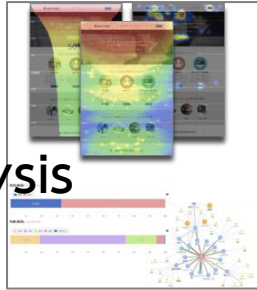
Providing in-demand services

Business Development in Growth Markets of Big Data and AI

① Digital Marketing by SaaS

 User Insight

Web Site Analysis



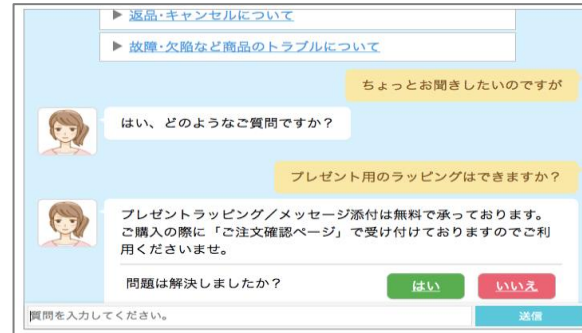
 Social Insight

SNS Analysis



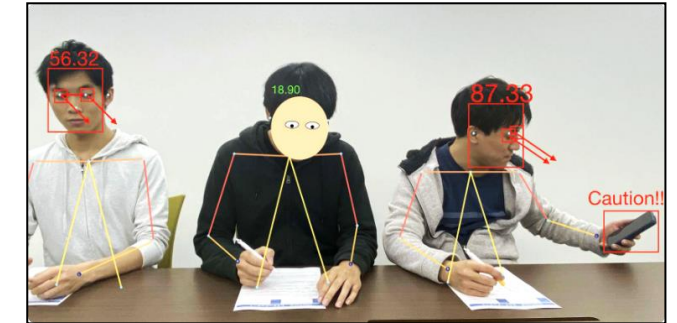
② AI DX by SaaS

 Support Chatbot



③ AI R&D Products

Cheating Prevention AI



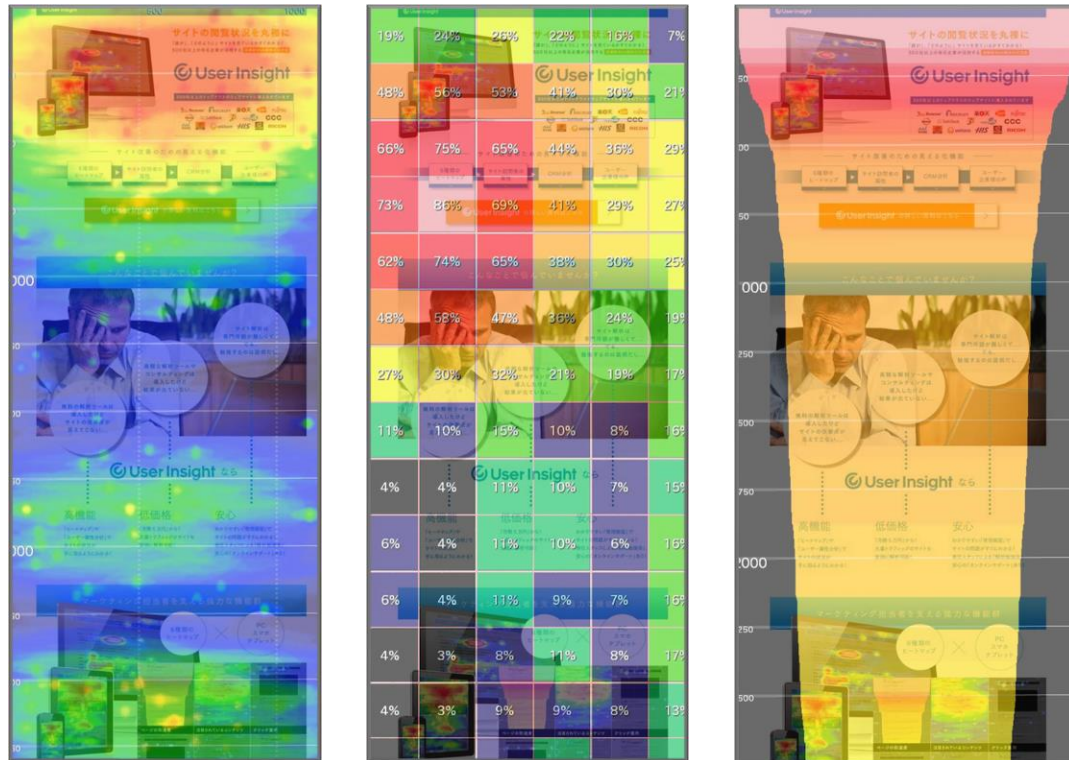
AI Text Mining



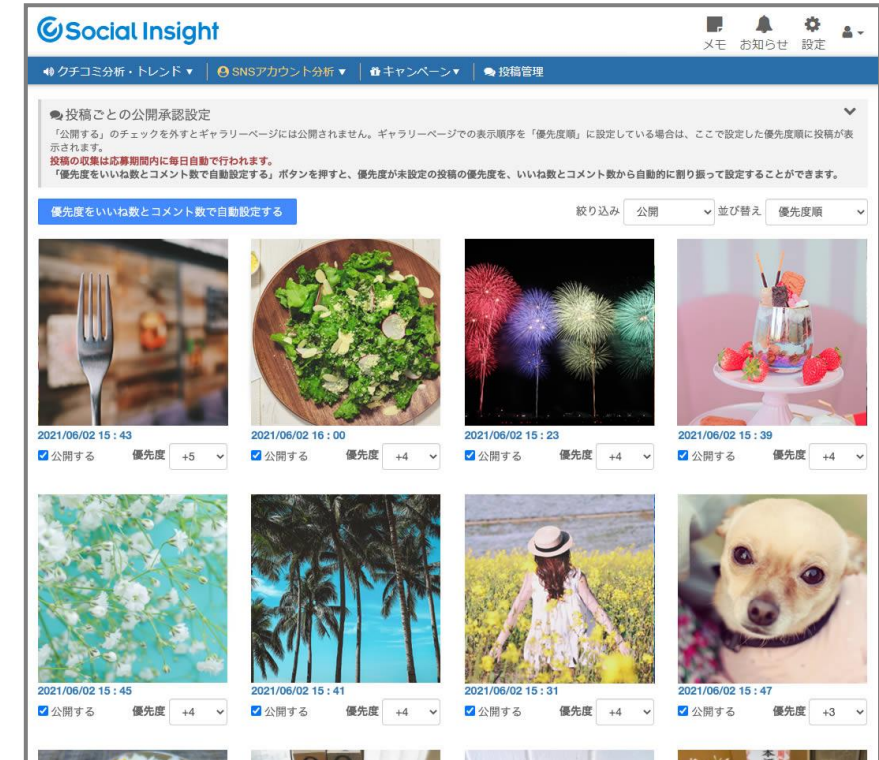
① Digital Marketing by SaaS



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



Social analysis tools that support from SNS operation to analysis



②AI DX by SaaS AI for the best query experience

Support Chatbot



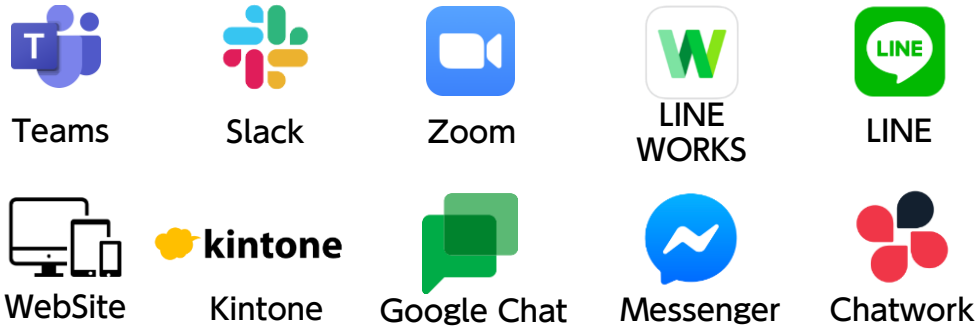
A tool that automates the inquiry handling process to support efficient operations and improve user satisfaction

②AI DX by SaaS Suitable for Various Industries and Operations

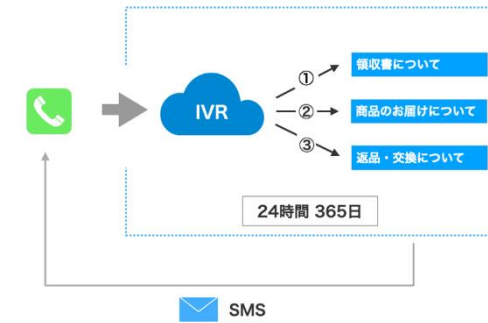


②AI DX by SaaS Expanding the use of Chatbot functions

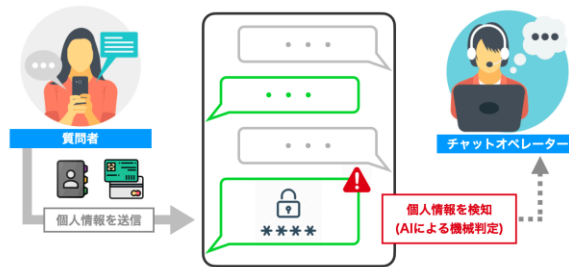
Strengthening coordination with external communication tools



Launch of Automated Telephone Inquiry Response AI



Automatic detection of personal information during chat



Support for automatic translation into over 100 languages

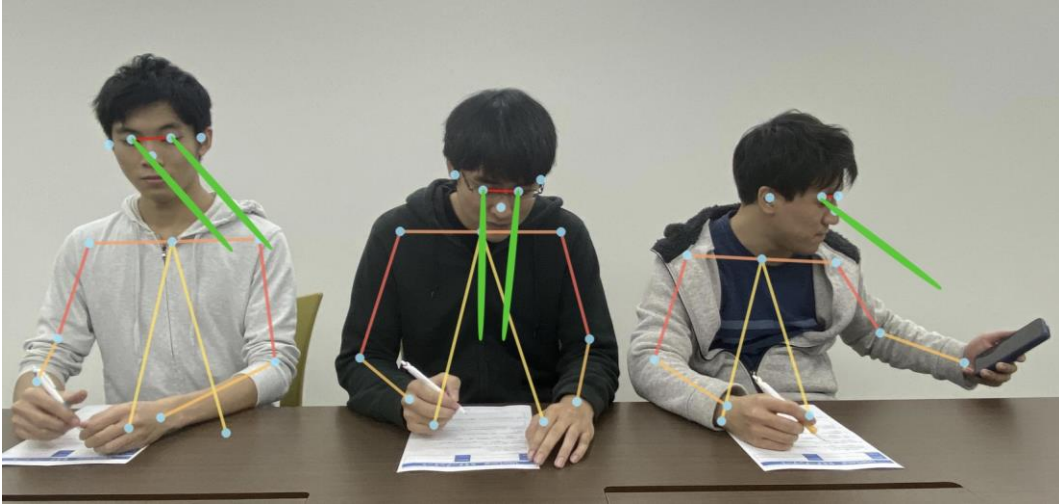


Multi-language support functions enable global customer support

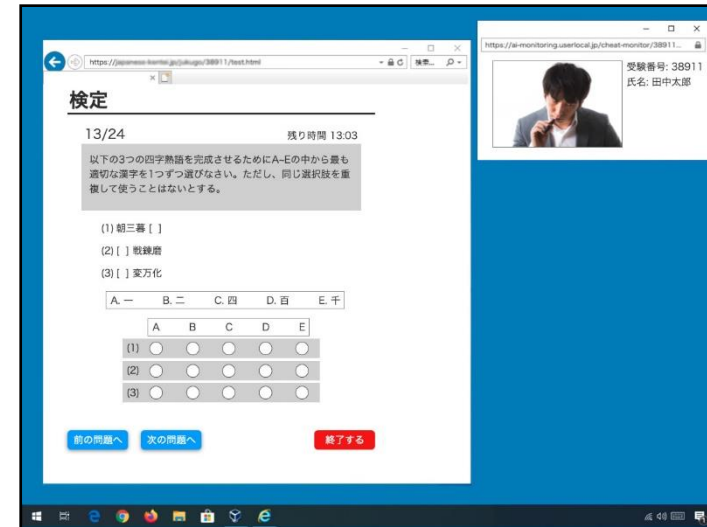
③ AI R&D Products Cheating Prevention AI

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

For on-site exams



For online exams



③AI R&D Products Text Mining Tool

Providing free AI Text mining Tool Application that automatically reads and analyzes the emotions in a sentence

手順① 調査したいテキストを入力

メロス は 激怒 した。必ず、かの 邪智 暴虐 の 王 を 除か なければ ならぬ と 決意 した。メロス には 政治 が わからぬ。メロス は、村 の 牧人 である。笛 を 吹き、羊 と 遊ん で 暮し て 来 た。けれども 邪悪 に対して は、人一倍 に 敏感 で あった。きょう 未明 メロス は 村 を 出発 し、野 を 越え 山 越え、十里 は なれた 此 の シラク ス の 市 に やって 来 た。メロス には 父 も、母 も 無い。女房 も 無い。十六 の、内気 な 妹 と 二人 暮し だ。この 妹 は、村 の 或る 律気 な 一牧 人 を、近々、花婿 として 迎える 事 に なって いた。結婚 式 も 間近 かな の である。…

解析したいテキストを入力

1つの文章を解析 2つの文章を比較 単語集計 音声入力

サンプル: 太宰治「走れメロス」

フォーム入力 ファイルをアップロード 目録から選択

文章入力欄

0 / 10,000文字

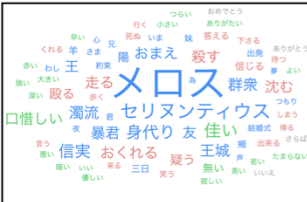
文字数上限を短くする

テキストマイニングする

手順② テキストマイニングの結果は？

ワードクラウド

文章内に出てくる単語を、頻度・重要度に応じた大きさを図示し、雲のように並べたもの



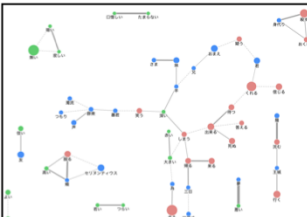
単語出現頻度

文章中の各単語を品詞別に分類し、出現回数で並び替えたもの

単語	品詞	出現回数
メロス	名詞	10
王	名詞	8
走	動詞	7
群衆	名詞	6
沈む	動詞	5
信実	名詞	4
おまえ	代名詞	3
殺す	動詞	3
信じる	動詞	3
湧流	名詞	3
暴君	名詞	3
身代り	名詞	3
友	名詞	3
良い	形容詞	3
王城	名詞	3
三日	数詞	3
笑う	動詞	3
美しい	形容詞	3
いいえ	副詞	3

共起キーワード

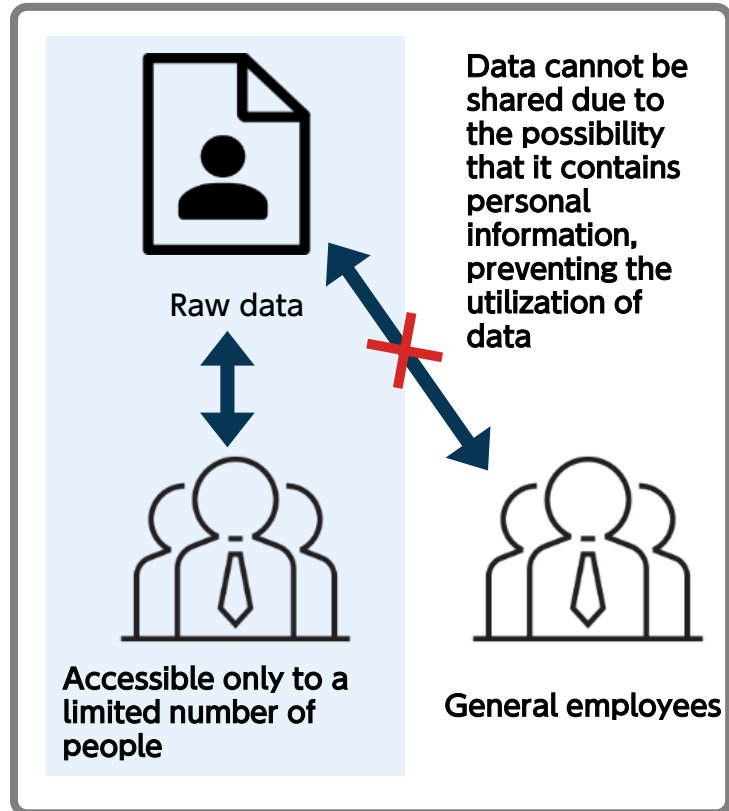
文章中に、セットで出てくる単語の組み合わせを線でつなぎ、単語同士の結びつきの強さを示している



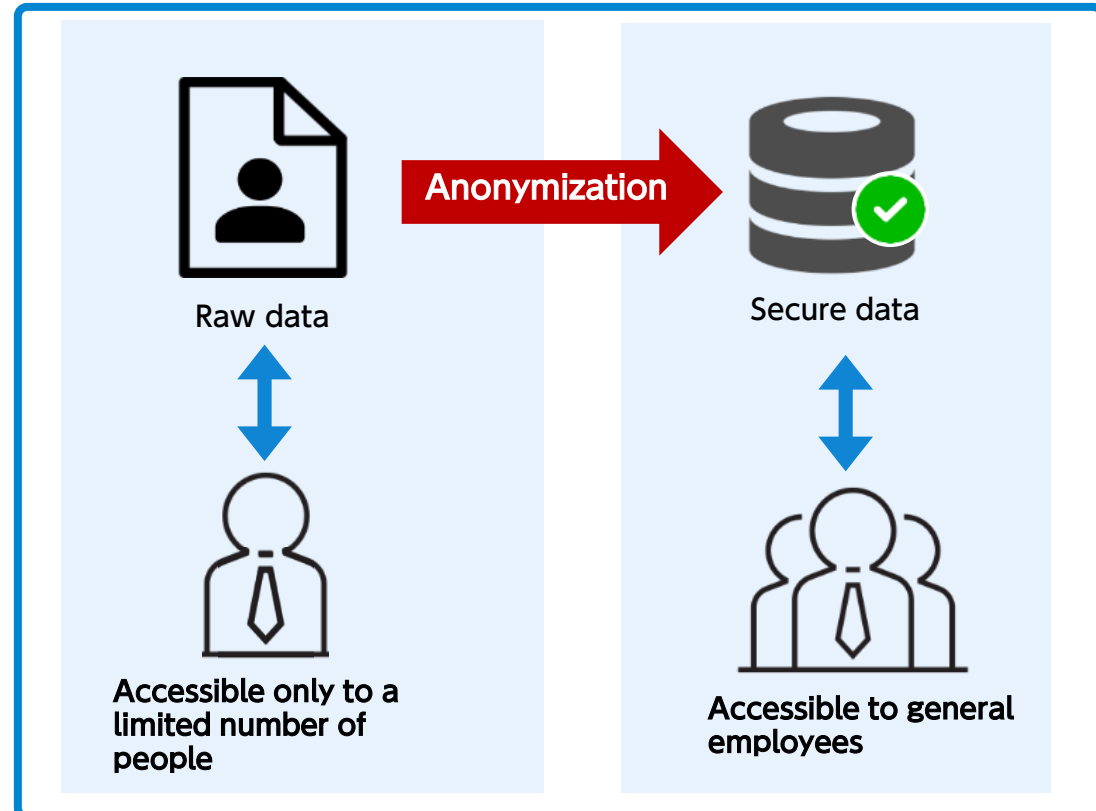
③ AI R&D Products Personal Information Anonymization AI

AI automatically anonymizes personal information contained in electronic documents
Secure data and promote data utilization

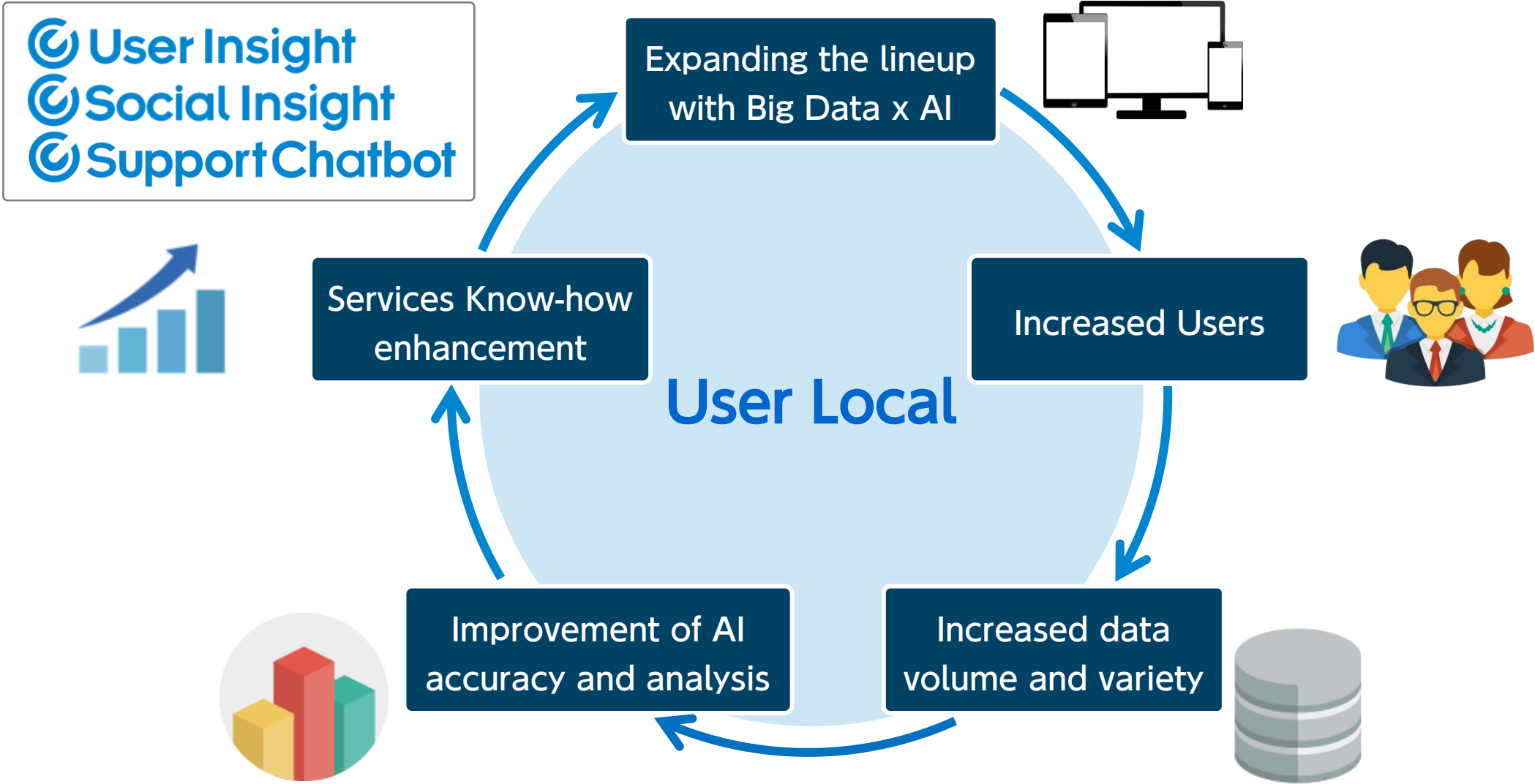
Before



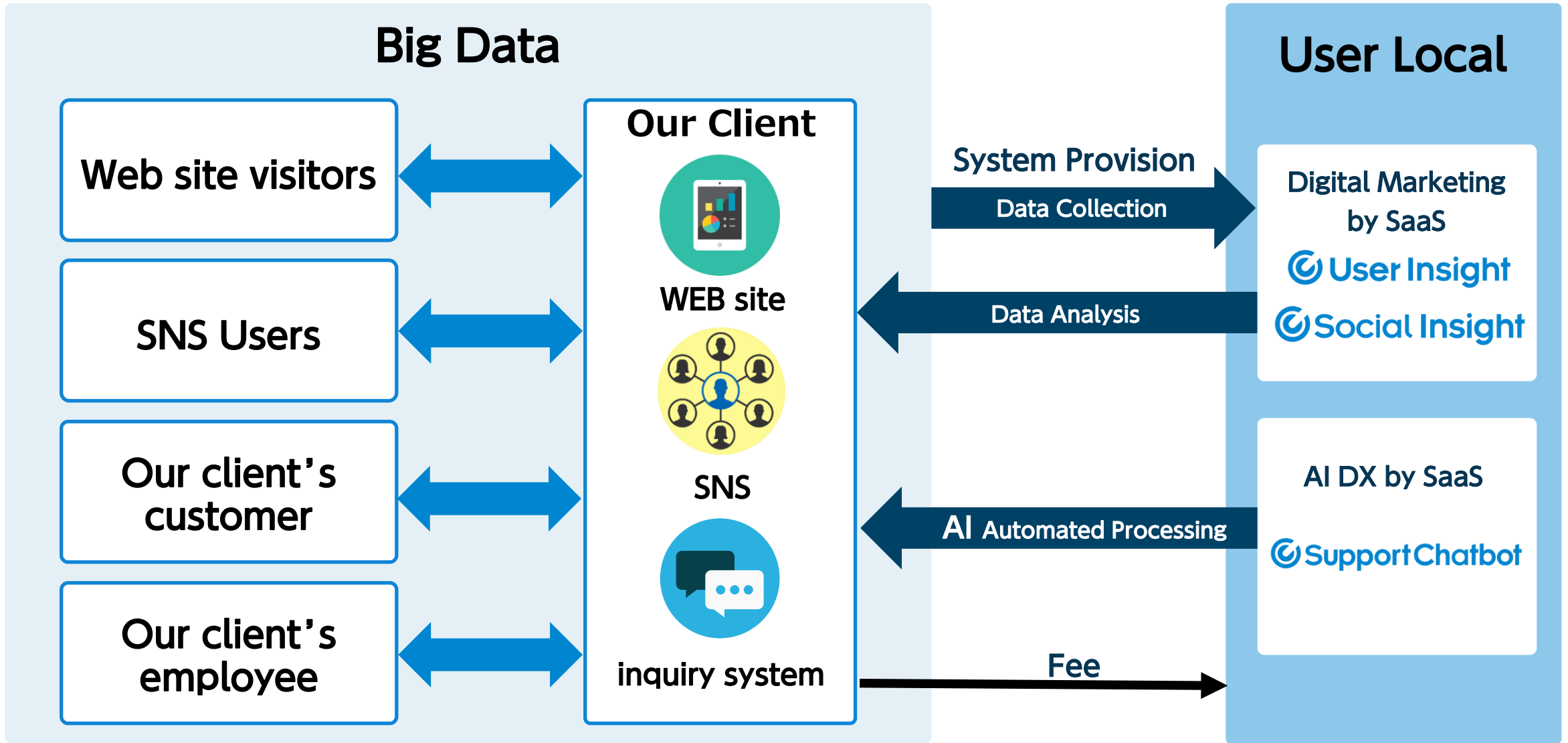
After



Virtuous cycle of algorithm Improvements



Business model for stable growth based on high profitability



Recognized for our outstanding service and introduced to more than 3,000 companies

Government Agencies Local Governments, Universities



Manufacturer
Electronic devices, automobiles, food, etc.

Panasonic



FUJIFILM

SUNTORY



SHISEIDO

ICT
Software, Information and communication, etc.

LINE

dwango

SoftBank

YAHOO!
JAPAN

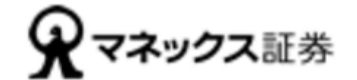
Rakuten

J:COM

Financial Institutions
Banks, securities, etc.



大和ネクスト銀行
Daiwa Next Bank



Media
Publishing, newspapers, etc.



日経BP社

DIAMOND
online

ITmedia

Others



dinos

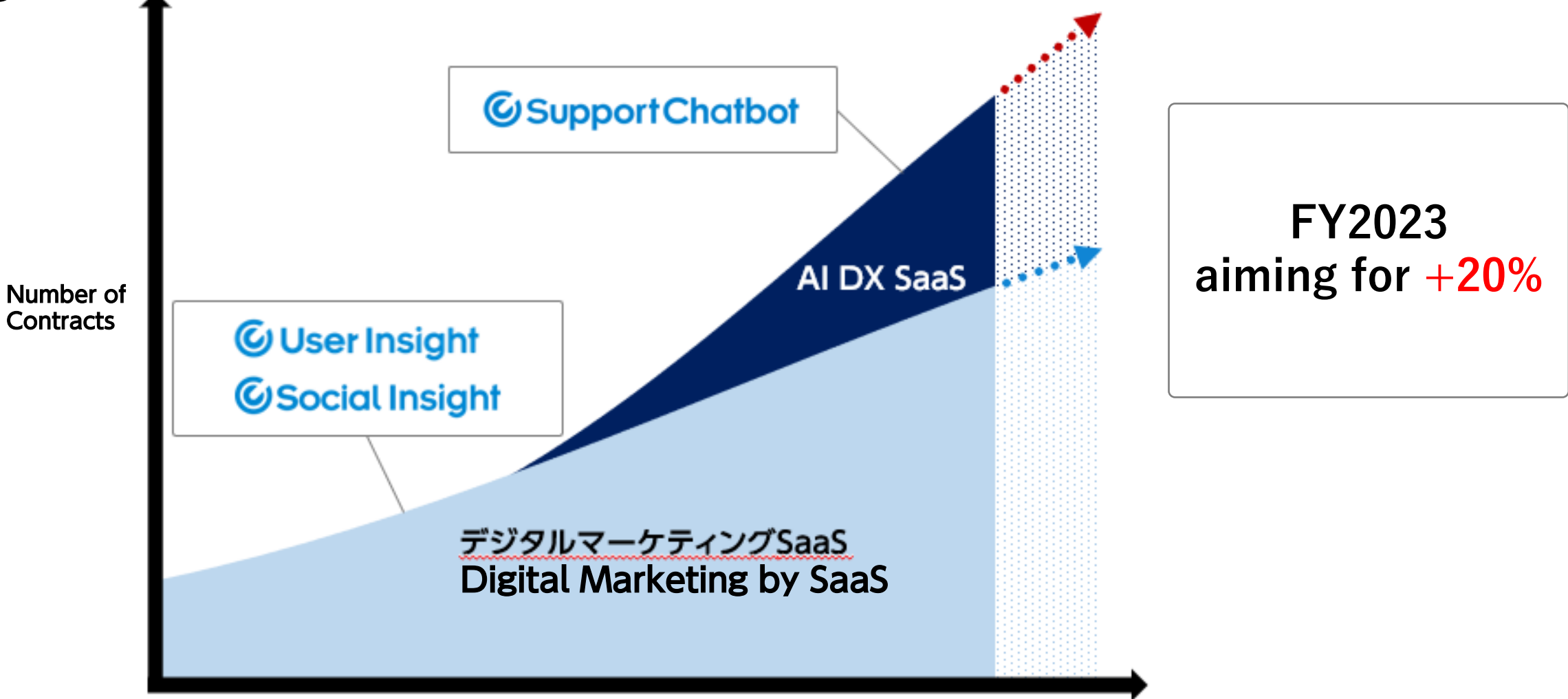
GDO

LIXIL

J.LEAGUE.jp

AI DX by SaaS · Digital Marketing by SaaS sales increased and reached record highs

Developing new services lead to sustainable growth



3

Financial Results for FY2023 Q2

Financial Results FY2023 Q2

- **Record-high** Net sales and Profit

Net Sales **¥1,569 million (+24.3% YoY)**

Operating Profit **¥ 669 million (+17.6% YoY)**

Profits **¥ 458 million (+17.1% YoY)**

- Invested in **advertising expenses** to further develop customers for key products

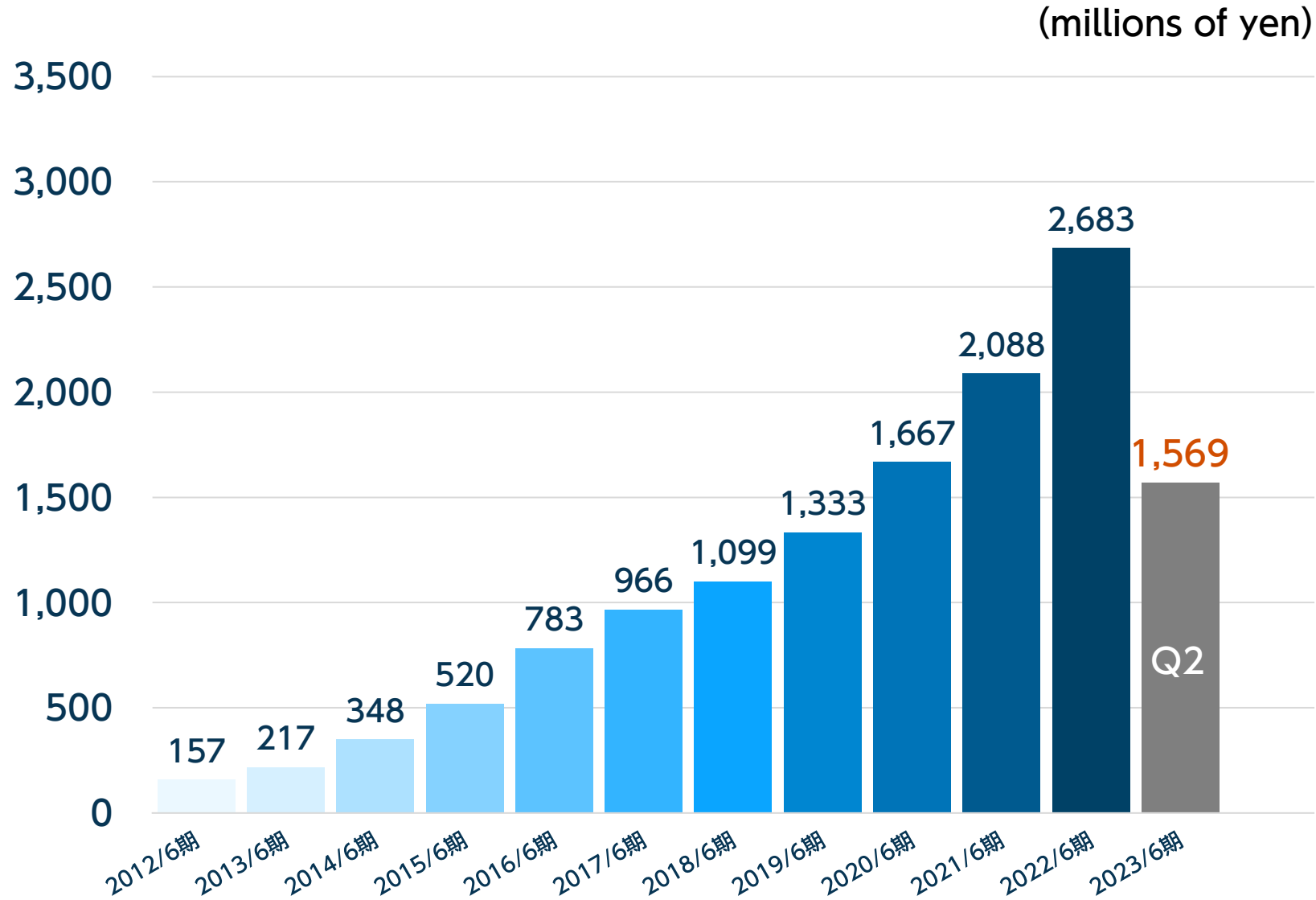
- Invested in **R&D** to develop new services

Outline of Earnings Performance in FY2022

Net sales increased **24.3%** YoY, and operating profit increased **17.6%** YoY

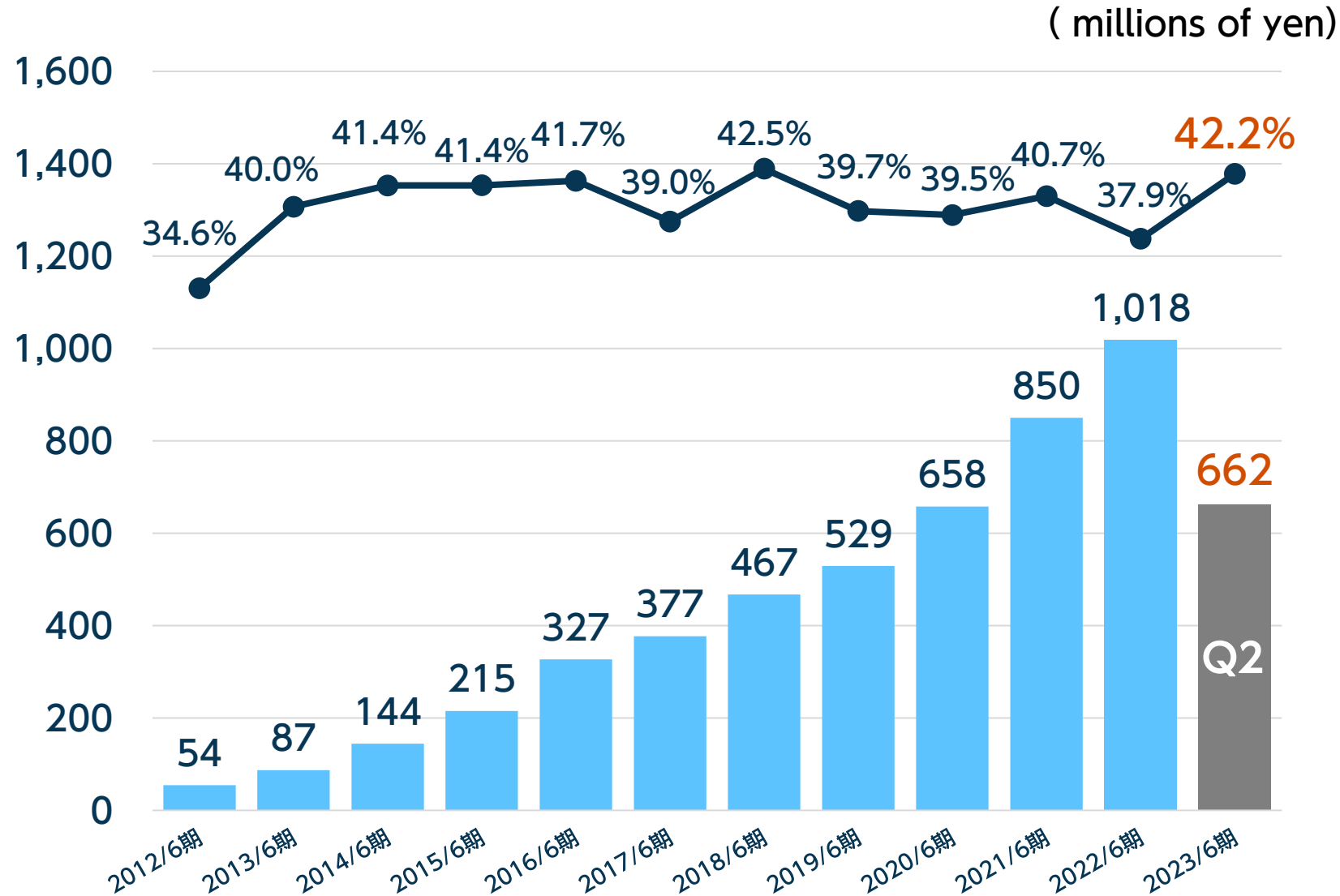
(millions of yen)	FY2022 Q2	FY2023 Q2	YoY change	FY2023 Forecast	Progress rate
Net Sales	1,263	1,569	+24.3%	3,236	48.5%
Operating Profit	569	669	+17.6%	1,178	56.8%
EBITDA	584	680	+16.4%	—	—
Ordinary Profit	567	662	+16.9%	1,178	56.2%
Profit	391	458	+17.1%	813	56.3%

Net Sales



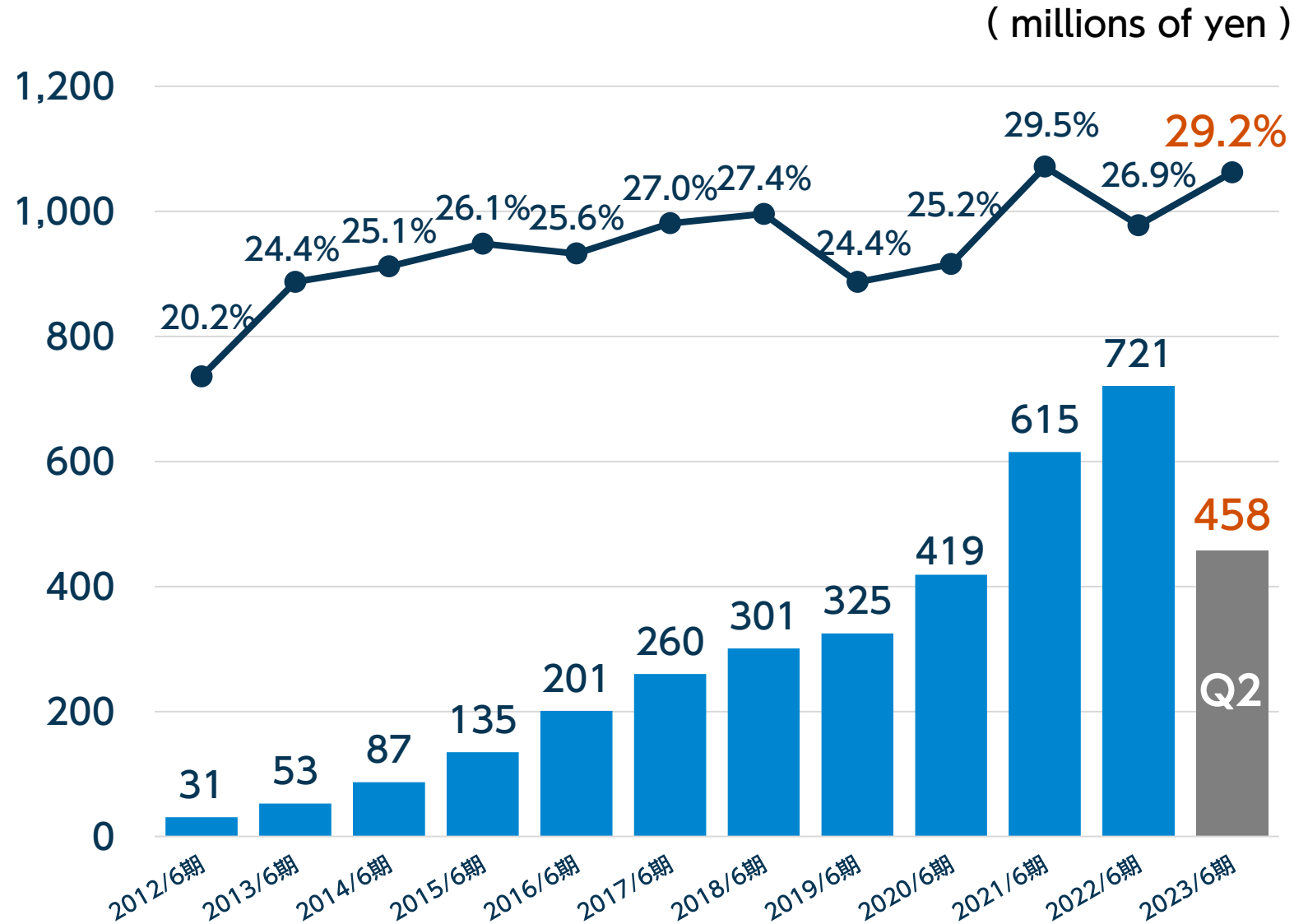
Increased **24.3%** from the previous quarter, reaching a **new record high**

Ordinary Profit and Ordinary Profit Margin



Ordinary Profit
+16.9% YoY,
achieved continuous
profit growth

Profit and Net Profit Margin



Profit +17.1% YoY,
achieved continuous
profit growth

FY2023 Q2 Financial Position

Net assets increased **276 million yen**, and the equity ratio remained high, at **89.6%**

(millions of yen)	FY2022 (2022/6/30)	FY2023 Q2 (2022/12/31)	Amount of YoY change
Current assets	5,721	6,008	+286
Non-current assets	517	482	△34
Total assets	6,238	6,491	+252
Current liabilities	700	675	△24
Non-current liabilities	-	-	-
Total liabilities	700	675	△24
Net assets	5,538	5,815	+276

4

Future Focus Areas

Product Development Focus Areas and External Environment

Focus on **Digital Marketing** and **AI DX** Product development

Reasons to Focus

1

Decrease
in domestic
workforce

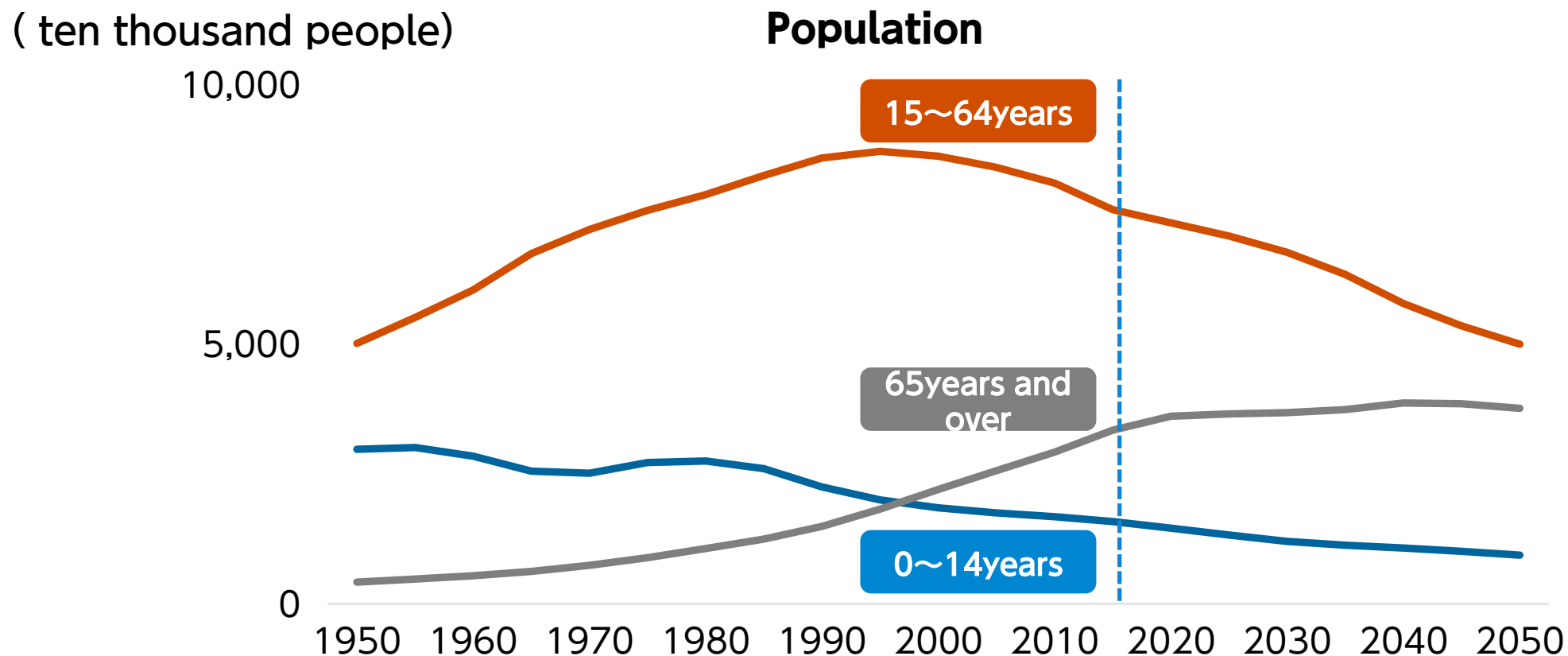
2

Work styles
change

3

Market Expansion

External Environment ① Declining domestic workforce poses serious challenges

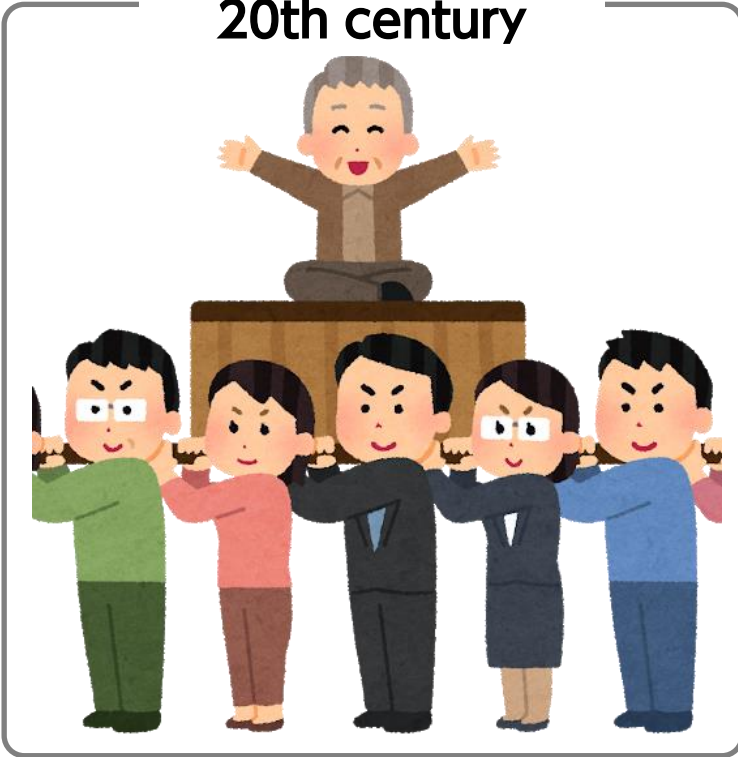


出典: 2015年までは総務省統計局「国勢調査結果」、2020年以降は国立社会保障・人口問題研究所「日本の将来推計人口(2017年推計)」

Declining absolute numbers of the working population is a social structural challenge in Japan

Response to issues related to the structure of society in Japan

Society until the 20th century



Current Status and Issues

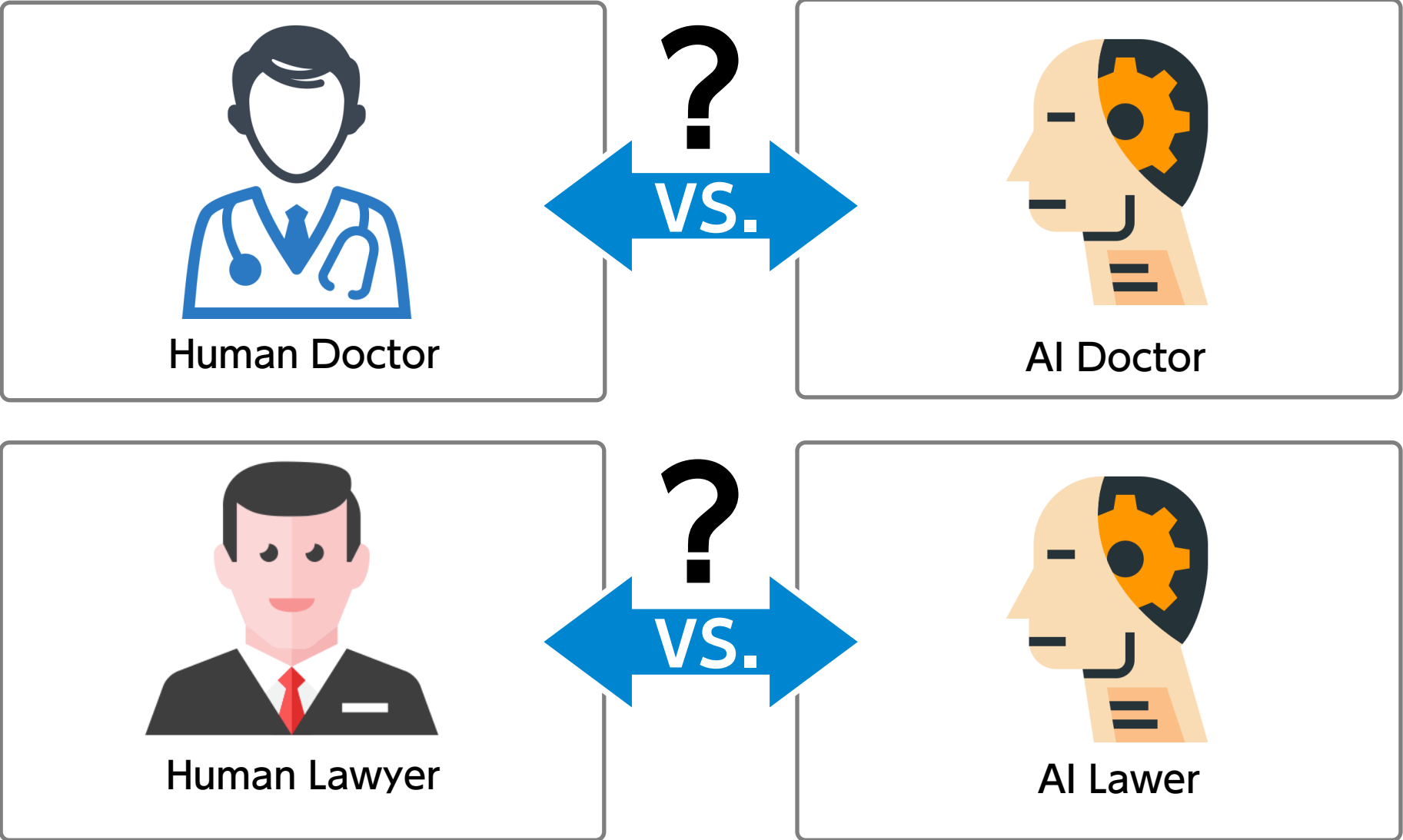


Enhancing labor capabilities with AI



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

Will Humans and AI conflict in the future?



In fact, Competition between companies that use AI and those that do not

Companies not utilizing AI



Hospital not utilizing AI

A grey-bordered box containing a grey icon of a doctor with a stethoscope and a large grey 'X' to its right. Below the box is the text 'Hospital not utilizing AI'.



Companies utilizing AI



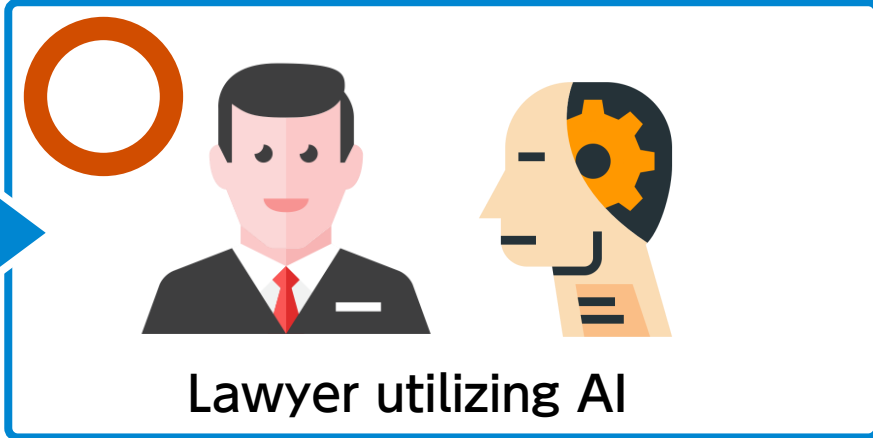
Hospital utilizing AI

A blue-bordered box containing a blue icon of a doctor with a stethoscope, a blue circle to its left, and a yellow and black icon of a head with a gear inside to its right. Below the box is the text 'Hospital utilizing AI'.



Lawyer not utilizing AI

A grey-bordered box containing a grey icon of a lawyer in a suit and a large grey 'X' to its right. Below the box is the text 'Lawyer not utilizing AI'.



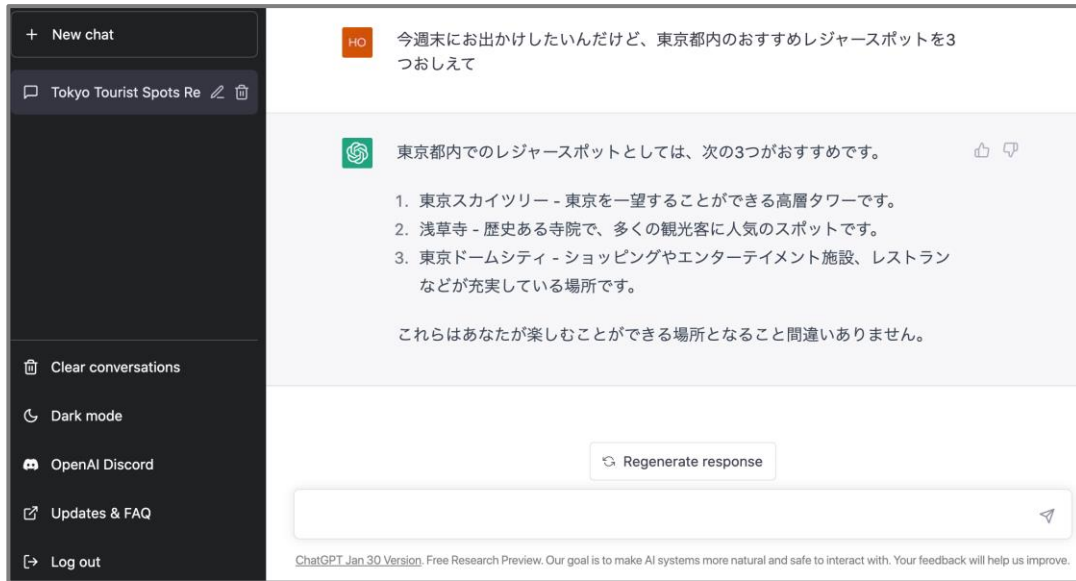
Lawyer utilizing AI

A blue-bordered box containing a blue icon of a lawyer in a suit, a blue circle to its left, and a yellow and black icon of a head with a gear inside to its right. Below the box is the text 'Lawyer utilizing AI'.

Incorporating world-renowned ChatGPT into our products

External Environment

In November 2022, Open AI ChatGPT is open to the public



Dialogue AI that can generate sentences as fast as humans has been developed by OpenAI, an American AI research institute, and has become a hot topic around the world

User Local

In January 2023, OpenAI's sentence generation AI implemented in our chatbot product



In addition to our own highly accurate auto-response AI, we have reduced the time required to create response plans by implementing OpenAI's dialogue algorithm

External Environment ② DX promotion through work styles change

Diverse work styles



Telework



Reduction of
overtime hours



Improvement
of paid leave
utilization
rate



Balancing
Childcare and
Work



Balancing
Nursing
care
and Work

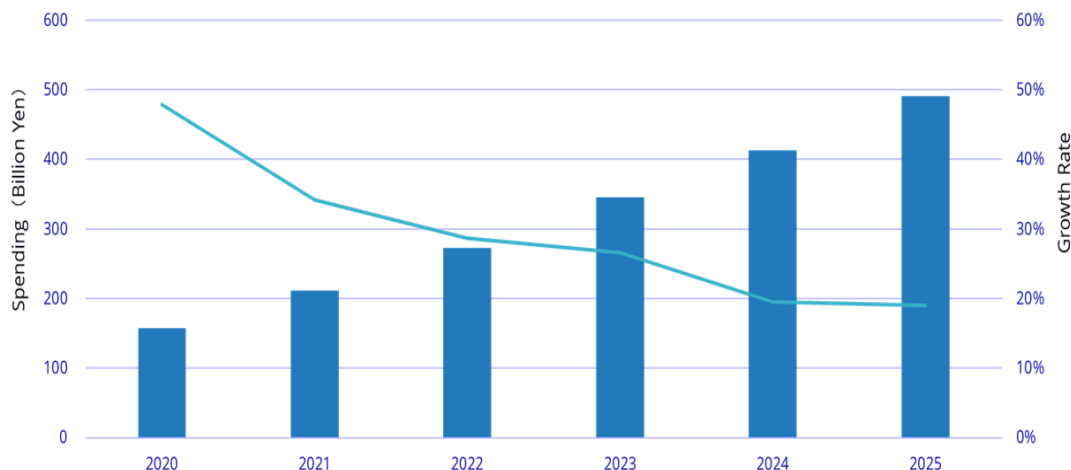
There is a growing need for support by AI to solve labor shortages, improve labor productivity, and increase customer satisfaction

External Environment ③ Growing Business Opportunities for AI and DX Markets

Market Expansion

【Domestic AI system market forecast】

From 2020 to 2025, CAGR(Compound Annual Growth Rate) will remain at 25.5% and to 490,981 million yen in 2025. ※



※ Source: IDC Japan Press Release

「Domestic AI system market forecast」(2021/6/2)

【DX domestic market research】

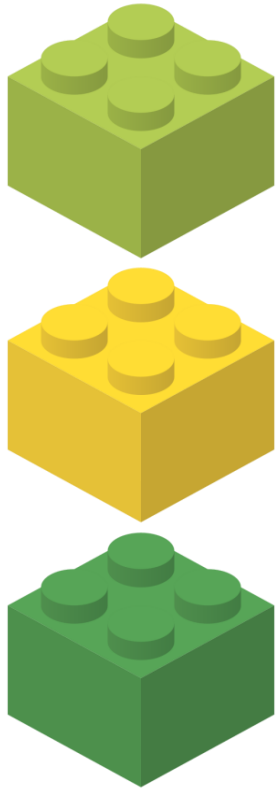
Exceeding 3 trillion yen by FY2030

(100 millions yen)

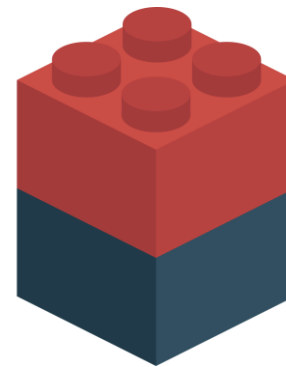
DX domestic market (Investment amount)	2019	Forecast for 2030	Compared to 2019
Transportation	2,190	9,055	4.1 times
Finance	1,510	5,845	3.9 times
Manufacturing	971	4,500	4.6 times
Distribution	367	2,375	6.5 times
Medical / long-term care	585	1,880	3.2 times
Real estate	160	900	5.6 times
Other industries	550	2,090	3.8 times
Sales / marketing	1,007	2,590	2.6 times
Customer service	572	1,190	2.1 times
Total	7,912	30,425	3.8 times

Create Products from New Combinations of Individual AI Algorithms

Individual AI algorithms

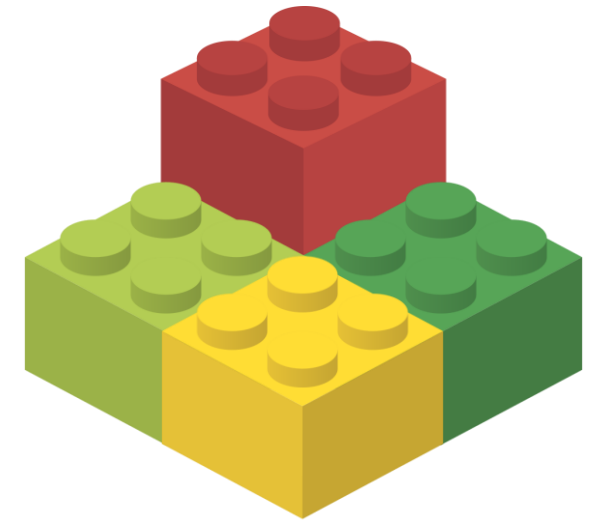


Existing product line-up



Big data and processing
Infrastructure already held

More sophisticated
versions of existing
products



New AI services

In-house development of AI algorithms

Natural Language Processing

Module

Personal Information Processing AI
Automatic text summarization AI
Recognition of emotions on text AI

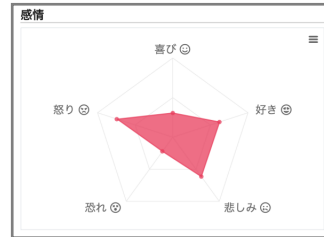


Image Processing

Handwritten Character Recognition AI
Estimation from facial expressions AI
Face recognition AI
Posture estimation AI
Line of sight estimation AI

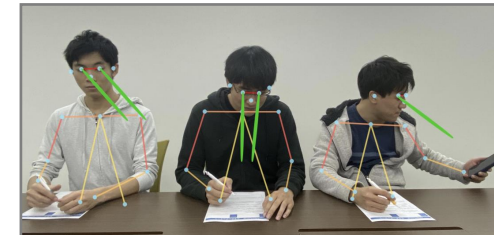


Products

AI Text Mining
Personal Information Masking AI
Tool

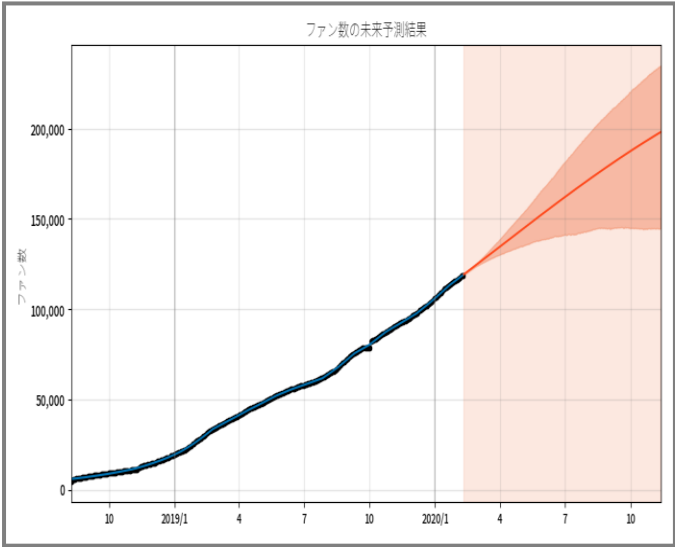


Handwritten OCR tools
Cheating Prevention AI

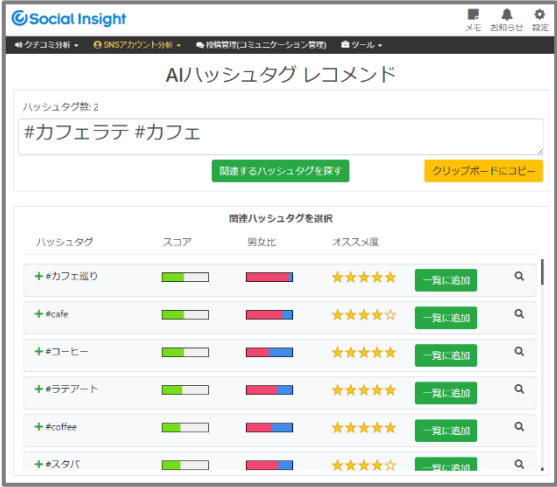


Application of AI algorithms to existing services

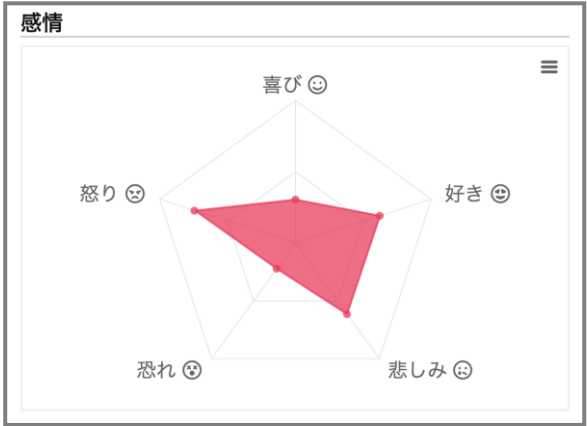
Strengthening User Insight and Social Insight analysis capabilities to be widely used as an automated marketing tool



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

Provision of AI algorithms free of charge

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

UserLocal 手書きOCR 読み取りフォーマット一覧

Q&A お問い合わせ ログアウト

申請書

ファイル読み取り

読み取り結果一覧

編集

削除

田中太郎-申込書.png

前のファイル 次のファイル

ダウンロード 削除

100% リセット

フリガナ	フリガナ 田中 太郎
氏名	名前 田中 太郎
生年月日	生年月日-年 生年月日-月 生年月日-日 2000 年 4 月 5 日
郵便番号	郵便番号 〒 100 - 0014
住所	住所 東京都千代田区永田町 1-7-1
電話番号	電話番号 070 (3425) 6092
Email	Email taro@example.com

申込日-年

文字種別: 数字

2021

2021

申込日-月

文字種別: 数字

10

10

申込日-日

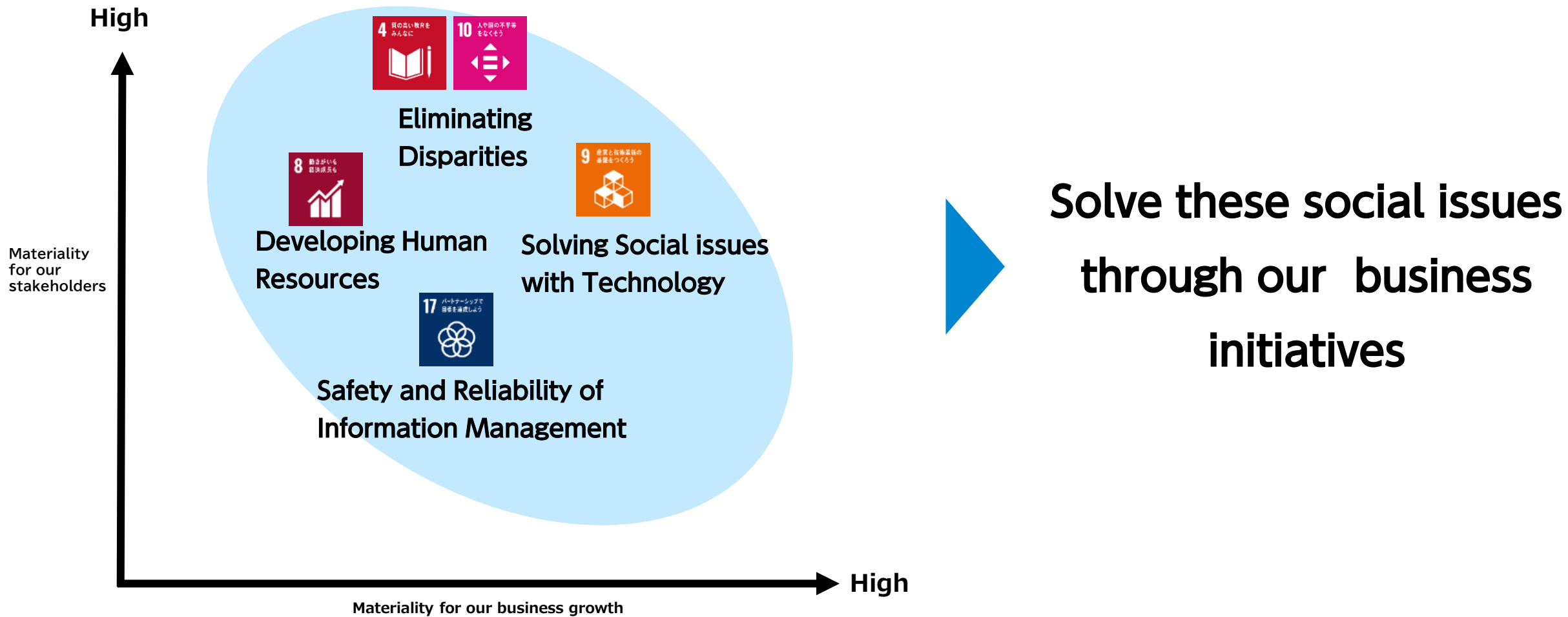
文字種別: 数字

編集結果を反映

サイドバーをたたむ

Focusing on ESG

We have identified our focus areas to achieve the SDGs goals



① Eliminating Disparities



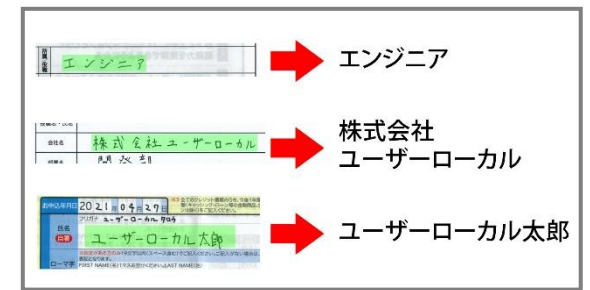
Realizing a society in which everyone can benefit from AI technology

Social issues

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

Our Initiatives

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



② 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



Our Initiatives

- 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



③ Safety and Reliability of Information Management

17 パートナーシップで
目標を達成しよう



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



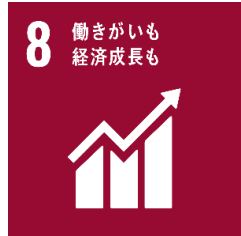
Our Initiatives

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

UserLocal 個人情報テストデータジェネレーター

氏名	<input checked="" type="checkbox"/> 漢字 <input checked="" type="checkbox"/> ひらがな <input type="checkbox"/> カタカナ <input type="checkbox"/> ローマ字
年齢	指定された範囲で日本の人口比に応じた年齢を出力します。 20 歳 ~ 80 歳
生年月日	年齢に応じた誕生日を出力します。随年にも対応しています。 書式 YYYY年MM月DD日
血液型	日本国内の血液型の比率 A : B : O : AB = 40 : 20 : 30 : 10 と同じ割合で出力されます。
電話番号	ある程度住所に応じた市外局番の電話番号を出力します。
携帯電話番号	090、080、070、050のいずれかで始まる電話番号を出力します。
郵便番号	住所に応じた郵便番号が出力されます。
住所	ある程度人口比に応じた割合で住所が出力されます。
クレジットカード番号	クレジットカード会社各社のテスト用クレジットカード番号を出力します。 <input checked="" type="checkbox"/> Visa <input checked="" type="checkbox"/> Master Card <input checked="" type="checkbox"/> JCB <input checked="" type="checkbox"/> American Express <input type="checkbox"/> Diners Club <input type="checkbox"/> Discover Card <input type="checkbox"/> BC Global
クレジットカード期限	
マイナンバー	有効なチェックディジットを持つランダムなマイナンバーを出力します。

④ 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

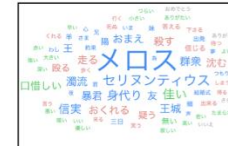
Social issues

Shortage of engineers in Japan

Our Initiatives

- Lecture activities in the Universities
- AI education for students
- In the high school textbook "Information I." Text Mining was published in

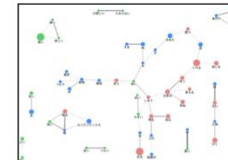
手順② テキストマイニングの結果は？



ワードクラウド
文章内に出てくる単語を、頻度・重要度に応じた大きさで図示し、雲のように並べたもの

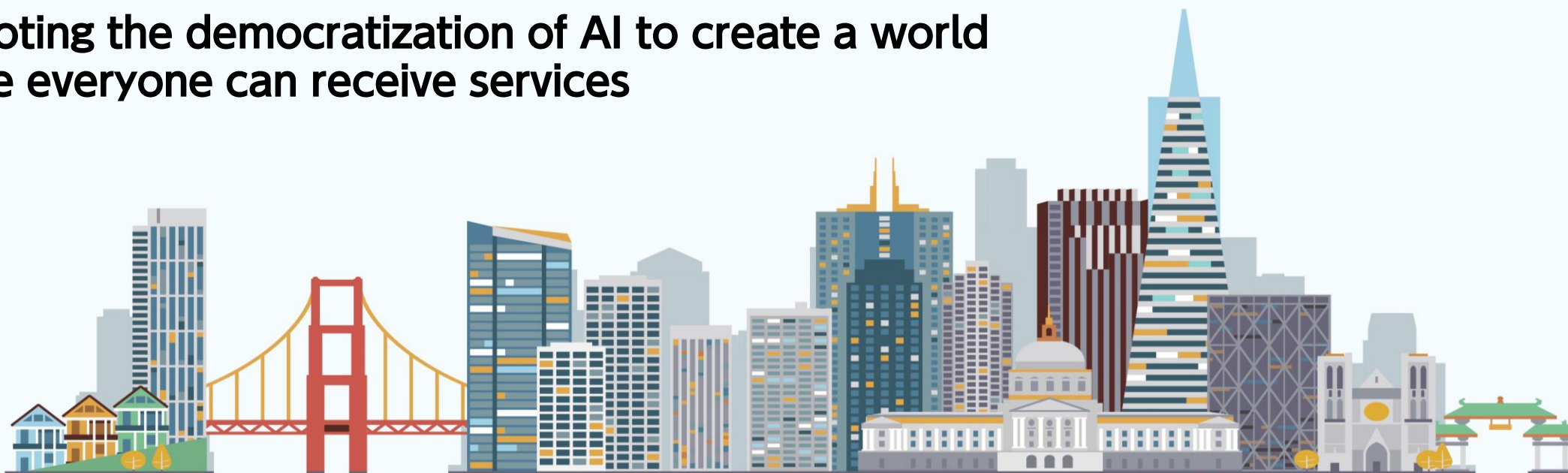


単語出現頻度
文章中の各単語を品詞別に分類し、出現回数で並び替えたもの



共起キーワード
文章中に、セットで出てくる単語の組み合わせを線でつなぎ、単語同士の結びつきの強さを示している

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



Existing areas



Data aggregation and visualization



Social media operation support



Automated responses



Image recognition



Public administration support



Education support



Content assessment



Website UX measurement



E-commerce customer service support



DX



Fraud detection



Privacy protection

Future areas



Robot controls



Sales Support



Sports Analytics



In-house management tools

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 Company makes no representations or warranties of any kind, expresses or implies, about the completeness and accuracy.

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.

